



**THE DEVELOPMENT OF A BUSINESS SOCIAL RESPONSIBILITY  
(BSR) MODEL TO PROMOTE THE LONG-TERM SUSTAINABILITY  
OF HOSPITALITY SMMEs IN THE FREE STATE REGION**

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## DECLARATION

I Mamello Evodia Moeti, student number [REDACTED], do hereby declare that this research paper submitted to the Central University of Technology, Free State for the MTECH: Business Administration is my own independent work and has not previously been submitted by me at another university. I furthermore cede copyright of the dissertation in favour of the Central University of Technology, Free state.



SIGNATURE OF STUDENT

14<sup>th</sup> November 2016

DATE

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## **DEDICATION**

I dedicate this thesis to my parents and my daughter.

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## LIST OF ACRONYMS

<b>ACRONYM</b>	<b>FULL WORDS</b>
B&B	Bed and Breakfast
BEE	Black Economic Empowerment
BSR	Business Social Responsibility
CSR	Corporate Social Responsibility
DBSA	Development Bank of Southern Africa
DEAT	Department of Environmental Affairs and Tourism
DTI	Department of Trade and Industry
GDP	Gross Domestic Product
HVS	Hospitality Valuation Services
ICR	Integrated Corporate Reporting
IFC	International Finance Corporation
MACUFE	Mangaung Arts and Cultural Festival
NEF	National Empowerment Fund
NLDF	National Lottery Distribution Fund
NSBA	National Small Business Association
SMEDP	Small Medium Enterprise Development Programme
SMMEs	Small, Micro and Medium Enterprises
TGCSA	Tourism Grading Council of South Africa
TSP	Tourism Support Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
WTTC	World Travel and Tourism Council

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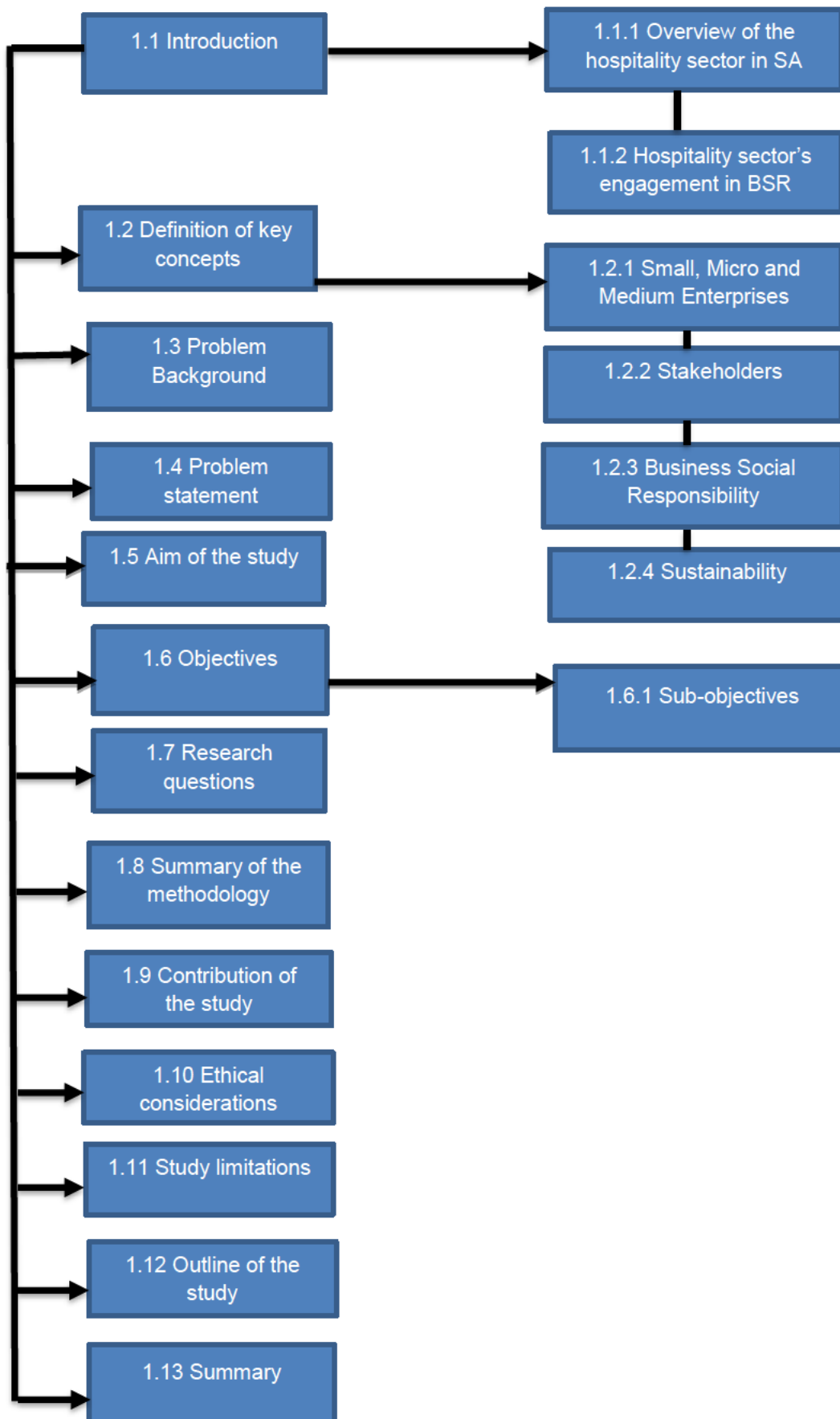
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## ABSTRACT

The advancement of a business competitiveness and promotion of a good reputation are often hailed as the prime motivations for businesses' engagement in socially responsible behaviour. Although social responsibility literature tends to focus on large organisations and hence the buzz term "corporate social responsibility", the emergence of the term "business social responsibility" (BSR) resonates with small business entities' commitment to fulfil the needs, desires and aspirations of their stakeholders and community at large. However, the activities of Small, Micro and Medium Enterprises (SMMEs), especially those in the hospitality sector, continue to be eclipsed by those of large corporations due to their perceived small scale and impact. This raises critical questions about the actual extent, significance and long term sustainability of the BSR activities of small hospitality businesses in view of their limited financial base, unsophisticated marketing strategies and their concomitant limited visibility at the national and international level. In view of these challenges, this study explores an ideal BSR model that will guarantee the Free State Province's hospitality SMMEs' long term sustainability.

Drawing on a positivist epistemology and a survey approach, 120 questionnaires were distributed to owner/managers and employees of the hospitality SMMEs in the Free State to establish their BSR activities and unravel the relationship of these activities with firm sustainability. A total of 92 questionnaires were duly completed and returned yielding a high response rate of 76.6%. The findings suggest that although most hospitality business owners/managers understand what BSR is, their engagement in its associated activities remains informal and ad hoc. Most SMME owner/managers also acknowledged that BSR promotes sustainable community development and improves the competitive advantage of small businesses. Based on the study findings, a BSR model that promotes the long-term sustainability of hospitality SMMEs in the Free State Province is one that integrates and aligns business operations, the business' competitive strategy and BSR activities to the appropriate combination of relevant stakeholders. It is also postulated that this systemic integration will align business operations with the goals and vision of the business and promote the business' long term sustainability.

## CHAPTER ONE: ORIENTATION OF THE STUDY



## 1.1. INTRODUCTION

This chapter provides an overarching view of the significance of Business Social Responsibility (BSR) to the long-term sustainability of hospitality SMMEs in the Free State. BSR, which describes the obligations that a business follow that are desirable in terms of societal objectives and values (Smith, 2011), is considered critical to the economic, social, ethical and environmental sustainability of every business (Smith, 2011; Okyere, 2012; Smits, 2014). In spite of this fundamental importance to the survival and sustainability of Small Micro and Medium Enterprises (SMMEs), the BSR practices of hospitality industry SMMEs, such as guest houses, lodges, bed and breakfast (B&B) and self-catering, have not gained prominence in the last 10 years (Vo, 2011; Garay & Font, 2012). The limited visibility of the hospitality sector SMMEs' BSR practices and activities can be attributed to their limited financial base which undermines attempts to embark on BSR at a large scale (Yuan, 2014), their inexperienced marketing strategies (Owen, 2014), limited awareness about their engagement in BSR activities (Camilleri, 2012) and the covering of their BSR practices by large and powerful corporations (Sen, 2011). These constraints invoke up an inaccurate assumption that these SMMEs may not be engaging in BSR, and complicate public knowledge of the extent and significance of hospitality SMMEs' BSR practices as well as their implications for the business' economic, social, ethical and environmental sustainability. For this reason, a sharp distinction can be made between the social responsibility initiatives of large organisations called "Corporate Social Responsibility" and those of SMMEs referred to as "Business Social Responsibility".

Sustainability, which is described as "development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs" (Kuhlman & Farrington, 2010:3436), ensures the survival and performance of emerging businesses in the hospitality industry. For instance, Stottler (2015) contends that owners/managers have turned their focus to the prominence of sustainability in the hospitality industry as it relates to the industry's development and operations, with some implications for the environment, economy and the society. In the same vein, Raderbauer (2011) alludes to the centrality of sustainability in the industry by emphasising that a high implementation of sustainable practices is correlated with a high level of benefits for the business. In spite of this acknowledged importance of sustainability in the hospitality sector, there is a growing discomfort over the

insignificant contribution and concomitant invisibility of hospitality SMMEs in as far as sustainability is concerned.

Notwithstanding, the foresaid constraints of the hospitality SMMEs, the significance of the hospitality SMMEs' BSR practices in promoting sustainability has received some attention in recent studies (Caroll, 2013; Inyang, 2013). In spite of this surging interest among academics and researchers, what remains unclear is the nature and constitution of an ideal BSR model that enhances and advances the long-term sustainability of hospitality SMMEs in the Free State province, a gap which this study attempts to bridge.

The rest of this chapter focuses on: an overview of the hospitality sector in South Africa; an articulation of BSR engagement in the hospitality sector, the presentation of definitions of key concepts; and an outline of the problem background, problem statement, research aims, research objectives and research questions, summary of the methodology, study limitations, as well as discussion on the chapter's concluding remarks.

### 1.1.1 Overview of the hospitality industry in South Africa

The Yukon Government's Department of Tourism and Culture (2015) highlights that the tourism industry consists of the following products and /services: accommodation, adventure and recreation, attractions, events and conferences, food and beverage, tourism services, transportation and travel trade. Accommodation comprises family run hotels, guest houses and lodges, while adventure and tourism covers wildlife and flora viewing as well as other breath-taking activities such as skiing in the rugged terrain (Yukon Government Department of Tourism and Culture, 2015). Attractions revolve around museums and art galleries as exemplified by the South Africa case of the Johannesburg's Maboneng precinct (Murtagh, 2015). Events and conferences are also included here in the case of the hospitality industry, with the Free State's famous annual Mangaung African and Cultural festival (MACUFE) as the best example.

The hospitality industry constitutes the largest part of the tourism sector in South Africa. The hospitality industry, itself a component of the tourism sector, is one of the



leading industries that plays a critical role in the South African economy (Statistics South Africa, 2015). A report compiled by the World Travel and Tourism Council (WTTC) (2016) suggests that tourism generated 9.8% of the global gross domestic product (GDP) in 2015 and it supported 284 million jobs, equivalent to 1 in 11 jobs in the global economy. This significant contribution highlights the importance of the hospitality industry. Statistics South Africa (2016) highlights that although new visa rules did affect the number of tourists that enter South Africa in 2015, the number of tourists increased by 14% from 731 248 in August 2015 to 833 638 in August 2016. Hence, these figures indicate that South Africa is one of the leading countries in terms of tourist destinations. Such an enormous contribution automatically elevates the hospitality industry to flourish and become the heart of the tourism sector (Rogerson & Kotze, 2011).

The hospitality sub-sector is mostly service based and involves acts of kindness in welcoming and looking after the basic needs of customers or strangers (Chan & Mackenzie, 2013). It involves a complex and dynamic environment comprising hotels, bed and breakfast (B&B), guest houses, lodges, self-catering accommodation, camp sites and estates. The complex and dynamic environment of the hospitality industry presents an enormous range of opportunities, challenges and anxieties which can damage its stakeholders' economic system, natural ecosystem and local community at large.

#### 1.1.2 The hospitality sector's engagement in Business Social Responsibility (BSR)

The hospitality sector exerts phenomenal influence on the economic system, natural ecosystem and local community at large. At the economic level, the hospitality industry supplies a large pool of labour and foreign currency earnings (SouthAfrica.info, 2016). For example, Hospitality report (2016) states that the tourism and hospitality sector constitutes one of the largest employer's in South Africa. The impact of the hospitality sector's contribution to the economy is felt across the South African tourism and other subsidiaries across the whole world. Dinakaran (2013) indicates that the hospitality industry contributes nearly 10% of the world GDP, thus showing that this industry impacts the whole world in a significant way.

The industry also exerts some influence on the natural system through its interactions with the environment. The hospitality industry increases in-migration, which causes the local population to increase and greater demand on resources, as well as increase the amount of waste production and pollution, which results in the degradation of resources and the potential compromise of the welfare of the local population (Deale, 2013). The inevitable link between hospitality and the natural environment implies that the survival of the hospitality sector depends highly on its ability to minimise the negative impacts on the natural environment, hence, its implications for Business Social Responsibility (BSR). In their study, Millar and Baloglu (2011) show that 34% per cent of the travellers who participated in a survey conducted by Deloitte in 2010 indicated that they sought for environmentally friendly hotels. This points to the link between travel tourism and environmental sustainability.

Kasim (2006:3) argues that “besides interactions with the natural system and economic system, hospitality activities such as providing accommodation also entail direct and indirect contact between tourists and the local people”. Tourists may socialise with the communities through their participation in cultural activities and rites such as dance, drama and other forms of performing arts. Other forms of tourist-indigenous interactions may manifest through local tour guides.

### 1.1.3 Comparisons of Corporate social responsibility (CSR) and BSR literature

The literature on BSR is only beginning to emerge, although there is fundamental evidence pointing to the connection between small businesses and the broader environment (Moyeen and Courvisanas, 2012; Saatci & Urper 2013). Moyeen and Courvisanas (2012) observe that whilst BSR is important for any business regardless of size and sector, the bulk of literature on corporate social responsibility has been limited to large corporations. Corporate Social Responsibility is a term that is mostly used with reference to large corporations and for small businesses; the term that is mostly used is Business Social Responsibility (Saatci & Urper 2013). Despite the traditional connection of CSR with large corporations, there has been an increasing pressure on SMMEs to engage in social responsibility activities (Sen, 2011; Moyeen & Courvisanas 2012; Inyang, 2013). Hence, this study investigated the hospitality SMMEs' engagement in BSR by examining the relationship between BSR and the

sustainability of this industry in the Free State. The researcher's choice of this industry is explicated by the fact that hospitality is mostly a service-based industry which interacts highly with the local community and the environment more than the manufacturing and the construction industry. Consequently, the researcher sought to discover how this industry takes due consideration of its community and environment to promote the industry's long-term sustainability. While the researcher is aware of the different terms used across different contexts to describe the business' involvement with its community and environment; the researcher employs the term Business Social Responsibility for the purpose of this study. The researcher employs this term because of its exclusive application to small businesses of a survivalist nature.

#### 1.1.4 The invisibility of the BSR in the SMME sector

Business Social Responsibility has been a foreign concept to most small businesses for quite some time. The dearth of literature on the concept can be attributed to the survivalist orientation of BSR (meaning that many small businesses are still in their early stages of operation or are only just trying to survive, so they may not necessarily want to engage in extra activities outside their common scope of operations), which complicates small businesses' keenness to engage in activities whose impact on the business' economic value is unclear. Karamba, Mutiri, Mukabi, Kataba, Wahome and Kayogo (2013) argue that small-business owner/managers do not have the necessary resources; the compulsory skills, nor the desire to run their businesses well. This implies that the small businesses' preoccupation with survival than seeking to advance models of business growth means that they may not have enough money or human capital to engage in BSR practices. For example, a hospitality business owned and managed by a single person, may be more interested in keeping its operations profitable than trying to solve community matters.

However, the last decade has witnessed the BSR concept gain momentum, as a growing number of SMMEs have formally recognise the impact they have on the environment, society and the economy (Jones, Comfort & Hillier, 2016). In fact, in today's competitive environment one can say that BSR is viewed as one of the strategies that small businesses seek in order to outperform their rivals. Sousa-Filho,

Wanderley, Gomez and Farache (2010) concur that business' social responsibility strategies are associated with competitive advantages, such as attracting valuable employees as well as enhancing the company image and reputation.

As much as BSR might not be new a concept in the hospitality industry; much has not been explicitly articulated about it. There is, however, an increasing call by academics and researchers for the hospitality industry to embrace BSR in consideration of the central place that it plays in increasing customer retention, promoting the business reputation and advancing the distinctive brand image of the business (Inyang, 2013; Mahdavi & Moore, 2013; Mousiolis, Zaridis, Karamanis & Rontogianni, 2015). For instance, environmental efforts or “greening” have dominated BSR activities in the hotel industry due to the cost-saving nature of green practices such as linen and towel re-use programmes or installation of energy and water-efficient guestroom fixtures (Park & Levy, 2014).

## **1.2. DEFINITION OF KEY CONCEPTS**

In view of the multiple concepts that preoccupy this study, the definition of concepts is critical to a broader understanding of the way these concepts will be applied in the study and to avoid conceptual confusion. The subsequent sections of this study define the concepts, Small Micro and Medium Enterprises (SMMEs), Stakeholders, Business Social Responsibility and Sustainability.

### **1.2.1. Small Micro and Medium Enterprises (SMMEs)**

Thompson (2006) defines small business as any organised effort intended to return a profit through provision of small product or service to an outside group.

### **1.2.2 Stakeholders**

“Stakeholders are groups or individuals who can affect or are affected by an issue” relating to a business' operations (Schiller, Winters, Hanson & Ashe, 2013:1).

### 1.2.3 Business Social Responsibility

For the purpose of this study, BSR is defined as “The obligations of business to make decisions or follow lines of action which are desirable in terms of the objectives and values of our society” (Smith, 2011:1).

### 1.2.4 Sustainability

“Sustainable development is development which meets the needs of the present without compromising the ability of future generations to meet their own needs” (Drexhage & Murphy, 2010:2).

## 1.3. PROBLEM BACKGROUND

This section provides a background to Business Social Responsibility. The researcher will first look at an overview of BSR then provide literature about the origin of BSR in South Africa and how it affects the hospitality SMMEs. Different reasons of why SMMEs engage in BSR activities will be looked at.

### 1.3.1 Business Social Responsibility: An overview

The direct involvement of the central government in economic planning and organisation is increasingly being replaced by company or private organisation seizure of a larger role in social and community projects. This private sector direct engagement at small businesses level is called Business Social Responsibility (BSR) (Araoz, 2011). BSR is the company’s commitment to operating in an economically sustainable manner, while recognising the interest of its stakeholders over and above those provided by law (Dzansi 2004; Okyere 2012). Dzansi and Pretorius (2009) argue that BSR can be seen as compensating society for the hardships suffered from the organisation’s extractive exploits. Such conceptualisation implies that the private sector contributes to the economic development of the community and improving the quality of life of the general population and their families. BSR is a general management concern; that is, it is important to all aspects of business and is integrated into business’ operations through its values, culture, decision making, strategy and reporting mechanisms (Githinji, 2012).

### 1.3.2 Origin of BSR in South Africa

The motivation for SMME involvement in BSR needs to be debated so that its historical evolution can have more meaning. The concept emerges from the organisations' realisation that they cannot operate in isolation from their community and that good governance goes beyond the work performed in their offices (Araoz, 2011). The concept was made popular in South Africa by the multi-racial democratic regime that has governed the country since 1994, which has been trying to combat the social imbalances that were caused during apartheid, through different social programs and public initiatives. These national aspirations found expression in the King II and King III Reports that address the need and relevance for businesses to acknowledge all stakeholders through 'The Triple-E bottom line' approach (Araoz, 2011). The Triple-E bottom line (economical, ethical and environmental) is a form of social responsibility highlighting that the business leader tabulates bottom line results in both economic terms and from the organisation's efforts in the social realm (Onyali, 2014).

### 1.3.3 SMMEs' reputation building

The primary motivation for SMMEs' participation in social activities is to create reputation through social networking and relationships with stakeholders (Sen, 2011). Building such a reputation compels SMMEs to fulfil their commitment to meet the stakeholders' expectations through meeting their basic needs such as donating food to the local community or improving their welfare by supporting their educational needs through bursaries and scholarships. Gligorijevic and Leong (2011) posit that reputation is the key asset of any organisation and it provides competitive advantage for the business. This means that if hospitality SMMEs can build trust with their customers through BSR practices, such as donations, employing local communities and combating crime in the local communities, they stand a better chance of building a good reputation, which will in turn create a competitive advantage for their business.

### 1.3.4 SMMEs' community involvement

Community engagement accentuates the reputation of the SMMEs, their links with the community and increases employee motivation, which are integral to their

engagement in BSR activities (Jenkins, 2009). SMMEs normally operate within local communities, hence, they are more aware of community and environmental issues and are motivated to get involved and become problem solvers in order to improve their personal value. This is a fair social exchange where business exploits resources in return for providing services and jobs to communities. Hence, Rangan, Chase and Karim (2012) explain that if the hospitality SMMEs employ from the local community, as a form of BSR activity, it encourages that community to have trust in the business and the company can have brand loyalty.

### 1.3.5 Shifting focus of BSR towards business performance

Dzansi and Pretorius (2009) state that although BSR focuses strongly on the social dimensions of small businesses, with the social purpose dominating the BSR agenda, a changing mind-set that BSR improves business performance is increasingly serving as a motivator for SMMEs to integrate BSR activities. Rootman and Zeka (2013) indicate that BSR activities make it possible for SMMEs to make a positive contribution toward the environment in which it operates, and this shows that they care about their community and environment. It is envisaged that this mutual trust will make the community feel cared for and it will reciprocate by providing increased support to the local business through increased purchases of goods or services or through becoming loyal customers. This invariably impacts the performance of the business through increased profitability and growth.

Therefore, being socially responsible is critical to the business' well-being through increasing the business' turnover, improving gross asset value, democratising the business' ownership structure, and allowing the local community to be an integral part of the business work force (Inyang, 2013).

### 1.3.6 Maintaining good business standards

The other reasons for the budding interest in BSR is the assumption that SMMEs can benefit from BSR practices through setting and maintaining good business standards with regard to quality and performance due to the constant feedback obtained from the society (Besser, 2012). Ladzani and Seeletse (2012) also add that BSR practices



can help SMMEs to meet changing market expectations and make good business sense by increasing the business value of SMMEs. In spite of these acknowledged benefits, SMMEs seem to struggle with the concept of BSR and the problem is exacerbated by the availability of limited information on managing BSR practices in small businesses (Garay & Font, 2012).

#### **1.4. PROBLEM STATEMENT**

There is limited knowledge, among SMMEs, about social performance issues, their activities and effect on BSR practices (Inyang, 2013). While most of the studies conducted on BSR have focused predominantly on large organisations, which have thrived significantly in their social responsibility initiatives (Duke II & Kankpang, 2013; Adewale & Rahmon, 2014), there is concern in academic research that little attention has been devoted to the BSR of SMMEs (Dzansi, 2004; Dzansi & Pretorius, 2009). The problem is that some small businesses do not formally engage in socially responsible activities and if they do, they strive to emulate the practices of large corporations. This challenge is compounded by the fact that most SMMEs mistakenly conceive BSR as the sole responsibility of large organisations (Ladzani & Seeletse, 2012). However, emerging literature about the engagement of SMMEs in BSR is positive and directing to the need to research and unearth further the SMMEs' unique characteristics that incline them to undertake BSR initiatives.

#### **1.5. AIM OF THE STUDY**

The aim of the study is to develop a best model of BSR that is aligned to business goals and long term sustainability of hospitality SMMEs in the Free State. It is envisaged that the BSR model will help managers to reduce the risk of engaging in practices that will be detrimental to business objectives, undermine profitability motives or hinder the business sustainability of emerging businesses. There is a growing consensus that even if South African SMMEs engage in socially responsible behaviours, they are bound to encounter some obstacles such as lack of sufficient information and resources (Okyere, 2012; Inyang, 2013), which makes the provision of a conceptual and knowledge support system necessary. To provide such support, the baseline knowledge on BSR of SMMEs which is currently limited, needs to be enhanced through insights from empirical research, a gap which the intended BSR model intends to close.



## **1.6. OBJECTIVES**

The main objective of this study is to develop a BSR model to promote the long-term sustainability of hospitality SMMEs in the Free State region.

### **1.6.1 Sub-objectives**

The main objective is disaggregated into sub-objectives which are to:

1. Examine the type of BSR goals and activities that the hospitality SMMEs in Free State engage in.
2. Ascertain the critical stakeholders that the hospitality SMMEs engage with in the fulfilment of their BSR goals and activities.
3. Discover the relationship between the BSR goals and activities and the BSR practices of hospitality SMMEs in Free State.
4. Explore the relationship between BSR practices and sustainability of the hospitality SMMEs in Free State.
5. Determine which stakeholders have the greatest impact on the sustainability of hospitality SMMEs.
6. Develop a model of BSR best practices that is based on an optimum relationship between BSR practices and the sustainability of the hospitality SMMEs in the Free State.

## **1.7. RESEARCH QUESTIONS**

The study's main research question is: What is the nature and constitutive components of a BSR best practice model for hospitality SMMEs in the Free State that will guarantee their long term sustainability?

The minor research questions arising from the above main one are:

1. What types of BSR goals and activities do hospitality SMMEs in the Free State engage in?
2. Which critical stakeholders do hospitality SMMEs in the Free State engage with in the fulfilment of their BSR goals and activities?
3. What is the relationship between BSR goals and activities, and the BSR practices of the hospitality SMMEs in the Free State?

4. What is the relationship between BSR practices and the sustainability of hospitality SMMEs?
5. Which stakeholders have the greatest impact on the sustainability of hospitality SMMEs?
6. How can a best model of BSR be constituted to ensure the long term sustainability of hospitality SMMEs?

### **1.8. SUMMARY OF THE METHODOLOGY**

The study adopts a positivist epistemology and a quantitative approach to design, data collection and analysis. The target population consisted of 120 hospitality small businesses that included 56 guest houses, 8 lodges, 12 bed and breakfast and 44 self-catering outlets across the Free State. The size of the population necessitated that a census be conducted where all the population formed part of the sample. Questionnaires were used to collect data from respondents. Descriptive statistics, such as frequency tables and graphs and correlational analysis, were used to analyse data. Details of the methodology employed in the study are presented in Chapter 3.

### **1.9. CONTRIBUTION OF THE STUDY**

The purpose of this study is to develop a BSR model that will help owner/managers of SMMEs to understand the implications of BSR practices to the promotion of their long term sustainability. Therefore, the study will contribute to the existing conceptual knowledge in literature that hospitality SMMEs can refer to when engaging in BSR practices.

### 1.9.1 Proposed Model

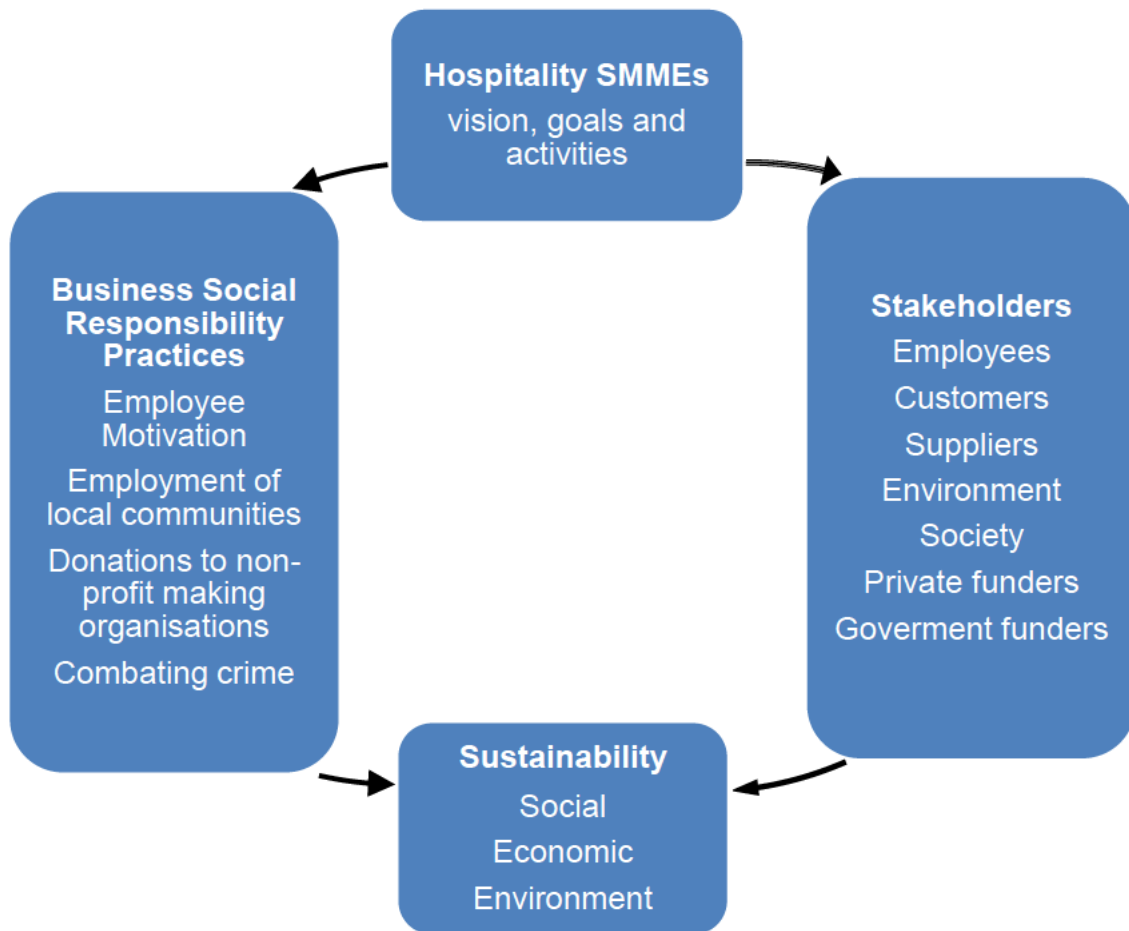


Figure 1.1: Relationship amongst hospitality SMMEs stakeholders’ BSR practices and sustainability

(Source: Author’s Compilation)

Figure 1.9 shows a proposed model of BSR best practices based on an optimal relationship between BSR practices, stakeholders and the sustainability of the hospitality SMMEs in the Free State. The model is developed from evidence drawn from mainstream literature. The model will be revisited in the findings and discussion chapter (see Chapter four) to establish whether the literature-based conceptualisations have empirical support judging from the results of this investigation.

The control of the enterprise in SMMEs remains in the hands of the owners, which enables them to make personal choices about the allocation of resources (Vo, 2011). This indicates that the decision on what BSR practice or model to adopt remains the sole responsibility of owners/managers. As such, the development of the business

vision, goals and activities is the preserve of the SMME owners/managers (see Figure 1.9). Despite this owner's/manager's mammoth task of developing the SMME vision, strategy and activities, business performance depends on the support and corporation of multiple stakeholders, without which the business operations may not last. In essence, Dzansi's (2011) and Vo's (2011) research has shown that SMMEs, especially in developing countries like South Africa, tend to adopt the stakeholder model of BSR. The popularity of this model is attributable to the fact that most developing countries face socio economic challenges, such as unemployment and poverty, which necessitate people-centred approaches to sustainability (Turyakira, Venter, Smith, 2013). SMMEs attempt at resolving these challenges when implementing their BSR practices by looking up to the cooperation of their stakeholders such as managers, customers, employees, suppliers, environment and community/society (Buturoaga, 2015). Stakeholders may also include investors and those government institutions that help in financing the hospitality SMMEs, such as the Department of Trade and Industry (DTI) which provides the Tourism Support Programme (TSP).

Figure 1.9 presents the BSR practices of SMMEs such as employee motivation, the employment of local communities and donations to non-profit making organisations. This is consistent with Vo's (2011) description that hospitality SMMEs define their BSR activities along the lines of community projects, such as employing the members of the community in which they are located. The hospitality SMMEs are always concerned about the impact they have on society; hence it can be assumed that they tend to engage in more philanthropic types of BSR practices than other types such as legal or ethical or economic sustainability.

Figure 1.9 also indicates that the various stakeholders of the hospitality SMMEs include managers, employees, customers, suppliers, the environment, society, funders and government institutions. As discussed in the previous sections (see Section 2.9), the stakeholders of the hospitality sector are very important for business performance and sustainability and should be taken into consideration when engaging in BSR practices. There is however a lack of consensus on which stakeholder is considered the most important by the SMMEs. Jonas and Eriksson (2007) are of the view that society is the only important aspect for the hospitality SMMEs, while Ivanova

(2011) opines that every stakeholder that the hospitality SMMEs interacts with is equally important. The current research is founded on the premise that all hospitality SMMEs' stakeholders are equally important in their engagement in BSR practices, even though they may not interact with these small businesses in similar ways.

It can be concluded that hospitality SMMEs need to engage every stakeholder in their BSR practices to promote and maintain their long term sustainability. Sustainability is divided into different forms, which are economic, social and environmental. As such, various stakeholders and BSR practices mediate the relationship between the hospitality mission and goals and long-term the sustainability of such businesses.

### **1.10. ETHICAL CONSIDERATIONS**

The researcher had to ensure that the research is carried out in the most ethical way possible. As a result, consent was sought from the respondents before asking them any questions about their business. The nature, focus and possible contribution of the study to society and its benefits to the researcher were explained to the respondents. These respondents were also informed about their right to accept or decline participation before or during answering of the questionnaire. Their personal privacy was also considered and the researcher ensured that their individual responses bear no reference to their respective organisations or their personal identities except for the demographic data such as, age, gender, level of education and position within the organisation, which is relevant for statistical analysis. Ethical considerations are elaborated in Chapter 3.

### **1.11. STUDY LIMITATIONS**

Since no research process can be considered as duly perfect, the short comings of this study should be addressed so that a critical reader can approach the study from an appropriate and well-informed perspective. The limitations of this research are: (1) the researcher was a part-time student assistant so it was impractical and inconvenient for her to wait for immediate feedback from the respondents during the conduct of her study due to competing work commitments; (2) it is practically impossible to get a 100% response rate from surveys as some respondents might not answer all questionnaires or may misplace the questionnaires or decline to complete the questionnaires; (3) the study focused mainly on the Bloemfontein area which was

conveniently accessible to the researcher as she is not mobile. As a result, other smaller towns outside Bloemfontein were excluded from the study due to financial, time and work-related constraints. For this reason, the extent of generalisation of the findings from this study are limited and need to be related with caution.

## 1.12. OUTLINE OF THE THESIS

**Chapter 1** introduces the research, and outlines an overview of hospitality SMMEs, problem background, problem statement, research aim, research objectives and questions, the methodology applied, research ethics and research limitations.

**Chapter 2** provides a comprehensive review of literature on BSR and provides definitions of small businesses, BSR and BSR in hospitality SMMEs. The chapter also discusses the different theories of BSR and their application across different contexts.

**Chapter 3** provides the methodology adopted in the study which includes, the epistemological stance of the study, the research approach, research design, population and sampling procedures, data collection procedures, data analysis procedures, research ethics, lastly reliability and validity issues and delimitations of the study.

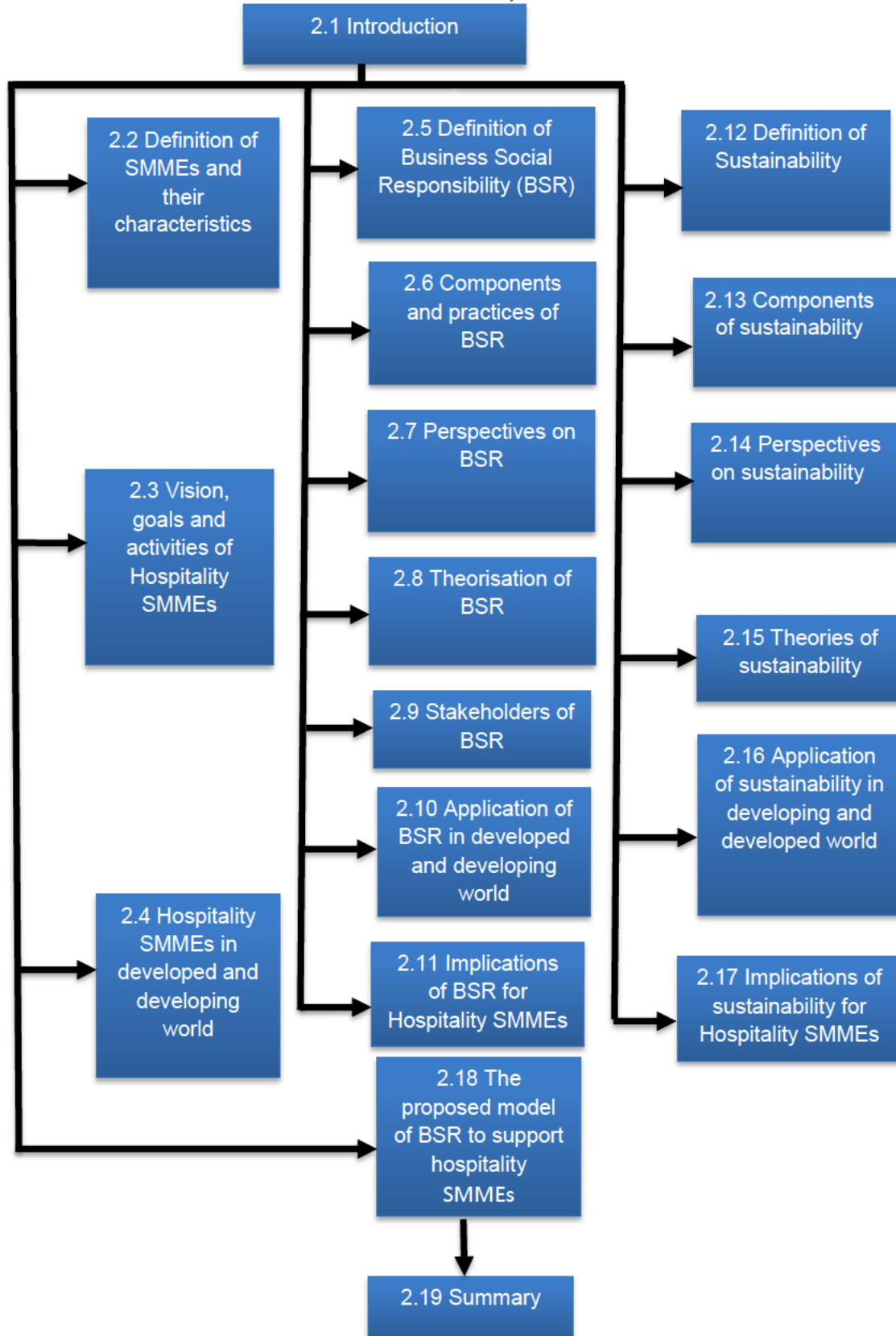
**Chapter 4** presents, interprets and discusses the results. The presentation includes the empirical evidence that was collected from the research participants and discussed in order to address the research questions.

**Chapter 5** presents the conclusion and recommendations made. It includes conclusions based on literature, conclusions based on empirical evidence, contribution of the study, implications for practice, significance of the study and the limitations of the study.

## 1.13. SUMMARY

This chapter presented the overview of the study, problem statement, research aim, research objectives, research questions and its contribution as well as its limitations. The following chapter reviews the literature on BSR and sustainability.

## CHAPTER TWO: HOSPITALITY SMMEs, BSR AND SUSTAINABILITY



## 2.1. INTRODUCTION

This chapter reviews literature that is related to the hospitality SMMEs and socially responsible activities. The review commences with conceptual perspectives on SMMEs, Business Social Responsibility (BSR) and Sustainability in an attempt to develop operational definitions for this study. The chapter also reviews how these concepts have been operationalised in different contexts with specific emphasis on hospitality SMMEs' engagement in BSR. The chapter concludes with a postulation of an ideal best model of BSR based on the reviewed literature.

## 2.2 DEFINITION OF SMMEs AND THEIR CHARACTERISTICS

The following section discusses the definition of SMMEs as well as characteristics. Section 2.2.1 and 2.2.2 outlines the definition and characteristics of SMMEs respectively.

### 2.2.1 Definition

Although Small and medium sized enterprises constitute a significant factor of any economy, defining them is not an easy task (Yesseleva, 2012). The difficulty of assigning a single and universally accepted definition for SMMEs stems from the understanding that what constitutes a small and medium business differs according to region, country or even individual researcher's preference (Du Toit, 2012; Okyere, 2012). The South African National Small Business Act's comprehensive definition of SMMEs is, however, relevant and suits the South African context of the study.

The National Small Business Amendment Act 26 (NSBA) (2004:2) which amended the Act of 1996 defines SMMEs as:

*“small [business] enterprise organisation’ means any entity, whether or not incorporated or registered under any law, [which consists] consisting mainly of persons carrying on small [business] enterprise concerns in any economic sector [or which has been] established for the purpose of promoting the interests of or representing small [business] enterprise concerns, and includes any federation consisting wholly or partly of such association, and [also] any branch of such organisation”.*



It can be inferred from this definition that SMMEs are small entities which are independently owned, managed by individuals and lack a national presence due to the size of their operations and workforce. The aforementioned definition is employed as this study's operational definition.

#### *2.2.1.1. Qualitative perspective on SMMEs*

Nieman and Nieuwenhuizen (2009) posit further that for a small business to be called an SMME, it should fulfil certain qualitative and quantitative criteria. The qualitative criterion includes that (1) the business be a separate and distinct entity; (2) not part of a group of companies; (3) include subsidiaries and branches when measuring the size; (4) be managed by owners and (5) like a sole corporation and company be a natural person. It can be inferred that the business should be separately constituted and identified from a function, operational and legal perspective with the power or right to sue or be sued.

#### *2.2.1.2. Quantitative perspectives on SMMEs*

While the qualitative perspective on SMMEs focuses on the structure and organisation of the business in terms of its ownership and management, the quantitative perspective emphasises the numerical composition of the business. The quantitative perspective on SMMEs classifies small businesses into micro, very small, small and medium depending on the industry or sector they operate in (Republic of South Africa, 2003). By way of elaboration the National Small Business Amendment Act 26 of 2003 (NSBA)'s nomenclature founded on quantitative elements is as follows:

*Micro* – It employs less than five full time paid employees regardless of the sector, its total annual turnover is less than R150000 million, while the gross asset turnover is less than R100000 million regardless of the sector or industry it operates in. These businesses are mostly privately owned and are dominated by the owner/manager kind of management structure due to low capitalisation. For example, these micro businesses maybe the small shops run in the villages, or a corner cell phone repair business operated by one or two people.

*Very small* – this is a business which has less than 20 full time paid employees in manufacturing and construction and less than 10 employees if it operates in the

agricultural sector. The annual turnover for manufacturing is less than R400000 million, for construction less than R2 million and for agriculture it is less than R400000 million. The total gross asset value for agriculture is less than R400000 million while that for manufacturing and construction is less than R1.50m:

*Small* – is regarded as a business that employs less than 50 full time paid people regardless of the type of industry. The total annual turnover for agriculture is less than R2 million, for construction is less than R5 million, and for manufacturing less than R10 million. The total gross asset value for agriculture is less than R2 million, for construction it is estimated at R1 million, while that of manufacturing is R3.75 million. These are seemingly the businesses that dominate the hospitality industry. The small businesses in the hospitality industry include bed and breakfast enterprises, and other privately owned enterprises that offer accommodation. Most of these enterprises are under sole ownership with a few owned in partnership.

*Medium* – medium business cannot be categorised under a large business or small business. SMMEs in the agriculture industry are conceived to employ less than 100 workers, while those in the construction and manufacturing employ less than 200. Medium businesses in the hospitality industry are normally hotels and catering establishments.

In order to come up with the aforementioned groups, the National Small Business Amendment Act 26 of 2003 used the following criteria to group or classifies the small businesses:

- Total full time paid employees,
- Total annual turnover, and
- Total gross asset value.

It can be inferred that different SMMEs are categorised by different criteria in accordance with the size of their employ, their annual turnover and the different sectors of their operations.

Table 2.1: Classification of business

Sector or sub-sectors in accordance with the Standard Industrial Classification	Size or class	Total full-time equivalent of paid employees Less than:	Total annual Turnover Less than:	Total gross asset value Less than:
<b>Agriculture</b>	Medium	100	R4m	R4m
	Small	50	R2m	R2m
	Very small	10	R0.4m	R0.40m
	Micro	5	R0.15m	R0.10m
<b>Mining and Quarrying</b>	Medium	200	R30m	R18m
	Small	50	R7.5m	R4.5m
	Very small	20	R3m	R1.8m
	Micro	5	R0.15m	R0.1m
<b>Manufacturing</b>	Medium	200	R40m	R15m
	Small	50	R10m	R3.75m
	Very small	20	R4m	R1.5m
	Micro	5	R0.15m	R0.10m
<b>Electricity, Gas and Water</b>	Medium	200	R40m	R15m
	Small	50	R10m	R3.75m
	Very small	20	R4m	R1.50m
	Micro	5	R0.15m	R0.10m
<b>Construction</b>	Medium	200	R20m	R4m
	Small	50	R5m	R1m
	Very small	20	R2m	R0.4m
	Micro	5	R0.15m	R0.10m
<b>Retail and Motor Trade and Repair Services</b>	Medium	100	R30m	R5m
	Small	50	R15m	R2.5m
	Very small	10	R3m	R0.5m
	Micro	5	R0.15m	R0.1m
<b>Wholesale Trade, Commercial Agents and Allied Services</b>	Medium	100	R5m	R8m
	Small	50	R25m	R4m
	Very small	10	R5m	R0.50m
	Micro	5	R0.15m	R0.10m
<b>Catering, Accommodation and other Trade</b>	Medium	100	R10m	R2m
	Small	50	R5m	R1m
	Very small	10	R1m	R0.2m
	Micro	5	R0.15m	R0.1m
<b>Transport, Storage and Communications</b>	Medium	100	R2m	R5m
	Small	50	R10m	R2.5m
	Very small	10	R2m	R0.5m
	Micro	5	R0.15m	R0.10m
<b>Finance and Business Services</b>	Medium	100	R20m	R4m
	Small	50	R10m	R 2.00 m
	Very small	10	R2m	R0.4m
	Micro	5	R0.15m	R0.1m
<b>Community, Social and Personal Services</b>	Medium	100	R10m	R5m
	Small	50	R5m	R2.5m
	Very small	10	R1m	R0.5m
	Micro	5	R0.15m	R0.10m

(Source: Republic of South Africa National Small Business Amendment Act 26, 2003:2)

## 2.2.2 Characteristics of SMMEs

SMMEs constitute a large portion of all businesses throughout the world (Ederm & Ederm, 2011). This means that a large portion of business entities in every sector or industry can be SMMEs as noted in Table 2.1 which is classifying small businesses. As a result, SMMEs form an excellent source of employment generation, and help in the development of local technology and indigenous entrepreneurs (Adisa, Abdulraheem & Mordi, 2014). Therefore, they have the capacity to serve as wealth generation entities that improve the nation's general growth and citizens' standard of living rest on a comprehension of their nature, constitutive components and that of their significance to the nation. This study unpacks the characteristics of SMMEs using Adisa et al. (2014) who identify small businesses as possessing the following characteristics:

1. *Personal Character.* A small scale unit is generally owned and organised by a single entrepreneur or a group of persons. As such, the personal ownership of an SMME is an outstanding feature of any small business. A census of small scale units in India revealed that out to the 1.4 lakhs units (ancillary units), about 16% were sole proprietorships and 35% were partnership concerns (Garg, 2015).
2. *Independent Management.* The nature of management in small business is independent in the sense that the business owners act as managers, hence, the popular use of the term owners/managers. There is little separation between ownership and control as the owner often turns out to be manager who would be exerting control on business operations and activities. The success of these enterprises depends upon the initiative, skill and judgment of the owners/managers due to proprietary ownership and management. The management structure is often simple as the number of employees is limited. The structure of the management in the hospitality businesses is such that the owner of the business is also a manager leading a few employees who include the receptionist who makes the bookings.
3. *Limited Investment.* A small enterprise requires relatively less capital investment which is provided by the owner(s) through his/her own resources and borrowings. The capital investment of SMMEs is comparatively lower than that of

larger businesses because the SMMEs do not employ highly mechanised means of production.

4. *Simple Technology*: Small enterprises are generally labour intensive and employ less sophisticated machinery and equipment, which are often operated manually. The amount of working capital used in their operations is generally greater than fixed capital, thus indicating a higher labour intensity when compared to large enterprises. Hence, labour is the primary input of such small businesses.

5. *Local area of operations*: A small scale unit depends largely on local resources and its operations are localised. It operates in a compact area and there is a personal touch between the employer and the employees due to an informal organisational structure and the absence of multiple reporting structures. It should however be underscored that SMMEs contribute considerably to export products all over the world, despite the fact that their operations are small scale.

In summary, it can be interpreted from Adisa et al. (2014) characterisations that the uniqueness of SMMEs lies in their individual ownership and independent existence, autonomous management, restricted investment, simplicity of technology used, and specific area of operations. For the purpose of economic expansion, an SMME depends on the reinvestment of earnings and captures a portion of the market at a time (Gogoi, 2010). The ownership structure of SMMEs straddles sole proprietorship, partnership, ownership by a small group and family ownership. Furthermore, the funding of small business' finances ranges from own savings, borrowings from friends and funding by government institutions and private funders. Given this study's preoccupation with exploring the goals and activities of hospitality SMMEs, the critical starting point is to review literature on this subject and put the debate in its proper perspective.

### **2.3. VISION, GOALS AND ACTIVITIES OF HOSPITALITY SMMEs**

There is need to fully comprehend the vision, goals and activities of hospitality SMMEs working definition of hospitality. Broadly speaking, hospitality is the act of kindness in welcoming and looking after the basic needs of customers or strangers in relation to food and/or drink and/or accommodation (Chan & Mackenzie, 2013). From a tourism

perspective, hospitality encapsulates taking care of the tourists' accommodation and leisure activities, as well as providing attractions and meeting their relaxation and entertainment needs, while they are away from home. George (2001) highlights that the hospitality industry includes those commercial activities that offer customers /consumers accommodation, meals, and drinks when they are away from home. He states further that the hospitality industry is one of the main industries that make up the travel industry.

### 2.3.1 Vision and goals of the hospitality industry

The vision and goals of any business are subjective and are differentiated from business to business, as they differ according to whether they are family businesses or non-family businesses (Anderson, Carlsen & Getz, 2002). This means that every hospitality business has its own vision and goals of where it wants to be businesswise, and it depends on how the owner/manager wants to run his/her business. Skokic (2009) mentions that business survival and the acquisition of sufficient income to ensure that the overriding intentions of any business is that it must provide the entrepreneurs and their family with a satisfactory level of funds to sustain enjoyment in their chosen lifestyle. Since small hospitality businesses, such as bed and breakfast (B&B), guest houses and lodges, are often privately owned and run by families, they may seek to increase their capitalisation base, broaden their market base through increasing their customers' base, extend their brand image and product range and increase their long term international exposure and footprint of their businesses.

#### 2.3.1.1. *Economic goals*

Small businesses are the great contributors to the economy of every country. However, Meerendonk (2014) argues that when the owners/managers' focus on making profits must also take note of their customers' satisfaction by giving them value for their money. This means that in their pursuit of economic value, hospitality SMME owners/managers must always make sure that they keep their facilities and services up to standard. Nonetheless, there is a symbiotic relationship between maintaining standards and increased the economic value of a business. For example, while guest house owner/managers can keep their facilities at an acceptable standard to customers by renovating them, they can give customers a memorable experience and

also increase sales through referrals by other satisfied customers. Investni.com (2009) buttresses this by stating that owners/managers of hospitality SMMEs must focus on resource efficiency in order to maximise profits. Resource efficiency means that hospitality SMMEs get the most value out of their resources such as energy, water and materials in order to maximise profit, improve their environmental performance and enhance their reputation amongst customers (Investni.com, 2009).

#### *2.3.1.2. Social goals*

One of the very common BSR goals of businesses is to make sure that they give back to the communities. Community empowerment is one of the common ways in which the hospitality SMMEs can improve their communities socially. Smeaton, Hudson, Deraniyagal, Francavila, Ng, Phillips and Sallis (2011) indicate that there are projects that SMMEs engage in to help eradicate poverty. These projects include the provision of educational opportunities such as internships to hospitality students or allowing students to do their training in the hospitality industry and providing stipends for them. The social goals also include social cohesion. Larsen (2013) defines social cohesion as the belief held by citizens of a given nation-state that they share a moral community, which enables them to trust each other. The goal for social cohesion in the hospitality industry includes the industry's striving to combat crime in the society and engaging in activities that bring the society closer.

#### *2.3.2 Activities of the hospitality industry*

Ahmad's (2005) research shows that the hospitality industry is dominated by small hotels and restaurants, which employ less than 50 employees, with this industry representing 83.3% of the Malaysian business sector. These business establishments provide accommodation, leisure facilities and relaxation such as cruise lining and lodging. This is also true for South Africa whereby the hospitality industry is distinguished by the dominance of small businesses (Rogerson, 2008), which offer lodging, event planning, theme parks, and sight seeing. It can be inferred from Rogerson's (2008) study that the accommodation industry is one of the most dominant industries in South Africa. It provides clients with services such as conferencing, lodging, catering and long term accommodation.

According to the Tourism Grading Council of South Africa (TGCSA) (2016) the most important service that is provided by the hospitality industry is lodging and catering services. This means that the hospitality SMMEs must make sure that meals and beverages are included in the services that they charge their customers. Therefore, the hospitality industry is normally distinguished for its ability to provide a product mix. (2013) explain that customers who dine in a restaurant will not only pay for the food and drinks but the services provided by the waiters and waitresses. This is also true for the bed and breakfasts (B&Bs) and guest houses, where the customers who lodge at a particular B&B do not only pay for their overnight accommodation, but also pay for the breakfast and the services provided by the hosts and hostesses.

One of the key services offered in the hospitality industry, alongside any products such as food and beverages, is a friendly environment. This service is normally characterised as relationship building (Chan & Mackenzie, 2013). These authors posit that building long term relationships with customers can benefit the organisation through the generation of stable revenues and the development of brand reputations through positive word of mouth of the repeated customers, regardless of the instability of seasons. Therefore, it can be inferred that having staff that treats customers with respect and make them feel comfortable is a necessity service for the hospitality SMMEs. Different methods are currently applied by the bread and breakfasts, lodges and food service sectors to provide friendly services and develop brand loyalty, and these include membership programmes which give privileges and incentives to frequent customers. Other small businesses also use informal ways such as social technologies like Facebook to build relationships and keep contact regularly with their customers (Eriksson & Larsson, 2014).

#### **2.4. HOSPITALITY SMMEs IN THE DEVELOPING WORLD.**

The subsequent section provides an overview of hospitality SMMEs in the developing world. The hospitality SMMEs in the African continent are first discussed followed by those in the in the South African context.



#### 2.4.1 Hospitality SMMEs in Africa

The continent of Africa is divided into 4 parts, namely North Africa, East Africa, West Africa and Southern Africa. The hospitality industries in these regions may differ, however, the researcher provides common trends within small businesses' development on this continent. North Africa has the largest hotel development pipeline with a lion share of 41.4%, while West Africa follows closely with 34.1% (Africa Business.com, 2015). This means that there are more hotels in the north of Africa than in any part of Africa and suggests that small businesses are not the dominating type of businesses in that part of Africa. On the contrary, Southern Africa has the lowest proportion of developments with just 6.1% (Africa Business.com, 2015). This explains the massive dominance of small businesses in this part of Africa. Douglas (2015) posits that the hospitality industry in Ghana, which falls in the Western part of Africa, has also seen massive growth in hotels. It can be inferred from the literature above that the hospitality industry in Africa is dominated more by hotels than small businesses, except for countries like South Africa, the country under focus in this study.

#### 2.4.2 Hospitality SMMEs in South Africa

The hospitality industry as part of the service sector in South Africa, is different from manufacturing, construction and other primary industries such as agriculture and mining (George, 2008). It is different from the other industries because it provides services to the customers, while the other industries mostly provide products. It is one of the fastest growing sectors in the economy and ranked number four (4) on the list of industries that contribute towards the gross domestic product following mining, manufacturing and quarrying (Taal, 2012). Taal (2012) states further that hospitality makes up to 67% of the tourism industry which is by far the largest sector in the tourism industry. It includes hotels, caravan parks, bed and breakfasts, game lodges, guest houses, and camping sites (Mette, 2010). The following figure shows the tourism enterprises as they are divided by sub sector.

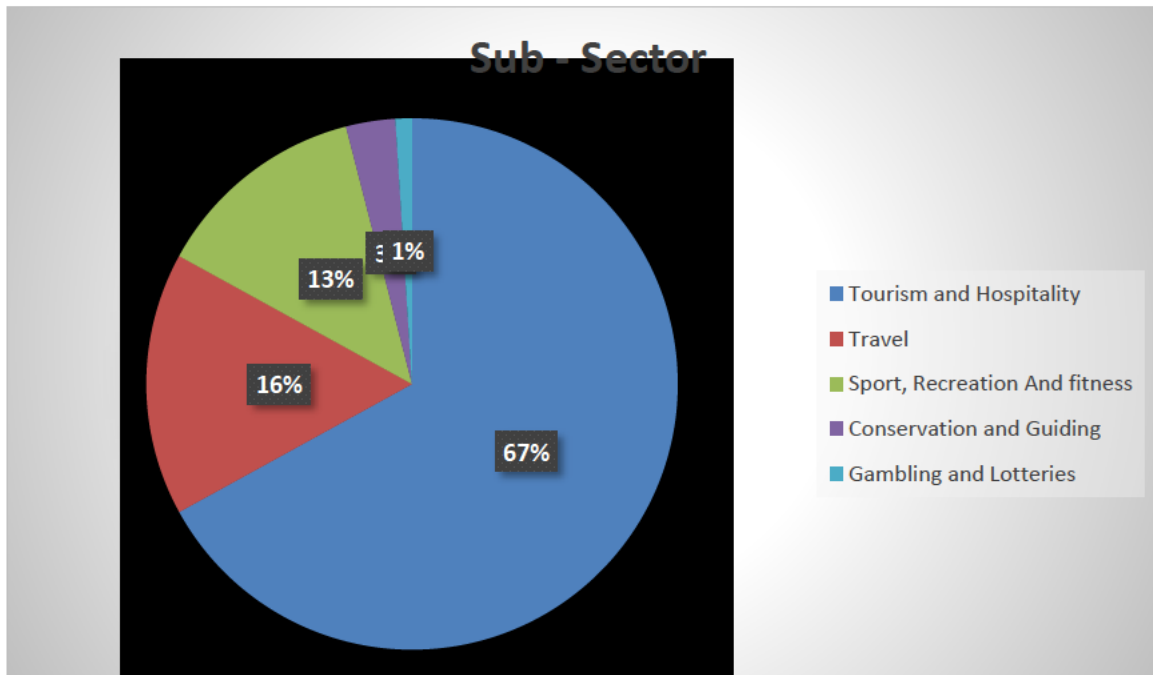


Figure 2.1: Enterprise by sub-sector  
(Source: Taal, 2012:4)

The fact that the hospitality industry is multi-sectorial (Mette, 2010) means that it encompasses certain important features. According to George (2008), these features are:

*Complexity* – the industry is variable and complex, which means that it comprises a number of directly and indirectly related organisations, from bed and breakfast (B&B) establishments to multinational hotel groups. It also does not operate in isolation, as the customer would expect meals and accommodation. This means that the hospitality industry's complexity is found in its various connections of businesses.

*Fragmentation and diversity* – George (2008) notes that the South African hospitality industry is fragmented and diverse. This means that it includes a combination of both small and large groups, although it seems to be dominated by a considerable number of SMMEs than large organisations.

*Volatility* – the demand for tourism hospitality product offerings is extremely volatile and irrational and, for most destinations, it is a seasonal activity. For example, the fact that the annual Mangaung African Cultural Festival (MACUFE) event in Bloemfontein

takes place in October, implies that most accommodation businesses enjoy increased service offering during this time.

*High fixed costs* – for George (2008), most hospitality businesses have high costs due to the need to offer diverse services and offerings. These costs relate to the provision of facilities, land and buildings for accommodation businesses, and the associated high overheads, which are moderately affected by the number of guests or visitors.

*Vulnerability* – hospitality business is particularly susceptible to external adverse natural occurrences and artificial disasters, such as natural disasters, extreme weather patterns, climate changes, terrorist attacks, economic downturns and political crises (George, 2008). The immediate example is the case of xenophobic attacks in the Gauteng and Durban regions on 14 to 17 November 2009 and 27 February 2013, which affected the number of tourists visiting those areas and the countryside (South African History Online (SAHO), 2016). The high armed robbery statistics nationally and in particular the high murder statistics in Nyanga in Cape Town, which is infamously called “the murder capital of South Africa” also portray a negative image of the country and scares away tourists from visiting Cape Town’s picturesque attractions such as the Table Mountain, Robben Island (a UNESCO World Heritage site) and Kirstenbosch National Botanical Garden.

These features indeed make hospitality a very complex phenomenon even though studies show that it must be managed responsibly (Sin 2010; Viljoen, Kruger & Saayman 2014; & Price Water Cooper (PWC) South Africa Hospitality Outlook 2015). Hence, the hospitality SMME owner/managers are currently challenged to ensure that their businesses are involved in acts that are socially responsible if the hospitality industry in South Africa is to be sustainable in the long run. Examples of such social responsibility include developing water saving mechanisms, preserving the natural beauty of the place, mutual co-existence of the business and the natural environment and involvement in combating crime in the local communities.

Marschall (2012) also states that developing countries tend to be preoccupied with meeting basic development needs and pushing economic growth, often at the expense of the environment. These pressures have compelled South Africa to implement

responsible tourism, which will also lead to sustainable development. An example of responsible tourism in the Free State, is eco-tourism attractions such as Maloti Drakensberg Trans Frontier Park and the preservation of the Maloti Drakensberg Route, a corridor leading to the majestic mountain splendour of South Africa located in the Eastern Free State (Maloti Drakensberg Route, 2012). What remains unclear in literature is the extent to which hospitality SMMEs in South Africa are engaged in responsible activities. It is in view of this ambivalence about the extent of hospitality SMMEs' engagement in BSR that Nieman, Visser and Van Wyk (2008) exhort small, medium and micro enterprises operating in the hospitality sector to make a substantial contribution to BSR in order to alleviate poverty and increase Black Economic Empowerment (BEE). This is particularly so, given the long and complex nature of the industry value chain and the many opportunities for SMME involvement in the hospitality sector.

In view of the importance of hospitality SMMEs in the contemporary South African economy, several studies were conducted on the social responsibility activities of hospitality SMMEs towards performance and reporting (Rogerson, 2005; Frey & George, 2010; Sin, 2010). However, not much has been considered in these studies with regard to the promotion of the long term sustainability of the hospitality SMMEs. In view of this research gap, this study seeks to develop a model that will promote the long term sustainability of hospitality SMMEs.

## **2.5. DEFINING BUSINESS SOCIAL RESPONSIBILITY**

Social responsibility is a broader term that describes the commitment of the business to fulfil other social obligations, such as poverty alleviation, and meeting the social development goals, in addition to its economic imperatives. Bowen first introduced the concept of corporate social responsibility in 1953, and since then the social responsibility of businesses became the strong issues of concern and encompassing many definitions (Pirnea, Orlaru & Moisa, 2011). According to Carroll and Shabana (2010), BSR has been growing over the decades and continues to grow in importance and significance. Although the concept has been the subject of considerable debate, commentary and theory building, it continues to develop in both the academic and practitioner communities worldwide. For example, in the European Union, the idea that

a business enterprise has some responsibilities to society beyond that of making profit has been around for centuries (Caroll & Shabana, 2010).

Various definitions of BSR are provided in literature. For instance, Dzansi and Pretorius (2009: 452) define the term as “A firm’s commitment to operating a business in an economically sustainable manner while at the same time recognising the interests of its other stakeholders over and above what the law prescribes.” It can be inferred from this definition that BSR captures the border mandate of the business operations beyond the generation of profit and business competitiveness. More so, the definition demonstrates that BSR extends legal requirements such as registration of the business, operating in designated areas and the payment of business tax.

Another definition of BSR is that it is “the commitment of businesses to contribute to sustainable economic development-working with employees, their families, the local community, and society at large to improve the quality of life, in ways that are good for business and good for development” (Jones, Comfort & Hillier, 2016:330). It is clear from this definition that BSR lays the foundation for meeting sustainability goals through poverty alleviation, elimination of social deprivation and maintaining good standards of life for the communities.

BSR is also defined as “the application of a strategy which systematically integrates the economic, environmental and social impact of a business into the management of that business” (Pirnea, Orlaru & Moisa, 2011:39). It can be interpreted from this definition that BSR involves planning and making sure that all critical aspects of the business environment are taken into consideration. Hence, it is important to consider BSR activities and practices as the major parts of the operations of a business that will affect the business in the long run.

The various definitions given about BSR in different studies stem from the different fundamental assumptions about what BSR entails. Jamali (2008) observes that these assumptions about what BSR entails in different businesses vary from the conceptions of minimal legal and economic obligations and accountability to stakeholders, to broader responsibilities to the wider social system in which a business is embedded. Business Social Responsibility provides a framework by which businesses can do well

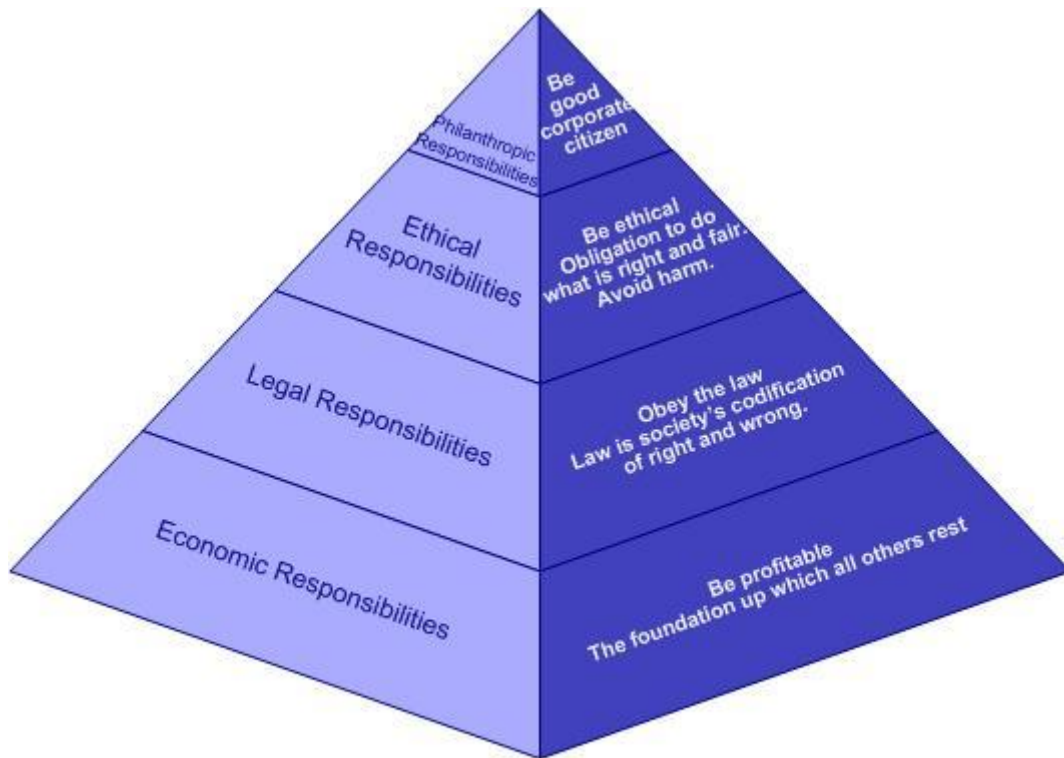
financially by doing good socially and environmentally, and it includes actions that appear to further some social good beyond the interests of the firm and that which is required by law (Karpadis & Neophytidou, n.d.)

## **2.6. COMPONENTS AND PRACTICES OF BUSINESS SOCIAL RESPONSIBILITY**

It is critical to discuss the components and practices of BSR to understand the constitution of the term. Therefore, the subsequent sections address these components of BSR, followed by the practices of BSR.

### **2.6.1 Components**

The idea behind Business Social Responsibility is that companies have multiple responsibilities to maintain. These responsibilities can be arranged in a pyramid, with basic responsibilities closer to the bottom (Scilly, n.d.). As a business meets lower-level responsibilities that obligate it to stakeholders and the law, it can move on to the higher level responsibilities that benefit society. Dudovski (2012) posits that the different layers in the pyramid help owners/managers to describe the different types of obligations that society expects of businesses. This implies that hospitality SMMEs need to be aware of their stakeholders at each level to address their needs. Figure 2.2 conceptualises the components of Business Social Responsibility as it was adopted by Carroll 2013:



Carroll's CSR Pyramid

Figure 2.2: Components of BSR

(Source: Carroll 2013:1)

*Economic Responsibilities* - A company's first responsibility is its economic responsibility. That is, a company needs to be primarily concerned with turning a profit. If a company does not make money, it will not last, employees will lose jobs and the company addressing its social responsibilities will remain a pipedream. Carroll, (2013) also adds that economic responsibility is the ability to provide investors with adequate returns on their investments. This becomes the overriding concern before the business can progress into becoming a good corporate citizen.

*Legal responsibilities* - A company's legal responsibilities are the requirements that are placed on it by the law. Next to ensuring that the company is profitable, is the responsibility of ensuring that it obeys all laws in accordance with the principle of business social responsibility (Scilly, n.d.). Legal responsibilities can range from securities regulations to labour law, environmental law and even criminal law (Carroll, 2013). It is therefore the responsibility of a business to fulfil all contractual laws, warranties and guarantees.



*Ethical responsibilities* - Economic and legal responsibilities are the two big obligations expected of a company. A company can concern itself with ethical responsibilities after meeting these basic requirements. Ethical responsibilities are the duties that a company puts on itself because its owners believe it is the right thing to do even if the company has an obligation to do so (Carroll, 2013). Ethical responsibilities could include being environmentally friendly, paying fair wages or refusing to do business with oppressive countries. This means that the business will do what is right, just or fair to prevent or minimise harm to stakeholders.

*Philanthropic responsibilities* - If a company is able to meet all of its other responsibilities, it can begin to meet its philanthropic responsibilities. Philanthropic responsibilities are the duties that go above and beyond what is simply required or what the company believes is right. They involve making an effort to benefit society, by, for example, donating services to community organisations, engaging in projects to promote environmental protection or donating money to charitable causes.

#### 2.6.2 Common BSR practices and activities

There are a lot of social responsibility issues that every business, irrespective of size, has to respond to (Turyakira, Venter & Smith, 2013) and these include taking care of the environment and giving back to the community. The BSR practices of hospitality SMMEs may include using environmentally friendly cleaning detergents, safe disposal of waste, water and electricity saving systems and the donation of food packages to the local communities. For Turyakira et al. (2013) the common BSR activities of small businesses include:

1. Sponsorship programmes,
2. Provision of career development and training to employees,
3. Waste recycle, and
4. Participation in communities (employing from local communities and making donations to local non-profit making organisations).

The activities of the hospitality SMMEs involve the adoption of linen exchange programs, the use of environmentally friendly cleaning agents and energy conservation through the installation of energy saving devices (Garrick, 2015). This is



normally so because the hospitality industry utilises a lot of natural resources, therefore, the responsible act would be to preserve them. However, these may not be the only activities that the hospitality industry engages in due to their high interactions with the local communities, which brings in the idea of multiple obligations towards their local communities.

Although Park and Levy (2014) believe that BSR activities can be a critical tool in engaging frontline employees to achieve better performance, derive more meaning in their careers, and in attracting good quality employees, this workforce are not the only stakeholders. Garrick (2015) indicates that hospitality businesses that practice BSR achieve better reputation, improved brand image, increases in sales, become more visible to investors, and increase in customer loyalty. It can also lead to enhanced public relations and benefits. This means that BSR activities have a greater impact beyond just a few stakeholders and also including maintaining a great image for the hospitality business.

## **2.7. PERSPECTIVES ON BUSINESS SOCIAL RESPONSIBILITY**

A growing awareness about the need for ecological sustainability and the New Economy framework, with an unprecedented stress on communication and image merchandising, have paved the way for a new generation of business leaders concerned about the responses of the community and the sustainability of the environment (Samuel & Saari, 2010). Boehm (2009) argues that the topic of business social responsibility has been a fundamental of theoretical and public discourse in recent years. In view of the new trends in business social responsibility, it is important to explore the various perspectives on BSR, which are the business perspective, eco-social perspective and the rights based-perspective.

### **2.7.1. Business perspective**

In business practitioner terms, a 'business case' is a pitch for investment in a project or initiative that promises to yield a suitably significant return to justify the expenditure (Crane, Matteu, Mc Williams, Moon & Siegel, 2008). Samuel and Saari (2010) also add that the business perspective of business social responsibility is basically a new business strategy seeking to reduce investment risks and maximise profits by taking

all the key stakeholders into confidence. This means that hospitality SMMEs are now challenged to look beyond profit making by making sure that key stakeholders are catered for through managing and reducing risk. They mention further that the proponents of this perspective often include business social responsibility in their advertising and social marketing initiatives. Therefore, this perspective postulates that businesses can perform well financially while also recognising their responsibilities of creating a better community.

### 2.7.2. Eco-social perspective

This perspective recognises the fact that social and environmental stability and sustainability are two important prerequisites for the sustainability of the market in the long run (Jana Foundation, 2014). This means that hospitality SMMEs cannot separate their long-term sustainability from their environment and social status. Therefore, SMMEs need to be environmentally and socially conscious for them to realise their long-term sustainability. They also recognise the fact that an increase in poverty can lead to social and political instability (Samuel & Saari, 2010). As a result of this perspective, the shift of accountability for businesses has moved from shareholders or business owners to accountability to stakeholders. For this reason, hospitality SMMEs are now challenged to revisit their strategic planning to make sure that they carry out their strategic activities in a way that matters to their stakeholders.

### 2.7.3 Rights-based perspective

This perspective stresses that consumers, employees, the affected communities and suppliers have a right to know about the businesses (Samuel & Saari, 2010). This means that accountability is emphasised in this particular perspective. Furthermore, this means that owners/managers of hospitality SMMEs, have a binding responsibility to be transparent about their business operations to the affected stakeholders. For example, the customers of B&Bs and guest houses have the right to know about how the prices they are charged for the services offered are determined and what ingredients are in products they consume. As a result, the business cannot impose any hidden cost on any service.

## **2.8. THEORISATION OF BUSINESS SOCIAL RESPONSIBILITY**

The field of BSR has grown significantly and today contains a great proliferation of theories, approaches and terminologies (Gariga & Mele, 2004). Some of the terms used to describe the phenomena related to business responsibility in society include society and business, social issues management, public policy and business, stakeholder management and corporate accountability. However, with regard to theory, the stakeholder theory forms the theoretical lens for this study.

### **2.8.1 Stakeholder Theory**

The definition of a stakeholder is necessary in order to understand this theory. Stakeholders are “those groups who can affect or are affected by the achievement of an organisation’s purpose” (Jamali, 2008:217; Russo & Perrini, 2010:209). A business’ stakeholders include customers, suppliers, employees, financiers, communities and managers, who interact and communicate to create value for the business.

The Stakeholder Theory was developed in the last 30 years to deal with the mind-set that businesses are the property of their owners and their sole responsibility is to make profit (Freeman, Harrison, Hicks, Parmar & Colle, 2010). The stakeholder theory thus strongly suggested that businesses must include the key elements that were affected by the business’ operations. As a result, the hospitality businesses cannot ignore the responsibilities they have on the stakeholders and just focus on making profit.

The Stakeholder Theory suggests that if businesses can adopt, as a unit of analysis, the relationship between a business and the groups and individuals who can affect or are affected by it, they have a better chance to deal with problems that may arise (Freeman et al., 2010). This theory suggests that the main goal for BSR is to create value for key stakeholders. For example, the hospitality industry relies much on the support of different stakeholders such as customers, employees, funders, and the environment. The stakeholder theory therefore, suggests that these key stakeholders must be integrated in the planning of the business activities and the business objectives should be aligned with those of these stakeholders.

### 2.8.1.1. The stakeholder mind-set

The basic idea of creating value for stakeholders is quite simple. Business can be understood as a set of relationships among groups which have a stake in the activities that make up the business. Business is about how its stakeholders create value (Freeman et al., 2010). In the past the main objective of the business was to generate profits and in the process prioritise their cash flows. However, a paradigm shift from just making profits to realising that the success of the business is based on their stakeholder relationships emerged (Russo & Perrini, 2010). As a result, businesses can no longer ignore the fact that they have a responsibility towards their stakeholders, and must link their objective of making profits with making sure that their stakeholders are cared for and valued. For the purpose of the study the stakeholders that will be considered for hospitality SMMEs are managers, employees, customers, suppliers, the environment and society. Figure 2.3 shows the stakeholder diagram of this study.

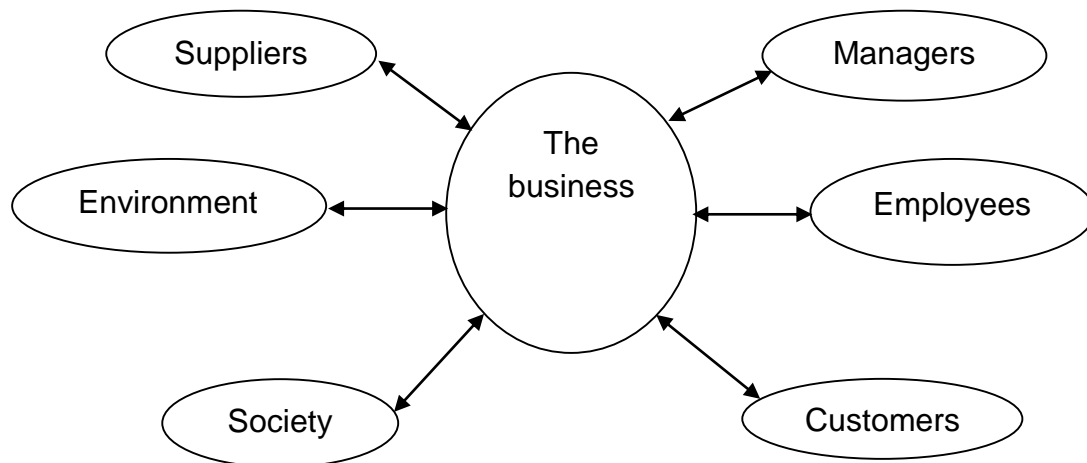


Figure 2.3: A Stakeholder diagram

(Source: Sen 2011:30)

## 2.9. STAKEHOLDERS OF HOSPITALITY SMMEs

By definition, stakeholders are the individuals or groups that have an interest in the business and affected by the actions of that business (Saylor Foundation, 2015). For the purpose of this study, the stakeholders of hospitality SMMEs owners/managers of the Bed and Breakfasts and lodges, their employees, customers including regular patrons, suppliers of their raw materials/products, funders, government institutions and the community. The Saylor Foundation (2015) argues that a business has primary

and secondary stakeholders. The primary stakeholders have a vested interest in how the organisation performs and the actions it engages in conducting business. Secondary stakeholders are participants who are not necessarily influenced or are influenced directly by the business but may positively and negatively impact the actions of the business indirectly. This simply means that primary stakeholders are those directly linked with the business while the secondary are somehow indirectly connected with the business.

These stakeholder groups can benefit from a business success or can be harmed by its mistakes. For example, Customers of hospitality SMMEs comprise of anyone who requests lodges and B&Bs' services for lodging or any other services. Customers contribute to the business by bringing money into the business in exchange for services and they are also used as marketing tools by spreading the word of the good service they received from the business. Suppliers of the hospitality SMMEs are the parties that provide resources to these businesses and suppliers of B&Bs supply beds, food, and linens to maintain a good supply chain to such SMMEs. Onder and Kabadayi (2015) posit that the main idea of supply chain management is the generation of good relationships between chain members to serve customers accurately. As a result, it is vital for the hospitality businesses to maintain those good relations in order to keep the business flowing smoothly.

The other stakeholders of hospitality businesses are private and public funders. Private funders include owners/managers themselves, family members, and the national lottery distribution fund (NLDF). Public funders include the Department of Trade and Industry, the Small Medium Enterprise Development Programme (SMEDP), the Development Bank of Southern Africa (DBSA) and the National Empowerment Fund (NEF) (Department of Environmental Affairs & Tourism, 2012). These are the stakeholders of the hospitality SMMEs that provide funding to the SMMEs either to improve or kick start their operations. Nicholls (2013) states that the main funders of hospitality SMMEs are private funders because it is generally not easy to acquire public funding. The challenge of access to finance has been thought of in terms of credit rationing behaviours of financial institutions, which has an adverse impact on previously disadvantaged groups who have limited access to resources such as hospitality SMMEs (Mazanai & Fatoki, 2012). However, in South Africa, the

DTI has programmes, such as the Tourism Small Medium Enterprise Development Programme (SMEDP), which assist small hospitality and tourism businesses.

## **2.10. THE APPLICATION OF BUSINESS SOCIAL RESPONSIBILITY IN DEVELOPING WORLD.**

In subsequent sections of the study, the researcher addresses the application of BSR in the developing world. The researcher first provides a regional perspective by focusing on the African continent and then turns to South Africa, the geographical location of the current study.

### **2.10.1. BSR in Africa**

There are few studies that focus particularly on BSR practices in Africa (Dzansi, 2004; Dzansi & Pretorius, 2009; Katamba, Kazooba, Mpisi, Nkiko, Nabatanzi-Muyimba & Kekana, 2012). Katamba et al.'s (2012) study on social responsibility management in Uganda found that there is an unbalanced engagement in BSR by business managers in Uganda. This skewed engagement could be caused by the fact that hospitality businesses engage in BSR for different reasons and motives. Katamba et al. (2012), however, argue that factors such as attracting and retaining customers, enhancing reputation and operational efficiencies to achieve competitive advantage force hospitality SMMEs to engage in BSR practices.

### **2.10.2. BSR in South Africa**

The main idea behind BSR is also known as the triple bottom line principle, which implies that businesses should serve for economic, social and environmental ends (Steuner, 2010). He argues further that for most business ethics scholars, BSR is in the interest of businesses, in particular when stakeholders, such as employees, customers and governments, demand value for their respective efforts. This means that hospitality SMMEs in South Africa engage in BSR practices as a way of compensating their stakeholders. The common BSR practices of hospitality SMMEs in South Africa include philanthropic activities, such as donations. Not all BSR efforts in South Africa result from voluntary or indirect business decisions; some of them are the product of corporate compliance with the Black Economic Empowerment (BEE)

legislation (SouthAfrica.info, 2016). This means that owners/managers of hospitality SMMEs that are established on the basis of BEE are obliged to carry out BSR activities as part of their compliance.

## **2.11. IMPLICATIONS OF BSR FOR HOSPITALITY SMMES**

The concept of Business Social Responsibility has become a central part of the business strategy for hospitality SMMEs, fair employee working conditions and for contributing to the welfare of local communities. BSR actions in hospitality SMMEs mainly focus on the protection and restoration of the natural environment, ethical treatment of employees and consumers, and the betterment of the society through community investment (Karpadis & Neophytidou, n.d.). Hospitality is also a highly labour-intensive, people-focused industry in which front line employees are critical to the business's success (Park & Levy, 2014). As a result, the business relationship with its employees can directly influence consumers' reaction to the business and its profitability.

Therefore, the hospitality industry must make sure that its BSR activities focus on the environment, customers, employees and the local community (Park & Levy, 2014). This means that the stakeholder theory of BSR is an important theory to consider in the fulfilment of sustainability. Other hospitality organisations engage in BSR activities as a way of improving their identity and to survive the critics if any from the local community (Perez & de Bosque, 2013). They further emphasise that the business's interest in its stakeholders to advance BSR suggests that the company understands its unique organisational identity.

## **2.12. DEFINING SUSTAINABILITY**

Three definitions of sustainability have been proposed by different authors:

*“Sustainability or what is mostly called sustainable development is meeting the needs of firms' direct and indirect stakeholders, without comprising its ability to meet the needs of the future stakeholders as well”* (Thomas, Dyllick & Kai, 2002, cited in Pirnea et al., 2011:38).



Pirnea et al. (2011:39) defines sustainability as *“encompassing strategies and practices that aim to meet the needs of the stakeholders today, while seeking to protect, support, and enhance the human natural resources that will be needed in the future”*.

Emas (2015:1) defines sustainability as *“the ability of the business to meet the needs of the present generation, without compromising the ability to also meet the needs of the future generation”*.

All three definitions seem to be linked and explain that sustainability is the ability of the firm to meet the needs of its current stakeholders and to ensure that the future stakeholders' needs will also be met. This shows that sustainability is not only about preserving the environment, for it also includes making sure that the people are taken care of in a responsible way (Marschall, 2012) as well as ensuring the health and continued survival of the business. To address this issue, the study will discuss all three components of sustainability.

## **2.13. COMPONENTS OF SUSTAINABILITY**

Sustainability is made up of three components which are social sustainability, environmental sustainability and economical sustainability. The discussion of these components of sustainability, presented below, draws on Harris' (2003) point of view.

### **2.13.1 Social sustainability**

Social sustainability is quite common in the form of business social responsibility seeking to make businesses develop strong and sustainable relationships with customers, employees, suppliers, stakeholders and the social enterprise community (Pirnea et al., 2011). This shows that hospitality SMMEs need to ensure social sustainable development through the progression of relations that are critical to business success. For example, they need to ensure that their employees operate under a fair and friendly environment. This will keep their employees motivated and ensure the creation of a conducive environment for employees to help customers.



### 2.13.2 Environmental sustainability

An environmentally sustainable business must maintain a stable resource base, avoid over-exploitation of renewable resource systems and prevent the depletion of non-renewable resources (Harris, 2003). This means that the hospitality SMMEs must be able to keep their businesses running without depleting and over-exploiting resources such as water, toilet paper and energy. This also involves the ability of businesses to develop new products and services for their communities, using new business models (Creech, Paas, Gabriel, Voora, Hybsier & Marquard, 2014). However, Creech et al. (2014) are of the view that a large pool of innovative ideas remain untapped and an opportunity to build a sustainable economy is being missed. For example, it is proven that the hospitality industry is growing rapidly in its practice and implementation of green initiatives in order to preserve the natural environment and successfully meet the needs and desires of green-minded consumers (Doherty, 2013). This is because this industry relies heavily on natural resources to remain prosperous and attractive to its clients. Examples of hotel environmental sustainability initiatives that can also be implemented in the B&Bs, lodges and guest houses may be (Doherty, 2013):

1. Reducing water consumption
2. Coreless toilet paper
3. Linen and towel reuse programs
4. Recycling and composting.

### 2.13.3 Economical sustainability

Economic sustainability is often thought achievable if the wellbeing of society is maintained over time (Markulev & Long, 2013). However, economic sustainability requires different kinds of capital that make maintain and improve the hospitality of SMMEs' economic production. It is evident that the hospitality industry has to consider all the aspects of sustainability in order for it to attain its goals of sustainability and sustainable development. As Harris (2003) points out, it is important to synthesise all perspectives toward sustainability by making sure that practices consistent with sustainable development remedy social inequities and environmental damage, while maintaining a sound economic base. This researcher suggests, in consideration of social sustainability that, the fulfilment of basic health and educational needs is central

to development and related to environmental sustainability. As a result, sustainability in the hospitality industry can be considered as both an immediate and a long term concept covering the social, environmental and economic aspects.

## **2.14. PERSPECTIVES ON SUSTAINABILITY**

There is a growing consensus regarding the importance of sustainability or sustainable development. Authors, such as Iarossi, Miller, O'Connor, and Keil (2013), consider it as corporate sustainability, but this study employs the term sustainability. Literature states that sustainability initiatives entail a simultaneous process of exploring new possibilities, while exploiting existing capabilities, which are activities that should be facilitated through the support of top management (Iarossi et al., 2013). As a result, the two perspectives on sustainability discussed in this section are the strategic and innovative perspectives.

### **2.14.1 The strategic perspective**

As it was mentioned above that sustainability can be a source of opportunity and competitive advantage, hence, it is facilitated through top management. Iarossi et al. (2013) have suggested that sustainability should be connected to the business's mission and be managed by senior management strategically instead of disparate ad hoc activities. This means the owner/manager must be able to include the sustainability in the long term plans of the business so as to deal with economic, social and environmental issues the business may encounter during its operations.

### **2.14.2 The innovative perspective**

Sustainability facilitates the creation of innovation; production of creativity through presenting new problems to solve, establishment of big goals that force people to think differently and fostering of contradictions (Kruglianskas & Vilanora, 2013). Sustainability in hospitality SMMEs and BSR will include a business' introduction of measures to save both water and electricity (environmental sustainability). It also empowers employees to act and that way generating innovation (Kruglianskas & Vilanora, 2013). Sustainability and innovation are complements and together they increase the competitiveness of any business.

## 2.15. THEORIES OF SUSTAINABILITY

The continuing evolution and increasing salience of the concept and practice of sustainability among individuals, organisations, and societies worldwide appears to warrant the development of conceptual approaches to theories of sustainability management (Starik & Kanashiro, 2013). As a result, the researcher will discuss the theory of sustainability that explain how small businesses engage and respond to sustainability issues in their environment. Not many theories of sustainability have been discussed; this is because the consideration of theories of sustainability is relatively new to many management scholars (Starik & Kanashiro, 2013). Therefore, the researcher only discusses a theory of sustainability that is applied in this study, which is institutional theory.

*Institutional theory:* The theory suggests that external shocks influence the environmental strategy, which suggests that businesses gain legitimacy by complying with external and societal environmental pressures (Starik & Kanashiro, 2015). The implication is that hospitality businesses cannot ignore the responsibility they have on the environment and society because a neglect of this responsibility may result in external stakeholders' demands that they do so. Hence, some hospitality SMMEs practice BSR through a sustainable food system. Azadi, Schoobenk, Mahmoudi, Derudder, De Maeyer and Witlox (2011:1) defines a "sustainable food service as one that provides healthy food to meet current food needs while maintaining healthy ecosystems that can also provide food for generations to come with minimal negative impact on the environment". Therefore, the stakeholders' requirement that hospitality SMMEs act in more sustainable way compels SMMEs to be more careful towards the environment and the rest of the stakeholders.

A theory of sustainability is likely to encompass several aspects of both sustainability and management because both environmental and social aspects need to be included in the concept of sustainability (Starik & Kanashiro, 2013). It is for this reason that the institutional theory of sustainability is relevant to this study as this theory ties well with the stakeholder theory of BSR. The stakeholder theory, as mentioned in the previous section (see Section 2.9), indicates that the hospitality SMMEs cannot operate in isolation from their stakeholders (Freeman et al., 2010). Therefore, this allows the

hospitality SMMEs to also engage with their stakeholders as they give pressure on the business to act in a sustainable and responsible manner.

## **2.16. APPLICATION OF SUSTAINABILITY IN THE DEVELOPING WORLD**

In the following sub sections, the researcher addresses the application of sustainability in the developing world with specific reference to Sub Saharan Africa and South Africa.

### **2.16.1 Sustainability in Africa**

Africa comprises most of the developing countries in the world. It is faced with a lot of economic challenges such as unemployment and poverty. These challenges force the huge population from the continent to resort to their own means to make a living, with one of these being starting businesses. Hospitality small businesses are some of the dominating businesses in Africa and these should be sustainable. Jumia Travel (2015) reports that the hospitality industry in Nigeria is booming and attracting investors from all parts of the world. This means that the industry is faced with the responsibility of creating a suitable environment for all the stakeholders so that it can remain profitable in the long term. The Government of Morocco has integrated the sustainability of tourism and hospitality businesses in its Vision 2020 in an attempt to emphasise the importance of sustainability in the hospitality industry (Morocco Ministry of Tourism, 2013). Hence, the African hospitality industries, as especially evident in the case of Morocco, practice sustainable development on a much more serious and binding level as it forms part of the industries' strategic plans.

### **2.16.2 Sustainability in South Africa**

Some studies conducted on the nature of the hospitality industry, show that there is a link between the hospitality industry and the natural environment (Kasim & Scarlat, 2007). Therefore, the link between hospitality and the physical environment implies that hospitality's survival depends on its ability to exploit and tap into natural resources and the capacity of the sector to minimise negative impacts of its activities on the environment and society. The South African hospitality industry is perceived as an appropriate mechanism for sustainable development, poverty reduction and biodiversity conservation (Spenceley & Godwin, 2007). As a result, hospitality SMMEs

must be aware of their effects on the environment and the society they operate in, because they are the catalyst for economic development through the development of the community and the environment as a whole. The challenge however, is that the hospitality industry comprises many SMMEs that are run by managers/owners with little or no consideration of the impact of their business operations on the environment or the community. For Lynn (2009) the prioritisation of short term economic goals of making profit ahead of concerns for the long-term health of the environment often lead to the disregard for sustainability. Hence, this study contributes to increasing tourism SMMEs' owners'/managers awareness of sustainability to improve the long term survival of hospitality industries.

The hospitality industry has a better chance of survival owing to the hospitality SMMEs' rising awareness of their responsibilities towards their stakeholders and taking more initiatives on minimising the negative impacts they cause on the environment. Hospitality Valuation Services (HVS) (2012) also argues that sustainability issues touch on nearly all aspects of hotel ownership and management, thus necessitating the alignment of social and financial factors to promote responsible operations over time. It also states that the present hospitality businesses should widen the scope of their sustainability efforts by incorporating environmental objectives into a broader business social responsibility approach, which included the establishment of partnerships with a variety of public and private environmental organisations.

## **2.17. IMPLICATIONS OF SUSTAINABILITY FOR HOSPITALITY SMMEs**

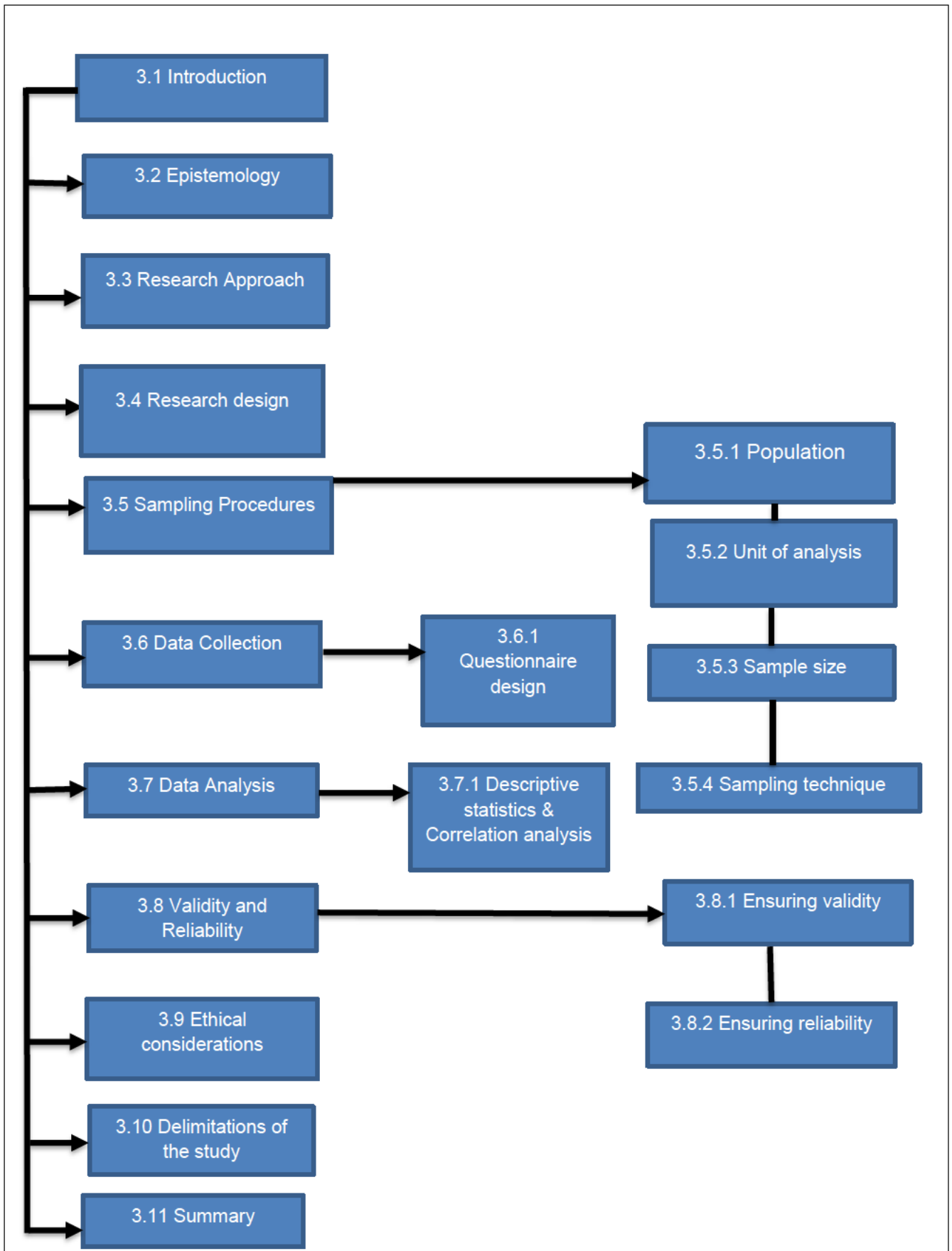
Sustainability can imply different things in the hospitality industry. The roots of environmental thought in the hospitality industry became evident when a few enterprising owners/managers realised they could provide an enhanced guest experience by integrating natural elements into the resort experience (HVS, 2012). This shows that owners/managers of hospitality SMMEs are now aware of some customers' environmentally friendly needs and striving to cater for them. In recognition of this, the Morocco Department of Tourism (2013) reported that hospitality businesses need to develop a model of tourism that combines sustained growth and responsible custody of the environment that respect the authentic social and cultural life of the communities they operate in. This also implies that hospitality SMMEs cannot look at sustainability from a single perspective as there are different types of sustainability

such as the economic, social and environmental. As a result, the hospitality SMMEs need to integrate all these elements in their drive towards sustainability.

## **2.18. SUMMARY**

This chapter focused on the nature of hospitality SMMEs in South Africa and how those SMMEs engage in BSR practices in order to enhance their long term sustainability. It also reflected on the two theories of BSR which are stakeholder theory and social capital theory. The chapter underscored the fundamental importance of hospitality SMMEs' engagement in BSR practices. The next chapter discusses the methodology adopted in the study.

## CHAPTER THREE: RESEARCH METHODOLOGY



### **3.1. INTRODUCTION**

The previous chapter provided a comprehensive discussion on hospitality SMMEs, Business Social Responsibility, and sustainability in order to develop a BSR model for the social, economic, environmental sustainability of hospitality SMMEs. This chapter, however, outlines the detailed research methodology that guided this study. A research methodology describes the underlying philosophy, scientific procedures and processes of conducting credible research for the purpose of developing new knowledge and information for the benefit of society. It is the science of studying how research is carried out systematically to resolve societal challenges (Rajasekar, Philominathan & Chinnathambi, 2013). The chapter first provides the epistemological stance adopted in the study and then discusses the research approach, research design, population and sampling method employed in this study. Also outlined, are the instruments used to collect data, the techniques implemented to ensure validity and the reliability of the instruments. Finally, the data analysis process is described as well as the ethical considerations and delimitations of the study are finally articulated.

### **3.2. EPISTEMOLOGY**

There is need to outline the operational definition of the term epistemology. Mack (2010:5) defines epistemology as the “theory of knowledge embedded in both the theoretical perspective and methodology of the research”. This means that an epistemology is the theoretical perspective the researcher draws on to approach the phenomenon under investigation. It is also the foundation on which the researcher bases his/her claims when making interpretations and acquiring the knowledge from the empirical data generated in the study. Krauss (2005) posits that epistemology addresses how the researcher comes to know social reality, while methodology identifies the particular methods and practices used to attain knowledge of this reality. Thomas (2010) conceives paradigm as having three building blocks which are ontology, epistemology and methodology. On ontological level, the researcher perceives the facts about BSR as objective truth that is out there and can be proved or disapproved. To discover those facts, the researcher needs to be detached from the subject of research and has to apply his mind objectively to distil the truth from it. Hence, the researcher adopts a positivist paradigm to the study.



The current study is informed by a positivist epistemological stance. Positivist epistemology is arguably the most dominant paradigm in management literature, as it is largely deductive and begins with theory and past research in order to derive new hypotheses and experiments (Gales, 2010). Thus, the positivist epistemology draws on natural science techniques and procedures to test hypothesis and develop new understanding of phenomena. The positivist epistemology best suited this investigation because the focus of this study was to examine the relationships between BSR goals and activities and the BSR practices of hospitality SMMEs, and the relationship between BSR practices and sustainability of hospitality SMMEs, with a view to develop a BSR model for the sustainability of hospitality SMMEs.

Aliyu, Bello, Kasim and Martin (2014) state that a positivist epistemology attaches importance to explaining clear data, specific facts, and observational actions. In this study, the focus was to observe and establish the relations of association between BSR goals and activities, BSR practices of hospitality SMMEs, and BSR practices and sustainability of hospitality SMMEs, with a view to develop a BSR model for increasing the long-term sustainability of such businesses. The positivist epistemology can be contrasted with the interpretivist epistemology, whose focus is on understanding the subjective meanings of persons or objects in domains being studied (Goldkuhl, 2012). Goldkuhl (2012) elaborates that the interpretivist epistemological position suggests that there exist multiple realities that emerge from the meanings and knowledge of the studied characters.

According to Thomas (2010), the positivist paradigm is a philosophical idea which postulates that observation and reason are the best means of understanding human behaviour, and that true knowledge is based on experience of senses and can be obtained by observation and experiment. Hence, this study's preoccupation with explaining relationships between BSR practices and sustainability as well as uncovering the practical application of BSR of SMMEs, demanded that positivism be considered as ideal for the study. Thus, epistemology allowed the researcher to reveal the already existing BSR practices in hospitality SMMEs in an objective manner.

### 3.3. RESEARCH APPROACH

A research approach is a plan and procedure for research that spans the steps from broad assumptions to detailed methods of data collection, analysis and interpretations (Creswell, 2014). Creswell notes that this plan involves several decisions, but the overall decision is knowing which approach should be used to study the topic. Blumberg, Cooper and Schindler (2011) recognise two approaches to conducting research, which are the quantitative and qualitative methods. The quantitative research approach is characterised by the collection of data which can be analysed numerically, the results of which are typically presented using statistics, tables and graphs (Better Assessments Better Aid, 2012). Quantitative research is normally associated with the collection of large amounts of data, whose results can be generalised.

This study adopts a quantitative approach. Quantitative research involves the numerical representation and manipulation of observations for the purpose of describing and explaining the phenomena that those observations reflect (Sukamolson, 2012). The use of this approach suggests that numerical representations of responses on the type of BSR goals and activities that hospitality SMMEs in Free State engage in and the critical stakeholders that hospitality SMMEs engage with will be established through descriptive statistics. The relationship between the BSR goals and activities and the BSR practices of hospitality SMMEs, the relationship between BSR practices and sustainability of hospitality SMMEs, and the stakeholders with the greatest impact on the sustainability of hospitality SMMEs will be established using quantitative computations such as inferential statistics. Thomas (2010) states that the problem in a quantitative project is best addressed by understanding the factors or variables that influence the outcome. Therefore, this researcher also seeks to determine which BSR practices would predict the sustainability of the hospitality SMMEs. The same study also explores which BSR practices predict the type of sustainability of the hospitality SMMEs in the Free State. Hence, the quantitative approach was the most appropriate approach to uncover those relationships.

### 3.4. RESEARCH DESIGN

Research design is the plan and structure of investigation conceived by the researcher to obtain answers to research questions (Blumberg, 2011). Blumberg (2011) argues further that a research design includes an outline of what the investigator will do from the write up of the hypothesis and their operational implications to the final analysis of data. Mustafa (2010) adds that a research design gives an outline of the structure and process of the work and as such should have: (1) a clear statement of the problem, (2) procedure and techniques to be used for collecting information, (3) the population to be studied, and (4) methods to be adopted in the processing and analysis of data. Bryman and Bell (2007) also state that a research design provides a framework for the collection and analysis of data and argue further that the choice of a research design reflects decisions about the priority being given to a range of research processes. Thomas (2010) also states that a research design can be thought as the logic or master plan of a research that throws light on how the study is to be conducted. This plan shows how all of the major parts of the research study – the samples or groups, measures, treatments or programmes – work together in an attempt to address the research question.

A quantitative case study design was used in this study. A case study is an empirical inquiry that investigates a contemporary phenomenon within its real life context, especially when the boundaries between the phenomenon and context are not clearly defined (Thomas, 2011). In the case of this study, the phenomenon of BSR practices and activities of hospitality SMMEs and their influence on various types of sustainability were interrogated in the Free State context to make logical inferences about their implications for these merging SMMEs. The critical stakeholders that hospitality SMMEs engage with in the fulfilment of their BSR goals and activities were also investigated as well as the stakeholders that had the greatest impact on the sustainability of hospitality SMMEs.

Yin (2014) explains that a case study is an empirical inquiry that makes an in-depth investigation of a contemporary phenomenon in its real world context, especially when the boundaries between the phenomenon and context may not be clearly evident. The choice of the case study design is attributed to its flexibility, depth and manageability. A case study is flexible in terms of what it studies, hence the case can be an individual,

or a small geographic area (Zaidah, 2007:1). In this study the case is the small businesses in the Free State, in particular their BSR practices and activities and their relationship with sustainability in the same region.

In fact, Baxter and Jack (2008) state that a case study is very useful when:

1. The focus of the study is to answer “how” and “why” questions;
2. The researcher cannot manipulate the behaviour of those involved in the study; and
3. The researcher wants to cover contextual conditions because they believe they are relevant to the phenomenon.

The quantitative approach was ideal for exploring the possible configurations of the model since it could not be known in advance “how” the best BSR practices model would look like (i.e. its configuration), except that the model would cover hospitality SMMEs goals and activities, BSR practices and the stakeholders and sustainability. The quantitative case study is best suited for this investigation because the researcher could not manipulate behaviours of hospitality owners/managers when they were conducting their businesses. Lastly, the quantitative case study best suited the study because the researcher sought a broad representation of the different BSR activities and practices that hospitality SMMEs in the Free State engaged in. Therefore, the case study helped the researcher to describe these business’ BSR activities, BSR practices and their engagement with their contexts. Different industries may have different ways in which they engage social responsibility activities; therefore, the researcher uses a case study design so that only the hospitality SMMEs social responsibility activities are considered for investigation.

### **3.5. SAMPLING METHODS**

Under this heading the following issues will be addressed, namely: population, unit of analysis, and sample size.

#### **3.5.1 Population**

A population is the study object and consists of individuals, groups, organisations, products and events or conditions which are to be studied (Welman, Kruger & Mitchell,

2005). Welman et al. (2005) mention further that it encompasses the total collection of all units of analysis which the researcher wishes to make specific conclusions about. In a case study, the population may also be referred to as a study base (Martin, Steubs & Suin, 2009). This is because this context normally gives rise to the cases to be studied, which might be a geographical area, organisation or an individual. The target population for the study is all hospitality businesses in the Free State. Recent business literature suggests that BSR is increasingly being practised in these kinds of industries hence, the researcher's consideration of these industries as her target population (Karani, 2011; Matev & Assenova, 2012; Sloan, Legrand & Kaufman, 2014).

The estimates from the Tourism Grading Council of South Africa (TGCSA) were drawn upon as a point of departure (Tourism Grading Council of South Africa, 2016). These estimates put the number of hospitality businesses in the Free State at 150 organisations. This comprises 30 hotels, 56 guest houses, 8 lodges, 12 bed and breakfast and 44 self-catering outlets. However, the hotels were excluded due to their size which disqualifies them from being considered as SMMEs. The 120 organisations therefore constituted this study's population. The TGCSA (2016) estimates were relevant in establishing the hospitality SMME population size in view of the difficulty of establishing the actual population size as many hospitality SMMEs are not registered and operate in obscure places. The TGCSA (2016) estimates, therefore, may be slightly higher or lower than the actual number of hospitality SMMEs in the Free State.

### 3.5.2 Unit of analysis

The unit of analysis was supposed to be an individual hospitality SMME in Free State. Though as it may, given the difficulty of separating the owner/managers from the business itself, this individual SMME turn out to be the owner/ managers and employee. For the purpose of this investigation, therefore, the unit of analysis was actually the owner/managers or employees of hospitality SMMEs who were directly involved in the routine operations of the business. The reason for including the employees was that many employees who managed the bookings were quite knowledgeable about BSR issues and sustainability issues by virtue of frequently dealing with these issues when the owners/managers were not around.

### 3.5.3 Sample size

The sample of the research should be carefully chosen so that it will enable the researcher to have a panoramic perspective of the total population in the same proportions and relationships observable if the researcher were in fact, to examine the total population (Leedy & Ormond, 2010). The researcher infers from this observation that the sample is the population's microcosm. Bryman and Bell (2007) identify two techniques of sampling which are probability sampling and non-probability sampling. With probability sampling every respondent in the population has a known chance of being selected, while in non-probability sampling there is no known chance of being selected (Barreiro & Albandoz, 2001). Mustafa (2010) states that one advantage of probability sampling is that the results can be generalised across the whole population, while non-probability sampling has an advantage that the desired number of sample chosen are selected deliberately or purposively, depending upon the object of inquiry, so that only important items representing the true characteristics of the population are included in the sample.

Due to the size of the population, a census was considered for this study and all the 120 hospitality SMME establishments (56 guest houses, 8 lodges, 12 bed and breakfast and 44 self-catering outlets) were considered and hotels were excluded from the study because of their size, which disqualifies them from being viewed as SMMEs. The survey was then administered on all the 120 SMME establishments to ensure that all SMMEs were considered, irrespective of their cluster or classification.

## 3.6. DATA COLLECTION

In this section the researcher addresses the data collection procedures. The type of instrument used to collect data from the respondents is also stipulated in this section. Furthermore, the researcher also describes the constitution of the research questionnaire.

### 3.6.1 Data collection procedures

A structured questionnaire was used as the main data collection technique for this study. Zohrabi (2013) argues that there are different ways of gathering information and

these techniques can supplement each other and boost the validity and dependability of the data. Yet due to the nature of this investigation, which emphasised exploring relationships and developing a BSR model for enhancing the sustainability of tourism SMMEs, a structured questionnaire was considered ideal. A structured question is considered ideal when the intention of the researcher is to have pre-coded questions with well-defined skipping patterns to avoid discrepancies and enhance easy facilitation of data management (Acharya, 2010). It allows for the development of a panoramic view of the population based on sample data.

The choice of this research instrument was also justified by the fact that work commitments meant that the researcher had limited time to seat with different SMME owners/managers to schedule some interviews or focus group discussions. More so, since the research involved working with business people who could entertain the researcher's questions during business hours, the questionnaire was convenient as it could be filled in at the respondent's convenience after work hours. The possibilities of combining qualitative and quantitative data were constrained by financial constraints as the researcher is a student and could not afford to develop, print and administer a broad range of additional research tools.

The questionnaires were distributed to the respondents personally, and in cases where the owners'/managers employees agreed to engage with the researcher, the researcher read out and interpreted the questions to respondents who did not understand the questions. Questionnaires were also given to those respondents who were busy in order for them to complete and the researcher would collect them the following day. This method made it easy for the researcher to distribute more questionnaires in a few days and allowed respondents who could not immediately complete the questionnaires due to their busy schedules to do so during their spare time.

### 3.6.2 Questionnaire design

The questionnaire was designed using structured questions. It consisted of 67 items on the Likert scale format. Bryman and Bell (2007) posit that the Likert scale based



questions make the processing of data for computer analysis easy as questions from the Likert scale can be pre-coded. The questions were divided into five sections:

**Section A:** This section collected demographic data about the gender, race, age, and the highest qualification of the respondents. Business demographics regarding the years of business in operation, the type of hospitality business and the number of employees were also posed.

**Section B:** This section had questions on Business Social Responsibility practices. It was disaggregated into 5 parts. Part 1 required respondents to indicate their understanding of BSR in terms of goals and activities, part 2 focused on the economic component of BSR, in particular profitability and growth as they related to business goals and activities. Part 3 focused on the legal component of BSR practices, while part 4 and 5 questions focused on the ethical and philanthropic activities and business goals, respectively.

**Section C:** These questions explored the respondents' level of understanding of the stakeholders that the business engaged with when carrying out BSR activities, the importance of those stakeholders in their business operations, and how they took into consideration the expectations of those stakeholders.

**Section D:** This section only focused on the BSR activities that the business engaged in.

**Section E:** This section asked questions on the sustainability activities that the business engages in because the focus was to get the relationship of sustainability and business social responsibility. This was critical in view of the study's intention to develop a suitable model based on the optimal relationship between BSR and sustainability.

### 3.7. DATA ANALYSIS

Data analysis is a process where the researcher summarises and describes the data he/she collected (Creswell, Ebersohn, Eloff, Ferreira, Ivenkova, Jansen, Clack & Westhuisen, 2010). The study employed descriptive statistics and correlational



analysis for the analysis. The data from the questionnaires was subjected to statistical analysis using the statistical program called Statistical Package for Social Sciences (SPSS) version 21 with the help of an experienced statistician.

### 3.7.1 Descriptive statistics and correlational analysis

The descriptive statistics involved the outlining of the population's characteristics and presentation of data in a way that is easily interpretable (Zikmond & Bambin, 2010). It dealt with the presentation of numerical facts, or data relating to the demographics (e.g. age, gender, race and highest level of education) of respondents and demographics of the business (e.g. the type of the business, number of employees and the age of the business), in either tables or graphs to establish the frequencies, with percentages being used to present all group responses.

Correlational analysis was used to determine the relationship between BSR activities and the sustainability of SMMEs. Correlational analysis was considered appropriate for such an analysis because it uncovers how one or more variables are related (Tashakori & Teddlie, 2010). Finally, the researcher drew on the relationship between BSR activities and sustainability to develop the BSR model for hospitality SMMEs in the Free State.

## 3.8. VALIDITY AND RELIABILITY

Instrument validity and reliability lie at the heart of any competent and effective study (Thanasegaran, 2009). A researcher must make sure that errors and threats to validity and reliability are minimised. However, most researchers associate the concept of reliability and validity only with quantitative studies (Thanasegaran, 2009). It has been argued that qualitative research uses a naturalistic approach that seeks to understand phenomena in context-specific settings, and unlike in quantitative research, where the credibility of research depends on instrument construction, in qualitative research the "researcher is the research instrument" (Golafshani, 2003). Heale and Twycross (2015) posit that there are three types of validity which are content validity, construct validity and criterion validity. The three terms are explained below:

1. **Content Validity:** This category examines whether the instrument adequately covers all the content that it should with respect to the variable (Heale & Twycross, 2015). Heale and Twycross (2015) explain further that content validity tests whether the instrument covers the entire domain related to the variable or the construct that it was designed to measure. The study ensured this by drawing on mainstream literature to establish and develop the concepts. The supervisors, who were the subject experts, also evaluated the instrument to refine it further and improve its coverage and internal consistency.
2. **Construct Validity:** The aim of construct validation is to embed a purported measure of a construct in a nomological network (Western & Rosenthal, 2003). Heale and Twycross (2015) explain further that construct validity refers to whether one can draw inferences about test scores related to the concept being studied. Apart from drawing on mainstream literature on the concepts of sustainability, BSR and hospitality SMMEs, the statistician's advice was also used in refining the instrument items.
3. **Criterion Validity:** A criterion is any instrument that measures the same variable (Heale & Twycross, 2015). It reveals concurrent evidence and predictive evidence.

### 3.8.1 Ensuring instrument validity

Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are (Golafshani, 2003). The research instrument for this study was reviewed by the study supervisors and a statistician to make sure that all questions were clear and not obscure, and thus ensure content validity. Some questions were revised and complex items reworded.

### 3.8.2 Ensuring instrument reliability

Reliability is the extent to which results are consistent over time and whether they are an accurate representation of the total population under study. If the results of a study can be reproduced under a similar methodology, then the research instrument is

considered to be reliable (Golafshani, 2003). Reliability deals with the consistency, dependability and replicability of the results obtained from a piece of research (Zohrabi, 2013). To ensure reliability in this study the researcher will compare the results of this study with the results of previous studies which have focused on the same phenomenon. The instrument was also tested, during the analysis, for construct validity using Cronbach Alpha of 0.764 which indicates that the instrument was reliable. (see the Section 4.4 in the presentation and discussion chapter).

### **3.9. ETHICAL CONSIDERATIONS**

Ethics in research is defined as the moral principles and values that influence the way a researcher conducts a research (Leedy & Ormond, 2010). Comstock (2013) suggests that it is the obligation of the researcher to conduct it according proper ethical codes and guidelines. Leedy and Ormond (2010) also mention that the researcher must look closely at the ethical implications of what they are to do whenever human beings or other creatures with the potential to think, feel and experience physical or psychological distress are the focus of an investigation. As a result, a number of ethical guidelines will be considered for this research.

The study considers Leedy and Ormond's (2010) ethical issues that should be adopted and these are:

*Informed consent* – The nature, focus and possible contribution of the study was explained to the participants and they were given a choice to either participate or decline before they were served with questionnaires. It was necessary to inform the participants and make them understand that their participation is voluntary.

*Protection from harm* – The study did not expose the participants to physical, emotional or psychological harm, which is greater than their normal day to day living. The participants were protected and not exposed to any form of harm.

*Right to privacy* – The responses provided by participants were kept strictly confidential and used solely for the purpose of the production of research results. The participants felt free when giving responses because they knew that whatever they gave would not be used against them. Finally, the participants were not requested to

provide their names on any research instrument they complete in an effort to ensure their privacy.

*Honesty* – The research findings were reported in a complete and honest manner and no misinterpretations were made. The results, therefore were a true reflection of the responses given by the participants.

### **3.10. DELIMITATIONS OF THE STUDY**

The study focused on hospitality SMMEs in the Free State Province only and not any other area. This means that although it is a very comprehensive project that considered the majority of hospitality SMMEs in this province, the results may not be generalisable to other provinces with different resource bases and socio-economic conditions.

Only the case study design was considered due to its capacity to provide a panoramic view on the extent of BSR among hospitality SMMEs, notwithstanding the limitations of survey research with regard to providing important personal subjective narratives on a subject matter.

Only owners/managers and employees of hospitality SMMEs in the Free State were the main respondents of the study. While this might mean that other potential role players such as communities, financiers and customers' views were ignored, the researcher's resource constraints limited her inclusion of these other stakeholders.

### **3.11. SUMMARY**

This chapter described the research methodology adopted in this study. A positivist epistemology, quantitative research approach, and a case study design were adopted in this study. The chapter also summarised the quantitative data collection and analysis process considered for this study. Ethical issues and study delimitations were also discussed. The next chapter presents the results of this investigation and an interpretation of those results.

## CHAPTER FOUR: FINDINGS AND DISCUSSION

### 4.1. INTRODUCTION

The previous chapter presented the research methodology, data collection and data analyses techniques relevant to this study. This chapter presents and discusses the findings from the study. Perez (2014) notes that the purpose of data presentation is to make data amenable to study and interpretation.

### 4.2. RESPONSE RATE

A total of 120 questionnaires were distributed by the researcher to manager/ owners and employees of hospitality SMMEs in the Free State, and only 92 were correctly completed and returned, giving a response rate of 76.6%. A response rate that is below 50% is considered unacceptable, hence a 76.6% response rate is deemed adequate for data analysis (Bryman & Bell, 2011). Since a census was done, the findings from this sample can be generalised to the entire population of hospitality SMMEs in the Free State.

### 4.3. DEMOGRAPHICS

This section provides an overview of the demographic characteristics of the sample through the use of a frequency table. The demographic information pertains to gender, race, age and highest level of education, religious denomination and nationality.

#### 4.3.1 Age

Table 4.1 shows a striking difference in the workforce (manager/ owners and employees) of the hospitality SMMEs in the Free State. About 53.3% of the respondents fell within the 18-35 age groups, followed by 34.8% which fell within the 36-45 age groups. These demographics illustrate that most participants constituted the economically active population. It can be interpreted that the employ of the hospitality SMMEs in the Free State is dominated by a young adult and economically active population. The dominance of the economically active population in the hospitality industry is reflective of an expansive population structure of South Africa, which is dominated by moderately youthful groups (Statistics South Africa, 2015). The mid-year population estimates show that the dominating age groups in the Free State

are 20–24, 25-29, 30-34, and 35-40 (Statistics South Africa, 2015). In fact, a study on records management systems of the hair salon industry conducted by Mosweunyane (2013) also affirmed that economically active groups dominate the South Africa labour market.

Table 4.1: Demographic characteristic of participants

Demographic Variables	Category	Frequency	Percentage
<b>Gender</b>	Male	38	41.3%
	Female	54	58.7%
<b>Race</b>	Black	38	41.3%
	White	48	52.2%
	Coloured	6	6.5%
<b>Age</b>	18-35 years	49	53.3%
	36-45 years	32	34.8%
	46-55 years	9	9.8%
	56-65 years	2	2.2%
<b>Highest Level of Education</b>	Grade 10-12	22	24.7%
	Post Grade 12	57	64.0%
	Post Graduate	10	11.2%
<b>Respondent Type</b>	Owner	1	1.1%
	Manager	15	16.3%
	Owner/Manager	24	26.1%
	Employee	52	56.5%
<b>Religious Denomination</b>	Christian	91	100.0%
<b>Nationality</b>	South African Citizen	85	93.4%
	South African Permanent Resident	5	5.5%
	Non South African	1	1.1%

#### 4.3.2 Gender

As shown in Table 4.1, the study was dominated by female participants, who constitute 58.7% of the sample, compared to male participants, who made up 41.3% of the same sample. This finding suggests that the hospitality SMME workforce in the Free State tends to be dominated by females. The moderate dominance of females over males can be attributed to the service of hospitality, which demands acts of courteousness, kindness and meekness, qualities associated with womanhood than manhood (Lee–Ross & Lashley, 2009). However, a study conducted by Pirnar, McCuddy, Birkan and Kozak (2009) shows that the hospitality industry in Turkey is dominated by males and these tend to earn more than women.

### 4.3.3 Race

Table 4.1 illustrates that there is a moderate balance between the white and black participants. White participants were the majority (52.2%) followed closely by black participants making up 41.3% of the participants. The percentage of coloured participants was not really significant, as they constitute 6.5% of the participants. This statistic is surprising in view of the fact that there are more blacks inhabiting in the Free State Province than their white counterparts (Statistics South Africa, 2015). The modestly balanced racial representation may be explained by the fact that whites tend to be more entrepreneurially inclined and hence more likely to own B&Bs and guest lodges than their black counterparts (International Finance Corporation (IFC), 2005). The balanced racial presentation in the hospitality industry in the province is also supported by mainstream literature. Ramarumo's (2014) study on the impact of organisational culture on job stress and burnout in graded hospitality establishments in the Free State, also reported a moderately balanced representation of the aforementioned races: white and black respondents in her study constituted 39.21% and 38.33%, respectively.

### 4.3.4 Highest qualification

Table 4.1 and Figure 4.4 show the different qualifications held by the participants. The majority (64.0%) of the respondents attained a post grade 12 qualification, 24.7 % attained a qualification between grades 10-12, while 11.2% have a post graduate qualification. This shows that the employees of the hospitality SMMEs in the Free State had basic functional literacies critical for them to function in the industry. Kamau and Waudu (2012) state that employees of the hospitality industry must have at the very least, a basic understanding of how to produce results within a high-pressure environment.

### 4.3.5 Role of respondents in business

Contrary to common belief that small businesses are dominated by owners who own and self-manage their businesses, Table 4.1 illustrates that that the majority of the respondents (56.5%) were employees of their respective companies. Manager/

owners constituted 26.1%, managers made up 16.3%, and owners constituted only 1.1% of the study sample.

#### 4.3.6 Nationality

As shown in Table 4.1, 93.4% of respondents were South African citizens, 5.5% were South African permanent residents and only 1.1% of the participants were non South African citizens. This suggests that even though the hospitality SMMEs in the Free State employs economically active population predominantly, there may be policy and legal constraints in entering this sector for foreign nationals. The SME Toolkit of South Africa (2015) warns that non-compliance with foreign employment rules and procedures such a possession of a work permit by a foreign employee can lead to the conviction of employers. The same Toolkit highlights the complexity of local employers hiring foreign employees and hence their sense of insecurity in this regard. As a result, employers prefer the safer option of employing local citizens-hence their dominance of the hospitality SMMEs in the Free State.

#### 4.3.7 Type of business

Table 4.2 presents the profiles of the companies covered in this study. It shows that the most represented type of business were lodges (30.4%), followed by guest houses (28.3%) and Bed and Breakfast (B&Bs) (27.2%). Thus, most of the hospitality SMMEs in the Free State are lodges, guest houses or B&Bs. It can be assumed that these business establishments are less demanding in terms of start-up and working capital requirements as well as the size of the workforce than hotels.



Table 4.2: Business profile

Business profile	Category	Frequency	Percentage
<b>Q8. Type of Business</b>	Hotels	8	8.7%
	Guest Houses	26	28.3%
	B&Bs	25	27.2%
	Lodges	28	30.4%
	Self-Catering	5	5.4%
<b>Q9. Number of Employees</b>	1-5	28	30.4%
	6-10	60	65.2%
	11-20	4	4.3%
<b>Q10. Age of Business</b>	1-3 Years	10	10.9%
	4-6 Years	38	41.3%
	7-10 Years	41	44.6%
	11-15 Years	3	3.3%
<b>Q11. Form of Business</b>	Sole Proprietorship	12	13.0%
	Close Corporation	2	2.2%
	Pty Ltd	62	67.4%
	Partnership	16	17.4%
<b>Q12. Gross turnover per annum</b>	Up to R500 000	5	5.5%
	More than R 500 000 but less than R 2 million	47	51.6%
	More than R2 million but less than R4 million	37	40.7%
	More than R4 million	1	1.1%
	Other	1	1.1%

#### 4.3.8 Age of business

There is a moderate balance between businesses that are aged between four and six years (41.3%) and those aged seven to ten years (44.6%). This means that a majority of the hospitality businesses in the Free State have survived for their first three years of existence. This casts doubt on the claims about the low survival of SMMEs in this sector (Weise, 2014).

#### 4.3.9 Form of business

The most represented form of business in the study was private companies, which constituted 67.4% of the sample. This shows that there are more companies in the hospitality industry than any other forms of businesses, with the sole proprietors (13%) or partnerships (17%) being minority businesses. Perhaps the preference for private companies as ideal business types can be attributed to the limited liability of such business arrangements. This view is supported by literature, which states that people

chose private companies because they require the least annual formalities (SouthAfrica.info, 2016).

#### 4.3.10 Number of employees

As shown in Table 4.2, a majority of the businesses (65.2%) had between 6-10 employees, which shows that the hospitality SMMEs in the Free State have a small workforce. A study conducted by Arradaza (2013) focusing on the organisational structure of the hospitality industry reveals that the number of employees is often determined and constrained by the designated responsibilities of such business.

#### 4.3.11 Gross turnover per annum

The majority of the businesses had a gross profit of between R500 000 and R2 million. Only 1.1% of the businesses had more than R4 million in gross profits. This means that hospitality SMMEs in the Free State do not generate substantial revenue in gross profit. The PWC South Africa Hospitality outlook for 2015 to 2018 envisages that hospitality revenue will increase by 3.4% annually from R22.2 million in 2013 to reach R26.3 million in 2018. Thus, although a steady revenue growth is anticipated, it will not be substantial judging from the growth profit generated annually.

### **4.4. QUESTIONNAIRE RELIABILITY ANALYSIS**

The sub-constructs of the questionnaire are listed in the Table 4.3. All the questionnaire items that were measured on a five point Likert scale were used in the calculation of construct reliability. The Cronbach's Alpha was used to verify if the questionnaire items and the constructs they fell under could be relied upon to address the objectives of the study.

Table 4.3: Questionnaire reliability statistics

Construct	N	Number of questionnaire items	Cronbach's Alpha	Comment
[B1] General Understanding of Business Social responsibility (Goals)	90	2	0.369	Low internal consistency
[B1] general understanding of business social responsibility (activities)	89	4	0.696	Moderate internal consistency
[B2] Economic Component of Business Social Responsibility (Profitability Goals)	90	2	0.306	Low internal consistency
[B2] Economic Component of Business Social Responsibility (Activities)	89	2	0.679	Moderate internal consistency
[B2] Economic Component of Business Social Responsibility (Growth)	89	6	0.814	High internal consistency
[B3] Legal component of business social responsibility	91	4	0.827	High internal consistency
[B4] Ethical component of business social responsibility goals	90	4	0.689	Moderate internal consistency
[B4] Ethical component of business social responsibility (activities)	91	7	0.878	High internal consistency
[B5] Philanthropic Component of Business Social Responsibility	91	3	0.525	High internal consistency
[D] Business Social Responsibility Activities	90	4	0.697	Moderate internal consistency
[E] Sustainability of Business Social Responsibility	92	2	0.423	Low internal consistency
[E] Sustainability of Economic BSR	91	2	0.462	Low internal consistency
[E] Sustainability of Environmental BSR	91	4	0.870	High internal consistency
All Likert scale questions	75	61	0.764	High internal consistency

The adequate reliability of a construct (subsection) is indicated by a Cronbach's Alpha value of at least 0.700. Any Cronbach's Alpha value that is less than 0.700 is indicative of low internal consistency/reliability (Georgia, 2009). The results in the table above show the reliability levels of each construct. However, the overall score of the questionnaire is 0.764 which means that the instrument is reliable because the score is above 0.700. More detailed discussions on reliability are included in the individual discussion of each construct in subsequent sections of the study.

#### 4.5. RESPONSES TO RESEARCH QUESTIONS

The research questions were formulated to gain an understating of the Business Social Responsibility situation within the hospitality industry. This section presents the results of the investigation with a view to address the research questions posed in

Chapter 1 of this study. Descriptive statistics, such as percentages and cross-tabulations, were used to discuss the results. A Cronbach's alpha coefficient was used to test if the constructed variables were reliable. The strength of the relationship between the variables was measured using Pearson's correlation.

#### 4.6. BSR GOALS AND ACTIVITIES THAT THE FREE STATE HOSPITALITY SMMEs ENGAGE IN

This section addresses the first question which explored the type of BSR goals and activities that the hospitality SMMEs in the Free State engage in. It presents a summary of the respondents' perceptions on the various components of BSR that hospitality SMMEs in the Free State engage in. This summary is presented in the form of tables. The constructs of each BSR component are discussed and their reliability is presented. Data reduction (the creation of single variables to represent a construct) is done using the principal components-based latent factors.

Table 4.4: Understanding BSR goals

[B1] GENERAL UNDERSTANDING OF BUSINESS SOCIAL RESPONSIBILITY (GOALS)		Frequency Distribution						Descriptives		Latent Factor (Principal component) Coefficient
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	% Agree/Strongly Agree	Mean	Std Dev	
Q13. Mandate of the business is to abide by laws and regulations.	Count %	0 0.0%	0 0.0%	0 0.0%	35 38.0%	57 62.0%	100.0%	4.62	0.49	0.767
Q14. Goal of the business is to abide by what society regards as good or right.	Count %	0 0.0%	0 0.0%	15 16.3%	42 45.7%	35 38.0%	83.7%	4.22	0.71	0.802
Q15. Goal of the business is to meet general social expectations like buying a soccer outfit for local soccer team.	Count %	10 10.9%	25 27.2%	18 19.6%	27 29.3%	12 13.0%	42.4%	3.07	1.24	-0.113
Cronbach's Alpha								0.050		
Cronbach's Alpha when Q15 is omitted								0.369		
% of total variation accounted for by latent factor								41.47%		

##### 4.6.1. Abiding by laws and regulations

All the participants (100%), as illustrated in Table 4.4, conceived Business Social Responsibility (BSR) as involving businesses' abiding by laws and regulations. This

indicates that hospitality SMMEs in the Free State consider compliance with laws and regulations as key to their BSR. This finding resonates with Dzansi and Pretorius' (2009) definition of BSR commitment by the businesses to operate in an economically sustainable manner, while at the same time recognising the interests of other stakeholders over and above what the law prescribes. As a result, the hospitality SMMEs in the Free State understand that they must abide by what is required by the policies.

#### 4.6.2. Meeting societal expectations about moral uprightness

About 83.7% of the respondents perceived the goals of the businesses as abiding by what society regards as good or right. This urge to have a positive impression in the eyes of society is buttressed by Smith (2011), whose study on characterisations of BSR affirms that businesses are currently required to align themselves with societal norms. However, Taylor's (2015) investigation into socially responsible businesses reveals that the conformity of businesses to societal norms is insufficient to meeting of all BSR requirements. He, however, claims that businesses that incorporate social responsibility into their business model prove that such commitment advances the cause and reputation of these businesses.

The Cronbach's Alpha value of 0.050 shows that there is a very low internal consistency in the three items that made up this construct. When questionnaire item 15 is omitted in the construct the internal constancy improves considerably. This is expected since questionnaire item 15 trivialises BSR, whereas the other two items are serious BSR goals. Questionnaire item 15 also has a small and negative latent factor coefficient of -0.113. In this regard the construct of goals will comprise only of questionnaire item 13 and questionnaire item 14.



#### 4.6.3. General understanding of hospitality SMMEs' BSR activities

In this section the researcher presents and discusses findings on the general understating of BSR activities by hospitality SMMEs in the Free State.

Table 4.5: Understanding BSR activities

[B1] GENERAL UNDERSTANDING OF BUSINESS SOCIAL RESPONSIBILITY (ACTIVITIES)		Frequency Distribution						Descriptive		Latent Factor (Principal component)
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	% Agree/Strongly	Mean	Std Dev	
Q16. Donate food hampers to community to help them make ends meet.	Count	2	0	16	47	27	80.4%	4.05	0.82	0.674
	%	2.2%	0.0%	17.4%	51.1%	29.3%				
Q17. Actively participating in combating crime in the local community.	Count	0	0	14	41	37	84.8%	4.25	0.71	0.635
	%	0.0%	0.0%	15.2%	44.6%	40.2%				
Q18. Providing technological and educational facilities to a local school.	Count	2	1	20	45	24	75.0%	3.96	0.85	0.846
	%	2.2%	1.1%	21.7%	48.9%	26.1%				
Q19. Regularly conducts the employee's satisfaction analysis.	Count	0	1	19	37	35	78.3%	4.15	0.78	0.724
	%	0.0%	1.1%	20.7%	40.2%	38.0%				
Q20. Allow employees to use company time to carry out community welfare programmes.	Count	31	28	28	4	1	5.4%	2.09	0.96	0.086
	%	33.7%	30.4%	30.4%	4.3%	1.1%				
Cronbach's Alpha								0.579		
Cronbach's Alpha when Q20 is omitted								0.696		
% of total variation accounted for by latent factor								42.10%		

##### 4.6.3.1. Philanthropic acts: Donating food hampers and providing technological facilities

Table 4.5 illustrates the results of questionnaire items that addressed activities that hospitality SMMEs in the Free State considered as BSR activities. About (80.4%) of the respondents understood donating food hampers to local communities served by their businesses as acts of BSR. A similar finding on the philanthropic front is that 75% of the respondents concurred that rendering technological and educational facilities to local schools also constituted as BSR activity. It is logical that in resource constrained regions, such as the Free State, these foresaid acts of generosity are bound to be considered as BSR compared to resource rich regions such as the Gauteng. As such,

the distribution of resources in any region may shape the choice and nature of BSR activities adopted by SMMEs in a region. Hence, this result demonstrates that community members are a critical component of the BSR community. This result mirrors Dzansi's (2009) findings on the measuring of BSR in small businesses, which recognised customers, employees, and the community as the main BSR stakeholders of African small businesses.

#### *4.6.3.2. Employee satisfaction analysis*

About 78.3% of the participants understood that their businesses' conducting of employee satisfaction analysis was a critical component of BSR. This overwhelmingly positive response suggests that hospitality SMMEs in the Free State value their employees as evidenced by the care and concern about their workers' job satisfaction. This finding coheres with Bauman and Skitka's (2012) study on social responsibility and employee satisfaction, which reveals that employees are important stakeholders of the business and hence businesses must understand their levels of job satisfaction and reactions about BSR. The employee reactions toward BSR may include whether they value and are motivated to pursue BSR activities or perceive them as wasting the business' time and finances. Khan, Latif, Jala, Anjum and Rizwan's (2014) investigation on the relationship between Corporate Social Responsibility and employee motivation, claims that CSR activities are key company incentives that motivate employees. They also found that CSR impacts positively on employee turnover, recruitment, satisfaction, retention, loyalty and commitment, and hence; provides backing to employees and tools to improve motivation. Thus, the finding resonates with the Free State hospitality SMMEs' awareness of the importance of conducting employee satisfaction analysis regularly.

#### *4.6.3.3. Participation in combating crime*

The majority (84.8 %) of hospitality SMME business managers/owners and employees claimed that they should actively participate in combating crime in the local community. Another 75% of these respondents affirmed that providing technological and educational facilities to a local school is an expression of a BSR activity. It is evident from the results that hospitality SMMEs in the Free State have a basic understanding of social responsible activities, especially those related to improving the welfare of the communities they operate in. The results are consistent with the view that although

BSR is an emerging business practice in emerging economies, it is gaining recognition among both small and large organisations (Groisbos, 2012). Groisbos (2012) elaborates that BSR is rooted in the recognition that businesses are part of the society and that they have the potential to make positive contributions to the communities they serve in ways that benefit the reputation of their businesses.

The Cronbach's alpha value of 0.579 shows that there is a low internal consistency in the five items which make up this construct. When questionnaire item 20 (Allow employees to use company time to carry out community welfare programmes) is omitted from the construct, the internal consistency improves considerably to 0.696, which is very close to 0.700. The low response to questionnaire item 20 seems to suggest that employees preferred using their spare time rather than company time to do BSR activities, hence their high disapproval to it. Questionnaire item 20 also has a limited contribution to the activities construct (latent factor coefficient=0.086). The single variable that will represent the construct of BSR activities will leave out questionnaire item 20 in its computation.

#### 4.6.4. Economic components of business social responsibility

The economic components of BSR comprise profitability goals and maintaining high levels of operational efficiency. The researcher first presents on profitability goals, activities and operational efficiency. The results on the economic growth of the business are also presented and discussed.



Table 4.6: Profitability Goals

[B2] Economic Component Of Business Social Responsibility (Profitability Goals)		Frequency Distribution					Descriptive		Latent Factor (Principal)	
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	% Agree/ Strongly Agree	Mean		Std Dev
Q21. The business seeks to maintain a consistently profitable position.	Count	0	0	2	31	59	97.8%	4.62	0.53	0.768
	%	0.0%	0.0%	2.2%	33.7%	64.1%				
Q22. The business seeks to maintain a high level of operational efficiency.	Count	1	0	0	15	76	98.9%	4.79	0.55	0.768
	%	1.1%	0.0%	0.0%	16.3%	82.6%				
		Cronbach's Alpha					0.306			
		% of total variation accounted for by latent factor					59.05%			

#### 4.6.4.1. Profitable position

As shown in Table 4.6, the majority of the respondents (97.8%) believe that businesses should seek to maintain a consistently profitable position. As such, there is a clear recognition of the importance of having a healthy and profitable business position by hospitality SMMEs in the Free State. In her study on the pyramid of Corporate Social Responsibility, Carroll (2013) affirms that economic responsibility, which is the ability to provide investors with adequate returns on their investment, is critical to business success. Therefore, the pursuit of profit is critical if investors needs for business success are to be met. This result corroborates Whaley's (2013) claim that business profitability is a key component of social responsibility, hence the need to connect businesses success to social progress. It is clear that improved corporate value, through increased profitability, has become fundamental to achieving economic success.

#### 4.6.4.2. Operational efficiency

About 98.9% of the respondents agreed that businesses should seek to maintain a high level of operational efficiency. The underpinning principle in the pursuit of profitable business is efficient business operations. The finding about the support for efficient business operations resonates with Steubs and Suin's (2009) study on BSR in the services industry, which revealed a positive association between BSR and firm

efficiency. It is therefore, unsurprising the hospitality SMMEs in the Free State have a high recognition of operational efficiency as operational efficiency is the basis for profitable businesses. Furthermore, the high recognition of operations among hospitality businesses corroborates Benlemlih and Bitar's (2015) finding on the important role BSR plays in shaping a business's investment behaviour and efficiency. Judging from the two aforementioned findings on profitability and operational efficiency, it can be interpreted that these two considerations are very important BSR economic goals of the hospitality industry in the Free State.

Table 4.6 also demonstrates that the two profitability goals have equal latent factor weights, hence they contribute equally in the computation of the variable to represent the profitability goals construct. However, the construct has a very small Cronbach's Alpha value (0.306). This means it has very low consistency and cannot be relied upon to make generalisations.

Table 4.7: BSR Economic activities

[B2] Economic Component of Business Social Responsibility (Activities)		Frequency Distribution						Descriptives		Latent Factor (Principal component)
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	% Agree/Strongly	Mean	Std Dev	
Q23. Give away products that have stayed long on the shelves to the local community.	Count	3	1	17	53	17	76.9%	3.88	0.84	0.855
	%	3.3%	1.1%	18.7%	58.2%	18.7%				
Q24. Collusion with other locally-owned businesses.	Count	2	6	37	30	13	48.9%	3.52	0.91	0.884
	%	2.3%	6.8%	42.0%	34.1%	14.8%				
Q25. Giving discounts to long term customers.	Count	0	0	1	15	75	98.9%	4.81	0.42	-0.135
	%	0.0%	0.0%	1.1%	16.5%	82.4%				
Cronbach's Alpha									0.454	
Cronbach's Alpha when Q25 is omitted									0.679	
% of total variation accounted for by latent factor									51.05%	

#### 4.6.4.3. Giving away products that over-stayed on shelves

About 76.9% of the respondents believe that giving away products that have stayed long on the shelves to the local community a BSR activity. It can be interpreted that the hospitality SMMEs in the Free State prefers to give those products to the local community instead of throwing them away. This contradicts Leisinger and Schmitt's

(2011) claim that businesses have specific duties and responsibilities in society's division of labour, primarily to provide goods and services that succeed in meeting customer demands and can be sold at competitive prices. Contrary to this finding, socially responsible businesses are less concerned about profitability as they try to meet community needs by giving away products that have stayed long on shelves to customers.

#### *4.6.4.4. Collusion with other companies*

Table 4.7 illustrates that collusion with other locally-owned businesses is not widely practiced as noted in the low percentage (48.9%) of respondents agreeing or strongly agreeing. It can be interpreted that hospitality SMMEs in the Free State believe in running their individual businesses rather than colluding with other businesses. The dissociation of such businesses with collusion can be attributed to the fact that collusion between employees and third parties often contributes to fraudulent activities in companies (Goldman, 2016). However, this result does not cohere with Gan and Hernandez's (2011) findings on tacit collusion in the lodging industry, which reported that clustered hotels have a higher probability of being in a potential collusive regime than isolated properties in the same town. They further claim that small sized hotels are normally located close to one another to enjoy cluster effects, which also facilitate the tacit collusion effects. The difference between the current finding and that of Gan and Hernandez's (2011) can be attributed to size of the businesses involved, where hotels generally are larger than B&Bs and hence have high collusive powers than B&Bs should they chose to do so.

The Cronbach's Alpha value of 0.454 shows that there is less than adequate internal consistency in the three items which make up the construct BSR economic activities. This means that the three questions are not sufficient to measure the profitability activities of BSR. The reason to this less than internal consistency maybe attributed to the fact that they are not directly linked to profitability even though they may affect profit. However, when questionnaire item 25 (Giving discounts to long term customers) is omitted from the construct, the internal constancy improves considerably to 0.696, which is very close to 0.700.

#### 4.6.5. Economic Growth

The study also examined the extent of the growth of hospitality SMMEs in the Free State. As a result, the study economic components of BSR, such as growth in terms of number of employees, number of customers, market size and return on investment, were examined in Table 4.8.

Table 4.8: BSR Economic Growth

[B2] ECONOMIC COMPONENT OF BUSINESS SOCIAL RESPONSIBILITY (GROWTH)		Frequency Distribution						Descriptive		Latent Factor (Principal Component)
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	% Agree/Strongly Agree	Mean	Std Dev	
Q26. Business has shown significant growth in the past 2-5 years.	Count %	0 0.0%	0 0.0%	3 3.3%	43 47.3%	45 49.5%	96.7%	4.46	0.56	0.586
Q27. The number of employees has increased in the past 2-5 years.	Count %	0 0.0%	3 3.3%	20 22.0%	43 47.3%	25 27.5%	74.7%	3.99	0.80	0.693
Q28. The number of customers has increased in the past 2-5 years.	Count %	0 0.0%	0 0.0%	4 4.3%	41 44.6%	47 51.1%	95.7%	4.47	0.58	0.836
Q29. Size of my market has increased in the last 2-5 years.	Count %	0 0.0%	0 0.0%	6 6.5%	45 48.9%	41 44.6%	93.5%	4.38	0.61	0.849
Q30. My stock size has increased in the last 2-5 years.	Count %	0 0.0%	0 0.0%	8 8.7%	52 56.5%	32 34.8%	91.3%	4.26	0.61	0.839
Q31. My return on investment has increased from 0.50% to 20% in last 2-5 years.	Count %	0 0.0%	2 2.2%	31 34.1%	39 42.9%	19 20.9%	63.7%	3.82	0.78	0.567
		Cronbach's Alpha						0.814		
		% of total variation accounted for by latent factor						54.47%		

##### 4.6.5.1. Growth of the business

Table 4.8 illustrates that a majority (96.7%) of the respondents believe that their businesses experienced significant growth in the previous 2-5 years. In addition, 95.7% of the participants affirmed increases in customers. The growth of tourism SMMEs in Bloemfontein in these respects may be attributed to creative customer retention strategies such as giving discounts to long term loyal customers. The assumption is that if the businesses manage to satisfy their customers' needs, they would keep these customers happy consistently and then they become loyal customers. If the attribution of business growth to loyal customers is appropriate, then



it can be argued that this finding mirrors Ailawadi, Luan, Neslin and Taylor's (2011) report on social responsibility and customer loyalty that BSR programmes tend to be meaningful and sustained only when they align business financial needs (profit, revenue and growth) with social needs (people, community and planet). It may be assumed that the growth of hospitality SMMEs in the Free State also depends on their capacity to meet the social needs of the customers.

#### *4.6.5.2. Increase in market and stock size*

About 93.5% of the respondents claimed that their businesses increased their market sizes, while about 91.3% of them claimed that their businesses had increased their stock sizes. The increase in the market and stock size is probably a consequence of the growth in the number of customers. A report by SouthAfrica.Info (2016) highlights that although all hospitality SMMEs in South Africa are expected to grow, those in Cape Town are expected to be the fastest growing. However, the evidence from this study demonstrates that hospitality SMMES in the Free State are experiencing similar trends of fast growth.

#### *4.6.5.3. Increase in the number of employees*

About 74.7% of the surveyed respondents strongly agree that the number of employees in their businesses has increased in the past 2-5 years. The increase in the number of employees can be a consequence of booming businesses which encouraged this workforce increase. The hospitality industry is often characterised as a labour-intensive, people-focused service industry (Park & Levy, 2014), hence it can be assumed that that growth of the employees is directly connected to thriving businesses. The growth of the employee base can also be a consequence of strong employee retention strategies, in particular the capacity of the firm to retain existing employees, while it employs new ones. To support this view Hutchings, De Cieri and Shea (2011) illustrate that good employment practices can be used as a good strategy to retain existing employees.

The construct of economic growth has high internal consistency; hence it is reliable (Cronbach's  $\text{Alpha}=0.814$ ). This means that the results on economic growth are accurate and dependable.

#### 4.6.6. Legal Component of Business Social Responsibility

The study also explored businesses' involvement in the legal practices of BSR. The goals are explored.

Table 4.9: Legal Component of BSR

[B3] LEGAL COMPONENT OF BUSINESS SOCIAL RESPONSIBILITY		Frequency Distribution						Descriptive		Latent Factor (Principal component)
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	% Agree/	Mean	Std Dev	
Q32. Business seeks legal counsel on legal issues it struggles with.	Count %	0 0.0%	0 0.0%	4 4.4%	27 29.7%	60 65.9%	95.6%	4.62	0.57	0.783
Q33. Business strives to have a lawyer that ensures that proper channels are followed.	Count %	0 0.0%	0 0.0%	6 6.6%	34 37.4%	51 56.0%	93.4%	4.49	0.62	0.783
Q34. The business goal is to publish the annual reports as required by law.	Count %	0 0.0%	0 0.0%	5 5.5%	36 39.6%	50 54.9%	94.5%	4.49	0.60	0.861
Q35. Business seeks to adhere to standards set in the law.	Count %	0 0.0%	0 0.0%	6 6.6%	35 38.5%	50 54.9%	93.4%	4.48	0.62	0.820
Cronbach's Alpha								0.827		
% of total variation accounted for by latent factor								66.02%		

##### 4.6.6.1. Seeking counsel on legal matters

About 93.4% of the respondents believe that their businesses should strive to have a lawyer that ensures that proper channels are followed in the pursuit of BSR. The commitment of the hospitality SMMEs in the Free State to use legal counsel on legal aspects of BSR is indicative of their willingness to remain on the right side of the legal and ethical aspects BSR. The dedication to legal aspects of BSR is critical given that any law of hospitality requires that travellers have rights to hospitable treatment (Baker, 2011). The commitment of the tourism business to pursue the legal aspects of BSR is fundamental to the good treatment of customers and in ensuring that they are given a memorable experience in the hospitality industry. Therefore, the law will take its course in cases of misunderstandings between the customers and the businesses.

#### 4.6.6.2. *Publishing annual reports*

About 94.5% of the respondents believed that businesses should aim to publish their annual reports as required by law, while 93.4% agreed that they must adhere to standards set by the law. This shows that the majority of the hospitality SMMEs in the Free State do have the desire to adhere to the laws and regulations that might guide their businesses. Eccles and Serafeim's (2014) study on Integrated Corporate Reporting (ICR) claim that ICR provides different stakeholders of the business with the information they need in order to transact with the company. However, corporate reporting seems to be conducted only by large businesses, hence, the name Integrated Corporate Reporting. Nonetheless, the hospitality SMMEs in the Free State demonstrates their willingness to publish their annual reports.

The construct of the legal component of BSR has a high internal consistency, hence it is reliable (Cronbach's Alpha=0.827). As a result, the results generated from the construct items can be relied on for consistency and reliability.

#### 4.6.7. Ethical Components of Business Social Responsibility

The ethical component of BSR comprises of ethical goals and ethical activities. The subsequent sections present and discuss the results on ethical goals and those of ethical activities later. Table 4.10 and 4.11 present the findings on ethical goals and activities of hospitality SMMEs in the Free State respectively.

Table 4.10: Ethical Goals of BSR

[B4] ETHICAL COMPONENT OF BUSINESS SOCIAL RESPONSIBILITY GOALS		Frequency Distribution						Descriptives		Latent Factor (Principal component)
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	% Agree/Strongly Agree	Mean	Std Dev	
Q36. Goal of the business is to strive towards honesty in all its operations.	Count	0	0	0	21	70	100.0%	4.77	0.42	0.711
	%	0.0%	0.0%	0.0%	23.1%	76.9%				
Q37. Goal of the business is to show maximum integrity to all stakeholders.	Count	0	0	0	26	66	100.0%	4.72	0.45	0.583
	%	0.0%	0.0%	0.0%	28.3%	71.7%				
Q38. The business seeks to show transparency in all its dealings	Count	0	0	1	13	77	98.9%	4.84	0.40	0.801
	%	0.0%	0.0%	1.1%	14.3%	84.6%				
Q39. Business goal is to promote a good name of its trade.	Count	0	0	0	10	81	100.0%	4.89	0.31	0.812
	%	0.0%	0.0%	0.0%	11.0%	89.0%				
		Cronbach's Alpha						0.689		
		% of total variation accounted for by latent factor						53.69%		

#### 4.6.7.1. Honesty

Table 4.10 illustrates that all the participants (100%) in the study believe that business should strive towards honesty in all their operations. Honest dealings optimise the integrity of business entities to all stakeholders and promote good names of their trades. This means that the hospitality SMMEs in the Free State understand their ethical obligation to engage in good and ethical dealings that are above board. According to Carroll (2013) ethical responsibilities are commitments that a company puts on itself because its owners believe it is the right thing to do rather than because they have an obligation to do so. Therefore, most of the hospitality SMMEs do consider how their communities perceive them and hence endeavour to set a good example by being ethical in their operations.

#### 4.6.7.2. Transparency

A majority (98.9%) of participants professed that that their businesses should show transparency in all their dealings. Hospitality SMMEs in the Free State understand the need to be open and transparent in their engagements with their local community and the customers at large. Transparency may impact positively the reputation of



businesses and build trust between the business and the stakeholders. Martinez, Perez and Bosque's (2013) report on the role of BSR in the organisational identity of hospitality SMMEs posit that a formal integration of the BSR into any business' strategy is critical to aligning the particular business' actual identity with its desired and identity conceived by its local community. Furthermore, Martinez, Perez and Bosque (2013) note that a business's interest toward its stakeholders suggests that the business understands its conceived identity as an important link in understanding its organisational identity.

#### *4.6.7.3. Promoting a good name for the business*

All participants (100%) were of the view that they were promoting the good name of their businesses. This shows that hospitality SMMEs in the Free State are aware of the importance of developing a good reputation with the local communities that they operate in. A study on the relationship between social responsibility and reputation in the Pakistan cement industry conducted by Khan, Majid, Yasir and Arshad (2013) suggests that there is a strong relationship between BSR and business reputation in Pakistan's cement industry. Khan, Majid, Yasir and Arshad (2013) also point out that the paramount reason in favour of BSR is that business organisations exist in order to provide valuable services to society. A business' continued provision of these valuable services to society builds up that business's good reputation. Hence, the results from this study revealed a 100% positive affirmation of the importance of developing a good reputation for businesses.

The construct of ethical goals of BSR has moderate internal consistency (Cronbach's Alpha=0.689). The computation of the variable to represent the ethical goals component of BSR comprised four items which all have high factor coefficients.

Table 4.11: Ethical activities of BSR

[B4] ETHICAL COMPONENT OF BUSINESS SOCIAL RESPONSIBILITY (ACTIVITIES)		Frequency Distribution						Descriptive		Latent Factor (Principal component) Coefficient
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	% Agree/ Strongly Agree	Mean	Std Dev	
Q40. The business charges fair prices for its services.	Count %	0 0.0%	0 0.0%	1 1.1%	20 22.0%	70 76.9%	98.9%	4.76	0.46	0.665
Q41. The business discloses its ethical core rules or standards for stakeholders.	Count %	0 0.0%	2 2.2%	4 4.4%	19 20.9%	66 72.5%	93.4%	4.64	0.68	0.723
Q42. The business does not poach hardworking or loyal employees from its competitors.	Count %	0 0.0%	1 1.1%	4 4.4%	23 25.3%	63 69.2%	94.5%	4.63	0.63	0.796
Q43. The business fully discloses the formal breakdown of all services.	Count %	0 0.0%	0 0.0%	4 4.4%	25 27.5%	62 68.1%	95.6%	4.64	0.57	0.869
Q44. The business does not input hidden costs in its charges to customers.	Count %	0 0.0%	0 0.0%	1 1.1%	19 20.7%	71 77.2%	97.8%	4.77	0.45	0.743
Q45. The business discloses, in advance, the full cost of services offered to clients.	Count %	0 0.0%	0 0.0%	3 3.3%	31 34.1%	57 62.6%	96.7%	4.59	0.56	0.774
Q46. The business always informs the customers about the standard and quality of service.	Count %	0 0.0%	0 0.0%	1 1.1%	24 26.4%	66 72.5%	98.9%	4.71	0.48	0.779
Cronbach's Alpha								0.878		
% of total variation accounted for by latent factor								58.73%		

#### 4.6.7.4. Prices and hidden costs

Table 4.11 shows that the majority of the respondents (98.9%) understood that businesses are expected to charge fair prices for their services. 97.8% of the respondents agree/strongly agree that businesses should not add hidden costs on the prices that they charge to customers. It can be inferred that hospitality SMMEs in the Free State understand the importance of informed disclosure about products or services as a way of achieving better customer service. Part D of the Republic of South Africa Government Gazette (2009:63) stipulates the right to disclosure of information. Thus, the consumers have the right to know beforehand what they are paying for and the price of what they are paying for. Therefore, the hospitality SMMEs are walking their ethical talk by practicing ethical responsibilities.

#### 4.6.7.5. Quality of the service and disclosure of full costs

About 98.9% of the respondents believed that businesses should always inform customers about the standard and quality of service, while 96.7 % of the participants

also claimed that those businesses should make disclosures the full cost of services offered to clients in advance. A large number of hospitality SMMEs in the Free State are therefore aware of their ethical responsibilities towards their customers and the significance of doing what is morally right in their operations. Garay and Font's (2012) study on the rationale for social responsibility in hospitality enterprises, claim that ethical reasons were the most important. Other researchers (Kang, Lee & Huh, 2010; Font, Walmsley, Cogotti, McCombes & Hausley 2012) are of the view that ethical responsibilities are directly linked with the profitability and competitiveness of any business. Hence, a business' persistent pursuit of ethical responsibility results in the building of a good brand name for the business that impacts positively on the customer base and profitability of the business.

#### *4.6.7.6. Poaching of workers and disclosure of formal breakdown of services*

About 94.5% of the respondents were of the opinion that businesses are not ethically supposed to poach hardworking or loyal employees from their competitors. Similarly, about 95.6% of the respondents stated that businesses should disclose fully the formal breakdown of all their services. Thus, hospitality SMMEs in the Free State seek to be ethical in their operations and practice ethical activities as noted in their views which went against head hunting at competing businesses and support for the disclosure of formal break down of service as standard operation procedures. The study on social responsibility and the disclosure-performance gap carried out by Font et al (2012) posits that businesses are increasingly interested in reporting their BSR activities to improve their ethical responsibility.

However, the overall results of this study are not consistent with the results of a study conducted by Knani (2014) which revealed that very few hospitality businesses considered ethics as their core operations. The varying levels of compliance with ethical responsibility explain why some hospitality businesses fail and why others thrive.

The construct of ethical activities of BSR has high internal consistency (Cronbach's Alpha=0.878). The computation of the variable to represent the ethical activities component of BSR will comprise all seven items as they all have high factor

coefficients. As a result, it can be deduced that the results are accurate and can be depended upon.

#### 4.6.8. The Philanthropic Component of Business Social Responsibility

The results about philanthropic BSR are presented and discussed in line with philanthropic activities only.

Table 4.12: The Philanthropic component of BSR

[B5] The Philanthropic Component of Business Social Responsibility		Frequency Distribution						Descriptive		Latent Factor (Principal)
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	% Agree/Strongly Agree	Mean	Std Dev	
Q47. The business regularly makes charitable donations.	Count %	0 0.0%	0 0.0%	17 19.1%	59 66.3%	13 14.6%	80.9%	3.96	0.58	0.380
Q48. The business gives first preference employment opportunity to the local community.	Count %	0 0.0%	2 2.2%	34 38.2%	30 33.7%	23 25.8%	59.6%	3.83	0.84	0.775
Q49. The business actively participates in community improvement events.	Count %	1 1.1%	0 0.0%	8 9.0%	50 56.2%	30 33.7%	89.9%	4.21	0.70	0.933
Cronbach's Alpha								0.525		
% of total variation accounted for by latent factor								53.81%		

##### 4.6.8.1. Community improvement

Table 4.12 demonstrates that 89.9% of the respondents are of the view that their businesses actively participate in community improvement events. It can be interpreted that hospitality SMMEs in the Free State conceive themselves as an integral component of the local communities they serve such that it would be logical to think that they have community improvements at their heart. Besser and Jarnagin's (2010) working paper on the social responsibility of small businesses in small towns, claims that small business owners are closely identified with their businesses and local communities. Hence, the fact that the owners' contributions to charitable causes affect the public image of their businesses suggest that these Free State business owners of hospitality SMMEs are very intentional in the social activities they engage in with the local communities.

#### 4.6.8.2. Employment preferences

About 59.6% of the respondents believed that their businesses offer first preference for employment opportunities to members of local communities, while 38.2 % were neutral on this issue. This shows that as much as the hospitality SMMEs understand that they must actively employ members of their communities, they are not concerned about the geographical area of human talent extraction. A study conducted by Okyere (2012) in the manufacturing industry showed that a large number of respondents were neutral when it comes to their first preference of employment.

The construct of the philanthropic component of BSR has moderate internal consistency (Cronbach’s Alpha=0.525). The computation of the variable to represent the philanthropic component of BSR will comprise of three items. This means that there is a moderate chance that the same test questions can be asked again using the same instrument and yield the same results.

### 4.7. HOSPITALITY SMMEs’ STAKEHOLDERS DURING FULFILMENT OF BSR GOALS AND ACTIVITIES

This section addresses the second question which sought to ascertain the critical stakeholders that hospitality SMMEs engage with in the fulfilment of its BSR goals and activities. The presentation and discussion covers stakeholder engagement, the level of importance of those stakeholders and the importance of engaging stakeholders in BSR activities.

Table 4.13: Stakeholders in BSR engagement

Q50: In its BSR Engagement, the business is involved with:	No	Yes	% Yes
Managers	1	89	98.9%
Employers	2	88	97.8%
Customers	1	91	98.9%
Society	2	88	97.8%
Environment officials	4	86	95.6%
Suppliers	1	89	98.9%



#### 4.7.1. Stakeholder engagement

Table 4.13 shows the critical stakeholders that the hospitality industry SMMEs engage with in the fulfilment of its BSR goals and activities. The respondents indicated that stakeholders are engaged at all levels in equal measures. All the stakeholders had an engagement rating of at least 95%. This shows that the hospitality industry considers all their stakeholders in their engagement with BSR strategies. Although literature suggests that businesses tend to engage differently with primary and secondary stakeholders in their industry (Nameer, 2009), the intensity of engagement with stakeholders by hospitality SMMEs in the Free State is not apparent. The results are not clear over the distinction of the primary and secondary stakeholders of the hospitality SMMEs.

#### 4.7.2. The level of importance of stakeholder in BSR engagement

Table 4.14 presents the findings on the level of importance of stakeholders that Hospitality SMMEs in the Free State engage in.

Table 4.14: Levels of importance of stakeholders in BSR engagement

51: Level of importance of stakeholders		Frequency Distribution						Descriptive	
		Not at all important	Of little importance	Somewhat important	Important	Most Important	% Important/ Most Important	Mean	Std Dev
Managers	Count %	0 0.0%	0 0.0%	3 3.4%	17 19.1%	69 77.5%	96.6%	4.74	0.51
Employees	Count %	0 0.0%	0 0.0%	3 3.3%	17 18.7%	71 78.0%	96.7%	4.75	0.51
Customers	Count %	0 0.0%	0 0.0%	1 1.1%	2 2.2%	88 96.7%	98.9%	4.96	0.25
Society	Count %	0 0.0%	0 0.0%	1 1.1%	9 10.1%	79 88.8%	98.9%	4.88	0.36
Environment officials	Count %	0 0.0%	0 0.0%	5 5.5%	13 14.3%	73 80.2%	94.5%	4.75	0.55
Suppliers	Count %	0 0.0%	0 0.0%	1 1.1%	12 13.2%	78 85.7%	98.9%	4.85	0.39

Table 4.14 presents the level of importance attached to each stakeholder in the BSR engagement. All the six stakeholders are considered very important in BSR

engagement as indicated by the percentages of those who said they were important or most important (all percentages were at least 94%). This confirms that all the stakeholders are considered important in the hospitality industry. This is consistent with evidence in literature that indicates that the stakeholder theory was developed to overcome the mind-set that businesses are properties of their owners and hence their only sole responsibility is to make profit almost to the disregard of their stakeholders (Freeman, Harrison, Hicks, Parmar & Cole, 2010). It can be inferred from the results that all key stakeholders are considered in business' engagement with BSR activities

#### 4.7.3. The importance of meeting the expectations of stakeholders for business sustainability

Table 4.15 presents the findings on the importance of meeting the stakeholder's expectations to ensure that the business remains sustainable.

Table 4.15: Importance of meeting stakeholder's expectations for business sustainability.

52: Importance of meeting the expectations of stakeholders to the sustainability of the business		Frequency Distribution					Descriptives		
		Not at all important	Of little importance	Somewhat important	Important	Most Important	Important/ Most Important	Mean	Std Dev
Managers	Count %	0 0.0%	0 0.0%	2 2.2%	18 19.8%	71 78.0%	97.8%	4.76	0.48
Employees	Count %	0 0.0%	0 0.0%	3 3.3%	20 22.0%	68 74.7%	96.7%	4.71	0.52
Customers	Count %	0 0.0%	0 0.0%	1 1.1%	4 4.4%	86 94.5%	98.9%	4.93	0.29
Society	Count %	0 0.0%	0 0.0%	1 1.1%	14 15.4%	76 83.5%	98.9%	4.82	0.41
Environment officials	Count %	0 0.0%	0 0.0%	6 6.6%	14 15.4%	71 78.0%	93.4%	4.71	0.58
Suppliers	Count %	0 0.0%	0 0.0%	1 1.1%	12 13.3%	77 85.6%	98.9%	4.84	0.39

Table 4.15 illustrates that all stakeholders are important to the sustainability of businesses. 93% of the respondents found out that all the stakeholders are important or very important. This means that the hospitality SMMEs in the Free State consider all their stakeholders in sustainability issues as important. These results are inconsistent with findings from Bal, Bryde, Fearon and Ochieng's (2013) study on

stakeholder engagement in achieving sustainability in construction projects. Bal, Bryde, Fearon and Ochieng's (2013) claim that the stakeholders that are not involved in decision making are not important in the sustainability of the business and hence the importance of stakeholders in sustainability depends on the kind of stakeholders involved. Nonetheless, the findings on hospitality SMMEs in the Free State demonstrate that every stakeholder is important for the sustainability of the business.

#### 4.8. RELATIONSHIP BETWEEN BSR GOALS AND ACTIVITIES AND BSR PRACTICES

This section addresses the third question which dealt with the relationship among the BSR goals, activities and the BSR practices of hospitality SMMEs in the Free State. The BSR goals and activities have already been discussed under section 4.5.1 above. However, a summary of BSR practices, as per section D of the questionnaire, is presented first, before the relationship between BSR goals and activities and BSR practices can be investigated.

Table 4.16: Business Social Responsibility Activities

D] Business Social Responsibility Activities		Frequency Distribution						Descriptives		Latent Factor (Principal component) Coefficient
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	% Agree/Strongly	Mean	Std Dev	
Q53. The business gives first priority to local people in employment.	Count %	0 0.0%	0 0.0%	38 41.8%	33 36.3%	20 22.0%	58.2 %	3.80	0.78	0.667
Q54. The business gives a benefit of the doubt to customers through the customer is always right motto.	Count %	0 0.0%	0 0.0%	5 5.5%	56 61.5%	30 33.0%	94.5 %	4.27	0.56	0.855
Q55. The business keeps its employees satisfied and loyal.	Count %	0 0.0%	0 0.0%	0 0.0%	30 33.0%	61 67.0%	100.0 %	4.67	0.47	0.643
Q56. The business is involved in the efficient utilisation of its resources.	Count %	0 0.0%	0 0.0%	6 6.6%	36 39.6%	49 53.8%	93.4 %	4.47	0.62	0.766
Cronbach's Alpha									0.697	
% of total variation accounted for by latent factor									54.40%	

##### 4.8.1. Employee satisfaction

Table 4.15 shows that all the participants (100%) believe that the businesses should keep their employees satisfied and loyal. This suggests that the hospitality SMMEs in the Free State understand the importance of having employees that are always happy and motivated to do their job. These results are consistent with the study conducted



by Yin, Fen, Meng, Yin and Jack (2012) on employee satisfaction in the hotel industry, in which employee satisfaction was reported to be a key factor in employee motivation, goal achievement, and morale in the workplace. Yin, et al. (2012) indicate further that the longer an employee works for a company, especially in the service industry, the more valuable they become. On the contrary, Scott's (2015) study on strategies to retain employees' claims that the hospitality industry has a low employee retention rate, which suggests that such employees may not be satisfied and happy with the way they are treated by the managers. The findings from this study demonstrate that hospitality SMMEs in the Free State claimed that it was essential to keep their employees satisfied.

#### 4.8.2. Utilisation of resources

About 93.4% of the respondents claimed that their socially responsible businesses were involved in the efficient utilisation of their resources. This indicates that hospitality SMMEs in the Free State understood that although resources were limited, they had to be effectively deployed and utilised. Terungwa's (2012) study which examines time-driven activity-based costing in hotels reports that when resources are used efficiently, income increases than when the traditional way of costing, which is not time effective.

#### 4.8.3. The customer is always right motto

About 94.5% of the respondents believe that their businesses consider customers' thoughts by emphasising the philosophy that "the customer is always right." This shows that hospitality SMMEs in the Free State consider their customers' needs, demands and aspirations as an integral part of their engagement with BSR activities. Pretorious and Dzansi's (2009) study's results on the BSR practices of small businesses conducted support the view that small business ventures normally focus on employees, customers and the local community than any other issues.

The construct of BSR activities has moderate internal consistency (Cronbach's Alpha=0.697). The computation of the variable comprises of the four items listed in Table 4.15. This indicates that the results generated from the construct can be dependent upon as they are trustworthy and that there is a moderate chance that

measuring BSR activities using the same construct in hospitality SMMEs will yield the same results.

#### **4.9. THE RELATIONSHIP BETWEEN BSR GOALS AND ACTIVITIES AND BSR PRACTICES**

It is expected that BSR practices should be driven by BSR goals and activities. This section uses correlation analysis to investigate the relationship between goals, activities and practices.

##### **4.9.1. Economic activities, Economic growth and BSR practices**

The results in Table 4.17 indicate that BSR Economic Activities (correlation=0.427, p-value=0.000), and BSR Economic Growth (correlation=0.215, p-value=0.044) are significant drivers of BSR practices as they are significantly correlated to the later. The other BSR goals and activities are not significantly correlated with the BSR practices. This hospitality SMMEs in the Free State thus engage more in BSR practices because they are seeking the economic benefit of such engagements, which include profits and growth of the business. Previous studies investigating the key drivers of BSR in the hospitality industry show that environmental components are the key drivers for BSR practices (McCool & McCool, 2010; Sahinidis & Kavoura, 2014), which is contrary to this study's finding that the economic component is the key driver of BSR practices.

Table 4.17: The relationship between BSR goals and BSR practices

Pearson's Correlations			BSR goals and activities								BSR Practices	
			General BSR Goals	General BSR Activities	BSR Economic/profitability Goals	BSR Economic Activities	BSR Economic Growth	BSR Legal Component	BSR Ethical Goals	BSR Ethical Activities		BSR Philanthropic component
BSR goals and activities	General BSR Goals	Corr p-value N	-									
	General BSR Activities	Corr p-value N	0.092 0.384 92	-								
	BSR Economic/profitability Goals	Corr p-value N	0.100 0.341 92	-0.480** 0.000 92	-							
	BSR Economic Activities	Corr p-value N	-0.003 0.979 87	0.534** 0.000 87	-0.350** 0.001 87	-						
	BSR Economic Growth	Corr p-value N	0.147 0.169 89	0.281** 0.008 89	-0.110 0.306 89	0.308** 0.004 85	-					
	BSR Legal Component	Corr p-value N	-0.037 0.726 91	0.023 0.826 91	-0.145 0.170 91	0.286** .007 87	0.206 0.053 89	-				
	BSR Ethical Goals	Corr p-value N	-0.182 0.086 90	-0.025 0.812 90	-0.077 0.470 90	-0.338** 0.002 85	-0.124 0.253 87	-0.168 0.117 89	-			
	BSR Ethical Activities	Corr p-value N	-0.174 0.099 91	0.245* 0.019 91	-0.138 0.190 91	0.002 0.989 86	0.094 0.382 88	0.070 0.509 90	0.442** 0.000 90	-		
	BSR Philanthropic component	Corr p-value N	0.164 0.125 89	0.562** 0.000 89	-0.319** 0.002 89	0.630** 0.000 85	0.418** 0.000 87	0.220* 0.038 89	-0.360** 0.001 88	0.093 0.385 89	-	
	BSR Practices	Corr p-value N	Corr p-value N	0.234* 0.026 91	-0.173 0.100 91	0.427** 0.000 86	0.215* 0.044 88	0.005 0.963 90	-0.206 0.052 90	-0.044 0.678 91	0.555** 0.000 89	-

\*\* . Correlation is significant at the 0.01 level (2-tailed).  
\* . Correlation is significant at the 0.05 level (2-tailed).

#### 4.9.1.1. Philanthropic activities and BSR goals

The results reveal further that the philanthropic BSR component (correlation=0.555, p-value=0.000) and General BSR Activities (correlation=0.234, p-value=0.026) are significant drivers of BSR practices. This shows that the Free State hospitality SMMEs' engagement in BSR responsibility activities is also driven by goodwill and humanitarian concerns. Leisinger and Schmitt's (2011) study on social responsibility and business philanthropy, reports that an increasing number of citizens in modern societies regard 'doing no harm' as no longer sufficient for a company to be regarded

as 'part of the solution', as the citizens are of the view that stakeholder expectations must be met.

#### 4.10. RELATIONSHIP BETWEEN BSR PRACTICES AND THE SUSTAINABILITY OF HOSPITALITY SMMEs

Business social responsibility practices were discussed in Section 4 and sustainability is in Section 5. The researcher now investigates the relationship between these two families of variables using correlation analysis. This section addresses the fifth question which seeks to determine the relationship between BSR practices and the sustainability of hospitality SMMEs in the Free State.

Table 4.18: Correlations between BSR practices and the Sustainability of BSR

Pearson Correlation		BSR Practices	BSR Social Sustainability	BSR Economic Sustainability	BSR Environmental Sustainability
BSR Practices	corr				
	p-value	-			
	N				
BSR Social Sustainability	corr	0.505**			
	p-value	0.000	-		
	N	89			
BSR Economic Sustainability	corr	-0.067	-0.142		
	p-value	0.538	0.193	-	
	N	87	86		
BSR Environmental Sustainability	corr	0.251*	0.339**	0.042	
	p-value	0.017	0.001	0.702	-
	N	91	89	87	
** . Correlation is significant at the 0.01 level (2-tailed).					
* . Correlation is significant at the 0.05 level (2-tailed).					

##### 4.10.1. BSR practices and Social sustainability

The results in Table 4.22 show that BSR practices significantly affect BSR social Sustainability (correlation=0.505, p-value=0.000). This also indicates that BSR practices have a positive relation with the social component of sustainability and hence when hospitality SMMEs engage in activities like donating to their local community, they build a good reputation, which is critical to their long term social sustainability. Simpson and Radford's (2014) study on sustainability and decision making claims that

the environmental dimension of sustainability is the most influential followed by the economic and social. In the case of this study, BSR activities affected social responsibility more than environmental responsibility.

#### 4.10.2. BSR practices and Environmental sustainability

BSR practices significantly affect BSR environmental sustainability (correlation=0.251, p-value=0.017). This indicates that when hospitality SMMEs in the Free State stand a high chance of advancing environmental sustainability by engaging in BSR practices, such as avoiding pollution by donating and not disposing products that would have stayed long on the shelves. Jayawardena, Pollard, Chort, Choi and Kibicho's (2013) study on sustainability in the Canadian tourism and hospitality industry argues that the environmental stress imposed by the hospitality industry is undeniable. They further claim that it is imperative for developers to proactively implement sustainability throughout. This is consistent with the findings of the study that the hospitality SMMEs in the Free State engage in BSR practices that impact positively on environmental sustainability, due to its fundamental importance.

### **4.11. THE IMPACT OF STAKEHOLDERS ON THE SUSTAINABILITY OF BSR**

This section explores the impact stakeholders' engagement with the sustainability of the hospitality SMMEs. It addresses the fourth question which sought to determine which stakeholders have the greatest impact on the sustainability of hospitality SMMEs. The level of engagement of each of the stakeholders is summarised in Section 4.5.2. However, summaries of the measures of the three sustainability constructs, namely social, economic and environmental BSR are presented before the impact of stakeholders on sustainability can be presented and discussed.

#### 4.11.1. The Sustainability of Social BSR

Table 4.19 presents the findings on the sustainability of social BSR activities in the Free State Hospitality SMMEs.

Table 4.19: The Sustainability of Social Business Social Responsibility

[E] The Sustainability of Business Social Responsibility		Frequency Distribution						Descriptive		Latent Factor (Principal component) Coefficient
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	% Agree/ Strongly Agree	Mean	Std Dev	
Q57. The company involves the community in extra mural activities.	Count	0	0	9	54	26				
	%	0.0%	0.0%	10.1%	60.7%	29.2%	89.9%	4.19	0.60	0.813
Q58. The company buys some of its input materials and services from the local community.	Count	3	13	32	20	21				
	%	3.4%	14.6%	36.0%	22.5%	23.6%	46.1%	3.48	1.11	0.813
Cronbach's Alpha								0.423		
% of total variation accounted for by latent factor								66.02%		

#### 4.11.1.1. Community extra mural activities

Table 4.18 shows that a majority of the respondents (89.9%) claimed that their businesses involved the community in extra mural activities. This means that the hospitality SMMEs in the Free State strive to advance their communities and build relationships with their local communities. The results of a study on the social responsibility in the tourism sector conducted by Mandimika, Taderera, Nyikahadzi and Matamande (n.d) reveals that all (100%) tourism businesses in Zimbabwe make contributions to non-governmental organisations. They mention further that this contribution to non-governmental organisations is indicative of a complete commitment to social responsibility, as it shows a desire to ensure that society is not neglected. As a result, it is reasonable for the hospitality SMMEs in the Free State to involve their local communities in some of their business operations.

#### 4.11.1.2. The purchase of input material and services

About 46.1% of the respondents claim that their businesses bought some of their input materials and services from the local community, while 36% of the respondents were neutral. Harris' (2003) study on sustainability and sustainable development notes that a socially sustainable business must achieve fairness in distribution and opportunity in society. The finding on input materials and service provision points to the contrary, as a few business managers and employees reported that they gave an opportunity to local communities to supply products to their businesses.



#### 4.11.2. The Sustainability of Economic BSR

Table 4.20 presents the findings on the sustainability of economic sustainability of BSR in the Free State hospitality industries.

Table 4:20: The Sustainability of Economic Business Social Responsibility

ECONOMIC		Frequency Distribution						Descriptive		Latent Factor (Principal component) Coefficient
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	% Agree/Strongly Agree	Mean	Std Dev	
Q59. Financing from private sector is critical to sustainability of the business.	Count	0	0	7	43	37				
	%	0.0%	0.0%	8.0%	49.4%	42.5%	92.0%	4.34	0.63	0.815
Q60. A strong competitive position significantly influences the sustainability of the business.	Count	0	0	0	19	69				
	%	0.0%	0.0%	0.0%	21.6%	78.4%	100.0%	4.78	0.41	0.815
		Cronbach's Alpha						0.462		
		% of total variation accounted for by latent factor						66.44%		

##### 4.11.2.1. Financing from the private sector

Table 4.19 displays that all the respondents (100%) confirmed that a strong competitive position significantly influences the sustainability of the business. This indicates that hospitality SMMEs in the Free State recognise that they operate in a competitive industry and hence need to maintain a strong competitive position. Sousa-Filho, Wanderley, Gomez and Farache (2010), in their study on strategic social responsibility and competitive advantage, posit that social responsibility strategies are associated with competitive advantages such as attracting valuable employees as well as enhancing the company image and reputation.



#### 4.11.2.2. The influence of a competitive position and sustainability

About 92% of the respondents are of the opinion that financing from the private sector is critical to the sustainability of their businesses. Literature shows that economic sustainability requires different kinds of capital/financing to maintain the economic production capacity of businesses (Harris, 2003). This finding is consistent with the results because the majority of responses show that business managers/owners need private finance in order to sustain their operations. A report compiled by the Department of Environmental Affairs and Tourism (DEAT) (2012) on a funding programme for the tourism industry postulates that both public and private funding are possible sources of financing for the tourism industry. However, the hospitality SMMEs claim that the private funding is the critical one for the sustainability of their operations.

#### 4.11.3. The Sustainability of Environmental BSR

This section presents and discusses the findings on sustainability of environmental activities of BSR in the Free State hospitality industry.

Table 4.21: Sustainability of Environmental Business Social Responsibility

ENVIRONMENTAL		Frequency Distribution						Descriptive		Latent Factor (Principal component) Coefficient
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	% Agree/Strongly Agree	Mean	Std Dev	
Q61. The business is always seeking means to reduce water wastage.	Count %	0 0.0%	0 0.0%	1 1.1%	33 36.3%	57 62.6%	98.9%	4.62	0.51	0.759
Q62. The electrical appliances that are used save on electricity costs.	Count %	0 0.0%	0 0.0%	2 2.2%	34 37.4%	55 60.4%	97.8%	4.58	0.54	0.860
Q63. The products used are recyclable.	Count %	0 0.0%	0 0.0%	5 5.5%	31 34.1%	55 60.4%	94.5%	4.55	0.60	0.888
Q64. The business has strict rules against noise pollution.	Count %	0 0.0%	0 0.0%	2 2.2%	32 35.2%	57 62.6%	97.8%	4.60	0.53	0.883
Cronbach's Alpha								0.870		
% of total variation accounted for by latent factor								72.11%		

#### 4.11.3.1. Saving electricity costs

Table 4.19 presents results from questionnaire items that tackled social responsibility and environmental sustainability. The majority (97.8%) of the respondents are of the

view that their businesses used electrical appliances that save electricity. The hospitality SMMEs in the Free State claim that they always make sure that they save costs by taking care of their environment. Raderbauer's (2011) study on sustainability in accommodation businesses points out that a wide range of information about environmental issues such as energy saving, recycling and water savings exists in the hospitality industry. This indicates that the hospitality SMMEs have no choice but to make sure that they deal with issues that impact their environment.

#### *4.11.3.2. The recycling of products*

About 94.5% of the respondents claim that their businesses used products that are recyclable. The hospitality SMMEs in the Free State show that they would rather recycle their products than throw them away in an attempt at going green in the hospitality industry. A study on preventing food wastage in the United Kingdom revealed that Governments in the United Kingdom have prioritised the prevention of food wastages for a long time, and thus a range of mechanisms have been put in place to deliver this within households, the hospitality and food service, food manufacture, retail and wholesale sectors (Parry, Bleazard & Okawa, 2015). In view of the popularity of environmental protection and resources conservation, the Free State hospitality SMMEs' practice of recycling products is a step in the right direction.

#### *4.11.3.3. Strict rules against pollution*

About 97.8% of managers/owners and employees claim that their businesses have strict rules against noise pollution. The previous section which addressed the relationship between BSR goals and BSR practices revealed that economic and philanthropic components are key drivers of the BSR practices. However, the section on sustainability revealed that most hospitality SMMEs make sure that their businesses are environmentally sustainable. Although one might be tempted to see this as a conflict in the results, it proves that when it comes to BSR practices, hospitality SMMEs concentrate more on the benefits that are attached to each of the practices.

#### 4.12. THE RELATIONSHIP BETWEEN THE LEVELS OF IMPORTANCE ATTACHED TO EACH STAKEHOLDER BSR SUSTAINABILITY

In this section the researcher presents and discusses the relationship between different stakeholders of the business and sustainability. Correlation table is used to analyse those relationships.

Table 4.22: Correlations between stakeholders and the Sustainability of BSR

Pearson Correlation		Q51. Level of importance in Administration or Execution of BSR						BSR Sustainability			
		Managers	Employees	Customers	Society	Environment	Suppliers	BSR Social Sustainability	BSR Economic Sustainability	BSR Environmental Sustainability	
Q51. Level of importance in Administration or Execution of BSR	Managers	Corr P-value N	-								
	Employees	Corr P-value N	0.696** 0.000 89	-							
	Customers	Corr P-value N	0.515** 0.000 89	0.515** 0.000 91	-						
	Society	Corr P-value N	0.325** 0.002 88	0.449** 0.000 89	0.669** 0.000 89	-					
	Environment	Corr P-value N	0.403** 0.000 89	0.645** 0.000 91	0.476** 0.000 91	0.642** 0.000 89	-				
	Suppliers	Corr P-value N	0.727** .000 89	0.640** .000 91	0.600** .000 91	0.437** .000 89	0.436** .000 91	-			
BSR Sustainability	BSR Social Sustainability	Corr P-value N	-0.052 0.630 88	-0.102 0.344 89	-0.041 0.706 89	0.121 0.261 88	0.094 0.382 89	-0.011 0.916 89	-		
	BSR Economic Sustainability	Corr P-value N	0.103 0.347 86	0.108 0.320 87	0.239* 0.026 87	0.208 0.055 86	0.149 0.169 87	0.168 0.120 87	-0.142 0.193 86	-	
	BSR Environmental Sustainability	Corr P-value N	-0.104 0.330 89	-0.023 0.832 91	0.080 0.451 91	0.209* 0.049 89	0.229* 0.029 91	-0.108 0.309 91	0.339** 0.001 89	0.042 0.702 87	-
<p>** . Correlation is significant at the 0.01 level (2-tailed).</p> <p>*. Correlation is significant at the 0.05 level (2-tailed).</p>											

#### 4.12.1. Customers and Economic sustainability

The results in Table 4.21 indicate that placing importance on customers in the administration or execution of BSR impacts positively on BSR Economic Sustainability (correlation=0.239, p-value=0.026). This means that there is a positive relationship between customers and economic sustainability. As a result, the hospitality SMMEs in the Free State need to pay special attention to its customers in order to maintain economic sustainability. These results are not consistent with Markulev and Long's (2013) study on the economic perspective of sustainability, which showed that sustainability, from an economic framework, is often thought as achieved if the wellbeing of society is maintained over time. This might suggest that economic sustainability should be directly related with the society. However, Markulev and Long (2013) suggest further that wellbeing is usually made possible by economic production (income). As a result, the findings of this study can be conceived as dependable because the business cannot get any income without customers as this undermines economic sustainability.

#### 4.12.2. Society and Environmental sustainability

Placing importance on society in the administration or execution of BSR significantly and positively impacts on BSR Environmental Sustainability (correlation=0.209, p-value=0.049). These results reveal that the hospitality SMMEs in the Free State can achieve environmental sustainability by taking care of the society they operate in. Libit and Freier (2013) reports that when the firm better understands the society's viewpoints and concerns the firm will be able to integrate these concerns in the company's' strategic decision making. Since societies often have valuable local knowledge, which can lead to better and even innovative projects, the projects can be designed to take society concerns into account. This indicates that the hospitality SMMEs in the Free State should heed the concerns from their society in order to make better decisions about how to take care of the environment to ensure environmental sustainability.

### 4.12.3. The Environment and Environmental sustainability

Placing importance on the environment also significantly and positively impacts on BSR Environmental Sustainability (correlation=0.229, p-value=0.029). This shows that hospitality SMMEs in the Free State need to pay special attention to the environment itself in order to sustain environmental BSR. Bal et al. (2013), in their study on stakeholder engagement in achieving sustainability in the construction sector, report that negative environmental impacts have to be minimised in order to have sustainability. Evidence from this study suggests the same obtains for the hospitality SMMEs. Therefore, hospitality SMMEs in the Free State need to make sure that they minimise negative impacts in the environment in order to achieve environmental sustainability.

### 4.13. THE MODEL OF BSR BEST PRACTICES

This section addresses the last question which attempts to develop a model of BSR best practices based on optimal relationship between BSR practices and sustainability of the hospitality SMMEs in the Free State. The purpose of this model is to contribute to the existing body of knowledge, of the possible route that hospitality SMMEs can take to engage in BSR activities. As a result, the model will be discussed further as a theoretical contribution in Chapter 5 (see section 5.4).

### 4.14. SUMMARY

The chapter focused on the results obtained from the data analysis. The results revealed that many hospitality SMMEs in the Free State region do engage in socially responsible activities although most activities are rather informal. The Spearman correlation analysis showed that there is a positive relationship between stakeholders of the business and sustainability. The study also revealed that while all stakeholders are regarded as critical for the engagement in BSR activities, society and environment are considered to be the most important to the businesses. The next chapter discussed the conclusion and recommendations for both the practice and future research.

## CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

### 5.1 INTRODUCTION

The previous chapter sought to explore the extent to which SMMEs in the hospitality sector are involved in Business Social Responsibility (BSR) practices. This chapter renders a conclusion and offers some recommendations drawing on the findings from this study. Furthermore, it outlines implications for future research.

### 5.2 CONCLUSION BASED ON LITERATURE REVIEW

The literature review revealed that BSR is a very important strategic decision for every business. BSR was defined as “A businesses’ commitment to operating a business in an economically sustainable manner while at the same time recognising the interests of its other stakeholders over and above what the law prescribes” (Pretorious & Dzansi, 2009:452). The literature review demonstrated that small businesses practice BSR unconsciously at an elementary level of green initiatives, donations and sponsorship programmes (Doherty, 2013; Turyakira et al., 2013). In spite of the SMME managers’ depth of knowledge and understanding of BSR, literature demonstrated that businesses have a responsibility towards their stakeholders (see Section 2.9.1). Therefore, it was concluded that hospitality SMMEs cannot afford to ignore their BSR activities as business performance and ultimately survival is intractably linked to the small business’ participation as integral parts of the communities that they serve (see Section 2.9.1).

The emergent nature of the term (Business Social Responsibility) compelled the study to draw on stakeholder theory as interpretive lens for the contextual comprehension of the term. This study considered the stakeholder theory as useful to understanding the practical application of the term for the following reasons:

1. The stakeholder theory emphasises value creation (Brown & Forster, 2012). Therefore, the researcher drew on the theory as most hospitality SMMEs tend to include all their stakeholders in their engagement in their socially responsible activities, which indicates that they value their stakeholders.
2. It is an effective tool that assists in harnessing the energy of stakeholders towards the fulfilment of the organisation’s goals (Jamali, 2008; Harrison,



Freeman & Sa de Abreu, 2015). This was most evident where the businesses employed some members of the community as their workforce.

3. It helps SMMEs to reconcile the economic goal with the moral components in operation (Brown & Forster, 2012; Harrison et al, 2015). Hospitality SMMEs in the Free State region did not only focus on making profit, but they also understood that they have a responsibility to improve and advance the interests of their communities.

The existence of closely networked business connections between the SMMEs and their surrounding community of stakeholders, such as customers, suppliers, financiers, investors, regulators and the community, resulted in the stakeholder theory being considered in order to provide a more informative narrative of the BSR practices of SMMEs in resource constrained contexts. The stakeholder theory underpins a consideration of important bodies that affect or get affected by the decision of the business and as such provides a useful framework for teasing out issues relevant to the communities in which the SMMEs conduct their business. In addition, the centrality of stakeholders to an increase in sales, profitability, market size and overall success of a business, indicates that these stakeholders cannot be dissociated from the success of BSR activities, which are integral parts of the business' interactions with its internal, external and far flung environment.

### **5.3. CONCLUSION BASED ON EMPIRICAL EVIDENCE**

At the outset of Chapter 1, six research questions guided the conduct of this investigation on the influence of a BSR model on the long-term sustainability of the hospitality sector SMMEs. This section recaps the research questions with a view to provide overarching summaries of the study's findings and a conclusion to each research question.

**Research question 1: What type of BSR goals and activities do hospitality SMMEs in Free State engage in?** The results indicate that although hospitality SMMEs in the Free State engage in all the types of BSR activities and goals, the most prevalent activities were actively participating in community improvements (89.9%), informing the customer of the standard and quality of the product (98.9%) and giving



away products that would have stayed for long on the shelves (76.9%). The most dominant forms of BSR goals are ethical and legal goals. Tables 4.6 to 4.12 show that most SMME managers/owners were highly affirmative of their business engagements in various BSR goals and activities. **It can be concluded that the hospitality SMMEs in the Free State do not execute all components of BSR goals and practices but understand and seek to act as good citizens for the communities in which their businesses operate.**

**Research question 2: Which stakeholders are critical in the fulfilment of the BSR goals and activities of hospitality SMMEs in the Free State?** The results, as indicated in Table 4.13, illustrate that although all the stakeholders are very important for the business' fulfilment of the BSR activities, customers (98.9%), society (98.9%), suppliers (98.9%), employees (96.7%) and managers (96.6%) ranked the highest, respectively. The results indicated that more than 90% of the businesses engaged with their stakeholders. **Therefore, it was concluded that although hospitality SMMEs in the Free State engage all their stakeholders in the fulfilment of BSR activities and goals, customers, society, suppliers, employees and managers were engaged with most.**

**Research question 3: What is the relationship between BSR goals and activities and the BSR practices of hospitality SMMEs in Free State?** Table 4.17 indicates that economic (profitability) BSR goals and economic growth goals have a positive and significant relationship with economic BSR practices. A correlation of (correlation=0.427, p-value=0.000) for economic goals activities and a correlation of (correlation=0.215, p-value=0.044) for economic growth was reported. **It is, therefore, concluded that hospitality SMMEs are more concerned about the economic benefits, especially profit, which BSR practices will bring to the business compared to other considerations such as brand value or good reputation.**

**Research question 4: Which stakeholders have the greatest impact on the sustainability of hospitality SMMEs?** Table 4.21 illustrates that different stakeholders have an impact on the various components of sustainability. It indicates that customers have a positive impact on economic sustainability with a correlation effect of (correlation=0.239, p-value=0.026), society had a positive impact on

environmental sustainability (correlation=0.209, p-value=0.049) and the environment had a positive impact on environmental sustainability (correlation=0.229, p-value=0.029). **It can be concluded that the economic and environmental elements of sustainability are the most critical elements in the hospitality SMME setting, from the stakeholder's perspective.**

**Research question 5: What is the relationship between BSR practices and the sustainability of hospitality SMMEs?** Table 4.22 indicates that BSR practices have a relationship with social (correlation=0.505, p-value=0.000) and environmental sustainability (correlation=0.251, p-value=0.017). **It can, therefore, be concluded that BSR practices in hospitality SMMEs influence the social and environmental elements of sustainability. However, the more significant relationship is between BSR practices and social sustainability.**

**Research question 6: How can a best model of BSR be constituted to ensure the long term sustainability of hospitality SMMEs?** It can be noted, drawing on the mainstream literature and findings that, the best model of BSR needs to take cognisance of the type of the BSR, the BSR activity itself and the sustainability of the business. Evidence from the findings has shown that there is a strong relationship between the BSR practices and activities (correlation=0.555, p-value=0.000). This relationship has an impact on sustainability (correlation=0.505, p-value=0.000). **Therefore, it is concluded that the business will concentrate on philanthropic type of BSR and that includes an activity of donating food packages to the community, which will result in an improvement of social sustainability.**

#### 5.4 THEORETICAL CONTRIBUTION

The study contributes to practice by attempting to develop a model of BSR best practices that is based on an optimal relationship between BSR practices and the sustainability of the hospitality SMMEs in the Free State. The findings illustrate that there are four kinds of BSR activities that the hospitality SMMEs in the Free State engage in which are economic, legal, ethical and philanthropic. It also reveals that these activities impact on the BSR types that businesses engage in. In turn the BSR practice have a long-term impact on the sustainability of the business. Figure 5.1 indicates that economic activities impact on BSR types, such as giving away products

that would have stayed long on shelves, while philanthropic activities impact on the donation of food packages to the community. However, the researcher focused on those relationships with the highest latent factors (strongest relationships) in order to draw up a model of BSR responsibility in the hospitality SMMEs, as illustrated in Figure 5.1 with bold arrows.

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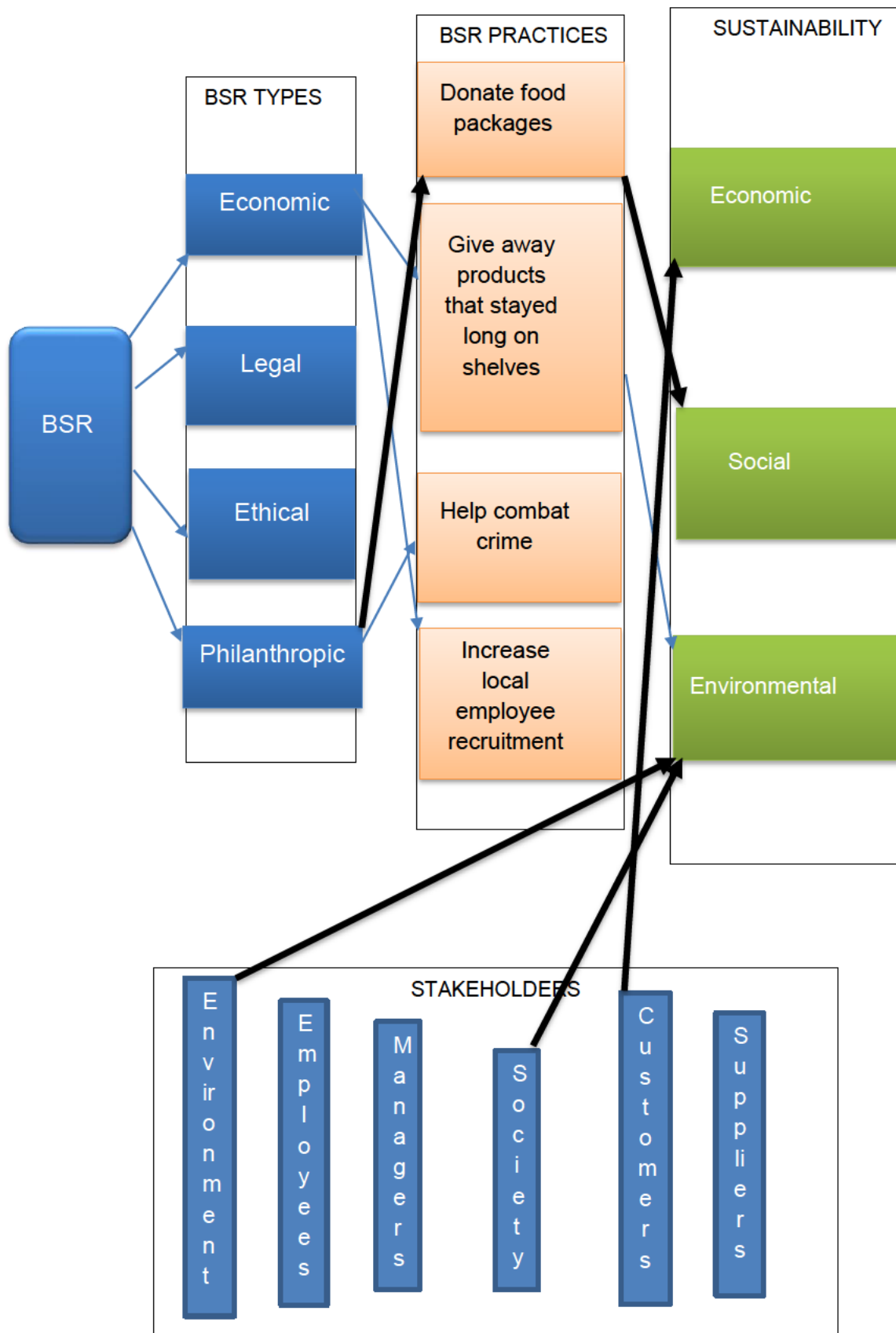


Figure 5.1: The BSR model for hospitality SMMEs  
(Source: Author's Compilation)

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As a result, it was revealed that the hospitality SMMEs in the Free State engage in philanthropic BSR activities and that have an impact on those businesses making donations to the local community (correlation=0.555, p-value=0.000). The donation of food packages, as a philanthropic BSR practice, in turn results in the promotion of the long-term sustainability of the hospitality SMMEs (correlation=0.505, p-value=0.000). These findings are consistent with literature from Mattera and Melgarejo's (2012) observations from their study on strategic implications of social responsibility in the hospitality industry that it is essential to be socially responsible in order to achieve sustainable competitive advantages. Most of the activities include donating to the local community/ society, preserving the environment and taking care of the sector's employees.

It can be inferred from the definition of stakeholders in the previous sections (see Section 2.9) that every stakeholder is important for business operations. However, SMMEs also tended to be concerned with their impact on society and local communities, hence, it is not surprising that they will describe their BSR activities along the lines of community projects such as employing the members of the community in which they are located (Vo, 2011). This is also reflected in the model of BSR practices of hospitality SMMEs, which though informal, include donations, combating crime, and employing local communities, and prove beyond doubt that local communities have a greater impact on the BSR practices of hospitality SMMEs. This also explains the reason that hospitality SMMEs tend to engage more in philanthropic types of BSR practices, as indicated in Figure 5.1.

With the evidence given in the findings and recommendations chapter that (see Chapter four sec 4.5). Figure 5.1 indicates that there is a relationship between those stakeholders involved in BSR practices and the sustainability of the business. Jonas and Eriksson (2007) posit that sustainability thinking is based on the demand by the society to distribute the risks, losses and gains from a company in order to do business more fairly. This indicates that stakeholders have an impact on the long-term sustainability of the business. However, Jonas and Eriksson (2007) only mention society as the one sector that has the greatest impact, yet the model in Figure 5.1 shows that different stakeholders do impact on the different forms of sustainability. For example, the thick arrows indicate that the environment and society have an impact on environmental sustainability, while customers have an impact on economic sustainability. This also applies to the hospitality SMMEs because they are in the customer service industry and customer satisfaction is the “holy grail” for businesses in this industry (Adenisa & Chinonso, 2015). Therefore, a business in the hospitality SMMEs achieve their long-term returns by taking very good care of their customers.

However, stakeholders are not the only factor impacting on the sustainability of hospitality SMMEs, for Figure 5.1 indicates that BSR practices can also impact some form of sustainability. Buturoaga (2015) argues that BSR also offers enterprises new opportunities to learn innovative ways of production and distribution and to manage their risks, which will lead to social, economic and environmental sustainability derived from their improved competitive advantage. Therefore, Figure 5.1 shows that donating

food packages, as a BSR practice, seems to have the greatest impact on social sustainability as indicated by the thick arrows. Although, giving away products that stayed long on shelves impacts on environmental sustainability, the impact is not great as indicated by the light arrow. This also buttresses the thought that BSR is directly linked with sustainable development and these terms are often used as synonyms (Baumgartner, 2011).

Overall, it can be said that when hospitality businesses engage in BSR practices, they are also engaging in sustainability thinking. Therefore, sustainability is a business view where business decisions impact on the business and other sectors that comprise society (Jonas & Erikson, 2007). Hence, the model suggests that when hospitality businesses engage more in philanthropic BSR practices, such as donating and combating crime in their hospitality businesses, they will be promoting the long-term social sustainability of their existing businesses.

## **5.5 IMPLICATIONS FOR PRACTICE AND FURTHER RESEARCH**

In this section the researcher provides the implications of the study in practice. The researcher also gives opinions on the further research that other authors might be interested in.

### **5.5.1 Implications for practice**

Although the study revealed that the hospitality SMMEs in the Free State have a general understanding of BSR, there are still some standing issues which should be looked at. For instance, the hospitality SMMEs in the Free State need to change their attitudes towards the BSR stakeholders especially their employees, as the results (59.6%) display that they do not really pay much attention to their employment preference. The SMMEs' low regard for employees is not surprising in view of Dzansi's (2011) claim that small businesses normally focus on the community when they deal with BSR issues. While the strong focus on philanthropic acts of BSR are of great importance to the small businesses, the limited recognition of workers as part of business stakeholders may affect the long term profitability of the business. This is particularly so because literature suggests that employees are the most valuable



strategic resource of the organisation, especially for small businesses (Gond, El-Akremiti, Igalens & Swaen, 2010; Smith, 2011; Fontaine, 2013).

Furthermore, much as the SMMEs admit that BSR is also voluntary in nature, they recognise that a dearth of spare time obstructs both the company and employees from engaging voluntarily in community activities. Most hospitality SMMEs indicated that they do not allow company time to be used for engaging in BSR activities. The connection of the sustainability of BSR activities to employees' spare time implies that employees need to have a strong commitment and sense of purpose in order to use their weekends and holidays to participate in BSR activities.

It is also evident in the findings that hospitality SMMEs do not practice collusion with other businesses. The low response on collusion (49.9%) implies that hospitality SMMEs in the Free State do not enjoy the benefits that businesses get from working together, which include bargaining power and influence. Gan and Hernandez (2011) indicate that collusion is normally practised by hotels and businesses that are clustered together. This suggests that the hospitality SMMEs in the Free State are scattered and not clustered together.

### 5.5.2 Implications for further research

The fact that the hospitality SMMEs in the Free State relegate the employment of their local community was rather surprising. Given that the results revealed that they have a responsibility in improving the community, further qualitative research should be conducted to establish and document the reasons why hospitality businesses are reluctant to employ members of their local communities. Future studies could also consider the possible incentives that could be provided to such SMMEs if they were to consider employing members of their local communities.

The empirical study revealed that there is a positive relationship between BSR practices and the long-term sustainability of hospitality SMMEs. However, the researcher did not test the stage (such as foundation, growth or maturity) of the SMMEs engagement in BSR that promotes the sustainability of the business. Therefore, further research covering businesses at different stages of establishment

should be conducted so as to establish the level at which this relationship is strongest. Interventions can also be implemented to target the phase when this relationship is strongest.

Furthermore, the geographical focus of the study was only limited to the Free State province due to the resource and operational constraints affecting this study. The researcher suspects that although the focus of the study was the Free State, there could be some subtle variations in BSR of SMMEs and their associated impact on sustainability across different regions in South Africa. This is particularly so because different regions in South Africa have different economic activities and relations with respective stakeholders, which shape the types of businesses people choose to enter into. It is recommended that a national survey, covering different provinces, may need to be conducted to capture a holistic picture of BSR issues for the rest of the country. This will enable an easy implementation of the recommended BSR policy to integrate BSR into mainstream activities of the business (see section 5.6), as the government will have to determine whether the BSR law could be differentially applied across regions depending on their main economic activities or whether the policy may be applied across the board due to the similarities of the BSR activities across regions.

## **5.6. RECOMMENDATIONS FOR POLICY AND PRACTICE**

Firstly, the results illustrate that hospitality SMMEs in the Free State have a general understanding of what BSR means for their businesses as noted from their positive responses on how they consider BSR activities in businesses, where for example, 80.4% of the respondents noted that they viewed the donation of food hampers to the community as an act of social responsibility. It was also revealed that although these businesses engage in different types of BSR activities such as economic, legal, ethical and philanthropic, these activities were often conducted in an ad hoc, uncoordinated manner not infused into the core mandate of the business. Therefore, it is recommended that the hospitality SMMEs should integrate their different BSR components into their mission, vision and goals so that such activities become part of their core mandate. BSR should be part of their operations.

Secondly, the results also demonstrate that businesses engage in a few selected BSR activities, thus suggesting that such activities are only supplements to their core

business. Therefore, in view of the central place of BSR to the mission and sustainability of the business (see Chapter 4), SMME owners/managers are increasingly called upon to integrate BSR into their systemic approaches to the management and operations of their businesses. The integration of BSR into the mainstream activities of the business will not only improve the individual recognition of a wide range of BSR activities but will also align business activities with the needs, activities and aspirations of the important stakeholders of the business that are involved in the engagement of Business Social Responsibility (Branco & Rodrigues, 2007; Heismann, 2014).

Thirdly, the results of the study demonstrated that although all stakeholders have been proven to be an important part of BSR customers, society and suppliers are ranked as most important by the businesses. In addition, customers were considered as influencing financial sustainability while society was considered as influencing most the environmental sustainability of the business. Given that different stakeholders affect different forms of BSR, an approach that allows the SMME business owners to leverage the collaborative roles of individual stakeholders on particular forms of BSR, while also allowing for the collective recognition of all stakeholders, is critical to promoting the improved formalisation of BSR practices in small businesses (Branco and Rodrigues, 2007). A stronger stakeholder approach that recognises the individual contribution of each stakeholder to BSR, the individual BSR where such contribution is most realised, and the collective contributions of different stakeholders, would be critical to the success of an organisation-wide rollout of BSR in small businesses.

Fourthly, given the multiple stakeholders that interact with hospitality SMMEs, there is a need to reconcile the individual needs of these individual SMMEs and those of their stakeholders to improve their inter-organisational cooperation. This cooperative approach will allow the tourism SMMEs to meet their BSR goals without necessarily compromising the growth, development and sustainability of SMMEs' stakeholders. Since different stakeholders impact different components of the sustainability of the hospitality SMMEs, with customers having a positive impact on economic sustainability while the environment has a positive impact on environmental sustainability, SMMEs may need to develop a hierarchy of stakeholders and align them to the attainment of particular types of BSR (e.g. economic, social, ethical and

environmental) so that particular stakeholders target BSR forms where they can maximise their impact and the long term sustainability of the business.

Lastly, since different hospitality SMMEs selectively prioritise different BSR activities, it is recommended that the government draw up a formal BSR policy as a formal reference point to guide hospitality SMMEs engagement in BSR. For example, there should be law binding all SMMEs to report on their BSR activities in the same way large organisations have a guiding corporate social responsibility policy that guide their activities with their stakeholders. This will also help the hospitality SMMEs to be intentional in their engagement in BSR as they will be conscious of their legal requirements to report on their BSR activities in their consolidated reports.

## **5.7. SIGNIFICANCE OF THE STUDY**

Although this study makes several important contributions to theory and practice, the two contributions that can be mentioned are:

The development of the BSR model which will help managers to reduce the risk of engaging in practices that will be detrimental to business objectives, undermine profitability motives and hinder the business sustainability of emerging businesses. For a deeper understanding of this model the explanations accompanying Figure 4.1 can be referred to in the previous Chapter.

The broadening of the baseline knowledge on BSR of SMMEs, which is currently limited, and use of insights from this research to inform and direct South African policy on BSR activities of SMMEs.

## **5.8. LIMITATIONS OF THE STUDY**

No research process is perfect. Therefore, every research has its own shortcomings. The limitations of this research are:

Data was collected during the festive season, which is a peak season for most hospitality businesses, and as such it was very difficult for respondents to complete the questionnaire without being interrupted. To counter that, the researcher left the respondents with questionnaires so that they could complete them when they were

not busy and collected them the next day. This might mean the researcher was not always available to clarify the meaning of any question considered by the respondent to be ambiguous. Nonetheless, the presence of the researcher was not necessary as the questionnaire was assessed by the two supervisors of this study and the statistician for clarity and conciseness.

Due to the interruptions of the festive season the researcher was not able to conduct interviews as it was initially planned to triangulate quantitative data with qualitative data. However, the researcher was able to collect sufficient data to from the questionnaires to draw up conclusions that could be generalised to the entire population in the region studied.

Some of the research respondents were unwilling to participate as they thought the researcher was sent to investigate their activities despite the letter of information that was given to subjects. The researcher had to explain persistently the purpose of her investigation to the respondents to gain their trust and cooperation.

The researcher concluded the thesis by drawing on both literature and the empirical findings. The conclusions based on literature emphasised that most SMMEs do engage in business social responsibility although at a developmental stage. It was also concluded that businesses understood the responsibility they have towards stakeholders and to some extent they acknowledge all their stakeholders in their socially responsible activities

The conclusion from the empirical findings also emphasised that owner/managers of hospitality SMMEs in the Free State understand and do practice BSR. However, they concentrate on more philanthropic activities such donations of food packages and sponsorship of local communities. The stakeholders also play a very important role in the survival of the hospitality SMMEs as well as their long-term sustainability. Therefore, it was concluded that BSR practices are very important to the promotion of the long-term sustainability of hospitality SMMEs in the Free State region.

## **5.9. CONCLUDING REMARKS**

This thesis discussed BSR practices of the hospitality SMMEs in the Free State Province of South Africa as they relate to sustainability. The chapter one provided the introduction to the whole study which also highlighted the main problem of investigation and the research questions that the study intended to address. Chapter 2 discussed the literature on the main concepts of investigation, while Chapter 3 provided the methodology that was adopted to investigate the phenomenon under study and to address the research questions. Chapter 4 presented, interpreted and discussed the findings from the data collected. Chapter 5 discussed the conclusions drawn from the results on BSR practices of hospitality SMMEs in the Free State region. Stemming from these conclusions, recommendations were made on policy and practice as well as for future research. The general conclusion is that hospitality SMMEs understand the meaning of BSR and its value. However, they engage in such activities informally. Therefore, it was recommended that they integrate the BSR components into their mission, goals and vision. This should help them to recognise every activity and make sure that they do not waste resources on unnecessary activities.

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## **ANNEXURE A**

### **LETTER REQUESTING PERMISSION TO CONDUCT THE STUDY WITH HOSPITALITY SMMES**

RE: LETTER REQUESTING PERMISSION FOR A MASTERS RESEARCH STUDY TO BE CONDUCTED AT HOSPITALITY BUSINESSES.

My name is Dr. Patient Rambe and I am the main supervisor for Miss Mamello Moeti's (Student number 213061228) Masters in Business Administration study. Miss Moeti is currently enrolled as a Masters of Technology (MTech) student on the Business Administration Programme in the Department of Business Support Studies at our main university campus, the Central University of Technology, Free State. I am kindly seeking your permission for Miss Moeti to conduct her study in your esteemed organisation. She is currently exploring the critical role of developing a Business Social Responsibility (BSR) model to promote sustainability in organizations such as yours, hospitality SMMEs in Free State. As such, she will need permission to distribute questionnaires to the managers and employees in your esteemed organization.

Her envisaged contribution is to establish a best model of BSR that is aligned to business goals of hospitality SMMEs in the Free State including their long term sustainability. It is hoped that the development of the model will help managers to reduce the risk of engaging in practices that will not only be detrimental to business objectives, undermine profitability motives but also hinder business sustainability of emerging businesses. In addition, the research report will also contribute significantly to the development of her final thesis document for her graduation in her studies.

Miss Moeti's research has already been approved by our scientific research bodies, namely the Business Research Committee (BRC), Faculty Research and Innovation Committee (FRIC) and University Research and Innovation Committee (URIC), suggesting the scientific merit and possible social impact of her research for hospitality businesses, the surrounding community and our university. The main focus of her research is developing a Business Social Responsibility model based on the optimal relationship between Business Social Responsibility and sustainability, hence most of her research questions focus on the relationship between BSR practices and sustainability practices.

We guarantee you that the information gathered from this study will be used solely for the development of a detailed report which will be availed to your Management (if required) and for the production of Miss Moeti's Master's thesis. Under no circumstances will any of your managers' or your employees' be personally identified, and their data will be reported in aggregate form to protect their personal identities. In view of this, your managers' responses and your employees' responses will be treated with strictest confidence and they will remain anonymous. This is consistent with our Research Ethics Committee's principles to promote ethics informed research. I sincerely hope that you will do everything in your capacity to assist Miss Moeti to gain access to potential participants (i.e. Managers and Employees) in your business to accomplish her study successfully.

For any further inquiries, please feel free to contact me on:

Telephone: +27 51 507 4064

Email: [prambe@cut.ac.za](mailto:prambe@cut.ac.za)

Yours faithfully



Patient Rambe, PhD.

Senior Researcher: Faculty of Management Sciences, Central University of Technology

Convenor of Masters and Doctoral Programme in Business Administration

## ANNEXURE B

### COVER LETTER AND QUESTIONNAIRE

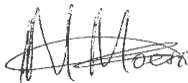
#### QUESTIONNAIRE: THE DEVELOPMENT OF A BUSINESS SOCIAL RESPONSIBILITY TO SUPPORT LONG TERM SUSTAINABILITY OF HOSPITALITY SMMEs

My name is Mamello Moeti. I am a Master of Technology student in Business Administration at the Central University of Technology (CUT) in Bloemfontein. I am conducting a study on the development of a model of Business Social Responsibility (BSR) in order to support the long term sustainability of hospitality SMMEs. At this stage, I am collecting data on the managers/owners and employees of hospitality's' perception and general understanding of BSR and the BSR practices they engage in and how do they relate with long term sustainability in their businesses. This study is supervised by Dr Patient Rambe who can be contacted on the following contact details: 051 507 4064 or [prambe@cut.ac.za](mailto:prambe@cut.ac.za).

At this stage, I am conducting my field work on this topic and I would be very pleased if you take time to complete this questionnaire. Your participation in this study is voluntary and your responses are confidential. The results of this study will be reported in aggregate form to ensure your anonymity. The development of this model will help managers to reduce the risk of engaging in practices that will not only be detrimental to business objectives, undermine profitability but also hinder business sustainability of their emerging businesses. The questionnaire should take 20-30 minute to complete, may you please use a few minutes of your time to answer the questions.

I will be very grateful if you would answer all sections of this questionnaire as honestly as possible.

Yours Faithfully



Mamello Moeti

**[A] Demographic data**

<b>[A1] PERSONAL DETAILS</b>						
1	Your Gender	1 Male			2 Female	
2	Your Race	1 Black	2 White	3 Coloured	4 Indian	5 Other.....
3	Your age	1 Under 18	2 18-35	3 36-45	4 46-55	5 56-65 6 65 and above
4	Your highest level of education	1 None	2 Grade 1-4	3 Grade 5-9	4 Grade 10-12	5 Post grade 12 6 Post graduate
5	Type of respondent	1 Owner	2 Manager	3 Owner/Manager	4 Employee	
6	Religious denomination	1 Christian	2 Muslim	3 Hindu	4 Other.....	
7	Nationality	1 South African citizen		2 South African Permanent resident	3 Non-South African	
<b>[A2] BUSINESS DETAILS</b>						
8	Type of business	1 Hotels	2 Guest houses	3 B&Bs	4 Lodges	5 Self-catering
9	Number of employees	1 [1-5]	2 [6-10]	3 [11-20]	4 [21-50]	5 [51-200]
10	Age of business	1 [1-3 years]	2 [4-6 years]	3 [7-10 years]	4 [11-15 years]	5 More than 15 years
11	Form of business	1 Sole proprietorship	2 Close corporation	3 Pty Ltd	4 Partnership	5 Other (specify).....
12	Gross turnover per annum	1 Up to R500 000	2 More than R500 000 but less than R2million	3 More than R2million but less than R4million	4 More than R4million	5 Other (specify).....

**[B] BUSINESS SOCIAL RESPONSIBILITY**

<b>SCALES</b>		1	2	3	4	5
Please indicate the extent to which you agree or disagree with the following statement.		<b>STRONGLY DISAGREE</b>	<b>DISAGREE</b>	<b>NEUTRAL</b>	<b>AGREE</b>	<b>STRONGLY AGREE</b>
<b>[B1] GENERAL UNDERSTANDING OF BUSINESS SOCIAL RESPONSIBILITY</b>						
Business Social Responsibility as I best understand it means:						
<b>GOALS</b>						
13	The mandate of the business is to abide by laws and regulations for business.	1	2	3	4	5
14	The goal of the business is to abide by what society regards as good or right in doing business.	1	2	3	4	5
15	The goal of the business is to buy a soccer outfit for the local soccer team.	1	2	3	4	5
<b>ACTIVITIES</b>						
16	Donate food packages to the community to help them make ends meet.	1	2	3	4	5
17	Actively participating in combating crime in the local community.	1	2	3	4	5
18	Providing technological and educational facilities to a local school.	1	2	3	4	5
19	Regularly conducts the employee's satisfaction analysis.	1	2	3	4	5
20	Allow employees to use company time to carry out community welfare programmes.	1	2	3	4	5



**[B2] ECONOMIC COMPONENT OF BUSINESS SOCIAL RESPONSIBILITY**

Economic responsibility as I best understand it in terms of goals and activities means:

**GOALS**

**Profitability**

21	The business seeks to maintain a consistently profitable position.	1	2	3	4	5
22	The business seeks to maintain a high level of operating efficiency.	1	2	3	4	5

To what extent are these statements true in terms of maximising profitability of the business:

**ACTIVITIES**

23	Giving away products that have stayed long on the shelves to the local community.	1	2	3	4	5
24	Collusion with other locally owned businesses.	1	2	3	4	5
25	Giving discounts to long term customers.	1	2	3	4	5

**Growth**

26	The business has shown significant growth in the past 2–5 years.	1	2	3	4	5
27	The number of employees has increased in the past 2-5 years.	1	2	3	4	5
28	The number of customers has increased in the past 2-5 years.	1	2	3	4	5
29	Size of my market has increased in the last 2– 5years.	1	2	3	4	5
30	My stock size has increased in the last 2 – 5 years.	1	2	3	4	5
31	My return on investment has increased from 0.50% to 20% in last 2–5 years.	1	2	3	4	5

**[B3] LEGAL COMPONENT OF BUSINESS SOCIAL RESPONSIBILITY**

Legal responsibility as I best understand it in terms of goals means:

32	The business seeks legal counsel on legal issues it struggles with.	1	2	3	4	5
33	The business strives to have a lawyer that ensures that proper channels are followed in terms of disputes.	1	2	3	4	5
34	The business' goal is to publish its annual reports as required by law consistently.	1	2	3	4	5
35	The business seeks to adhere to standards set in the law.	1	2	3	4	5

**[B4] ETHICAL COMPONENT OF BUSINESS SOCIAL RESPONSIBILITY**

Ethical responsibility as I best understand it in terms of goals and activities means:

**GOALS**

36	The goal of the business is to strive towards honesty in all its operations.	1	2	3	4	5
37	The goal of the business is to show maximum integrity to all its stakeholders.	1	2	3	4	5

38	The business seeks to show transparency in all its dealings by reporting.	1	2	3	4	5
39	The goal of the business is to promote a good name for its trade.	1	2	3	4	5
<b>ACTIVITIES</b>						
40	The business charges fair prices for its services.	1	2	3	4	5
41	The business discloses its ethical core, rules or standards for all stakeholders to see.	1	2	3	4	5
42	The business does not poach hardworking or loyal employees from its competitors.	1	2	3	4	5
43	The business fully discloses the formal breakdown of all services it provides.	1	2	3	4	5
44	The business does not input hidden costs it charges to customers.	1	2	3	4	5
45	The business discloses in advance the full cost of services offered to clients.	1	2	3	4	5
46	The business always informs the customers about the standard and quality of the service.	1	2	3	4	5
<b>[B5] PHILANTHROPIC COMPONENT OF BUSINESS SOCIAL RESPONSIBILITY</b>						
Philanthropic responsibility as I understand it in terms of activities means:						
47	The business regularly makes charitable donations.	1	2	3	4	5
48	The business gives first preference employment opportunity to local community.	1	2	3	4	5
49	The business actively participates in community improvement events.	1	2	3	4	5
<b>[C] YOUR UNDERSTANDING OF STAKEHOLDERS IN BUSINESS SOCIAL RESPONSIBILITY</b>						
50	Which are the parties that the business is involved with in its engagement of BSR?					
Managers	YES	NO				
Employees	YES	NO				
Customers	YES	NO				
Society	YES	NO				
Environment	YES	NO				
Suppliers	YES	NO				

**Section C Keys: 1 – Not all important; 2 – Of little importance; 3 – Somewhat important; 4 – Important; 5 – Most important**

51 Please state the level of importance of each of the following stakeholders in the administration or execution of BSR activities in your business.

Managers	1	2	3	4	5
Employees	1	2	3	4	5
Customers	1	2	3	4	5
Society	1	2	3	4	5
Environment	1	2	3	4	5
Suppliers	1	2	3	4	5

52 How important is meeting the expectations of these stakeholders to the sustainability of the business

Managers	1	2	3	4	5
Employees	1	2	3	4	5
Customers	1	2	3	4	5
Society	1	2	3	4	5
Environment	1	2	3	4	5
Suppliers	1	2	3	4	5

**Section D and E Keys: 1 – Strongly disagree; 2 – Disagree; 3 – Neutral; 4 – Agree; 5 – Strongly agree**

**[D] BUSINESS SOCIAL RESPONSIBILITY ACTIVITIES**

To what extent do you agree to this statements:

53	The business gives first priority to local people in employment.	1	2	3	4	5
54	The business gives a benefit of doubt to customers through the "customer is always right" motto.	1	2	3	4	5
55	The business keeps its employees satisfied and loyal.	1	2	3	4	5
56	The business is involved in the efficient utilisation of its resources.	1	2	3	4	5

**[E] SUSTAINABILITY AND BUSINESS SOCIAL RESPONSIBILITY**

Sustainability activities that your business engage in involve:

**SOCIAL**

57	The company Involves the community in some extra mural activities of the business.	1	2	3	4	5
58	The company buys some of its input materials and services from the local community.	1	2	3	4	5

**ECONOMIC**

59	Financing form private sector is critical to sustainability of the business.	1	2	3	4	5
60	Maintaining a strong competitive position significantly influences the sustainability of the business.	1	2	3	4	5

**ENVIRONMENTAL**

61	The business is always seeking means to reduce water wastage	1	2	3	4	5
62	Electrical appliances used are those that save electricity costs.	1	2	3	4	5
63	Products used are recyclable.	1	2	3	4	5
64	The business has strict rules against noise pollution.	1	2	3	4	5

**Thank you for your participation**