An appraisal of Corporate Social Responsibility (CSR) practices in Small and Medium (SMEs) enterprises in Chegutu, Zimbabwe.

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Abstract: Although a Corporate Social Responsibility (CSR) knowledge base exists among Zimbabwean SMEs, there has been no comprehensive studies which have been conducted. In Zimbabwe the drive for CSR cannot be complete without the active engagement of Small to Medium Enterprises (SMEs) yet CSR practices by SMEs in some parts of Zimbabwe, in particular, Chegutu, are currently unknown. It is against this background that this study investigated corporate social responsibility practices among SMEs in Chegutu. The study sought to gain an understanding of the meaning and impact attached to CSR by SMEs and also examine legal, economic and ethical barriers to CSR. Data used in this study was collected through 220 questionnaires and semi-structured and open-ended interviews administered on owner-managers of SMEs. The systematic random sampling method was used to select respondents for quantitative research while the purposive method was used to select respondents for qualitative research. SPSS version 20.0 was adopted to analyze quantitative data while the reduction method was adopted for qualitative data. Findings reveal that there is no clear understanding and standard meaning for CSR. SMEs consider corporate social responsibility as having no quantifiable benefits. Legal, economic and ethical factors motivate SMEs to engage in CSR. The study results point at weak legislation and managerial attitudes as major barriers to CSR practices.

Date of Submission: 05-06-2018
Date of acceptance: 25-06-2018

I. Introduction

This study focuses on CSR practices by small and medium enterprises (SMEs) in Chegutu, Zimbabwe. It should be noted that different countries define the concept of SMEs with respect to their political, economic and social contexts (Berisha and Pula, 2015; Rahman, 2011). The relationship between business and society has been a topic of many debates for decades (Carroll and Bucholtz, 2012). All forms of business, large or small, have been blamed in one way or the other for failing to address the political, social and economic concerns of society (Carroll and Bucholtz, 2012). The new thinking today is that the relationship between business and society should be based on practices known as corporate social responsibility (Carroll et al., 2010). Historically, the primary concern of business was to produce goods and services for society (Carroll, 2009). The business sector has now been given a new set of responsibilities, namely, to comply with national laws in their pursuit of profit and ultimately to adopt CSR activities based on legal and ethical considerations (Visser, 2008). The study will help to shed light on motives and benefits behind CSR by SMEs.

Although much has been written about the significance of corporate social responsibility in SMEs, not much research has been done to establish both the role and nature of CSR in SMEs in a developing country like Zimbabwe. The literature on CSR in SMEs shows that academic work on social responsibility in small firms is limited. An analysis of the literature on CSR in SMEs in a developing country like Zimbabwe shows that the following areas have not been explored: the meaning attached to CSR by SMEs, the impact of CSR practices by SMEs, the legal, economic and ethical factors that motivate SMEs to engage in CSR practices and barriers to CSR practices by SMEs.

The research therefore sought to answer the following questions:
- What meaning is attached to CSR by SMEs in Chegutu, Zimbabwe?
- What is the impact of CSR practices on the operations of SMEs in Chegutu, Zimbabwe?
- What are the legal, economic and ethical barriers to CSR practices by SMEs in Chegutu, Zimbabwe?

II. Literature Review

While there is no consensus on what an SME is and given that countries define SMEs differently, this research adopts the Zimbabwean definition of an SME as a firm that is independent, registered in Zimbabwe and which employs a minimum number of 2 up to a maximum number of 75 permanent workers and has an annual...
maximum turnover of $1 000 000 (Government of Zimbabwe, 2008; SEDCO, 2003). Kotler and Lee (2009) denote that corporate social responsibility (CSR) is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources. The five dimensions of Dahlsrud (2013) are consistent with the three Domain Model proposed by Schwartz and Carroll (2003:508) that gives the functions of CSR as being, economic, legal and ethical. Therefore the meanings attached to the concept of CSR can be understood by relating them to the Three Domain Model of Schwartz and Carroll (2003; 508). Table 2.1 gives the five dimensions of CSR coined by Dahlsrud (2013) and how they relate to the three-domain model of Schwartz and Carroll (2003: 508).

### Table 2.1 Five Dimensions of CSR and Three Domain Models

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Issues Referred To</th>
<th>The Three Domain Approach parallel</th>
</tr>
</thead>
<tbody>
<tr>
<td>The environmental dimension</td>
<td>The natural environment</td>
<td>Legal domain</td>
</tr>
<tr>
<td>The social dimension</td>
<td>The relationship between business and society</td>
<td>The ethical domain</td>
</tr>
<tr>
<td>The economic dimension</td>
<td>Socio-economic or financial aspects, including describing CSR in terms of a business</td>
<td>The economic domain</td>
</tr>
<tr>
<td>The stakeholder dimension</td>
<td>Stakeholder or stakeholder groups</td>
<td>Integration of economic, legal and ethical domains.</td>
</tr>
<tr>
<td>The voluntariness dimension</td>
<td>Actions not prescribed by law</td>
<td>The ethical domain</td>
</tr>
</tbody>
</table>

**Sources:** Dahlsrud (2013); Schwartz and Carroll (2003)

**Levels of CSR**

Constantinescu and Kaptein (2015) note that CSR has three mutually inter-related levels namely economic, social and environmental. The economic level concerns not simply with the basics of financial returns but elements which contribute to long-term financial success such as reputation and relationships and the broad economic impact of a company in terms of the multiplier effects of wages, investment and sourcing. Environmental level involves protecting air, water, land, and ecosystems. Social level means improving the quality of life and equity for employees of the company and for society as a whole. In a successful sustainability focused business strategy, these three levels are inter-related and support each other. It is not accidental that the three levels of CSR are in fact the same as elements of sustainable development and “triple bottom line” (people, planet, profit).

**Stakeholder Approach**

Freeman (2012) managed to identify different stakeholders of a firm. He urged firms and SMEs to consider a broad range of internal and external groups as their stakeholders regardless of the impact that those stakeholders might or might not have. If SMEs engage these stakeholders in their operations they achieve sustainable growth. Constantinescu and Kaptein (2015) indicate that CSR has an internal and external dimension and the external dimension of CSR goes beyond the doors of the company and involves many stakeholders, affects local communities, business partners and suppliers, customers and consumers, protection of human rights along the whole supply chain and global environmental concerns. Dell (2014) provides the following stakeholders:

![Stakeholder Model](Dell, 2014)
The figure shows the stakeholder model, which groups the company stakeholders into four categories which are authorizers, business partners, customer groups and external influencers.

**Authorizers** – this group includes government, regulatory authorities, shareholders, and the Board of Directors. These are the stakeholders who have authority over the company and authorize its decisions.

**Business partners** – this group includes employees, suppliers, trade associations, and service providers are all business partners. These stakeholders help company in achieving its objectives;

**Customer groups** – This group include all kind of customers which fall within this stakeholder group.

**External influences** – This group includes community members, media, and issue advocates which also influence company’s decision-making process.

Using the stakeholder concept can help in measuring corporate social responsibility of a firm. Clarkson (2013) proposed that corporate social performance can be analyzed and evaluated more effectively by using a framework based on the management of a corporation’s relationships with its stakeholders than by using models and methodologies based on concepts concerning CSR.

**Africa’s CSRModel**

Visser (2008: 37) proposes a new CSR pyramid called “Africa’s CSR pyramid” based on four CSR dimensions of Ethical CSR, Philanthropic CSR, Legal CSR and Economic CSR. In fact, the CSR pyramids of Carroll (1979; 1991) are adopted by Visser (2008) with incremental changes. Africa’s CSR Pyramid of Visser (2008: 37) regards Economic CSR as the most valued CSR responsibility in Africa. Visser (2008: 37-42) argues that Africa, as a continent, is characterized by massive unemployment, poverty, lack of foreign direct investment (FDI), the menace of disease and poor corporate governance.

**CSR in SMEs**

Sheehy (2008) denotes that CSR is difficult for small and medium-sized enterprises. Hockerts *et al.* (2008) postulate that the general perception among European SMEs seems to be that CSR represents anew burden and a threat. Many SMEs fear that they may not be able to meet the social and environmental requirements of buyers and supplychains without losing their competitive edge in national and international markets (Maloni and Brown 2008). SMEs are much aware that if they do not meet these requirements, they may not be in a better position to access new foreignmarkets or large international buyers who stipulate their own codes of corporate ethics. Sheehy(2008) further mentioned that CSR needs to be clarified that a socially responsible approach to business is not difficult for SMEs with an interest in long-term profitability and sustainability.

**Impact of CSR on Operations of SMEs**

Some researchers believe that firms that adopt CSR practices are regarded as being generous and fair to the welfare of employees and this quality has a positive psychological effect on people who are looking for employment in the organization (Djelic and Etchanchu 2015). Bashir *et al.*, (2012) exposed that when workers see their company engaging in CSR activities they develop positive attitudes towards the company and this in turn enhances the workers’ loyalty and commitment to the achievement of organizational goals. Workers in CSR practicing companies copy the good behavior of their companies and develop strong feelings of love and respect for the management (Zafar and Farooq, 2014). Firms that support community projects and make their CSR activities known to customers, increase their good will. A number of studies on CSR and customer satisfaction agree that the greater a firm’s contribution to social welfare, the better its reputation (Nareeman and Hassan, 2013).

**CSR and Firm Performance**

A number of studies support the assertion that there is a strong link between CSR and the financial performance of the firm (Lev *et al.*, 2012). However, Margolis and Walsh (2003)argue that there is no link between CSR and firm performance. Saxena and Kohli (2012) argue that studies on the relationship between CSR practices and firm performance do not give conclusive results and that not all firms that engage in CSR activities register positive financial gains. This study will fill the gap on SME performances in developing economies.

**Barriers to CSR adoption**

Owner-managers’ skepticism of CSR, lack of knowledge and resource constraints are the major barriers (Lee *et al.*, 2012; Hsu and Cheng, 2012). Some SME owner-managers remain skeptical about the possible benefits of CSR practices, and are therefore not willing to go beyond what is required by law (Kechiche and Soparnot, 2012). Moreover, the perception that SMEs’ social power is more limited than that of large enterprises is also a barrier (Peterson and Jun, 2012).
III. Methodology

The mixed method approach was used in this study. This is the practice of collecting and analyzing data by combining qualitative and quantitative research methodologies. The survey research design was used to capture the thoughts, assumptions, problems, likes and dislikes of SMEs managers on the issues of CSR (Bhattacherjee, 2012). The survey research design afforded the respondents the opportunity to freely complete questionnaires in their private time. In this way, respondents were encouraged to provide honest and truthful answers to questions in the questionnaire (Borg and Gall, 2008: 73). There were 280,000 registered SMEs in the whole country and 2,800 in Chegutu (Government of Zimbabwe, 2008). The population of the study consisted of SMEs owners, managers, family members and employees. SMEs that employed less than six workers and more than one hundred workers did not form part of the population for this study. The respondents of 290 for this study were drawn from education, retailing, manufacturing, finances, transport and electronics SMEs using systematic random sampling. The questionnaire and an interview guide were the main data collection instruments used. Quantitative data analysis was done using SPSS and qualitative data was analysed using content analysis.

Research Findings

Statistics showed that 123 (58.5%) of the respondents were owners, 59 (28%) were managers whereas 28 (13.5%) were employees. SMEs were drawn from construction, 21 (10%) came from the bakery industry, 31 (15%) came from the retail sector, 25 (12%) were drawn from the electronics industry, 6 (3%) came from Textile industry, 30 (14%) came from the pharmaceuticals industry, 19 (9%) came from the transport sector, 15 (7%) came from the printing industry, 27 (13%) were drawn from the finance sector while 13 (6.0%) came from the education sector. The majority of the SMEs were drawn from the retail sector of the economy.

The research established that meanings attached to CSR were mainly centred on donating to charities (67%), welfare of employees (14.2%) and preservation of the environment (8%). The research established that respondents understood what CSR is.

CSR policy

84 (40%) of the respondents indicated that they had a CSR policy whilst 126 (60%) stated that they did not have a CSR policy in the organization. From the statistics, it can be concluded that CSR practices by SMEs in Chegutu are not formalized and that they are unplanned arrangements. It can also be inferred that the CSR practices in SMEs are regarded as secondary issues.

The impact of CSR on performance of SMEs

36 (17%) of the respondents indicated that CSR was a cost; 68 (32.3%) indicated that they were not sure; 47 (22.3%) indicated that CSR was sometimes a cost; whereas 59 (28.4%) indicated that CSR was always a cost. Therefore the results seem to show that the majority of SMEs in Chegutu, Zimbabwe consider CSR as a cost. Henderson (2017) concurs that the adoption of CSR by SMEs is likely to increase costs and impair performance, as managers try to take account of a wide range of goals, consult stakeholders and set up new accounting and monitoring systems.

Relationship between Ways of implementing CSR and Company Performance

<table>
<thead>
<tr>
<th>Table 4.1: CSR and Company Performance</th>
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<tbody>
<tr>
<td><strong>Chi-Square Tests</strong></td>
</tr>
<tr>
<td>Pearson Chi-Square</td>
</tr>
<tr>
<td>N of Valid Cases</td>
</tr>
<tr>
<td>a. 2 cells (20.0%) have expected count less than 5. The minimum expected count is 3.45.</td>
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<tr>
<td>Ordinal by Ordinal</td>
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<tr>
<td>N of Valid Cases</td>
</tr>
<tr>
<td>a. Not assuming the null hypothesis.</td>
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<tr>
<td>b. Using the asymptotic standard error assuming the null hypothesis.</td>
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</tbody>
</table>

Tables 4.1 above shows that there is an association between the methods of implementing CSR (formally or informally) and company performance as measured by sales revenue per year. Gamma -.873 shows a very strong relationship although in the negative direction. The results show that as methods of implementing CSR in SMEs become more and more formal, sales revenue per year decreases. Formalization of CSR in SMEs has a consumption effect on human, material and financial resources.
The Relationship between publishing CSR reports and Company Performance

<table>
<thead>
<tr>
<th>Table 4.2: Publishing CSR Reports and Company Performance</th>
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<tbody>
<tr>
<td><strong>Chi-Square Tests</strong></td>
</tr>
<tr>
<td>Pearson Chi-Square</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
</tr>
<tr>
<td><strong>N of Valid Cases</strong></td>
</tr>
</tbody>
</table>

a. 5 cells (33.3%) have expected count less than 5. The minimum expected count is 2.08.

<table>
<thead>
<tr>
<th><strong>Value</strong></th>
<th><strong>Asymp. Std. Error</strong></th>
<th><strong>Approx. T</strong></th>
<th><strong>Approx. Sig.</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinal by Ordinal Gamma</td>
<td>.039</td>
<td>.106</td>
<td>.358</td>
</tr>
</tbody>
</table>

N of Valid Cases 210

a. Not assuming the null hypothesis.
b. Using the asymptotic standard error assuming the null hypothesis.

The statistics above show that there is an association between publishing CSR reports and company performance as measured by sales revenue per year. Gamma 0.039 shows a very weak relationship in the positive direction. The results show that publishing CSR reports has no effect on company performance as measured by sales revenue per year. McWilliams and Siegel (2009) postulate that each company is different in how it incorporates CSR, if at all, in its business structure. They argued, that this association between CSR reporting and company performance is determined by factors such as company size, industry environment, business culture and exposure to risks.

Compliance with national laws as a major driver of legal CSR practices

Respondents were asked to indicate the extent to which “the need to comply with national laws” motivated respondents to engage in legal CSR practices. 71% believed that compliance with national laws was an important driver of CSR.

Legal factors that affect SMEs to engage in CSR practices

Respondents were asked to give specific legal factors that affected their engagement in CSR practices. Their responses showed a list of factors, such as, commitment to reduce firm impact on environment, adoption of labor welfare measures, and payment of corporate tax and promotion of health related issues.

**Figure 4.1: Legal CSR drivers**

**Figure 4.1** above shows that 35 (17%) of the respondents cited compliance with national laws as one of the factors that motivate SMEs to engage in CSR; 49 (23%) cited commitment to reduce firm impact on environment; 30 (14%) cited adoption of labor welfare measures; 62 (30%) cited payment of corporate tax; and 34 (16%) cited promotion of health related issues. The majority of SMEs 62 (30%) cited payment of corporate tax as one of the factors that motivate SMEs to engage in CSR. It can be concluded that the need to comply with legislation is a key factor that motivates SMEs to engage in CSR practices.

Profit making as a major economic CSR driver

Respondents were asked to indicate the extent to which they regarded profit making as a major driver of Economic CSR in Zimbabwe. 59% believed that the desire to make profits is an economic CSR motivation.
The need to give back to the community as an ethical CSR driver

Respondents were asked to indicate the extent to which they regarded the need to give back to the community as an important ethical CSR driver. 56% of the respondents felt that it was ethical to give back to the community. The desire to uphold firm ethics exert a strong pressure on SMEs managers to adopt CSR practices (Zabin, 2013). SMEs have the moral obligation to demonstrate that they are in business for social causes as well as profit motives and that they do not need stakeholder or government to enforce their obligations.

Barriers to CSR engagement by SMEs

The research established that there is weak regulation of CSR by Government as this should be regulated. Managerial negative attitudes were also cited as barriers to the implementation of CSR by SMEs. CSR involves the spending of financial resources, thus SMEs were not in a position to finance CSR activities to the satisfaction of communities in which they operate. Employees were also not in favour of CSR before their welfare demands were satisfied. To them, CSR was secondary and an appropriation of resources that should improve their welfare.

Recommendations

Incorporating CSR in Strategic Plans - SMEs should adopt a strategic approach to CSR practices. This is possible when SMEs create a CSR department that creates and implements strategic CSR plans. Strategic CSR means adopting a CSR policy and reporting all CSR practices in the media. This arrangement would help SMEs in Chegutu, Zimbabwe to generate more information on CSR global practices and to clearly understand the meanings attached to CSR by other partners in business.

Formalising CSR activities - SMEs should deliberately adopt CSR practices to enhance organizational performance. They should formalize their CSR practices in order to adopt a professional stance to CSR. This involves incorporation of CSR objectives in mission statements, creating separate budgets for CSR, involving workers in CSR, having a specialized department that deals with CSR issues and making meaningful corporate plans. CSR should be treated as a serious matter of corporate governance.

Tax incentives for Incentives - The government should introduce tax incentives for SMEs that adopt CSR practices. The government should encourage SMEs at all levels to implement legal, economic and ethical CSR with the intention of boosting performance through appropriate legislation. CSR practices must be based on objectives that are used to implement legal, economic and ethical CSR.

CSR focus on unique Zimbabwean problems - The legal, economic and ethical CSR activities should focus on problems that are unique to Zimbabwe. Zimbabwe is affected by the HIV/AIDS pandemic, cholera menace, malaria, unemployment and economic problems. These call for specialized CSR activities that are intended to address the above problems.

Contribution of the Study to CSR Practice and Knowledge

The results generated by this study are important for SMEs owners and stakeholders. The results have confirmed that SMEs in Chegutu, Zimbabwe engage in legal, economic and ethical CSR. This study is the first of its kind to explore an area where very little is known. The results of this study will stimulate more research in CSR practices in Zimbabwe and beyond.

Suggestion for future research

This study focused on CSR practices in SMEs in Chegutu, Zimbabwe. The study suggests that the following areas be investigated in order to generate more knowledge on CSR practices by SMEs in Zimbabwe: The attitude of SME owners to CSR adoption and the contribution of CSR programs to the financial well-being of SMEs in Zimbabwe.

References

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