The brand image and performance of small and medium enterprises: How can social responsibility activities help?

Authors:
Chantal Rootman[1]
Bomikazi Zeka[1]

Affiliations:
[1]Department of Business Management, Nelson Mandela Metropolitan University, South Africa

Correspondence to:
Chantal Rootman

Email:
chantal.rootman@nmmu.ac.za

Postal address:
PO Box 77000, Port Elizabeth 6031, South Africa

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Orientation: Business social responsibility (BSR) activities may lead to benefits for small and medium enterprises (SMEs).

Research purpose: To investigate how SMEs could use BSR activities to improve their brand image and business performance.

Motivation for the study: In a competitive environment, SMEs face various challenges such as financial constraints, lack of resources or lack of managerial experience. BSR activities pave the way for an SME to make a positive contribution toward the environment in which it operates, as they indicate a level of care for the natural environment and show commitment toward the upliftment of communities. The benefits that accrue to SMEs that engage in BSR activities are yet to be determined and the need for research on SMEs' BSR activities and results led to this study.

Research design, approach and method: Structured questionnaires were distributed to 320 SMEs in the Eastern Cape, South Africa. A total of 200 usable questionnaires were received, obtaining a response rate of 62.5%, and these were analysed quantitatively.

Main findings: Significant relationships were found between three BSR activities, namely stakeholder relations, community development and environmental awareness, and the SME's brand image; as well as between the SME's brand image and business performance.

Practical and managerial implications: Implemented BSR recommendations may lead to improved brand images and business performance; and therefore an increased success rate amongst SMEs in South Africa.

Contribution and value-add: BSR research has predominantly been in the sphere of larger and more established enterprises. The study suggests practical recommendations to SMEs to improve their brand image and business performance by employing BSR strategies relating to stakeholder relations, community development and environmental awareness.

Introduction

Social responsibility revolves around the concept of enterprises committing their resources to make positive and noticeable contributions for social causes. Business social responsibility (BSR) refers to the commitment to improve community wellbeing through discretionary business practices and the contributions of corporate resources (Kumar & Tiwari 2011:22). Business activities might include actions that influence the welfare of society, such as assisting in the alleviation of social issues in communities. However, should BSR be seen as a business opportunity or an obligation?

The BSR initiative that exists in enterprises often occurs as a response to existing social issues, such as unemployment. For example, as a result of low employment rates, an enterprise might provide free food parcels regularly to its local community. There are various activities that may be considered as BSR activities and, more broadly, BSR entails the relationship between the enterprise, community/society and the natural environment in which an enterprise operates. BSR is important as it addresses the multiple needs of an enterprise's stakeholders (Werther Jr & Chandler 2006:138).

Although there are various drivers for the implementation of BSR in different enterprises, in a globally-interconnected world an enterprise cannot ignore the need of engaging in BSR activities, regardless of the reason for so doing. The classical economic argument, which states that the primary purpose of any enterprise is to maximise the profits for its owners, still prevails amongst certain small and medium enterprise (SME) owners and/or managers. This school of thought, led by Milton Friedman, argues that any issues that occur in the social environment are not of concern to an enterprise. Even more so, it has been argued that enterprises are not humans and thus cannot have a moral or social responsibility for their actions. As enterprises are created

by people, it is thus those individuals that should be held accountable for the enterprise's socially irresponsible deeds (Carroll & Buchholtz 2006:41; Crane & Matten 2007:44; Frederick 2002:304). It cannot be disputed that an enterprise should not ignore its primary economic reason for existence, yet it should also be kept in mind that enterprises operate in an encompassing ecology that is founded upon the principle of interdependence. An enterprise realises its profits through providing products and/or services to meet the needs of its consumers. These products that are manufactured and services that are rendered also form part of the ecology. In this way, the concept of ecological economics is introduced. Ecological economics is an economic perspective that addresses the interdependence and coevolution between human economies and their natural ecosystems (Xepapadeas 2008). Based on this principle, enterprises operate in societies and societies are part of the (social and natural) ecology. Without a healthily-functioning ecology, there can be no society, and without a society, there is no way in which an enterprise can achieve its goal of realising a profit. This notion further reiterates the importance of BSR, as social investment is a tool in which enterprises can sustain the natural environment in which they operate (Thorne, Ferrell & Ferrell 2008:317). BSR is thus also important from a society's economic point of view, as it assists in alleviating various social issues that enterprises are partially responsible for creating (Frederick 2002:304). Following this discussion, BSR might be seen as an obligation.

However, the extent to which BSR can be a business opportunity is yet to be determined. For example, it is important to identify whether BSR can lead to an improved brand image or greater business performance for an enterprise implementing activities such as community development, environmental protection campaigns or ensuring diversity in the workplace.

There have been many studies that have discussed the BSR activities of larger, more established enterprises and the consequent outcomes thereof. However, research that has been conducted shows contradictory findings as to whether there is a positive relationship between BSR and business performance (Anderson & Frankle 1980; Bampton, Odemilin & Samy 2010:204; Belkaoui 1976; Cooke 2010:73; Orlitzky, Schmidt & Rynes 2003:404). In addition, it is believed that SMEs are in a position to implement BSR with more ease and less administration, as a result of their organisational structure (Kongolo 2010:2290). There is also reason to believe that BSR might play a vital role in the success of enterprises, particularly that of SMEs. Therefore, the need for research on BSR in SMEs is evident.

Following this discussion, to answer the question in the introduction: 'Can BSR be seen as a business opportunity or an obligation?', it is important to perform research and investigate to which extent BSR can be an opportunity – where the implementation thereof leads to favourable outcomes of SMEs. Therefore, this study attempts to address the need

for BSR research in SMEs by investigating the influence of BSR on the brand image and business performance of these enterprises.

Purpose and objectives

The primary objective of the study was to identify and investigate the influence of BSR activities on the brand image and business performance of SMEs. A hypothetical model in this regard was tested empirically.

In order to attain the primary objective, the following secondary objectives were pursued:

- to investigate literature on SMEs and relevant BSR activities
- to investigate literature on brand image and business performance
- to perform an empirical investigation among SMEs in the Eastern Cape
- to propose recommendations based on the empirical results to SMEs, on how to improve brand image and business performance by implementing appropriate BSR strategies.

Literature review

A literature review was conducted and the following sections contain a discussion on the concepts of BSR, brand image and business performance. The possible relationships between these three concepts in SMEs will be highlighted.

The importance of business social responsibility

BSR pertains to the actions of an enterprise that aims to achieve a social benefit over and above its intentions of maximising profits for its shareholders and meeting all its legal obligations (Ghillyer 2008:59). Therefore, BSR makes reference to an enterprise's responsibility to the society that goes beyond the production of products and/or services at a profit.

Crane and Matten (2007:48) states that enterprises cause social problems such as pollution or perhaps even unsafe work conditions. It is, therefore, the responsibility of the enterprise to eradicate those problems and prevent them from occurring in future. For this reason, enterprises should use their resources in a socially responsible manner. Enterprises have a social influence on the community, whether it is through the products and/or services that are provided, through the acquisition of employees, or through any other business activity. The enterprise is thus responsible for these influences, whether they are positive or negative, and should, consequently, act on these if and when necessary.

The implementation of an effective BSR strategy may fulfil the expectations of society, support the community in which an SME operates, generate profits and also create more value for shareholders (Birch 2005:73). It is important for an enterprise to be seen as part of the community, as a good

reputation is necessary in a competitive environment (Cooke 2010:78). According to Crane and Matten (2007:47), some enterprises embark on BSR activities in order to be perceived as being socially responsible and this could attract more satisfied customers. A socially *irresponsible* enterprise may result in unfavourable customer actions such as defections. Positive contributions to the community can be beneficial to an enterprise in the long-term, as this may create a more stable business environment.

Furthermore, the benefits that accrue to enterprises in the adoption of BSR may be factors such as consumer loyalty, employee satisfaction and better stakeholder relations. Therefore, McWilliams, Siegel and Wright (2006:18) believe that the most important motive for BSR in SMEs is that the strategic use of philanthropy gives enterprises a competitive edge over those that do not make use of BSR.

According to Frederick (2002:304), enterprises should adapt their business strategies to incorporate BSR should they want to ensure their survival. Jenkins (2009:21) emphasises that integrating BSR into the core of an enterprise is crucial to its success. Werther Jr and Chandler (2006:138) confirm that enterprises that are most likely to succeed in the 21st century's evolving environment are those that balance the interests of their multiple stakeholders through BSR. In doing so, an enterprise also creates a better environment for itself through assisting in solving social problems. In this way, enterprises can gain a positive public image and also create business opportunities through working with the community in solving societal concerns.

Business social responsibility activities relevant to small and medium enterprises

There are various activities of BSR that have been identified in literature. However, for the purposes of this study, *diversity, environmental awareness, community development* and *stakeholder relations* are the activities that will be used to investigate the influence of BSR on the brand image of SMEs, as these are the most commonly-recognised BSR activities in SMEs.

An enterprise can act in a socially responsible manner by focusing on its diversity. Diversity refers to the presence of different cultures, languages, ethnicities, races, genders, religions, ages and nationalities in the enterprise (Hartman & DesJardins 2011:281). Furthermore, diversity is seen as being the recruitment and the retention of a diverse workforce, with diversity programmes that have the ethical obligation to employ and empower individuals regardless of age, gender, ethnicity, physical or mental ability (Thorne *et al*. 2008:240).

According to Thorne *et al*. (2008:317), environmental awareness refers to the incorporation of environmental issues in business strategies, for the maintenance of the quality of the natural environment. Furthermore, BSR toward the environment encompasses energy and waste management, as well as conservation and the sustainable management of natural resources. Bosch, Tait and Venter (2011:714) state

that environmentalism refers to the organised efforts of an enterprise to protect and conserve the natural environment in which it operates.

SMEs can also be socially responsible through community development. Community development within the context of BSR refers to an enterprise's engagement in community activities with the aim of improving the quality and substance of the community members' lives and livelihoods (Visser *et al*. 2010:76). Carroll and Buchholtz (2006:472) believe that other than complying with the law, being ethical and maximising profits, an enterprise can have a positive influence on the community through donating the time and services of its employees or making financial contributions toward the development of the community. Through community development, enterprises can enhance the quality of the lives of the members of the community.

Another dimension of BSR is stakeholder relations. The term 'stakeholder relations' refers to the extent to which enterprise managers are willing to listen and respond to all stakeholders' needs and objectives (Werther Jr & Chandler 2006:138). Thorne *et al.* (2008:68) elaborate that stakeholder relations is the degree to which an enterprise understands and addresses the needs of stakeholders. The implementation of an effective stakeholder relations policy can thus be regarded as BSR and can be considered to be part of a comprehensive approach to BSR.

This study proposes that these selected BSR activities might influence an SME's brand image.

Brand image of small and medium enterprises

Swystun (2007:60) asserts that brand image refers to the overall impression and unique associations that an enterprise communicates to its stakeholders and the public. Furthermore, brand image can be defined as the sum of all the perceptions, notions and associations about a product and/or service that is being formed in the consumers' minds (Vukasovic 2009:166).

In order to create a positive brand image, an association to the enterprise that is unique, strong and favourable is necessary. According to Keller (2008:56), the associations that consumers have are strengthened through personal relevance of the consumer and through consistency in promoting the brand image. An enterprise can thus establish a positive brand image through making their products and/or services relevant to the needs of their consumers. The uniqueness of the brand image creates a competitive advantage for the enterprise and provides the consumer with a reason to purchase the products, or make use of the services of the enterprise (Keller 2008:637).

BSR, through activities such as *diversity, environmental awareness, community development* and *stakeholder relations*, can provide an enterprise with various advantages, amongst which is (possibly) a positive brand image.

A result of having a diverse workforce is that the brand image of the enterprise can be maintained and supported (Baumgarth & Schmidt 2010:1252; Brønn & Vrioni 2001:210). Furthermore, a good reputation or a positive image can be derived from an enterprise's environmental behaviour or environmental awareness (Chen 2010:309; Claver *et al*. 2007:614). The benefits that accrue to enterprises for being active in the development of the community are vast, and increased recognition and a positive brand image can occur (Carroll & Buchholtz 2006:42; Javalgi *et al*. 2012:48). Finally, an SME's engagement in relations with its stakeholders may lead to the development of a positive brand image (Uddin, Hassan & Tarique 2008:206; Weber 2008:259).

It is also known that South African SMEs that are establishing their brand images in consumers' minds through the promotion of BSR initiatives have attained positive business performance at different levels (Irwin 2003:306). Brand image is thus an important element in the success of an enterprise. A positive brand image can have strategic value for an enterprise, as it can enhance the competitiveness of the enterprise and generate growth and profitability (Banerjee 2008:59; Belén del Río, Vázquez & Iglesias 2001:413; Juntunen *et al*. 2010:117). Therefore, a positive brand image might lead to improved business performance.

Business performance of small and medium enterprises

The success or level of business performance of an enterprise can be measured by the enterprise's growth in terms of sales turnover, profits, rates of return on investments, expansion, productivity, as well as decreases in costs and its employment turnover rate (Alasadi & Abdelrahim 2007:7; Dockel & Ligthelm 2005; Griffin, 2008; Jacobs 2011; Lasher, 2008; Thorne *et al*. 2008:28). There are many different indicators used to measure the performance of an enterprise. For the purposes of this study, business performance will constitute an increase in sales, a decrease in operating costs, an increase in productivity, a low employee turnover rate, a growth in employees, as well as an increase in return on total assets and profitability.

Santos (2011:491) asserts that BSR, at the level of SMEs, is associated with financial viability, as well as economic performance. According to Bampton *et al.* (2010:205), enterprises supporting the notion of a socially responsible business entity believe that the enterprise would be able to improve its business performance as a result of BSR. Birch (2005:73) upholds the belief that an enterprise may be able to fulfil the expectations of society, that it will support the community in which it operates, generate profits and also create shareholder value, should it implement a BSR strategy effectively.

Research method and design

The study being reported here attempted to identify the influence of four BSR activities (independent variables) on the brand image (intervening variable) and ultimately the business performance (dependent variable) of SMEs. The study followed the quantitative research design and tested empirically the set hypotheses (Zikmund *et al*. 2010:94).

Both primary and secondary sources were used to collect information on SMEs, BSR, brand image and business performance. Secondary sources included books, articles from journals and websites, whilst primary research was conducted by means of an empirical study. As no sample frame exists of all the SMEs in the Eastern Cape, the researchers used a non-probability sampling technique.

A self-developed and self-administered measuring instrument in the form of a structured questionnaire was distributed to a convenience sample of 320 SME owners and/or managers in the Eastern Cape. The language of communication was English and the questionnaire consisted of three sections. Section A gathered the biographical and demographic data of the SME owners and/or managers, including their gender, age and employment status. Section B of the questionnaire consisted of statements based on the literature review with regard to the four BSR activities (*diversity*, *environmental awareness*, *community development* and *stakeholder relations*). Finally, Section C consisted of statements, also based on the literature review, with regard to the *brand image* and *business performance* of SMEs. Sections B and C made use of a five-point Likert-type scale ranging from 'strongly disagree' (1) to 'strongly agree' (5). The validity of the measuring instrument was ensured as experts in the field of entrepreneurship (including SME management) assisted with the questionnaire design.

Of the sample of 320 SMEs, the data from 200 usable questionnaires (representing a response rate of 62.5%) were statistically analysed using the computer programmes Microsoft Excel, Statistica (Version 10.0) (2010) and SPSS (Version 20.0) (2011). Data analysis was performed in four phases:

- The study calculated descriptive statistics in order to summarise the information about the sample (Zikmund 2003:402).
- Exploratory Factor Analyses (EFA) were conducted to determine the validity of the data and Cronbach's alpha correlation coefficients were computed to test the reliability of the measuring instrument. Items with factor loadings of at least 0.4 are considered as valid (Hair *et al*. 1998:111). It is stated that Cronbach's alpha coefficients range from 0 to 1, and that a test should have a Cronbach's alpha correlation coefficient greater than 0.70 (Hair *et al*. 2003:172). The reliability of a questionnaire or test depends on by how much the Cronbach's alpha correlation coefficient exceeds the 0.70 benchmark.
- The Pearson's Product Moment Correlations were calculated to determine the correlations between the study's variables. According to Hair *et al.* (2003:283), the Pearson correlation coefficient measures the association between two variables and the measurement ranges from –1.00 to + 1.00, with zero indicating no association between the two variables. Therefore, the Pearson

correlation coefficients enabled the researchers to calculate and understand the strength and direction of relationships between the four independent variables (the BSR activities), the intervening variable (*brand image*) and the dependent variable (*business performance*).

- Finally, multiple regression analyses were used to test the influence of the four BSR activities, namely *diversity, environmental awareness, community development* and *stakeholder relations*, on the *brand image* of SMEs and, ultimately, on the *business performance* of SMEs. The regression analyses made it possible for the researchers to measure the mathematical variance of the relationships between the variables and to test the hypotheses formulated (Zikmund *et al.* 2010:592).

Hypotheses

As the purpose of this study is to investigate the influence of BSR on the brand image and business performance of SMEs, a hypothetical model was constructed (see Figure 1).

As shown in Figure 1, the following hypotheses were constructed in order to determine whether relationships exist between each of the four BSR activities (*diversity, environmental awareness, community development* and *stakeholder relations*) and *brand image* (intervening variable); and between *brand image* and the *business performance* (dependent variable) of SMEs:

H^1:   There is a significant positive relationship between *diversity* and *brand image*.

H^2:   There is a significant positive relationship between *environmental awareness* and *brand image*.

H^3:   There is a significant positive relationship between *community development* and *brand image*.

H^4:   There is a significant positive relationship between *stakeholder relations* and *brand image*.

H^5:   There is a significant positive relationship between *brand image* and *business performance*.

Results: Empirical findings

This section will elaborate on the empirical findings obtained from the statistical data analyses described above. The empirical results are categorised under a number of headings. Firstly, the biographical data of the respondents are described. Secondly, the validity and reliability of the measuring instrument are evaluated through the presentation of the EFA results and Cronbach's alpha coefficients. Thereafter, the descriptive statistics on the variables are provided. Finally, the Pearson's correlation coefficients and multiple regression results are highlighted, illustrating the relationships between the independent, intervening and dependent variables.

Sample description

The SMEs that participated in the study employed fewer than 200 employees and most SMEs operated as service providers (45.5%). The majority of the respondents indicated that they were white (58.0%) and male (58.5%). Furthermore, most respondents were between the ages of 30 and 49 (51.0%) and held the position of manager in the SME (46.5%).

Trustworthiness of results

Validity

The results of the EFA on the independent variables, *diversity, environmental awareness, community development* and *stakeholder relations* is presented in Table 1.
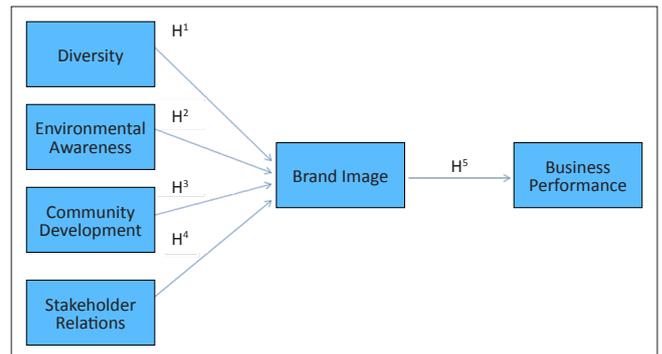
Source: Authors' own construction

FIGURE 1: Hypothetical model.

TABLE 1: Factor structure – independent variables.

Items	Stakeholder relations	Environmental awareness	Community development	Diversity
STAKE1	**0.872**	0.121	0.037	0.051
STAKE2	**0.843**	0.139	0.011	0.017
STAKE7	**0.569**	0.075	0.132	0.171
STAKE10	**0.839**	0.117	0.053	0.080
STAKE11	**0.836**	0.056	0.070	0.229
STAKE12	**0.793**	0.049	0.065	0.167
STAKE13	**0.790**	0.081	0.085	0.129
STAKE3	**0.804**	0.103	0.055	−0.037
AWARE1	0.209	**0.549**	0.171	0.015
AWARE2	0.145	**0.648**	0.156	0.046
AWARE4	0.079	**0.804**	0.045	0.036
AWARE5	0.018	**0.726**	0.094	0.061
AWARE6	0.054	**0.704**	0.060	−0.014
AWARE7	0.040	**0.523**	0.066	0.011
AWARE8	0.079	**0.573**	0.182	0.196
AWARE9	0.064	**0.561**	0.086	0.128
COMM2	0.068	0.163	**0.596**	0.037
COMM3	0.117	0.137	**0.776**	0.118
COMM4	−0.047	0.290	**0.542**	0.068
COMM5	0.046	0.013	**0.723**	−0.007
COMM6	0.148	0.123	**0.687**	−0.080
COMM7	0.067	−0.008	**0.583**	0.159
COMM8	0.014	0.182	**0.537**	0.150
DIV3	0.089	0.028	0.052	**0.745**
DIV4	0.165	0.044	0.017	**0.710**
DIV5	0.087	0.020	0.103	**0.430**
DIV6	0.121	0.075	0.105	**0.626**
DIV7	−0.023	0.047	0.131	**0.421**
DIV9	0.077	0.092	−0.077	**0.412**
Explained Variance	**5.295**	**3.580**	**3.076**	**2.257**
Proportion of Total Variance	**0.183**	**0.123**	**0.106**	**0.078**

Source: Authors' own construction

From Table 1 it can be seen that all the items displayed sufficient evidence of validity, as factor loadings of greater than 0.40 provide such evidence (Hair *et al*. 1998:111).

To measure the factor *stakeholder relations*, 13 items were developed initially, and eight items loaded. Factor loadings between 0.569 and 0.872 were reported for this factor, providing evidence of validity for this construct. *Stakeholder relations* explains 5.30% of the variance in the data. There had originally been 10 items that were developed to measure *environmental awareness*, and of those items, eight loaded onto the factor as expected. Factor loadings of between 0.523 and 0.804 were returned for *environmental awareness*, confirming the validity for this construct. *Environmental awareness* explains 3.58% of the variance in the data. The original 10 items that were formulated to measure the construct *community development* did not all load significantly. As seen in Table 1, seven of these items loaded together significantly. Factor loadings of between 0.537 and 0.776 were returned for *community development* which explains 3.08% of the variance in the data. Sufficient evidence of validity for this factor is thus provided. Of the 10 items that were intended to measure the factor *diversity*, six loaded together. Table 1 shows that factor loadings of between 0.412 and 0.745 were reported for this construct, thus evidence of validity for this factor is provided. In addition, *diversity* explains 2.26% of the variance in the data.

Table 2 presents the results of the EFA conducted for the intervening variable (*brand image*) and the dependent variable (*business performance*).

All nine items that were intended initially to measure the factor *brand image* loaded together onto one construct. Factor loadings of between 0.476 and 0.788 were reported for this factor. Sufficient evidence of validity is thus provided for this construct. The nine items measuring *brand image* explain 3.69% of the variance in the data. Finally, Table 2 shows that eight items were used originally to measure the construct *business performance*, of which six items loaded onto this construct as expected. *Business performance* reported factor loadings of between 0.503 and 0.785, which provides evidence of validity for this construct. *Business performance* also explains 3.17% of the variance in the data. Based on the EFAs, items that did not load significantly were eliminated from further analysis.

Reliability

Table 3 presents the Cronbach's alpha coefficient for all the variables.

Consequently, a reliability estimate of between 0.60 and 0.70 is considered to be acceptable (Hair *et al*. 2006:778). It is evident that all variables or constructs met the requirements for reliability. The highest Cronbach's alpha coefficient of 0.923 was reported for *stakeholder relations*, which shows that the measuring scale for this construct can be regarded as being the most reliable.

Descriptive statistics and relationships between variables

The descriptive statistics of the variables were calculated and are shown in Table 4.

Stakeholder relations returned the highest mean score of 4.014, with most of the respondents agreeing that their SMEs have strong and positive relations with their stakeholders. However, *community development* reported the lowest mean score of 3.432, showing that the respondents were neutral regarding the fact that their enterprises' engage in activities that uplift local communities.

TABLE 2: Factor structure – intervening and dependent variables.

Items	Brand image	Business performance
BRAND1	**0.547**	0.177
BRAND2	**0.538**	0.134
BRAND3	**0.644**	0.226
BRAND4	**0.610**	0.022
BRAND5	**0.687**	0.114
BRAND6	**0.584**	0.255
BRAND7	**0.788**	0.216
BRAND8	**0.691**	0.081
BRAND9	**0.476**	0.139
BUSPERF1	0.165	**0.713**
BUSPERF3	0.228	**0.644**
BUSPERF5	0.125	**0.503**
BUSPERF6	0.099	**0.785**
BUSPERF7	0.089	**0.758**
BUSPERF8	0.262	**0.745**
Explained Variance	**3.692**	**3.174**
Proportion of Total Variance	**0.246**	**0.212**

Source: Authors' own construction

TABLE 3: Cronbach's alpha coefficients

Factors	Cronbach's alpha coefficient
Independent variables	
Stakeholder relations	0.923
Environmental awareness	0.852
Community development	0.835
Diversity	0.738
Intervening variable	
Brand image	0.846
Dependent variable	
Business performance	0.845

Source: Authors' own construction

TABLE 4: Descriptive statistics on variables (*n* = 200)

Factors	Mean	SD	Disagree (%)	Neutral (%)	Agree (%)
Independent variables					
Diversity	3.538	0.848	8.000	39.500	52.500
Environmental awareness	3.829	0.747	3.500	32.000	64.500
Community development	3.432	0.852	11.000	46.500	42.500
Stakeholder relations	4.014	0.824	4.500	21.000	74.500
Intervening variable					
Brand image	4.084	0.712	1.500	21.500	77.000
Dependent variable					
Business performance	3.928	0.744	4.000	23.000	73.000

Source: Authors' own construction
SD, standard deviation.

TABLE 5: Pearson's correlations coefficients.

Factors	Numbers (1–6)					
	Diversity	Environmental awareness	Community development	Stakeholder relations	Brand image	Business performance
1. Diversity	1.000	0.166	0.171	0.241	0.165	0.140
2. Environmental awareness	0.166	1.000	0.307	0.234	0.310	0.222
3. Community development	0.171	0.307	1.000	0.179	0.302	0.204
4. Stakeholder relations	0.241	0.234	0.179	1.000	0.438	0.276
5. Brand image	0.165	0.310	0.302	0.438	1.000	0.373
6. Business performance	0.140	0.222	0.204	0.276	0.373	1.000

Source: Authors' own construction
Pearson's coefficients range between -1 and 1. All coefficients are positive showing that the variables increase and decrease together. Values closer to 1 show stronger correlations.

Brand image returned a mean score of 4.084, with the majority of the respondents agreeing that their enterprises create unique associations that are communicated to stakeholders and the public at large. Finally, *business performance* returned a mean score of 3.928, with the majority of the respondents agreeing that their enterprises have experienced growth in terms of sales turnover, profits, rates of return on investments, expansion and productivity.

Table 5 reveals the results of the Pearson's Product Moment Correlations.

The Pearson's Product Moment Correlations show significant positive correlations between all the variables used in the study (ranging between 0 and 1). It is evident that there are positive correlations between the independent variables, the intervening variable and the dependent variable. That is to say, if one of these variables increases (improves) in a SME, there will be a positive influence or increasing effect on another variable.

To support the Pearson's Product Moment Correlations results, in order to assess the influence of the various independent variables on the *brand image* (intervening variable) and *business performance* (dependent variable) of SMEs, multiple linear regression analyses were undertaken. Two separate regression models were undertaken for this purpose.

Table 6 portrays the first multiple linear regression analysis which considered the influence of the BSR activities (independent variables) on the *brand image* (intervening variable) of SMEs.

From the multiple linear regression analysis, a significant positive relationship (0.000; $p < 0.001$) is reported between *stakeholder relations* and *brand image*. Furthermore, significant positive relationships are also present between *community development* and *brand image* (0.006; $p < 0.01$) as well as between *environmental awareness* and *brand image* (0.013; $p < 0.05$). However, this study found a positive but not significant relationship between *diversity* and *brand image*. Therefore, the results show that SMEs that engage in *environmental awareness*, *community development* and *stakeholder relations* are likely to experience improved brand images, whereas *diversity*, as a dimension of BSR, has no significant influence on the brand image of an enterprise.

TABLE 6: Influence of the independent variables on the intervening variable

Independent variables	R-Square = 0.268		
	Beta	t-value	Sig.(p)
Diversity	0.016	0.301	0.763
Environmental awareness	0.158	2.513	0.013*
Community development	0.153	2.807	0.006**
Stakeholder relations	0.312	5.588	0.000***

Source: Authors' own construction
*, $p < 0.05$; **, $p < 0.01$; ***, $p < 0.001$

TABLE 7: Influence of the independent variables and intervening variable on the dependent variable.

Independent and intervening variables	R-Square = 0.171		
	Beta	t-value	Sig.(p)
Diversity	0.037	0.613	0.541
Environmental awareness	0.083	1.174	0.242
Community development	0.061	0.977	0.330
Stakeholder relations	0.105	1.559	0.121
Brand image	0.281	3.516	0.001*

Source: Authors' own construction
, $p < 0.01$

Table 7 shows the results of the multiple linear regression analysis conducted to determine the relationships between the independent and intervening variables (simultaneously) on the dependent variable (the *business performance* of SMEs).

Table 7 depicts the significant positive relationship that exists between *brand image* and *business performance* (0.001; $p < 0.01$). That is to say, an SME with a positive brand image is likely to increase its business performance.

As a result of the multiple linear regression analyses hypothesis H[1] is rejected, as there is no significant relationship between *diversity* and the *brand image* of a SME. However, hypotheses H[2], H[3], H[4] and H[5] are accepted, as significant positive relationships exist between the BSR activities *stakeholder relations*, *community development* and *environmental awareness*, and the *brand image* of a SME. An SME's *brand image* also has a significant positive relationship with the SME's *business performance*.

Ethical considerations

Data collection aimed at identifying the extent to which SMEs engage in BSR activities, and as mentioned, a structured questionnaire was distributed to SME owners and/or managers for this purpose. The data collected was not of a private or personal nature, however, according to

institutional guidelines a pro forma ethics clearance form was completed and submitted to, and acknowledged by, the Nelson Mandela Metropolitan University Business and Economic Sciences' Faculty RTI. Respondents were invited to participate and the completion of a questionnaire was considered as providing consent. However, participation was voluntary and respondents could withdraw at any stage. No personal credentials or identifiable data of respondents and their enterprises were collected, and data was treated with confidentiality. Collected data are stored on the authors' password protected computers and completed questionnaires are stored in a locked cabinet.

Discussion: Managerial implications

The primary objective of this study was to investigate the influence of BSR on the *brand image* and *business performance* of SMEs. The EFAs and the Cronbach's alpha coefficients confirmed evidence of validity and reliability for the measuring instrument used in this study.

The statistics calculated to analyse relationships between the variables revealed significant positive relationships between the BSR activities of *stakeholder relations*, *community development* and *environmental awareness*, and the *brand image* of SMEs. These results showed that SMEs that engage in positive relations with their stakeholders, are involved in community development projects, and incorporate environmental concerns into their business practices are likely to experience improved brand images. This concurs with Claver *et al.* (2007:614), Javalgi *et al.* (2012:48) and Uddin *et al.* (2008:206), who state that engaging in *stakeholder relations*, *community development* and *environmental awareness* leads to a positive *brand image*. However, *diversity* as a BSR activity in SMEs has a positive, but not significant influence on the *brand image* of an enterprise.

Considering the above findings, the researchers recommended the following practical actions for SMEs:

- Establish a BSR committee with individuals from various stakeholder groups to ensure equal representation as well as a unified vision.
- Encourage customers to bring forward any complaints, such as unsatisfactory purchased products and/or services.
- Implement health and safety programmes that assist the community in overcoming issues, such as drug or alcohol abuse.
- Provide internships for graduates or sponsor study and/or research grants for students in local communities.
- Encourage employees to reduce their energy consumption levels by switching off electrical appliances when they are not in use.
- Encourage employees to participate in initiatives with regard to reducing the amount of waste produced.

Furthermore, the multiple linear regression analysis revealed that *brand image* exerts a significant positive influence on the *business performance* of an SME. This result corresponds with the researchers that advocate that a positive *brand image* does in fact lead to increased *business performance* (Banerjee 2008:59; Juntunen *et al.* 2010:117).

This relationship between the intervening and dependent variables led to the following recommendations for SMEs:

- Develop external campaign programmes to raise awareness of social or sustainable development issues, for example the need to reduce water consumption in times of water scarcity.
- Engage in marketing strategies that will promote brand names, for example, be associated with other highly regarded enterprises.

Future research and final conclusion

Some limitations were encountered during this study. The convenience sampling method proved to be a limitation, as this method has disadvantages such as being less representative of the population, providing a limited generalisation of the results as well as potential sampling bias (Cohen, Manion & Morrison 2007:114; Springer 2010:107; Zikmund 2003:382). Future research should attempt to determine a database from which probability samples of SMEs can be drawn. Another limitation of this study is that it is focused on four BSR activities only. Other BSR activities, for example sponsorships, donations, product liability or consumerism, may exist and also influence the brand image and business performance of SMEs.

Although some limitations were encountered, this study adds to the field of BSR research in the sphere of SMEs, as a deeper understanding has been gained into the extent to which BSR influences the brand image and business performance of SMEs. Implemented recommendations made in this study may lead to an increased survival rate among SMEs. In addition, implemented BSR activities and outcomes will benefit communities.

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Authors' contributions

C.R. and B.Z. (both Nelson Mandela Metropolitan University) contributed equally to this study and manuscript. Both authors were involved in the planning of the study and the literature review, as well as the empirical investigation and final write up.

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