A PROPOSED RISK MANAGEMENT FRAMEWORK: ASSESSING CORPORATE SOCIAL RESPONSIBILITY INITIATIVES AMONGST SMALL-TO-MEDIUM ENTERPRISES IN THE ALBANY DISTRICT OF THE EASTERN CAPE, SOUTH AFRICA

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Abstract

The recent developments in social responsibility literature, legislation, and corporate awareness have indirectly extended the role of Small-to-Medium Enterprises (SMEs) with regard to Corporate Social Responsibility (CSR) initiatives. In the interests of sustainability for the business and in the interests of job creation and poverty reduction for the economy, SMEs must become change-agents of CSR. Risk management is required by SMEs to secure the continuity of the business, and their CSR initiatives need to be embedded in this process and in-line with the strategy of the business. A risk framework is proposed to accommodate the benefits of pursuing a CSR initiative; notably an enhanced relationship with stakeholders and regulators, favorable reputation and productivity workforce.

INTRODUCTION

Recent drivers of Corporate Social Responsibility (CSR) in South Africa have been identified - notably the publication of the King III report on corporate governance, the FTSE/JSE Social Responsibility Index, Broad-Based Black Economic Empowerment legislation, improved corporate disclosure on sustainability issues, and the heightened globalized awareness of sustainability as a sound business case have impacted upon the business models of firms in South Africa; including those of entrepreneurial enterprises (Viviers and Venter, 2007: 21). In terms of the research, CSR is considered as being an initiative undergone voluntarily by firms that is concerned with the impacts that the activities of an organization have on the social, environmental and economic environment in which it operates. The critical role of SMEs (Small and Medium Enterprises) in the Grahamstown region, and the greater region of South Africa, is undisputed (Viviers& Venter, 2007: 20; Sarbuts, 2003: 211; Jamali&Mirshak, 2007: 245; Fraser, Grant, Mwanza and Naidoo, 2002: 1217; Aras & Crowther, 2012: 93); however, the risks associated with such SME-lead Corporate Social Responsibility (CSR) initiatives are seemingly unreported (Viviers& Venter, 2007: 27).

These non-structured approaches to risk impede on SME growth and success, limiting their role in providing sustainable employment, contributing investment locally, and contributing to the economy as a whole. Thus, the need for SMEs to accommodate such general SME-specific risks as well as CSR risks in a suitable framework is apparent.

LITERATURE REVIEW

Corporate Social Responsibility (CSR) is a concept that has received considerable attention by large firms since the 1980s, but a reorientation has taken place over the last five to ten years towards an interest in the role of the vast majority of firms, the micro, small and medium-sized ones, the SMEs, toward CSR (Hillary, 2000; Spence *et al*. 2004; Blackman, 2006; Moore and Spence, 2006; and Morsing and Perrini, 2009). While it is true that CSR is beneficial to businesses, no one is oblivious of the fact that many businesses still face several challenges that hinder them from implementing CSR activities successfully. These obstacles include a lack of financial resources; a lack of managerial experience; weak governmental support; poor governance; poor financial infrastructure; inability to assess strategy or competitive positioning, work-force issues; and a lack of effective strategy.

However, regardless of these obstacles, businesses do contribute to communities through CSR activities because of the relationship with their local community particularly amongst Small-to-Medium Enterprises (SMEs) in South Africa, given their prevalence and importance within the South African economy. A review of the existing contributions of SMEs to the South African economy, the existing position of businesses and CSR in South Africa is explored; as well as and the benefits and risks of implementing CSR initiatives from the SME perspective. Smit's (2012: 251) risk management framework will be discussed as a suitable framework for use by SMEs in the management of their daily operations and their CSR activities; in order to promote the involvement of SMEs with CSR initiatives.

Small to Medium Enterprises: Corporate Social Responsibility

The rate of adoption of CSR practices has been slower within SMEsthan larger firms(Mendibil, Hernandez, Espinach, Garriga, Macgregor, 2007: 11). The reasons for this slower adoption can range from the daily pressures to succeed in the marketplace to the limited amount of resources that SMEs have. Szekely and Knirsch (2005) suggest that some of the barriers that affect the adoption and success of CSR initiatives include the lack of integration with business strategy and appropriate measuring tools to weight the success of these initiatives. Furthermore, although innovative effort appears widespread amongst SMEs evidence suggests that this does not necessarily translate into improved business performance (Hoffman et al, 1998). As a result SMEs often prefer to participate in one-off initiatives rather than in lasting programmes. The effect of this is minimising the possibility of successful sustainable practices (Burke and Gaughran 2006). If it is taken into account that companies from different sectors and products have very different requirements and drivers, understanding the reasons for this lack of success of innovation and CSR related practices in SMEs could be a complex matter (Crane, Matten and Spence, 2008: 5).

Research undertaken by Pimenova and Vorst (2004: 44) suggests that SMEs that implement CSR related activities are primarily concerned about their public image. Similarly, Burke and Gaughran (2006: 141) suggest that, “compliance with legislation is the key driver” and without adequate support programmes and policies (i.e. financial benefits) sustainability would be difficult to achieve. There are many definitions of CSR as well as different opinions on how CSR should be introduced in organisations, which increases the complexity of the issue (Mendibil et al. 2007: 48). South Africa’s King III report in particular emphasizes the voluntary nature of sustainability and implementing CSR practices as it extends to SMEs.

Alquier and Tignol (2006: 276) raise important questions concerning reports on limited CSR in smaller firms. That is, firms do not necessarily think of or present activities identifiably as CSR. Asking small firm representatives to define corporate responsibility, however, they find wide interpretations of the concept. Examples range from strategic and non-local aspects, like doing business with respect to environmental issues, ensuring supply chain ethics and a means for differentiating the brand, to local issues like sourcing in the community, maintaining good relationships with local actors and looking after employees. Research also shows that small firms do many things within the scope of CSR by default, and not by a concerted effort to actively pursue CSR (Hohnen, 2007: 221; Vogel, 2006: 66; Aras and Crowther, 2012: 116).

Arguments in favor of SMEs’ engagement in CSR include notes on their flexibility. One suggestion is that small firms, due to a less complicated organization and owner structure, can respond quicker to demands and norms in media and society (Sarbutts, 2003). One explanation for the interest among researchers and politicians to understand smaller firms’ relationship to CSR is the extent of civic benefits that potentially lies in their engagement (Catska, Bamber and Sharp, 2005: 106). This argument suggests that small firms in general are not already active in CSR. Small business literature partly support this idea, implying that SMEs are less interested in social issues and are less able to identify and manage such actions (Hohnen, 2007: 131). Small firms are held to be content with merely surviving and thus are not interested in making an impact on their surroundings (Baker, 2003, cited in Jenkins, 2006). Some research suggests that they will be less proactive in terms of CSR and are likely to demand experts or government to guide their actions; for example, through legislation (Tilley, 2000). It is also argued that the private ownership structure and relative public invisibility of most small firms makes it possible for managers not to care specifically about the firms' impact on society at large (Mallin, 2009: 13).

The recognition of business' entwinement with society gives another indication that size will not dismiss CSR from a firm. This is particularly clear when considering the expectations on an individual level. SMEs often lack specific departments for say accounting and marketing, implying that CSR activities are most likely embedded in the firm's everyday life. Whilst the differences in structure and management between a company and an SME might affect how CSR is conducted, it does not necessarily predict the reason for, or type of, CSR activities taking place. Each firm is a unique case, embedded in its own social contexts and in order to give meaning to their community, each individual firm's CSR approach must be adapted to their particular context (Blomback and Wigren, 2008: 4).

CSR is essentially a strategic approach for firms to take to anticipate and address issues associated with their interactions with others and, through those interactions, succeed in their business endeavors; enhancing the longevity of the business in the process (Vogel, 2006).

Small to Medium Enterprises: Initiatives

Drawing on the activities of small businesses implementing CSR a list of practical CSR initiatives that a small business can become involved with include: improving the environment, improving human resource management practices, promote diversity and human rights, provide assistance to the local community, establish a socially responsible supply-chain, and produce and market a socially responsible product or service (Hohnen, 2007: 60). Improving the environment could pertain to initiatives involved with reducing consumption of energy, water and other natural resources,and emissions of hazardous substances;the use or produce recycled and recyclable materials, increase the durabilityof products, and minimize packaging through effective design and through training and encouraging staff to look for additional ways to reduce thefirm's environmental footprint; consider using video-conferencing to meet a potential supplier or customer rather than always physically travelling to meetings; and establish an environmental management system with objectives and procedures for evaluating progress, minimizing negative impacts and transferring good practices. Improving human resource management practices could include developing policies to ensure the health and safety of all employees and make the policies known to employees; involve employees in business decisions that affect them and improve the work environment; when layoffs or closures are unavoidable, offer outplacement services, retraining and severance benefits; and encourage a healthy workplace.

Benefits

SMEs do not only add value to the community in which it operates through the upliftment of many historically disadvantaged persons, but also add value to the business itself. One of the main benefits of CSR for SMEs is a possible enhancement in its reputation. Public impressions of enterprises are increasingly being influenced by corporate citizenship and the degree to which an enterprise accepts its social responsibility. For SMEs, customer loyalty is extremely important. There are many advantages a business may derive from driving a CSR initiative within its existing structures (Golden Gate Consulting, 2012: 12).

Organizations that perform well with regard to CSR can build their reputation, while those that perform poorly can damage brand and company value when exposed needs to be managed strategically. Reputation is founded on values such as trust, credibility, reliability, quality and consistency (Nocco and Stultz, 2006: 31). This means that a small business may take advantage of the benefits of CSR initially as a means of growth however to retain such goodwill, the business needs to ensure that it continues its commitment over the long-run. In relation to this, CSR is also documented as potentially leading to improved relations with regulators; incredibly important with firms requiring operating licenses.

Media interest and good reputation are other beneficial reasons for CSR initiatives. The media notices the social contributions of the business and its efforts as a company or business gets publicized for all to hear or see as a tool to motivate others to do the same for the general betterment of the local community of larger society. Hohnen (2007: 3) contributes that CSR initiatives can also result in better anticipation and management of an ever-expanding spectrum ofrisk.

Enhanced operational efficiencies and cost savings are cited as potential benefits of CSR initiatives sincesuch cost-savings flow in particular from improved efficiencies identified by adopting a systematic approach to management that includes continuous improvement (Sprinkle and Maines, 2010: 445).

Improved citizen and stakeholder understanding of the firm and its objectives and activities translate into improved stakeholder relations. This, in turn, may evolve into more robust and enduring public, private and civil society alliances; all of which relate closely to the CSR reputation of the business.

Risks

A business's reputation among its economically powerful stakeholders is a valuable asset which needs to be protected and developed, and a key aspect of this reputation is stakeholders' perceptions of the corporation's CSR or, more precisely, perceptions of how well the corporation's CSR policies, practices and outcomes meet stakeholders' social and environmental values and expectations. Reputation, or notably 'social risk', is to be considered a strategic risk associated with CSR initiatives, where if managed improperly, impacts the sales and future profitability of the business(Befeki, Jenkins and Kytle, 2006: 6).

The SME sector is highly diverse with structures, problems, growth potential and access to support differing widely between segments. Despite the diversity within the SME sector, SMEs are in general faced with obstacles such as financial constraints and access to financial services, lack of skills and skills transfer, lack of information and a lack of infrastructure. SMEs are confronted by the following obstacles to corporate governance, and social responsibility implementation. The first obstacle relates to financial constraints and access to financial services. Due to their size, these large companies normally have the financial means to finance the cost of compliance, while the same cannot be said of most SMEs. The introduction of corporate governance might then lead to an increase in the operational costs of a SME. The second obstacle relates to the control and flexibility of its management. Since SME owners are generally responsible for the management of the enterprise, one of the principles of corporate governance is a clear distinction between ownership and management. A further obstacle with which SMEs are being faced with is a lack of skills and skills transfer. Most entrepreneurs know 'what' they want to do but not 'how to' go about managing a business and applying the principles of corporate governance. The fourth, relates to a lack of information. If it is accepted that information is power, the lack of information to appropriate, relevant and understandable information represents a handicap to SME owners in that they are unaware of what corporate governance entails and are thus are unable to implement the principles associated with good governance as per a suitable corporate standard. The fifth obstacle is the poor financial infrastructure or improper financial support faced by an SME. The repercussions of an SME without adequate accounting software and financial instructionwould be that the SME would be unable to present proper financial statements when applying for financial support, which could create problems for attracting and retaining capital.

Risk Management

For all types of organisations, there is a need to understand the risks being taken when seeking to achieve objectives and attain the desired level of reward. In order to achieve that, organisations need to understand their overall risk embedded in their business, and encountered in their processes and activities, and prioritise significant risks and identify critical areas. The outputs from appropriate risk management include compliance, assurance for future planning and enhanced decision-making which collectively provide improvements to the business in terms of its efficiency of its operations, effectiveness of its projects and the suitability of its strategy (Nocco and Stultz, 2006: 8).

The discipline of risk management at an enterprise-wide level is considered to be valued internationally, and is considered a managerial concern that is going to be more prevalent in future years. Risk management is expected to become more embedded in the business in which it is implemented, and become more sophisticated in its measurements (Hopkin, 2011: 71). Due to this, SMEs need to acknowledge the presence of risk in their organization, and approach their CSR initiatives in a similar manner; incorporating their CSR practices in their risk assessment at the organizational, project and strategic level; as opposed to the heavy use of insurance considered to be the current SME approach to risk management: transfer of risk as opposed to calculated risk tolerance by the business. In order for SMEs to enhance their decision-making and attain the benefits from involvement with CSR initiatives, SMEs need to approach their risk management and their CSR in a suitable and structured manner (Du Toit, Valsamakis and Vivian, 2010: 27).

Risk Management Framework

An SME risk architecture model (Figure 1) is proposed by Smit (2012: 250) to assist SMEs in South Africa to effectively manage their risks. This model consists of the three interrelated components of SME risk consciousness, addressing specific focus areas, the SME risk management process, addressing the risk management process, and the SME risk management framework, addressing a holistic view of a structured risk approach. The SME risk management process, consisting of the sub-processes risk context and strategy, risk decisions, communication, and monitoring, review and continuous improvement, encompasses the complete process whereby risks are managed. The risk context and strategy process underpin all risk management activities and include the development of an understanding of the environment in which the SME operates, defining organizational and departmental objectives, and determining the resource requirements and risk criteria to be used. Risks are identified, assessed, documented and acted upon in the risk decision phase, where the risk's effect on objectives is measured in terms of the impact of the risk as well as the probability that the risk can occur. This measurement enables SMEs to prioritise risk, thereby allocating scarce resources accordingly.

Effective communication underpins all activities and occurs throughout the entire risk management process, facilitating effective interactive communication between all organisational levels. To ensure the effectiveness of risk management actions, continuous monitoring and review actions are proposed. The monitoring and review actions also facilitate continuous improvement activities by adapting processes and focus areas to incorporate the changing business environment (Boubala, 2010: 61). The last phase of the SME risk architecture model namely the SME risk management framework provides guidance to SMEs on the process to plan

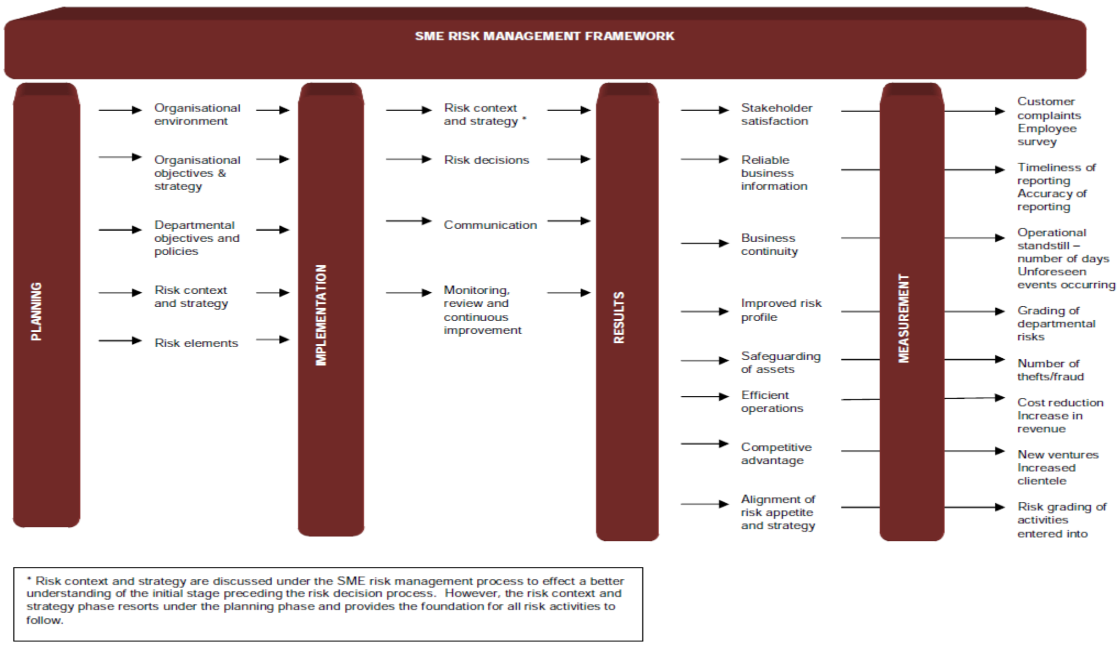

Figure 1: SME RISK MANAGEMENT FRAMEWORK (SMIT, 2012: 251)

structured risk management processes, implement the processes, and measure the effectiveness of the risk actions taken (Smit, 2012; Motala, 2010). This principle-based framework aims to facilitate the achievement of organizational objectives and supports organisational performance measurement by mapping performance measurement indicators to the risk management framework results and evaluating the effectiveness thereof.

Concerns

Smit (2012: 36) cites the potential obstacles that impact upon the effective implementation of a risk management framework. Such impediments include the following. First, Organizational culture, which relates to the attitude of employees towards ERM; second, the priorities of senior management, as it negatively affects the implementation of risk management procedures through inactive support of ERM. A senior manager’s reluctance to discuss sensitive issues on an organization-wide basis could further impact upon the success of an ERM implementation. Third, the inherent complexities embedded in the ERM process necessitate the need for the allocation of the process to a specific organisational unit to ensure ERM continuity and consistency (Smit, 2012: 179). Fourth, a lack of ERM tools, formulised processes and risk understanding are obstacles to effective and efficient ERM implementation (Moutala, 2010: 131).

RESEARCH DESIGN AND METHODOLOGY

Research Problem

An abundance of CSR literature is focused on North American and European economies; and it is based considerably on listed companies as opposed to SMEs (Ofori, 2006: 11). The literature on CSR in South Africa is often reported and audited on a firm-specific basis; and is predominantly based on the CSR initiatives lead by large firms and multinationals operating in South Africa that are listed on the JSE or Alt-X stock exchange. The academic journal literature on SMEs in South Africa is primarily concerned with SME access to finance and developmental issues as opposed to corporate social responsibility activities conducted by SMEs. The academic literature on risk management frameworks designed for SMEs in South Africa lacks robustness, and is outdated as a significant portion of this research was conducted prior to 2006. There is currently not a risk management framework suited for SMEs in the Albany District of the Eastern Cape available in academic literature. In 2005, the Department of Trade and Industry indicated that local SMEs account for approximately 75 percent of employment in South Africa and contribute approximately 28 percent to its Gross Domestic Product (Viviers and Venter, 2007: 2); thus, SMEs have a unique and important role to play regarding social upliftment within the communities they operate in. It is with regard to this and inspiration from Viviers and Venter (2007: 20) that this research is focused on generating a proactive response to the CSR perceptions of SME managers in the Albany District of the Eastern Cape.

Research Aim

The core aim of the proposed research is to assess the perceived risks and benefits to SMEs that implement CSR initiatives and adapting a framework that accommodates such CSR-specific risks to which South African SMEs in the Albany District of the Eastern Cape are mostly exposed.

Methodology

The unit of account in the research was managers of SME businesses situated in the Albany District of the Eastern Cape. The case study is contemporary as it is exploring the reasons behind the recent surge in corporate social responsibility initiatives and reporting by businesses. The case study used an interview as its main data collection tool. The interviews included structured, open-ended questions, the use of ratings from 1 to 10 where 1 represented the least and 10 represented the most and where 5 represented neutral, and the use of yes-no options. The interview questionnaire was divided into two sections: corporate social responsibility and risk management. The interviews were recorded digitally. The findings are reported in a descriptive, case study analysis format.

Ethical considerations

In assessing the quality of the analysis, the ‘four criteria for reliability’ as mentioned in Motala (2010: 14) was used, which assessed the conformability, credibility, transferability and trustworthiness of the data collected. Ethical concerns regarding the research conducted were adhered to; notably voluntary participation, confidentiality, nondisclosure, anonymity and the use of research data were confined to the researcher. The research proposal and the ethical considerations accompanying the research were conveyed to all research participants prior to data collection.

FINDINGS

Manager 1

Manager 1 is a manager of a foundation which is an independent charitable trust initiated by a private game reserve. The Foundation invests in the impoverished communities surrounding the private game reserve, and has established capacity-building programmes in the areas of education, leadership, cultural and health; all through the lens of pro-poor tourism. In terms of infrastructure, the Foundation's activities have included the provision of a central community development hub housing pre-school and baby and toddler facilities, a community gym, a craft centre, training centre and a mini library. In terms of CSR activities related to education, the Foundation has been involved with the facilitation of self-help groups which include the establishment of stokvel savings groups amongst community members and education about infant healthcare. Other health initiatives include the identification of natural leaders in the rural communities on the game reserve's land by the Foundation, which the Foundation then trains as positive health champions to support and promote health amongst the different villages. The Foundation has also introduced a weekly health transport service to enable these rural communities access to urban health facilities. In terms of economic development, the Foundation has implemented several initiatives focused on empowering its communities into becoming business owners in the areas of baking, donkey-cart transportation services, and craft projects to be sold to tourists at the game reserve. The Foundation is managed by a board of seven trustees and currently formally employs 20 people in its own capacity, and the game reserve business of which it is a part formally employs 120 people.

Manager 1described corporate social responsibility as rather corporate social investment rather than corporate social responsibility, and the reason stated for the distinction was that social responsibility in her opinion, spoke to an outdated idea of what corporate social investment is, in that it should be of mutual benefit to corporates, NGOs and to the community. If it is seen in terms of investment, as opposed to being seen as purely charitable because of some greater external responsibility, then there is much greater value for everyone involved over the long-term. The outcomes of the CSR activities initiated by the Trust are measured, with monitoring and evaluation systems in place, however Manager 1 indicated that they are not as strong as they would like them to be ideally and the monitoring system is under continuous review. Manager 1 commented that monitoring and measuring outcomes is becoming increasingly important for their funding, and is becoming increasingly a requirement for their donors; mentioning the trend in the donations sector. Manager 1 stated that their funders, notably FNB, Nedbank and the Anglo Chairman's Fund, have placed increasing emphasis on the use of measurable outcomes. Manager 1 acknowledged the reasons behind measuring their CSR initiatives, stating that it is very challenging since measuring less tangible outcomes such as community development processes is very difficult and hard to measure explicitly; as is the case with measuring any form of social capital. The Trust, and the private game reserve, utilizes insurance heavily.

Manager 1 commented that their CSR initiative has promoted recurrent visitors, however stated that there has been no increase in customers directly due to the CSR initiatives. The CSR initiatives are managed by five employees of the Trust exclusively. Manager 1 indicated that a business has an obligation to involve itself with CSR initiatives regardless of its size. Manager 1 commented that there is already a large focus on CSR by businesses in South Africa and that there is considerable frustration around the impact of CSR, and that there is concern over NGOs, and the general feeling that people that direct funds to NGOs that support CSR initiatives are not receiving a reasonable return. Manager 1 commented that having a strong reputation in the Albany district is not essential, and that their reputation is most important for guests, whether they are local or national, and that their reputation in the local community does not translate into favorable treatment from government or customers. On the issue of risk management, Manager 1 indicated that the Trust does not consciously address the issue of risk management, and has no specific risk policy although indicated that everyone at the Trust has a clear knowledge of their responsibilities and the reporting structure within the Trust is transparent.

Manager 1 citedenhanced relationships with stakeholders, media interest, favourable reputation, attracting and retaining a contented workforce, and having a more robust social license to operate amongst the community as the most considerable benefits of implementing CSR initiatives. Manager 1 considered access to credit or funding, low production capacity in terms of access to water and electricity, access to technology and political instability as being the largest obstacles to the Trust's CSR initiatives. In terms of risk management, the only considerable obstacle to effective risk management for the Trust was their failure to incorporate a risk policy into the management of the Trust.

Manager 2

Manager 2 is the chief executive officer of a clay brickworks business. The business is managed by five senior managers, and formally employs 250 contracted employees. The business is involved with several CSR initiatives directly, and does not manage these activities through an established Trust or a Foundation. The business is involved with several local CSR initiatives which include donations of bricks and the labour and expertise to lay the bricks for local impoverished schoolhouses, welfare societies, pre-schools and small day care centers in the rural communities, the provision of salaries to teachers in the local farm schools, the support of other local business foundations and their activities, the provision of soup and bread to the communities surrounding the brickworks plant and the sponsorship of a scholarship for an underprivileged pupil from the surrounding to study an undergraduate degree in Geology at Rhodes University.

Manager 2's perception of CSR is that in order to do business in a community, the business needs to plough back into the community on a voluntary basis, with the financial means and ability available to the business. Manager 2 commented that CSR is a responsibility for every business, regardless of its size, and that its CSR capacity should be to its prerogative. Manager 2 commented that failing to plough back into the community, in which the business operates, would be detrimental to the long-term operations of the business. Manager 2 commented that certain organizations comply with the prescribed minimum and are still involved with a successful business; however he believed that it certainly helped remained his business in business. Manager 2 commented upon the difficulties to measure CSR and that they utilize perceptions and feedback to assess their CSR initiatives since they do not utilize absolute measures.

Manager 2 highlighted the instability and corruption surrounding the local municipality as concerning, and commented that more could be achieved by utilizing a business's own funds and resources to invest in CSR initiatives than it would be to entrust government to perform such a role; highlighting an additional reason for the importance of privately instituted CSR. Manager 2 disclosed that their business does not have a written social responsibility policy, but in broad terms that the focus of their CSR initiatives is to invest in the surrounding community by upgrading and assisting where possible and where a difference could be made. Manager 2 identified that there is a specific person tasked with their CSR initiatives and that it is the business's human resources manager. Manager 2 commented that the focus of South African business on CSR needs to be increased since businesses need to uplift their surrounding poor communities; notably since communities plagued with poverty and limited well-being can result in unrest and can adversely affect the business. Manager 2 indicated that CSR is essential for acquiring a positive reputation, and that that reputation is important in the surrounding Albany district; not to secure government or municipal funding or business but rather that having a good reputation within the community is important.

With regard to risk management, Manager 2 indicated that risk is observed on an ongoing basis and that the business has a specific risk management policy drafted, and that it is communicated to management at a supervisory level, and that the necessary operational risks, notably safety risks, are indicated to the entire business. Manager 2 maintains a risk scorecard on a spreadsheet which is reviewed on a quarterly basis, which combines probability and severity on a scale of 1 to 5 to give it a risk rating so as tocategorize the risk, and where it is concerning, management can monitor it closely. Manager 2 is the person specifically tasked with controlling the risks of the organization.

Manager 2 cited differentiating oneself from the competition, enhancing one's influence in the industry, media interest and improved relationship management, enhanced ability to improve relations with regulators and building a favorable reputation as the perceived benefits of CSR. The notable obstacles to CSR implementation perceived by Manager 2 include low production capacity issues with regard to the labour force, political instability and economic recession. In terms of risk management, Manager 2 indicated that the substantial challenge to effective risk management for the business was a failure to acknowledge certain risks.

Manager 3

Manager 3 is a general manager of a private game reservemanaged by seven managers, is family-owned, it formally employs 150 people. The business is involved with several corporateresponsibility initiatives, of both a social and an environmental nature within its operating region and the communities surrounding it; from which most of its employees are sourced. The business from a social perspective, has implemented the following programmes: educational initiatives at three local schools; a farm school and two Model-C public schools. Through the businesses' international volunteer programme which attracts volunteers and donations, the foundation has managed to complete numerous projects at the three schools involved with Maths, English, conservational awareness and sport. In addition to this, through the business's strong dedication to sustainable wildlife management and conservation, the business has initiated a volunteer and education based leopard research initiative, and has been involved with several environmental preservation and conversation efforts within the communities of the supporting regions. This is particularly so with the game reserve's rhino protection programme, which is credited with sustaining the livelihood of the business and its employees during the economic recession of the past five years.

Manager 3 defined CSR as being a moral obligation, and that since the business is a large employer in the area, it should not even be a question that one has a responsibility to the community that the business draws from and relies on. Manager 3 highlighted that the long term benefits of upliftment within the surrounding communities are vastly underestimates, and that long-term sustainability for the businesss is only possible if the business has the buy-in of the local community. The issue of sustainability is hugely important since it translates into a happier, more productive workforce and secures the long term benefits ofsustainability for the core processes of the business. Manager 3 commented that the days of window-dressing are over and that window-dressing does not accomplish anything of value. Manager 3 cited that businesses involved in CSR today need to engage in CSR initiatives inthe proper way; that these initiatives can't be prescriptive, and that the CSR needs to serve the community through providing knowledge rather than providing hand-outs. Manager 3 reiterated that the buy in from the community is essential, and that such buy-in

Manager 3 discussed that their business does not measure their CSR outcomes in a particular manner, and stated that it is something under review, however that the business is not there yet, and any measurement done is on a perception basis as opposed to an explicit measurement criteria. Since the business is family-owned, Manager 3 highlighted that the requirement of formal measurement is not necessary, since the business is not accountable, and since the business is operated in a less structured manner, without formal reporting systems or complex bureaucracy.

Manager 3 identified that the recent increase in business growth and sales was as a result of the interest and awareness around rhino poaching and not specifically through the CSR initiatives chosen from a social perspective. Manager 3 cites that CSR is considered necessary for securing donations and for BBEEE compliance. Manager 3 perceives reputation in the local Albany district to be very important, particularly since the business aims to attract the right people to its work force from the local community, and having a strong reputation enables this. Manager 3 identified that the directors and senior management were specifically tasked with the management of the CSR initiatives of the business, and that the business did not have a formally written CSR policy. On the issue of risk measurement, Manager 3 identified that the businessdoes not measured its risk explicitly, particularly not in a quantitative manner. In terms of risk responsibilities, Manager 3 commented that the risks borne by each member of the organization are known, and that operational risks are assigned to the rangers, and that the strategic and tactical risks are assigned tosenior management. Manager 3 also commented that the business utilizes insurance heavily throughout its operations.

Manager 3 cited enhanced relationships with stakeholders, greater access to funding opportunities and capital, enhanced ability to improve regulations with regulators, and gaining a more robust social license to operate in the community as the perceived substantial benefits of implementing CSR initiatives. Manager 3 highlighted the economic costs associated with rising interest rates to be the most substantial obstacles to CSR implementation. In addition to this, economic recession and political instability are considered material obstacles to CSR implementation. In terms of risk management, organizational culture was perceived to be the largest challenge to effective risk management by Manager 3.

Manager 4

Manager 4 is a director of a foundation initiated by a private game reserve is directly involved with supervising the foundation's involved with social upliftment in the surrounding community. The business has implemented the following programmes: educational initiatives at one rural farm school. Through the business's international volunteer programme which attracts volunteers and donations, the foundation has managed to complete numerous projects at the three schools involved with conservational education and outdoor recreation; as well as training programmes for pupils interested in a career as a game ranger or environmental conservationist. The Foundation formally employs 20 people, and is managed by the director, and overseen by a board of three trustees; and the private game reserve to which it is associated formally employs 145 people.

Manager 4 described his understanding of CSR as beingthe responsibility of any corporate running their business, wherein there is a strong obligation on the business to interact with its surrounding community(s) and environment. Manager 4 emphasized this by expressing that to not be involved wouldbe considered absurd. Manager 4 commented that there are different levels of CSR for different corporates, and that all businesses regardless of their size, need to affect the CSR in whichever manner the businessdecides how to do this in. Manager 4 stated the benefits of sustainability as being essential, since by involving the business in the socio-economic upliftment of the community from which it sources its workforce, the business is enhancing its longevity and securing the productivity of its operations. Manager 4 commented that with regard to CSR involvement, the contribution is only meaningful and contributes to sustainability if the CSR is approached as a manageable size to the business, and that it is more significant to constantly be involved with smaller-scale CSR initatives and to retract the focus of the business's CSR that it is to approach CSR in too great a scale given the time, finances and capabiltieis of the staff of the business. Manager 4 stated that the key issues surrounding successful CSR are its 'do-ability' and the constant commitment of its managers.

Manager 4 identified that the businesses' CSR outcomes are not formally measured by a rating scale, however stating that the initiatives are measured in terms of feedback during discussions with stakeholders, through the commentary and the activity on social media.Manager 4 commented that during industry boom times, the industry forced artificial ('tick the boxes') measurement systems which created an expensive and artificial rating system or 'stamp of approval' that contributed no significant value to the business. Manager 4 cited that the business has two people tasked with managing the CSR initiatives and their implementation, and that the business did not have a specific objectives plan for its CSR initiatives; stated that their CSR strategy is usually reactive in nature.

Manager 4 identified that the South Africa business arena is definitely aware of the greater focus on CSR initiatives, due to notably the effect of sustained government pressure, and that there is however still a required mind-shift of privileged South Africans regarding a businesses' obligations to CSR. Manager 4 commented that the size of the business is not an issue as everyone has a role to play. On the issue of enhanced reputation due to CSR involvement, Manager 4 commented that it is a huge outcome of CSR involvement; and that the effect on the business's reputation is actually out of proportion, and shouldn't carry as much weight as it does within the industry. Manager 4 commented that having a positive reputation in the Albany district is important, since the area is very reputation-based than other areas in which people have been colleagues and competitors for a considerable period of time.

The business utilizes insurance heavily, particularly public liability insurance. In terms of risk management, the business was cited by Manager 4 as having no formal risk management policy in place, and that the general manager and head office owners control known risks, and report upon the risks to the business and its employees Due to the heavily licensed nature of the business, all employees of the everyone are very aware of the operational risks. Manager 4 cited that an interesting system of third-party checks and balances exists in the industry, which serves in managing the risk of the business; these include the industry licensing and regulatory standard, insurance requirements, industry-specific qualifications (driving licenses, medical aid) and the requirements of travel agents and donors involved with the eco-tourism industry.

Manager 4 cited media interest and improved reputation management to be the most substantial perceived benefit of CSR; in addition to this, the benefits of enhanced influence in the industry, enhanced ability to improve regulations with regulators and gaining a more robust social license to operate in the community were perceived to be material benefits of implementing CSR initiatives. Manager 4 highlighted a lack of managerial skills and capabilities to be the most substantial obstacle to effective CSR implementation; and cited the economic costs associated with rising interest rates, rising wages, sectoral growth decline and increased tax rates to be material obstacles to CSR implementation. In terms of risk management, organizational culture and an outdated risk policy were perceived to be the largest challenge to effective risk management by Manager 4.

CONCLUSIONS

The following conclusions were drawn from the data set. First, CSR is perceived to be essential for all corporates regardless of their size as a business, and regardless of the size of their contribution. Second, the South African business market is considered to be ready for a mental shift or orientation toward an increased pressure on businesses to institute CSR initiatives. Third, CSR initiates are not formally measured by their SMEs however SMEs are in the process of observing and monitoring their CSR initiatives closely. Fourth, the CSR initiatives undertaken by the SMEs are clearly assigned to specific employees of their business who are responsible for its implementation and monitoring. Fifth, the operational risk of an SME does not inhibit the SME's involvement with CSR initiatives. Sixth, the CSR initiatives implemented by the SMEs are not formally written into policy. Seventh, CSR initiates are perceived to have a significant effect on building a favorable reputation, essential for long-term sustainability, enhances the business's 'social license' to operate within the community, enhances stakeholder relationships and contributes positively to the productivity and demeanor of the business's workforce. Eight, risk management undertaken by SMEs is assigned to senior management in a top-down approach. Nine, CSR initiatives would only be terminated by the SMEs in the event of their business becoming insolvent. Tenth, the main obstacle to effective CSR implementation cited was economic costs, notably rising interest rates, unfavorable changes to tax and wage rate legislation and recessive business cycles.

RECOMMENDATIONS

The findings propose the following adaptations to the risk model proposed by Smit (2012: 256) for SMEs operating within the Albany District of the Eastern Cape, as illustrated in Figure 1 above. CSR needs to be a category explicitly included in the planning stage of the risk management process and considered for the implementation phase accordingly.

With regard to the implementation phase, the following guidelines are highlighted as a useful guide for CSR implementation by SMEs. First, SMEs need to evaluate the various aspects of their business and operations, following which they need to evaluate the impact that their business is having on their stakeholders. Subsequent to this, the business needs to set realistic targets on how to improve their operations and processes, and draw-up a result-driven CSR policy, that is incorporative of estimated time horizons and the personnel responsible. A clear hierarchy for the activities is essential, and especially so that communication chains are known and open.

An integral part of the CSR initiative, as is the case with risk management, is to establish clear communication channels to ensure that a dialogue is constant, so that monitoring and reviewing is happening at every stage of the CSR process. Once the strategy is formally written, the senior management of the business needs to embed the CSR initiatives into the strategy of the business, and the culture of the business. The CSR commitment needs to be strategically aligned with the core operations of the business itself, and it needs to be incorporated into the vision, mission and ethos of the business in a 'top-down' manner.

Evidence from the literature is that a driver for the CSR initiative be appointed, to monitor and assess the activities and track its performance. As commented previously, a specific personnel or division tasked with just CSR is unnecessary; rather a person tasked to oversee the initiatives on an ongoing basis is necessary. The business at this stage needs to communicate its CSR efforts to all of its stakeholders clearly and boldly and the business needs to assess its existing supply-chains and trading partners. The business then needs to establish certain metrics, or measuring indicators, of its CSR initiatives to monitor its progress and any possible deviations. Finally, the business needs to be committed and enthused by its CSR initiative and needs to report to the entire business and its stakeholders regularly on its initiatives and their progress or impact in a host of mediums (social media, online reports, newsletters, websites and/or annual general meetings); constantly reviewing and monitoring the initiatives in the process.

The results phase should incorporate the benefits of CSR as a defined result, the measurement of which would be represented by the following measurement categories: increased reputation/brand awareness, more productive workforce or reduced absenteeism, greater 'social license' for community involvement and enhanced relationship with regulators. The enhanced relationship with stakeholders benefit cited by CSR is an already accommodated measurement in the model.

FURTHER RESEARCH

Recommendations for further research are to expand the scope of the research to include in the research a sector-specific analysis of CSR initiatives by SMEs and the perceptions of their managers. By conducting an in-depth analysis of one sector, or several sectors, the research's generalizability could be enhanced and more robust trends could be drawn from the data. An interesting contrast could be made between the CSR initiatives of SMEs and the perceptions of managers in a resource-intensive industry and those of business managers located in the financial services or retail sectors that are further removed from the communities, particularly rural communities, in which they operate. The other recommendation would be to conduct an enterprise management risk assessment of each interviewee's business so as to develop a more concise and accurate risk model for per-sector use by SME managers to enhance the efficacy of their CSR initiatives and decreasing the potential for strategic, reputational or financial risk as a result of it.

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