



# Corporate Social Responsibility Motivations in Zambian SMEs

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**Abstract.** This paper examines the motivations of different forms of corporate social responsibility (CSR) by small and medium-sized enterprises (SMEs) in an under-researched Sub-Saharan African country, Zambia. The results show that internal motivations (financial motivation and moral and ethical motivation) are the reasons why SMEs adopt community-CSR and environmental-CSR practices in Zambia. In addition, the identification of sustainable opportunities also positively influences the adoption of community-CSR practices. External motivation appears to play no role at all for any form of CSR engagements. The reported findings inform entrepreneurs, academics and policy makers who want to promote SMEs' engagement in sustainable behaviour in general and CSR practices in particular.

**Keywords:** Internal motivations, external motivations, corporate social responsibility, sustainable opportunity identification, SMEs, developing country, Africa, Zambia.

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## 1. Introduction

Small and medium-sized enterprises (SMEs) enhance their nation's employment and social development, and contribute significantly to economic growth. In developing countries, apart from boosting economic growth and creating employment, SMEs support poverty alleviation initiatives (Azmat and Samaratunge, 2009) but also cause pollution, environmental degradation and depletion of non-renewable energy sources. For instance, SMEs contribute up to 70% of the cumulative impact of all global pollution (Revell, Stokes, and Chen, 2010). It is however interesting to note that despite these problems

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entrepreneurship is still being suggested as a solution to environmental and social problems (Hall, Daneke, and Lenox, 2010). This has led to a rise in research activities on corporate social responsibilities in SMEs. The focus of CSR research in SMEs has been on the characteristics of SMEs, definitions of CSR by SMEs, SMEs' CSR activities, and barriers to SMEs' CSR (Kechiche and Soparnot, 2012; Vo, 2011).

Yet, there is very little research on the motivations of CSR in SMEs (Masurel and Rens, 2015). Furthermore, there has been limited research on CSR in SMEs in developing countries, especially in Sub-Saharan African countries (Amaeshi et al., 2016; De Oliveira and Jabbour, 2017; Inyang, 2013). Due to the dearth of research on CSR in SMEs in Africa, only a few aspects of CSR in SMEs have been investigated in this context (Amaeshi et al., 2016; Demuijnck and Ngnodjom, 2013). As a result, there is a lack of understanding of the motivations of entrepreneurs managing SMEs to engage in different CSR activities in Sub-Saharan African countries. Some studies report that SMEs in these countries rather focus on social forms of CSR activities (employee- and community-oriented) (e.g., Demuijnck and Ngnodjom, 2013; Kabir, 2011), while others do find that also environmental CSR gets attention by SMEs (e.g., Amaeshi et al., 2016). Yet, knowing what motivates entrepreneurs to engage in different forms of CSR is key to stimulate environmental and social responsibility by SMEs in Africa.

Studies on CSR motivation in SMEs (e.g. Nejadi and Amran, 2009; Santos, 2011) assume that entrepreneurs are motivated by internal and/or external factors for them to engage in CSR. Moreover, when entrepreneurs and individuals in general identify sustainable opportunities and perceive that their welfare is threatened, they are more likely to consider social and ecological issues (Patzelt and Shepherd, 2011). Thus, in addition to the internal and external motivation factors, the identification of sustainable opportunities can also drive SMEs' engagement in CSR. To the best of our knowledge, however, there are hardly any studies that have incorporated the identification of sustainable opportunities in studying CSR in SMEs in Sub-Saharan Africa and specifically Zambia.

The purpose of this paper is to examine the motivations to engage in different CSR activities for a sample of entrepreneurs managing SMEs in the trading and service sector. In particular, our study focuses on SMEs that supply goods and services to a sector in which CSR activities are significant, namely the mining industry in Zambia. This study seeks to address the following research question: *What factors motivate SMEs to engage in different forms of CSR activities in Zambia?* Our research focuses on established firms and actual entrepreneurs managing SMEs. This sample differs from many other studies of CSR in SMEs that use samples from developed countries (e.g. Graafland and Mazereeuw-Van der Duijn Schouten, 2012; Masurel and Rens, 2015; Vo, Delchet-Cochet, and Akeb, 2015). A sample from Zambia will enhance understanding of the motivations of CSR in SMEs in a developing Sub-Saharan African country where

there is limited research available (Amaeshi et al., 2016; Idemudia, 2011; Vives, 2006). Understanding what drives entrepreneurs to engage in CSR will help to advance sustainable development in Sub-Saharan Africa. We explicitly focus on owner-managers of these firms because they are responsible for initiating and implementing sustainable practices in their firms (Hsu and Cheng, 2012; Schaper, 2002). Moreover, our study adds a new explanatory factor to the literature, namely identification of sustainable opportunities. The findings of our study are important for entrepreneurs, academics and policy makers who want to promote SMEs' engagement in sustainable behaviour in general and CSR practices in particular.

This paper is structured as follows: The next section reviews the literature on SMEs and CSR as well as CSR in developing countries. It outlines the motivations of SMEs to engage in CSR and then derives hypotheses concerning the motivations of entrepreneurs managing SMEs to engage in CSR. Next, it outlines the methodology and presents the findings, which is followed by a discussion of results. The paper ends by drawing conclusions, and discussing limitations and recommendations for future research.

## **2. Literature Review and Hypotheses Development**

### **2.1. CSR Studies in SMEs**

This section reviews previous studies on CSR in SMEs. It begins with defining CSR, followed by an overview of the characteristics of SMEs and CSR activities in SMEs. Then a discussion of CSR in developing countries, Africa, and Zambia in particular follows, as well as a discussion on CSR motivations. The section ends with the development of hypotheses based on this literature review.

The term CSR is ambiguous. This stems from the fact that the phenomenon has been studied from a number of different academic fields (Fischer, 2004; Vo, 2011). As a consequence of this, various definitions of CSR have been suggested (see Dahlsrud, 2008; Inyang, 2013; Vo, 2011). To avoid misunderstanding, we opt in this paper to adopt the commonly used definition of CSR formulated by the Commission of European Communities in 2001. They define CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis" (Dahlsrud, 2008, p. 7). This definition espouses five important dimensions or aspects of CSR. They include the economic, environmental, social, voluntariness and stakeholder dimensions. The social and environmental aspects of CSR are the main focus of our study. CSR implies that managers, in the process of achieving business interest, voluntarily take action that serves society and also protects the environment (Smit et al., 2011).

In order to understand CSR in SMEs, it is imperative to comprehend the characteristics of SMEs. Many SMEs are located in their respective communities and are managed by their founders and owners (Demuijnck and Ngnodjom, 2013; Jamali et al., 2017; Jenkins, 2006; Perrini, 2006). As such they have a better understanding of the local culture than larger firms and have strong ties with the local civil society (Baden, Harwood, and Woodward, 2011). This enables them to engage in community activities such as donations (Amaeshi et al., 2016; Coppa and Sriramesh, 2013). It has also been noted that the owners of SMEs feel responsible for their employees and the people in their community, especially in the African context (Spence, Gherib, and Biwolé, 2011). Furthermore, entrepreneurs managing SMEs make key decisions, initiate and implement CSR policies and activities in line with their aspirations, personal values, and philosophies (Jenkins, 2006; Williams and Schaefer, 2013). Thus, because of the dominant role of the entrepreneur in SMEs, it is important to understand what motivates these owners and founders to engage in CSR.

CSR activities of SMEs are often informal, unstructured in nature, ad hoc, and not integrated in company policy (Santos, 2011). SMEs are focused on social practices within their markets and CSR activities in SMEs are embedded in the firm's daily life (Lee, Herold, and Yu, 2016). CSR in small firms is typically implicit and the firms do not commonly use the term CSR in describing their activities (Hsu and Cheng, 2012). The most common informal descriptions of CSR include terms such as work-life balance, community involvement, and environmental management (Vo, 2011). As such, CSR in SMEs is mostly explained using stakeholder theory (Vo, 2011), with key stakeholders being the employees, customers, suppliers, shareholders, community, and the natural environment (Jenkins, 2006; Vo, 2011). Our study focuses on the natural environment, employees and community because these are most relevant in our study context.

Environmental CSR activities refer to actions companies take towards minimising their negative impact on the natural environment. Generally, these activities have included the use of environmentally friendly packaging involving the use of degradable paper instead of plastics, minimising energy and water usage, recycling, reduction of pollution and reduction of waste (Turyakira, Venter, and Smith, 2012; 2014). In an Asian country like Taiwan, the top three areas of CSR activities in most SMEs are recycling and reducing waste, energy saving and carbon reduction, and handling of customers' complaints (Hsu and Cheng, 2012). In contrast, there is a lack of environmental concerns in SMEs in Sub-Saharan African developing countries (Amaeshi et al., 2006; Demuijnck and Ngnodjom, 2013; Painter-Morland and Dobie, 2009) while employee-related CSR activities seem to be more popular. In Uganda for instance, employee-related CSR activities involve helping workers to maintain a work-life balance, workplace diversity, offering training and development, flexible working time, provision of restaurant services within company premises, complementary social

security plans and a company loan scheme (Turyakira, Venter, and Smith 2012, 2014; Santos, 2011).

Community-related CSR activities on the other hand involve assistance to low income groups by providing scholarships for education, providing health, sports and wellness facilities, and voluntary participation in community activities (Turyakira, Venter, and Smith, 2012, 2014). In developed countries such as Sweden, CSR activities in SMEs focus on involvement with local community, sponsoring of local events, and concern for employee satisfaction and health (Lee et al., 2016). However, the most common CSR practices in SMEs in Portugal include donations, sponsoring of cultural and environmental events, support for charity and social marketing campaigns (Santos, 2011). Overall, it can be seen that although developing and developed countries practice some common CSR activities such as community involvement and sponsoring, in general both contexts emphasise different forms of CSR activities. Further, within regions of developing and developed countries, SMEs focus on different aspects of the environmental, employee and community CSR activities.

## 2.2. SMEs and CSR in Developing Countries

There has been an increase in research on CSR in SMEs recently (Jamali et al., 2017). Nevertheless, most studies on CSR in SMEs are about developed countries. CSR in developing countries is different from developed countries in the sense that developing countries are often rapidly expanding economies where the social and environmental crises are most hardly felt in the world (Visser, McIntosh, and Middleton, 2006). What is generally observed is that firms in developing countries tend to focus on social issues because they are given more political, economic and media emphasis. In addition, CSR in developing countries is influenced by the historical factors and cultural relationships (Idemudia, 2011; Visser et al., 2006), which might lead to a preference for social (employee- and community-related) CSR rather than environmental CSR. Whilst there has been an increase in research on CSR in developing countries, there is limited research on CSR in African developing countries; the few publications in the extant literature focus mainly on Nigeria and South Africa (Visser et al., 2006).

### 2.2.1. SMEs and CSR in (Sub-Saharan) African Countries

There is need for more research in African developing countries on CSR because of greater poverty, corruption, wars, fights between clans, misguided aid, health problems, and social and environmental challenges the continent is facing (Demuijnck and Ngnodjom, 2013; Dobers and Halme, 2009; Spence and Painter-

Morland, 2010). The socio-economic environment shapes CSR in African developing countries. For instance, Muthuri and Gilbert (2011) in the case of Kenya observed that CSR is driven by the need to conform to social norms. They observed that CSR is mostly oriented on the community and addresses national concerns such as HIV/AIDS, health, education, and the environment. Similarly, Amaeshi et al. (2006) established that in the case of Nigeria, CSR addresses the social-economic challenges such as poverty and inadequate health care services.

Relatedly, several authors have established that CSR in African developing countries takes a community focus (rather than an environmental focus) and emphasises philanthropy, business ethics, and community embeddedness (see for example, Amaeshi et al., 2006, in the case of Nigeria; Lungu and Shikwe, 2006, in the case of Zambia and Muthuri and Gilbert, 2011, in the case of Kenya). Underlying this is the belief that African culture is strong on communal ties (Visser et al., 2006). Demuijnck and Ngnodjom (2013) reported that employee-oriented CSR is important, as in Cameroon entrepreneurs managing SMEs feel responsible for the well-being of employees and their communities in terms of CSR but they lack awareness of the impact of their business activities on the natural environment. Also firms in Swaziland are more concerned with community-CSR and employee-CSR and less concerned with environmental and customer CSR (Kabir, 2011). Furthermore, CSR practice in Cameroon includes how to deal with nepotism, tribalism and corruption. For instance, Demuijnck and Ngnodjom (2013) noted that SMEs reject all forms of nepotism, tribalism and corruption even though they have to constantly cope with all kinds of extortion or corruption of the civil servants in the process of obtaining business services especially for customs clearance (Demuijnck and Ngnodjom, 2013). Thus, the main focus of CSR in SMEs appears to be on internal stakeholders and the community (Jenkins, 2004; Vives, 2006). Surprisingly, environmental concerns in African SMEs appear to be somewhat limited (Amaeshi et al., 2006; Demuijnck and Ngnodjom, 2013; Painter-Morland and Dobie, 2009).

Yet, in contrast to studies that find that the social aspects of CSR get most attention in developing countries, Amaeshi et al. (2016) established that CSR in Africa (studying Nigeria and Tanzania) incorporates multiple stakeholders such as employees, customers, the community, and also the natural environment, thus reflecting all three forms of CSR (employee, community and environment). Moreover, Muthuri and Gilbert (2011) found that SMEs in Kenya are concerned with community as well as environmental CSR.

Whilst the studies above provide insights in the nature and practices of CSR in Sub-Saharan Africa, only limited aspects of CSR in SMEs have been investigated (Amaeshi et al., 2016), and it is unclear what drives the preferences for different forms of CSR. In particular, the motivations of SMEs to engage in different forms of CSR in SMEs have hardly been investigated in Sub-Saharan Africa. Thus, Idemudia (2011) expressed the need for a better understanding of the drivers of CSR in Africa.

In sum, while studies on CSR point out that environmental issues are a critical area of concern in Africa, the employee and community CSR activities get much more attention by African SMEs. Further, there seems to be some evidence that within the African developing countries, different countries facilitate their own CSR priorities due to the unique historical development, business systems, political and cultural settings.

### 2.2.2. SMEs and CSR in Zambia

CSR activities in developing countries focus on giving back to the nation and the community where the business operates (Kivuitu, Yambayamba, and Fox, 2005). In the case of Zambia, a number of studies on CSR have been carried out in the mining industry and also found that community-related CSR activities get most emphasis (Mayondi, 2014). For example, in his study of a large mining company, Mayondi (2014) pointed out that CSR in Zambia is characterised by community development projects such as constructing roads, schools, job opportunities, and micro-credit lending. Fraser (2010) also noted that many companies in Zambia engage in CSR out of a moral obligation to be 'good' corporate citizens because CSR as a non-core activity of mining companies is not directly related to mining. Another study reported that CSR in the mining industry is associated with charity, donations, provision of social services such as building sports facilities and sinking boreholes to provide water to villages around the mining area (Negi, 2011). Using a sample of small-scale mining companies, Lungu and Shikwe (2006) established that CSR activities involve building of schools, health facilities and maintenance of roads. Taken together, these studies suggest that CSR in the mining industry in Zambia is focussed on community involvement rather than environmental concerns. Since most CSR studies have focused on large and small mining companies, there are hardly any studies on CSR in SMEs in other sectors in Zambia.

Mining is the main economic activity in Zambia and contributes 64.7% to the country's total exports (Central-Statistical-Office, 2014). The mining firms were first co-owned by two private companies namely Anglo-American Corporation and Roan Selection Trust (Lungu and Kapena, 2010). In 1969, the Zambian government nationalised the two mining companies and in 1982 they were amalgamated to form the Zambia Consolidated Copper Mines (ZCCM) (Fraser and Lungu, 2007). In CSR terms, ZCCM provided all social services ranging from providing health, electricity and recreation facilities. They practiced a cradle to the grave social policy. They also provided housing, maintained roads and collected garbage (Fraser and Lungu, 2007, Lungu and Kapena, 2010).

After enacting the Privatisation Act in 1992, the privatisation of the units of ZCCM also started. In 1997, Luanshya mine was sold to the Binani Group of Companies. By the year 2000, the two major companies namely Konkola Copper

Mines (KCM) and Mopani were sold to Anglo-American Corporation and Glencore from Switzerland, respectively. Smaller mines such as Bwana Mkubwa, Chambishi and Chibuluma were sold to First Quantum Minerals from Canada, NFC from China and Metorex from South Africa (Fraser and Lungu, 2007).

The expectations of the government of the Republic of Zambia and the communities on the Copperbelt were that the new mine owners would continue with the CSR activities of the ZCCM days based on the cradle to grave social policy. However, the new private mining companies have made little effort to pick up all the CSR activities of ZCCM as they argue that their core business is mining and social services should be provided by the state through the local authorities (Fraser and Lungu, 2007). A further expectation was that local SMEs would benefit by way of obtaining contracts to supply goods and services to the mines. The development agreements signed with the new private mining companies had clauses aimed at local business support and development. This included awarding contracts to SMEs to supply durable or manufactured products, such as electrical appliances, industrial cleaning machines, pipes, valves, motors, protective clothing and timber. The second category included consumables, like electrodes, paints and cleaning materials while the third category included services, like repair and maintenance of plants, buildings and equipment, security and consultancy. Notwithstanding this, Fraser and Lungu (2007) stated that many expected benefits for the SMEs have not materialised as the new mine owners prefer to buy certain goods and service from foreign suppliers.

Mining has been helpful to the country's economic development, yet detrimental environmentally and socially. Mining has created significant air and water pollution in the towns located in the Copperbelt province. This has attracted a number of studies focused on CSR in the industry (see also Mayondi 2014). While there has been an increase in the number of studies on CSR in the mining firms, there are hardly any CSR studies on SMEs that supply goods and services to the mining industry. The underlying motivations for these SMEs to engage in CSR are not yet known. It is therefore important to examine the CSR practices in SMEs that supply goods and services to the mining industry and the underlying motivations for entrepreneurs to adopt CSR practices.

### 2.3. Motivations of CSR in SMEs

Motivation is defined as “the driving force within an individual by which they attend to achieve some goal in order to meet some need or expectation” (Mullins, 2010, p. 125). Motivation as an internal process activates, guides and maintains behaviour (Baron, 1995). A number of studies have investigated what motivates entrepreneurs in SMEs to act in a socially responsible manner. In the CSR literature, several theories explain the motivation of entrepreneurs to adopt CSR,



such as stakeholder theory, institutional theory and social capital theory (Vo, 2011)

Stakeholder theory focuses on how businesses meet the expectations of their stakeholders (Massoud, 2010). Each company may focus on one or more CSR domains (e.g., employees, community, and the environment) depending on the pressure or needs from stakeholders and the resources of the firm. Accordingly, the motivation to engage in each of the CSR activities may differ. For example, a client may attach more value to the environmental dimension of CSR; this could lead the entrepreneurs to place emphasis on the environmental dimension of CSR. Institutional forces refer to coercive, mimetic, and normative aspects (Vo, 2011; Zhu and Zhang, 2015). Institutional theory is used to explain the process in which organisations are influenced by their institutional environment to adopt certain practices, structures, values and norms (Vo, 2011). Applying institutional theory to SMEs' CSR, Spence (1999) found that the institutional environment influenced the environmental behaviour of British and Dutch SMEs. Social capital theory emphasises the importance of social capital, which provides SMEs with a mechanism to adopt and implement CSR policies and procedures (Perrini, 2006).

### 2.3.1. Motivations to Engage in Entrepreneurship versus Motivations to Engage in CSR

Understanding the motivating factors for entrepreneurship has been an important area of study (Eijdenberg and Masurel, 2013). Some of the motivation factors for entrepreneurship include high need for achievement, locus of control, and desire for independence, passion and drive (Shane, Locke, and Collins, 2003). While these personal factors can explain why some individuals pursue entrepreneurship, they do not shed light on the motivation for entrepreneurs to engage in CSR. Thus, researchers have begun to investigate the motivation for companies to engage in CSR. So far, studies have shown that companies adopt CSR practices due to different motivation factors, as we describe below.

### 2.3.2. Internal versus External Motivations

Motivations for CSR can be categorised into two groups: internal and external motivation factors (Zhu and Zhang, 2015). External motivations refer to external rewards that follow certain behaviour, while internal motivations refer to a personal interest and satisfaction in the entrepreneur's task (Carsrud and Brännback, 2011).

SMEs may adopt CSR practices due to the internal motivations of the entrepreneur. For example, SMEs can adopt a socially responsible behaviour

only for ethical, moral (Jenkins, 2006; Longo, Mura, and Bonoli, 2005), and altruistic reasons (Graafland and Mazereeuw-Van der Duijn Schouten, 2012). Furthermore, entrepreneurs may be internally motivated to engage in CSR if they believe it will improve company reputation, increase sales, improve relations with stakeholders such as customers, employees and the wider community (Longo et al., 2005), or help them to follow regulations and to improve business performance (Williamson, Lynch-Wood, and Ramsay; Vo, 2011).

In Africa, SMEs' owners are positively motivated to pursue CSR initiatives by their personal values, ethics and religious beliefs (Amaeshi et al., 2016). Furthermore, strong ethics of the managers were found as a key motive for SMEs in South Africa to engage in pro-environmental behaviour (Hamann et al., 2017). We therefore hypothesise that:

*H1: Internal motivation positively influences entrepreneurs in SMEs to engage in CSR activities.*

Entrepreneurs may also adopt CSR practices due to external motivations that originate from external pressure. According to stakeholder theory, a company may adopt CSR due to pressure from stakeholders such as employees, clients, the media, public opinion, regulators, suppliers, banks, and competitors. For example, Santos (2011) reported that even though the main motivation factors behind the adoption of CSR practices in SMEs is internal, pressure from clients, competitors and the government plays an important role as well as 40-49% of SMEs reported implementing CSR because of pressure. In developing countries such as those in Africa, SMEs are positively influenced by regulatory and supply chain pressures in their motivation to pursue CSR initiatives (Amaeshi et al., 2016). Based on the discussion above, we develop the following hypothesis:

*H2: External motivation positively influences entrepreneurs in SMEs to engage in CSR activities.*

### 2.3.3. Entrepreneurial versus Sustainable Opportunities

Generally understood, entrepreneurship involves the identification, evaluation, and exploitation of opportunities (Shane and Venkataraman, 2000). Two sets of opportunities arise from this: entrepreneurial opportunities (related to economic gain) and sustainable opportunities related to social goods and public benefit (Tyler III, 2014). Entrepreneurial opportunities are distinct from sustainable opportunities in the sense that while entrepreneurial opportunities focus on financial profit and are concerned with the introduction of new goods and services, usage of new raw materials and introduction of organising methods and markets (Casson, 1982), sustainable opportunities aim at sustaining the ecological

and/or social environment (Patzelt and Shepherd, 2011). Crals and Vereeck (2005) state that “the social dimension of sustainable opportunities includes concern for people or care for the community and employees, while the ecological dimension of sustainable opportunities includes eco-design, environmental care, sustainable technology, clean products, and eco-efficiency”.

Besides general motivations to engage in CSR, the identification of entrepreneurial opportunities (Shane, Locke, and Collins, 2003) and sustainable opportunities (Patzelt and Shepherd, 2011) can influence the actual engagement in CSR activities. When entrepreneurs identify (sustainable) opportunities, this means that they imagine ways to acquire economic, social, and environmental gains, which differs from the general motivations for CSR. We therefore argue that in addition to the external and internal motivations, the identification of sustainable opportunities provides an additional and conceptually different explanation for the reason why entrepreneurs may engage in CSR practices. As stated above, entrepreneurs identify sustainable opportunities when they perceive that their own welfare (internal motivation) and/or the welfare of others (external motivation) is threatened (Patzelt and Shepherd, 2011). In this sense, internal motivation arises when an entrepreneur feels threatened by economic, social and ecological issues. External motivation is related to altruism. Altruism is the individual’s motivation to improve the welfare of another person or the community (Hoffman, 1981). For instance, entrepreneurs living in a society where poverty levels are high, education levels are low and health care is threatened may identify opportunities to solve these social problems (Hockerts, 2010; Hoogendoorn, Pennings, and Thurik, 2010; Spitzeck and Janssen, 2010; Tyler III, 2014). Similarly, entrepreneurs living in a community that is confronted with pollution, natural resource degradation, and loss of biodiversity may identify opportunities to improve the ecological environment (Patzelt and Shepherd, 2011). Also, unemployment and poverty can cause an entrepreneur to improve his/her own socioeconomic status and/or the status of people in that community.

Thus, the identification of sustainable opportunities triggers entrepreneurs to improve or sustain social and/or ecological environments (Patzelt and Shepherd, 2011). Since entrepreneurs possess a significant level of control over how SMEs operate, their identification of sustainable opportunities can positively influence their engagement in CSR practices. We therefore hypothesise that:

*H3: The identification of sustainable opportunities positively influences entrepreneurs in SMEs to engage in CSR activities.*

### **3. Data and Methodology**

The data were collected between January and end of August 2013. A total of 320 questionnaires were distributed to owners of SMEs. Of the 320 distributed questionnaires, 221 were completed, resulting in a 68.8% response rate which is high. The high response rate might be caused by the respondent's keen interest in the research subject and the assurance of confidentiality. The sample of entrepreneurs managing SMEs in the trading and service sector for the study was drawn from supplier databases of four major mining companies in Zambia. The selection of companies was based on firm size: SMEs employing between 10-250 employees.

#### **3.1. Measurement of Variables**

This paper examines the motivations of entrepreneurs managing SMEs to engage in CSR. The independent variables are internal and external CSR motivation factors and identification of sustainable opportunities. The dependent variables consist of the different dimensions of CSR (employee-CSR, community-CSR and environmental-CSR).

##### **3.1.1. Dependent Variables**

Matten and Moon (2008) have stated that CSR varies greatly depending on the place, the context of study and/or national business systems. To measure CSR, we first conducted a qualitative pre-study consisting of 12 expert interviews with the Chamber of Commerce, regulatory bodies, consultants, and entrepreneurs in Zambia. The purpose of the expert interviews was to assess the relevant CSR items to include in the questionnaire; identify important CSR stakeholders; and to explore the experts' view on the motivational factors for CSR in SMEs. The results of the expert interviews revealed that SMEs' owners in Zambia focus on three categories of CSR practices directed at care for employees, involvement in community affairs and care for the environment. Thus, from the outcomes of the expert interviews, we developed items for measuring CSR towards the three dimensions of CSR practices based on existing literature and empirical studies. We listed all the CSR items in these studies and subjected them to the experts to determine the relevant CSR items in the study context. The final questions about CSR consisted of 33 items, 11 items for each of the three types of stakeholders (i.e. 11 items for employee-CSR, 11 items for community-CSR and 11 items for environmental-CSR). The 33 items were then given to 12 experts to judge the suitability of the items to measure CSR of Zambian SMEs supplying goods and services to the mining industry. All the 33 items were retained for the final survey

after the experts agreed that the items were appropriate and relevant to the context under study. A copy of the final questionnaire is attached as Appendix 1. Respondents were asked to indicate which aspects of CSR could be found in their company. A five-point Likert scale for respondents was used to evaluate their level of CSR engagement in their firms, ranging from 1 = strongly disagree to 5 = strongly agree. We used exploratory factor analysis with principal component analysis and varimax rotation to explore the dimensions of CSR practices.

### 3.1.2. Independent Variables

Two independent variables were measured in this study. *Motivation factors* for CSR were measured using a scale developed by Masurel and Rens (2015). We used this scale already in 2013 as it was developed earlier than 2015. The scale consisted of 16 items; eight items related to *external* CSR motivation factors and eight related to *internal* CSR motivation factors that influence SMEs to engage in CSR. Respondents were asked to indicate why they have or have not included aspects of CSR activities in their company. All motivation factors included in the questionnaire were based on a five-point Likert scale, ranging from 1 = strongly disagree to 5 = strongly agree.

The number of opportunities perceived by the respondent was used to measure *Sustainable opportunity identification*. To measure the sustainable opportunities identified, we adapted and modified the measure used by Ucbasaran, Westhead, and Wright (2009). In the original questionnaire, respondents were asked to indicate how many opportunities for creating or purchasing a business they had identified in a period of five years. In this study however, the question was rephrased to read "How many opportunities for making your business more sustainable and/or starting a sustainable business have you identified within the last five years". We asked respondents to choose the category that matched the number of sustainable opportunities they identified from eight categories. These categories included category 1 (zero (0) opportunities), category 2 (one opportunity) up to category 6 (5 opportunities) while category 7 represented 6-10 opportunities and category eight represented more than 10 opportunities. In this paper, three respondents identified zero sustainable opportunities; five identified one opportunity; nine identified two opportunities while 26 identified three opportunities. Further, 31 respondents identified four opportunities; 48 identified five opportunities while 82 respondents identified six to ten opportunities and 17 identified more than 10 opportunities. Because some categories were infrequently selected and also to improve estimation (Murad, Fleischman, Sadetzki, Geyer, and Freedman, 2003; Ucbasaran et al., 2003; 2009), the eight sustainable opportunity identification categories were collapsed into two categories: low opportunity identification

including those identifying 0 to 5 opportunities, and high opportunity identification constituting those identifying at least six or more opportunities.

Respondents were asked to give examples of sustainable opportunities they had identified to ensure a common understanding of sustainable opportunities. Regarding the social opportunities, some respondents cited that they paid for medical bills, provided a safe working environment, and paid funeral grants for their employees. Concerning community related sustainable opportunities, respondents cited a number of activities such as providing transport for burials in their communities, sponsoring traditional ceremonies, sports, buying fuel for the police vehicles in their communities, digging wells for safe drinking water, creating HIV awareness, providing industrial attachment to students, supporting orphanages and building community schools for the underprivileged in their communities. Examples of environmental sustainable opportunities included recycling, saving water and energy, and selling environmentally friendly products to the mining companies.

### 3.1.3. Control Variables

We included five control variables that may correlate with the SMEs' engagement in CSR: the entrepreneur's age, education and gender, and firm size and firm age. The entrepreneur's age may affect CSR engagements. This is because young people are more likely to change their perception of CSR (Elias, 2004) and older people display the highest negative perception of CSR (Wang and Juslin, 2012). The education level of owners or top managers typically has a positive influence on the willingness to implement CSR (Hsu and Cheng, 2012). Gender has been shown to have a significant impact on the perception of CSR performance (Wang and Juslin, 2012). Previous studies have suggested that large firms have more resources and capital to engage in CSR than small firms (Hsu and Cheng, 2012; Revell and Blackburn, 2007), whereas SMEs generally have limited resources (Spence, 1999). Thus, we expect that firm size may positively affect CSR engagement among SMEs (Udayasankar, 2008). Firm age was included as a control variable because younger firms appeared better at integrating sustainability in the business objectives than older firms (Schaltegger and Wagner, 2011). Firm size was measured using the natural logarithm (Ln) of the number of employees and firm age was measured using the natural logarithm of the number of years between the year the business was founded and the year the data were collected; i.e. 2013. Firm size and firm age had variability, this makes the data skewed, and such data does not meet the assumptions of parametric tests and may give misleading results (McDonald, 2009). Thus, we applied the Ln transformation to make the skewed data more normal and more amenable to analysis (Casillas and Moreno, 2010; Mwaura and Carter, 2015; Yasuda, 2005).

The questionnaire was tested prior to data collection with four experts from academia and two experienced entrepreneurs. Where necessary, questions were rephrased based on suggestions from the experts to make them (more) relevant to the study context.

### 3.2. Factor Analysis and Scale Validation

As explained in Section 3.1.1, we developed CSR measures based on literature and expert interviews. Thus, we used exploratory factor analysis (EFA) with principal component analysis and a varimax rotation to extract the dimensions of CSR practices. The Kaiser-Meyer-Olkin (KMO) adequacy measure of 0.816 and Bartlett's test of sphericity with a  $p$ -value of  $p = 0.000$  imply that the correlations between variables are sufficient for supporting the application of factor analysis. Selection of the final factor analysis model was based on eigenvalues and scree plot. This led to a three factor solution, accounting for 49.3% of the variance. We deleted items that did not load at all or loaded on more than one factor. In total, seven items relating to employee-CSR, three items relating to community-CSR and three items relating to environmental-CSR were deleted. We labelled the three factors we extracted as employee-CSR, community-CSR, and environmental-CSR. The factor loadings and reliability tests for all items on CSR practices are shown in table 1. The factor loadings for all items were greater than 0.40 making them acceptable for sample sizes of 200-249 (Hair et al., 2014). The Cronbach's alpha values for community-CSR, and environmental-CSR were 0.808 and 0.834, respectively and are acceptable since they exceeded the 0.7 threshold suggested by Nunnally (1978). For employee-CSR, the Cronbach's alpha value was 0.696, which is just below the threshold value. Yet, this is acceptable when using new scales or developing existing scales in a new context (Nunnally, 1978).

Since the measures for motivation are from existing scales, we chose confirmatory factor analysis (CFA) and a varimax rotation to extract the theoretical dimension of the external and internal motivation factors for CSR. The KMO was 0.865 and the Bartlett's Test of sphericity reported  $p = 0.001$ . CFA results indicate one factor for external motivations and two factors for internal motivations, explaining 62.1% of the inherent variation. We labelled the first factor as External Motivation, the second as Financial Motivation and the third as Moral and Ethical Motivation. One item related to external motivation was deleted for cross loading and two items related to internal motivation were deleted for not loading at all. The Cronbach's alpha values for the three motivations were 0.892 (External Motivation), 0.728 (Financial Motivation) and 0.730 (Moral and Ethical Motivation). As has been suggested by Nunnally (1978), the reliability levels were acceptable because the Cronbach's alphas for the three motivation

factors were above the 0.7 threshold. Table 2 shows factor loadings and reliability tests for all items related to motivation.

Table 1: Factor loadings of CSR items

|   | Employee<br>CSR | Community<br>CSR | Environmental<br>CSR | Cronbach's<br>Alpha |
|---|-----------------|------------------|----------------------|---------------------|
| My company pays for some of the employee's recreational activities  | 0.589           |                  |                      |                     |
| My company helps employees balance work-life and family life  | 0.706           |                  |                      | 0.696               |
| My company has a flexible working hour's policy   | 0.790           |                  |                      |                     |
| My company follows other employee-oriented social responsibility practices                                      | 0.586           |                  |                      |                     |
| My company supports orphans and underprivileged in society directly or indirectly through existing institutions |                 | 0.682            |                      |                     |
| My company sponsors community activities (sports, church buildings, culture, traditional ceremonies)            |                 | 0.659            |                      | 0.808               |
| My company sponsors students in schools   |                 | 0.586            |                      |                     |
| My company uses a formal customer complaints register for clients   |                 | 0.520            |                      |                     |
| My company donates money to charities in the communities where we operate                                       |                 | 0.814            |                      |                     |
| My company makes timely payment of taxes  |                 | 0.427            |                      |                     |
| My company is active within an organisation with a social purpose   |                 | 0.615            |                      |                     |
| My company follows other community social responsibility practices  |                 | 0.559            |                      |                     |
| <b>My company saves energy beyond legal requirements</b>  |                 |                  | 0.813                |                     |
| My company saves water beyond legal requirements  |                 |                  | 0.771                |                     |
| My company voluntarily does recycling and/or re-use   |                 |                  | 0.483                |                     |
| My company purchases environmentally friendly products  |                 |                  | 0.654                | 0.834               |
| My company complies with environmental regulations and standards  |                 |                  | 0.493                |                     |
| My company is well equipped in order to improve the sustainability/ CSR of my clients                           |                 |                  | 0.688                |                     |
| My company suggests sustainable solutions to our clients  |                 |                  | 0.705                |                     |
| My company follows other environmental social responsibility practices  |                 |                  | 0.650                |                     |
| <b>Deleted items</b>  |                 |                  |                      |                     |
| My company ensures workplace health and safety.   |                 |                  |                      |                     |
| My company motivates (gives incentives) employees.  |                 |                  |                      |                     |
| My company implements training and development programs for employees.  |                 |                  |                      |                     |
| My company offers free medical schemes for our employees.   |                 |                  |                      |                     |
| My company periodically tests employee satisfaction.  |                 |                  |                      |                     |
| My company human resource policy is aimed at workplace diversity.   |                 |                  |                      |                     |
| My company pays employees above the minimum wage and level.   |                 |                  |                      |                     |
| My employees and I actively offer our time and skills in volunteer activities.                                  |                 |                  |                      |                     |
| My company offers industrial attachments (internships) to students.   |                 |                  |                      |                     |
| My company improves the quality of life in the communities where it operates                                    |                 |                  |                      |                     |
| My company takes action in order to reduce waste.   |                 |                  |                      |                     |
| My company has a health, safety and environmental policy.   |                 |                  |                      |                     |
| My company is a member of an environmental organisation.  |                 |                  |                      |                     |



Table 2: Factor loadings of motivational items

|  | Financial Motivation | Moral and Ethical Motivation | External Motivation | Cronbach's Alpha |
|--|----------------------|------------------------------|---------------------|------------------|
| My company includes CSR because it improves my business reputation and image.                | 0.744                |                              |                     |                  |
| My company includes CSR because it ensures more revenue                                      | 0.808                |                              |                     | 0.728            |
| My company includes CSR because it saves costs   | 0.702                |                              |                     |                  |
| My company includes CSR because it improves the natural environment                          |                      | 0.802                        |                     |                  |
| My company includes CSR because it improves the health/well-being of people in my community. |                      | 0.777                        |                     | 0.730            |
| My company includes CSR because it gives me good feeling                                     |                      | 0.746                        |                     |                  |
| My company includes CSR because employees demand it  |                      |                              | 0.839               |                  |
| My company includes CSR because my clients demand it   |                      |                              | 0.817               |                  |
| My company includes CSR because suppliers demand it  |                      |                              | 0.826               |                  |
| My company includes CSR because the community where my business is located demands it        |                      |                              | 0.756               | 0.892            |
| My company includes CSR because in the future it will be a legal requirement                 |                      |                              | 0.650               |                  |
| My company includes CSR because the bank demands it  |                      |                              | 0.830               |                  |
| My company includes CSR because I want to prevent negative media attention                   |                      |                              | 0.619               |                  |
| <b>Deleted items</b>   |                      |                              |                     |                  |
| My company includes CSR because it improves employee performance.                            |                      |                              |                     |                  |
| My company includes CSR because it improves competitiveness.                                 |                      |                              |                     |                  |
| My company includes CSR because it improves the relation with my suppliers.                  |                      |                              |                     |                  |

#### 4. Analysis and Results

This section presents our analysis and the results of the study. First, we present the general descriptive statistics and then we test the hypotheses using linear regression analysis.

##### 4.1. Descriptive Statistics

Table 3 shows amongst others the means and standard deviations for each of the three dimensions of CSR activities as well as the external and internal motivations and sustainable opportunity identification (SOI). Statistical results indicate that environmental-CSR has the highest mean (3.66), followed by employee-CSR (mean = 3.42), and community-CSR (mean = 3.26). Of the employee-CSR aspects, entrepreneurs focus most on flexible working hours and helping employees balance work-life and family life, with mean values of 3.69 and 3.67, respectively (see Table 4). For the community aspects of CSR, making timely

payment of taxes is most prevalent, followed by following other community responsibility practices, sponsoring community activities, and supporting orphans and the underprivileged in the community, with mean values of 4.19, 3.37, 3.35, and 3.25, respectively. Concerning the environmental dimension of CSR, complying with environmental regulations and standards, purchasing environmentally friendly products and suggesting sustainable solutions to clients are the most prevalent practices, with mean values of 4.12, 3.85 and 3.85, respectively.

Table 3: Descriptive statistics of CSR dimensions, motivations and sustainable opportunity identification

|  |                              | <b>N</b> | <b>Minimum</b> | <b>Maximum</b> | <b>Mean</b> | <b>SD</b> |
|--|------------------------------|----------|----------------|----------------|-------------|-----------|
| CSR dimensions                         | Employee                     | 221      | 1.00           | 5.00           | 3.42        | 0.74      |
|  | Community                    | 221      | 1.50           | 5.00           | 3.26        | 0.70      |
|  | Environmental                | 221      | 1.75           | 5.00           | 3.66        | 0.65      |
| Motivations                            | External Motivation          | 221      | 1.00           | 4.71           | 2.61        | 0.80      |
|  | Financial Motivation         | 221      | 1.00           | 5.00           | 3.24        | 0.81      |
|  | Moral and Ethical Motivation | 221      | 1.33           | 5.00           | 3.60        | 0.78      |
| Sustainable opportunity identification |                              | 221      | 1.00           | 2.00           | 1.45        | 0.50      |

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Table 4: Descriptive statistics of CSR items

|   | N   | Minimum | Maximum | Mean | SD   |
|---|-----|---------|---------|------|------|
| My company pays for some of the employee’s recreational activities  | 221 | 1.0     | 5.0     | 2.89 | 1.10 |
| My company helps employees balance work-life and family life  | 221 | 1.0     | 5.0     | 3.67 | 0.93 |
| My company has a flexible working hour’s policy   | 221 | 1.0     | 5.0     | 3.69 | 1.07 |
| My company follows other employee-oriented social responsibility practices                                      | 221 | 1.0     | 5.0     | 3.43 | 0.97 |
| My company supports orphans and underprivileged in society directly or indirectly through existing institutions | 221 | 1.0     | 5.0     | 3.25 | 1.15 |
| My company sponsors community activities (sports, church buildings, culture, traditional ceremonies)            | 221 | 1.0     | 5.0     | 3.35 | 1.16 |
| My company sponsors students in schools   | 221 | 1.0     | 5.0     | 2.64 | 1.09 |
| My company uses a formal customer complaints register for clients   | 221 | 1.0     | 5.0     | 2.94 | 1.10 |
| My company donates money to charities in the communities where we operate                                       | 221 | 1.0     | 5.0     | 3.24 | 1.15 |
| My company makes timely payment of taxes  | 221 | 1.0     | 5.0     | 4.19 | 0.87 |
| My company is active within an organisation with a social purpose   | 221 | 1.0     | 5.0     | 3.16 | 1.04 |
| My company follows other community social responsibility practices  | 221 | 2.0     | 5.0     | 3.37 | 0.99 |
| My company saves energy beyond legal requirements   | 221 | 1.0     | 5.0     | 3.61 | 0.94 |
| My company saves water beyond legal requirements  | 221 | 1.0     | 5.0     | 3.69 | 0.94 |
| My company voluntarily does recycling and/or re-use   | 221 | 1.0     | 5.0     | 2.86 | 1.12 |
| My company purchases environmentally friendly products  | 221 | 1.0     | 5.0     | 3.85 | 0.87 |
| My company complies with environmental regulations and standards  | 221 | 1.0     | 5.0     | 4.12 | 0.82 |
| My company is well equipped in order to improve the sustainability/ CSR of my clients                           | 221 | 1.0     | 5.0     | 3.57 | 1.07 |
| My company suggests sustainable solutions to our clients  | 221 | 1.0     | 5.0     | 3.85 | 0.95 |
| My company follows other environmental social responsibility practices  | 221 | 1.0     | 5.0     | 3.74 | 0.87 |

Regarding motivation factors, of the two internal motivational factors, Moral and Ethical Motivations has a high mean of 3.60 followed by Financial Motivations with a mean of 3.24. The mean value of the External Motivations is only 2.61 (see Table 3). Regarding the internal motivation factors, improving the well-being of people in the community and improving business reputation have the highest means, 3.73 and 3.65 respectively (see Table 5). For the external motivation factors, the prospects of CSR becoming a legal requirement and preventing negative media attention have the highest means, 2.90 and 2.76 respectively, while pressure from the banks has the lowest mean value of 2.36

Table 5: Descriptive statistics of motivational items

|  | N   | Minimum | Maximum | Mean | SD   |
|--|-----|---------|---------|------|------|
| My company includes CSR because it improves my business reputation and image.                | 221 | 1.0     | 5.0     | 3.65 | 0.97 |
| My company includes CSR because it ensures more revenue                                      | 221 | 1.0     | 5.0     | 3.22 | 1.06 |
| My company includes CSR because it saves costs   | 221 | 1.0     | 5.0     | 2.86 | 0.99 |
| My company includes CSR because it improves the natural environment                          | 221 | 1.0     | 5.0     | 3.63 | 0.97 |
| My company includes CSR because it improves the health/well-being of people in my community. | 221 | 1.0     | 5.0     | 3.73 | 0.89 |
| My company includes CSR because it gives me good feeling                                     | 221 | 1.0     | 5.0     | 3.44 | 1.06 |
| My company includes CSR because employees demand it  | 221 | 1.0     | 5.0     | 2.41 | 0.95 |
| My company includes CSR because my clients demand it   | 221 | 1.0     | 5.0     | 2.65 | 1.05 |
| My company includes CSR because suppliers demand it  | 221 | 1.0     | 5.0     | 2.53 | 1.03 |
| My company includes CSR because the community where my business is located demands it        | 221 | 1.0     | 5.0     | 2.63 | 1.09 |
| My company includes CSR because in the future it will be a legal requirement                 | 221 | 1.0     | 5.0     | 2.90 | 1.04 |
| My company includes CSR because the bank demands it  | 221 | 1.0     | 5.0     | 2.36 | 0.97 |
| My company includes CSR because I want to prevent negative media attention                   | 221 | 1.0     | 5.0     | 2.76 | 1.06 |

## 4.2. Results

The dependent variable consisted of three dimensions of CSR: employee-CSR, community-CSR and environmental-CSR. Consequently, we used three different linear regression analyses to test each of the hypotheses H1-H3. We tested for multicollinearity using the Variance Inflation Factor (VIF) and found that the scores for all predictors and control variables were less than 5 (ranging from 1.01 to 1.28), thus suggesting that multicollinearity may not cause problems in the regression model (Hair et al., 2014). Table 6 shows the results of the regression analysis.

## 4.3. Hypotheses Tests

In the first regression (Model 1), employee-CSR was the dependent variable. The model was insignificant and had a low adjusted  $R^2$  value of 0.011 ( $F = 1.275$ ;  $p = 0.252$ ) (see Table 6). In this model, External Motivation factors, and the two variables representing the internal motivation (Financial Motivation and Moral and Ethical Motivation) as well as Sustainable Opportunity Identification were insignificant, thus H1, H2 and H3 were all rejected for employee-CSR.

In Model 2, community-CSR was considered as dependent variable. This model was significant and gave an adjusted  $R^2$  value of 0.187 ( $F = 6.611$ ;  $p < 0.000$ ). In this model, Financial Motivation was significant ( $p < 0.001$ ) while

Moral and Ethical Motivations and Sustainable Opportunity Identification were significant as well ( $p < 0.05$ ) and ( $p < 0.01$ ), respectively, indicating that Internal Motivation and Sustainable Opportunities Identification influence entrepreneurs to engage in community-CSR practices, thus, H1 and H3 were fully accepted for community-CSR. H2 was not supported for community-CSR, as there was an insignificant relationship between External Motivation and community-CSR ( $p > 0.05$ ).

Table 6: The relationship between internal motivation, external motivation and sustainable opportunity identification and CSR engagement in SMEs

|  |        | Employee-<br>CSR<br>Model 1 |        | Community-<br>CSR<br>Model 2 |        | Environmenta<br>l-CSR<br>Model 3 |
|--|--------|-----------------------------|--------|------------------------------|--------|----------------------------------|
|  | B      | Significance                | B      | Significance                 | B      | Significance                     |
| Constant                               | 2.517  | 0.000***                    | 0.883  | 0.021*                       | 1.606  | 0.000***                         |
| Predictors                             |        |                             |        |                              |        |                                  |
| Financial Motivation                   | 0.105  | 0.143                       | 0.223  | 0.000***                     | 0.283  | 0.000***                         |
| Moral and Ethical Motivation           | 0.087  | 0.221                       | 0.142  | 0.020*                       | 0.255  | 0.000***                         |
| External Motivation                    | 0.014  | 0.841                       | 0.025  | 0.686                        | -0.076 | 0.157                            |
| Sustainable Opportunity Identification | 0.080  | 0.438                       | 0.290  | 0.001**                      | 0.133  | 0.088                            |
| Controls                               |        |                             |        |                              |        |                                  |
| Age                                    | -0.051 | 0.584                       | 0.004  | 0.964                        | -0.047 | 0.496                            |
| Education                              | 0.021  | 0.807                       | -0.004 | 0.954                        | 0.060  | 0.243                            |
| Gender                                 | 0.093  | 0.493                       | 0.071  | 0.545                        | 0.024  | 0.817                            |
| Firm Size                              | 0.071  | 0.257                       | 0.123  | 0.023*                       | 0.050  | 0.283                            |
| Firm Age                               | -0.065 | 0.390                       | 0.101  | 0.122                        | 0.003  | 0.962                            |
|  |        |                             |        |                              |        |                                  |
| R <sup>2</sup>                         | 0.052  |                             | 0.220  |                              | 0.299  |                                  |
| Adjusted R <sup>2</sup>                | 0.011  |                             | 0.187  |                              | 0.269  |                                  |

Note: N=221. \* $p < 0.05$ ; \*\* $p < 0.01$ ; \*\*\* $p < 0.001$ .

Table 7: Hypotheses testing

| Hypotheses   | Employee-CSR<br>Model 1 | Community-<br>CSR Model 2 | Environmental-CSR<br>Model 3 |
|--|-------------------------|---------------------------|------------------------------|
| H1: Internal motivation positively influences entrepreneurs in SMEs to engage in CSR activities.                             | Rejected                | Accepted                  | Accepted                     |
|  |                         |                           |                              |
| H2: External motivation positively influences entrepreneurs in SMEs to engage in CSR activities.                             | Rejected                | Rejected                  | Rejected                     |
|  |                         |                           |                              |
| H3: The identification of sustainable opportunities positively influences entrepreneurs in SMEs to engage in CSR activities. | Rejected                | Accepted                  | Rejected                     |

Environmental-CSR was the dependent variable in Model 3. The model was significant with an adjusted  $R^2$  value of 0.269 ( $F=9.977$ ;  $p<0.000$ ), and the influence of Financial Motivation and Moral and Ethical Motivation were also significant ( $p<0.001$ ). Thus, H1 is fully accepted for environmental-CSR. This indicates that Financial Motivation as well as Moral and Ethical Motivation significantly influence the adoption of environmental-CSR practices. H2 and H3 were not supported for Model 3 as there were insignificant relationships between External Motivation and the identification of sustainable opportunities on the one hand and environmental-CSR ( $p > 0.05$ ) on the other hand. Table 7 summarises the outcomes of the testing of the three hypotheses, pointing to whether they are accepted or rejected for each of the three dimensions of CSR.

## 5. Discussion

This study set out to examine the motivations of entrepreneurs to engage in three dimensions of CSR: employee, community and environmental. We formulated and tested three hypotheses: (1) internal motivation factors positively influence entrepreneurs in SMEs to engage in CSR activities; (2) external motivation factors positively influence entrepreneurs in SMEs to engage in CSR activities; and (3) the identification of sustainable opportunities positively influences entrepreneurs in SMEs to engage in CSR activities.

We found that internal motivation positively influences entrepreneurs to engage in community and ecological CSR activities. Further, external motivation does not influence Zambian entrepreneurs to engage in employee, community or environmental CSR activities. Another important finding was that entrepreneurs' identification of sustainable opportunities influences their engagement in community CSR. Surprisingly, the engagement in employee CSR is not influenced by internal and external motivations nor the identification of sustainable opportunities by the entrepreneur. Below, we discuss these findings in more detail.

As reported above, internal motivation (i.e. both Financial Motivation and Moral and Ethical Motivation) positively influences entrepreneurs' engagement in community and environmental CSR activities, but does not influence employee-CSR. With respect to the first dimension of internal motivation (Financial Motivation), our result is consistent with other researchers such as Lee et al. (2016) and Vo et al. (2015). These found that SMEs are motivated to pursue community and environmental CSR activities when they perceive a business benefit and value for the company in the form of cost savings. Further, a possible explanation is that SMEs' involvement in community-CSR may result in better community relations and an improved image of the SMEs. Also, SMEs depend on the community for their existence. It is therefore possible that once they perceive benefits such as improved community image, better business performance, better

community relations and improved customer loyalty, SMEs will be willing to engage in community-CSR (Inyang 2013). Our findings are also in line with Mankelov and Quazi (2007) who observed that SMEs are motivated towards community-CSR for profit motives and growth of the business. Apparently, entrepreneurs in SMEs in Zambia are motivated to pursue community-CSR activities if they perceive a business benefit.

Another point that can be made is that Financial Motivation positively influences entrepreneurs' engagement in environmental-CSR activities because of the potential financial benefits that come from cost reduction in terms of waste recycling, reduction in water and energy consumption (Graafland and Mazereeuw-Van der Duijn Schouten, 2012). Again, Kechiche and Soparnot (2012) pointed out that in effect, by implementing cost saving measures or purchasing/selling environmentally friendly products, SMEs can reduce waste, reduce cost and increase efficiency which effectually brings about financial advantage. It is also possible that SMEs in Zambia care for the environment to win more contracts with mining companies, attracting those mining companies that are environmentally conscious to purchase their products. Overall, the above findings are consistent with findings of previous studies (e.g. Santos, 2011), that found that CSR in SMEs is internally focused and results from the motivation of the potential benefits to the business from gains in eco-efficiency, a better social climate or a higher profile in the community.

Regarding the second dimension of internal motivation (Moral and Ethical Motivation), the results show that Moral and Ethical Motivation positively influences entrepreneurs' engagement in community and environmental CSR activities. These results are in line with Hsu and Cheng (2011), Jenkins (2006), and Longo et al. (2005) who established that SMEs engage in CSR for moral and ethical reasons of the entrepreneurs. Similarly, Amaeshi et al. (2016), Hamann et al. (2017), and Jamali et al. (2017) also noted that SMEs' owner-managers and their senior managers in Africa are motivated to pursue CSR activities because of their strong ethics. Our result that the engagement in community-CSR is positively influenced by Moral and Ethical Motivation suggests a desire for good corporate citizenship in the community and entrepreneurs in SMEs perceiving that giving back to the community where the business is located is the 'right thing to do' (Inyang, 2013). It seems that entrepreneurs in SMEs in Zambia are motivated to engage in community CSR activities aimed at addressing some of the social problems in their community that are currently not being undertaken by the new mine owners out of their moral and ethical obligations.

Furthermore, our finding that the engagement in environmental-CSR is positively influenced by Moral and Ethical Motivation suggests that entrepreneurs take into consideration the moral and ethical aspects of the natural environment in their decision making. Entrepreneurs feel that they have a moral duty or obligation to take care of the natural environment.

External motivation does not influence the engagement in any of the CSR activities. Apparently, in the Zambian setting, SMEs have less pressure from regulatory bodies, supply chain partners, customers, banks, media, and public opinion to push them to engage in any form of CSR activities. One reason could be a lack of deliberate policy by the government that compels SMEs to adopt CSR activities (Noyoo, 2007). Even where there is some regulation, there are no incentives for SMEs to adopt CSR practices (Kivuitu et al., 2005). Similarly, during the pre-study, one manager of a consulting firm stated that “*SMEs cannot see the benefits of external motivations unless these motivations are linked to profit or incentives*”. Hamann et al. (2017) also found that state regulations hardly play a role in motivating SMEs to engage in pro-environmental behaviour.

The entrepreneurs’ identification of sustainable opportunities influences entrepreneurs to engage in community-CSR. However, the identification of sustainable opportunities does not influence entrepreneurs to engage in employee-CSR and environmental-CSR. A possible explanation for this could be that CSR in Sub-Saharan Africa focusses on addressing social problems rather than environmental problems (Amaeshi et al., 2006; Muthuri and Gilbert, 2011). It is possible that in the context of Zambia, entrepreneurs identify sustainable opportunities in the area of social problems in their communities. This eventually triggers them to be motivated to engage in community-CSR to solve these problems. The lack of effect of sustainable opportunity identification on the environmental CSR is consistent with the results of several studies that noted that there is a lack of ecological concerns in African SMEs (Amaeshi et al., 2006; Demuijnck and Ngnodjom, 2013; Painter-Morland and Dobie, 2009).

Surprisingly, employee-CSR is not influenced by internal and external motivation nor by the identification of sustainable opportunities. This finding is conflicting with the results of Jenkins (2004) and Vives (2006) who concluded that the main focus of CSR in SMEs is on the internal stakeholder, especially the employee. A possible explanation is that in the African context, entrepreneurs naturally feel responsible for their employees and their families (Amaeshi et al., 2006). Hence, it could be that the respondents in our sample did not see their responsibilities towards their employees as CSR but as a part of their normal obligations. Another explanation could be due to the overlap between employee-CSR and community-CSR. A large number of items on the employee-CSR scale were deleted for loading on the community-CSR scale. This could be because our respondents could have treated employees as part of the community. Apparently, most, if not all employees in SMEs come from the local community. As such, it is quite normal for SMEs to employ people mostly from the direct neighbourhood. This overlap could also be due to the study context, employee-CSR is not very accepted as CSR in this context because it is regarded as part of the legal obligation for the employer.

Our results also show that there are similarities in CSR activities in SMEs and large private mining firms in Zambia in the sense that CSR in the mining industry



in Zambia still focuses on community involvement, yet to a limited extent compared to the way it was with ZCCM previously. Our study has revealed that SMEs are motivated to engage in community-CSR activities aimed at addressing social problems in the community where companies operate. Despite these similarities, our study is different in the sense that we focused on a sample of supplier SMEs while other CSR studies in Zambia focused on the mining firms.

## **6. Limitations and Areas for Future Research**

This study has some limitations. First, we did not investigate the economic conditions and institutional factors that can limit or promote CSR. Future researchers can investigate the extent to which the institutional environment and economic factors influence or exert pressure on SMEs to engage in CSR activities. Another limitation is that our study group was drawn from the trading and service sector. More studies that include different sectors in different contexts may inform us on the generalisability of our findings. Further, we used a survey approach to collect data in an under-researched context. Future studies can consider a multiple-case study approach to explore what motivates entrepreneurs in a developing country's context to engage in CSR; this might facilitate the building of a theory in line with the contexts of developing countries especially those in sub-Saharan Africa. Furthermore, a large number of items on the employee-CSR scale were deleted for cross loading (overlapping) with community-CSR; this is a limitation in our study and may explain the low explanatory power for our employee-CSR model. Further research is required into the overlap between employee-CSR and community-CSR. Lastly, while the identification of sustainable opportunities focused on the number of perceived opportunities identified, CSR focused on the identified opportunities that were actualised (acted upon). It is possible that respondents could not have differentiated between the identification of sustainable opportunities and actual CSR. Hence, the possibility that the estimated relationship between the identification of sustainable opportunity and CSR is spurious, cannot be completely ruled out.

## **7. Conclusions**

In sum, the answer to our research question 'what factors motivate SMEs to engage in different forms of CSR in Zambia' can be answered as follows. Internal motivation (i.e., Financial Motivation and Moral and Ethical Motivation) plays an important role, as it influences both community-CSR and environmental-CSR. The identification of sustainable opportunities plays a limited role, as it only influences community-CSR. Finally, external motivation does not play a role at all for the entrepreneurs in SMEs to engage in any kind of CSR activities.

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## Appendix 1: Research Questionnaire

|  |                                    |      |            |                                     |        |      |                        |  |
|--|------------------------------------|------|------------|-------------------------------------|--------|------|------------------------|--|
| BUSINESS NAME:   |                                    |      |            | DATE                                |        |      |                        |  |
| BUSINESS ADDRESS   |                                    |      |            | TIME                                |        |      |                        |  |
| RESPONDENT'S NAME  |                                    |      |            | Email                               |        |      |                        |  |
|  |                                    |      |            | Phone #                             |        |      |                        |  |
| 100 SECTION 1:ENTREPRENEUR'S PERSONAL INFORMATION(100)   |                                    |      |            |                                     |        |      |                        |  |
| 101 Please indicate your Gender  |                                    |      |            |                                     |        |      |                        |  |
| 1  | Female                             |      |            |                                     |        |      |                        |  |
| 2  | Male                               |      |            |                                     |        |      |                        |  |
| 102 Please indicate your age group?  |                                    |      |            |                                     |        |      |                        |  |
| 1  | Under 20                           |      | 4          | 41 to 50                            |        |      |                        |  |
| 2  | 20 to 30                           |      | 5          | 51 to 60                            |        |      |                        |  |
| 3  | 31 to 40                           |      | 6          | Over 60                             |        |      |                        |  |
| 103 What is the highest level of education that you have successfully completed?   |                                    |      |            |                                     |        |      |                        |  |
| 1  | No Education                       |      | 5          | College Diploma                     |        |      |                        |  |
| 2  | Basic Education (Grade 1-9)        |      | 6          | University Degree                   |        |      |                        |  |
| 3  | Secondary Education (Grade 10 -12) |      | 7          | Professional Qualification          |        |      |                        |  |
| 4  | Trade School (certificate holder)  |      | 8          | Other (Please Specify):             |        |      |                        |  |
| (104) Did you run another company prior to starting this company?  |                                    |      |            | Yes                                 |        | No   |                        |  |
|  |                                    |      |            | If Yes, for how many years? (Years) |        |      |                        |  |
| (105) Did you have any experience of business management tasks through earlier employment prior to starting your business? |                                    |      |            | Yes                                 |        | No   |                        |  |
|  |                                    |      |            | If Yes, for how many years? (Years) |        |      |                        |  |
| 200 SECTION 2:COMPANY INFORMATION (200)<br><i>(Please tick (✓) the sector that represents your most important sector</i>   |                                    |      |            |                                     |        |      |                        |  |
| (201) Indicate your company sector.  |                                    |      |            |                                     |        |      |                        |  |
| a  | Trading                            | b    | Services   | c                                   | Mining | d    | Construction           |  |
| e  | Manufacturing                      | f    | Processing |                                     |        |      |                        |  |
| (202) In which month and year was your business founded? (MM/YYYY)   |                                    |      |            |                                     |        |      |                        |  |
| (203) Please indicate the total number of employees as at 1 <sup>st</sup> of January in the following categories:          |                                    |      |            |                                     |        |      |                        |  |
| Category   |                                    | 2011 |            | 2012                                |        | 2013 |                        |  |
| 1  | Full time employees                |      |            |                                     |        |      |                        |  |
| 2  | Part time employees                |      |            |                                     |        |      |                        |  |
| 3  | Owner Managers                     |      |            |                                     |        |      |                        |  |
| 4  | Family Members                     |      |            |                                     |        |      |                        |  |
| 5  | Peak/Casual Workers                |      |            |                                     |        |      |                        |  |
| 6  | Total employees                    |      |            |                                     |        |      |                        |  |
| (204) What is your total investment excluding land and building in 2012?   |                                    |      |            |                                     |        |      |                        |  |
| a  | Up to KR80,000                     |      | b          | KR151,000 – KR250,000               |        | c    | KR151,000 – KR300,000  |  |
| d  | More than KR800,000                |      |            |                                     |        |      |                        |  |
| (205) What is your total annual turnover in 2012?  |                                    |      |            |                                     |        |      |                        |  |
| a  | Up to KR150,000                    |      | b          | KR151,000 – KR250,000               |        | c    | KR251,000 – KR800,000  |  |
| d  | More than KR800,000                |      |            |                                     |        |      |                        |  |
| (206) Where is your business located?  |                                    |      |            |                                     |        |      |                        |  |
| 1  | Copperbelt Province                |      | 2          | Lusaka Province                     |        | 3    | North Western Province |  |
| 4  | Central Province                   |      |            |                                     |        |      |                        |  |

This survey uses the following definition of Corporate Social Responsibility (CSR):  
 CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis.

| SECTION 3:<br>Read each statement carefully and indicate which aspect of Corporate Social Responsibility can be found in your company.<br>Select only one of the numbers below to indicate how well the statement describes your Corporate Social Responsibility activities. 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly agree |  |                       |              |                                |           |                    |
|--|--|-----------------------|--------------|--------------------------------|-----------|--------------------|
| 301:   |  | Strongly Disagree (1) | Disagree (2) | Neither Agree nor Disagree (3) | Agree (4) | Strongly Agree (5) |
| (301a)   | My company ensures workplace health and safety.  |                       |              |                                |           |                    |
| (301b)   | My company motivates (gives incentives) employees.   |                       |              |                                |           |                    |
| (301c)   | My company implements training and development programs for employees.   |                       |              |                                |           |                    |
| (301d)   | My company offers free medical schemes for our employees.  |                       |              |                                |           |                    |
| (301e)   | My company pays for some of the employee's recreational activities   |                       |              |                                |           |                    |
| (301f)   | My company helps employees balance work-life and family life.  |                       |              |                                |           |                    |
| (301g)   | My company periodically tests employee satisfaction.   |                       |              |                                |           |                    |
| (301h)   | My company human resource policy is aimed at workplace diversity.  |                       |              |                                |           |                    |
| (301i)   | My company pays employees above the minimum wage and level.  |                       |              |                                |           |                    |
| (301j)   | My company has a flexible working hour's policy.   |                       |              |                                |           |                    |
| (301k)   | My company follows other employee-oriented social responsibility practices.                                      |                       |              |                                |           |                    |
|  |  |                       |              |                                |           |                    |
| 302:   |  | Strongly Disagree (1) | Disagree (2) | Neither Agree nor Disagree (3) | Agree (4) | Strongly Agree (5) |
| (302a)   | My company supports orphans and underprivileged in society directly or indirectly through existing institutions. |                       |              |                                |           |                    |
| (302b)   | My company sponsors community activities (sports, church buildings, culture, traditional ceremonies).            |                       |              |                                |           |                    |
| (302c)   | My employees and I actively offer our time and skills in volunteer activities.                                   |                       |              |                                |           |                    |
| (302d)   | My company sponsors students in schools.   |                       |              |                                |           |                    |
| (302e)   | My company offers industrial attachments (internships) to students.  |                       |              |                                |           |                    |
| (302f)   | My company uses a formal customer complaints register for clients.   |                       |              |                                |           |                    |
| (302g)   | My company improves the quality of life in the communities where it operates.                                    |                       |              |                                |           |                    |
| (302h)   | My company donates money to charities in the communities where we operate.                                       |                       |              |                                |           |                    |
| (302i)   | My company makes timely payment of taxes   |                       |              |                                |           |                    |

|   |   |                       |              |                                |           |                    |
|---|---|-----------------------|--------------|--------------------------------|-----------|--------------------|
| (302j)  | My company is active within an organisation with a social purpose.                      |                       |              |                                |           |                    |
| (302k)  | My company follows other society social responsibility practices.                       |                       |              |                                |           |                    |
|   |   |                       |              |                                |           |                    |
| 303:  |   | Strongly Disagree (1) | Disagree (2) | Neither Agree nor Disagree (3) | Agree (4) | Strongly Agree (5) |
| (303a)  | My company saves energy beyond legal requirements.                                      |                       |              |                                |           |                    |
| (303b)  | My company saves water beyond legal requirements.                                       |                       |              |                                |           |                    |
| (303c)  | My company voluntarily does recycling and/or re-use.                                    |                       |              |                                |           |                    |
| (303d)  | My company takes action in order to reduce waste.                                       |                       |              |                                |           |                    |
| (303e)  | My company purchases environmentally friendly products.                                 |                       |              |                                |           |                    |
| (303f)  | My company has a health, safety and environmental policy.                               |                       |              |                                |           |                    |
| (303g)  | My company is a member of an environmental organisation.                                |                       |              |                                |           |                    |
| (303h)  | My company complies with environmental regulations and standards.                       |                       |              |                                |           |                    |
| (303i)  | My company is well equipped in order to improve the sustainability/CSR of my clients.   |                       |              |                                |           |                    |
| (303j)  | My company suggests sustainable solutions to our clients.                               |                       |              |                                |           |                    |
| (303k)  | My company follows other environmental social responsibility practices.                 |                       |              |                                |           |                    |
|   |   |                       |              |                                |           |                    |
| <b>SECTION 4:</b>   |   |                       |              |                                |           |                    |
| Through the following statements you can indicate why or why not you have included the aspect of Corporate Social Responsibility (CSR) that you mentioned above, with the policy of your company. |   |                       |              |                                |           |                    |
| 401   |   | Strongly Disagree (1) | Disagree (2) | Neither Agree nor Disagree (3) | Agree (4) | Strongly Agree (5) |
| (401)   | My company includes CSR because it improves my business reputation and image.           |                       |              |                                |           |                    |
| (402)   | My company includes CSR because it ensures more revenue (I want to win more contracts). |                       |              |                                |           |                    |
| (403)   | My company includes CSR because it saves costs.   |                       |              |                                |           |                    |
| (404)   | My company includes CSR because it improves employee performance.                       |                       |              |                                |           |                    |
| (405)   | My company includes CSR because employees demand it.                                    |                       |              |                                |           |                    |
| (406)   | My company includes CSR because my clients demand it.                                   |                       |              |                                |           |                    |
| (407)   | My company includes CSR because suppliers demand it.                                    |                       |              |                                |           |                    |
| (408)   | My company includes CSR because the community where my business is located demands it.  |                       |              |                                |           |                    |





