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Title:

Providing Southern Perspectives on CSR: Investigating formal and informal CSR practices and the views of managers and workers in SME garment companies in South Africa

Abstract:

The article seeks to contribute to the SMEs and CSR literature in developing countries by providing; a) a 'Southern' SME perspective, which includes the voices of managers and workers, b) a perspective of CSR, which opens up to informal CSR practices that SMEs undertake, and c) an analysis of the key institutional issues affecting the CSR practices of SMEs. It presents perceptions of CSR practices among 21 SMEs in the garment industry in South Africa, based on 40 interviews with managers and 19 interviews with workers through the use of qualitative and quantitative interview frameworks. It highlights a high degree of similarities between managers and workers, though knowledge of (cognitive level) the concept 'CSR' differ considerably. Informal practices are widespread and of key importance to the SMEs, expressed by managers and workers alike. History, industry and manager-workers relations are found to be important factors in explaining the CSR perceptions and level of practices. It is suggested that future research investigate the role of informal practices further and explore the role of institutional theory.

Key words:

SME managers and workers, formal and informal CSR practices, institutional theory, garment industry, South Africa

Content & Objectives:

The (Corporate Social Responsibility)[1] CSR agenda has been focused on developed, industrialized countries where many large companies and often Multinationals (MNCs) and their strategies and practices have been studied (Blowfield and Frynas, 2005). With this focus formalized practices have been taken for granted whether investigating working conditions, labor standards, working environment (like occupational safety and health) or environmental conditions. This emphasis has left not only limited attention to be paid to CSR issues in developing countries but also micro, small and medium-sized enterprises (SMEs) being under research (Moore and Spence, 2006 and Morsing and Perrini, 2009) and informal CSR practices being overlooked.

This 'Northern, MNC dominated CSR agenda' (Banerjee, 2008) tend to be based on information from managers of MNCs and discuss what SMEs should do (World Bank, 2003) or be able to gain in terms of efficiency, market shares and/or clients in particular markets (Singh et al., 2005). Those contributions tend to criticize what the SMEs are NOT doing and highlight how the SMEs can be pressured or encouraged to adopt particular standards (Luken and Stares (2005), adopt codes of conduct, and/or produce CSR reports (Kumari, 2008). All of the practices are 'formal' CSR activities which can be documented, measured and certified.

In contrast, the perspective on the side of the SMEs is lacking as Jenkins notices that few contributions are addressing SMEs in 'their own rights' (Jenkins, 2004). We have a knowledge gap regarding which CSR practices that SMEs undertake (Murillo & Lozano, 2006) and why they do so (Fox, 2005; Jamali et al., 2009, p. 355; Jeppesen et al., 2012). As this gap especially concerns developing countries, we lack so-called 'Southern Perspectives', such as communities, workers, as well as SMEs perspectives on CSR (Prieto-Carron et al., 2006, Newell & Frynas, 2007).

Our limited knowledge stands in contrast to the fact that Small and Medium-sized Enterprises (SMEs)[2] constitute by far the largest number of firms in the private sector, in many cases including more than 90% of all firms being registered in a given country, and this number is even higher if the informal sector is counted too. SMEs are creating a substantial number of jobs and are producing a major share of total industrial output in developed and developing countries (UNEP 2003; Luetkenhorst 2004).

We suggest that further attention is paid to what SMEs actually do in terms of which CSR practices they undertake and why they do this (Jeppesen, 2004; Vives, 2006; Jamali et al., 2009; Skadegaard Thorsen & Jeppesen, 2010). This means studying SMEs while acknowledging the ad-hoc, less formalized or informal way of carrying out CSR practices (Jenkins, 2004; Whalley,

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[1] Our understanding of CSR is based on Blowfield & Frynas, who propose to consider companies as (a) having a responsibility for their impact on society and the natural environment, sometimes beyond legal compliance and the liability of individuals; (b) having a responsibility for the behavior of others with whom they do business (e.g. within the supply chains); (c) having the need to manage their relationship with wider society, whether for reasons of commercial viability, or to add value to society" (Blowfield & Frynas, 2005, p. 503). Our investigation of the formal and informal CSR practices refers to all three points with perspectives from both managers and workers.

[2] No universal or standard definition of SME exists. In the paper, 'SMEs' are defined as 'registered entities having at least 5 employees and no more than 199 employees', based on the official definition of SMEs in the Textiles, Garment and Footwear industry in South Africa.

2000). Such informal CSR practices could for example be a) loans provided by management to workers, b) the provision of extra holidays, c) time off to take part in important family events as marriages and funerals and d) contributions in cash or kind by the SME to the local community, churches and sport clubs. Based on the literature and noting that it is also important to investigate the formal practices among SMEs, we will use a four dimension approach including formal and 'informal' CSR practices asking managers and workers to relate to CSR in terms of:

- formal CSR practices, including 1) physical environment, 2) working environment (occupational safety and health), and 3) labor standards/working conditions, and

- informal CSR practices, including 4) informal arrangements between management and employees (such as loans, various types of leave) and support to the local communities and others (e.g. in the form of donation of money or in kind, or in personal involvement).

In providing a 'Southern perspective' on SMEs and CSR in developing countries, we pay attention to the context (Blowfield & Frynas, 2005; Prieto-Carron et al. 2006; Blackman, 2006b; Jamali et al., 2009; Khan & Lund-Thomsen, 2011) and the tensions inherent in CSR as western concept introduced from developed countries (Blowfield & Frynas, 2005, p. 504). In developing countries CSR might not be known (Newell & Frynas, 2007, p. 679), or may be considered an alienating concept (Jamali et al., 2009, p. 356) or viewed as part of a 'western imperialist agenda' (Khan & Lund-Thomsen, 2011).

We need to recognize that the SMEs consist of managers AND workers, if we are interested in learning more about CSR in SMEs (Jeppesen, 2004; Tran, 2011). Finally, we need to consider that this is a field which is characterized by limited theoretical application (Lepoutre and Henne, 2006; Jamali et al, 2009). One response to this has been a recent growth in studies of SMEs and CSR[3] based on institutional theory, where Scott 2001 has been employed as the analytical framework. Drawing on institutional theory, our objectives are to address the following questions:

- Which formal and informal CSR practices are undertaken by SMEs in the garment industry in South Africa? And,

- How may regulatory, normative and cognitive institutions assist us in explaining how managers and workers in garment SMEs in South Africa understand and practice formal and informal CSR?

Literature review on SMEs and CSR

In spite of their economic and industrial importance, limited research has taken place regarding CSR and SMEs (Spence et al., 2003; Moore & Spence, 2006; Morsing & Perrini, 2009) particularly in developing countries (Fox, 2005; Blackman, 2006, p. 4; Moore & Spence 2006, p. 222; Jamali et al., 2009; Skadegaard Thorsen & Jeppesen, 2010). Still, the situation concerning

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[3] See e.g. a forthcoming special issue of the journal Business and Society on the topic SMEs and CSR in developing countries.

SMEs is similar to other areas relating to CSR in developing countries where we also are in need of further investigations (Prieto-Carron et al., 2006; Jeppesen & Lund-Thomsen, 2010, p. 139).

We take our point of departure from Prieto-Carron et al. (2006) and the need to investigate CSR in a more inclusive manner which centralizes the 'Southern perspectives' in order to overcome the biases in the literature. The key issue then is what a 'Southern SME perspective' entails.

Jenkins argues that SMEs should be viewed 'in their own rights' in dealing with CSR and not as 'little big companies' which are investigated based on theories and framework drawn from large firms. She highlights that the CSR agenda is biased towards large firms in terms of theoretical perspectives and assumptions of SMEs being just 'smaller versions' of large firms (Jenkins, 2004). Still, studying SMEs and CSR is only taking us some part of the way. Studies like Raynard and Foster (2002), World Bank (2003), Luetkenhorst (2004), Luken and Stares (2005) do only deal with CSR as formal practices and in many cases with reference to relations between MNCs and SMEs in global supply chains. Raynard and Foster argue that the 'business case' for CSR in SMEs should be investigated and they suggest to 'develop a framework of 'Small Business Responsibility' with reference to quality management systems (Raynard & Foster, 2002, p. 66).

Most of the contributions assume that SMEs 'should do CSR', including what 'SMEs should do in terms of CSR'. Luken and Stares suggest that the SMEs should be motivated to do environmental and social improvements due to the potential gains as part of being suppliers to MNCs (Luken & Stares, 2005, p. 51). Luetkenhorst states that 'SMEs.., need to be provided with the tools to monitor and report on, their own CSR performance and to continuously improve that performance' (2004, p. 166). Others like Fox highlight that 'conventional drivers for CSR are …likely to have relatively little or no relevance to SMEs' (2005, p. 6).[4]

Among the few studies which examine CSR from the SMEs perspective and consider SMEs in 'their own right' Whalley points out that the culture in SMEs is often related to 'the owner-manager' and that many 'cultures' exist (2000, p. 120). Sharing this view, Murillo and Lozano state that the relationship between management and employees is crucial for the functioning of CSR practices (2006, p. 237).

In one of the few present studies on SMEs and CSR in developing countries, Vives investigates formal and informal CSR practices in SMEs in a number of Latin-American countries. He highlights a number of informal practices (providing loans to employees, giving donations to local communities and churches) and shows how cultural norms and values influence CSR practices (Vives, 2006, pp. 49-50). While authors like Jenkins and Whalley have stated the specific, more informal and ad hoc nature of doing business in SMEs, Vives provides detailed information about what kind of informal practices SMEs undertake in different Latin-American countries. As Vives points out SME managers are often undertaking CSR activities by responding to cultural and religious issues due to a sense of personal or religiously-inspired ethics as a motivating factor behind SMEs' engagement in CSR (Vives, 2006, p. 49).[5] Jeppesen (2004) provides another example of such SME perspective (from small manufacturing firms in

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[4] Instead, he points out that 'there may be .. drivers based on a sense of rootedness within a particular community …. or other social and cultural norms and experiences' (Fox, 2005, p. 6).

[5] Fassin (2008) also discusses the issues of formal versus informal practices, but in a European context.

South Africa). His in-depth firm studies show how a combination of firm-internal and firm-external factors influences CSR practices (Jeppesen, 2004, p. 239).

While focusing on contributions which present 'Southern perspectives on CSR,' in particular a 'Southern *SMEs'* perspective on CSR, we need to be critical of what 'a Southern SME perspective' entail. Existing contributions on SMEs and CSR tend to present SMEs as a homogeneous unit. The contributions often refer to SMEs as if this very large group of firms had similar characteristics. We acknowledge that it is important to keep in mind that SMEs differ in size, in type of activity undertaken, management style and markets (Whalley, 2000; Murillo & Lozano, 2006).[6] More important, the findings on SMEs and CSR tend to be based on information obtained from the SMEs managers and hence provide a one-sided view. For instance, Vives (2006) and Jamali et al. (2009) present primarily perspectives of owners and managers, not workers. If we are to learn more about CSR in SMEs, including how the concept is understood and how it can be advanced, we need to recognize that the relations within SMEs involve workers, labor unions and government officials, beyond just managers (Jeppesen, 2004; Tran, 2011; Jeppesen et al., 2012; Jeppesen and Tran, forthcoming).

When decisions and CSR practices are to be turned into action, and plans are to be implemented, orders produced and CSR practices undertaken middle managers and workers are important. These groups implement the views and orders of management, or, in case of lack of implementation, they object to the orders or they do not understand the orders. In those cases, the outcome will be a failure of, for instance, improving occupational safety and health conditions or implementing an ISO 14001 system. Managers are clearly also important in their capacity as having established the SMEs, being key persons in terms of decision making, liaising with external stakeholders also in terms of CSR practices, and conceiving strategies to undertake.

Bringing in the different perspectives that exist within the SME from owners, middle managers and workers highlights the similarities and differences in understanding of CSR among the different groups (Jeppesen, 2004). In her study on CSR in Vietnam, Tran highlights that the existing studies (on large and small firms) tend to involve perspectives from management and the state only and she also argues for the need to involve workers, unions and other stakeholder in the assessment of impacts of CSR (Tran, 2011, p. 148).

Theoretical framework

Jamali et al. (2009) argue that institutional theory constitutes a promising field when addressing SMEs and CSR topics based on a wide consensus that the 'institutions' formal and informal affect the companies and their practices in the context where SMEs operate.

Institutional theory contains a number of perspectives (Willmott, 2001, p. 71) mainly taking a sociological perspective on 'reciprocal interactions between institutions (such as business

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[6] Though, we will not assess this dimension further, it is crucial to acknowledge that SMEs, apart from size (micro, small and medium-sized), differ on a number of other accounts, such as sub-sector, market, level of formalisation (formal and informal), customers (private individual, other businesses and/or government entities), ownership type, management style and relations between management and employees. See Whalley (2000), Jenkins (2004) and Jeppesen (2009) on further elaboration on the various qualitative dimensions of SMEs and the differences between 'SMEs'. See Scott (2000) and Vives (2006) for examples of differences between SMEs.

entities) and society.' (Amine and Staub, 2009, p. 195). Three main perspectives include a) new-economic institutionalism, b) new-organizational institutionalism and c) comparative neo-institutionalism (Hotho 2012). We draw upon the second perspective (new organizational institutionalism) due to its focus on organizations rather than the new-economic institutionalism which is concerned with conceptual development and comparative neo-institutionalism which focuses on institutions at a societal level.

Within new-organizational institutionalism, DiMaggio and Powell represent one approach with their understanding of how institutional pressures (termed 'isomorphisms') affect the actions of organizations and individuals in these organizations with an emphasis on the role of power (DiMaggio and Powell, 1983). Scott (2001) provides a second approach, where the focus is on what is termed 'regulatory', 'normative' and 'cognitive' institutions and how they affect firms and e.g. their CSR practices. A third approach is advocated by Peng, Hoskins son and others (like Peng 2002/2003) where the focus is on 'marked-oriented institutional transitions' (Amine and Staub, 2009, p. 195), formal and informal, and how they affect firm strategies and decision-making.[7]

The three approaches could all be of relevance to a study of SMEs and CSR in developing countries, however, we employ Scott's because his multi-level framework enables the analysis of the views of managers and workers on formal and informal CSR practices combined and how these practices have developed through external and internal processes. It is relevant as we seek to examine CSR practices in relation to the specific historical, political, economic and social conditions in the area where the SMEs are located. Had we interviewed SME managers and their main clients DiMaggio and Powell would have been the relevant and had we focused on the institutions and the firm strategies, including the importance of CSR, Peng et al. perspective had been more relevant.

Scott views institutions as 'social structures that have gained a high degree of resilience' (2001, p. 48) and suggests that three types of 'systems' or pillars which support social institutions can be found (Amine and Staub, 2009, p. 195); 1) 'regulatory' (laws, regulations and government policies), 2) 'normative' ('normative rules' that introduce a prescriptive, evaluative, and obligatory dimension into social life'), and 3) 'cognitive' ('the shared conceptions that constitute the nature of social reality and the frames through which meaning is made') (Scott, 2001, p. 57).

We will in the following sections give examples of how the concepts provide a lens for investigating the role and influence of each pillar on management and workers understanding of CSR and the formal and informal CSR practices that the SMEs undertake. Firstly, the factors in the regulatory system are the laws, regulations and government policies which influence the CSR practices of the SMEs. The factors can either encourage or discourage CSR practices, through incentives or disincentives in undertaking these practices. This again can happen through direct influence or indirect, e.g. by providing or restricting access to resources. Promulgating a safety and health act may highlight the importance of the certain standards in the working environment in SMEs, which again can be supported by stringent enforcement or undermined if limited or no

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[7] For further information on the fields of institutional theory, see for example Greenwood, Oliver, Suddaby and Sahlin-Anderson, 2008 and Morgan et al., 2010. The 'competition' between different fields, leads Willmott to term this 'increasingly visible factionalism' (2011, p. 71).

enforcement takes place. Government policies which allocates resources, e.g. in the form of subsidies and/or consultancy services, for waste minimization clubs or investment in new clearer and more resource efficient technology among firms in the garments industry can enhance CSR practices. Access to capital, e.g. on favorable terms, for similar practices and/or new technology has an indirect influence.[8]

The factors in the normative system include societal views of Corporate Social Responsibilities including social responsibilities of SMEs, belief systems and (voluntary) industry norms and standards like codes of conduct and what companies (like in the garment industry) are expected to do. The government is often expected to be responsible for social welfare, health and education, but in cases of limited resources and willingness, government tends to leave this to the companies. Then companies are expected to provide certain services and benefits to employees. When the South African government doesn't provide sufficient health services in the area of HIV/AIDS, then South African firms are expected to ensure such services to their workers, unless they want to experience a high turnover among staff and/or high levels of absenteeism. These issues link to the regulatory pillar, e.g. if the state doesn't enforce the regulation on labor standards like on minimum wages, are firms then supposed to? And while large firms are often assumed to have the financial resources to set up a health clinic on the factory premises, do SMEs have such resources? While the democratic South Africa aims to provide an elaborate range of services to its population, the liberalization and privatization of the economy since 1994 have led to a more market based systems, where firms are to take over some of these responsibilities like in addressing HIV/AIDS issues. This in term raise issues about the division of responsibilities between public and private actors. Some responsibilities link to the cultural practices and the cognitive pillar, which we return to below, while other relate to expectations coming from the 'outside'. Such expectations could be through codes of conduct from MNCs.

The belief system can affect perception of the role of the environment, e.g. that environmental features like clean air and water are less valued or not valued at all in comparison to economic features like having a job and earning an income. If both managers and employees are sharing the view that the economic features are more important than investing in ensuring a clean environment, clearly limited emphasis will be placed on this social responsibility. Provision of masks to workers and lack of use of these may be NOT be because the workers are not aware of the health risks, but because of the HOT and poorly ventilated working environments.

Codes of conduct among influential firms (often larger and foreign), industry associations and/or promoted by multi-stakeholder initiatives and/or in the media, set the playing field for SMEs to follow. Training courses on implementation of codes of conduct can be an instrument in order to increase awareness on the issues that the codes address and such courses might lead to a change in CSR practices, e.g. leading management to insist on using safety equipment and/or the mentioned workers to realize the need for the safety equipment. However, as the codes requirements often propel the SME to spend money for a sprinkler system in the case of fire or safety equipment, managers might have limited incentives to do so, and hence not insist on

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[8] One example of such influence is the Malay Government, which revised the Environmental legislation to be in line with ISO 14001. If Malay firms, including SMEs, were in compliance with the law, they would be able to comply with ISO 14001 and hence relatively easy be certified. (World Bank, 2000). This is said to be one of the reasons why Malaysia has a relatively high level of ISO 14001 certifications globally.

change of practices on daily basis. While it is true that first-tier supplier companies or their external auditors often remind workers to wear such safety equipment, workers' compliance would depend on the physical conditions of the factory such as the ventilation and the temperature of the factory.

The factors in the cognitive system are 'people's cognitive structures and social knowledge' (Amine and Staub, 2009, p. 200). As 'the shared conceptions that constitute the nature of social reality and the frames through which meaning is made', we aim to apply Scott's arguments to labor-management-state relations. Factors in the cognitive system are often the individual understanding and reasoning which are influenced by both belief systems and regulatory factors. So, a manager experiencing lack of enforcement of government regulation and competitors which are not adhering to the law, would be inclined to think 'why should I?'. When managers are not follow stipulated practices, workers often will think 'why should we?'. Certain religious beliefs will influence managers to give contributions to the local community, religious celebrations and similar (as Vives shows (2006)). With the spread of HIV/AIDS, deaths among families are unfortunately frequent in South Africa. Workers are conscious of the expectations of being present at funerals, and managers are aware of this, so though frequent, requests by workers asking to go their village are understood and most often accommodated by managers.

Overall, we found that the three systems are closely related and impact on each other as we illustrate above. Changes in one system, like the regulatory e.g. through introducing a new program with incentives for SMEs to undertake certain CSR practices, impact the normative and eventually the cognitive systems. More importantly, clearly also the cognitive system impact the normative and the regulatory. This bottom-up impact is a good way to frame our analysis, because it allows for INFORMAL practices which are SME managers' responses to workers' needs based on historical and cultural contexts. The cultural values and expectations among workers in terms of e.g. the HIV/AIDS situation creates in terms of extra leave for important family events like funerals in the normative system and lead managers to undertake such practices.

While Scott's framework is relevant and useful for our study, it has some limitations. First, in the discussion of "normative system," Scott presupposes a particular western political economic system which is not true in the case of South Africa to some extent. Second, his application of "societal views" is limited by focusing primarily on the state, the firms, the industry, and the workers. This limited view lacks some important societal actors, such as the unions, the consumers, and local communities. Third, it can be difficult to differentiate between the normative and the cognitive institutions.

Methodology:

Our methodological approach has combined exploratory with explanatory components. First, we conducted a thorough literature review (see Jeppesen et al, 2012) in order to bring out an overview of the field of SMEs and CSR in Developing countries. Secondly, we drew up the empirical approach which would enable us to collect information which could shed light on the how and why questions stated above. Thirdly, we conducted semi-structured, mostly in-depth interviews to understand the extent to which management and workers view impacts of government agencies and the legal frameworks (the regulatory), understand and practice formal CSR (the normative), as well as informal ways that are embedded in each country's cultural

norms, historical legacy, political and economic contexts to improve labor standards and labor-management relations (the cognitive). Fourthly, we interviewed semi-structured, but more structured interviews, though the interviews also solicited views on changes over time. Fifthly, we analyzed the data material.

In terms of the data collected, we asked questions in four main areas.[9] On formal CSR practices, we inquired about the systems, code certifications, and compliance activities in these three areas, labor standards, working environment, and physical environment. With respect to informal CSR practices, we inquired about "informal assistance to workers" and included possible responses such as loans, different types of leave, and others. On "support to local communities and organizations" we included responses such as monetary and/or in kind contributions to local religious centers, schools, youth clubs, sports clubs and other community-based organizations and purposes. On "involvement in community work" we elicited open-ended responses which revealed a wide array of cultural and context-specific activities by managers and workers. We further inquired about the relations between SME owners/managers and workers and finally, we asked questions on the relevance of different stakeholders, like buyers, suppliers, government and labor union officials, local communities, NGOs and other global actors.

Selection of SMEs

We considered selecting the SMEs through random sampling, however, this was not possible due to the lack of consolidated information on the thousands of SMEs in South Africa. Instead, we collected a convenience sample which sought to ensure meeting two criteria: size (small versus medium-sized), and markets (domestic versus international markets) and then snow-balled from there. As the process of identifying SMEs in the garment industry and securing their participation turned out to be very time consuming and challenging. On average we had to make twelve phone calls and sometimes one or two company visits to conduct one interview. This lead to a delay in completion of the interviews and that ending with a different composition of the sample compared to the mentioned two criteria.

From June to December 2011, we interviewed managers and workers from 21 SMEs doing a total of 59 interviews. 40 interviews were with management and 19 were with workers (see Table 1 below). The interviewed SMEs are located in Cape Town in the Western Province of South Africa. The interviewed firms include 6 small firms employing 5-49 employees and 15 medium-sized firms employing 50-199 employees. The SMEs have a mixed customer base, with about 60% having local retailers and about 40% having international customers, but only two SMEs (10%) was exclusively dealing with international customers. The location was chosen as it has large industrial areas, with a high number of firms in the garment industry, including a high number of SMEs.

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[9] See Jeppesen et al. (2012), annexes B-D for further information on the format of the questionnaires and interview guidelines and sections 2 and 4 for the reasons behind focusing on these issues.

Table 1. No of interviewed SMEs and no of interviews according to category in South Africa

Categories	Number
Total number of SMEs	21
Small-sizes	6
Medium-sized	15
Total number of interviews (managers and workers)	**59**
Interviews with management (in-depth)	21
Interviews with management (changes in the last five years)	19
Interviews with workers (in-depth)	19

Source: Authors, based on Jeppesen et al. 2012

First, we interviewed 21 managers. *Second*, we interviewed 19 workers of the same SMEs, using the same interview form as for managers/owners. *Third*, we conducted follow-up interviews with the 21 SME. In this round, two of the South African SMEs did not participate as the managers stated the lack of time as the reason, so 19 managers were interviewed. The interviews were conducted in English. In the data analysis phase, the information from the questionnaires were a) typed into word documents from in-depth interviews (open-ended sections of the forms); b) coded and typed into SPSS from the quantitative sections (Likert-scale typed questions and changes over time).

Selection of industry:

We selected the garment industry because it is a global industry characterized by intensive competition through global supply or value chains with an important historical and present role in South Africa. The so- called buyer-driven global value chains structure the intensive competition in the industry. One outcome is a strong emphasis on cost control and efficiency which lead to low prices (Barnes, 2008; Gereffi & Memedovic, 2003; Kaplinsky, 2005).

Through the 1980s and 1990s until 2004 the industry was regulated by various agreements (the Multi-Fiber Agreement (MFA) and from 1994-2004 the Agreement on Textiles and Clothing (ATC)). The agreements entailed quota systems, which ensured a spread of global production. The regulation ended 1st January 2005 and since has a number of Asian countries, like China, Vietnam, Cambodia, India and Bangladesh, successfully increased their share of the orders. China, for instance, has emerged over the last 20 years as the key producing nation with global shares of 20% in textiles and 27% in clothing (Kaplinsky & Morris, 2008, p. 260). In contrast, though the African Growth and Opportunity Act (AGOA) led to the sourcing of garments from some African countries,[10] African countries have a marginal role with sub-Saharan Africa delivering only 2.6% of global textiles export, and 3.7% of clothing exports (Kaplinsky & Morris, 2008, p. 260). South Africa has been one of the countries in Africa, where the industry

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[10] The main countries are Mauritius, Madagascar, Kenya, Lesotho, Swaziland and to some extent also South Africa (Kaplinsky & Morris, 2008, p. 260). See Teal (1999) (on Mauritius), Morris and Sedowski (2009) (on Madagascar), Lall (2005), and Staritz and Morris (2012) (on Lesotho), Morris et al. (2011) (on Swaziland), and Phelps et al. (2009) (on Kenya).

has had a long history, though mainly with a focus on the domestic market, while the export never really has taken off.

The industry has a long history dating back to the 1930's and predominantly has a domestic market focus (Jeppesen and Barnes, 2011; Joffe et al., 1995). The industry peaked during the '80s and has since been on a decline. Today, the industry is estimated to include approx. 1035 formal and informal firms in 2009 (IDC, 2009, p. 4), of which 85-90% is estimated to be SMEs. It is further estimated that about 60-65% of the firms are found in the garment and footwear sectors, while about 35-40% are textile companies.[11] Out of the total number of TGF enterprises, SMEs constitute between 880-930 firms. The distribution of the SMEs follows the same pattern as those of the TGF industry, where around 34% are found in the Kwazulu-Natal province and about 29% in the Western Cape province. So, a rough estimated of the SME sample in the Western Cape province is 255-270 formal and informal firms, with some 150-175 garment firms and 80-105 textiles firms.

The 21 interviewed SMEs in South Africa are located in the Western Cape Province in and around the city of Cape Town, which is perceived to host 'the high end' of the Southern African TGF industry (Staritz & Morris, 2012, p. 20).

Historical, Political and Economic Factors influencing the institutional pillars

In line with Jamali and Mirshak (2007) we attempt to show how both national and international institutions have shaped respective SME firm practices in South Africa. South Africa has a history of an authoritarian regime, an Apartheid regime of 46 years which was ended by holding democratic elections in 1994. The economy was opened and liberalized through implementing different development policies. The industry structure was highly concentrated during Apartheid and continued to be so in the post 1994-period dominated by large firms, including state-owned firms in most of the (formal) business sectors (Fine & Rustomjee, 1995; Marais, 2001). In contrast, the SME sector, in spite of size, has in many cases been "marginalized." Some sectors have shown more growth and expansion than others, but overall the SME sector has been somewhat stagnant and remains poorly organized (Kesper, 2000).

South Africa is living with the legacy of apartheid which on the one hand provided a highly formalized set up for industrial relations and on the other hand a clear separation between mainly white owners and non-white (Asian, colored and African) workers. Hence, the (social) responsibilities of firms were quite minor until 1994. However, with the coming of democracy, the new state has encouraged the private sector and firms to take more responsibility and while the social services have either declined or been in a state of change, firms have been required to reconsider their responsibilities.

Still, most firms have been used to an environment where they were privileged in terms of being in a protected market and enjoying the benefit of an alliance with a repressive state, though still often facing some level of price competition. As other responsibilities were to be taken off by the state, firms were not to worry about these issues. When firms were asked to enlarge their share of the responsibilities, the first reaction was cautious and the larger firms considered the term CSI

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[11] Author estimated the textiles sector to include 701 firms of which 74% were SMEs by year 2000 (Author, 2001, p. 7).

(Corporate Social Investment) as 'Responsibility' was viewed as a term that had uneasy relationship to the Truth and Reconciliation Process (Fig et al. 2007). As the South African government has done little to promote CSR (as mentioned above) apart from driving what is called 'Black Economic Empowerment' (that some authors view as a "CSR initiative"). This has—along with limited market drivers—impacted the SMEs' motivation to engage in CSR[12] and meant that the CSR concept has taken time to gain ground.[13]

Institutional pillars and influence on CSR practices in SMEs

Regulatory pillar

In South Africa state regulation does exist, but the capacity to enforce the legislation has diminished over the last 10-15 years. The responsible government entities at national, provincial and municipal/metro levels have lost resources (in particular staff) since 1994 and failed to enforce relevant laws that were in place.

The state has mainly emphasized issues concerning the working environment, labor standards (wages, overtime pay and similar) and working conditions. The Safety and Health Act from 1989 has ensured a relatively high level of awareness of issues relating to the working environment. This has been reflected in the responses from the managers, where some 65% of the managers stated that working environment was important and had increased over the last five years. Similar, nearly 60% of managers found that wages and labor issues were important to CSR and had increased over the last five years. Department of Labor and the tripartite arrangement between state, employers and trade union through the so-called Bargaining Council have played an important role here.

In contrast, environmental issues were rated lower by managers. 48% stated that environmental issues were of importance to their business. This is in spite of the emphasis that the state played on implementation of the National Environmental management Act (NEMA) in 1998. An act which has been considered 'modern' and well-conceived as a piece of legislation, however, the complexity of the law and a declining allocation of resources to the ministry of Environment has led to limited enforcement.

Nine out of ten managers stated that the SMEs have different labor standard issues, among which 'wages' was clearly the most important with two out three stating this to be the single issue, and an additional one in seven stating 'wages' to be an issue together with 'overtime' and 'benefits'. Only few perceived 'overtime' and 'benefits' to be key issues. Slightly more than half of the managers informed that the workers did overtime work every week, some even on daily basis. Three managers (one in seven) stated that overtime work happened 'seldom' (Jeppesen et al., 2012).

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[12] Although the Fig et al. study focuses on large South African firms, as do most of the studies on CSR in South Africa (see also Visser (2006; 2010)) Fig et al. also recognize that there is room for further analysis of CSR in SMEs in South Africa (2007, p. 10).

[13] Fig et al. concluded that the impact of CSR/CSI was limited, mostly token in nature. They saw the voluntary nature of CSR as being a key reason for this, hence arguing in favor of higher prominence for the State's role in these matters (2007, p. 3).

Close to three out of four stated to have Occupational Safety and Health (OSH) issues to deal with, which included three quarters registering accidents and slightly more than six out of ten conducting health checks. Two out of three reported different OSH types (vapor, noise, dust etc.), among which 'noise' was the most reported (a third of the SMEs). Finally, three out of four perceived the OSH issues to be 'significant' or 'very significant', while one in seven viewed them as 'insignificant' or 'very insignificant' (Jeppesen et al., 2012).

All workers responded that the SMEs had various issues regarding the labor standards and working conditions. 'Wages' was the issue that was mentioned by most as nearly 70% stated this either as an issue itself or along 'health and social benefits' or the two plus 'overtime hours and pay' (Jeppesen et al, 2012). 'Health and social benefits' were mentioned by nearly six out of ten, while 'overtime work and pay' was stated to be of less importance compared to the two other issues as slight more than four out of ten of the workers mentioned this. While slightly less than half received minimum wages, one in five stated their wages to be higher while nearly three out of ten did not provide an answer! More than nine out of ten stated to do overtime work. 1/3 had overtime work every week or more often, while half only had overtime work seasonally or seldom. Nearly eight out of ten stated that these issues had 'significant impact on workers satisfaction' in the SMEs. All but one worker found that the SMEs had working environment, or OHS, issues. 'Dust' was the most frequently cited issue by 60%, while 'noise' was mentioned by 55% of the workers. Slightly more than half stated that the SMEs registered accidents, while nearly four out of ten reported that health checks were conducted (Jeppesen et al, 2012). Nearly ¾ of the workers highlighted that impact of the OHS issues was 'significant' or 'somewhat significant'. Only one stated the impact to be 'insignificant' (Jeppesen et al., 2012).

Regulation' is also important at the firm level, as some firms have their systems and standards. Still, the number of such cases is limited. Though many SMEs have postings with guidelines and codes and principles, the majority comes from the customers and only to a limited extent from the government and/or labor unions.

Seen from the managers' side, the influence of the regulatory pillar was of decreasing and to some extend minor importance, while normative pillar and the influence from the industry was of major importance. While the presence of legislation in areas of working environment and wages, labor conditions has provided a foundation for 'voluntary initiatives' like codes of conduct to grow, fragmentation of resources which have been split between government levels (national, province and municipal) and government entities (ministries like DoL, DEAT and tripartite organisations) has influenced the process (Bezuidenhout and Jeppesen, 2011).

The normative pillar

The development of CSR in South Africa has mainly been led by the private sector. With a relatively closed nature of the economy, the South African industry has had few links to export markets and/or foreign firms, which has led to limited pressure to pursue CSR practices.[14] SMEs in particular have focused on the domestic market (meaning the city and municipal setting, the province and in some cases the national market). Few small firms, including in the garment

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[14] The large businesses in South Africa contested the term "CSR" after the end of Apartheid in 1994, preferring the term "corporate social investment" (CSI), not wanting to be held "responsible" for Apartheid atrocities (Fig et al., 2007).

industry, used to have regional or international markets. In addition, the history of the '80s also developed a business culture predominantly focusing on "making a profit" in a very price-competitive environment.

The industry used to include all parts of the supply chain, including production of yarn, fabric, dying etc. as well as local suppliers of chemicals and other inputs, but the situation has changed considerable since the mid-80s. The liberalization of the economy opened up the borders, resulting in large inflows of cheap fabric from Asia in general and China in particular. The fabric was in many cases priced below production costs or even illegally imported (Jeppesen and Barnes, 2011). Challenged with this impact of global forces, and being used to operate in a protected economy with high tariffs as a part of an 'Import-Substitution-Industrialization strategy', local textiles producers were hard hit. However, even the garment part of the industry also faced with severe competition in spite of enjoying the advantage of being very close to their customers (being South African retailers). Nevertheless, did their abilities not match expectations among retailers in terms of lead time, quality and price, which looked to foreign suppliers and many garment producers have also closed. This intensified the already tough 'price competition' in the industry.

Given a very difficult business environment, meaning cut-throat Asian competition and limited or no government support, it is somewhat surprising that a substantial number of the interviewed South Africa SMEs have experienced growth in sales over the last five years, while a minor share has declined. Possibly, the decline of the industry has led to the 'death' of the large firms, which in turn have provided 'market space' to the interviewed SMEs (see below in table 2). Furthermore, the position at the higher end of the industry might have shielded the SMEs from the precisely cut-throat competition that has taken place in

other parts of the market. In addition, almost seven out of ten South African SMEs had positive employee development figures since 2006. Two out of ten had stayed stable and only 10% of the firms had declined.

Table 2. Development in sales and employment among 21 interviewed SMEs in the textiles and garment industry in South Africa.

Sales/employment Type of Development	Development in sales (n=21)	Development in no of employees (n=20)
Growth	84%	70%
Stable	0%	20%
Decrease	16%	10%

Source: The authors, based on Jeppesen et al, 2012a.

Still, the interviewed SMEs are feeling customer pressure to deliver high quality products on time and meet demands for CSR through codes. Suppliers are of major importance to the SMEs, also in terms of pushing CSR practice. As mentioned earlier, the garment producers in South Africa have traditionally been highly dependent on domestic customers (retailers) and continue to supply no less than 90% of the sales to the domestic market. Though the process has been slow, the South African retailers have eventually followed international trends and upgraded

their standards, such as focusing on CSR and launching codes of conduct over the last 5-10 years (Barnes, 2008). The retailers have hence placed increased demands on the suppliers, including the SMEs in terms of implementing codes of conduct. Hence, many SMEs also feel the pressure from the customers, which is reflected by nearly 75% of the interviewed SMEs having implemented codes of conduct (see table 3 below).

'Enforcement' of the standards and codes takes place through inspections, which mostly are carried out by representatives from the retailers due to their presence in the country. Important to note and with a clear reference to the history, the main focus of the retailers was on quality, delivery and price while the CSR practices were of less importance, though growing. This was indicated by the majority of the South African SME managers knowing or being familiar with the term 'CSR'. Though some 70% of the SME managers were familiar with the concept, nearly 30% of the managers did not know the concept and among the small enterprises the lack of familiarity with term was even higher. In contrast, CSR was an unknown concept to the vast majority of the workers.[15] Only one worker provided an explanation on his understanding of CSR as "company gives back to the community".

In most cases, the costs of implementation have been at the expenses of the SMEs. The managers explained that the SMEs had to pay for CSR related investments and hard any willingness was found among the retailers in terms of sharing costs.

Table 3. Formal and informal CSR practices among interviewed SMEs in the garment industry in South African according managers.

Practice Respondent	Certified Management System	Code of conduct	CSR report	Informal assistance	Donations
Managers	24%	76%	19%	100%	76%

Source: Jeppesen et al, 2012a (appendix G, tables SA53, SA57, SA61, SA72).

While industry standards have been enforced with increasing vigor as the main retailers have insisted on the SMEs meeting the conventional demands on price, quality and delivery on time, this has at the same time include some emphasis on CSR practices. Still, the figures also show that apart from codes of conduct then other 'formal' CSR practices have not spread to any similar extend. About a fourth of the managers stated to have implemented certified management systems (ISO 14000 and similar) and about one in five produce a CSR report.

When inquiring about the workers perception of the situation they were less aware of the influence of codes of conduct and mostly relating to the regulatory pillar e.g. in terms of how the laws ensured basic rights through the formal system (the bargaining councils). Given the emphasis that retailers and managers placed on quality, delivery and price, some workers confused such 'quality standards' for 'codes of conduct' (voluntary CSR standards). Though a few workers stated knowledge of certified management systems and that their firms were producing CSR reports, many workers lacked knowledge of formal CSR practices within their company. For instance, nearly half were not sure if a certified management system were in place in their company. The few ones (being one in ten) who affirmed the question specified the system as

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[15] 95% stated to have never heard of CSR.

different types of ISO. Also in terms of CSR reporting, half of the workers were not sure if their company produces a CSR report, while more than four of ten replied no to the question, and only one worker affirmed that the company reports CSR issues (Jeppesen et al., 2012). Still, a large majority of three quarters of the workers affirmed that their company had implemented a code of conduct. Most of them[16] were not able to specify the type of code – little more than half stated to not be sure, and one quarter did not provide any response. Only one identified his/her company's code as company/customer code, while two workers categorized their company's code as 'other'. Few workers stated that the SMEs had no code of conduct.

The cognitive pillar

When were asked more openly about 'the responsibilities of the firm', all but one manager recognized that the SMEs had responsibilities for the environment, for the labor standards and for the working environment (see table 4 below). So, in spite of nearly 30% of the SME managers not knowing the term 'CSR' as stated above, they all recognized to have the responsibilities that we associate with the term. A large majority of the managers stated a responsibility for their suppliers (Jeppesen et al., p. 47) and even more managers held the view that other parties besides the firm had responsibilities for the social practices of the SMEs.

Although CSR practices in terms of being a 'corporate citizen' were perceived as important by managers, they rated 'business practices' as being most important to achieving business goals. Relationships to customers (ensuring quality, and on-time delivery) and to suppliers were viewed as the most important stakeholders. The managers also viewed the employees as important to achieving business goals (Jeppesen et al., 2012).

Table 4. Perception of responsibilities of SMEs among managers in the interviewed SMEs in the garment industry in South Africa.

Responsibility Respondent	Responsible for physical environment	Responsible for labor standards and working conditions	Responsible for working environment (OSH)
Managers	100%	95%	100%
Workers	95%	100%	95%

Source: Jeppesen et al., 2012 (appendix G, tables SA70, SA12).

All workers were of the opinion that their company is responsible for labor standards and working conditions, and all by one acknowledged their company's responsibility for the working environment and the physical environment. Fewer interviewees, but still nearly six out of ten South African workers thought that their company is responsible for their suppliers. A vast majority of the workers thought that other parties do bear a responsibility as well.

According to the South African managers, the informal practices were widespread among all the interviewed SMEs (see table 3 above). The SMEs engaged in providing loans to the workers, giving leave in time with family sickness or special events (funerals and weddings) and donating money to local community (churches, sport clubs, youth organizations and similar). 'Family

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[16] Based on the responses of the workers who replied either "yes" or "not sure" to the question on their company's code of conduct (16 responses).

sickness leave' was the most widespread informal practice which nine out of ten of the SMEs engaged in. About ¾ of the interviewed donated money to various courses and seven out of ten provided loans to the workers. On average each SME undertook three different types of informal CSR practices. All but one of the managers claimed to be involved in community work, while the managers in a quarter of the SMEs stated that the workers were involved too.[17]

Informal CSR practices were widespread, in some cases undertaken by all firms, according to workers. All textile workers stated that they receive informal assistance from their companies. Regarding the type of assistance 'family sick/parental leave' was the most common being stated by nine out of ten, followed by events/celebrations stated by nearly six of ten, while slightly more than half mentioned loans and donations. There are further forms of informal assistance, as one worker describes: "The company could help us with troubles at the bank".

Half of the textile companies provide non-monetary donations according to their workers responses. Those companies donate to youth and women clubs (in about a third of the replies) and to individuals (a quarter of the replies), to other causes (one in five), or to churches and temples (one in fourteen). Examples were fabrics and linen given to children and old people, off cuts (or scrap fabrics) to individuals, or support to soup kitchen. Regarding monetary donation, nearly 2/3 of the workers did not state if their company makes such donation or how often it does so, while a third confirmed that their company donates money. Thereby, the most common beneficiaries were youth and women clubs (in half of the cases) and churches and temples (a third of the cases). Workers provided mostly philanthropic reasons for their company's donations such as: "to help people", "heart for others", or "to give back to community". The majority of workers, three out of five, responded that their management does engage in community work, while one out of five workers is involved in such activities.

In sum, we found few differences between the managers and workers understanding of CSR and statements on CSR responsibilities of the SMEs. Only, the knowledge of the term 'CSR' differed, though substantively, with 95% of managers knowing the term and 5% of the workers did. However, managers and workers were very much in alignment regarding the responsibilities of the SMEs. Almost all of them stated that the SMEs have responsibilities for the physical environment, the labor standards and working conditions and the working environment. We also found a high level of similarities when we inquired about the formal and informal CSR practices. The levels of practices stated were close to identical in particular in the area of informal CSR practices. Again, the main difference was the knowledge of the workers regarding the formal CSR practices as many were insecure or in doubt of whether the SME conducted the practice. And the workers either had a different understanding of the level of involvement of the managers in community work or again lacked the knowledge of a number of managers who carry out voluntary work. This indicates that management should be aware that the communication, information (and maybe training) is insufficient regarding various CSR aspects and in particular what the concept means and which systems or standards that are implemented.

We have found a clear development in understanding and use of CSR (in particular formal CSR practices), where the concept of CSR has become (much) better known than it was five to 10

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[17] Jeppesen et al. (2012), appendix G, table SA72. One manager did not answer the question.

years ago.[18] Managers stated a development in, leading to an increased impact of CSR on the labor standards/working conditions and the working environment. A majority of the SME managers reported an increase in the impact of CSR on efficiency along with an impact on competitiveness. While the managers viewed the informal CSR practices as mostly having remained stable over time and as not having influenced efficiency and competitiveness, the high level of informal practices mentioned above shows the crucial role that these traditional practices play for SMEs.

Our findings highlight the influence of the three institutional pillars on the SMEs and a pattern of similarities when we assess the understanding of the managers in comparison with the workers. We see the regulatory pillar having some importance, in particular in a historical light, while the normative pillar and the industry practices are gaining in importance. Though the update of CSR has been slow in the garment industry in South Africa, it is now very present and more and more embracing. The influence of the cognitive pillar was also very clear when we looked at the widespread informal practices, acknowledged by managers and workers.

Important to add, we view these findings as premised also on the particular labor-management relations in the SMEs. We found a high level of alignment in describing the relations between management and workers, where a vast to large majority on both sides found the relationship 'very good' or 'good'. So, while differences were found, the company climate was (quite) good which will further the collaboration between management and workers and insure that CSR practices are supported. Furthermore, we would like to stress that the often overlooked area regarding the informal practices seems key. In contrast to the many formal CSR practices, the informal practices are the flexible 'tools' that make sure that everyday situations can be handled in order not to impact too much on the operations of the SMEs. A loan can be provided in a tight economic situation, a day or two of leave can be allowed in situations of family strains etc. On a cautious note, we are aware of the possibility that the findings could be due to a selection of SMEs which has favored companies doing 'good' where as managers of other SMEs with different types of challenges, including internal conflicts between management and workers opted not to participate.

Concluding remarks

Intending to fill a gap in the literature on SMEs and CSR, we have undertaken critical research which included a Southern SME perspective on CSR. We have engaged managers and workers of 21 SMEs from the garment industry in South Africa and heard their voices. In line with contributions in the literature, we found that some managers and most workers are not aware of the concept 'CSR'. Still, and very importantly, a vast majority of managers and workers in both countries recognizes firm responsibilities as including the physical environment, labor standards and working conditions and the working environment. These three dimensions are typically included in a Northern perspective on CSR. So, our findings highlight that we need to be aware of the impact of how we pose questions on CSR.

If we just refer to this "Northern-based" concept, we will have responses indicating low levels of knowledge. However, if we refer more openly to 'firm responsibilities', we get more positive

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[18] See Kothuis (2001), Jeppesen (2004), and Kesper (2000).

responses indicating high levels of responsibilities. So, the insights from a Southern perspective point to the significant roles of historical, cultural, political and economic context in examining their labor standards and labor-management relations. While a limited number of SMEs undertook formal CSR practices as implementing certified management systems and producing CSR reports, the level of implemented codes of conduct points to how this global trend in the garment industry also has reached South Africa. Though the process of codes trickling down to SMEs seems profound among the South African SMEs, one should be careful with such interpretation as argued above. Due to the domestic market focus in South Africa, what we observe are demands from the local retailers.

Our study finds significant role of informal CSR practices prevalent in the SMEs. This is a contribution to the international literature which does not provide much knowledge on the scope and role of informal practices. First, all South African SMEs had numerous informal practices. Second, from both management and workers responses, these practices were important in all SMEs. Thirdly, their forms of informal practices are context specific, so not simply "typical SME CSR practices" as suggested by Jenkins, Vives and others. Clearly, the informal practices have been playing a strong role in ensuring 'good relations' between managers and workers. We believe that this area merits more research in order to establish a more solid understanding of the role of informal CSR practices in relation to the formal practices and in relation to the business performance of the SMEs.

Finally, we have three suggestions for further study to contribute to the CSR literature from the Southern perspectives. First, we can assess the role of size (as suggested by Lepoutre and Heene 2006) given our preliminary findings that medium-sized firms in both countries had a higher level of formal CSR practices compared to small firms.

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