

Decoupling of Corporate Social Investment in South Africa: Optics over Impact

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Presented to

The Doctoral Committee

Faculty of Commerce – Department of Finance and Tax

University of Cape Town

In Fulfilment of the Requirements for the

Doctor of Philosophy Degree – PhD in Finance

February 2019

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Acknowledgements

I would like to thank my supervisors, Professor Ryan Kruger and Professor Francois Toerien, for their invaluable guidance and contributions to my dissertation. I am also immensely grateful for the significant contributions made by Professor Suzette Viviers, Professor Neil Eccles, Professor Ralph Hamann, and Professor Suki Goodman. To the late Professor John Fresen of the University of Oxford, thank you for your wisdom and the instrumental role you played in this study. I offer my thanks to the academics and corporate practitioners who participated in this research, as well as to Trialogue for providing access to their data. Finally, I will never forget the love and support of Dr Rachelle Gietzen, and the immense personal sacrifice she made while I completed my dissertation.

Dedication

I dedicate this work to my mother, Dr Sheila Woodward, whose passion for education has inspired me throughout my life.

Abstract

Examining corporate social investment (CSI) in South Africa through a lens of institutional theory, this study investigates the validity of criticisms found in literature and society of the practice of CSI in the country. Using a two-phase explanatory sequential research design, an initial quantitative study of archival data provides insights into the current state of CSI in South Africa. Regression and principal component analysis are then used to investigate the relationship between CSI levels and indicators for corporate financial performance and social need. A subsequent qualitative study utilising thematic analysis of interview data addresses questions arising from the quantitative analysis. Semi-structured interviews are conducted with leading corporate executives and academics in the field of CSI regarding their perceptions of the efficacy of CSI and the motivations driving corporate funding of CSI, including their concerns regarding CSI and suggestions for improvements. This study reveals profound concerns amongst corporate practitioners and in academia regarding the practice of CSI, including perceptions that the social impact of CSI is low and that the quality of many CSI programmes is poor. The motivations behind the funding of CSI were also seen to be largely inauthentic, with companies driven primarily by regulation or self-interest in their funding of CSI, rather than a sense of moral imperative. Companies appear to embrace CSI in an attempt to adhere to the social expectations and laws of society, thereby gaining legitimacy, stability, and improved long-term survival prospects. The formal structures and rhetoric surrounding CSI have become decoupled from the underlying activities that characterise its practice, however, a result of relative corporate indifference to its social impact. This ceremonial commitment to the practice of CSI has led to an emphasis on the optics rather than the impact of CSI activities. The results of this study suggest that enhanced incentives or disincentives and greater accountability may be required in order to make CSI contributions more impactful, as may improvements to best practices in the field.

Keywords: corporate social investment, corporate social responsibility, South Africa, decoupling, institutional theory

Declaration

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List of Acronyms

AD	Anno Domini
AIDS	Acquired Immune Deficiency Syndrome
ALBI	All Bond Index
APA	American Psychological Association
B-BBEE	Broad-Based Black Economic Empowerment
BC	Before Christ
BEE	Black Economic Empowerment
BSR	Business for Social Responsibility
CED	Committee for Economic Development
CEO	Chief Executive Officer
CPI	Consumer Price Index
CSI	Corporate Social Investment
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
CSV	Comma Separated Values
ECD	Early Childhood Development
ED	Enterprise Development
ESG	Environmental, Social, and Governance
FTSE	Financial Times Stock Exchange
GDP	Gross Domestic Product
GNU	GNU's Not Unix
GSCI	Goldman Sachs Commodity Index
HIV	Human Immunodeficiency Virus
HR	Human Resources
JSE	Johannesburg Stock Exchange
MNE	Multinational Enterprise
NGO	Non-Governmental Organisation
NPAT	Net Profit After Tax
NPO	Non-Profit Organisation
OECD	Organisation for Economic Co-operation and Development
PA	Personal Assistant
PCA	Principal Component Analysis
PDF	Portable Document Format
PR	Public Relations
S&P	Standard & Poor's
SME	Small and Medium Enterprises
SPCA	Society for the Prevention of Cruelty to Animals
SRI	Socially Responsible Investment
STeFI	Short-Term Fixed-Interest Index
TRC	Truth and Reconciliation Commission of South Africa
TXT	Text File
UCT	University of Cape Town
US	United States
USD	United States Dollar
ZAR	South African Rand (Zuid Afrikaanse Rand)

Definitions¹

B-BBEE	Broad-Based Black Economic Empowerment	A South African government policy designed to drive economic transformation and to facilitate and incentivise greater participation of black people in South Africa’s economy, initially implemented through the Broad-Based Black Economic Empowerment Act (Act 53 of 2003).
CSI	Corporate Social Investment	Initiatives that are external to the core business operations of a company and are conducted for the benefit of society.
CSR	Corporate Social Responsibility	The responsibility of companies for their impact on society, including the integration of social, environmental, and ethical concerns into their core business operations and strategy (European Commission, 2011).
ED	Enterprise Development	The practice of supporting economic transformation in South Africa by establishing or supporting black-owned businesses in South Africa.
ESG	Environmental, Social, and Governance	Environmental, social, and corporate governance considerations that can be taken into account in investment analysis and decision-making.
SRI	Socially Responsible Investment	Investments in which both social and financial considerations are taken into account, typically by screening out companies that are perceived to negatively impact society or the environment.

¹ Note: These definitions are those that have been used by the researcher in the context of this specific study. Other definitions may be more appropriate in other contexts.

Chapter 1: Introduction

1.1 Background

South Africa's painful history of colonialism and apartheid has had broad negative implications for society and business (Hamann, 2009). To understand the practice of corporate social responsibility (CSR) in South Africa, one needs to take into account the country's unique local context and its social and economic challenges. It has been over twenty years since the end of apartheid, yet South Africa continues to struggle. The country is experiencing perpetually high rates of unemployment, stagnant economic growth, and an increase in poverty and social uprising (Lukhele, 2015; Statistics South Africa, 2017). Overwhelmed by economic hardships, high rates of violent crime, poor education, and widespread health burdens of disease, many South Africans are still facing challenges that they thought would be remedied by the cessation of apartheid:

Society is still profoundly bifurcated today as it was in 1994 when the first nonracial general elections were held. A majority of the population is impoverished, official unemployment is staggering, the economy has cooled, wealth/income is grossly unevenly distributed (particularly along racial lines), crime has soared, HIV/AIDS is debilitating, and the population is getting restless. (Babarinde, 2009, p. 355)

Many of these challenges have their roots in the country's legacy of colonialism. Bundy (1972) describes how colonialism led to dwindling African ownership of land and created a migratory labour system and stifling, overcrowded ghettos. Many of these rural ghettos and destructive migratory labour patterns endure to this day (Schierup, 2016). Then came apartheid, which saw the systematic disenfranchisement of people of colour from the South African economy. While apartheid may have ended, poverty and poor education continue to shackle much of the country's population, and the impact of decades of segregation and discrimination

is still felt by many in what remains a deeply racialised country (Schierup, 2016; Sulla & Zikhali, 2018).

It is not simply an understanding of South Africa's past or present struggles that are needed to evaluate the state of the relationship between business and society, however. It is also important to understand the damaging role played by South African businesses in the human rights abuses and discrimination of the past (see Fig, 2005; Hamann, 2009; Ramlall, 2012). The Truth and Reconciliation Commission of South Africa (TRC)² (1998) found that the business community was central in sustaining the apartheid state and that some businesses even designed and helped introduce apartheid policies. In a later report in 2002, the TRC would conclude that the blueprint for the broader structure of apartheid was, in fact, provided by mining companies in South Africa. It was rare for local businesses to take a stand against apartheid and, if they did, it was typically because they were under pressure due to sanctions and growing violence and political turmoil (de Jongh, 2009). The result of these apartheid policies was the exclusion of people of colour from meaningful access to economic opportunity, education, employment, and asset ownership (Esser & Dekker, 2008).

After the end of apartheid, the spirit of reconciliation advanced by South African President Nelson Mandela allowed companies to escape the TRC without serious penalties (Fig, 2005). Despite this grace and forgiveness, the role played by business in apartheid, the recency with which this occurred, and the extent to which the effects of this perpetuate to this day, continue to provide context to any discussion about the current state of business and

² The TRC was established after the end of apartheid as a body that could provide reparation and rehabilitation to South Africans who had suffered during the apartheid regime (Truth and Reconciliation Commission of South Africa, 2002).

society in South Africa. Certainly, the lack of trust and engagement between business, government, and society that persists can be understood in this context (de Jongh, 2004).

Irwin (2003) notes that South Africans are increasingly looking to business to help address the country's social and economic challenges. The strong economic position of South Africa's companies, many of which are globally competitive businesses, as well as their world-class strategic business functions and competencies, leave them well placed to respond to this call to action, and influence the social and economic state of South Africa. Babarinde (2009) argues that it is in the self-interest of business to do so, warning that, if the economic divide in South Africa persists, the country's impoverished population may become impatient, leading to greater calls for wealth redistribution. Government policies facilitating the redistribution of land and resources could lead to an exodus of private capital and pose a meaningful risk to the South African economy and the business community.

Certainly, in response to the high levels of social need in South Africa, most large companies in the country now practise some form of CSR. Broadly, CSR refers to the organisational practice of considering the various social responsibilities of business and to the policies and initiatives that result from this (Carroll, 2008). One of the ways that companies commonly claim to exercise their social responsibility in South Africa is by providing annual funding for *corporate social investment* (CSI) (Triologue, 2017). CSI is a term that is commonly used in South Africa to refer specifically to the resources that companies provide externally in aid of society, in a manner that commonly resembles corporate philanthropy (Hamann, 2009). The ultimate social impact of CSI is unclear, however, and scholars have begun to question the extent to which CSI positively impacts society, noting that there is little evidence to support its efficacy (see Babarinde, 2009; Fig, 2005; Ramlall, 2012). Blowfield (2007), for example, highlights that we actually know very little about the impact of the social

efforts of businesses, despite the claims made about it. He notes that this is particularly true in developing countries, where these claims are mostly unsubstantiated. Hamann (2007) corroborates this assessment within the context of South Africa specifically, noting that there is scant evidence that such efforts are meeting their stated objectives and that it is not clear whether the social contributions of business are leading to meaningful change. These concerns centre on both the lack of evidence of impact as well as on the fact that, despite this, companies continue to make substantial claims about the impact of such efforts (Blowfield, 2007). Scholars have acknowledged that such claims are at times merely window-dressing (Benn & Bolton, 2013; Siyobi, 2016), raising the question of whether the focus is primarily on the optics of CSI efforts rather than on its impact.

Scholars have increasingly argued that the true social impact of CSI may be relatively low (Babarinde, 2009; Fig, 2005; Ramlall, 2012). Fig (2005), for example, argues that while companies are quick to claim that CSI is making a meaningful difference to the well-being of society, studies have shown that the extent of this is, in fact, relatively limited. Porter and Kramer (2006) and Hamann, Khagram, and Rohan (2008) reached similar conclusions, arguing that the social efforts of businesses have not been as effective as they might have been.

The motivations behind why companies fund CSI have also increasingly been questioned (Hamann, Smith, Tashman, & Marshall, 2017). Ellen, Webb, and Mohr (2006) argue that socially responsible corporate behaviour can be attributed to some combination of egoistic, strategic, values driven, and stakeholder driven motives. In South Africa, the majority of the country's largest corporate contributors to CSI claim to be primarily motivated by a sense of moral imperative in their funding of CSI (Triologue, 2017). However, there is little evidence of companies embracing their social responsibilities primarily because of a sense of moral imperative to do so, or even a willingness to accept that such a responsibility exists

(Deegan, 2002; Rhodes & Pullen, 2018). Instead, it appears that companies typically practise CSI for strategic reasons that are aligned to their own self-interests, or in compliance with government regulation (Robins & Krosinsky, 2009). Examples of such strategic motivations might include improved public relations, tax benefits, or greater legitimacy and lower corporate risk (Carroll & Shabana, 2010). Acknowledging that such efforts are typically self-interested, Scherer and Plazzo (2007) argue that, while companies often claim to be socially responsible and have begun publishing increasingly elaborate social responsibility reports, this is often done merely for strategic reasons. Laufer (2003) contends that the social efforts of business are often focused on reputation management, and are used as a tool to conceal the deviance and transgressions of companies.

In South Africa, Babarinde (2009) notes a growing concern that CSI initiatives are merely “public relations stunts by companies... grand illusions, designed to mesmerize an increasingly cynical public and ease their conscience, while they get away with their intransigencies and corporate malfeasance with as little cost as possible” (p. 359). Fig (2005) makes a similar assessment, claiming that the social initiatives of business are often greenwash, intended to distract a naïve public into believing that companies have a genuine commitment to society. In doing so, companies hide their misconduct and “manufacture amnesia” by seducing the public into forgetting the hurts of the past (Fig, 2005, p. 617). As with the concern that corporate claims regarding the impact of their social activities may be inaccurate, the concern expressed by these scholars is that companies may be inauthentic in their social commitment, and misleading in their representations about why they practise CSI. Thus, the concerns over corporate misrepresentations regarding their motivations for practising CSI is that companies are making only superficial social efforts (Hamann & Acutt, 2003) and that, by exaggerating the voluntary and altruistic nature of their giving, companies may get more credit than is deserved (Fig, 2005). Central to this argument is the concern that there may be a

substantial gap between the claims that companies make about their CSI efforts and reality. This concern is not new. In one of the earliest writings on the social responsibilities of business, Selekman (1959) observed that businessmen had been espousing a supposed concern for society and morality for years, but that their actions had often contradicted their statements regarding their supposed ethical standards.

Laufer (2003) explains why it is important to verify the motivations and impact of the social initiatives of business, pointing to research that has found corporate deception and misinformation when such external verification is lacking. It might be argued that the alleged misrepresentation over the motives and impact of CSI is merely opportunistic, resulting from a natural desire to bolster their public relations or adhere to the government regulation in South Africa that effectively compels CSI practice (Ramlall, 2012). Some scholars claim that such misrepresentation might be more premeditated than this, however, and that companies may intentionally be using CSI as a means by which to distract the public from their unsustainable or irresponsible business practices (Fig, 2005). Essentially, companies may be using CSI to construct an alternative public image for themselves than the ones they would have if the public gazed directly upon the culture and practices within their core businesses (Fig, 2005).

It is not clear to what extent the apparent ulterior motivations for expressing a supposed concern for society are understood by customers, employees, and other stakeholders, and the degree to which this inauthenticity may have ramifications for the efficacy and impact of CSI. Indeed, the two may be linked. Jones (1980) makes the argument that inauthenticity in corporate motivations for embracing social practices can translate into such practices ultimately having a lower impact. Jones gives the example that companies might focus on superficial changes, such as increasing the diversity of their board of directors, but subsequently ignore their views or shift the responsibility and authority associated with their

positions elsewhere. There is evidence of this happening in South Africa, where Ramlall (2012) notes that corporate compliance with regulations intended to drive social upliftment and economic transformation has been met with window-dressing and fronting that has ultimately diminished its impact. If concerns over the impact of CSI and misrepresentations regarding corporate motivations for CSI are true, these failures could represent a missed opportunity for business to address the historically prejudicial allocation and management of financial resources in South Africa and to enact real transformation and social change.

1.2 Problem Statement

South Africa is confronted by immense social and economic challenges (Schierup, 2016). Although industry may at times represent a threat to society and the environment, it can also serve as an ally in protecting it (Marsden, 2000). Businesses are well positioned to provide the resources and skills needed to positively impact society (Leisinger, 2007), and companies in South Africa commonly claim to do so through the practice of CSI (Triologue, 2017). In reality, however, there is little evidence that companies have made meaningful, authentic commitments to the social good in the country (Ackers & Eccles, 2015; Hamann, 2007). There are profound concerns expressed in the literature regarding the seemingly self-interested reasons behind why companies practise CSI, and over the potential lack of social impact resulting from CSI initiatives (Babarinde, 2009; Ramlall, 2012). The concern is that companies may largely be responding with a “tick-box” approach to their social responsibilities in a way that limits its impact, reflecting a lack of accountability or incentive to ensure that their social initiatives are truly effective. Incentives or disincentives and greater accountability may be required in order to make CSI contributions more impactful, as may improvements to best practices in the field. In order to obtain the evidence required to inform any such interventions, this study uses a two-phase explanatory sequential research design and a framework of

institutional theory to investigate CSI in South Africa. An initial quantitative study investigates archival data on CSI funding. A qualitative study is then performed, in which interviews with leading CSI practitioners and academic experts in the field are conducted. The qualitative study seeks insights into the perceived social impact of CSI and the motivations driving its practice, as well as any concerns and suggestions for improvement. By investigating these important questions, it is hoped that the contribution to knowledge made through this research will have practical implications that inform a more impactful era in CSI funding in South Africa.

1.3 Research Questions

Bryman (2016) discusses the process of identifying potential research areas and research questions, arguing that valid sources of inspiration for research include the personal interests and experience of the researcher, theory and literature encountered within a field, and new developments or problems observed in society. Each of these inform this study, and are narrowed down in order to ensure focus and meet the necessary criteria of being clear, researchable, and connected with existing theory and research, forming a coherent argument that makes an original contribution of new knowledge (Bryman, 2016).

The aim of the research questions is to better understand the practice of CSI and to evaluate the validity of pervasive criticisms in the literature and society of CSI in South Africa. The literature acknowledges how little we know about the social impact of CSI, and scholars are increasingly raising concerns that CSI may be broadly ineffective, thus underscoring the need for further research into the field. There are also concerns that the motivations behind CSI are being misrepresented, that corporate claims about the scale and impact of their CSI initiatives may be exaggerated, and that CSI is potentially shifting the focus away from more meaningful socially responsible business practices. Thus, the primary research questions are as follows:

Q1: What is the size and scope of the practice of CSI in South Africa?

Q2: What are the motivations behind why companies conduct CSI and do these motivations impact the efficacy of its practice?

The first question is intended to lay a foundation for the research by providing a greater understanding of CSI in South Africa and the characteristics that define its practice, based on an analysis of quantitative data. The second research question arose out of the findings of the first question, with the intention of seeking deeper insights into the motivations that drive companies to fund CSI and to assess whether these motivations might impact the efficacy of its practice. Corporate and academic perceptions of the true social impact of CSI are also sought, including their concerns regarding the practice of CSI and their suggestions for improvements. By ensuring that this research is conducted within a robust theoretical framework of institutional theory, consistency in thought and approach is achieved in the investigation of the research questions.

1.4 Research Objectives

This study aims to assess the current practice of CSI in South Africa and evaluate the validity of pervasive criticisms of CSI found in literature and society, using a lens of institutional theory (see Babarinde, 2009; Fig, 2005; Ramlall, 2012). Institutional theory provides a valuable theoretical framework through which to analyse the corporate behaviour, motivations, and activities that characterise the formation of formal CSI structures and the dynamics that underpin its practice (Gray, Owen, & Adams, 2010). The specific research objectives of this study are:

Objective 1: To explore nominal and real levels of CSI funding in South Africa between 1990 and 2017, to describe key characteristics of this funding, and to determine

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whether any relationships exist between CSI funding levels and corporate financial performance or social need.

This first objective is intended to provide a better understanding of the landscape of CSI funding in South Africa, including the amount of funding spent on CSI annually in both nominal and inflation-adjusted terms. A variety of key characteristics of CSI are then explored, including the ways in which CSI funding is spent in society, how companies determine their level of giving to CSI, and the alleged motivations companies give behind why they fund CSI. The landscape of CSI funders in the country is also described. Trends in CSI funding levels are then scrutinised, with explanations sought for patterns and anomalies observed in the data.

Data on CSI funding is then regressed against a number of potentially related social, financial, and economic variables in order to investigate whether any relationships might exist between CSI funding levels and either social need or corporate financial performance. This serves as a means by which to validate whether CSI funding appears to be driven by a corporate sense of moral imperative and social responsibility, such as in response to the prevailing level of social need in the country, or tied to company performance, and thus linked to financial or economic variables such as company revenues or gross domestic product (GDP).

Objective 2: To assess the perspectives of leading experts in the field of CSI regarding their views on the state of CSI in South Africa, including the motivations driving companies to fund CSI and their assessments of the efficacy of its practice.

The aim is to explore current perceptions into the practice of CSI from leading academics and corporate practitioners in the field of CSI. This serves to provide greater insight into the current practice of CSI in South Africa, including the motivations behind why companies practise CSI, how they determine the quantum of their CSI spending, and what their objectives are for the CSI funding they allocate. Perceived discrepancies in corporate claims

regarding the motivations and impact of CSI are explored through this process (Fig, 2005). Participant views on the quality and impact of CSI are then sought, including the role that the motivations driving CSI might have on the efficacy of its practice. Concerns regarding perceived shortcomings in the practice of CSI and suggestions for improvement are collected with a view toward informing new best practices in the field.

1.5 Research Significance

By investigating the motivations that drive CSI practice and assessing perspectives on its efficacy, this study provides insight into the current state of CSI in South Africa. By doing so within a framework of institutional theory, the activities and formal structures that characterise CSI practice can be better understood. Through the process of identifying concerns over CSI and insights into potential improvements in its practice, it is anticipated that the findings of this research will have implications for corporate practitioners, including company executives and CSI managers, which will be of particular value when designing and operationalising their social investments and initiatives. This could occur through advancements in best practices or the implementation of the suggestions for CSI improvement identified in this research. By providing greater transparency regarding the motivations that drive CSI practice and its impact, or lack of impact, this research may impart truths that allow government and society to hold companies accountable to the impact of their CSI initiatives. It may also inform future government regulation or the establishment of incentives or disincentives that lead companies to practise CSI more effectively. This could lead companies to pre-empt any such regulation by making more meaningful commitments to generating impact through their CSI initiatives. The findings of this research will likely also be of value to society, shareholders, auditors, and members of the media, and has implications for future research in the field.

This study contributes to a small but important body of literature considering the social responsibilities of business in the South African context, and the institutional underpinnings of its practice. While CSR terminology has been thoroughly explored in the literature, the term CSI is at times confused or erroneously used interchangeably with the term CSR in South Africa (Skinner & Mersham, 2008), and its definition will require further interrogation in the literature in order to firmly establish the distinction between the two. This research aids in addressing this gap in the literature. In addition, the majority of the literature on the social responsibilities of business has emanated from the United States and Europe (Carroll, 2008). While there have been important scholarly contributions regarding the practice of both CSR and CSI in South Africa (e.g., Ackers & Eccles, 2015; Hamann, 2003; Viviers et al., 2008), there are still many voids in the literature regarding its practice that warrant future research within the local context. Although it has, at times, been assumed that globalisation will lead to convergence in international social responsibility practices, studies on developing countries are increasingly finding that there are, in fact, meaningful differences in CSR globally (Jamali & Neville, 2011). This reflects a growing understanding of the fact that countries have unique circumstances and priorities (Hamann, Agbazue, Kapelus, & Hein, 2005) and highlights the significance of research in this emerging field.

1.6 Research Approach and Strategy

This research uses an explanatory sequential research design, as outlined by Creswell and Clark (2011) for instances in which there are sequential research questions that require a two-phase approach. The first phase of this research is an analysis of data pertaining to CSI using quantitative methods. The decision to begin with a quantitative study was predicated on the belief that a quantitative understanding of the landscape of CSI funding in South Africa would yield questions requiring qualitative exploration. This ultimately proved to be the case,

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and the second phase of the research is thus qualitative in nature and utilises in-depth elite interviews with leading academics and practitioners in the field to develop a deeper understanding of current perceptions on CSI in South Africa.

In the first phase, quantitative methods are used to calculate the size of the CSI budgets deployed in South Africa and to categorise how these are spent. The quantitative research draws on a body of high-quality archival data on CSI, which has been collected annually by an independent consulting firm in South Africa, Trialogue, over the course of almost two decades, representing the only such body of longitudinal data of its kind in the country. These proprietary data have been collected annually on the top 100 largest corporate contributors to CSI in South Africa. The raw data that resulted from their research is not available to the public. The longitudinal data on CSI are presented and evaluated through descriptive statistics, to provide insights into the current landscape of CSI in South Africa. These include insights such as the total contribution to CSI annually by South African companies, the methods they use to determine the quantum of their CSI funding, and the areas in which this funding is spent. With a deeper understanding of the levels of CSI funding and how CSI is practised in South Africa, the total level of CSI funding is then regressed against a selection of social and financial variables, using statistical techniques to examine potential relationships between these variables. Given that the archival data were contained in disparate annual documents, substantial data capture and formatting was required to form a single data set that was suitable for further study. Correlation, principal component, and regression analysis of these data allowed for an investigation into any potential relationships between these variables.

With quantitative insights into the landscape of CSI and insights into the variables that may influence the quantum of funding dedicated to it, questions arose that were not able to be answered through the quantitative analysis of numerical data alone, and that warranted a

qualitative study. The key questions that arose related to the motivations behind why companies practise CSI and what the true social impact of CSI in South Africa is. Thus, building on the quantitative foundation laid by the first part of this study, qualitative methodologies were used to examine perceptions of eight senior CSI executives at South African companies and four prominent academics, all of whom are leaders in the field. The eight CSI executives were recruited based on their recognition by CSI industry experts as being amongst the most experienced leaders in the field, employed in some of the largest companies in the country, and each from a different one of the major South African industry categories, in order to ensure diversity of perspectives. Large companies in South Africa contribute the vast majority of all CSI in the country, with just 15 companies in South Africa collectively contributing 44.97% of the total amount of CSI funding spent in the country in 2017 (Dialogue, 2017). The eight CSI executives in this study have experience working in CSI roles at companies that collectively contributed a significant amount of all CSI funding in the country in 2017. Similarly, the four academics were recruited based on their recognition within academia as being amongst the most highly published and cited authors in the field.

The primary data collection strategy for the qualitative study involved individual, face-to-face interviews with these participants. Interview questions were developed that address the research questions and objectives of this study, and these were used as a guide during semi-structured interviews. These were incorporated into a questionnaire that served as the primary research instrument for the qualitative study. Bryman (2016) notes that overly structured or defined methods of data collection within social enquiry in qualitative research can sometimes contaminate the findings and be an overall disadvantage in the research. Thus, the researcher was less restrictive in the research approach in the qualitative phase of this study, embracing a flexible approach in the hope of more authentic and valuable insights, while guarding against the risk of being unfocussed (Bryman, 2016).

1.7 Research Assumptions

The phenomenon of CSI suffers from inconsistent use of terminology and thus, whilst many academics and practitioners have begun congregating around a similar definition of the term, a degree of confusion remains. In particular, the term *corporate social investment* (CSI) is sometimes used interchangeably with the term *corporate social responsibility* (CSR) (Skinner & Mersham, 2008), something that this study advances is incorrect. In this study, it is assumed that the term CSI is not simply the South African term for CSR, but is instead a term defining a practice that is distinct from CSR. For this study, CSI is defined as initiatives that are external to the core business operations of a company and that are conducted for the benefit of society. This typically takes the form of externally-focused social initiatives and is in some ways akin to corporate philanthropy. By contrast, CSR is the broader approach to social responsibility a business takes, often internally, and the policies and programmes it adopts in pursuit of that responsibility. Whilst this study assumes that the practice of CSI and CSR are distinct, it does acknowledge that CSI could arguably be described as a subset of the broader practice of CSR. It assumes that there are commonalities between CSI and CSR, such as some of the motivations that drive their practice, the positive impact they supposedly have on society, and the questions that have emerged regarding their effectiveness.

On the basis of these assumptions, this study focuses on CSI but makes frequent reference to CSR and the broader social responsibilities of business. To the extent that related fields such as corporate citizenship, business ethics, and sustainability have commonalities or are relevant to this study, elements of their practice are at times briefly discussed as well. It is also assumed that there are both similarities and differences between the local and international practice of these disciplines, and thus whilst the emphasis is on their local practice in South Africa, reference is also made to literature and theories that have emerged regarding their

practice internationally. The chosen research design and methods used for data collection and analysis have been deemed to be the most appropriate for this study. Other methods could have been chosen, however, and that arguably may have been equally valid. The assumptions made in this regard have a significant impact on the overall study. In the quantitative phase of this study, assumptions are made regarding the most appropriate variables to use in the statistical analysis of the data. This research assumes that the views shared by the participants are made in good faith and gives participants the benefit of the doubt that their responses to questions were truthful. It was decided that a smaller study using in-depth interviews would provide a more detailed, diverse, and rich data set than might have been achieved in a survey-based study with a larger study population. Elements of this study also rely on archival data on CSI in South Africa, and a thorough review of the methodologies that characterised the collection of data resulted in the view that the data were valid and reliable enough to be used as the basis for further research.

The philosophical assumptions that are made in this research are discussed in detail in Section 4.2. Broadly, however, this study is premised on the idea that knowledge can be used to solve human and societal problems (Patton, 2002). A pragmatist paradigm is embraced in this research, which allows for the philosophical assumptions made to differ between the quantitative and qualitative phases of this research. For the qualitative study, the ontological assumption is made that there are many realities in any given situation (Creswell, 2013), and thus it is anticipated that responses will vary and that multiple diverse meanings will be found between participants. The quantitative study, by contrast, adopts an objectivist stance in which the data are collected and analysed at a distance. All of the above assumptions impacted the research and were carefully considered prior to the commencement of the research, as well as during the process of research.

1.8 Theoretical Framework

Grant and Osanloo (2014) stress the importance of using a theoretical framework to guide research. There is no single leading framework best suited to research in the field of the social responsibility of businesses, and no individual theory that can fully encapsulate all areas of research in the field (Gray et al., 2010). For example, Thomson (2007) performed a broad study on sustainability literature and identified a total of 34 different theoretical frameworks that had been used by various researchers in the field. Some of the more common theories used included stakeholder theory, legitimacy theory, institutional theory, ethical theory, and agency theory, amongst others. Thus, there are many relevant theoretical frameworks embraced in social responsibility literature, each of which provides a different foundation and perspective on the discipline.

Some scholars advocate approaching research using multiple complementary theories in an interdisciplinary approach (Fernando & Lawrence, 2014). Others argue that doing so can cause confusion (Pound & Campbell, 2015), resulting in a lack of focus and clarity, and thus support selecting a single overarching theoretical framework to guide research. Ultimately, the researcher determined that a single area of theory, namely *institutional theory*, was best suited for the purposes of this particular study. The theoretical framework chosen has been integral to the design and execution of the research conducted for this study, and is used to guide the discussion of its results and final conclusions. The findings of this study are discussed within the specific context of institutional theory in Section 6.5.

Institutional theory has close ties to a variety of broad theoretical disciplines, including organisation theory and sociology theory (DiMaggio & Powell, 1991). At its core is a belief that, through a process of institutionalisation, social expectations, processes, and realities eventually assume rule-like status within society, influencing the behaviours and structures of

organisations (Meyer & Rowan, 1977). Meyer and Rowan (1977) argue that these social norms become "myths" (p. 340) that ultimately define the formal structures of modern organisations, far more than the actual work activities they perform. They highlight that, in this environment, the way in which formal activities are delegated is socially expected and at times "legally obligatory" (p. 344), and that this can help an organisation to appear rational and responsible and avoid claims of being negligent. This is done in the pursuit of legitimacy, which can be defined as a state of being in alignment with the culture, norms, and laws of society (Scott, 1995). Although this "ceremonial conformity" (p. 341) may increase the legitimacy of organisations, Meyer and Rowan (1977) argue that this comes at the cost of efficiency, and thus to protect formal structures from uncertainty they often become "loosely coupled" (p. 341), creating a divide between the organisation's formal structures and their real work activities (Brint & Karbel, 1991).

Formal organisations are typically considered structures of controlled and coordinated activities which occur through technical interactions and exchanges (Meyer & Rowan, 1977). Institutional theory is broadly sceptical of the concept of rational actors, however, and instead highlights the relationship observed between organisations and society, particularly the inconsistencies between formal organisational structures and their true underlying activities (DiMaggio & Powell, 1991), which Meyer and Rowan (1977) term *decoupling*. The theory of decoupling provides a valuable framework for examining any potential differences between what companies say they do and what they actually do when it comes to their practice of CSI in South Africa. It also provides a framework for assessing the drivers of CSI practice and the corporate behaviours that characterise it.

1.9 Structure of the Dissertation

This dissertation has been structured into seven chapters. The introductory chapter is followed by the literature review in Chapter 2, which explores the literature on CSR and CSI. Chapter 3 provides insight into the theoretical framework that guides this research, namely institutional theory. Chapter 4 is used to present the methodology and discusses the philosophical assumptions, research paradigm, research design and strategy, methods used for data collection and analysis, and ethical considerations in this study. Chapter 5 presents the results and a discussion of the quantitative study, whilst Chapter 6 presents the results and a discussion of the qualitative study. Chapter 7 is the final chapter and explores the study's unique contribution to knowledge, research limitations and implications, and ideas for future research.

Chapter 2: Literature Review

This chapter explores the literature on CSR and CSI. The chapter begins with an investigation into the debate over the responsibility of business to society. A systematic review of CSR literature from the 1950s to present then follows, providing an overview of the historical progression of the practice. Drawing on both theoretical and empirical studies, this is done initially within the context of mainstream CSR literature and then within the specific context of South Africa. The literature on CSI in South Africa is then explored. A justification for the attention given to CSR literature was provided in Section 1.7, and is based on the recognition that the South African practice of CSI is a discipline within the broader field of CSR.

2.1 Introduction

While many scholars have weighed in on the social responsibilities of business, few works have received more attention than Milton Friedman's iconic article *The Social Responsibility of Business is to Increase its Profits* (1970). Friedman rejected the notion, which was increasingly gaining traction at the time, that companies had a responsibility to society, instead arguing that the sole responsibility of business was to maximise its profits for its shareholders. In the years that followed, many significant contributions to the literature were crafted as direct retorts to Friedman's views (e.g., Mulligan, 1986; Shaw, 1988). The following section will explore these literary contributions, which are illustrative of the wider philosophical debate on the social responsibility of business. A broader review of the literature on CSR then ensues in Section 2.3, offering a more comprehensive overview of the progression of CSR theory and practice.

2.2 The Social Responsibility Debate

In *Capitalism and Freedom*, Friedman (1962) argued that business has no responsibilities other than to its shareholders and, therefore, to maximise its profits within the bounds of the law. Responding to the growing view that business had a responsibility to society, Friedman (1962) replied that such thinking thoroughly undermined the principles of a free society. His views gained mainstream attention several years later, following the publication of these views in his New York Times Magazine article *The Social Responsibility of Business is to Increase its Profits* (Friedman, 1970). He argued that corporations were merely instruments of their owners; the money they controlled was not their own, and thus they had no right to spend it on anything other than the advancement of their owners' interests. He encouraged executives who felt the need to support social causes to do so in their own time and with their finances. He also stressed that shareholders, once they were paid out their share of corporate profits, were then similarly free to do as much social good as they pleased.

In a critique of Friedman's argument, Mulligan (1986) pushed back, noting that if shareholders collectively accepted that socially responsible behaviour was in their mutual interest, social responsibility could be exercised with implicit shareholder consent. This idea was rejected by Shaw (1988), however, who noted that minority shareholders would always be vulnerable to having their interests overlooked and that complete consensus on social responsibility was unlikely to be achieved. He argued that there would always be objectors to any particular social agenda and that there was a moral issue to be considered in ignoring their views. Langbein and Posner (1980) added that a legal issue inevitably arises when one pursues a social strategy at a potential financial cost to a shareholder who has not provided consent for such action.

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Friedman (1962) made the argument that, even if businesses were to accept social responsibilities in principle, it would be difficult for companies to gauge the extent and nature of these responsibilities. Friedman (1970) argued that expenditure on social responsibility reduced shareholder returns, raised the price of goods and services for consumers, and hurt employees by reducing the funds available to pay wages. As a result, he argued that the practice of social responsibility equated to imposing a tax and introduced the added burden of then deciding how the tax would be spent (Friedman, 1962). Friedman (1970) cautioned that taxation should be left to governments, which had vast structures and policies in place to ensure that the process of taxation was fair and that taxes were spent appropriately:

Here the businessman... is to be simultaneously legislator, executive and, jurist. He is to decide whom to tax by how much and for what purpose, and he is to spend the proceeds—all this guided only by general exhortations from on high to restrain inflation, improve the environment, fight poverty and so on and on. (para. 13)

Shaw (1988) echoed Friedman's argument that it was the place of democratic institutions, not the private sector, to address social issues. He asserted that significant social issues were unlikely to be adequately addressed by private tinkering and that the institutions specifically designed by the government to handle such issues were best positioned to manage them. He also argued that reasonable, good-hearted individuals could easily disagree on social issues and that a democratic process was the only way to address such diverse viewpoints.

Friedman (1970) cautioned that, even if executives were to be tasked with spending company funds on social responsibility, these executives would hardly be qualified to do so. He felt that executives were experts in running companies, not in understanding which expenditures or initiatives would advance their desired social aims. Shaw (1988) concurred, saying that it placed executives in the difficult position of needing to operate in social spheres despite not having the experience, skills, or authority to do so. Mulligan (1986) disagreed,

however, countering that there were vast mechanisms within businesses to establish objectives, implement strategic plans, and monitor performance, and that the process of incorporating social responsibility into business need only rely on these existing business competencies. Friedman, however, argued that this was akin to “taking shareholder wealth (someone else’s money) and throwing it away on projects so preposterous in their design and objective as to be positively absurd” (Shaw, 1988, p. 541).

In assessing the responsibility of business to society, Holmes (1976) allowed for a more nuanced perspective, identifying three prevalent views: (1) responsibility is limited to earning a profit within the bounds of the law; (2) responsibility includes both earning a profit and solving the societal problems that businesses themselves create (such as environmental damage); or (3) responsibility includes both earning a profit and solving societal problems even when *not* created by businesses themselves. In this third view, a choice between three caveats were offered, allowing one to make this particular view dependent on whether the CSR practice presents either (1) an opportunity for some short or long-term economic benefit to the firm, (2) likely no short or long-term economic benefit to the firm, or (3) a potential reduction in short- or long-term profits of the firm.

The notion that companies have a responsibility to society when it is in their financial interest has gained widespread support and attention (Carroll, 2008). Research has shown that some degree of CSR can be in a company's interest, and that society and shareholder interests are at times aligned. Companies have recognised the potential for CSR to serve as a positive sign to shareholders (Jones & Murrell, 2001); attract employees (Backhaus, Stone, & Heiner, 2002); improve their reputation (Sen, Bhattacharya, & Korschun, 2006); increase customer satisfaction (Luo & Bhattacharya, 2006); reduce risk (Godfrey, Merrill, & Hansen, 2009; Luo & Bhattacharya, 2009); and possibly improve financial performance (Orlitzky, Schmidt &

Rynes, 2003). As a result, most modern firms now practise CSR, and the question of whether businesses have a social responsibility has now shifted to a new paradigm focusing on the scope of social responsibility initiatives, rather than whether such a social responsibility exists.

The suggestion that companies have a responsibility to society even when it comes at a financial cost and is not in their self-interest, or when it has no particular financial impact on them at all, is still widely debated. Public opinion would likely support the view that there is a responsibility to society in both of these cases, but CSR practice indicates that companies rarely do more than that required by law or that which is in their self-interest (Hoffman, 2001).

The belief that companies should right any wrongs that they cause does not seem to have been proactively embraced by business. However, tighter regulations and the threat of costly financial sanctions from an increasingly watchful government and society has forced business to consider the negative externalities of their operations (Hoffman, 2001). At a purely philosophical level, even critics of social responsibility such as Shaw (1988) claimed that such a responsibility was undeniable.

Finally, the first notion presented by Holmes (1976), that companies should pursue maximum profit within the bounds of the law, and can do so by completely ignoring social responsibility, is rarely embraced in modern society, particularly given the extent to which companies have recognised that some levels of CSR can be in their self-interest (Carroll, 2008).

Some of the concerns with the notion of the social responsibility of business are still being wrestled with. For example, defining what is social and what is not social in the realm of investment presents a number of challenges. Who is to say whether either environmental issues or poverty should be higher up on the social agenda of a particular corporation? Should money and food be given to those in need? Some would say yes, without hesitation. There are others, however, with equally good social intentions that abhor the idea of charity and feel that it

merely feeds an unhealthy and unsustainable cycle that ultimately never empowers those that the charity is intended to help. Amongst those who care about environmental issues, some support the building of wind farms in the countryside to harvest clean energy, while others with equally strong environmental convictions believe that littering the landscape with man-made windmills is abhorrent. Langbein and Posner (1980) highlighted this subjectivity of social values and noted the lack of consensus over social principles. Shaw (1988) acknowledged that well-meaning but misguided social initiatives of business even had the potential to be counter-productive, and potentially harmful.

The subjectivity of modern ethical values was illustrated by Chieffe and Lahey (2009) who revealed that Lehman Brothers Holdings frequently featured in the top ten holdings of socially responsible investment funds. Without making any judgement on whether their business was indeed socially responsible, the intense surge of negative opinions of Lehman Brothers during the recent global financial crisis highlights the subjectivity of some social responsibility criteria. Despite these challenges, the tone set by Porter and Kramer (2011) in their seminal article *Creating Shared Value* is characteristic of some of the predominant shift in the social responsibility debate. Criticising the often narrow, short-term corporate focus on profitability, the authors called for a new era of shared value in business, arguing that businesses have an opportunity to create economic value for themselves as well as generate value for society.

The arguments both for and against the social responsibility of business explored above have been accompanied by significant advances in the literature and practice of CSR, and these are explored in the next section.

2.3 History of Corporate Social Responsibility

The history of business taking into account the social and environmental impact of their operations can be traced back thousands of years (Freeman, 2011). Evidence of this history can be found in Ancient Mesopotamia from the years around 1 700 BC (BRASS, 2007), through to Quaker communities in the United States (US) around 1 700 AD (Herringer, Firer, & Viviers, 2009), and beyond. The Industrial Revolution in the 1800s, and later the Great Depression in the 1930s, ushered in new eras of thought on the role of business in society. CSR in the form it is known today only emerged around the 1950s, however, and was referred to simply as *social responsibility* in early literature (Carroll, 2008). Social activism in the 1960s sparked a wave of social legislation that later resulted in the emergence of the Environmental Protection Agency and a myriad of other major consumer protection and social initiatives in the US (Carroll, 1991). Despite this, the notion that a company's sole responsibility was to maximise profit for its shareholders remained a widely held belief amongst executives for years, and not until the 1970s did CSR begin to gain mainstream acceptance (Bhaduri & Selarka, 2016; Carroll, 1991). The practice of CSR has subsequently grown and thrived globally, becoming an institutionalised practice in many modern organisations (Carroll, 2008).

2.3.1 CSR in the 1950s

The first literature on CSR can be traced back to Bowen's influential 1953 book entitled *Social Responsibilities of the Businessman* (Carroll, 2008). He provides one of the earliest definitions of social responsibility, as obligations to embrace policies, decisions, and actions that are aligned with the objectives and the values of society (Bowen, 1953). In the book *A Moral Philosophy for Management*, Selekman (1959) characterised the increasing awareness of CSR in the 1950s as the first real attempt to articulate the moral philosophy of business. As is often the case with revolutionary ideas, however, these ideas were met with ferocious

opposition. Levitt's (1958) paper *The Dangers of Social Responsibility* warned that "the danger is that all these things will turn the corporation into a twentieth-century equivalent of the medieval Church" (p.44), cautioning that the movement could mark the "end of capitalism" (p.46) and concluding that "business must fight as if it were at war" (p.50). By the end of the 1950s, social responsibility remained little more than ad hoc philanthropy exercised at the whim of corporate executives (Carroll, 2008).

2.3.2 CSR in the 1960s

The 1960s ushered in significant advances in the discourse on CSR, with a seminal article by Davis (1960) defining social responsibility as the social actions that companies take for reasons that are not based solely on their own direct interests. A pivotal observation by Davis (1960) was that, in some instances, the practice of CSR could actually be in the long-term economic interest of the firm. Social responsibility had previously been seen as an economic cost to business, but this observation created a distinction between CSR motivated by altruism and CSR motivated by self-interest. Walton (1967) went on to make a similar distinction between CSR carried out voluntarily versus CSR that is coerced. Despite the progress in CSR literature, however, CSR practice remained in its infancy. Seemingly impervious to the civil rights and feminist movements that characterised the growing social activism of the decade, companies failed to meaningfully embrace CSR practice. By the end of the decade, CSR was still largely characterised by the modest corporate philanthropy of the past (Carroll, 2008).

2.3.3 CSR in the 1970s

There was significant maturation of CSR theory in the 1970s (Carroll, 2008). Friedman (1970) ushered in the decade with an iconic article arguing that the only responsibility of business was to maximise its profits. As previously mentioned, he argued that executives could

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hardly be expected to know how to address social issues, and that doing so effectively imposed a tax on shareholders that companies then needed to figure out how to spend. Friedman (1970) added that shareholders were free to advance their own personal notions of responsibility with the proceeds of their investments, but that it would be irresponsible for companies to do so given that they are merely stewards of their shareholder's funds. Heald (1970), however, argued that the increasing acceptance of the notion that business did indeed have a responsibility to society meant companies would never be able to return to the simplistic patterns of their past. He predicted that the increasing corporate commitment to discerning social needs and responsibilities would only grow, the result of new partnerships based on mutual interest and understanding. A ground-breaking assertion that emerged in the 1970s was Johnson's (1971) notion that a business had a responsibility not only to its shareholders, but also to its stakeholders, which included employees, suppliers, customers, and the community at large (Johnson, 1971).

A report by the Committee for Economic Development (CED) (1971) explained that these stakeholders represented a significant group of people upon whom companies depended for support, and whose interests were inherently connected to those of business. The report provided one of the most formidable rebuttals of its time to the notion that the sole responsibility of business was to its shareholders, warning that companies are effectively only able to function with the ongoing consent of the public, and that the core purpose of business is to serve society's needs. This observation alluded to a growing understanding that the success of businesses was to some degree dependent on the wellbeing of its society. The CED report ended by stating that executives needed to show leadership in ensuring that companies play a broader role in society if they expected to receive the ongoing support of the public. This thinly-veiled threat served as a clear indication of the degree to which views on the role of business in society had shifted, articulating an increasing sense that something was out of balance

between business and society, but a simultaneous optimism that businesses could play a positive role in tackling this challenge.

Simon, Powers, and Gunnemann (1972) proposed a set of principles to help companies determine their level of social responsibility. They argued that the responsibility of business increased when the level of social *need* increased; when their experience and skills gave them a greater *ability* to respond; when they were close in *proximity* to the social need; and when they found themselves in a position of *last resort*, when others were not willing or able to address the social need. However, despite the progress made in literature and the prodigious shift in both public and practitioner sentiment, much remained to be clarified. In discussing the term *corporate social responsibility*, Votaw (1972) noted that the term had vastly different meanings to different people. Acknowledging this uncertainty, Bowman and Haire (1975) performed a study on the state of CSR practice which identified an astonishing number of different terms used by companies in their annual reports to refer to CSR. These terms included corporate responsibility, social responsibility, social commitment, community activities, social action, public service, public responsibility, corporate citizenship, and social responsiveness, amongst others.

Subsequent literature would attempt to address the growing disquiet over the stark variations in definitions and perspectives on CSR. Sethi (1975), who had published a book with Votaw in 1973 entitled *The Corporate Dilemma*, agreed that the definitions of CSR lacked structure and had become amorphous. Sethi emphasised that a structural framework was needed to provide stable classification and meaning to future literature on CSR. Sethi proposed one such analytical framework, separating social responsibility into three notions: *social obligation*, referring to behaviour tied to legal requirements or market forces; *social*

responsibility, referring to behaviour that is aligned to the norms and values of society; and *social responsiveness*, whereby social activities are proactive and preferably preventative.

Holmes (1976) characterised some of the potential benefits of CSR for companies, such as improved reputation, a stronger society and economic system within which to operate, enhanced employee and management job satisfaction, and a greater chance of survival and profitability. Some of the potential negative impacts of CSR identified by Holmes included reduced profitability, incongruence between economic and social objectives, higher prices for consumers, and alienated shareholders. Holmes (1976) also explored how managers might determine which social issues to tackle, and when and if to tackle them. Some of these included: the level of alignment between the social need and the company's ability to help; the degree of social need; the interests of executives; the extent of government pressure; the potential for improved public relations; and the level of pressure from the public. A study by Eilbirt and Parket (1973) found that the most common social responsibility activities in the US at the time were focused on education, the environment, minority hiring and training, the arts, hiring and training the unemployed, civil rights, and urban renewal, in that order.

Carroll (1977) noted an important shift toward a more strategic, managerial approach to CSR during the decade, arguing that the traditional functions and competencies of business needed to be applied to social issues. This progression would require better planning, organisation, and monitoring of social responsibility activities, and the eventual institutionalisation of CSR policies and practices into business. Near the end of the decade, Carroll (1979) offered a conceptual model which added further refinement to CSR literature. He emphasised the need for a basic definition of CSR, the need for elucidation of the various social issues that CSR hoped to address, and a philosophy on whether companies should be expected to address to these issues either reactively or proactively. In order to define CSR, he

separated the social responsibility of business into four categories: economic responsibilities, legal responsibilities, ethical responsibilities, and discretionary responsibilities.

The 1970s was a decade defined by significant advancements in CSR literature and a surge in legislation on social issues such as the environment, employer discrimination, and product and worker safety (Carroll, 2008), but meaningful advancements in the corporate practice of CSR in the US still lagged conspicuously behind.

2.3.4 CSR in the 1980s

In many ways, CSR theory had come of age by the 1980s, having earned itself a "rich literary pedigree" as a result of advancements in the literature (Tuzzolino & Armandi, 1981, p. 21). The constant revision of the arguments and definitions concerning CSR which characterised previous decades gave way to new, parallel theories and themes such as *business ethics* and *stakeholder theory* (Carroll, 2008). Definitions of CSR had matured, with one such definition from Jones (1980) suggesting that one can only claim that activities are part of CSR if they are embraced voluntarily and are broader than those a business might adopt otherwise.

Later in the decade, Shaw (1988) would claim that CSR was primarily about companies addressing problems that they themselves had not caused. As Jones (1980) argued, however, reaching a consensus on what defined social responsibility, with its complexity and subjectivity, was not necessary. Instead, he emphasised that it was the *process* of social responsibility that warranted further study, more so than its *outcomes*. Thus, in line with this thinking and in response to the lacklustre adoption of CSR in corporate practice in previous decades, Tuzzolino and Armandi (1981) shifted their focus to the *operationalisation* of CSR, proposing an organisational-need hierarchy based on Maslow's hierarchy of needs. They argued that our human needs (physiological, safety, affiliation, esteem and status, and self-actualisation) were mirrored by the needs of organisations, and could be seen in the corporate

pursuit of profitability, survival, recognition, and status. Tuzzolino and Armandi (1981) pointed out that the social responsibility of business was not uniform, and was instead dependent on a variety of factors such as the stage of growth, industry, and degree of competition that a company faced. Wartick and Cochran (1985) acknowledged a distinction between the economic, public, and social responsibilities of business, and offered a model for evaluating *corporate social performance* (CSP), by framing the concepts of CSR as either a set of principles, processes, or policies.

In addition to advancements in the literature, the 1980s bore witness to a seismic social awakening in the US to the perceived greed and negligence of modern companies, sparked by a litany of corporate scandals, cover-ups, and controversies. Insider trading, fraud, major environmental disasters, the corporate response to apartheid in South Africa, and even the 1987 emergence of the *Wall Street* notion that greed was good all contributed to this perception (Carroll, 2008). Scholars in previous decades had debated the ethical responsibility of companies to proactively do good in society, or to at least remedy the unintended negative social consequences of their business operations. The concern in the 1980s, however, was that some companies and executives were intentionally being predatory, fraudulent, and unethical, fuelled by their unbridled greed. This development had many implications, but one of these was a growing call for investors to consider the social implications of their investments (Ferris & Rykaczewski, 1986). As opposed to CSR, which by now was seen to refer to the social responsibility of businesses, *socially responsible investment* (SRI) referred to the social responsibilities of investors. Although it was certainly not the first time that investors had taken social considerations into account in their investment decision-making (Viviers & Eccles, 2012), SRI gained momentum in the wake of increased calls for investors to invest responsibly (Ferris & Rykaczewski, 1986). South Africa became a point of contention in the social responsibility debate, with US businesses and investors facing increasing pressures to divest

from the country in response to the continuation of apartheid (Bond, 1988; Kaempfer, Lehman, & Lowenberg, 1987). This would prove to be one of the central themes in CSR over the course of the decade.

2.3.5 CSR in the 1990s

The significant advancements in CSR theory which defined previous decades essentially ceased in the 1990s. The focus on parallel themes such as stakeholder theory and business ethics grew, and new concepts such as sustainability and corporate citizenship emerged (Carroll, 2008). *Corporate citizenship* represented the notion that businesses needed to see themselves as being part of a broader social ecosystem (Reilly & Kyj, 1994). Early notions of *sustainability* reflected a particular concern for the environment, but the concept was soon expanded to consider the broader social environment of stakeholders (Carroll, 2008).

According to Griffin and Mahon (1997), decades of unreliable, subjective studies with flawed methodologies had produced contradictory evidence regarding the relationship between CSR and corporate profitability. Many studies that claimed to provide such evidence relied on small sample sizes or inconsistent measures of performance, or drew from a wide range of potentially incomparable industries in a way that risked masking any real underlying themes (Griffin & Mahon, 1997). These authors took a step toward remedying these shortcomings by performing a study limited to a single industry, utilising five prominent accounting measures for assessing corporate social and financial performance, and strengthened by the triangulation of data. On the eve of the turn of the century, Harrison and Freeman (1999) concluded that the efforts to examine the relationship between performance, stakeholders, and social responsibility were admirable, but would require significant future research.

While the advancements in CSR literature had previously outpaced its real-world adoption, the 1990s marked a turning point. CSR increased dramatically in both prevalence

and sophistication in modern firms, but also took hold globally, now reaching international firms and international beneficiaries (Carroll, 2008). Dedicated CSR managers became commonplace and CSR initiatives in the US were now characterised by a litany of practices, including strategic giving, international philanthropy, volunteering, and sustainability and corporate citizenship practices (Carroll, 2008). The 1990s also marked a period during which select companies, such as Nike and Coca-Cola began to develop widely-recognised reputations for their CSR practice (Carroll, 2008).

Much of the previous debate on CSR had pitted various social and economic interests against one another. Business for Social Responsibility (BSR), a US non-profit organisation, articulated a different vision of mutual benefit and aligned interests, however, arguing that companies could be financially successful while still being socially responsible (Business for Social Responsibility, 2017). Launched in 1992, the BSR would go on to advocate for the integration of social and environmental considerations into core business operations. The reference to *integration* in their definition alluded to what would become a key distinction in CSR practice: CSR which is embraced and integrated in the core operations of a business, implemented with the same skill and competency afforded to other business functions; or CSR which is carried out by an independent unit of a business, unrelated and separate from its core activities.

2.3.6 CSR since 2000

The CSR construct had truly taken hold internationally by the 2000s, and the theoretical research that characterised the past was replaced by a wave of empirical studies into the practice (Carroll, 2008). Various authors explored nuanced elements of CSR or performed studies to add evidence to theories that had emerged previously. Griffin (2000), for example, proposed that closely-related disciplines such as marketing and human relations offered a wealth of

existing research that could be used to broaden and enrich our understanding of the field. Jones and Murrell (2001) studied how corporate social performance could serve as a positive signal to shareholders, while Backhaus, Stone, and Heiner (2002) examined how corporate social performance impacted perceptions on the attractiveness of an employer. Carmeli (2005) found that employee commitment to their company was impacted more by the social prestige of their organisation than by its economic prestige. Luo and Bhattacharya (2006) found that CSR could improve levels of customer satisfaction, increasing the market value of a company. Waldman, Siegel, and Javidan (2006) used leadership theory to show the significant influence that chief executive officers (CEOs) can have on their firms' CSR practice, focusing on charismatic and intellectually stimulating leaders in their study. In one of the first studies of its kind, Sen, Bhattacharya, and Korschun (2006) found that consumers who knew about a company's CSR activities viewed the company more positively and were more able to identify with it. They were also more likely to support the company through purchases or investment, or even to want to work for the company. However, they cautioned that these benefits only arose when customers were aware of the specific CSR initiatives of the company, and noted that such awareness was, in fact, extremely limited, thus demonstrably lessening its impact.

Campbell (2007) argued that prevailing economic conditions, including the state of the economy, the health of corporations, and levels of competition, had a significant impact on the likelihood that firms would act responsibly. State regulation, the extent to which corporate behaviour was monitored, and the social norms dictated by the corporate environment were also identified as important factors.

Scherer and Plazzo (2007) described what they saw as the "politicization of the corporation" (p. 1115), arguing that greater social engagement was transforming businesses into political actors. Using theories of organisational justice, Aguilera, Rupp, Williams, and

Ganapathi (2007) argued that this increased social engagement was positioning companies as agents of positive social change. They also proposed that the motivations behind responsible behaviour could be categorised as either instrumental, relational, or moral. *Instrumental* motives were those driven by shareholder interests, *relational* motives were those driven by stakeholder interests and a desire for legitimacy, and *moral* motives were those based on higher interests and values. Matten and Moon (2008) distinguished between *implicit* and *explicit* CSR, providing a conceptual framework that differentiated between practices that were articulated strategically and explicitly and those that emerged organically and implicitly.

During this decade, companies had shifted their focus to best practices in CSR and increasingly called for evidence of the *business case* for CSR (Carroll, 2008). Their desire for concrete developments in CSR was understandable, with the Organisation for Economic Co-operation and Development (OECD) (2001) acknowledging that a more informal system would not be enough to sustain complicated legal and ethical requirements.

In articulating the business case for CSR, Godfrey, Merrill, and Hansen (2009) found that CSR provided insurance-like protection to businesses in the event of negative events, which in turn benefited shareholders. Robins and Krosinsky (2009) argued that taking long-term social and environmental factors into consideration was critical in order to maximise the risk-adjusted returns of businesses. Similarly, Luo and Bhattacharya (2009) discussed CSR as a tool for risk management, finding that greater levels of CSR could lower firm idiosyncratic risk. They cautioned that CSR had a "dark side", however. Their study showed that when CSR was implemented across too many strategic functions in a business, increases in CSR actually led to higher risk and decreased financial performance, the result of confusion and market uncertainty. They also made the point that the positive relationship between CSR and financial performance had an unforgiving ceiling; at some point greater levels of CSR would inevitably

reverse the trend and begin to erode value. Thus, the aim is to do just enough good as opposed to doing too much good (Luo & Bhattacharya, 2009). Bae, Chang, and Yi (2018) made this same argument, finding that there was an optimal level of CSR beyond which it increased debt financing costs and thus negatively impacted firm financial performance.

McWilliams and Siegel (2011) introduced a definition for *strategic CSR* as socially responsible activities that help firms to gain a competitive advantage, regardless of what motives drive these activities. These authors noted that the benefits of CSR are difficult to measure, as CSR efforts are often just one part of a broader product or practice, thus making it hard to quantify the value-add attributable to CSR activities. Although the rewards for CSR practices are typically intangible, McWilliams and Siegel (2011) argued that the strategic value of CSR could be determined using a modified version of *resource-based theory*. Resource-based theory considers the role of strategic resources in generating sustained competitive advantage over time, on the back of resources that are either valuable, rare, difficult to imitate, or hard to substitute (Barney, 1991). Bhandari and Javakhadze (2017) determined that CSR absorbed valuable firm resources and decreased the efficiency of the capital allocation process. Sheikh (2018), however, argued that CSR was a value-increasing activity for firms, noting that the more entrenched management was within a company the less likely they were to support investment into CSR.

The debate on the relationship between CSR and financial performance continued in the literature, but research examining this relationship was still plagued by flawed methodologies (Margolis & Walsh, 2003). A large meta-analysis of 52 previous studies by Orlitzky, Schmidt, and Rynes (2003) concluded that there was indeed a positive relationship between corporate social performance (CSP) and financial performance. Margolis and Walsh (2003) called their conclusion illusory, however, noting that any study that relies on other

flawed studies is inherently flawed itself, reinforcing an ironic, self-perpetuating cycle of further inadequate studies. In this context, Lev, Petrovits, and Radhakrishnan (2010) made a crucial observation regarding the need to ask a question about *causation*: is CSR causing the improved financial performance observed in these studies, or are companies with better financial performance simply more able or inclined to conduct CSR?

In the midst of this confusion, Luo and Bhattacharya (2009) made an important observation about the long-fought battle for evidence on the impact of social responsibility on financial performance. They stated that the pursuit of a universal understanding of the financial impact of CSR was arguably moot; far more important was a fine-tuned understanding of the how various CSR practices, in various contexts, applied to varying degrees and with various strategies improved or decreased financial performance and risk. These authors concluded that CSR is valuable in some circumstances but that it is not beneficial in all situations, and is thus context-specific. Javed, Rashid, and Hussain (2016) confirmed this trend away from attempting to make universal claims about the value of CSR, and to instead identifying various contingencies that determine the ultimate value of its practice. For example, Oyewumi, Ogunmeru, and Oboh (2018) found that investment in CSR activities was generally associated with lower financial performance, and that it was instead the act of CSR *disclosure* that could lead to improved financial performance. The European Commission (2011) made the additional point that CSR practice is not homogenous and should be expected to vary between companies depending on the size and nature of their business, amongst other factors. They also noted that, for smaller companies, CSR would likely remain a relatively informal practice.

CSR continued to spread internationally during this decade, with a report by the OECD (2001) noting that the increase in voluntary CSR initiatives represented one of the leading trends in global business. Their report drew attention to the fact that CSR practices varied

significantly in different parts of the world, an observation echoed by other authors (see Jamali & Neville, 2011; Maignan & Ralston, 2002; Matten & Moon, 2008). The OECD report (2001) noted divergences in management practice and commitment, demonstrated that institutions face varying degrees of pressure from regulators, and made the crucial point that CSR initiatives need to be considered within the legal, regulatory, political, and social context from which they originate. In addition to the importance of the local context, Maignan and Ralston (2002) highlighted important differences in the motivations, processes, and issues which defined CSR initiatives internationally, and even the extent to which companies saw value in the appearance of being socially responsible.

The turn of the millennium ushered in global growth in CSR, but also introduced new challenges. As the OECD (2001) noted, companies now commonly had operations that crossed international borders, with varying regulatory and cultural environments complicating their legal and compliance efforts. CSR initiatives now included commitments to a range of issues, such as labour relations, environmentalism, consumer protection, and human rights (OECD, 2001). Marsden (2000) would add that the challenge of conducting CSR within developing countries was far more acute than within well-regulated developed countries, and that companies were more likely to find themselves naturally involved with infrastructure investment and operating in quasi-government roles in these environments.

2.3.7 Conclusion

Following decades of advancements in CSR literature and practice, CSR has emerged as a complex, multifaceted discipline within the business environment. Greater sophistication in CSR practice and its acceptance into the mainstream has been predicated on the realisation that CSR may have significant implications for society and important ramifications for business. Scholars such as Matten and Moon (2008) and Jamali and Neville (2011) have

emphasised how CSR differs across borders and have highlighted that the local context meaningfully influences how companies exercise their social responsibilities. Given that the vast majority of the mainstream literature on CSR practice explored above is focused on developed markets, a review of the literature on CSR and CSI in South Africa is presented below. Examining this literature provides a more nuanced understanding of the social responsibility of business in the local context. Specifically, this review of the existing literature particular to South Africa furthers the aim of this study by providing insight into the practice of CSI in the country as it is currently understood in the literature.

2.4 Corporate Social Investment in South Africa

South Africa's history of colonialism and apartheid and its current social and economic challenges have resulted in meaningful differences in local terminology, literature, and practices related to the social responsibility of business. Bundy (1972) provided insight into the devastating effects of colonialism in South Africa. He noted that the country's rural Africans were ripped out of their natural, pre-colonial existence, and forced into reliance on employment for survival. Prior to this, they had lived in a period of relatively prosperous and stable peasantry, in an often-ignored era of "early prosperity" (p. 370), long before they eventually succumbed to sub-subsistence and underdevelopment.

Then came the horrors of apartheid, which institutionalised discrimination in the country. As the Truth and Reconciliation Commission of South Africa (TRC) (1998) eventually found, the role of business in establishing and sustaining apartheid was significant. The TRC (2002) highlighted a number of ways in which businesses benefited financially from apartheid, including benefiting from restrictions to black ownership of land and the ability to pay astoundingly low wages for labour. Mangaliso (1997) emphasised that, in addition to the

challenges of race relations, South Africa's vast natural resources added another layer of complexity as competing interests vied to exploit the country's mining riches.

Through the experience of colonialism and apartheid, the underprivileged majority in South Africa became well-versed in the class struggle discussed in *The Communist Manifesto* (Marx & Engels, 1888/1985), which had condemned the abuse of cheap labour in pursuit of wealth and private property. Marx and Engels warned that the exploitation by the ruling class:

Has left remaining no other nexus between man and man than naked self-interest, than callous 'cash payment'. It has drowned the most heavenly ecstasies of religious fervour, of chivalrous enthusiasm, of philistine sentimentalism, in the icy water of egotistical calculation. It has resolved personal worth into exchange value, and in place of the numberless indefeasible chartered freedoms, has set up that single, unconscionable freedom—Free Trade. In one word, for exploitation, veiled by religious and political illusions, it has substituted naked, shameless, direct, brutal exploitation. (p. 82)

The role of South African businesses in the human rights abuses and discrimination of the past has been acknowledged by a number of authors (see Fig, 2005; Hamann, 2009; Ramlall, 2012). Not all companies in South Africa played the same role, and there is evidence of a small number of companies engaging in social development initiatives and philanthropic activities, particularly toward the end of apartheid (Hamann, 2009). Two examples of such initiatives were the *Chairman's Fund*, which was established by mining companies Anglo American and DeBeers in 1973, and the *Urban Foundation* which was established in 1976, both of which aimed to tackle social ills and improve conditions in the townships (Babarinde, 2009). The motivation behind these social initiatives was not clear, however, and some have argued they were merely a self-interested attempt to calm the social unrest that was threatening their economic position in a changing society, far more than it was a genuine commitment to social upliftment (Fig, 2005). De Jongh (2009) contended that it was primarily because companies were facing increasing pressure due to social pressure and economic sanctions. When the Sullivan Principles were introduced in the US in 1977 and established a voluntary

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code of conduct for companies doing business in South Africa, a similar debate arose. Were the US companies that slowly withdrew over the decade that followed doing so for ethical reasons, or simply because of pressure from consumers and investors, or because the South African economy was weakening anyway (Mangaliso, 1997)? There is some indication in the literature that there may have been more than one motivation in these cases. For example, Paul and Aquila (1988) argued that, should the apartheid regime fall, divesting from the country in protest of apartheid could prove to be good business, positioning companies who withdrew to later reap economic benefits, in addition to taking an ethical stance.

Either way, one could argue that the discourse on CSR in South Africa during the 1970s and 1980s was, in some ways, defined less by what local companies were doing, and more by the social responsibility efforts of foreign companies divesting from the country in protest of apartheid. However, Teoh, Welch, and Wazzan (1999) would later provide evidence that, although these divestment initiatives received much attention, they failed to drive meaningful change in the country. Their study found that the extent of international company operations in South Africa was so insignificant that announcements of divestment from South Africa had little effect on local company valuations or on the country's financial markets. History would show that the Sullivan Principles, similarly, had little real impact on the state of apartheid in South Africa.

While South Africa was not the only country to have experienced such a painful past, the scale of the oppression that occurred, and the fact that it occurred in the country's very recent history, added to its impact. Viviers, Ractliffe, and Hand (2011) provided a practical example of how this has translated into differences in the local context that need to be understood when examining CSR in South Africa, noting that the term *philanthropy* does not have a positive connotation in much of South Africa, as it is associated with the most affluent

echelons of society and a wealth that is well beyond their reach. Similarly, Farrell, Hamann, and Mackres (2012) emphasised how South Africa's immense cultural diversity added to these challenges. Cultural differences and language barriers added another layer of complexity to stakeholder relationships and would impact company-community relationships long after the eventual end of apartheid.

2.4.1 Divergence in CSI terminology and practice in South Africa

Hamann (2009) noted that early social responsibility efforts in South Africa were contradictory. Although the philanthropic efforts that characterised the period may have aided social development, they were conducted alongside the ongoing exploitation of people of colour and within a context of low environmental and work safety standards. This observation highlights an important distinction between the way CSR was being implemented in South Africa versus other parts of the world: internationally, CSR was increasingly adopted as a strategic internal function that impacted both the way companies did business and how they engaged with society, while CSR in South Africa was primarily being practised as CSI and essentially limited to philanthropy (Hamann, 2009).

This divergence in practice was mirrored by a similar divergence in terminology. In South Africa, the term *corporate social investment* (CSI) is encountered more frequently than the term *corporate social responsibility* (CSR). Business in South Africa broadly shuns the term CSR, despite its global use (Fig, 2005). Occasionally, the terms CSR and CSI are used interchangeably in literature and in practice (de Jongh, 2009), but using the terms interchangeably is generally a mistake given the meaningful differences between the two practices. CSR is commonly used to refer to the overall approach a company takes to sustainability and to their stakeholders, while CSI refers to external company initiatives aimed

at the social good, thus essentially amounting to corporate philanthropy. This distinction between CSR and CSI is accepted and will be used throughout this study.

The emergence of the term CSI and its deviation from international practice has been criticised in South African literature (Fig, 2005; Skinner & Mersham, 2008). The concern is that the use of CSI as the dominant expression of a company's social responsibility efforts perpetuates the historic South African view that it is appropriate for such initiatives to be external to business, and thus need not impact core business strategy (Hamann, 2009). While CSR often places social responsibility at the heart of business, CSI relegates social responsibility to an external and separate function that is not required to show congruence with the culture and practices of the company itself.

In explaining the evolution of the practice in South Africa, Skinner and Mersham (2008) noted that the business community simply responded better to the notion of *investment* than it did to the idea of *responsibility*, with the latter evoking uncomfortable reminders of its failings during apartheid. They explained that this allowed companies to orientate the discussion around business rather than around ethics or responsibility. Fig (2005) suggested that companies preferred concepts such as CSI, as they do not bring up uncomfortable questions about ethics or morality, or about justice, legacy, and the country's history.

2.4.2 CSI after the end of apartheid

The advancements in CSR literature and practice in countries such as the US during the 1970s and 1980s far outpaced the progression of CSI in South Africa during these two decades, but the practice of CSI grew in the 1990s. Before 1994, CSI in South Africa was largely characterised by arbitrary philanthropic contributions (Ramlall, 2012). This arbitrary approach slowly began to change with the end of apartheid. The new national government introduced

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laws to promote social and economic transformation and compel socially responsible business practices, and market-based drivers increasingly provided an incentive for CSI practice.

South African businesses, shut off from global markets during apartheid, now had an incentive to display their social responsibility and align their practices with international norms in order to re-enter the global arena (Hamann, 2009). Businesses once catering to the minority white population in South Africa also had an economic incentive to rebrand themselves in light of their newly empowered black customers. Irwin (2003) examined how CSI impacted corporate branding in South Africa, and noted that companies had discovered that CSI could be used as a branding tool to make them more competitive, raise their profile, and create brand loyalty, by taking advantage of "values-led branding" (p. 303). Irwin explained that companies increasingly realised that appearing to support transformation and being in alignment with the values of society could be in their interests.

Companies in South Africa are bound by the same obligation to shareholders as they are in many other countries, and their requirement to act in the interest of the company has been upheld in South African law (Ramlall, 2012). The memoranda of association of most companies post-apartheid now specifically include an allowance for funds to be spent on these social and environmental initiatives (Ramlall, 2012).

The new social dynamic in South Africa led to dramatic changes in what society and government expected from businesses, and especially from large listed companies. The second *King Report on Corporate Governance for South Africa*, published in 2002, made clear what was expected from companies in terms of a broad range of social efforts, including sustainability, corporate citizenship, and social responsibility (Hamann, 2009). A total of four King Reports were ultimately published, and companies are now required to report the extent of their adherence to the King standards in order to be listed on the country's Johannesburg

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Stock Exchange (JSE) (Ackers & Eccles, 2015). The King reports had a substantial impact on the SRI market and its development in South Africa (Viviers & Els, 2017). In addition to these market-related drivers, the government has also played a significant role in compelling the corporate practice of CSI (Hamann, 2009), with government legislation arguably being the largest driver of the quantum of CSI funding in the country (Hinson & Ndhlovu, 2011).

Legislation regarding black economic empowerment, in particular, has a significant impact on the funding companies spend on CSI each year. This legislation was introduced by the Broad-Based Black Economic Empowerment Act (No. 53 of 2003), commonly abbreviated to either B-BBEE or simply BEE. A number of other key pieces of government legislation, such as the Companies Act (No. 71 of 2008), influence social responsibility practices in the country. As the name suggests, B-BBEE legislation ensures that there are preferential policies in place to empower black individuals and companies (Ramlall, 2012). Esser and Dekker (2008) explain that B-BBEE attempts to address racial imbalances as well as to encourage investments in society and communities.

There are no explicit penalties for companies that do not comply with B-BBEE legislation, but there are incentives and exclusions that effectively compel large companies to comply. B-BBEE compliance is typically a prerequisite for doing business with the government, for example, and companies who do not comply often struggle to do business in both the public and private sectors (Ramlall, 2012). These requirements have become increasingly complex in subsequent revisions and amendments to the codes. One of the key components of B-BBEE legislation is its criteria for socio-economic development, which can typically be achieved by making CSI contributions. This criterion can thus easily be satisfied by companies, who find making financial contributions to society through CSI simpler than

transforming the race profile of their ownership structure or increasing the percentage of their black suppliers, two of a number of other criteria of the B-BBEE Act.

Research by Hamann, Khagram, and Rohan (2008) examined B-BBEE in South Africa, and raised concerns that while the B-BBEE charters had in theory been established in the spirit of "collaborative governance", there seemed to be underlying "power-based bargaining" (p. 21) which was impacting how B-BBEE was being implemented. In particular, they cited the concern raised by some that B-BBEE had primarily benefited an elite few in the politically well-connected black community. Thus, rather than providing broad-based benefit to large segments of the previously disadvantaged black population, B-BBEE has instead created a small number of exceptionally wealthy black billionaires. Research by Patel and Graham (2012) reached a similar conclusion.

In addition to the extent to which B-BBEE legislation compels CSI practice, there are also additional industry-specific requirements imposed by the government on some industries, which are referred to as *license to operate* requirements (Hinson & Ndhlovu, 2011). One example is the mining industry where, for the opportunity to mine the country's natural resources and maintain their mining licenses, mining companies typically support CSI in an amount well above what is compelled by B-BBEE legislation alone.

Government regulation can have unintended consequences, however, and in a study on multinational enterprises (MNEs), Reddy and Hamann (2018) demonstrated how firms with larger commitments to CSI globally were more responsive in the South African context when the regulatory environment in their home country and the local environment were more similar. By examining MNE responses to B-BBEE legislation, they showed that South Africa's heavy regulation could potentially lead MNEs to, in fact, lower their local CSI commitments.

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B-BBEE legislation does not impact small companies to the same extent that it impacts large companies and MNEs in the country. While the majority of CSI research has focused on large firms, Hamann, Smith, Tashman, and Marshall (2017) investigated CSI in the context of small and medium-sized enterprises (SMEs), performing case studies on South African wine farms. Their findings indicated that a sense of environmental responsibility, rather than competitiveness or pursuit of legitimacy, appeared to guide the environmental behaviour of managers. These authors credited this to the link between wineries and their natural environment, and also their small size and the resulting sense of personal stewardship on the part of company management, something that may be lost in larger companies in South Africa.

Non-profit organisations (NPOs) have played an increasing role in promoting CSI and are contributing to the social orientations of businesses (Guay, Doh, & Sinclair, 2004). NPOs in South Africa overwhelmingly focus on causes related to education, social and community development, and health in the country (Triologue, 2013). Hamann and Acutt (2003) highlighted the importance of NPOs and similar organisations actively contributing to the discourse on CSI in the country, and argued that a strategic approach should be taken to partnerships with business, one of "critical cooperation" (p. 261).

However, de Jongh (2004) noted that the process of transformation had not been a smooth one. Almost a decade after the end of apartheid, many companies still saw the changes in society as a potential risk factor, and openly discussed social change from a risk management perspective. The South African government caught wind of this and reacted strongly, arguing that this was proof that companies saw social change as a risk rather than an opportunity, and was evidence of their lack of authentic commitment to social transformation (de Jongh, 2004). These claims provide evidence of the lack of trust and engagement between business and

stakeholders that continued, and arguably continues, in South Africa well after the end of apartheid.

While some of the literature on the consideration of social responsibility in business and investment in South Africa has already been incorporated above, there are several additional important works that will be explored in the following section. This research is directly relevant for building an understanding of the broader field of CSI in South Africa and of the social responsibility of businesses in the country. To the extent that a link between social and financial performance exists, this may influence the motivations for CSR practice in South Africa and is thus explored next.

2.4.3 The association between social and financial performance in South Africa

Viviers and Eccles (2012) note that South African literature has followed the international trend of examining the relationship between social performance and financial performance. The results have been equally contradictory. Eccles, Pillay, and de Jongh (2009) performed a study that examined corporate accountability and financial performance, finding no correlation. A study by Demetriades and Auret (2014) had mixed results but found some positive correlation between SRI and financial performance during certain time periods. Chetty, Naidoo, and Seetharam (2015) found that CSR activities do not significantly change financial performance. Mans-Kemp, Erasmus, and Viviers (2017) took a different approach and examined the relationship between corporate governance and financial performance in South Africa, and found a positive relationship between the two.

Compliance with the B-BBEE Act renders companies eligible to pursue a broader range of business opportunities, but Jackson, Alessandri, and Sloan Black (2005) wanted to explore the impact of B-BBEE equity deals on share prices. They found that the announcement of a B-BBEE transaction substantially increased the shareholder value, and determined there was a

further correlation with the percentage of equity acquired in a B-BBEE deal, namely that the greater the percentage of equity being acquired by a black empowered entity, the greater the market value return in terms of equity valuation. Wolmarans and Sartorius (2009) performed a similar study on whether there was a relationship between the announcement of B-BBEE deals and the creation of shareholder value and determined that there was a positive correlation, but only in the latter period of their study. Similarly, research by Kleynhans and Kruger (2014) found that implementing B-BBEE policies could increase investment as well as turnover and profitability in companies.

SRI in South Africa has also received significant attention in the literature (Viviers & Eccles, 2012). In a study of 35 years of responsible investment research, Viviers and Eccles (2012) noted that the link between responsible investment and financial performance remains a dominant area of interest, but that concepts such as enlightened self-interest or "ethical egoism" (p. 8) are gaining attention. Qualitative methodologies have also been increasingly favoured in recent years in the field.

In 2004, South Africa became the first emerging market country to launch an SRI Index on its stock exchange, bringing the discourse on responsible investment and corporate citizenship further into the mainstream (Sonnenberg & Hamann, 2006). This index would later be replaced in 2015 with the FTSE/JSE Responsible Investment Index Series. Approximately 80% of SRI in South Africa is focused on social development, while the other 20% focuses on the environment (Pretorius & Giamporcaro, 2012). Eccles and Viviers (2011) defined responsible investment as those investment processes that integrate the pursuit of risk-adjusted financial returns and concern for ESG related issues. Giamporcaro (2011) noted that doing so requires a framework in which social and environmental risks and values can be assessed. Viviers et al. (2008) explored the barriers, drivers, and enablers of SRI in South Africa. They

found that confusion about definitions, the suspicion that SRI might have lower risk-adjusted returns, and a lack of SRI expertise were all barriers to the expansion of responsible investment. Stakeholder advocacy and legislation were found to be some of the drivers of SRI, while collaboration and the availability of mainstream benchmarks and training were working as enablers for the practice. Lekhesa (2009) noted the increasing role that shareholder activism was having on responsible investment in South Africa, although noted that this form of activism is still rather limited.

Viviers, Bosch, Smit, and Buijs (2009) noted that the practice of SRI was continuing to increase in South Africa, and Herringer, Firer, and Viviers (2009) found a link between responsible investment and sustainable economic growth in South Africa. Similarly, Hinson and Ndhlovu (2011) investigated the relationship between CSR, CSI, and responsible investment in South Africa, and expressed optimism that the synergy of these three drivers in South Africa would make a positive impact on sustainable development in the country. The literature has also investigated the more recent emergence of the field of *impact investing*. Impact investments are investments made in pursuit of both a financial return and social impact, differing from other responsible investments in that they explicitly support socially responsible companies, rather than simply screening out companies perceived to have negative social impacts (Viviers, Ractliffe, & Hand, 2011).

Literature is divided on the extent to which these developments within the field of investment have impacted the social behaviours of companies or their profitability. Nevertheless, this body of work forms an important part of the literature in the field.

2.4.4 Assessing CSI practice in South Africa

Almost a decade after the end of apartheid, Hamann (2003b) noted that mining companies in South Africa continued to face pressure from government and society for their

perceived irresponsible conduct in relation to communities and the natural environment. More than two decades after the end of apartheid, Hamann and Bertels (2018) explained how, historically, South African companies created and maintained inequality to serve their interests, exploiting their access to cheap, reliable sources of labour. However, more recently, they argued that the oversupply of labour has meant that business has been able to release its tight control, and yet continue to exploit labour, but now outsource the responsibility for maintaining the unequal structures that sustain their workers to the market, government, or even to the workers themselves.

In the midst of literature that continues to highlight the failures of CSI to enact real change in South Africa, there have been a variety of views expressed on what is needed to improve CSI and advance sustainable development. O'Riordan, Preston-Whyte, Hamann, and Manquele (2000) argued that sustainability in the South African context would require economic growth, redistribution of resources, and a commitment to environmental protection. They reasoned that this could be achieved through the sound stewardship of enterprises, empowerment in society, and a unified vision for a common future. In a case study of mining companies in South Africa, Hamann (2003a) reasoned that companies would need to invest in capacity building within local governments if they wanted to address community social concerns. De Jongh (2004) maintained that stakeholder engagement and collective accountability would be critical for businesses in managing the risks of a changing social landscape. Similarly, he argued that businesses needed to tackle this as part of their internal strategy, rather than through a separate function of CSR.

Hamann, Acutt, and Kapelus (2003) documented the tension that emerged at the World Summit on Sustainable Development in 2002, where business interests orientated themselves around the concept of corporate *responsibility* while community groups and NGOs were

instead concerned with corporate *accountability*. Hamann et al. (2003) developed a hybrid model for corporate citizenship, which found common ground between these polarised positions. Their synthesised model was based on the understanding that business could both aid and hinder sustainable development; community organisations could both partner with business and hold it accountable; and the government could both provide guidance through frameworks and still provide enforcement. The importance of greater co-operation and partnerships was also noted. Hamann and Kapelus (2004) would later argue that *accountability* and *fairness* could be used as valuable criteria for assessing such practices.

Prinsloo, Beukes, and de Jongh (2006) argued that educating business leaders on issues related to corporate citizenship could be an effective means by which to increase responsible business practices in South Africa. However, they noted that a perceived increase in unethical business behaviour and corporate scandals have occurred alongside a rapid expansion in business education, spending on which had risen to \$US2.2 trillion by 2006, and thus argued that business curricula needed to be modified to address this shortcoming.

Hamann et al. (2005) noted increased efforts to establish global norms and standards in the field of CSR, in order to standardise the practice amongst an increasingly global set of industry players. They explained that stakeholders saw this as a way to increase company commitment and practice of CSR, while companies saw it as a way to level the playing field and to be able to practise CSR consistently in the different countries in which they operate. Hamann et al. (2005) highlighted a list of challenges in achieving global standardisation, however, nothing that differing priorities and circumstances at the local or country-level were important and needed to be respected.

Some research found evidence of the positive impact of CSI programmes. Swanepoel, Strydom, and Nieuwenhuizen (2010), for example, performed a case study on one CSI

initiative and found that it had increased the turnover of the entrepreneurs supported by the programme. However, as Hamann (2007) noted, the question increasingly asked was not about the subtle impact that CSI was almost certainly having on society, but rather about the extent to which CSI was driving real, broad social impact and thus contributing toward meaningful sustainable development.

De Jongh (2009) contended that CSI has made some important contributions, but that these are often not aligned to a company's core business operations. He added that CSI relationships often lack the integrity and participation that would be required to be seen as legitimate. Hinson and Ndhlovu (2011) argued that regulatory requirements have driven the majority of the CSI activities of major companies in South Africa, and the public has not always felt the impact of these activities. Adding to the challenge of accurately assessing the state of social responsibility efforts in South Africa, local companies have been accused of saying one thing but doing another when it comes to these programmes (Fig, 2005). Evaluating case studies in South Africa and Zambia, Hamann and Kapelus (2004) found that the claims that companies make about their CSR activities should be met with some caution and that companies need to strive toward greater sincerity in their CSR practice.

A decade later, de Jongh and Möllmann (2014) still found that there were meaningful differences between company claims and their actual social activities, in a study researching climate change policies at companies. They concluded that companies frequently appear to be reporting one thing but, in reality, doing another. Thus, the challenge of measuring social impact and assessing the efficacy of CSI has become a key focus in CSI literature, as practitioners increasingly attempt to develop the tools and metrics needed to accurately assess the social impact of CSI practice (Rampersad, 2015).

2.4.5 Conclusion

The literature highlights the increasing prevalence of CSI in business, as well as the evolution of its practice. Companies have been driven to support CSI initiatives as a result of coercive pressure from society and an increase in government regulation compelling its practice. In addition to these external pressures, companies appear to have recognised that some level of CSI is in their self-interest, whether resulting from an improvement in public relations, reduced risk, or other benefits. The literature notes some of the challenges of CSI implementation and the difficulties in assessing its ultimate impact. While the quantum of CSI funding has increased, the efficacy of CSI initiatives is not clear, and there are widespread claims of companies adopting a tick-box approach to CSI, rather than driving real social impact. The lack of sufficient literature exploring the motivations driving companies to support CSI initiatives in South Africa, and the ultimate social impact of this funding, represents a gap in the literature that this research aims to address. Similarly, the lack of literature examining CSI in South Africa within a framework of institutional theory highlights the importance of research into institutionalised forces in the South African CSI context. In order to facilitate this, the literature on institutional theory is explored in the following chapter.

Chapter 3: Theoretical Framework

As with all research, the theoretical framework of this study has been paramount to its design and execution. Hoffman (1997) states:

On the one hand, empirical analysis without a theoretical grounding risks becoming purely editorial, lacking explanatory credibility beyond that of the author's observations. On the other hand, theoretical analysis without an empirical application risks becoming impotent, awaiting another author to remove the theory from the confines of its academic ivory tower and give it relevance by applying it to the 'real' world... A bridge between the theoretical and the empirical must be built. (p. xviii)

This chapter provides a review of the literature on institutional theory, the theoretical framework that served as the foundation for this research. The focus is initially on major developments in institutional theory literature and its contribution to the understanding of the nature of organisations. This is then contextualised within the field of CSR and CSI specifically, through an examination of the literature that has used institutional theory as a framework to investigate the social responsibility of business.

3.1 Origins of Institutional Theory

Some of the first literature on new institutional theory appears in the 1977 work of Meyer and Rowan, who argued that the formal structures of organisations are the result of social norms which become institutionalised myths that guide institutional behaviours. This seminal work receives particular attention in this review because of the pivotal role it played in the development of the theory, especially related to the decoupling of organisational activities (Scott, 2008). Another significant contribution to institutional theory came in the form of the 1983 work of Meyer and Scott, which presented principles related to formal organisations and structures, which are established in the pursuit of legitimacy (DiMaggio & Powell, 1991). Matten and Moon (2008) would later argue that this desire for legitimacy is a key driver of CSR practice. In 1987, Zucker was able to convene scholars around the role of

ceremony, culture, rituals, and high-level structures on institutions, as concepts of neo-institutional theory became increasingly concrete (DiMaggio & Powell, 1991).

Institutional analysis has a history that extends back to the 19th century (Scott, 2008), but it was these and other important developments beginning in the 1970s that led to a distinction being drawn between old and new institutionalism (DiMaggio & Powell, 1991). As DiMaggio and Powell (1991) observed, institutional studies have experienced a reawakening in the social sciences and have increasingly been used in CSR research (Matten & Moon, 2008). While old institutionalism viewed organisations as being defined by "values, norms, and attitudes", new institutionalism instead identified "scripts, rules, and classifications" as drivers (DiMaggio & Powell, 1991, p. 14-15). There are meaningful differences in the focus and approach of old and new institutionalism (DiMaggio & Powell, 1991). In old institutional literature, it was commonly assumed that institutions pursued rational goals, operating on the basis of commitment and shared values (DiMaggio & Powell, 1991), motivated by competition and efficiency (Brint & Karbel, 1991). In new institutional literature, it was rationalised myths and symbolism that generated the legitimacy with which organisations operate, even at the expense of efficiency (DiMaggio & Powell, 1991). The human environment, social knowledge, and culture were now seen to be the greatest influencers of organisational forms (Scott, 1995), with ever-greater groups of people operating in environments where significant portions of their lives were controlled or coordinated by organisations (Giddens, 1990). Campbell (2007) would later argue that the conditions that lead companies to behave in socially responsible ways are mediated by the institutionalised forces described in institutional theory, and that this provides a valuable framework through which to consider the activities and structures of CSR.

3.2 New Institutional Theory

Institutions are typically considered structures of controlled and coordinated activities which occur through technical interactions and exchanges (Meyer & Rowan, 1977). However, Scott (1995) explained institutions differently within the context of institutional theory. He claimed that institutions have cognitive, normative, and regulative structures which ascribe value and lend stability to social behaviour, and which are carried by cultures, structures, and routines. Scott posited that institutions can standardise behaviour and, through rules and sanctions, introduce norms and values, create goals and objectives, and dictate appropriate approaches for achieving these.

Meyer and Rowan (1977) reasoned that organisations exist within highly institutionalised environments in which societal norms and expectations determine the practices and procedures that define their formal structures. The authors observed that rationalised institutional policies give birth to formal organisational structures, and the amplification of these policies over time gives rise to the increased complexity of these organisational structures. Organisations, therefore, gain "legitimacy, resources, stability, and enhanced survival prospects" as a result of institutionalising rules, which serve as myths within these organisations (Meyer & Rowan, 1977, p. 340). Organisations are thus rewarded for aligning themselves to the culture and norms of society (Scott, 1995). In this context, social expectations regarding the extent to which companies are expected to exhibit socially responsible behaviour and support philanthropic activities becomes relevant. Meyer and Rowan (1977) explained that this is enforced by society through a variety of means, such as public opinion, through the teachings of our education system, and the rule of law. They added that the formal structures of organisations are the result of strong institutional forces that serve as myths that then become binding on those institutions.

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When organisational structures eventually become indistinguishable from these myths, organisations begin to reduce their coordination and control in pursuit of greater legitimacy, resulting in a decoupling of their formal structures and actual activities, with "coordination, inspection, and evaluation" replaced with "a logic of confidence and good faith" (Meyer & Rowan, 1977, p. 340). This divide between the organisation's formal structures and their real work activities often comes at the cost of efficiency (Brint & Karbel, 1991), and instead have a "ritual significance" (Meyer & Rowan, 1977, p. 355).

As an example of this, Hoffman (1997) identified the progression of corporate environmental awareness that was once "heresy" to its increasing status as "dogma" within modern organisations, describing this evolution using terms that invoke "images of symbolic language, formal ceremony, cultural norms, and religious values" (p. xvii). He argued that organisations generally follow overarching rules and norms based on perceptions and beliefs, explaining that while compliance with institutional dogma can either be genuine or symbolic, inevitably these practices and policies become universal in the corporate landscape.

At its core, institutional theory considers how the societal beliefs and norms that define the institutional environment impact organisations (Singh, Tucker, & Meinhard, 1991). Thus, institutional theory has close ties to a number of broad theoretical disciplines, including organisation theory and sociology theory (DiMaggio & Powell, 1991), bridging the environmental and social sciences, and is relevant in fields of sociology, political science, and economics (Scott, 1995). Jepperson (1991) explained that institutional theory is at the heart of sociology rather than being peripheral to it. As a result of this, institutional theory has expanded rapidly (Scott, 1991).

Suddaby (2010) would later note that institutional theory has emerged as the leading theory for the macro-level study of organisations. He noted that the inherent focus in

institutional theory is typically on the outcomes of the external influences on organisations. In order for institutional theory to enter a new phase of maturation, he argued, future research would need to spend more time considering the internal processes that relate to these outcomes at an organisational level. Greenwood, Oliver, Lawrence, and Meyer (2017) noted that developments in institutional theory in the past decade have led to a renewed focus on the complexity of the institutional context and on the ways that institutions are formed, changed, and dissolve. They also noted that an earlier abstract focus on the legitimacy that results from institutionalisation has given way to a more pragmatic focus on its true impact, such as inequality and environmental sustainability. This call for a focus on impact has been seen in the field of CSI in South Africa as well (Hamann, 2007).

3.3 Cognition and Psychology

A hallmark in the development of new institutional theory can be found in its views on cognition and the virtually automatic, non-calculative nature of human reason (DiMaggio & Powell, 1991). Kahneman (2011) would later refer to this unconscious thought as *System 1* thinking, in which quick, stereotypical thinking occurs automatically. Institutional theory acknowledges that the formation of institutions happens through the cognitive lens and perceptions of social actors (Fligstein, 1991), reliant on human cognitive dimensions which determine what is real and what has meaning (Scott, 1995). This could be used as a lens through which to consider how cognition and values impact on the establishment of formal CSI structures.

New institutional theory is guided by ethnomethodology and the practical theory of action, and the ways in which we think about human behaviour, decision-making, and motivations, placing a greater emphasis on the preconscious cognitive dimensions of action and the influence of societal norms and "taken-for-granted behaviour" (DiMaggio & Powell,

1991, p. 22). The cognitive capacity of social actors becomes important in this context. Theories of perfect rationality broadly accept that social actors operate with “flawless intelligence” and thus can maximise outcomes (Miljkovic, 2005, p. 632). By contrast, bounded rationality assumes that social actors do not operate with perfect information and thus can instead only pursue satisfying outcomes (Fligstein, 1991). The latter assumption is most applicable to institutional theory.

Giddens (1979) explained that the psychological value of embracing routine and scripted behaviours is the power it has to reduce human anxiety, providing a strong motivation for us to sustain stable social structures. Thus, the success of formal structures in organisations may be due more to the sense of stability and form it conveys than its actual performance (Brint & Karbel, 1991). These formal structures can eventually become so institutionalised that individual participants and organisations in society often lose the ability to exercise discretion over them (Meyer & Rowan, 1977).

Phillips and Malhotra (2017) later explained that institutions influence behaviour by influencing our cognition, and made their contribution by describing how linguistic methods related to culture and language could help develop our cognitive conceptualisation of modern institutions. Lok, Creed, DeJordy, and Voronov (2017) noted that cognition is traditionally seen as the principal manner by which institutional processes occur, and studied the role that *emotions* play in institutionalism. Their work drew attention to the lived human experiences of institutions and the people behind their institutional forms, concluding that institutions need to be seen as structures that are "emotionally lived" (p. 616).

3.4 Decoupling

Meyer and Rowan (1977) made an important observation: the formal structures and blueprints for activities outlined by organisations often differed greatly from the actual

activities of those organisations. DiMaggio (1991) similarly noted what he described as the inconsistency between the rhetoric and the underlying pragmatism of organisations. The implications of this were significant, and may align to the concerns raised by some that there are differences between corporate rhetoric and their actual activities when it comes to their social responsibility efforts (see Fig, 2005; Hamann & Kapelus, 2004). Evans (2004) explained that this gap between the formal and informal structures results in formal structures being ineffectual. Old institutional theories failed to explain this discrepancy between what organisations claimed to do and what they were actually doing (DiMaggio & Powell, 1991). The prevailing theory, that formal organisations were successful because of the control and coordination of their activities, assumed that organisations operated in line with their formal structures when, in reality, empirical research showed that this was an unreliable assumption (Meyer & Rowan, 1977). Frequently, blueprints, rules, and procedures were not followed or were left unimplemented, activities deviated from formal structures, and internal systems and decisions were subverted (Meyer & Rowan, 1977).

In response to this dichotomy, Meyer and Rowan (1977) introduced the concept of *decoupling* to describe the discrepancies between technical efficiency and ceremonial rules observed within organisations. They explained that efficient organisations would ordinarily be expected to have closely aligned formal structures and work activities, however, the conflict and loss of legitimacy that results from inconsistencies between ceremony and efficiency leads organisations to decouple their formal structures from their actual activities.

This decoupling introduced a challenge, however. Meyer and Rowan (1977) explained that organisations are not able to officially coordinate their activities because inconsistencies would emerge if they formally applied their rules. As a result, they argued, organisations avoid integration, set ambiguous objectives, and allow activities to happen outside the scope of

management: inspections and evaluation are merely ceremonial and are limited as much as possible, in order to reduce the likelihood of inconsistencies and events that destabilise their legitimacy being revealed. Similarly, they noted that more institutionalised an organisation is, and the more it will elaborately display confidence and rely on good faith both within and outside of the organisation.

Organisations can benefit from decoupling as it forms a barrier between their formal structures and their work activities, allowing their actual practices to differ from their stated policies and procedures (Meyer & Rowan, 1977). This discrepancy remains functional because of confidence and through good faith, whereby both internal individuals and external actors are complicit in the decoupling, and operate under the confidence and the good faith of the parties (Meyer & Rowan, 1977).

Meyer and Rowan (1977) explained that with rationalised myths frequently dictating organisational decisions making, organisations often implement policies, procedures, and programmes in order to avoid the risk of being accused of negligence or irrational behaviour. They pointed out that this occurs irrespective of whether these organisations actually agree with there being a need for such policies and procedures, and regardless of whether they are ever actually implemented or enforced. Furthermore, they made the key argument that organisations introduce rules and programmes as a risk mitigation tactic, rather than because they believe they are needed. As examples, their motivation may be to gain legitimacy and social standing within society, to appease regulators or governments, or lure investors. Thus, the authors noted that institutions are capable of assigning economic value to ceremonial functions that do not necessarily create any directly measurable benefit for the organisation. The indirect benefit, however, is clear. Meyer and Rowan (1977) further highlighted the value of the institutional stabilisation that comes with formal structures, such as defence contractors,

utility companies, and financial institutions that operate with an implicit level of government protection, often even able to survive bankruptcy because of their integral role in the state. Similarly, they noted the respect that schools and hospitals receive because of their social standing, at times irrespective of their actual performance. Thus, by complying with required formal structures and adopting rules internally, organisations are able to indemnify themselves from actually needing to accomplish the stated purpose of their activities, so long as they can point to an optical compliance with these standards (Meyer & Rowan, 1977). As examples, the medical community will commonly emphasise that a physician must treat a patient using generally accepted medical practices; whether or not each patient is actually effectively treated typically receives less attention (Meyer & Rowan, 1977).

The value-add of formal processes and procedures is assumed and taken for granted in this context, regardless of whether success is actually achieved (Meyer & Rowan, 1977). Either way, optics remain important, and organisations need to both conform to institutional myths and create the impression that these myths are actually working (Meyer & Rowan, 1977). It may seem that such practices are unethical, but Meyer and Rowan (1977) emphasised that there is not only a commitment to maintaining the ceremonial facade; often there is an effort to ensure that things work out behind the scenes as well. Given this, they argued that such behaviour should not be considered "fraudulent" (p. 359).

Boxenbaum and Jonsson (2017) noted that a risk for companies implementing ceremonial structures is that these structures, intended only to be symbolic, can sometimes become recoupled over time and eventually be implemented. They explained that this often happens because the individuals placed in the roles of managing these ceremonial activities often struggle to remain inauthentic and ineffective and thus end up implementing their mandates.

3.5 Structures and Structuration

Meyer and Rowan (1977) discussed the emergence of institutional structures and how they are sustained. They noted that growth in markets leads to greater complexity, and that organisations thus need to handle more interdependencies across boundaries. In an environment where complexity is increasing, greater levels of coordination are required, incentivising the development of formal structures within organisations (Meyer & Rowan, 1977). As rationalised institutional structures grow, the need and the opportunity as well as the desire to act rationally increases, and thus formal organisations become more complex but also more crucial, more common, and easier to create (Meyer & Rowan, 1977).

Meyer and Rowan (1977) proposed that, as rationalised myths emerge in various areas of work activity, formal organisations are formed and grow through the incorporation of these rules by way of formal structures. They proposed that when myths create new domains of work activity, formal organisations will surface in those domains. Thus, when myths emerge within existing domains of activity, organisations already in existence will modify their formal structures to comply with them. These views on the formation of structures within organisations are one framework that can be used to consider the formal CSI structures that have emerged in businesses in South Africa.

Giddens (1979) advanced the notion of *structuration*, which considers the circumstances that lead to the continuity or change of structures and the replication of systems. Accepting that social structures are continually transformed, the study of structuration considers how systems, through growing rules and resources and often with unintended outcomes, are produced (Giddens, 1979). As examples of this, DiMaggio and Powell (1983) identified the emergence of organisational fields, characterised simultaneously by their diversity and their homogeneity, represented by categories such as suppliers, consumers, and

regulators. DiMaggio (1991) would later develop the concept of structuration, stressing that organisational *forms* cannot be understood without first understanding organisational *fields*.

DiMaggio (1991) discussed the emergence of sectors, fields, industries, and domains of institutional practice, and the importance of these in explaining the coordination, competition, and streams of innovation we see within organisations. These terms establish the boundaries for organisational fields, thus influencing important decisions such as how organisations choose the models on which to base their structures, and where they seek information and personnel (DiMaggio, 1991).

In DiMaggio's (1991) case study on US art museums, he noted some interesting phenomena which emerged out of their professionalisation and structuration. Some of his observations included the emergence of university graduates in the field, the establishment of bodies of knowledge, and the strengthening of a professional elite, as a result of the professionalisation in the field. He also noted how structuration improved information flows and led to the emergence of a defined field with greater communication and connectedness.

Scott (1991) cited a variety of early literature in discussing the emergence of suitable models used to discuss the bounds of organisational environments: *organisational sets* is a term denoting the power-dependency that results from the exchange of information and resources; *organisational populations* refers to the formal structures that result from competition; and *inter-organisational fields* is used to identify both the differences and connections between organisations. Scott (1991) challenged these, however, proposing instead the term *functional organisational fields* as a less restrictive variant when defining the environmental boundaries related to an organisation, a term also used by DiMaggio (1991). Scott (1995) later identified six levels of institutional theory: "world system, societal, organizational field, organizational population, organization, and organizational subsystem" (p. 56).

The notion of *institutional spheres* would later be discussed by Fligstein (1991). These are the contexts in which rules, actions, and relations develop within organisations, and include the state, the network of organisations that make up an organisational field, and a specific organisation's strategy and structure. Interorganisational relations are governed by relational frameworks that extend to both vertical and horizontal structural relationships between organisations (Scott, 1991). Within institutional theory, network analysis has emerged as a discipline for examining these relationships.

Jepperson (1991) referred to what he described as a "social reproductive process" (p. 144) and an "institutionalized social pattern" (p. 145). He emphasised that "organized, established, procedure" (p.143) is what defines an institution, highlighting that this can range from the institution of marriage or voting all the way to the institution of the corporation. Jepperson (1991) pointed out that some of these institutions are primarily cultural, while others are structural, and some can comfortably be referred to as being *organisations*, while others cannot.

Wooten and Hoffman (2017) discussed the future of research into organisational fields, emphasising that fields need to be seen as interactive "relational spaces" (p. 64) in rich contexts rather than merely as a set of classifications. They also stressed the need to understand what motivates organisations to interact with each other, and to warn that the mere fact that certain practices have been extensively adopted within a field does not necessarily mean that such practices have been institutionalised; the process of adoption can easily be reversed within a field.

3.6 Isomorphism

DiMaggio and Powell (1983) claimed that organisations are driven to become more structurally and culturally similar to one another through a process of *isomorphism*. They

asserted that, over time, institutions within a field face pressure to become more alike and, although they might aggressively pursue innovation or change, the bureaucratisation of organisations inevitably leads to a reduction in diversity. Isomorphism occurs because institutions in a field operate in the same “socially constructed environment” (Boxenbaum & Jonsson, 2017, p. 79). DiMaggio and Powell (1983) provided an important distinction between coercive, mimetic, and normative isomorphism: *coercive isomorphism* emerges from the challenge of legitimacy and political influence, resulting from pressure placed on institutions by cultural expectations as well as other organisations, such as common legal and political environments; *mimetic isomorphism* results from common responses to ambiguity and uncertainty, using other organisations as a model in the absence of a clear response to these challenges; in *normative isomorphism*, we see the professionalisation of fields by participants in an occupation who strive to gain legitimacy and define their own work conditions, such as through education or professional networks (DiMaggio & Powell, 1983). The level of homogeneity between the CSI activities at different companies in South Africa could potentially be assessed through this framework.

DiMaggio and Powell (1983) delineated between the concepts of competitive isomorphism and institutional isomorphism, highlighting that institutions compete for many things, including legitimacy and power, social and economic wellbeing, and greater resources. DiMaggio and Powell (1983) emphasised that organisation homogeneity is not necessarily intentional. It partially results from the simple lack of choice companies have for formal structures and models, and leads to behaviours such as numerous organisations looking to the same small group of consulting companies or big accounting firms for their services (DiMaggio & Powell, 1983). Orru, Biggart, and Hamilton (1991) provided another example, noting that there can be similarities in the shareholders of companies, and thus multiple firms may have similar owners. They may also use the same service providers and subcontractors.

In a study of companies in East Asia, Orru et al. (1991) observed the tendency of companies in Japan to see power as being located in their group of peers within an industry, rather than in the individual companies themselves, bound by a philosophy of merged economic interests and shared risk. Fligstein (1991) noted that it is common for organisations to closely monitor each other, a practice which contributes significantly to the spread of institutionalisation and their subsequent homogeneity (Fligstein, 1991). DiMaggio and Powell (1983) explained that the reward for this isomorphism is not necessarily an increase in efficiency, but rather other factors such as greater legitimacy, the ability to attract employees, or the ability to transact in a more standardised fashion with their peers. Glynn (2017) noted that even the names that companies choose for themselves within a field are often relatively homogenous, resulting from symbolic isomorphism in which companies attempt to gain legitimacy by having names that are aligned with the standards and norms within their institutional field.

3.7 Organisational Change

Scott (1995) made an important distinction between the ways in which institutions are developed, which we have already explored above, and how they are changed, maintained, and diffused. His views aligned with those of Jepperson (1991), who differentiated between the four stages of institutional change, which he termed "institutional formation, institutional development, deinstitutionalization, and reinstitutionalization" (p. 152).

Fligstein (1991) pointed out that organisational transformation does not happen easily, and that changes in strategy or the deployment of resources are typically infrequent, whilst Holm (1995) emphasised the dynamic nature of institutional change. Powell and Rerup (2017) highlighted that processes of institutional change are implemented by collections of people

who are entrenched in everyday settings, thus drawing attention to the micro-level impact of the individuals who work in institutionalised contexts.

Sewell (1992) highlighted that conceptualising institutional change can appear to be at odds with one of the bedrock foundations of institutions, which is that of stability. He explored how change can occur in stable environments, and advanced that transformation does not need to be seen as being at odds with stability. Fligstein (1991) studied the diversification of firms from 1919 to 1979, observing that the single-industry focus that historically characterised the majority of large US corporations has now given way to decidedly diversified firms. He noted that during this time, the large firms that survived became diversified, and new firms that became large were able to do so through their diversification.

Zucker (1977) made a valuable contribution in addressing how institutionalisation is maintained over time, discussing factors that determine the persistence of organisations as time goes on: the uniformity with which formal structures are transmitted from generation to generation, the degree to which cultural norms are maintained, and the extent of any potential resistance to change. Jepperson (1991) explained that institutionalisation is transmitted over time through "formal organization, regimes, and culture" (p. 150), while Scott (1995) advanced that it persists through "cultures, social structures, and routines" (p. 52). Institutional change is generally a slow and subtle process (Powell & Rerup, 2017), and is dependent on the institutional infrastructure that characterises the field (Hinings, Logue, & Zietsma, 2017).

3.8 Technical Efficiency versus Institutional Norms

Scott (1987) noted that institutional environments are distinct from technical environments. New institutionalism contrasts significantly with the focus on *technical environments* that we see in other areas of organisational study, explored through concepts such as population ecology and resource dependence (Orru et al., 1991). Instead, it focuses on

the *institutional environments* established through social rules and normative social standards, striving to obtain legitimacy (Orru et al., 1991).

When the public has extensive rights to inspect and control and can easily evaluate the efficacy and impact of programmes, technical efficiency tends to be the greatest determinant of success (Meyer & Rowan, 1977). However, in an environment where examination, control, and evaluation is challenging and where outputs are difficult to measure, ambiguity reigns and form often matters over function (Meyer & Rowan, 1977). However, this is not without consequences. In companies where success is defined by isomorphism, with the myths and rules that are dictated by societal expectations, we find that inconsistencies arise in environments where technical efficiency clashes with adherence to ceremonial rules (Meyer & Rowan, 1977). In effect, tension can arise as a result of the discrepancy between the admirably stated objectives and optical success of programmes and their actual underlying inefficiency and failures. Thus, it is ceremony that determines efficiency rather than an actual production function (Meyer & Rowan, 1977).

Orru et al. (1991) argued that technical and institutional theories are not mutually exclusive, and that it is likely that both competitive and institutional factors, as well as efficiency and legitimisation, coexist in each environment. A study they performed on companies in East Asia supported this view. Similarly, Meyer and Rowan (1977) proposed that organisational efficiency and conformity with institutional myths combine to determine the legitimacy and resources of an organisation, which ultimately leads to its survival. Holm (1995) described institutions as structures composed of both schemas and resources, existing within nested systems that are interconnected. As previously explored, the result of the tension between a desire for organisational efficiency and institutional forces often appears to be decoupling (Boxenbaum & Jonsson, 2017).

3.9 Criticisms of Institutional Theory

A key criticism of new institutional theory literature is that it inappropriately portrays organisations as being passive and responsive (Galaskiewicz, 1991; Oliver, 1991), inefficient and focused more on ceremony than substance (Powell, 1991), or as submissive actors that have simply moulded themselves to the templates dictated by society (Scott, 1991).

In defence of early new institutional literature, it should be noted that Meyer and Rowan (1977), in their earlier works, acknowledged that organisations were not simply at the mercy of the forces of rationalised institutional rules, but were able to influence these rules and norms by intervening to influence the expectations, laws, and standards that mould the prevailing social reality. The predominant tone of the literature of the day was one that emphasised the role of social norms and institutionalised myths, however, while minimising the role of agency and self-interest in determining the fate of organisations (Oliver, 1991). Institutional power and interests were often neglected topics within institutional theory (DiMaggio & Powell, 1991).

Hoffman (2001) emphasised that, in order to build a complete understanding of an area of organisational practice, one needs to recognise both the internal and external factors that define the organisational context, as opposed being overly focused on external factors. While previous scholars had focused primarily on the notions of legitimacy and social norms, DiMaggio and Powell (1991) highlighted that the institutional arrangements and the rules that drive them are born out of conflict and contradiction, the result of human actions and adaptations. Cultural frameworks determine the means by which organisations form, and dictate their required outcomes, but institutions also exert considerable power over society in return (DiMaggio & Powell, 1991). Institutional models are not consistent across the board, however, and institutional change results from and through varying models in a manner that is not always consistent (DiMaggio & Powell, 1991). Nevertheless, as DiMaggio and Powell

(1991) noted, the ultimate structures often share commonalities, as can be seen in the development of common functions such as human resources, legal departments, financial reporting, training, and philanthropy, which have all been shaped by organisational forces.

Fligstein (1991) argued that far from being passive, organisations are instead systems of great power centred on the interests and views of the leadership of an organisation. Organisations have the ability to make choices and influence the environments they operate in (Scott, 1991). The impact of strategic forces, such as key individuals in organisations acting in their own interests, impacts organisational development, although admittedly not necessarily outside of the framework of formal institutionalised structures (DiMaggio & Powell, 1991). Oliver (1991) also explored the strategic ways in which organisations respond to the social pressures that establish their structures, arguing that organisations do not always comply with the institutional forces to which they are subject. While conformity may be likely, they might also compromise, avoid, defy or manipulate in response to such pressures, and these responses could either be active or passive.

Sewell (1992) discussed human agents as knowledgeable and enabled, able to exercise creativity and drive innovation, and thus endowed with a degree of power to transform institutional structures. He acknowledged that while agents are able to exercise control and influence over social structures, this is only a very general ability to exert agency, and this can be exercised by both the individual and the collective, such as by communities, states, and firms. Fligstein (1991) discussed the formal and informal authority within internal organisational structures, with formal authority emanating from positions and hierarchy, and informal authority arising from the expertise and influence of individuals.

Powell (1991) criticised much of the literature for being overly focused on making academic, analytic distinctions rather than valuable empirical distinctions in the real world.

Similarly, he pointed out that much of the empirical research on institutional theory has focused on public agencies or non-profit originations such as schools and hospitals, and has not given significant attention to organisations with a greater economic orientation, such as multinational institutions. Evans (2004) criticised institutional literature for what he termed "institutional monocropping" (p. 30), in which idealised conceptualisations of predominantly Anglo-American firms are used as evidence of wide-reaching theories that supposedly transcend cultures and contexts. He highlighted that the tradition of developed countries imposing their own generic norms and blueprints in giving development aid is often ineffective, superficial, and decoupled from reality.

In a criticism of isomorphism, Hoffman (2001) lent his voice to the concern that institutional theory is over socialised, and does not sufficiently explore the elements of heterogeneity we see between organisations. Similarly, Sewell (1992) emphasised that society is not one homogenous force and is, in reality, diverse, fractured, and contingent. A criticism levelled by Powell (1991) was the fallacy he saw in the frequent pitting of efficiency against the implementation of institutional norms. Powell (1991) highlighted the role that both institutional *and* technical forces play in guiding organisations, and emphasised that both efficiency and institutional factors, such as reputation, patent protection, and legal challenges, are important. He also argued that when institutional norms are chosen in the pursuit of increased chances of survival, this can hardly be considered inefficient. Rather, he proposed that organisations are willing to accept inefficient or suboptimal practices if it allows them to obtain needed resources, or to produce long-term desired outcomes. Powell (1991) highlighted that the constraints of institutionalism are also an opportunity and can be enabling for organisations in many respects. Friedland and Alford (1991) agreed, noting that organisations are both material as well as symbolic, and that institutions can exist in varying states of conflict, interdependency, coordination, and contradiction.

Galaskiewicz (1991) pointed out that macro-social orders and micro-social orders are generally loosely coupled, with the preferences, expectations, and capacities which characterise the micro level not necessarily defining the resulting beliefs, ideologies, and incentives at the macro level. He further noted that this is partially due to the fact that individuals who wish to change broad social systems typically need significant amounts of time to do so. There is not always one uniform social reality from which a company can take cues in pursuit of institutionalism rules, however, and in these cases, companies may attempt to incorporate a variety of incompatible formal structures in the face of inconsistent institutional myths (Meyer & Rowan, 1977). Similarly, Hampel, Lawrence, and Tracey (2017) have commented that there is a lack of integrated research that acknowledges the role of institutional logic in institutional work, and argued that the extent to which actors can shrewdly and intentionally impact organisations is underestimated.

3.10 Government, Politics, and the Law

Institutions do not form in a vacuum, and all organisations operate within a historical and cultural context (Hoffman, 1997). The state, laws, professions, and other social constructs have an immense impact on institutional theory. Both states, with their broad powers, and professions, with their command of knowledge, are important influencers of organisations, with political and professional actors guiding the activities and forms of institutions (Scott, 1995). Out of these societies, language, terminology, and vocabularies within the institutional context have evolved as a standardised means by which to describe organisational activities, policies, and procedures (Meyer & Rowan, 1977).

The literature illustrates how the rise of political centres, centralised states, and the increasing complexity of economic exchange contributed to the growth of formal organisations, and increased the importance of standardisation and bureaucratic control (Meyer

& Rowan, 1977). One of the unique local characteristics of the South African environment is the significant extent to which government regulations have impacted society. Government regulations that effectively compel elements of socially responsible company behaviour are likely an important institutional force guiding CSI practice. Thus, the state establishes the "rules of the game", and has immense power to generate either stability or compel change within organisations (Fligstein, 1991, p. 314). Regulatory pressures are typically vertical pressures on organisations, as opposed to the horizontal normative and mimetic pressures that impact organisations (Boxenbaum & Jonsson, 2017).

Friedland and Alford (1991) drew attention to the influence of economies, laws, nation-states, families, and religion on societies. For example, they emphasised that markets are not merely systems for allocating resources but are also mechanisms for creating and determining value. The authors argued that many aspects of life are essentially priceless, and that meaning, prestige, security, and craftsmanship are examples of things that we may value without an explicit economic value.

Formal organisations also gain legitimacy from legal mandates, which emerge from the authority granted to them by centralised nation-states (Meyer & Rowan, 1977). As Edelman and Suchman (1997) explained, organisations operate within robust legal environments and are subject to the laws and regulations of their jurisdictions. Thus, organisations that are already in existence have an immense advantage, in that they can influence the state and other actors to create an environment suited to their own interests (Fligstein, 1991). Similarly, Orru et al. (1991) pointed out that differing market conditions, technologies, and resources all influence organisational forms, which are impacted by both cultural and economic factors, as well by politics and nation-states.

3.11 Institutional Theory as a Framework for CSR Research

Gray et al. (2010) argue that research in the field of social responsibility requires an astute sense of theory, given the inherently "contentious and conditional" (p. 1) nature of the subject matter. It is thus generally accepted that there is no one theory that is most appropriate for research in the field of CSR (Gray et al., 2010). Institutional theory has, however, been used as a framework for CSR research by a number of researchers (see Bansal, 2005; Berrone & Gomez-Mejia, 2009; Campbell, 2007; Galaskiewicz & Wasserman, 1989; Rivera, 2004; Gifford, Kestler, & Anand, 2010; Graafland & Smid, 2016; Muthuri & Gilbert, 2011).

It is not difficult to articulate in superficial terms the forces that have increasingly compelled socially responsible behaviour in modern companies. Hoffman (2001), for example, notes that US companies historically did little in this area unless driven by fear of legal sanction or social sanction. However, shareholders, government, regulators, customers, suppliers, and other stakeholders are now influencing corporate policy on social responsibility (Hoffman, 2001). Similarly, companies are increasingly acknowledging that social responsibility can be in their self-interest, impacting their risk management, consumer demand, human resource management, and other business functions (Hoffman, 2001). These motivations and practices have deep underlying implications and cognitive justifications, however, and thus institutional theory provides a valuable tool for analysing organisational behaviour and determining how these drivers of CSR translate into organisational action (Bansal, 2005; Campbell, 2007).

The role of institutional myths and societal norms in motivating CSR behaviour is interesting considering that, in theory, companies do not have a conscience or an ethical construct (Galaskiewicz, 1991). In characterising the nature of companies and their social policies, Galaskiewicz (1991) notes that while companies enjoy the benefits of natural persons, such as the ability to own land and conduct business, they are not bound by our same social

controls and limitations, which typically require moral behaviour and for one to have a conscience. Thus, he argues that companies are essentially free to damage the natural environment, bully suppliers or government officials, abandon the communities in which they operate, all because of their immunity from social controls and unambiguous commitment to a primary goal of maximising shareholder wealth. This arguably mirrors anthropocentrism; the belief that humans are of central and supreme importance in the universe and thus can justifiably place their interests above all else (Brennan & Lo, 2016).

Institutional theory might argue that the myths and societal norms to which organisations conform mimic a set of ethical parameters, but rather than being innate, external forces either regulate behaviour or provide incentives for social compliance. In line with this thinking, Edelman and Suchman (1997) characterise organisational motivations from either a rational materialist perspective or a cultural perspective. The *materialist* perspective describes organisations as profit maximisers who see the law as a set of penalties and incentives, and the *cultural* view sees organisations as rule-followers who see the law as a set of moral principles, roles, and symbols. This could arguably be simplified into either internal motivations driven by self-interest, or external motivations driven by regulation.

As a starting point, Scott (1995) notes that institutions are inevitably concerned with their own preservation. Galaskiewicz (1991) describes companies as being primarily driven by their short-term self-interest, and claims that they will only shift their focus to the collective interest if provided with the right incentives to do so. He notes that companies are often in conflict with the communities in which they operate. Galaskiewicz (1991) argues that these entities are conscious in their pursuit of legitimation; aware of the sanctions they could face from larger systems if found to not be in compliance with societal expectations.

It is clear that institutional myths and societal norms now compel participation in some degree of CSR practice, either by regulating or incentivising socially responsible behaviour. Interestingly, Meyer and Rowan (1977) caution that these institutional forces often come at the cost of efficiency. This speaks to the concern raised by Holmes (1976), which is that CSR may in some cases lead to reduced profitability, incongruence between their economic and social objectives, and alienation of shareholders. Similarly, Diemont, Moore, and Soppe (2016) found that inauthentic CSR practice could potentially increase downside risk for companies. Thus, the fact that companies might engage in socially responsible behaviour even when it is not in their short-term interests is an important observation. Meyer and Rowan (1977) note that, even if an organisation is efficient, if it ignores ceremonial conformity it risks being ineffective at documenting its success in a way that resonates with societal expectations. Similarly, an organisation that rejects ceremonial conformity outright risks overlooking a valuable source of stability and resources (Meyer & Rowan, 1977).

A 1980s study by Galaskiewicz (1991) provided an example of this, by studying the Minneapolis- St. Paul area in the US, where corporate social giving at the time was well above the national average. Galaskiewicz determined that the cause of this generosity was a network of older former executives who frequently solicited donations in support of charitable causes, with the current CEOs of companies standing to gain the favour of this elite group of prestigious individuals. Thus, executives were contributing funds as a result of peer pressure, but in the hope of personally benefiting from joining a tight-knit group of connected and wealthy individuals. Thus, Galaskiewicz (1991) claimed that these executives supported social giving in order to serve their own personal enlightened self-interest, acknowledging that benefits of such giving are difficult to measure and thus do not necessarily make economic sense for companies.

While studies have shown that self-interest can motivate socially responsible behaviour (Hoffman, 2001), government regulation has also increased the prevalence of CSR, particularly in places such as Europe (Matten & Moon, 2008) and South Africa (Hamann, 2009). Arguably, adherence to regulation is a form of self-interest given that failure to adhere to such regulation can result in censure. Regardless, the role of regulation in this context cannot be taken at face value. While some presume that regulation is compelling and explicit, in reality, regulation is often ambiguous and susceptible to loopholes (Edelman & Suchman, 1997). The regulatory environment is plagued with contradictions and complexities that have led to a long history of unintended consequences and often motivates evasion rather than compliance (Edelman & Suchman, 1997). These scholars explain that regulation often does more to encourage manipulation and circumvention than it does to prevent wrongdoing. They similarly argue that companies tend to oppose laws that could potentially economically disadvantage them.

Regardless of the potential shortcomings of regulation, Hoffman (1997) argues that social efforts have still primarily been driven by external forces, concluding that companies have only increased their spending on the environment because they have effectively been forced to do so. A study by Rivera (2004) in Costa Rica came to a similar conclusion, finding that, consistent with institutional theory, government pressures and the influence of industry associations led to greater participation and outperformance in environmental practices.

Some researchers have rightfully argued that there are multiple drivers of responsible business practices. For example, Campbell (2007) studied the motivations behind the socially responsible behaviour of corporations through the lens of institutional theory, and identified regulation, oversight from third-party organisations, and prevailing institutionalised norms and standards for corporate behaviour as being some of the key drivers of such behaviour. Similarly, a study by Bansal (2005) found that both resource-based and institutional forces

impacted corporate sustainable development in Canada, supporting the argument made by Powell (1991) and others that there may be multiple motivations in any one context.

One thing that the above arguments have in common is that they tend to consider the *strategic* ways an organisation might respond to opportunities to conduct CSR that is in their self-interest, or that is driven by regulatory or other forces. However, institutional theory highlights that an organisation's response to these internal or external motivations is not always strategic, and can at times be *unconscious* (Galaskiewicz & Wasserman, 1989). Institutional theory explains that companies at times act automatically without considering alternatives, motivated only by a general sense of their desire for legitimacy and conformity (Galaskiewicz & Wasserman, 1989). This automated response can result in decoupling, whereby stated policies and objectives deviate from the actual underlying motivations and activities of an organisation. For example, Berrone and Gomez-Mejia (2009) found a positive relationship between environmental practices and the resulting level of CEO pay within polluting industries in the US. However, their study also found that companies that had environmental committees and explicitly provided financial incentives to CEOs for environmental performance did not, in fact, ultimately provide greater financial rewards than those without such incentives. Thus, Berrone and Gomez-Mejia (2009) concluded that these environmental performance-related pay policies served merely a symbolic purpose.

While decoupling can be used to explain the divergence in the stated intent and actual implementation of CSR practices, the institutional theory of isomorphism is a way to explain the commonalities between many CSR efforts. When uncertainty is particularly pronounced, and in disciplines that are difficult to measure and assess such as CSR, the theory of isomorphism would argue that companies are more likely to mimic the social efforts of their peers (Galaskiewicz & Wasserman, 1989).

3.12 International Research and the Future of Responsible Institutionalism

Institutional theories have been applied and substantiated in studies on CSR (Campbell, 2007), and researchers have argued that institutional theory is a particularly valuable lens to use in the context of developing markets (Amran & Siti-Nabiha, 2009) and for cross-border studies (Matten & Moon, 2008). A study by Rahaman, Lawrence, and Roper (2004), for example, showed how coercive institutional forces impacted corporate social reporting in Ghana, and also demonstrated how this, in fact, had a negative effect on the local population by raising prices beyond their means. While primarily relying on the institutional theory of coercive isomorphism, these findings were also aligned to Evans's (2004) theory of institutional monocropping, in which idealised conceptualisations from developed countries are imposed on developing countries in a way that is often ineffective, superficial, and decoupled from reality.

Matten and Moon (2008) also examined CSR practice across different countries. They argued that cultural and political systems have a meaningful impact on CSR practice, and used new institutional theory and the institutional pursuit of legitimacy to explain the spread of CSR globally. These authors narrowed these forces down to three leading drivers of CSR adoption. Coercive regulatory and government pressures, as well as self-regulatory measures by organisations such as the United Nations, and the increased prevalence of responsible investment indices; mimetic pressures resulting from the uncertainty and complexity of current CSR environment, and the resulting desire to follow standardised best practices; and normative pressures from society, expressed in educational settings or by professional associations.

Amran and Siti-Nabiha (2009) examined the perceptions and motivations behind CSR practice through the lens of institutional theory and found that mimetic isomorphic forces were a particularly significant driver of CSR practices in Malaysia. In a study focused on Peru and

other developing countries, Gifford et al. (2010) provided an example of how institutional forces could develop around the practice of CSR, how this could lead to institutional change, and how organisations might pursue local CSR partnerships in pursuit of greater legitimacy. Jamali and Neville (2011) used an institutional lens to examine CSR in developing countries, and emphasised the value of using multi-layered institutional frameworks to study the convergence and divergence of CSR practice. They concluded that national institutional drivers of CSR needed to be strengthened in developing countries and that cultural norms needed to be leveraged to ensure the more strategic and substantial practice of CSR. Muthuri and Gilbert (2011) examined the process, drivers, and reporting of CSR in Kenya, finding that CSR practice is shaped by normative social, cultural, and regulatory forces which organisations pursued in the name of increased legitimacy.

Palmer (2017) investigated organisational wrongdoing, which he defined as unethical behaviour that violated social norms or industry guidelines or broke the law. Examining such behaviour through the lens of institutional theory, Palmer (2017) was able to make valuable observations about how ethical judgments are made at the organisational level, which has particular implications for how firms evaluate the bounds of their responsibilities to society. Jennings and Hoffman (2017) focused on the intersection between institutional theory and the world's natural environment, noting the tensions between these two realms, and arguing that humanity has grown to a point where it exerts considerable force on the world's natural systems. Given this significant hold we now have over the natural environment, Jennings and Hoffman (2017) stress the importance of using institutional theory to create structure and provide a foundation for addressing this unique challenge.

3.13 Conclusion

The trend in institutional theory research has increasingly been to consider all of those who are affected by institutional fields rather than to merely focus on the institutional structures themselves (Wooten & Hoffman, 2017). This has mirrored the growing consideration of a wide range of stakeholders in the consideration of the social responsibilities of business. Studies examining the relationship between institutional theory and socially responsible business practices in developing countries were particularly valuable in informing the study's design and focus. Institutional theory literature provides a valuable framework for examining the structures and operations of organisations and their efforts to gain legitimacy in society, and can be used to evaluate many of the dynamics noted in CSI literature. The literature also substantiates the value of institutional theory in understanding the motivations behind socially responsible business practices. This theory provides a means by which to consider the influence of coercive social pressure on corporate behaviour, and to evaluate the isomorphism observed between the CSI activities of different companies. It also serves as a means by which to consider any potential decoupling that may exist between formal CSI structures and the actual activities that characterise its practice. Using this as a framework, the research design and methodology of this study are presented in the following chapter.

Chapter 4: Research Design and Methodology

4.1 Introduction

This chapter discusses the philosophical assumptions, research paradigm, research strategy, research design, methods used for data collection and analysis, and ethics pertaining to this research. Creswell and Plano Clark (2018) emphasise the importance of understanding the philosophical assumptions that a researcher makes about reality and the process of gaining knowledge when conducting research. The worldviews of the researcher are thus described in this chapter and related to the research design. Epistemological and ontological considerations are presented first, followed by a discussion of the research strategy and research design. While the research design refers to the overall framework used for the collection of data and subsequent analysis, the research methods refer to the techniques and instruments employed (Bryman, 2016). The research methods are presented and justified, including the sampling, instruments, and procedures for data collection and analysis used in this study. The criteria used to ensure academic rigour in the study are then explored, and the chapter concludes with an examination of important ethical considerations.

4.2 Philosophical Assumptions

The theories of knowledge and reality that researchers use to understand the social world significantly impact the research they conduct and the way that they interpret this research (Bryman, 2016). The relationship between theory and research is particularly important, specifically in embracing either a deductive approach to research, whereby theory guides research, or an inductive approach, whereby theory is considered an outcome of research (Bryman, 2016). This study was conducted through the lens of a pragmatist worldview, embracing a methodological assumption in which quantitative and qualitative data are combined through both a deductive and inductive approach.

Creswell and Plano Clark (2018) highlight five key areas of philosophical assumption that can impact the worldview of a researcher, namely ontology, epistemology, axiology, methodology, and rhetoric. *Ontological* considerations are those that relate to the nature of reality and of social phenomena (Bryman, 2016; Denzin & Lincoln, 2008). Through interviewing expert participants, the researcher sought to determine the diverse realities, beliefs, and perceptions of each individual regarding the social phenomena they experience according to their own meanings and understandings. Commonly, ontological positions regard the social world as either external to social actors or consider it to be something that social actors create (Bryman, 2016). Given the pragmatist approach adopted in this research, an ontological assumption was made that there can be both a single and multiple observable realities in a research setting. This assumption allowed for a realist approach in certain elements of the study, in which objective and independent truth was sought, whilst other elements of this study accepted the multiple realities of the participants and pursued their unique perspectives and experiences.

The epistemological assumptions of this research differed between the quantitative and qualitative studies, drawing on both objectivist and constructivist perspectives depending on the context. *Epistemology* refers to the way in which a researcher gains knowledge and the relationship between the researcher and what they research (Creswell, 2013; Creswell & Plano Clark, 2018), and answers the question of what is considered justified and acceptable knowledge within a discipline and how it should be studied (Bryman, 2016; Denzin & Lincoln, 2008). On an epistemological level, the researcher pursued the practical meaning and value of knowledge in each context. *Objectivism* advances the belief that social phenomena are beyond the control or influence of individuals and thus should be studied at a distance (Guba, 1990). A posture of objectivism was assumed in the initial quantitative study, during which the researcher analysed the relevant data at a distance. *Constructionism* is a position that sees social

actors as continually shaping and revising social phenomena (Bryman, 2016; Guba, 1990). Through direct engagement with the research participants, and by attempting to understand the behaviours and motivations of social actors and their effect on social phenomena observed in CSI, the researcher embraced the epistemological positions of constructionism in the qualitative study.

Axiology refers to the study of values, touching on areas such as aesthetics, ethics, and religion (Guba & Lincoln, 2008), and can be used to consider the role of values and the potential influence of bias in research (Creswell & Plano Clark, 2018). Participants in the qualitative study frequently raised questions of ethics and morality in the context of the social responsibility of business, and provided insights premised on their own values and sense of what has meaning. Thus, particular attention was paid to the axiology that underpinned participant responses and their representations regarding their own values. The potential influence of bias on the part of the researcher was also carefully considered. As Guba and Lincoln (2008) note, values can impact the selection of paradigms, theoretical framework, methodology, and other fundamental elements of research, thus rendering it an important philosophical dimension to consider. The researcher carefully considered their own internal biases and took steps to mitigate their influence on the research, fully recognising the importance of objectivity within the research context. Thus, whilst the researcher held the view that business does indeed have a responsibility to society, and supported the idea that having a positive impact on society is desirable, the researcher was cautious to ensure that this view did not contaminate the research.

The language adopted in research, or its *rhetoric*, also influences the paradigm of the research (Creswell & Plano Clark, 2018). Formal academic language has been used to convey

the thoughts of the researcher, while the unrehearsed and conversational tone of the research participants in the interviews is evident in the direct quotations provided.

Methodology considers the process of research (Creswell, 2013), and the best means by which to obtain knowledge (Denzin & Lincoln, 2008). The methodological assumption adopted in this study pertains to the *explanatory sequential design*, as described by Creswell and Plano Clark (2018). This research design emphasises a sequential two-phase approach, in which research begins with a quantitative phase, the results of which are then explored and expanded on in a subsequent qualitative phase. Furthermore, the methodological assumption in the qualitative aspect of the study was best served by following an emergent design that was guided by the researcher's experience of data collection and analysis (Creswell, 2013). This approach manifested through the use of a semi-structured interview guide that served as a catalyst for further questions that arose during the interviews. It was also impacted by the analysis of the data, which involved categorising responses into themes that were not predetermined.

4.3 Research Paradigm

A number of worldviews, or *paradigms*, can be used to conduct research, each of which take various positions on the philosophical assumptions explored above. This research was conducted with a pragmatist paradigm, aligned to the worldview of the researcher. This allowed for different assumptions to be embraced depending on their suitability for the individual context. As Creswell and Plano Clark (2018) note, a *pragmatist* worldview accepts that it is valid to pursue whatever approach proves to work best in real-world practice. It encourages researchers to use multiple data collection methods, and to advance the practical implications of their work, while not being bound by any one view on the nature of reality (Creswell, 2013). This paradigm highlights the relationship between knowledge and action,

practice and inquiry, and the value of useful action (Corbin & Strauss, 2008). A pragmatic approach may result in quantitative and qualitative data being combined through both a deductive and inductive process (Creswell & Creswell, 2018). In such cases, Creswell and Plano Clark (2018) encourage the use of different assumptions to guide different phases of the study as opposed to succumbing to the temptation to use one assumption for both phases. Pragmatism guided the study as a whole and served as the primary worldview of the researcher, while the philosophical assumptions embraced in the qualitative and quantitative phases of this study differed. Traces of post-positivism can be found in the quantitative study, where a deductive process involved predetermined statistical analysis of data in pursuit of a reality that was determined to be objectively attainable (Guba & Lincoln, 2008). A different set of philosophical assumptions guided the qualitative phase of this study, accepting the *interpretivist* notion that social sciences are different from natural sciences and thus demand an alternative logic of research procedure (Bryman, 2016). An inductive approach was taken during this second phase of the research.

Finally, elements of critical theory and a transformative worldview had some influence on the overall pragmatic approach to this study. *Critical theory* assumes that paradigms are influenced by the values of the researcher, and should aim to facilitate transformation by raising awareness and influencing social reality (Guba, 1990). In this respect, Guba (1990) proposes that "ideologically orientated inquiry" (p. 23) would be an equally appropriate name for this paradigm. Similarly, *transformative* worldviews are based on a belief in human rights and the importance of social justice in research, and emphasise collaboration and building trust through stakeholder and community engagement (Mertens, 2007). While this research is certainly not activist in nature, it has been partially inspired by the evident social need in South Africa, and a desire to make a contribution to knowledge in the field.

4.4 Research Design and Strategy

The research design is the framework used for data collection and analysis, while research strategy is a term that can be used to describe the orientation of research toward quantitative research, qualitative research, or mixed methods research (Bryman, 2016). Investigators are increasingly using whichever methods are best suited to their research, as opposed to being confined to one methodological approach (Tashakkori & Teddlie, 1998). In line with this trend, although the majority of earlier empirical research into CSR has been quantitative (Wolmarans & Sartorius, 2009), this study combines both quantitative and qualitative methodologies.

The research design of this study is based on an *explanatory sequential design*, using a sequential two-phase approach in which the results of an initial quantitative phase are expanded on with a subsequent qualitative phase (Creswell & Plano Clark, 2018). An explanatory sequential design is appropriate when a researcher pursues qualitative findings that can help expand and clarify the quantitative results originally obtained (Creswell & Plano Clark, 2018). Thus, the qualitative data serves to explain the initial results in greater detail and to elaborate on the original findings. This was deemed to be an appropriate design based on the research questions and objectives in this study. The first stage aimed to assess the size and scope of CSI practice in South Africa, and was thus more quantitative in nature, and provided findings requiring further investigation. The second component of the study was to investigate perceptions on the motivations driving CSI and the quality of its practice, and was thus more qualitative in nature and helped to illuminate answers to questions that arose from the original results. Sequential designs in research methods have a strong foundation in research literature (Harrison & Reilly, 2011; Tashakkori & Teddlie, 2003). A key benefit of this approach is that

the initial quantitative findings help the researcher to be more specific and thorough in the later qualitative study (Harrison & Reilly, 2011).

The first phase in this two-phase explanatory sequential design consisted of an analysis of numerical data pertaining to CSI in South Africa. The majority of the archival data used in the quantitative phase of this study spanned fourteen years, capturing insights into the practice of CSI from 2004 to 2017. Some data relating to CSI practice was captured over a longer period than this, however, and thus certain data is available from as early as 1990. The quantitative phase of the study primarily served to collect and analyse descriptive data on the nature of CSI in South Africa over the research period. While it intended to lay a valuable quantitative foundation for understanding the nature of CSI in South Africa, this phase also provided context for the qualitative study and resulted in new research questions requiring investigation of non-numerical data. The second phase entailed conducting interviews with academics and practitioners in the field of CSI, with the aim of gaining a deeper understanding of leading perceptions on CSI. The qualitative study aimed to develop a descriptive report on perceptions of leading company executives and academics in the field. This included perceptions on the motivations behind CSI in South Africa, on flaws in strategic and procedural implementation, and on emerging ideas for addressing those.

A key consideration in the research design is the timing of the data collection, the priority that is given to the various data, and how the data is then integrated into the research (Bryman, 2006). Creswell and Plano Clark (2018) outline the four-step procedure for a typical two-phase explanatory sequential design, and this served as the model for this study. First, data were collected and analysed during the design and implementation of the quantitative phase. Quantitative research questions were stated and an approach determined, permissions obtained, the sample selected, and data collected and analysed. Second, the researcher identified which

quantitative results required further explanation and used this to inform the forthcoming qualitative research phase, thus connecting to the second phase. The researcher determined the quantitative results that would be expanded upon, refined the qualitative questions, selected the participants for the qualitative sample, and developed the data collection protocols for the qualitative phase. Third, the qualitative phase was implemented through the collection and analysis of the qualitative primary data. Qualitative research questions were formulated and an approach determined, permissions obtained, the sample selected, and data collected and analysed. In the fourth step, the researcher examined the degree to which the qualitative results elaborated on the quantitative results and what could be learnt from this. The researcher summarised and interpreted both the quantitative and qualitative results and explored ways in which the qualitative results expanded on the quantitative findings (Bryman, 2006; Tashakkori & Teddlie, 2003).

Bryman (2006) highlights the importance of the integration of research data, and Creswell and Plano Clark (2018) make the point that integration of data will occur at two points in a sequential explanatory research design. The first point occurs when the researcher uses the results of the quantitative study to inform the qualitative data collection. The second point occurs when the investigator integrates the connected quantitative and qualitative data that has been collected and explores how the results of the qualitative study illuminate and further the results of the quantitative study. The authors describe two variants of this design, the first being the *follow-up explanations variant*. This more common variant places an emphasis on the initial quantitative phase, and prioritises it above the subsequent qualitative phase. The second and less common variant is the *case-selection variant*, used in this study, which focuses primarily on the second, qualitative phase that is prioritised above the quantitative phase. In this second approach, the results of the quantitative phase serve as the basis for informing a more in-depth qualitative study (Creswell & Plano Clark, 2018). The implementation of the latter of these

two approaches is due to the primary focus being on the qualitative results of the study, with the initial quantitative study serving merely to establish a foundation that shapes and directs the focus of the qualitative phase (Harrison & Reilly, 2011).

4.4.1 Criteria for evaluating the quality of this study

This section explores criteria that were used to ensure the rigour of this research. Within quantitative methodologies, measures of reliability, external validity, internal validity, and objectivity are common criteria, and are traditionally viewed through a positivist lens (Guba & Lincoln, 1989). While not using the same measures as quantitative research, criteria are also used to evaluate the quality of qualitative research. Guba and Lincoln (1989) refer to these as a criteria for *trustworthiness*, which refers to the dependability, transferability, credibility, and confirmability of a study. These concepts are explored in this section.

The extent to which a quantitative study's results are repeatable is known as its *reliability*, and concerns the extent to which one would achieve stable and consistent results if reusing the same measure or research tool (Bryman, 2016; Denzin & Lincoln, 2011). Guba and Lincoln (1989) clarify this by stating that reliability refers to the “consistency, predictability, dependability, stability, and/or accuracy” (p. 235) of a study. In the quantitative study, this was achieved through the careful articulation of the research objectives and the use of consistent and measurable methods for data collection and analysis. A reliable source of high-quality archival data was analysed in this phase of the study. Widely accepted methods of statistical analysis were used and documented in a manner that would allow for these same tests to be conducted by any future researcher. Reliability is akin to the concept of *dependability* in qualitative research, and the question of how likely the findings are to apply in other periods (Guba & Lincoln, 1989). Assessing reliability can be challenging in a qualitative study given that social settings and circumstances cannot be held constant over time (Borman & LeCompte,

1986). The dependability of the qualitative phase of this study was ensured through the careful documentation of the procedures and data methods used in the study, via an auditing approach, as recommended by Guba and Lincoln (1989). As these authors explain, this makes it possible to track changes in the construction of a study that often results from an emergent design, and thus for the decisions and logic behind the research process to be understood and evaluated. In order to accomplish this, a precise and detailed account was kept of the research undertaken in this study, and decisions related to data collection and analysis are explained and justified.

Validity in quantitative research is an indicator of the integrity of the conclusions generated from the research. There are a number of types of validity within research. *External validity* refers to the extent to which a study's results can be generalised beyond the specific population or research context (Zikmund, Babin, Carr, & Griffin, 2013). This is akin to the concept of *transferability*, or how findings can be applied to other contexts (Guba & Lincoln, 1989). In order to promote external validity in the quantitative study, the researcher drew from data on the 100 largest contributors to CSI in South Africa, representing a sample that is collectively responsible for the majority of all CSI conducted in the country. Despite this strength, the researcher was vigilant to not make any unsubstantiated claims about the generalisability of the results to a broader population not sharing the same characteristics as the study participants (Creswell & Creswell, 2018). External validity in the qualitative study was ensured via an empirical process in which the context of the study was compared against the broader context from which it originated, and by assessing overlap between the conditions of the two (Guba & Lincoln, 1989). Assessing external validity can present a challenge, however, because of the evolving nature of social contexts (Guba & Lincoln, 1989), and because sample sizes within qualitative research are often small (Borman & LeCompte, 1986). However, a mere 15 companies in South Africa collectively contributed 44.97% of the total amount of CSI funding spent in the country in 2017 (Dialogue, 2017). In addition, the eight

CSI executives selected for this study had experience working in CSI roles at companies that collectively contributed a significant amount of all CSI funding in the country in 2017. Thus, the validity of the research was strengthened by the fact that the qualitative sample in this study represented a selection of some of the largest CSI contributors in South Africa. Given the challenge of assessing generalisability in qualitative research, the researcher is expected to empower any future inquirer to make such assessments for themselves by providing them with a carefully kept record of “the time, the place, the context, [and] the culture” of the study (Guba & Lincoln, 1989, p. 241). This was accomplished in this study through the careful documentation of the context of the research conducted.

Internal validity refers to whether any cited causality or relationship between variables in research is valid, and not caused by some other variable (Tashakkori & Teddlie, 1998). This corresponds to the concept of *credibility*, or how believable the findings are in qualitative research (Guba & Lincoln, 1989). Internal validity in the quantitative study was promoted by selecting appropriate independent variables and performing the most suitable standardised tests for relationships and significance. The motivation for the appropriateness of the quantitative data collected on this basis is provided later in this chapter in Section 4.5.1. Internal validity in the qualitative study was ensured through sound academic processes and techniques, including respondent validation, whereby the researcher frequently repeated back or clarified participant responses in order to receive validation of the responses being recorded. The researcher ensured that participant selection was suitable and that instruments used remained consistent (Creswell & Creswell, 2018). Furthermore, respondents in the study were provided with anonymity in order to encourage complete and truthful responses. By selecting leading academics in the field and respected CSI practitioners from some of the largest companies in South Africa, each from different major industries, it was hoped that their perspectives would prove to be particularly

insightful. The motivation for the appropriateness of each of the participants selected for the qualitative study is provided later in this chapter in Section 4.5.2.

Triangulation was also used to ensure validity in this study, whereby multiple methods and sources of data are used in order to obtain greater confidence in the results (Bryman, 2016). Triangulation involves the combination of methodologies in order to obtain multiple perspectives on the same investigation (Denzin, 1978). *Data triangulation* involves seeking out multiple sources of data; *investigator triangulation* occurs when there are multiple observers in a study; *theory triangulation* is achieved when varying theoretical perspectives and hypotheses guide an investigation; and *methodological triangulation* involves using multiple dissimilar methods to approach the same object in a study (Denzin, 1978). Three of these forms of triangulation were used in this study. Data triangulation was performed by using multiple sources of quantitative and qualitative data. Some of these sources of data included archival data on CSI in South Africa, multiple sources of data on the performance of financial, economic, and social variables in the country, and the insights of leading academics and corporate practitioners. Theory triangulation was achieved through the use of multiple theoretical perspectives, using the primary theoretical framework of institutional theory, but also drawing on theory emanating from CSR, CSI, and a variety of related fields. Methodological triangulation in this study involved combining both quantitative and qualitative methodologies in the analysis of data, including the collection of archival data on CSI and data collected through primary interviews. A number of statistical tests were run in the quantitative study, and the commonality in their results helped to validate their findings.

The researcher also remained cognizant of ensuring ecological validity in the qualitative study. *Ecological validity* refers to whether a study's findings are representative of the true, natural daily lives of participants or whether unnatural research settings or tools might

have impacted participants and interfered with obtaining valid, natural results (Bryman, 2016). By providing a comfortable, private setting that would encourage authentic responses from participants, care was taken to ensure that the research setting had minimal interference in the results. The assurance of anonymity in the recording and reporting of responses further avoided interference in the results.

Objectivity relates to the evaluation of bias and values in research (Zikmund et al., 2013), and is parallel to the concept of *confirmability*, or the degree to which a researcher's values or prejudice impact a study (Guba & Lincoln, 1989). Objectivity within qualitative research can be achieved by demonstrating good faith and the greatest possible level of impartiality, and making every reasonable attempt to avoid bias (Bryman, 2016). Within the quantitative phase, this was done by strictly following the processes of the chosen research methods. In the qualitative study, objectivity was accomplished by establishing an audit trail by which any inquirer would be able to understand how this data was collected and converted for analysis, thus aiding the confirmability of the study (Guba & Lincoln, 1989). Furthermore, care was taken to ensure that the research was conducted in good faith and that participant contributions were accurately captured and conveyed in order to avoid researcher bias. The researcher endeavoured not to influence the participants in any way during the interview or to allow their own views to be known or to impact participant responses.

4.5 Sampling

Bryman (2016) discusses a research strategy for mixed methods investigations in which quantitative findings can form the basis for later purposive sampling. This model was well suited to the two-phase explanatory sequential design used in this research, and thus informed its sampling approach. This section presents the strategy used to determine the sample in both the initial quantitative and later qualitative studies.

4.5.1 Quantitative sample

As mentioned in Chapter 1, the raw data used for the initial quantitative study was obtained from the historical records of Trialogue, a respected South African publishing and consulting company that collects annual data on CSI in South Africa. As leaders in CSI research and analysis in the country, they conduct research annually on approximately 100 of the largest contributors to CSI in South Africa, both listed and unlisted, seeking insights into the corporate practice of CSI. The size and scope of the resulting data sets are unrivalled in the field and represent the only such body of longitudinal CSI data of its kind in the country. This body of archival data was identified during a desktop investigation, the results of which confirmed that there was no other data set available that could be used for the purpose of this research.

As Rudestam and Newton (2007) note, archives often provide valuable opportunities for further research, and the use of archival data is a valid and common practice in academic research. As with any data collection strategy, it has its own challenges and limitations that need to be understood and managed. First, as Rudestam and Newton (2007) advise, it was important to secure complete access to the data and to obtain the necessary permissions to use and publish the data within the context of the new research performed, in order to avoid any unexpected limitations in terms of use or authorship. Second, the researcher needed to verify the suitability of the data for the purpose of the research and ensure the validity and reliability of the research methods that were used to produce it. The researcher successfully obtained the raw archival data that resulted from the annual research conducted, and permission was granted by Trialogue for this data to be analysed and published. The body of data obtained was analysed in its entirety, and thus the entire data set obtained was used as the sample for the quantitative study. In order to assess the quality of the data obtained, it was important to understand the

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research methodology that was used to produce the archival data, in order to determine its validity as a basis for further research. Trialogue shared their research methodology with the researcher and provided supporting documentation of this, including original interview guides and details of the sampling strategy, as evidence of the instruments and methods used. Annual reports by Trialogue were also collected for analysis as part of this data set.

The sampling strategy used by Trialogue to collect the data was purposive in nature and was consistently applied across all years during which the data was collected. The target was set by the researchers as the top 100 largest contributors to CSI in South Africa, based on publicly-available records of their CSI spend. Given that a number of these companies were JSE-listed companies, shareholder reports served as one such source of this information, as did other publicly available reports from certain non-listed companies. Data on the spending on CSI was collected in local currency. The records collected served as the basis for determining which companies would be invited to serve as research participants in each subsequent year. In order to ensure that a sufficient number of responses were obtained, the research drew from a sample that was slightly larger than the top 100 companies annually, with the intent of ultimately receiving 100 responses from the sample. Responses were solicited from the CSI executives within each company in the sample.

Given that the sample was selected each year based on the CSI spend of those companies, a non-constant variable, there was some variation in the composition of the sample annually, despite the fact that the sampling strategy itself did not change. Many companies appeared in multiple, and in some cases in all fourteen years. On average, over 70% of the companies in any one year had also appeared in the previous year's research. As indicated in Table 1, the response rate varied annually, and ranged from 81 to 108 responses over the fourteen-year period, with a mean of 98 and a median of 100 responses.

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Table 1 Participant Responses by Year

Number of companies participating in the Trialogue CSI research on an annual basis from 2004-2017

Year	Participants
2004	101
2005	100
2006	99
2007	100
2008	102
2009	104
2010	100
2011	99
2012	108
2013	103
2014	99
2015	81
2016	82
2017	92
Mean	98
Median	100

Given the inherent relationship between the size of companies and the size of their CSI contributions (Triologue, 2017), the companies participating in the study represented a group of many of the largest companies in South Africa. In 2017, the contribution to CSI by the top 100 participants represented an estimated 78% of all CSI spending in the country in that year (Triologue, 2017). The primary rationale for the chosen sample strategy was that it allowed for the collection of data on CSI that drew from a group of companies that, although a small group in number, were collectively responsible for a significant percentage of the overall CSI spend in South Africa annually, and this justified the selected sample strategy.

4.5.2 Qualitative sample

The qualitative phase of this study involved interview research based on a sample acquired through purposive sampling. Purposive sampling is a form of non-probability sampling that allows for information-rich participants to be selected based on their perceived ability to provide in-depth insights into the topic being researched (Patton, 2002). The criteria used to determine inclusion or exclusion of individuals in the sample is outlined and justified in this section.

The landscape of CSI funders in South Africa is highly concentrated and relatively homogenous, with 72.53% of all CSI funding in South Africa in 2017 originating from just 100 companies. The top 15 contributors alone accounted for 44.97% of all CSI spending during the year (Dialogue, 2017). With such a small number of the country's companies providing such a significant portion of the total CSI budget each year, it was evident that the CSI landscape was highly concentrated. Thus, the intent was to select from the largest contributors to CSI funding in South Africa from a broad range of industries, in order to ensure both relevance and diversity in the sample. The eight CSI executives ultimately selected for this study had experience working in CSI roles at companies that collectively contributed a significant amount of all CSI funding in the country in 2017, representing a substantial percentage for a sample of this nature.

In order to select these corporate participants, the researcher compiled a list of eight major industries that are broadly recognised in South Africa so that a range of corporate perspectives would be obtained. The industries chosen were mining, retail and wholesale, information technology and communications, financial services, consumer goods manufacturing, insurance, building and construction, and healthcare. A list was then compiled of the largest companies in each of these industries based on the size of their CSI contributions.

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The researcher then consulted with CSI representatives from these companies and asked them to give their perspectives on the other CSI executives that were respected thought leaders working at companies within each of these industries. Of interest, the companies identified as having CSI executives that were leaders in the field were typically also working at the largest companies in each industry. Thus, there was a high degree of overlap in identification between the size of companies and their CSI contributions in each industry and the individuals identified as being leaders in the field. The first criterion for selection was thus the size of a company's contribution to CSI within each industry, which also proved to be correlated to the overall size of the businesses themselves, and the second criterion was the specific individuals that were identified as being thought leaders on the practice of CSI from this list of companies. The researcher recruited one individual from each of the eight industries chosen, approaching the potential participants in the order dictated by the method above, until they had found one individual from each industry who agreed to participate. The first choice of participants agreed to participate in six of the eight cases, while in two of the industries it was the second choice of participant who agreed to participate. The result of this process was a sample of CSI executives from some of the largest companies in South Africa, with the largest CSI budgets, and who were identified by their peers as thought leaders within their field. All of these individuals were senior executives within their organisations and held the title of Head of CSI, CSI Manager, CSI Executive, or a similar title.

In addition to eight leading practitioners of CSI at listed companies in South Africa, four leading academics in the field were also selected. The researcher considered whether to derive this sample from a global pool of academics in the field, or whether to limit the scope of the sample to South African academics. Ultimately, given the unique nature of the South African practice of CSI, it was determined that drawing from a sample of South African academics was most appropriate for this study. In order to select participants from academia,

the researcher initially drew on the literature review that informed this study, which was presented in Chapter Two, noting the most frequently cited academic thought-leaders in the fields of CSI and responsible investment in South Africa. The researcher then consulted with these academics to ascertain their perspectives on who the leading academics were in the field. The opinions were consistent among the respondents pertaining to four professors, all of whom were highly published employees at tertiary education institutions within South Africa. All four were recruited as academic participants in the study and agreed to participate.

Care was taken throughout the process to ensure that sample selection bias was mitigated against. Although the participants were not chosen at random, the criteria used to identify participants was designed to be as objective as possible, with the intent of gaining the greatest possible insight into the topic being researched. It was anticipated that the academics selected would provide independent and objective high-level context and that the practitioners would provide detailed practical insight and personal accounts. The sampling of participants was based on a desire to identify those who would be in a position to offer the greatest levels of insights into the research questions. In this sense, there was homogeneity in terms of the common areas of expertise between the two contexts, and heterogeneity to the extent that they represented two disciplines (Bryman, 2016).

4.6 Research Methods and Analysis

An initial descriptive analysis was used to establish an understanding of the size and scope of CSI in South Africa, and to seek insights into the nature of its practice. This process produced results that warranted further investigation, leading to additional quantitative testing and ultimately to a far broader qualitative study, which was performed using interview research as the primary method. The quantitative and qualitative methods used for data collection and analysis are explored next.

4.6.1 Quantitative research methods

As described above, archival data collected annually on the top 100 contributors to CSI in South Africa served as the basis for the initial quantitative study. Once this body of panel data was identified, a telephonic request with the organisation responsible for the data collection was granted, and a later in-person meeting led to an agreement being reached for the data to be made available to the researcher. The organisation's director granted permission for the raw data to be provided in its entirety, and their lead researcher and editor copied the archival data directly onto a new portable hard drive purchased by the researcher for this purpose. Permission was given for this data to be analysed and published, and an informed consent form was signed. The data obtained was password-protected and later backed up on a second password-protected device in order to protect the data.

Having secured both access and authorship rights to the data, it then became important to document and analyse the research methods that underpinned the original collection of this historical data. The researcher was provided with a detailed account of the research methodology, which served to provide clarity on the validity of the methods used. Supporting documentation related to the research methods were provided, including items such as scanned copies of the original interview notes and questionnaires, as well as files documenting the specific companies and individuals who were interviewed in each year, and their individual responses. Although the researcher had access to the data in an unedited format that allowed for the data to be linked to a specific company and research participant, the data is confidential in nature and thus is reported on only in an aggregated form in this study. In instances where specific data is referenced, the participant and company names are not disclosed. Similarly, in order to respect the proprietary methods that underpin the historical research that was conducted, only a summary of these methods is discussed below.

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The archival data made available for this research had been collected on an annual basis, using professional researchers who conducted in-person interviews with the corporate participants in the study. Company CSI executives from the companies in the sample had been approached by email and/or telephone call requesting their participation in the study, depending on the contact details available. Questions were predetermined and administered to participants in a structured interview guide that served as the primary instrument. In some cases, the questionnaires had been sent to participants in survey form in advance, and then later updated during a follow-up in-person interview. Internal research coordinators monitored the study and performed evaluations, and ultimately consolidated the data from individual participants. The majority of the research participants were located in the cities of Johannesburg and Cape Town, although some interviews were conducted in other locations in the country.

Questions in the interview guide had focused on a number of areas of CSI practice, and had sought to obtain first-hand insight on the practice of CSI from the companies themselves. This process included assessing the exact amount of CSI given by the company, their motivation for conducting CSI, and how they determined the amount of CSI funding to give each year. Company CSI executives had also been asked how they spent their CSI funding and how such funding was managed within the company, amongst other questions.

A review of the research methodology followed and the raw data that resulted from the studies revealed a level of academic rigour that substantiated the validity and reliability of the data, and thus the data was deemed to be suitable for further research. An initial review of the data did, however, highlight some challenges that needed to be overcome by the researcher. The data collected from each year's study had been stored in a large number of disparate files, many of which had been recorded in different formats. These formats included Word, Excel,

PDF, CSV, and TXT files, and varied depending on both the type of data and the year of the study. In addition, the data resulting from each year had been stored in separate files and had not been compiled in a longitudinal fashion and thus needed to be consolidated. In addition to the challenges posed by the format of the raw data, there were also certain minor inconsistencies found in the data itself. In particular, although many questions were asked consistently in successive years, the format of answers that were permitted sometimes changed. As an example, in some years a single answer had been sought, whilst in other years participants were asked to prioritise their top-three responses. Whilst this did not detract from the value of the data, it did result in some structural inconsistencies that posed a challenge during the process of consolidating the data across multiple years. There were also years in which certain questions had been added or removed from the study based on evolving insights, leading to there being certain questions that had not been asked in all fourteen years for which there was data. In addition, there were a limited number of cases in which companies had declined to answer some of the questions posed to them. However, these inconsistencies were found to be uncommon and did not pose a threat to the overall reliability of the data, given the significant continuity in the majority of the data collected.

In order to allow for longitudinal and statistical analysis of the data across multiple years, the researcher determined that the archival data obtained would need to be recaptured into a single format within a single database. Substantial data capture and formatting was required to form a single data set that could be manipulated and used for statistical analysis in this study. The original data had been saved into folders, and typically into subfolders based on the data points. Arrays of between zero to twenty subfolders each contained between zero to several hundred relevant documents. Inconsistency in the naming conventions across years meant that intensive manual sifting for results was required. Data was imported into a console capable of processing multiple formats, and the data was integrated during this process.

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Preparation for this process included formatting the data, removing symbols, converting data into doubles where appropriate and strings otherwise.

The software chosen for the integration of data was the statistical programming language R (Version 3.2.0), which is a project of the GNU operating system. The benefit of utilising R for this process was its universal applicability and ability to communicate via a universal language. The platform was useful in the process of capturing data and was also valuable for the later modelling of the data that would be required. The process of importing data was tedious yet rigorous, with the data from each year read into R and saved in parallel to other years. This was done by identifying the relevant questionnaire components and manually recording the layout of the questionnaire, as well as the corresponding answers. These answers frequently spanned over 100 sheets in an Excel document, without reference, requiring manual cross-linkage between the questions and the respective answers. More complex scenarios arose when values were noted in inconsistent formats, such as when values were listed as whole numbers in some instances, but as numbers of thousands in other instances. This required investigation and individual modifications and amendments. Multiple-answer questions added to the complexity, in cases where the type of answer allowed was inconsistent year-on-year. The changing format of the answers did not allow for consistent storage and, as such, a different size and location within the array was required. In order to avoid losing information, the multiple formats were saved in parallel to be assessed on demand, in accordance with the optimal structure determined in each case. Where required, relevant questions were noted and read into R individually. One of the advantages of division in accordance with various multi-answer questions was that statistics could be observed per each group within the category. It was then possible to easily track responses per industry and track changes per location across consecutive years and analyse whether companies were moving towards or away from various practices.

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Ultimately, the data was successfully aggregated from the original data source, and the amalgamated data was used to create a multi-dimensional array, representing an immense body of data with several thousand data points. Following the capture of the data into R in a standardised format, the researcher used descriptive statistics to present and interrogate the responses of the participants in aggregated form. This data was combined with data from Trialogue (2015, 2016, 2017) and synthesised into the broader analysis.

Quantitative methodologies were used to calculate the size of the CSI budgets being deployed in South Africa in each year and to document characteristics of CSI practice. A review of this data raised questions warranting further research, which were pursued through a further quantitative study utilising regression and correlation analysis. The aim was to examine the relationship between the average level of CSI funding by companies in the sample and a variety of potentially related financial, economic, and social independent variables. A high degree of correlation between the level of CSI deployed by business annually and the social variable would support the possibility that levels of CSI giving by corporates are responsive to the levels of social need in South Africa. By contrast, a high degree of correlation between CSI funding and corporate financial performance could indicate that giving is tied to financial performance more than it is determined in response to social need.

The total annual level of all CSI in South Africa served as the dependent variable in the analysis, and was sourced from the archival Trialogue data. Nine financial and economic indicators obtained from publicly-available market data were added as independent variables for analysis. In addition to direct measures of corporate revenues, the literature has acknowledged a relationship between financial performance and share prices (Basu, 1977), bond prices (Dor & Xu, 2015), and macroeconomic factors such as inflation (Rapach, 2003) and GDP (Ishak, Nasir, Ismail, & Hashim, 2017). It has also noted the impact of volatile

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exchange rates, interest rates, and commodity prices on the financial performance of businesses in South Africa (Keeton, 2016), as well as the role that business confidence plays in corporate spending and investment (Kershoff, 2000). Thus, South African corporate revenues, GDP, inflation, business confidence, and the performance of the South African stock market, bond market, gold, cash, and dollar exchange rate were used as the nine independent variables in the analysis. The data for South African corporate revenues, GDP, and business confidence were sourced from Statistics South Africa (2016). The performance of the South African stock market, bond market, gold, cash, interest rates, and USD/ZAR exchange rate was sourced from Thomson Reuters Eikon (2016). The performance of the FTSE/JSE All Share index, ALBI All Bond Index, S&P GSCI Gold, STeFI Composite Cash were used as measures of stock market, bond market, gold, and cash performance for the purpose of this study.

Identifying a quantitative variable that would accurately represent the prevailing level of social need in South Africa presented a challenge. There is no single measure of social need in the country, and there were several variables that might have served this purpose. Ultimately, the national unemployment rate in South Africa was selected as an independent variable to serve as a proxy for the level of social need in the country (Corcoran & Hill, 1980). It should be noted that there are multiple measures of unemployment in the country, and the criteria used to calculate these are often controversial. However, this study uses the official total unemployment rate published by Statistics South Africa (2016). The independent variables used in the analysis are listed in Table 2 along with their abbreviations. CSI serves as the dependent variable in the analysis.

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Table 2 Variables Used in the Analysis

List of social and financial/economic independent variables used in the analysis

Social Variable	Code
Unemployment Rate %	UNEMP
Financial/Economic Variables	Code
<i>Financial Performance</i>	
Company Revenues	REV
<i>Equity Variable</i>	
FTSE/JSE All Share Total Returns % (Equity)	FTSE
<i>Bond and Cash Variable</i>	
ALBI (All Bond Index) Total Returns % (Bonds)	BOND
STeFI Composite Total Returns % (Cash)	CASH
<i>Economic Variables</i>	
South African GDP	GDP
Inflation	CPI
<i>Indicator</i>	
Business Confidence	BCONF
<i>Commodity Variable</i>	
S&P GSCI Gold Total Returns %	GOLD
<i>Currency Variable</i>	
Dollar/Rand Exchange Rate	USDZAR

4.6.2 Quantitative analysis methods

With the archival data successfully aggregated into a multi-dimensional array, it became possible to begin an analysis of the data. In the first phase of the quantitative study, descriptive statistics were used to present the data in a manner conducive to analysis. The aim of this process was to quantitatively describe the size, scope, and other characteristics of CSI in South Africa in a manner that would allow for the observation of patterns, trends, and

anomalies within the data. Descriptive statistics were used to represent the CSI budgets being deployed by business and to categorise how these were being spent, using measures such as dispersion and central tendency. These figures were adjusted for inflation to allow for observations to be made in both nominal and real terms. A variety of key characteristics of CSI were then explored, including the ways in which CSI funding is spent in society, how companies determine their level of giving to CSI, and the motivations behind why companies fund CSI. The landscape of CSI funders in the country is also described. Trends in CSI funding levels are then scrutinised, with explanations sought for patterns and anomalies observed in the data.

A review of the initial results of the quantitative study and the resulting descriptive statistics highlighted one particular inconsistency in the data that warranted further analysis: the factor cited most frequently by respondents as motivating their corporate giving was the moral imperative to do so, yet the most commonly cited method to determine the level of CSI giving was said to be a percentage of earnings. This method of determining CSI funding levels hinted at compliance with government regulations stipulating CSI giving as a minimum percentage of corporate net profit after tax (NPAT), and called into question the extent to which a sense of moral imperative was the true driver of the quantum of corporate giving. Whilst compliance with government regulation or the pursuit of corporate self-interest would not preclude there being an underlying corporate sense of moral imperative in funding CSI, this question warranted further research. Thus, the initial descriptive investigation into the data collected on CSI in South Africa prompted a second phase in the quantitative study, in which a more detailed statistical analysis of the data was performed.

4.6.2.1 Correlation analysis

The purpose of the statistical analysis was to interrogate the drivers of CSI practice, and to investigate whether either social need or corporate financial performance seemed to be the primary driver of the levels of CSI funding. In order to look for relationships between CSI levels and other variables that might provide insights into the drivers of CSI practice, it was determined that a multi-stage analysis was required. The correlation between the variables was investigated first. As Chatterjee and Hadi (2006) explain, the correlation coefficient is a gauge of the strength of the relationship between two variables. This coefficient can be used to investigate a relationship that is either positive or negative, as long as the relationship is linear. The correlation coefficient is the result of standardising the covariance between the two variables in order to remove the influence of the units of measurement, thus resulting in a correlation coefficient that is confined to a value of between -1 and 1. This allows for the magnitude of the relationship to be more easily assessed.

4.6.2.2 Test for significance of the correlation analysis

Once the correlation analysis was performed, the correlation coefficients were then tested for significance. Testing for significance allows one to determine whether the linear relationship observed in the sample data is sufficiently strong enough to substantiate the relationship (Lomax & Hahs-Vaughn, 2012). The test uses the sample correlation coefficient and the sample size to determine whether the population correlation coefficient is either close to zero, or significantly different from zero (Heumann, Schomaker, & Shalabh, 2016). The null hypothesis in this test is that the population correlation coefficient is not significantly different from zero. The alternative hypothesis is that the population correlation coefficient is significantly different from zero. A table of critical values for the sample correlation coefficient was used for this purpose, and a five percent level of significance was chosen for the test.

Calculating $n - 2$ degrees of freedom, there were 11 degrees of freedom for each of the pair of variables. If the absolute value of the sample correlation coefficient was greater than the critical value for the respective degrees of freedom, then the null hypothesis was rejected, and the relationship was found to be significant (Lomax & Hahs-Vaughn, 2012). If the absolute value of the sample correlation coefficient was less than the critical value in the table for the respective degrees of freedom, the null hypothesis was not rejected, and the relationship was found to be not significant.

4.6.2.3 Principal component analysis

Given that the financial and economic independent variables selected for the analysis were all related to corporate financial performance, it was expected that one or more of these variables would be highly correlated with one another. Thus, following the correlation analysis, a principal component analysis (PCA) was conducted to reduce the sample of independent variables to a subset of key variables based on their common underlying factors. This data reduction technique allowed for the commonality in the factors to be assessed across the variables by considering the common variance, specific variance, and error variance (Hair, Black, Babin, & Anderson, 2010). This resulted in eigenvalues which allowed for the percentage of total variance explained by each variable to be calculated. The cumulative eigenvalues and cumulative variance explained by the variables could also then be calculated. This reduced the set of potentially correlated variables into a smaller number of principal components. Reducing the dimension of the data set through mathematical projection allowed for data compression based on the data analysis. This occurred through a process of simultaneous analysis of the multiple variables, in which the maximum variance across the coordinates of the dimensions was assessed and the best fit identified in the data (Hair et al., 2010). The objective was to determine an optimal lesser number of variables that could still be

used as principal components to explain the majority of the variance in the variables and then to re-express this in an optimal manner. This allowed for patterns, trends, and anomalies in the data to be more easily identified. Ultimately, three of the variables were determined to capture the majority of the variance observed and thus were selected for further analysis.

4.6.2.4 Simple regression analysis

Once the principal components were extracted from the PCA and the optimal three variables had been selected, a regression analysis was conducted to determine the relationship between the dependent variables and the remaining independent variables. Regression analysis is a method for examining the relationships between variables, typically expressed through a model or equation that connects a dependent variable to one or more predictor or explanatory variables (Chatterjee & Hadi, 2006). Simple regression equations are those with only one independent variable and are used to assess the relationship between two variables (Hair et al., 2010). The regression equation took the following form (see Equation 4.1):

$$Y_t = \alpha + \beta_i X_{it} + \varepsilon_{it} \quad (4.1)$$

Where,

Y_t = the average CSI spend at time t

α = the alpha of the regression

β_i = the sensitivity of the average CSI spend to changes in independent variable i

X_{it} = the value of the independent variable i at time t

ε_{it} = the error term of the regression

4.6.2.5 Test for significance of the regression equations

The three regression equations related to the optimal independent variables identified through the PCA were then tested for significance on the basis of their t-statistics, and related p-values, at a 95% confidence level. This was done at the level of n-1 degrees of freedom, and thus at df=12 for these tests. This process determined which of the regression equations were statistically significant predictors of CSI. The t-statistic is the ratio of the difference between the estimated and hypothesised values of the variable to its standard error (Heumann et al., 2016). The p-value is a measure of the likelihood that the results could have occurred by chance (Lomax & Hahs-Vaughn, 2012). Thus, a high t-value and low p-value compared to the parameters of their respective tests would indicate significance in the relationship between the variables. Multiple regression could have then been conducted in order to assess which combination of the reduced subset of independent variables (if any) were best able to explain the average annual CSI spend of the companies in the sample. However, whilst multiple regression analysis was considered, it was ultimately not performed given that only two of the variables were statistically significant.

4.6.3 Qualitative research methods

The statistical analysis performed, as with the earlier analysis of the descriptive statistics resulting from the data, ultimately raised questions requiring further investigation. In order to seek answers to these questions and interrogate the motivations for CSI practice in South Africa and the drivers of the quantum of CSI giving, it was determined that a qualitative study would be required in order to pursue insights not available through analysis of the quantitative data alone. The qualitative study was empirical in nature, relying on the observations of the researcher pertaining to the data collected (Patten, 2000). In line with the research objectives of the study, the aim was to develop a rich, qualitative understanding of

CSI in South Africa, beyond what was found in the quantitative study. The hope was to uncover perspectives on the real, underlying motivations behind CSI programmes and to explore perspectives on any perceived challenges in the field and how the practice of CSI might be improved.

The design chosen for the research needed to be operationalised with techniques for the collection of data (Babbie & Mouton, 2002). Semi-structured qualitative interviews were used as the primary research method within this phase of the study through an interview guide approach. Semi-structured interviews allow for a process of discovery in which the worldviews of the participants are more thoroughly interrogated in order to achieve a greater level of depth (Hussey & Collis, 2003). The interview questions were determined based on the questions that arose during the quantitative study, as well as questions that arose in the literature review. The research questions and objectives of the study were kept front of mind during this process in order to ensure relevance. These questions were incorporated into an interview guide that served as the research instrument, providing a catalyst for further questions that arose during the interviews. A total of nine questions were selected and these guided the interviews conducted, and are presented in Appendix A. The questions directed to participants were open-ended, and the precise sequence and wording of the questions were determined during the course of each interview (Patton, 2015). Thus, whilst the interviews were focused, the interviews were not rigid and remained flexible according to the direction in which the interviews led. Questions were asked with the aim of eliciting multiple perspectives on experiences and meanings, and additional questions asked to seek clarity and further insights as required. Questions related to the knowledge, opinions, values, and experience of the participants (Patton, 2015). The questions were carefully refined through multiple iterations, with consideration given to the relevance, neutrality, and openness of the questions asked. The

final questions selected were submitted for academic review before being finalised for use in the study.

The decision to select both academics and practitioners for this study was based on the concept of *crystallisation*, whereby different points of view are sought in order to provide depth and perspectives from multiple angles (Denzin & Lincoln, 2008). The academics provided context and guidance on the current state of CSI practice in South Africa based on their years of experience in the field. This experience resulted from extensive research and publication, as well as through their interactions with key stakeholders including government, industry bodies, and corporations in South Africa. The interviews with academics were conducted before the interviews with corporates in order to benefit from this foundational knowledge and understanding, and to allow their academic insights to inform the interviews with corporate practitioners. Practitioners were in a position to provide first-hand knowledge of the practice of CSI within their companies, and to offer insights based on their years of practice within the field.

Prospective participants were recruited by phone for face-to-face interviews. Four academics and eight corporate practitioners agreed to participate. Mutually agreeable appointments were made based on the dates, times, and venues convenient for participants. Appointments were confirmed by email and calendar invitations sent as a reminder. The researcher travelled to interview sites in Cape Town, Johannesburg, and Pretoria in South Africa so that face-to-face interviews could be conducted and to ensure that rapport could be built with the participants. As noted in CSR research conducted by Öberseder, Schlegelmilch, and Gruber (2011), as well as by Green and Peloza (2014), it is important to be cognizant of the potential influence of participant *self-presentation*. This was addressed by conducting the interviews one-on-one, without an audience, and by taking care to ensure that participants felt

comfortable during the interviews conducted. The aim was to create a setting in which accurate, honest, and comprehensive responses to questions could be shared (Patton, 2015). The researcher endeavoured to be clear, present, and empathic yet neutral in the interviews, being careful to listen and observe and to probe when appropriate (Patton, 2015). Participants were given information on the purpose of the study, the manner in which the interviews would be conducted, and what would be expected of them. It was made clear that their participation was voluntary, and that they could end the interviews at any time. Participants were given a consent form to sign and were asked for permission to audio record the interviews. All participants willingly signed the forms and gave consent for the interviews to be recorded prior to commencement. Interviews were audio recorded with one primary and a secondary backup device. Interviews took between one and one and a half hours. The audio recordings were saved and stored on a password-protected device under code names to protect the identities of the participants. The original consent forms, interview guides, and field notes were kept in a secure safe, and scanned copies saved to a password-protected device. After recorded interviews were completed, they were transcribed and the transcriptions were then checked for accuracy. The digital transcriptions of the interviews were coded and stored on a password-protected device.

4.6.4 Qualitative analysis methods

Interview transcripts resulted in a large body of qualitative data for analysis. Data reduction is a process that “sharpens, sorts, focuses, discards, and organizes data in such a way that ‘final’ conclusions can be drawn and verified” (Miles & Huberman, 1994, p. 11). Data was reduced during the process of analysis and the resulting display of the data facilitated the exploration into themes that emerged within the results. In this deconstruction of the transcribed interviews, thematic analysis was performed, with patterns and disparities being identified and analysed across the entire data set. This process was repeated multiple times

from different angles, to ensure that the data was reduced appropriately and that nothing was missed. An inductive approach to data analysis aimed to determine emerging patterns and trends within the participants' perspectives and also any divergent views. The structure of the thematic analysis was not predetermined, and categories emerged in the course of the analysis, relevant to the themes that gradually became apparent. As Miles and Huberman (1994) explain, this allows for conclusions to be reached and verified in an iterative and continuous manner, with the simultaneous reduction, display, and verification of the data occurring throughout the process. Thematic analysis was deemed to be suitable due to the exploratory nature of the research being conducted, and the need to draw on themes emerging from multiple participants.

Non-quantifying methods were used for the majority of the analysis, given the phenomenological nature of the data collected. A general analytical procedure was followed, as articulated by Hussey and Collis (2003), in which data was captured, coded, grouped, summarised, generalised, and verified for robustness. Manual coding was determined to be the most suitable method for organising the data collected. Although more time-intensive, the process of repetitively reviewing each of the interview transcripts resulted in a deep familiarity with the participant responses. Manual coding allowed for rich insights to be drawn from analysis of the data and for reading between the lines of the insights shared. During this process, both the written transcript and the audio recordings were repeatedly reviewed concurrently to ensure the greatest level of accuracy in reporting and analysis. The analysis methods used, and the processes followed, contributed to ensuring that the research was objective and scientifically robust. The intent of the process was not to generalise findings, but to elucidate the specific.

4.7 Research Ethics

This study was conducted in compliance with the University of Cape Town's (UCT) policies on ethical research. Ethical clearance was obtained from UCT and signed by the researcher prior to the commencement of the study. All research was conducted in line with data and privacy laws in South Africa. Diener and Crandall (1978) identify four key areas of research ethics related to participants: potential harm to participants, lack of informed consent, invasion of privacy, and deception.

Being cognizant of the *potential harm to participants*, the researcher recognised that the greatest harm would occur if the individuals, academic institutions, or companies involved in this research faced consequences for what they chose to reveal during the interviews. This harm could involve damage to the professional careers of the participants or reputational harm to the organisations they represent. Cognizant of this risk, measures were introduced to protect research participants and their organisations. While the researcher knew the identities of the participants, the researcher was committed to protecting their identities. Understanding that participants would likely divulge sensitive information, all data recordings and transcriptions were coded so that the sources were not obviously identifiable. The list of identities and codes was stored on separate technological devices from those housing the data. Furthermore, data recordings and transcripts were stored securely in a digital format and were password-protected. In the write-up of this study, names and details that might lead to the identification of the participants or their organisations have been removed, and pseudonyms have been given. The investigator implemented measures to ensure that the respondents would not be identifiable in the research either directly or indirectly.

Participants were given all information that might have impacted their decision on whether or not to participate in this study, were informed that their participation was voluntary,

and were told that they could withdraw their consent and cease participation at any time. Harm can occur if there is a *lack of informed consent*, which can arise either when consent is not given, or when consent is given but without an adequate understanding of what is being consented to. In order to guard against this risk, the researcher was exhaustive in their oral and written explanations to the research participants, providing them with as much information as possible to allow them to make informed decisions about their participation. This ensured that, if consent was given, it was indeed informed consent and that participants had a sound understanding of the research being conducted.

The researcher used an official UCT template for obtaining written consent from participants. Participants were asked to these sign consent forms that were then lodged with the university. All participants signed this form and agreed to provide their consent. These forms assured the participants of their anonymity in the study and that no identifying information would be made public without their consent. In addition to being a vital part of the ethical basis of this study, the assurance of anonymity also encouraged authenticity in participant responses, and this contributed to the authenticity of the findings emerging from the study as a whole.

The researcher was also careful to guard against any potential *invasion of the privacy* of participants. This included making sure that participants had control over how much they would share in the interviews and that they had a clear understanding of how this information would be used. The protection of the data collected, and the use of coding and pseudonyms, also advanced the interests of participant privacy. Interviews were conducted in secure settings that ensured privacy for the participants. The researcher requested permission from the participants to audio record the interviews, and all participants gave their consent to the recording prior to commencement. *Deception* can occur when participants are misled about a

study's purpose (Diener & Crandall, 1978). All participants in this study were given accurate accounts of the purpose of this research, and how the data generated from their interviews would be used.

In addition to ethical concerns regarding participants, there can also be ethical concerns related to the honesty, accuracy, and objectivity of the researcher conducting the study (Diener & Crandall, 1978). Research ethics can be impacted by a number of factors, including theory, epistemology, ontology, as well as the values and the personal beliefs of the enquirer (Bryman, 2016). These beliefs can introduce bias and impact the research process, from the choice of methodology to analysis and interpretation of data, and can occur at any time during the course of the research. Increasingly, it has been accepted that such bias cannot feasibly be removed in its entirety, but that researchers should strive to restrain this bias, and then be self-reflective, thus demonstrating reflexivity in acknowledging the role that their values might have played in their research (Bryman, 2016). This self-reflection, characterised by transparency and disclosure and adherence to a set of ethical standards, can aid the overall ethical position of the research (Bryman, 2016).

The researcher remained cognizant of the importance of maintaining independence and objectivity throughout the study. The researcher was cautious not to influence research participants in any particular line of thinking, but rather to create a sense of security in order to promote honesty and transparency in their responses. The researcher was careful not to ask leading questions or to reveal their own beliefs to participants. Data were analysed and reported in full, not selectively, and the researcher was committed to presenting only justifiable conclusions emanating from the research.

4.8 Conclusion

This chapter has outlined the philosophical assumptions and research paradigm that underpinned this study. It has also explained and justified the research design and methods used for data collection and analysis, and discussed the ethical considerations of the research conducted. The following chapter, Chapter 5, will present the results of the quantitative phase of this study alongside a discussion of these findings. The results and discussion of the qualitative study are then presented in Chapter 6.

Chapter 5: Quantitative Results and Discussion

This chapter provides the results of the quantitative study conducted during the course of this research. Descriptive statistics are used to present the data collected and analysed during the first phase of the study. Data on the size and scope of CSI in South Africa is explored in this section, including the various characteristics of CSI expenditure. This is followed by the results of the analysis performed to evaluate the relationship between CSI levels and potentially related independent variables.

5.1 Quantitative Study on CSI in South Africa

The first step in exploring the data contained in the multi-dimensional array was to render it into a format suitable for analysis and interpretation. This data was combined with data from Trialogue (2015, 2016, 2017) and synthesised into the broader analysis. Using descriptive statistics to organise the data, it was possible to investigate the practice of CSI in South Africa and to seek insights from the data. Certain data were considered to be most valuable when evaluated longitudinally, particularly the overall level of CSI giving in the country, and this data spans the years 1990-2017. In other cases, it was the most recent year of responses that provided the most relevant insights into CSI practice. The data on CSI in this chapter is analysed on an aggregated basis rather than at an individual company level.

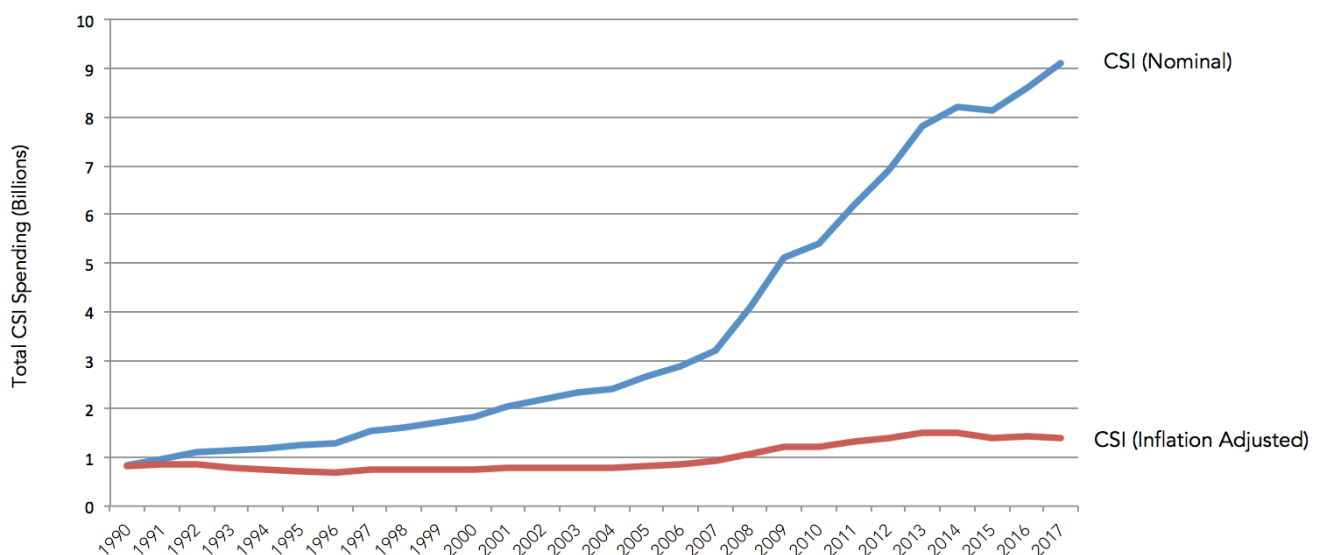
5.1.1 Annual CSI expenditure

A time series analysis of the data revealed a growth trend in South African CSI expenditure since the collection of data on CSI levels began in 1990. On a nominal basis, CSI expenditure rose during every year except for in 2015, when CSI levels fell for the first time, before resuming its growth the following year. By 2017, R9.1 billion was being spent annually on CSI in the country, the result of a ten-fold increase in CSI spending from 1990 to 2017.

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However, taking into account inflation by examining CSI in real rather than nominal terms, CSI levels actually declined for a number of years during this period and experienced a far lower rate of overall growth. As indicated in Figure 1, total CSI levels remained depressed between 1990 and 2005, in real terms, only rising back to its previous levels again in 2006. This year marked the beginning of a period of growth in real CSI funding levels that would continue until 2014, when CSI levels would once again resume their decline.

Figure 1 *Total CSI Spending in South Africa from 1990-2017*



(Data Source: Triologue, 2018)

As demonstrated in Table 3, CSI funding grew by 68.56% in real terms during the period from 1990 to 2017, but only four percent of this growth occurred during the years 1990 to 2006; 64.56% of the growth was attributable to the period between 2007 and 2017. An understanding of the cause of this sudden increase in CSI funding would potentially provide evidence as to the drivers of CSI funding levels. This observation was noted as an item requiring further investigation, and is explored in Section 5.1.7.

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Table 3 Total Levels of CSI Funding in South Africa

Annual nominal and real levels of CSI funding in South Africa from 1990-2017

Year	Nominal CSI*	Inflation	Real CSI*	% Change	Net % Change
1990	0.84	100	0.84	0.00%	0.00%
1991	0.98	114.68	0.85	1.74%	1.74%
1992	1.12	132.65	0.84	-1.20%	0.51%
1993	1.15	147.54	0.78	-7.68%	-7.21%
1994	1.20	160.70	0.75	-4.19%	-11.10%
1995	1.24	176.60	0.70	-5.98%	-16.41%
1996	1.30	188.45	0.69	-1.75%	-17.88%
1997	1.55	205.37	0.75	9.41%	-10.15%
1998	1.63	218.70	0.75	-1.25%	-11.27%
1999	1.74	236.59	0.73	-1.55%	-12.65%
2000	1.84	244.28	0.75	2.77%	-10.23%
2001	2.04	261.02	0.78	3.65%	-6.96%
2002	2.20	275.70	0.80	2.10%	-5.00%
2003	2.35	304.39	0.77	-3.25%	-8.09%
2004	2.40	309.34	0.78	0.49%	-7.64%
2005	2.65	317.46	0.83	7.59%	-0.63%
2006	2.88	329.66	0.87	4.66%	4.00%
2007	3.20	349.16	0.92	4.90%	9.10%
2008	4.10	381.43	1.07	17.29%	27.96%
2009	5.10	420.24	1.21	12.90%	44.48%
2010	5.40	443.95	1.22	0.23%	44.80%
2011	6.20	461.04	1.34	10.56%	60.09%
2012	6.90	488.01	1.41	5.14%	68.32%
2013	7.80	515.06	1.51	7.11%	80.29%
2014	8.20	545.92	1.50	-0.81%	78.82%
2015	8.12	573.99	1.41	-5.82%	68.41%
2016	8.60	606.03	1.42	0.31%	68.94%
2017	9.10	642.70	1.42	-0.22%	68.56%

*CSI figures are expressed in billions of South African rands

5.1.2 Characteristics of CSI expenditure

Data collected on CSI expenditure provided insights into how companies spent their CSI budgets over the research period, and the social sectors that received the majority of CSI funding during this time. The data revealed that, in 2017, the majority of all CSI spending was targeted at education in the country. Social and community development received the second-highest levels of support, followed by support for health initiatives. This closely mirrors the spending priorities of the South African government. In the country's 2017 annual budget, education received more funding than any other area of government spending, with social development and health also receiving significant government allocations (National Treasury of South Africa, 2017).

As detailed in Table 4, and shown in Figure 2, 47.19% of all CSI funding was dedicated to education initiatives in 2017. In addition, 91% of companies claimed to spend at least some of their CSI budgets on education (see Table 5). Significantly more funding was used to support education than any other focus area in 2017, with the second-largest recipient of CSI funding being social and community development, which received only 13.21% of CSI funding, and then health initiatives, which received 11.70% of CSI funding. It is unclear whether the alignment between the spending priorities of government and CSI initiatives is due to a shared view of the importance of these social areas, or if it is an intentional corporate effort to mirror government priorities.

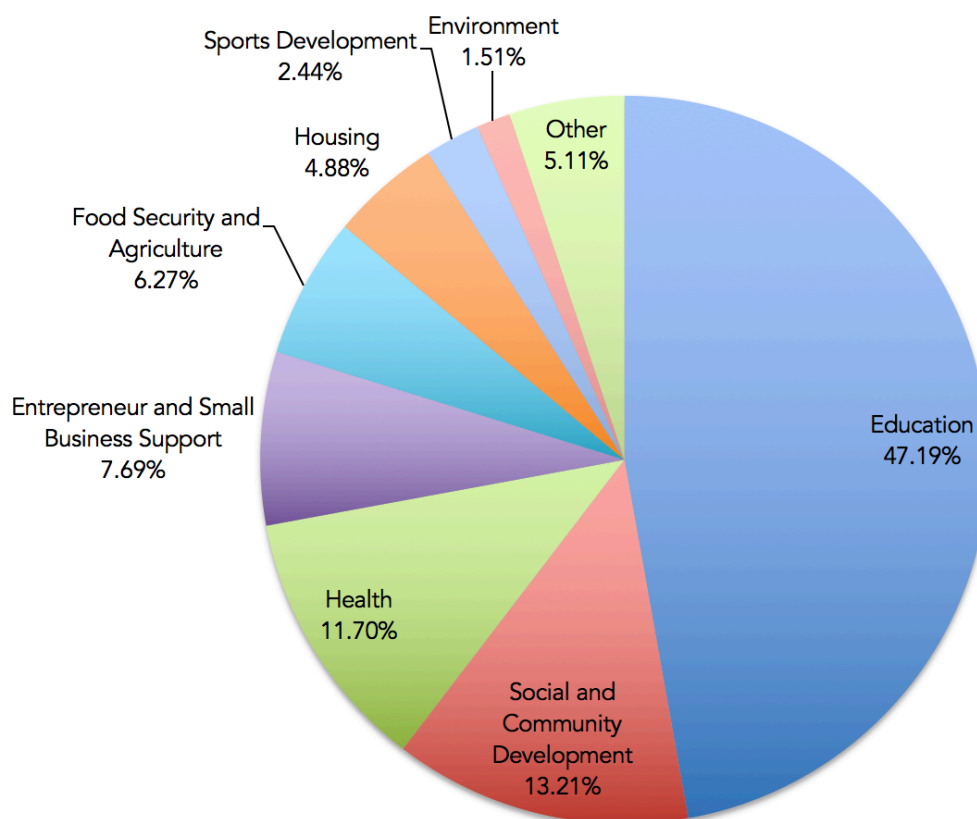
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Table 4 Focus of CSI Spending in South Africa

Percentage of total CSI spending per focus area in 2017

Focus Area	Share of Funding
Education	47.19%
Social and Community Development	13.21%
Health	11.70%
Entrepreneur and Small Business Support	7.69%
Food Security and Agriculture	6.27%
Housing	4.88%
Sports Development	2.44%
Environment	1.51%
Other	5.11%

Figure 2 *How Companies Spent Their CSI Budgets in 2017*



(Data Source: Trialogue, 2018)

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Table 5 Degree of Corporate Support per Focus Area

Percentage of companies dedicating at least part of their budget to focus area in 2017

Focus Area	Corporate Support
Education	91.30%
Social and Community Development	76.09%
Health	51.09%
Entrepreneur and Small Business Support	39.13%
Food Security and Agriculture	35.87%
Sports Development	34.78%
Environment	28.26%
Disaster Relief	22.83%

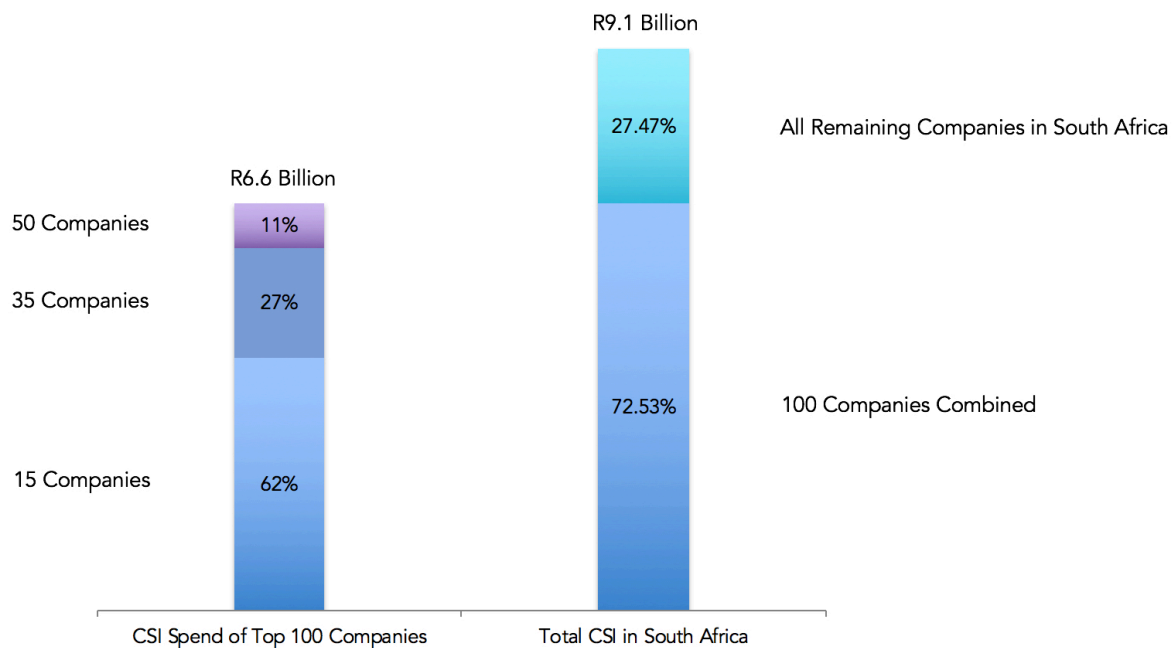
This information on the focus of CSI funding provided valuable insight into the practice of CSI in South Africa, and raised some preliminary concerns about the efficacy of CSI funding. Prevalent concerns over the poor state of education in South Africa (Schwab, 2017) seemed at odds with the significant amount of funding dedicated to education through CSI initiatives. This observation highlighted a limitation in the data. There was no further data that would allow for a more thorough investigation into the impact or efficacy of funding being dedicated to CSI, and this was noted as a point requiring further research.

5.1.3 Landscape of CSI funders

Analysis of the data highlighted that, collectively, the contributions made to CSI by a small number of locally listed companies have historically made up the vast majority of the total CSI spending in South Africa. As indicated in Figure 3, the top 100 companies contributing to CSI accounted for 72.53% of all CSI spent in South Africa in 2017, whilst the top 15 companies alone accounted for 44.97% of CSI spending.

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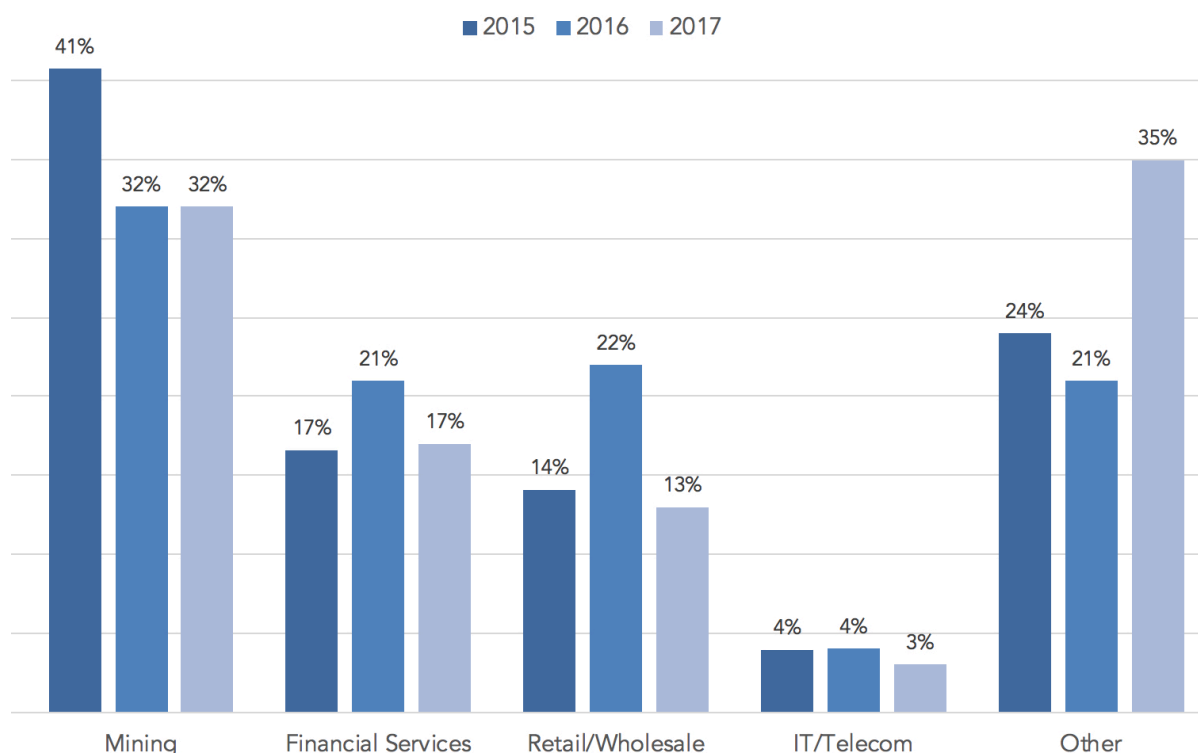
Figure 3 Contribution to Total CSI Spending by the Top 100 CSI Funders in 2017



(Data Source: Trialogue, 2018)

With such a small number of the country's companies providing such a significant portion of the total CSI budget each year, it was evident that the CSI landscape was highly concentrated. This observation was valuable in that it demonstrated that any further collection of data on CSI as part of the study could rely on a relatively small sample size in terms of the number of corporate participants, but who collectively could still represent a significant percentage of the CSI market. In addition to the concentration of CSI spending in terms of the small number of companies that collectively make up the vast majority of CSI contributions, just three industries in South Africa accounted for the majority of this CSI spend. The mining, financial services, and retail industries alone were responsible for 72% of all CSI spending in 2015, 75% of all CSI spending in 2016, and 62% of all CSI spending in 2017 (see Figure 4). This concentration of funding highlighted the relatively homogenous nature of CSI funders in South Africa in terms of the companies that provide the majority of its contributions.

Figure 4 *Origin of Total CSI Spending by Industry Sector 2017*



(Data Source: Trialogue, 2018)

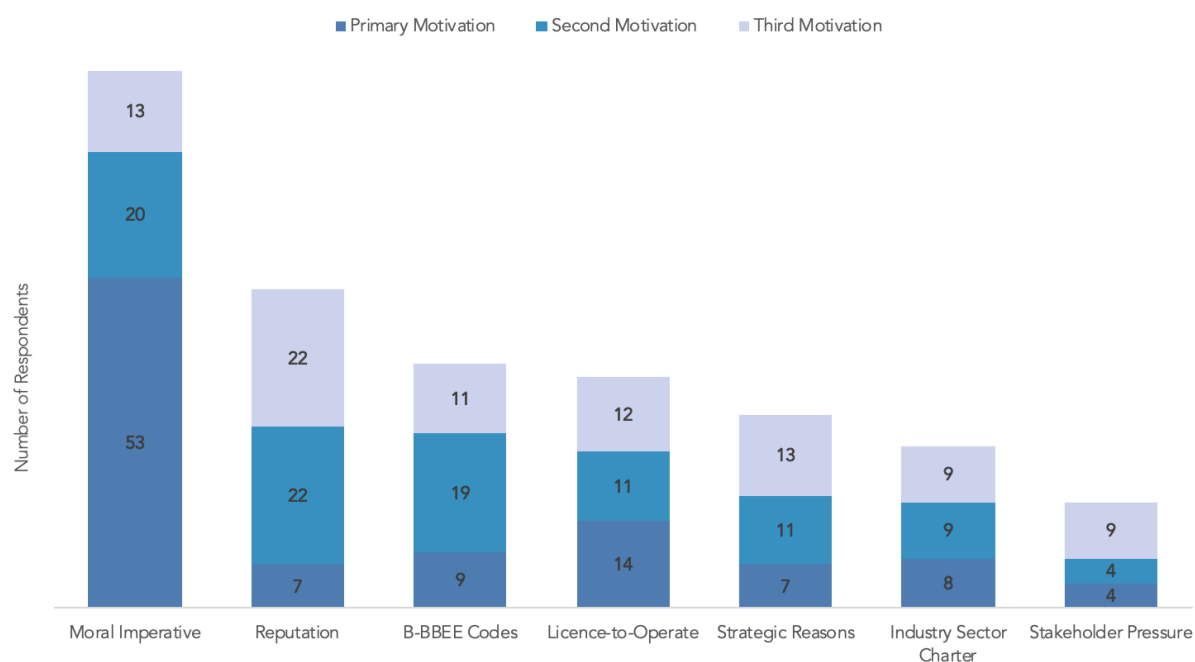
5.1.4 Motivations for CSI practice

With an understanding of the amount of funding dedicated to CSI, the way in which CSI budgets are typically spent, and the landscape of the companies that drive its practice, the focus of the investigation shifted to the motivations behind why companies fund CSI. The data revealed that in 2017 the majority of the considered companies responded by citing the moral imperative to conduct CSI as being the primary driver of their CSI practice. Ranking their top three business rationales for funding CSI (see Figure 5), the moral imperative to conduct CSI was cited as the primary driver by the majority of participants, followed by consideration for their reputation, and then requirements linked to B-BBEE legislation. These claims would appear to support the findings of Ellen et al. (2006), that socially responsible corporate

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behaviour is not driven by just one factor, and can instead be attributed to some combination of egoistic, strategic, values driven, and stakeholder driven motives.

Figure 5 *Claimed Motivation for Funding CSI in 2017*



(Data Source: Trialogue, 2018)

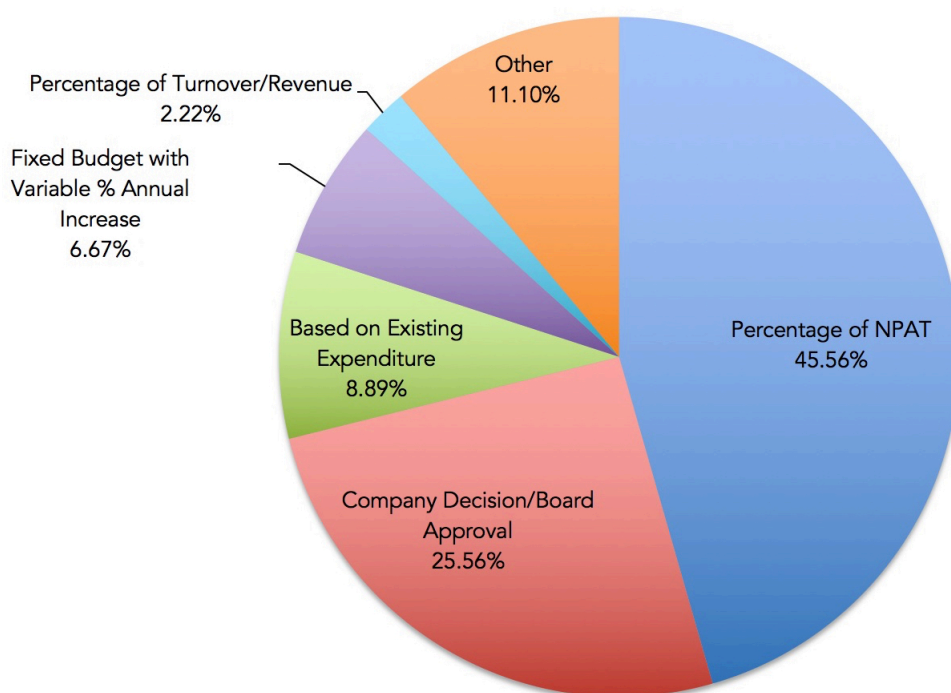
While the majority of these companies cited the moral imperative to conduct CSI as being the primary driver of their CSI practice, there were two reasons why it appeared that this claim may have been inaccurate or misleading. First, despite the fact that all of the companies in the study are subject to strict government regulations in South Africa in the form of the B-BBEE codes, which effectively compels them to contribute a minimum percentage of their after-tax profits to CSI, only 38.82% of companies cited it as one of the top-three drivers of their CSI practice, and only 9.41% of companies citing it as the primary driver. Second, South African law, as in many other countries, requires listed companies to act in the interests of their shareholders. Participants indicated that CSI funds given to comply with government regulations or with the expectation of an improved reputation, customer loyalty, or obtaining

some other benefit seem to be common practice. By contrast, funding social causes when not required by law and with no expectation of a return on that investment in some form or another was seen by the participants to be relatively uncommon. These potential conflicts between corporate claims and the reality behind CSI practice were noted as points for further research.

5.1.5 Methods used to calculate annual CSI budgets

The data on CSI in South Africa contained corporate claims regarding the method they use to calculate their annual CSI budgets. Calculating CSI budgets as a percentage of NPAT was the most commonly-cited method of determining the annual CSI budgets (see Figure 6).

Figure 6 *Method Used to Determine Quantum of CSI Spend in 2017*



(Data Source: Trialogue, 2018)

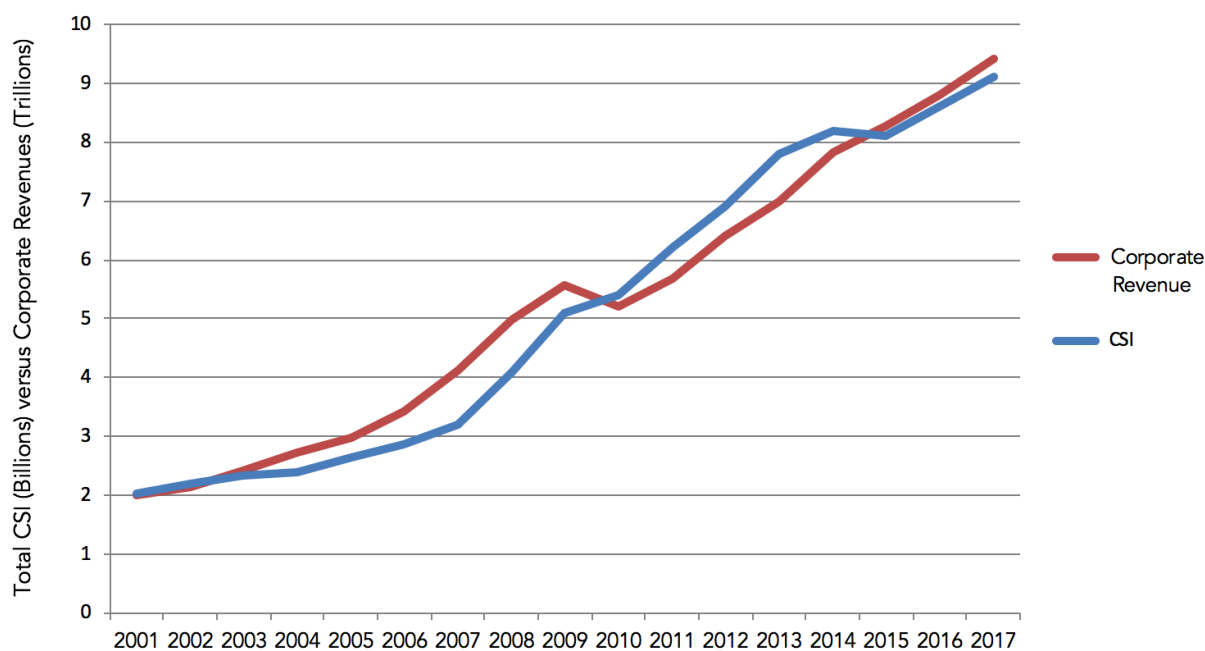
While the data did not reveal the motive for selecting a percentage of NPAT as the method for determining CSI levels, the similarity in the method chosen by companies and the method required by government regulation did support the possibility that CSI is primarily driven by regulation rather than the claim that it is primarily motivated by a sense of moral duty. Similarly, the fact that the majority of companies set CSI spending as a percentage tied

to some aspect of their financial performance, rather than a variable amount that takes into account prevailing levels of social need, did not inherently provide any direct evidence contradicting corporate claims. It did, however, add to the perception that an investigation into the drivers of CSI was warranted. This observation was noted for later review in the statistical analysis.

5.1.6 Corporate revenues and CSI

In seeking insights into the drivers of CSI funding, examining CSI contributions alongside corporate revenues was deemed to be a pragmatic means by which to investigate the possibility of a relationship between CSI and corporate financial performance.

Figure 7 Total CSI Spending versus Corporate Revenues from 2001-2017



(Data Source: Trialogue, 2018)

As demonstrated in Figure 7, and quantified in Table 6, the analysis showed that the rise in CSI funding levels over the period from 2001-2017 mirrored a similar rise in corporate revenues over the same period in South Africa. While not providing insight into the cause of

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the relationship observed between the variables, the relative performance between the two substantiated the possibility that CSI funding levels might indeed be commonly determined by a variable linked to corporate financial performance. Government requirements compelling large companies to spend a minimum percentage of their after-tax profits on CSI would be an example of such a variable.

Table 6 CSI Funding and Corporate Revenues

Annual CSI funding levels and corporate revenues in South Africa in real and nominal terms from 2001-2017

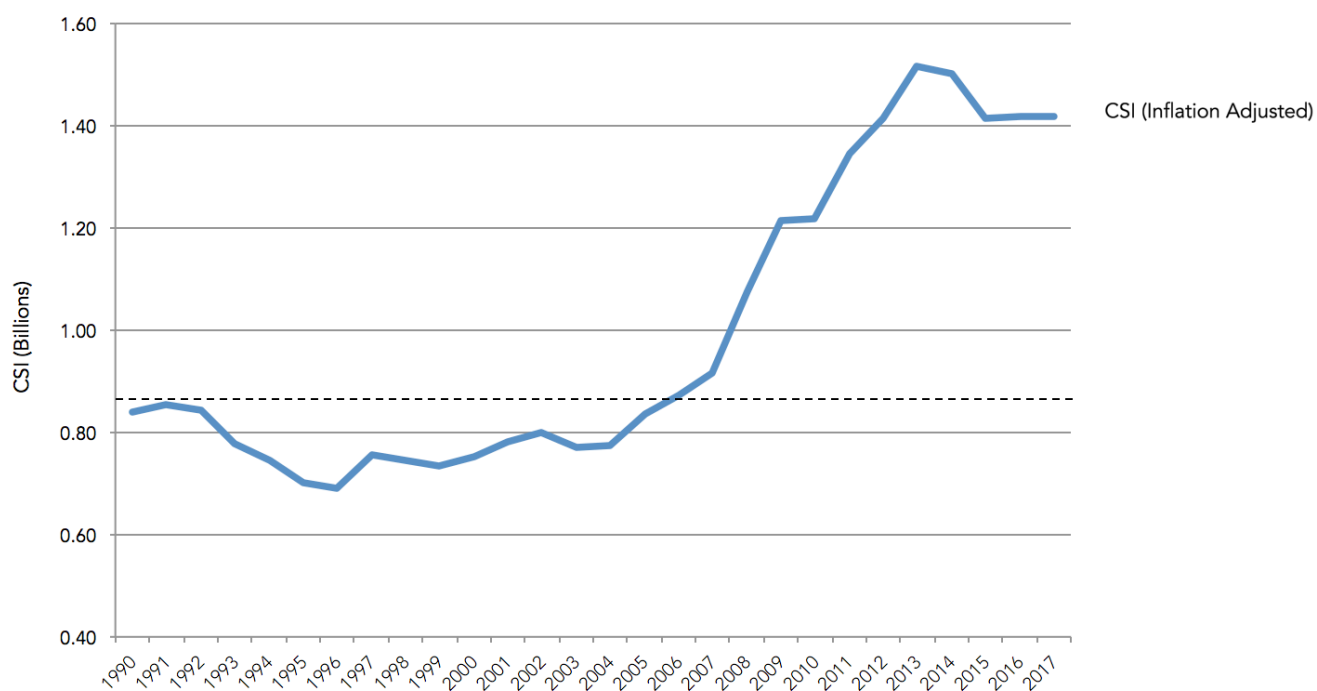
Year	CSI*	Revenues*	Inflation	Real CSI*	Real Revenues
2001	2.04	1.99	100	2.04	1.99
2002	2.20	2.14	105.63	2.08	2.03
2003	2.35	2.43	116.62	2.02	2.08
2004	2.40	2.72	118.51	2.03	2.30
2005	2.65	2.98	121.62	2.18	2.45
2006	2.88	3.43	126.30	2.28	2.71
2007	3.20	4.12	133.77	2.39	3.08
2008	4.10	4.97	146.13	2.81	3.40
2009	5.10	5.57	161.00	3.17	3.46
2010	5.40	5.21	170.08	3.17	3.06
2011	6.20	5.70	176.63	3.51	3.22
2012	6.90	6.40	186.97	3.69	3.42
2013	7.80	7.00	197.33	3.95	3.55
2014	8.20	7.83	209.15	3.92	3.74
2015	8.12	8.27	219.90	3.69	3.76
2016	8.60	8.80	232.18	3.70	3.79
2017	9.10	9.42	246.23	3.70	3.82

*CSI figures are expressed in billions of South African rands; Revenue figures are expressed in trillions of South African rands

5.1.7 Investigating the sudden rise in CSI funding in 2007

As previously noted, real levels of CSI fell for many years in the country, remaining depressed between 1990 and 2006. CSI funding then began to increase dramatically from 2007 (see Figure 8). While it is difficult to definitively cite the cause of this growth in CSI, it is interesting to note that the B-BBEE Codes of Good Practice were introduced in 2007. These codes effectively compelled large businesses to dedicate one percent of their NPAT to CSI by introducing socio-economic development criteria (Esser & Dekker, 2008). The observation that the dramatic increase in CSI funding levels coincided with the introduction of government regulation compelling its practice was noteworthy, but there was nothing in the available archival data that could be used to generate conclusive evidence regarding a possible causal relationship between the two.

Figure 8 *Real CSI in South Africa from 1990-2017*

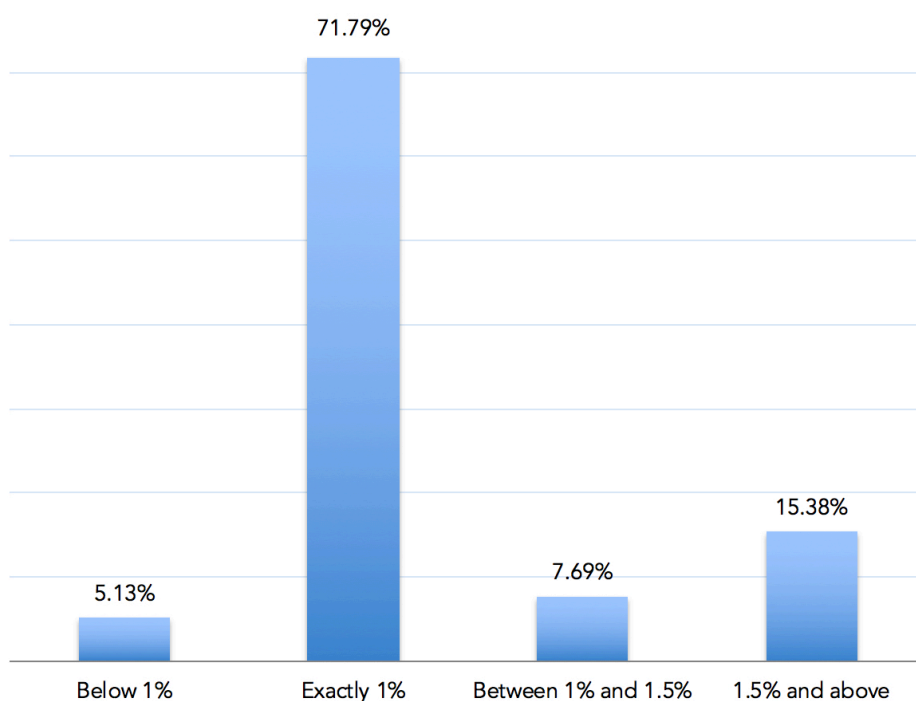


(Data Source: Trialogue, 2018)

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As previously noted in Section 5.1.5, roughly half of all companies claimed to calculate their CSI budgets as a percentage of NPAT, but it was not clear what the motivations were for doing so. There was one additional finding in the quantitative data that provided some insight, however. Of these companies, 71.79% indicated that their CSI budget was set at exactly 1% of their annual NPAT (see Figure 9). This was revealing, given that government regulation in South Africa effectively compels that large companies provide a minimum of 1% of NPAT to CSI in the country. The fact that the vast majority of these companies admitting to using a target of exactly 1% of NPAT, when this is also the minimum stipulated in government regulation, was not in of itself sufficient evidence to state conclusively that government regulation is the determining factor behind the quantum of CSI funding in the country. It did, however, provide some indication that this may indeed be the case. It was determined that a more detailed statistical analysis of the data would be required, and this is presented in the following section.

Figure 9 *Percentage of NPAT Dedicated to CSI in 2017*



(Data Source: Trialogue, 2018)

5.2 Correlation, Principal Component, and Regression Analysis

Claims by companies that they are primarily motivated by a sense of moral imperative in their practice of CSI seemed to be inconsistent with other observations in the data indicating that CSI was potentially driven primarily by self-interest or government regulation. To ensure that any potential relationships were thoroughly investigated, it was determined that statistical analysis of the data would be required in order to quantify and interrogate these. A multi-stage analysis was required, and the correlation between the dependent and independent variables was calculated and the significance of these relationships tested. A principal component analysis was then conducted to reduce the number of variables, and was followed by a regression analysis. Tests for the significance of these regression equations were then performed. In addition to the dependent variable, CSI, which is represented by $X_1=CSI$, there were also several independent variables used in the analysis. The list of independent variables was initially presented in Chapter 4, and has been included in Table 7 below for ease of reference.

Table 7 Independent Variables Used in the Analysis

List of social and financial/economic independent variables used in the analysis

Variable	Financial/Economic Variables	Code
	<i>Financial Performance</i>	
Y ₁	Company Revenues	REV
	<i>Equity Variable</i>	
Y ₂	FTSE/JSE All Share Total Returns % (Equity)	FTSE
	<i>Bond and Cash Variable</i>	
Y ₃	ALBI (All Bond Index) Total Returns % (Bonds)	BOND
Y ₄	STeFI Composite Total Returns % (Cash)	CASH
	<i>Economic Variables</i>	
Y ₅	South African GDP	GDP

Y ₆	Inflation <i>Indicator</i>	CPI
Y ₇	Business Confidence <i>Commodity Variable</i>	BCONF
Y ₈	S&P GSCI Gold Total Returns % <i>Currency Variable</i>	GOLD
Y ₉	Dollar/Rand Exchange Rate	USDZAR
Variable	Social Variable	Code
Y ₁₀	Unemployment Rate %	UNEMP

5.2.1 Correlation analysis

The correlation coefficients were calculated first in order to gauge the strength of the relationship between the dependent and independent variables in the analysis. The correlation coefficient for each pair was calculated using the equation below (see Equation 5.2):

$$corr_{XY} = \frac{\sum_{i=1}^n X_i Y_i - \frac{1}{n} \left(\sum_{i=1}^n X_i \right) \left(\sum_{i=1}^n Y_i \right)}{\sqrt{\left\{ \sum_{i=1}^n X_i^2 - \frac{1}{n} \left(\sum_{i=1}^n X_i \right)^2 \right\} \left\{ \sum_{i=1}^n Y_i^2 - \frac{1}{n} \left(\sum_{i=1}^n Y_i \right)^2 \right\}}} \quad (5.2)$$

Where,

Corr_{XY} = the correlation between X and Y

n = the total number of pairs of data

X_i = the value of the dependent variable

Y_i = the value of the independent variable

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The analysis allowed for a preliminary investigation into the degree to which CSI levels might be driven or influenced by various social, financial, or economic variables based on the correlation between them. The annual values obtained for the prevailing level of each of these variables used in the analysis are represented in Table 8.

Table 8 Performance of Variables Used in the Analysis

*Annual values for each variable used in the analysis from 2003-2015**

Year	CSI	REV	FTSE	BOND	GOLD	GDP	CASH	CPI	BCONF	USDZAR	UNEMP
2003	2.35	2.43	1.161	1.181	0.926	1.030	1.123	1.058	60.3	6.656	27.10
2004	2.40	2.72	1.456	1.361	0.819	1.076	1.212	1.073	63.3	5.636	24.70
2005	2.65	2.98	2.144	1.508	1.084	1.133	1.299	1.109	81.5	6.321	23.80
2006	2.88	3.43	3.028	1.590	1.466	1.197	1.395	1.161	84.0	6.974	22.60
2007	3.20	4.12	3.610	1.657	1.846	1.261	1.525	1.244	82.0	6.786	22.30
2008	4.10	4.97	2.771	1.938	2.595	1.301	1.704	1.387	58.0	9.304	22.40
2009	5.10	5.57	3.661	1.919	2.539	1.281	1.859	1.485	30.0	7.372	23.50
2010	5.40	5.21	4.356	2.206	2.937	1.320	1.988	1.549	32.5	6.622	24.70
2011	6.20	5.70	4.468	2.402	3.929	1.362	2.102	1.627	48.5	8.132	24.60
2012	6.90	6.40	5.660	2.785	4.380	1.392	2.218	1.718	42.5	8.484	24.70
2013	7.80	7.00	6.873	2.803	3.858	1.423	2.333	1.816	48.3	10.468	24.60
2014	8.20	7.83	7.621	3.087	4.187	1.445	2.471	1.927	41.8	11.572	24.90
2015	8.12	8.27	8.012	2.966	4.998	1.464	2.631	2.015	47.3	15.050	25.35

* CSI figures are expressed in billions of South African rands; Revenue figures are expressed in trillions of South African rands; Business Confidence and USDZAR are their actual values; Unemployment Rate is expressed as a percentage; All other figures are performance-based to 1.

Note: Data source for Revenues, GDP, Business Confidence, and Unemployment from Statistics South Africa (2016), and for FTSE/JSE All Share, ALBI All Bond Index, S&P GSCI Gold, STeFI Composite Cash, CPI, and USDZAR from Thomson Reuters Eikon (2016).

The resulting correlation coefficients calculated between these variables are displayed in the correlation matrix in Table 9. The results showed a strong positive correlation between CSI and the variables related to corporate financial performance and the economy, indicating a positive relationship between them. By contrast, the variable chosen as a proxy for the level

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of social need in South Africa, unemployment, had the lowest levels of correlation to CSI. This result provided no evidence that companies were determining their CSI levels using a method that took into account the prevailing levels of social need in South Africa, based on using unemployment levels as an indicator of this.

Table 9 Correlation Matrix

Correlation between the variables used in the analysis

	CSI	REV	FTSE	BOND	GOLD	GDP	CASH	CPI	BCONF	USDZAR	UNEMP
CSI	1	0.98	0.96	0.99	0.97	0.94	0.99	0.99	-0.69	0.81	0.25
REV	0.98	1	0.96	0.97	0.96	0.97	0.99	0.99	-0.65	0.86	0.12
FTSE	0.96	0.96	1	0.96	0.92	0.94	0.96	0.97	-0.51	0.85	0.15
BOND	0.99	0.97	0.96	1	0.97	0.96	0.98	0.98	-0.61	0.8	0.17
GOLD	0.97	0.96	0.92	0.97	1	0.96	0.98	0.98	-0.64	0.81	0.18
GDP	0.94	0.97	0.94	0.96	0.96	1	0.97	0.95	-0.56	0.77	-0.07
CASH	0.99	0.99	0.96	0.98	0.98	0.97	1	1.00	-0.67	0.83	0.16
CPI	0.99	0.99	0.97	0.98	0.98	0.95	1.00	1	-0.68	0.85	0.21
BCONF	-0.69	-0.65	-0.51	-0.61	-0.64	-0.56	-0.67	-0.68	1	-0.37	-0.41
USDZAR	0.81	0.86	0.85	0.8	0.81	0.77	0.83	0.85	-0.37	1	0.2
UNEMP	0.25	0.12	0.15	0.17	0.18	-0.07	0.16	0.21	-0.41	0.2	1

5.2.2 Test for significance of the correlation analysis

The correlation analysis provided insights into the strength and direction of the relationship between CSI and potentially related independent variables. In order to verify the significance of these correlation coefficients, these needed to be tested for significance (Hair et al., 2010). Testing for significance allows one to determine whether the linear relationship observed in the sample data is sufficiently strong enough to substantiate the relationship. The test uses the sample correlation coefficient and the sample size to determine whether the population correlation coefficient is either close to zero, or significantly different from zero. If

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the absolute value of the sample correlation coefficient was greater than the critical value for the respective degrees of freedom (see Table 10), then the null hypothesis was rejected, and the relationship was found to be significant (Hair et al., 2010). If the absolute value of the sample correlation coefficient was less than the critical value in the table for the respective degrees of freedom, the null hypothesis was not rejected, and the relationship was found to be not significant. The tests for significance showed that the correlation between CSI and the financial and economic variables were all significant, while the correlation with the social variable of unemployment was not (see Table 11).

Table 10 Critical Values Table

Critical values used in analysis

df = n-2	$\alpha = 0.05$
1	0.997
2	0.950
3	0.878
4	0.811
5	0.754
6	0.707
7	0.666
8	0.632
9	0.602
10	0.576
11	0.553
12	0.532
13	0.514
14	0.497
15	0.482

Table 11 *Test of Significance*

Significance of the CSI correlation coefficients

	Correlation	Significance
REV	0.98	Significant
FTSE	0.96	Significant
BOND	0.99	Significant
GOLD	0.97	Significant
GDP	0.94	Significant
CPI	0.99	Significant
BCONF	-0.69	Significant
CASH	0.99	Significant
USDZAR	0.81	Significant
UNEMP	0.25	Not Significant

The tests for the significance of the correlation coefficients confirmed that only the modelled linear relationship between CSI and the financial and economic variables were significant and thus appropriate for prediction. It was observed, however, that there was a high level of correlation between the majority of the independent variables used in the analysis, excluding business confidence, the USDZAR exchange rate, and unemployment, and thus a principal component analysis was performed in order to reduce the number of variables and find a new optimal expression of the data.

5.2.3 Principal component analysis

The degree to which the variables considered in this analysis shared common factors was analysed through the statistical process of principal component analysis (PCA) (see Table 12). This data reduction technique allowed for the commonality in the factors to be assessed across the variables. The common variance, specific variance, and error variance are all considered through this procedure (Hair et al., 2010).

Table 12 Eigenvalues from Principal Components

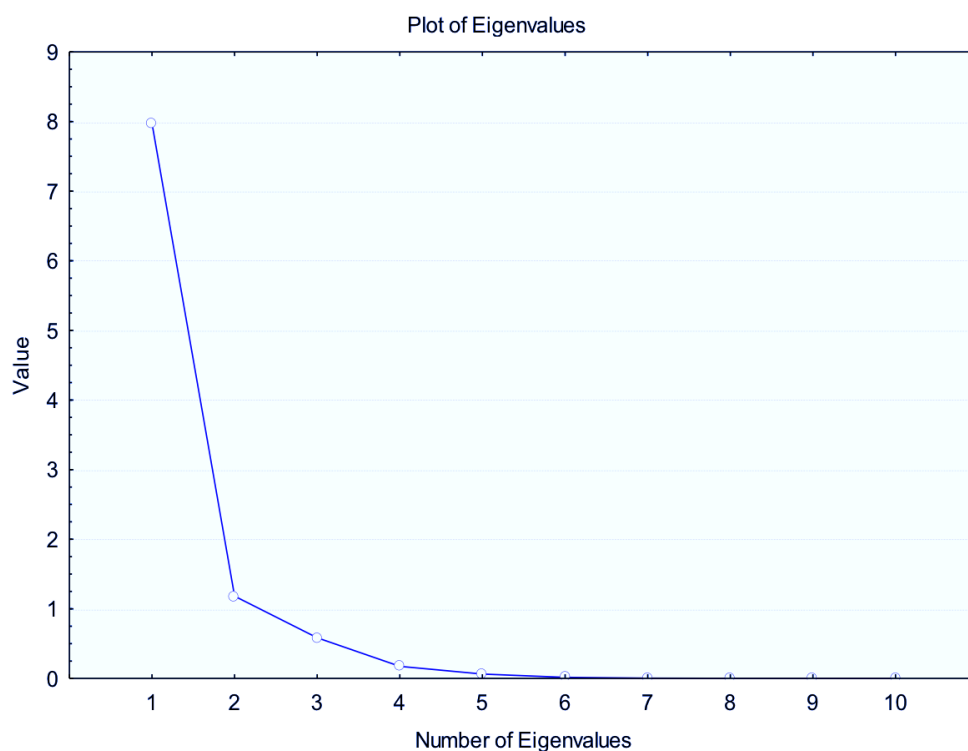
Eigenvalues derived from the principal component analysis

	Eigenvalue	% Total Variance Explained	Cumulative Eigenvalue	Cumulative % explained
1	7.968811	79.68811	7.968811	79.68811
2	1.182133	11.82133	9.150943	91.50943
3	0.584248	5.84248	9.735192	97.35192
4	0.173829	1.73829	9.909021	99.09021
5	0.063377	0.63377	9.972398	99.72398
6	0.016688	0.16688	9.989086	99.89086
7	0.005496	0.05496	9.994582	99.94582
8	0.002938	0.02938	9.997520	99.97520
9	0.002447	0.02447	9.999967	99.99967

The thirteen years of data for the ten independent variables were pulled into the statistics platform *Statistica*. A PCA analysis was performed that extracted the principal components from the variables. This resulted in eigenvalues which allowed for the percentage of total variance explained by each variable to be calculated. The cumulative eigenvalues and cumulative variance explained by the variables could also then be calculated.

A scree plot of the eigenvalues then provided insight into the lowest number of variables that were able to still capture the majority of the variance observed. There is no precise method for determining the optimal number of factors to extract from this analysis. Common rules of thumb are to cut off the analysis where the plot of the eigenvalues flattens out or where the cumulative variance explained demonstrates substantial diminishing returns (Hair et al., 2010). Based on the results presented in Figure 10, it was observed that at least three and no more than four factors should be extracted. It was decided that, in the interests of parsimony, three factors would be optimal.

Figure 10 *Scree Plot of Eigenvalues*



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By rotating the factors using varimax normalisation in order to simplify the factor structure, the performance of the FTSE/JSE Index, the unemployment rate, and business confidence were the three key factors identified through this process. Table 13 presents the resulting factor loadings following the rotation with varimax normalisation. Overall, the performance of the FTSE/JSE Index, the independent variable representing the performance of the stock market, was found to be the dominant factor in the analysis.

Table 13 Factor Loadings

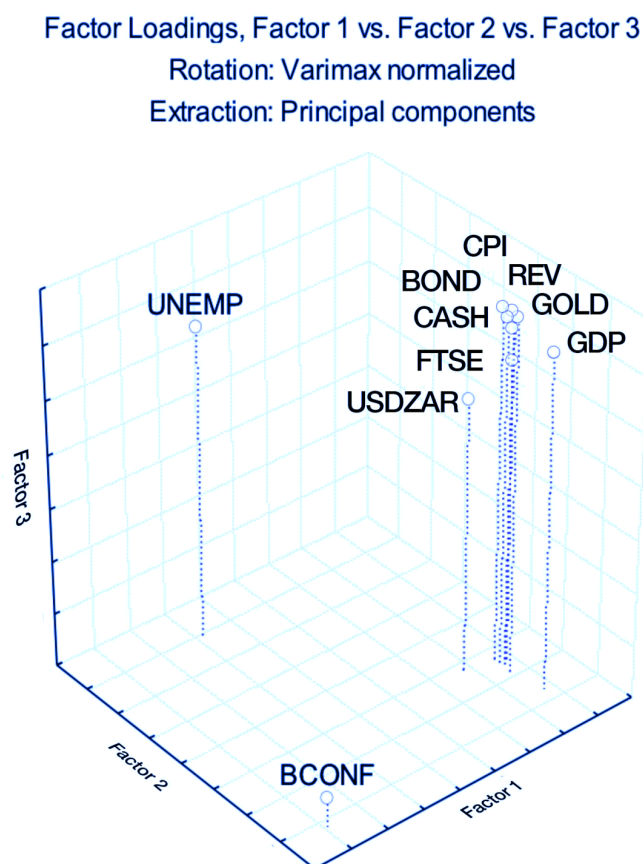
Varimax normalised factor loadings from the principal components in the analysis

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7	Factor 8	Factor 9
REV	0.91035	0.02288	0.32093	0.25275	-0.02802	0.00912	0.01434	-0.05259	0.00294
FTSE	0.95974	0.09101	0.12576	0.17063	-0.14489	0.04583	0.03815	0.00875	0.03265
BOND	0.95300	0.09568	0.24414	0.09667	0.00409	-0.11675	0.00541	0.00106	0.00107
GOLD	0.91974	0.09247	0.29402	0.13684	0.20012	0.01266	0.00676	0.00499	0.00916
GDP	0.94425	-0.14512	0.25717	0.11458	0.05146	0.02521	-0.06873	0.00826	0.00095
CASH	0.92874	0.07045	0.32187	0.16237	0.01293	0.02366	0.00459	0.01775	-0.03794
CPI	0.91731	0.12042	0.32288	0.19789	-0.00498	0.00553	-0.00275	-0.00445	-0.02303
BCONF	-0.38763	-0.24642	-0.88796	-0.02263	-0.00549	0.00143	0.00057	0.00014	-0.00009
USDZAR	0.75868	0.14682	0.02321	0.63425	0.00597	-0.00059	-0.00058	0.00100	-0.00036
UNEMP	0.03036	0.98395	0.16855	0.05016	0.00055	-0.00097	0.00172	-0.00001	-0.00019
Expl. Var	6.82636	1.11746	1.35627	0.60502	0.06475	0.01720	0.00649	0.00327	0.00313
Prp. Totl	0.68264	0.11175	0.13563	0.06050	0.00648	0.00172	0.00065	0.00033	0.00031

Note: Large factor loadings are highlighted above.

As is demonstrated in Figure 11, the variables for unemployment and business confidence stood apart from the other independent variables in the analysis. The other variables, representing financial and economic indicators associated with corporate financial performance, were less disparate.

Figure 11 *Factor Loadings Rotated with Varimax Normalisation*



5.2.4 Simple regression analysis

The correlation analysis performed provided insights into the relationship between CSI and potentially-related independent variables. These variables were then reduced in number through a process of principal component analysis. In order to further test these, in a manner that would also allow for predictions to be made on the basis of the performance of each variable, simple regression analysis was performed on the three predictor variables identified through the PCA (Lomax & Hahs-Vaughn, 2012). This resulted in a series of equations that expressed the relationship between the dependent variable CSI and the explanatory independent variables investigated, as shown in Table 14. In each of the equations (see

Equation 5.3; Equation 5.4, Equation 5.5), CSI is the respondent or dependent variable Y, whilst X is the potentially-related independent variable.

Table 14 Regression Equations

Regression equations for the three variables in the study identified through PCA

Variable	Regression Equation	
FTSE	$y = 0.9711 + 0.9609x$	(5.3)
BCONF	$y = 9.7325 - 0.0851x$	(5.4)
UNEMP	$y = -5.0773 + 0.4165x$	(5.5)

5.2.5 Test for significance of the regression equations

In order to test for the significance of the regression equations, the t-statistic and p-value of each of the three equations was calculated (see Table 15). Given a 95% confidence level and n-1 degrees of freedom, thus df=12 for this data, a t-score of 2.179 was the appropriate value for significance. This equated to a p-value of 0.05 (five percent). A t-score above 2.179 and a p-value at an alpha level below 0.05 would indicate that the results are statistically significant. A low p-value indicates a lower probability that the results occurred by chance, and thus a low p-value is desirable in analysis. These results indicated that the FTSE equity index, an indicator of the performance of the stock market, and business confidence levels were statistically significant in the analysis, but that the unemployment rate in South Africa was not significant. The market performance, represented by the FTSE equity variable, was thus the most significant determinant of CSI levels over the period of analysis. As previously noted, there are several factors that impact the level of social need in South Africa. Given the subjectivity and complexity of identifying an appropriate variable for social need, it cannot be said with certainty that the lack of correlation and significance between CSI and unemployment

in these results means that no relationship exists between CSI and levels of social need. However, the relationship observed between CSI and key financial variables was significant and was an important finding in the analysis.

Table 15 T-Statistics and P-Values

T-statistics and p-values for the three regression equations

FTSE Equity Index				
	Coefficients	Standard Error	T-stat	P-value
Intercept	0.9711			
X Variable	0.9609	0.085528074	11.23436828	0.000000228

Business Confidence				
	Coefficients	Standard Error	T-stat	P-value
Intercept	9.7325			
X Variable	-0.0851	0.027030479	-3.14683114	0.009294531

Unemployment				
	Coefficients	Standard Error	T-stat	P-value
Intercept	-5.0773			
X Variable	0.4165	0.493770961	0.843529393	0.416898754

5.2.6 Summary of the multi-stage analysis

Results of the statistical analysis showed a low level of positive correlation between CSI and the prevailing levels of unemployment in South Africa, and the relationship was ultimately deemed to be insignificant. By contrast, the regression found a high degree of positive correlation between CSI levels and a number of financial and economic indicators, such as stock market performance and corporate revenues. These results indicated that a relationship might exist between CSI and various measures of corporate financial performance. The strong positive correlation between measures of financial performance and CSI levels provided some evidence that companies may be calculating the quantum of their giving to CSI

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as a percentage of their profits or revenues, but did not provide insights on the exact method being used by companies to determine this, or the motivations driving it. In particular, the results supported the possibility that companies are basing their CSI funding levels on government regulations stipulating that a minimum percentage of their after-tax profit be spent on CSI. Therefore, the results indicated that the level of giving might be linked to the financial performance of companies more than it is determined in response to the prevailing levels of social need in the country. While it was likely that the financial indicators chosen served as a reasonable proxy for financial performance, assessing social need is more challenging, and the extent to which the unemployment rate in South Africa is a valid proxy for the level of social need is less certain. Several other metrics related to a variety of variables such as health, income, and inequality might have been selected for this purpose. Thus, while the tests conducted could not rule out that social need plays a role in determining the level of CSI giving, the low level of correlation between CSI and unemployment provided no evidence that this is indeed the case. Ultimately, the quantitative analysis performed called into question companies' claims regarding the sincerity of their social commitment and the motivations for CSI practice. Rather than being sincere, the analysis indicated that CSI may be driven primarily by regulation and corporate self-interest, with the minimum amount of CSI stipulated in South African government regulation typically determining the amount of CSI given. There were no indications in the quantitative analysis to support claims that companies are driven by a sense of moral imperative in their CSI funding.

Interviews with influential practitioners in the field of CSI, and with the academics in South Africa who observe their practice, was deemed to be the most appropriate way to gain the necessary insights into CSI practice. The initial quantitative study thus ultimately served as a foundation for the research conducted, raising questions that would need to be answered through a far broader qualitative study into the practice of CSI.

5.3 Conclusion

The quantitative investigation in this chapter highlighted the relatively slow pace of growth in CSI in South Africa in real terms. The analysis of the data on corporate spending on CSI and a selection of financial, economic, and social variables found a strong relationship between CSI spending and measures of corporate financial performance. Seeking predictor variables that were statistically significant in their relationship with the dependent variable, CSI, the data showed that CSI levels were strongly correlated with a number of the financial and economic variables examined and have often mirrored stock market returns in South Africa. Given the low correlation between CSI and unemployment levels in South Africa, the study found no evidence of a relationship between CSI and prevailing levels of social need, but could not rule out that such a relationship might exist. Similarly, correlation does not necessarily imply causation, and a far broader analysis would be needed to establish hypotheses and draw a conclusion about the variables that drive CSI spending. The findings were valuable as an indicator, however, and served to provide questions for further analysis. The quantitative results of this study provided insights into the landscape of CSI in South Africa, but also raised questions regarding the motivations driving CSI practice. The quantitative results showed that, based on self-reporting, companies overwhelmingly claim that they are primarily driven by moral imperative in their funding of CSI. The fact that this conflicted with the findings of the correlation and regression analysis, which showed that CSI funding is closely correlated to measures of corporate financial performance, warranted further investigation in a subsequent qualitative study.

Chapter 6: Qualitative Results and Discussion

The results and discussion of the qualitative study are presented below using thematic analysis. The chapter begins with an overview of corporate and academic perspectives on the responsibility of business to society and the motivations behind why companies practise CSI. Participant views on the social impact of CSI, their concerns with current CSI practice in South Africa, and their ideas for CSI improvements are presented next. Given the importance of the views and insights expressed by participants, this section will use frequent direct quotations from participants. The thematic analysis compiles the views expressed by the participants into groups of common perspectives, and a narrative is formed through this process. The researcher adds comments, observations, and analysis alongside the presentation of the data throughout the chapter.

Saunders, Kitzinger, and Kitzinger (2015) discuss the process of anonymising interview data to protect research participants, and their recommendations have been adopted in this research. Participant names have been coded in order to protect the identity of the individuals. Any reference to an "executive" (e.g. Executive A) in this chapter indicates that the insights being shared have originated from a corporate practitioner of CSI. These practitioners are all senior CSI executives at their respective companies. The designation as an "academic" (e.g. Academic A) indicates that the insights originate from an interview with an academic in the field. In order to further protect identities, the gender to which these participants are referred have in some cases been changed; all executives are referred to as "she" and all academics are referred to as "he". Identifying details have been omitted or changed as necessary to protect participant identities. This chapter concludes with a discussion of the results of the study within the theoretical framework of institutional theory.

6.1 Responsibility of Business to Society

All of the CSI executives and academics interviewed for this study argued that companies do have a responsibility to society. Participants suggested that this responsibility is due to a number of factors, including the simple ethical responsibility, or moral imperative, to act responsibly; South Africa's painful history, and the role of business in that history; South Africa's current reality, and the immense scale of suffering, inequality, and social need; the size and influence of business in South Africa, and its unique ability to respond; the negative externalities of current business operations on society and the environment; the benefits that business derive from society, necessitating that they earn a license to operate; the legal perspective that, as juridical persons, business entities have both rights and responsibilities; and the failure of other parties, such as government, to sufficiently intervene.

Mainstream literature has acknowledged the growing international acceptance of the social responsibilities of business (Blowfield & Murray, 2011; Carroll, 2008). The unanimous perspectives of the academic and corporate participants of this study, that business does indeed have a responsibility to society in South Africa, indicates that the acceptance documented most notably in the US and Europe is also increasingly accepted in this local emerging market context. The majority of participants cited South Africa's unique context and history as contributing to the responsibilities of business, supporting the notion that local context matters in the study of CSI. This supports the international findings of Matten and Moon (2008) regarding divergence in international CSR practice, as well as the South African findings of Hamann et al. (2005), that there have been growing tensions between global norms and standards and local circumstances and priorities. Participant responses also aligned closely with the suggestion made by Simon, Powers, and Gunnemann (1972) that the social responsibility of business is influenced by the degree of the social *need*; the extent to which a company's

experience and skills give them a greater *ability* to respond; their *proximity* to the social need; and when they find themselves in a position of *last resort*, when others, such as government, are not willing or able to address the social need.

Academic A, for example, explained that "of course they have a responsibility because they are judicial persons, and as a legal entity they have rights, and with rights comes responsibilities from a legal point of view". Academic B agreed that business has a "resounding" responsibility to society, "and what creates that responsibility is the context in which companies operate today". He argued that there is "no way business organisations can ignore the reality in the context that South Africa provides", later adding that "the devastation of the role of big business and other role players on South African society is quite clear", stressing the need for companies to take responsibility and not ignore the contextual realities of South Africa. Academic C reasoned that "the fact that companies take money from society means they need a license to operate", explaining that he meant a moral license to operate as opposed to a legal one. Academic C explained that he supported Friedman's argument that "business is business", and that in that context companies do not owe society anything, but he said that two mitigating factors change this view in practice: the negative externalities that result from business operations, and the size and influence of business. He later said, "if you look at the size of companies combined versus the government, they are a very powerful force, and with size comes power and responsibility".

Academic D agreed that companies have a responsibility to society, noting "I think there is probably a popular belief that they ought to have a responsibility to society" but that "the more important question is do they *exercise* any responsibility towards society", and that this is where "the wheels come off". He argued that "humans as a social species ought always to do stuff which is in the broad social good; whatever we do ought to be not socially malignant,

if not socially good" and thus "on a philosophical level you would say surely anything, whether it's companies or governments or any kind of social institution or churches or whatever, really ought to be part of the solution and not part of the problem. I think that would make sense philosophically".

These academic perspectives aligned closely with those of the CSI executives interviewed, who unanimously agreed that business does indeed have a responsibility to society. Executive A argued that "companies have a responsibility, and on several levels", cautioning that businesses "don't operate in a vacuum" and that the social realities of South Africa need to be taken into account. Executive B agreed, "I definitely think that all corporates do have a responsibility in terms of giving back" and argued that this responsibility arose out of the fact that "we derive so much benefit out of the communities in which we operate". Executive C argued that it was the failures of government to adequately address social issues that created the responsibility of business to society, explaining that "the spend from government certainly doesn't nearly cover what's needed in the country".

Executive D pointed to South Africa's history in expressing her view that "each and every business in South Africa" has a responsibility to society, noting that this includes a responsibility to address "the imbalances of the past". Executive D was also one of a number of companies to argue that the current state of South Africa created a responsibility to act, noting that South Africa has the world's "highest unemployment, and our consumers are financially illiterate. There is gender inequality which is one of the highest in the world. So, corporates have the responsibility to ensure that consumers are empowered". Executive E explained that "we live in a very, very unequal society" in South Africa, and Executive F made the same point, arguing that companies "absolutely" have a responsibility to society because

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“there is major inequality, social inequality, at the moment in South Africa... there are so many hurting people out there, so many people that have access to nothing”.

Executive G argued that "we can't ignore the fact that we are in a country where we are underdeveloped, and the rural areas are really, really still in bad shape... look at the area where we are operating. The unemployment rate is around 47%". She argued that companies, as much as individuals, can make a contribution to "building South Africa". Executive G was the only corporate participant to argue that the negative externalities of their company's business operations contributed to the responsibilities that they have to society. She explained that her company accepts that their activities have "negative impacts in communities", pointing to both social and environmental externalities. She argued that environmental externalities are usually predictable, but that some negative social externalities are less expected, such as a tendency for younger schoolgirls who live near their worksites to skip school on paydays to get money from the company's workers. She explained that learners living closer to their worksites typically do worse in school than those learners who live further away, given these and other externalities. She added that the company's worksites were also "not a nice place to be in" and sympathised with many of their workers, saying “you go home and your wife is sick, you go home and there isn't food. What is your state of mind when you work?” She concluded that these negative externalities were a big part of the company's responsibility to society.

Participants argued that the responsibility of business to society was irrefutable, expressing their views with a deep sense of conviction. The prevalent expectation that companies act responsibly demonstrates the coercive pressure that is placed on companies to adhere to the norms and expectations regarding CSI that are embraced in society. This has likely contributed to the institutionalisation of South Africa's CSI practices in the formal structures of business.

6.2 Corporate Motivations for Conducting CSI

When asked what motivates South African companies to perform CSI, participants indicated that the primary driver of CSI was either government B-BBEE regulation, which effectively compels companies to dedicate one percent of their NPAT to CSI, or the belief that CSI is in a company's self-interest. No participants argued that companies are primarily motivated by altruism or a sense of moral imperative in their social responsibility, and that certainly the quantum of company giving to CSI is almost wholly determined by government regulation or a company's license to operate requirements. One CSI practitioner noted that government regulation, self-interest, and a sense of responsibility all contributed to their own company's funding of CSI, but acknowledged that they were likely an exception to the rule.

It was interesting to note that the strong convictions expressed by participants regarding the social responsibilities of business did not translate into a perception that these same factors were driving CSI in practice. There was little association between the factors cited as creating the social responsibility of business and the subsequent rationales that were cited for why companies perform CSI. In short, the reasons why companies *should* exercise responsibility and the reasons why companies *do* exercise responsibility through CSI were seen to be vastly different. Thus, while companies in South Africa do have a responsibility to society according to the participants, CSI is typically not an expression of this. This discrepancy between the official corporate structures and rhetoric on CSI and their actual underlying activities appears to be evidence of decoupling in the corporate practice of CSI in South Africa.

All participants argued that companies perform CSI primarily because they are required to by government regulation, or because they perceive it to be in their self-interest. No participants claimed that CSI was primarily motivated by a sense of moral imperative, which aligns strongly with the similar assertions of Laufer (2003) to this effect. With regards to

regulation, it was the need to comply with South Africa's B-BBEE regulations, in particular, that was cited as driving CSI compliance. With regards to self-interest, it was the marketing and public relations benefits of CSI that was most commonly cited as being the driver of its practice. The rejection of moral imperative as a primary driver of CSI included a failure to perceive CSI practice as being motivated by South Africa's painful history or current struggles, nor by the negative externalities of business, the benefits it draws from society, or its unique position to respond to its challenges. These findings align with the assessment of Deegan (2002) that companies are typically not motivated by a sense of moral imperative or perceived responsibilities in their practice of social responsibility. Participant views thus also align with the claims of Scherer and Plazzo (2007), that such activities are typically performed for strategic rather than altruistic reasons.

A distinction needs to be made between the motivation behind why companies fund CSI, how they determine the quantum of CSI they will fund, and what their objectives are for their CSI funding once they have chosen to allocate it. For example, a company may fund CSI because of government regulation requiring it to do so, but its subsequent objectives when implementing CSI could be linked to self-interest, such as specific marketing or public relations objectives. Similarly, a company's decision to fund CSI may be driven primarily by its perception that it is in its self-interest to do so, but when it comes to the actual quantum of funding it allocates, this is instead motivated or dictated by the minimum regulatory requirements for CSI. Thus, the broader question of what drives CSI in South Africa could be separated into three sub-questions:

1) *What is the primary corporate motivation for CSI practice?* The majority of the participants in the study argued that the primary motivation for CSI practice in South Africa is the regulatory requirement to do so, or a perception that CSI is in a company's self-interest.

2) *What drives the specific quantum of funding spent on CSI?* Participants argued that the quantum of funding spent on CSI in South Africa is typically dictated by the minimum stipulated by regulatory requirements, or the minimum level agreed to with government in negotiations to obtain a license to operate. Even when a company is primarily motivated by self-interest in their CSI practice, it appears that the *quantum* of their CSI is still typically determined by regulatory or license to operate minimums. B-BBEE regulations effectively compel companies to spend one percent of their NPAT on CSI, while license to operate requirements vary and most commonly apply to companies in "sin industries" or mining companies, given the large negative externalities of their business operations. Participants argued that there are rare cases in which companies perceive the amount of CSI that is in their self-interest to be more than the minimum levels to which they are subject by law, and who thus fund CSI accordingly.

3) *What are the objectives of CSI funding once it has been allocated?* Participants indicated that the funding allocated to CSI is typically spent in a manner that meets objectives aligned with a company's self-interest, such as garnering positive marketing exposure or placating disruptive strike action. Alternatively, it may be that companies do not have any particular objectives at all, ascribing little value to CSI and thus adopting a non-strategic approach to CSI implementation.

It appears that companies are often misleading when they identify the motivations for their CSI funding, typically identifying the moral imperative of CSI as the primary driver of CSI rather than the true motivations identified by the participants in this study, as noted by Trialogue (2017). This irregularity may be similar to the case identified by Laufer (2003), in which he observed inconsistencies in corporate claims regarding their commitment to legal compliance and alleged that companies sometimes claim such a commitment when, in fact,

they are not. If companies are typically motivated by regulatory compliance and self-interest when performing CSI, and CSI is not a response to, or even an acknowledgement of, the social responsibilities of business, can CSI legitimately be labelled as an exercise in social responsibility? Scherer and Plazzo (2007) note that the majority of social responsibility research approaches the topic from a business-centric or an economic perspective, focusing on the impact of CSR on a firm's financial performance, for example. They explain that little research is premised on there being an "intrinsic reason" (p. 1100) for practising CSR, such as the moral responsibility to do so. A number of participants in this study made this same argument, expressing their view that there is an intrinsic moral basis for social responsibility, and thus supporting the view of Scherer and Plazzo (2007) that greater consideration should be given to morality in social responsibility research.

Criticising the motivations driving CSI in South Africa, Academic C argued that CSI is largely a corporate "PR exercise" motivated by a desire to improve public relations. Academic C explained that it would be nice to be able to say, "companies really want to uplift communities and it is for the greater good in South Africa and it's redressing the past but unfortunately, I don't think that is the case". He argued that, instead, companies typically ask "what can we get out of it?" when considering CSI. He added that the typical corporate approach to government regulation compelling CSI practice is to think "let us tick the boxes and get it done with, and let's get as much publicity out of it as possible". Academic D echoed this sentiment, saying, "there is no doubt in my mind that most corporate social investment, the philanthropic stuff, is absolutely about legitimisation. It is a mechanism which companies use, in a very cynical sense, to make themselves look good and feel good about the stuff that they get up to and I'm pretty sure that it's conscious". Academic D explained that "the problem is that people start to believe that stuff".

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Academic A pointed out that government regulation has made CSI "quasi-mandatory" in South Africa, and that this is clearly the primary motivation behind why companies put money into CSI. Academic A said, "the key driver these days is the BEE scorecard", calling it a "compliance-driven agenda" and explaining that regulation is "making a lot more companies give a lot more money than what they would otherwise". Academic D made that same point, arguing, "if they had to remove the BEE codes and that little bit which is associated with corporate social investment, I can tell you now you would see a significant drop in the corporate social investment of companies". Academic B asserted that the primary motivation for corporate funding of CSI is that companies see it as being in their self-interest, explaining that, ultimately, they are driven by "the bottom-line". He felt that this was somewhat of a grey area, however, stating that overall "I don't know whether there's a lot of motivation behind it, I think it's quite often a bit random". He went on to say that at the end of the day it is still "about how you can increase sales".

Having worked in the field of CSI for many years, Executive E argued that there is no doubt that the primary reason that companies in South Africa fund CSI is because of government regulation, saying that it is "because the law requires... BEE requires them to". Executive H agreed that regulation is the primary driver of CSI, saying that companies predominantly adopt a compliance-driven approach to CSI rather than a genuine, strategic approach, concluding that "it's a tick box, sadly". Executive B made the same argument, "the primary factor would be the BEE scorecard". She said it was clear that this was the motivation "because otherwise we would be spending more money. We wouldn't be spending exactly our one percent to the cent", referring to the South African B-BBEE regulation that effectively compels large corporates to spend one percent of their NPAT on CSI. Executive F emphasised that her company had a "heart", but noted that regulation was the primary driver of the quantum of their spending on CSI. She elaborated by saying that when she joined the company, "we

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were actually at five percent of NPAT which was ridiculous. We managed to bring it down the following year to three percent and gradually... one percent this year. We closed our fiscal last month... sitting on one-point-one percent. We are cruising now". This revealed a telling contradiction, whereby the participant acknowledged the responsibility of business and the level of suffering in South Africa, but then commended her company for lowering their social spending to a more "reasonable" level.

Executive A gave their reasoning for why companies fund CSI, arguing "It's compliance... it is a regulatory requirement". She continued, "I think definitely the legislation has driven a lot of what we do in our CSI. In terms of the quantum of funding, we always make sure that we comply with the minimum standards". Executive A explained that when her colleagues speak to her about CSI, they are primarily interested because of the benefit the company can derive from it, and that her company is now increasingly trying to see "how this can actually add some value to our business" and "more value to the people who benefit from it". Executive A was not the only CSI executive who cited that, while regulation is the primary driver of why companies fund CSI, the subsequent implementation of their CSI programmes is typically focused on generating value for the company in a way that advanced their own self-interests. Executive G, for example, explained how they focus their CSI spending, giving the example that "unless we invest in education, we won't have quality employees in the long run. So, you invest in education because that's where you're going to source labour from". Executive B gave the same example, saying that funding is done strategically in areas such as education, in the hope that it "can eventually feed back into the corporate pipeline".

Executive G explained that social unrest and striking is a major problem for their business, and that their CSI is partly an attempt at keeping social unrest at bay. She said, "if we don't do this, our sustainability is threatened", explaining that "these are the people that are

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going to be marching and demanding jobs at our gates" and, in that sense, CSI initiatives are done "more than just from the goodness of their heart". Executive D explained that CSI helps to ensure that "there is sustainability for the long-term survival of the business, otherwise if you don't correct [societal imbalances], then you will be affected". He explained that by funding CSI "you will get sustainability as a business, and you survive for a longer period". He added that "it's about doing the right thing. It's good for our clients' communities, it's good for our business, it's good for our clients as well".

Executive A described how some of their business units, who have also been feeling the negative effects of social uprising, are increasingly asking to get involved with CSI to minimise the disruptions to their business activities. She explained, "it does impact our bottom line because then the sites are shut down for two or three days and it just has such broad ramifications". She noted that "more and more, there's an appreciation almost happening naturally where our business units who previously thought 'this is the feel-good, tree hugger stuff, let *them* do it', they are now coming to us and they are saying, 'we need to do something real, we need to do something meaningful, because we are not able to get to the site because the community is protesting. They are burning cars. They are destroying infrastructure'".

Executive E explained that, in addition to meeting B-BBEE regulatory requirements, her company needed a "license to operate", noting that they "do have to do certain things to actually maintain that license to trade". This typically takes the form of an agreement with the government that their company will make a greater contribution to CSI than the minimum one percent they would give otherwise. Referring to these agreements, she said it was obvious that "if you want to do business with government, if you want government to be a friend, you do this, and I'm not talking about a bribe".

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These responses provided evidence that the level of corporate spending on CSI appears to typically be set at the greater of either the legal amount that companies are required to give by government regulation or their government-related license to operate, or the amount that they feel is in their self-interest to give, such as by reducing social unrest, generating a good public image, or winning over customer loyalty. In most of these cases, it seems that the minimum amount stipulated by regulation or their license to operate requirements is higher than the amount deemed to be in the corporate self-interest.

Executive C seemed to be an exception to this, however, and argued that their motivations are multifaceted because they are a family-owned business, and that a sense of moral imperative, regulation, and a belief that CSI was good for their business are all factors in their support for CSI. Executive C elaborated that "if it's a family-owned company, I think the investment, or their eventual investment, is bigger than companies that are not because of the values of the company and the culture within the company" and added, "I've sat in discussions with other businesses that are family-owned, it's the same". Executive C stressed that they are, however, strategic in ensuring that their CSI is aligned to their business interests, explaining that "if you don't align it to your business you're not going to get business buy-in" and that "we only invest in areas related to the business", making the light-hearted comment that "we certainly don't invest in it because someone thinks the SPCA is nice". Executive C explained that their company believes that "doing good is good business" and that CSI benefits them as a company. Executive C explained, "your consumers, in which you are investing through corporate social responsibility, are the ones who actually create your profit" and that "if you look at the socio-economic conditions in our country, it's also an investment in social stability". She explained that if corporate funding of CSI were to stop, the country would experience "a social disaster level that you don't want to even comprehend, which could effectively stop businesses from making any money, if we deteriorated into riots".

6.3 Concerns About CSI in South Africa

The assessments made regarding the current state of CSI in South Africa by both academics and practitioners overwhelmingly focused on perceived concerns over its practice. This section presents concerns that were expressed by the participants on the practice of CSI in South Africa and their views on the cause of these shortcomings.

It was interesting to note that the overall assessment of CSI by the majority of participants was negative, and that both corporate and academic participants raised a number of concerns about CSI. As Academic A pointed out, assessing corporate perspectives on CSI is often difficult because of the inherent incentive that companies have to allege that their CSI efforts are meaningful and sincere, regardless of whether this is really the case. He noted, "there is a kind of an inherent bias in people saying, 'of course I am doing it because I'm a good guy', rather than 'because the government is telling me to do that'". This observation makes it even more meaningful that many of the CSI executives interviewed from companies, under the protection of anonymity, were broadly critical of CSI as it is currently practised in South Africa. The first major concern was that CSI is broadly ineffective, having little positive social impact on society. The second major concern was that CSI may actually have harmful negative consequences that are not fully appreciated. The third major area of concern was that the discipline of CSI has not matured, and that the field has many structural shortcomings.

Regarding the notion that CSI is broadly ineffective, participants pointed to a number of specific concerns:

- The impact of CSI is low
- Companies do not take CSI seriously
- CSI is often executed as a marketing or public relations function
- There is little accountability or incentive to create social impact

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- The size and scope of CSI is small
- Metrics to assess social impact are not adequate

Regarding the notion that CSI has negative consequences, participants raised a number of concerns, the most significant being:

- CSI distracts society from a broader lack of social responsibility in business
- The philanthropic nature of CSI perpetuates a cycle of dependence
- CSI interventions allow companies to "play God"
- CSI can lead the state to abscond from its duties
- CSI repays a debt to a few that is owed to many

Regarding the notion that CSI is typically poorly managed and that the field of CSI remains simplistic and hasn't matured as a discipline, participants identified a number of causes:

- CSI practice remains primitive and has not matured as a discipline
- CSI terminology can be misleading
- CSI is practised as an external function to business
- CSI encourages retrospective rather than prospective responsibility
- There is not enough collaboration in CSI
- CSI practitioners are often inexperienced
- Companies are not experienced at investing social resources

Finally, two additional concerns were raised about other areas related to CSI practice:

- Society is not doing its part
- Third-party CSI managers are part of the problem

Each of these concerns are explored individually below.

6.3.1 Concern 1: The impact of CSI is low

All participants either argued that the overall social impact of CSI is low, or that the social impact of CSI is difficult to measure and thus not clear. No participants felt that the social impact of CSI is high. In some cases, the concern that the impact of CSI is low was expressed in reference to its low absolute impact, and was thus primarily a critique on its small size. Participants argued that the total funding spent on CSI is simply too small to be impactful, and that it represents a mere drop in the ocean compared to the scale of the social need in South Africa. In 2017, a total of R9.1 billion was spent on CSI in South Africa (Trialogue, 2017). By contrast, the South African government spent R232.6 billion on education, with total government expenditure totalling R1.57 trillion (National Treasury of South Africa, 2017). Thus, even if the full amount spent on CSI in 2017 were to have been spent on education, it would have only added 3.9% to the total education budget in the country.

Some participants argued that it is not simply the quantum of the financial contribution made through CSI that determines its social impact, however. They noted that companies are able to be more flexible in the funding that they put to work, and that companies can potentially be more creative with their funding. Similarly, they noted that although they often do not do so, companies could theoretically be deploying their immense skills and expertise alongside their CSI funding in order to ensure that it is more impactful. In certain circumstances, a financial contribution may not even be necessary, and businesses may be able to positively impact society simply by offering their skills and expertise to society, such as by working with the government to ensure that the vast financial resources they use in areas such as healthcare and education are used effectively. Regardless, the assessment that the impact of CSI is low because of its absolute size was in the minority. In the majority of cases, the concern over the perceived low impact of CSI related to its low impact in relation to the amount of funding spent

on it, and was thus a critique on its quality and efficacy rather than on its small overall size. Participants echoed a sentiment found in existing CSI literature (see Babarinde, 2009; Fig, 2005; Ramlall, 2012), that the way in which companies spend their CSI is often inefficient and is largely ineffective at generating social impact, and that consequentially the impact of CSI can be considered low compared to the overall size of CSI budgets. It was argued that companies do not take CSI seriously, and often are not making a meaningful effort to generate social impact in the first place. It was also noted that CSI is often executed as a marketing or public relations function, and the objectives of CSI are aligned more to business interests than to society's interests. Finally, it was argued that companies do not hold themselves accountable to social impact, and neither does regulation, which merely stipulates how much companies should spend on CSI and not how effective it must be, thus putting companies in a compliance-driven mindset.

Participants argued that these factors contribute to the short-term nature of CSI funding and its lack of strategic implementation. Executive D gave the example of companies donating computers to schools but then moving on to new projects, leaving schools without support or a partner to help them maintain the technology. A company making a once-off purchase of computers for an underprivileged school, but failing to provide funding for training or the ongoing maintenance of the computers, or failing to address other related issues such as a lack of reliable access to electricity, internet, and IT staff support, could easily result in a potentially sizable financial contribution having little or no real impact. There have also been cases where expensive medical equipment has been bought for rural hospitals that do not have the specialists who would be required to actually operate them, or where companies have funded the construction of schools or clinics without providing the funding that would allow for them to become operational. Executive D explained, "The company has delivered the requirements, but the question is, is there sustainability?"

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While some participants felt that the impact of CSI is low, others argued that the social impact of CSI is not clear, thus supporting the assessment of Blowfield (2007) and Hamann (2007) that little is really known about the impact of corporate efforts to exercise their social responsibility. The reason for this was typically seen to be the inherent difficulty of assessing social impact, and a perceived lack of sufficient tools, metrics, and benchmarks for doing so, a point noted by Blowfield and Murray (2011). This was particularly interesting given Laufer's (2003) observation that corporate deception and posturing are more likely to result in environments without effective external verification. The lack of sufficient tools and metrics for assessing social impact certainly constrains the effective external assessment of CSI. A different perspective expressed by participants was that the challenge of assessing the impact of CSI lies in the fact that it is difficult to weigh up its positive impact against its potentially negative consequences. These perceived negative impacts of CSI included that CSI could lead to the undeserved legitimisation of otherwise irresponsible corporate behaviour, or allow companies to ignore more important social responsibilities in their core businesses.

Academic A, for example, began by questioning "is it spent in a good and effective way? I don't think so". He explained, "the concern that I have is that the way it is implemented - with this very simplistic requirement that focuses only on the amount spent - can have a negative impact because it's making people just throw money at a problem without really applying their minds to it, and that can create more harm than good. There is too little understanding of how to make a more positive change". Academic A argued that while some CSI initiatives have made valuable contributions, that was not something he would say for CSI overall. Academic A added that there is an extent to which regulation compelling CSI "is also actually part of the problem because, basically, companies will tick that box by saying we've spent 'X' amount on this stuff, and whether that makes a good impact is a different story". Academic A discussed how this "box-ticking approach", which has been "exacerbated by the

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BEE scorecard", has meant that "companies just tick that box, throw money at things and don't really apply their minds or other people's minds to how to make an impact". Similarly, Academic C argued that "the current manner in which they are doing it is not working... the current model is not working". He explained, "there is no impact. We are slipping so far behind the rest of the world in terms of human competitiveness". Academic C provided the example, "so much money gets poured into education, but is it effective? No. We can see it with our students almost every year. We can see the quality going down... in terms of maths and science, we rank lowest in the world". Academic C highlighted that this has happened despite the large amounts of money that have been spent on schools, teachers, and bursaries since 1994.

Providing a different perspective, Academic D made the case that "it's not only not effective, it's fundamentally problematic", pointing to an ethical inconsistency in CSI and arguing that companies gain undue legitimacy as a result of their CSI programmes. Academic D gave the example of the apparent low level of social impact from mining companies "who seem to have benefitted exceptionally nicely from the platinum production" while "the local communities actually haven't benefitted a whole lot". Academic B argued that "every bit helps" and that in that context it clearly does have some impact, but argued that "it's difficult to say" what the overall impact of CSI is relative to its cost, and that improved social impact metrics would be important in order for us to be able to assess this.

Arguing that it was difficult to determine the overall impact of CSI, Executive C explained that it depends on "where the reporting structure for that is, and what sort of oversight there is within the company and whether it's something that someone in marketing does, or whether it is actually something that is part of every board meeting's board plan". Executive D argued that "a lot of money is being spent but the returns are very low". He explained that, by approaching CSI as a tick-box exercise, companies are failing to consider whether they are

actually meeting specific social objectives. Executive A said they were still trying to understand what CSI was really supposed to achieve in the context of government regulation, noting that if the goal is to increase socio-economic development then their CSI programmes likely fall short.

Contemplating CSI, Executive H said, "I don't think it's very effective". Executive E agreed, adding that "CSI could have played a far better role than it has played". Executive E provided an example, saying, "we've all been funding education projects for the last ten years and we're not shifting maths and science" and noting that "people are still doing little charitable contributions here and there, but lack strategy... where is the impact of those things? The reality is companies aren't even measuring that impact properly".

6.3.2 Concern 2: Companies do not take CSI seriously

A view emerged amongst participants that companies do not take CSI seriously, and that the low impact of CSI should be expected, given that companies often do not make a meaningful attempt to generate social impact in the first place. These participants raised the concern that CSI is often not strategic enough, and that it is implemented without the skills and expertise that businesses would apply to any of its other initiatives. Some CSI executives argued that CSI does not really matter in the boardroom, expressing their frustration about the lack of authentic commitment to CSI. They substantiated their concerns by pointing to a number of factors: companies often give the minimum amount of funding to CSI that is required by law; companies frequently appoint CSI managers who are inexperienced and have low seniority, or are given high seniority but in practice have low influence; CSI departments are often housed within the marketing or public relations departments of organisations as opposed to being executed as a more strategic function within the core of their business operations; companies often perform CSI because they are compelled to do so by regulation,

manifesting in an inauthentic approach to CSI implementation; and companies do not typically hold themselves accountable to the social impact of their CSI initiatives, and have failed to address its historically low social impact.

Scherer and Plazzo (2007) argue that the economic focus of business will inherently lead it to ignore issues that fall outside the scope of any alignment between corporate and social interests. Many participants in this study made this same observation. Of course, if companies do not typically take CSI seriously, this would have meaningful implications. As Scherer and Plazzo (2007) note, much of the focus in recent literature has been on trying to establish the business case for CSR, perhaps with the assumption that this would improve CSR practice (see also Chetty et al., 2015; Demetriades & Auret, 2014; Viviers & Eccles, 2012). Participants in this study, however, noted that even when companies in South Africa acknowledge the business case for CSI and recognise that CSI can be in their own interests, this typically does not translate into CSI that is particularly impactful. In practice, it simply creates an incentive for companies to *appear* to be socially responsible, fuelling marketing and public relations efforts, and fails to create an incentive for companies to ensure that their CSI is actually having a meaningful positive impact on society.

A second focus of recent social responsibility research has been on developing the tools and metrics that would be needed to better assess social impact, with the similar expectation that this could improve CSI practice (Rampersad, 2015). However, are companies even attempting to make their CSI initiatives impactful? If companies are not genuinely motivated to make their CSI impactful, might the introduction of further tools and metrics to measure social impact be ineffective? Will companies not simply respond with a tick-box approach to these new measures and find more sophisticated ways of improving the optics of their CSI initiatives, rather than necessarily improving its practice? If companies are not taking CSI

seriously and are not making a genuine, meaningful attempt to generate social impact in the first place, the resulting decoupling simply creates an incentive for companies to improve their ability to create the *appearance* of compliance to any new standards and to report successfully against any new tools and metrics, without necessarily creating any incentive for companies to improve the actual underlying social impact of CSI. Laufer (2003) emphasised the vulnerability in this approach, explaining that "relying on the integrity of corporate representations should seem increasingly naïve" (p. 254).

A final concern relates to the lack of congruence between why companies have a responsibility to society, and the real reasons why they practise CSI, a point noted by Benn and Bolton (2013). In this context, it could be argued that the failure of companies to take CSI seriously may be representative of a lack of corporate empathy, a lack of perceived responsibilities, or a lack of moral or ethical conviction on the part of companies and their executives. With regards to executives (and perhaps shareholders), it is interesting to note that this lack of empathy, perceived responsibilities, and moral or ethical convictions may only manifest in their capacity as executives (or shareholders), and one might find that in their personal capacity they exhibit all of these in abundance. Certainly, the misalignment between some of the strong personal social convictions expressed by the corporate participants of this study, and their subsequent admission that this does not manifest in their corporate behaviour, would provide some evidence of this.

One could argue that the reason why companies perform CSI does not matter, as long as they are supporting CSI initiatives. However, the insights shared by participants would seem to indicate that the motivations behind CSI actually do matter, and that when corporate motivations are inauthentic and CSI is not taken seriously, this appears to contribute to CSI that lacks strategy, accountability, and meaningful social impact. This may result from

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companies sacrificing efficiency in pursuit of legitimacy, and the subsequent decoupling of their CSI activities. The solution proposed by Scherer and Plazzo (2007) was to adopt a more deliberate concept of CSR, in which the focus shifts from corporate responses to social pressure, to one in which there is consideration for the democratic integration of corporate power and the role corporations have in addressing shared social and environmental issues. This aligns to the calls from the research participants for companies to take CSI more seriously and accept responsibility for the broader role they have in society, and to incorporate moral and ethical considerations in their decision-making. Arguing that CSI is not taken seriously, Academic A shared his view, "I still don't believe that CSI is something that really matters in the boardroom". He explained that "most companies just tick the box... they spend half a day thinking of some or other NGO that they can give money to, and sometimes it can create more harm than good". Academic A argued that "they see this as an easy way to get BEE points" and that it is merely "low hanging fruit on the BEE scorecard". Academic D pointed out that many of the larger multi-national companies in South Africa have a lot of overseas shareholders, and that those shareholders are "really not interested in the broader social interests of South Africa... they just couldn't care a monkey's quite frankly". Academic C said a typical corporate approach to CSI in South Africa is to attempt to prioritise the media coverage of their CSI funding, thereby maximising the benefit they get from it, adding that "I don't think they always have the best intentions when they allocate funds". Academic C explained that "if this is a serious issue, why aren't companies doing more to get a better compliance level", arguing that, in response to regulation, "you would have expected companies to move beyond just minimum compliance" but that instead what we see is companies doing "just the bare basics to comply with the law".

Executive B agreed that companies do not take CSI seriously, explaining that in her experience "CSI is seen as a tag on, a nice fluffy side of the business. It is the feel-good stuff.

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It's almost not really taken that seriously and I suppose there is a whole awareness campaign that needs to go on around trying to get top leadership to really understand what it is and the importance of that to the organisation". Some raised the concern that CSI is not strategic enough, suffering from a lack of strategy in terms of how it is implemented, as well as in terms of a lack of strategic alignment to a company's skills and expertise. Contemplating her own company's CSI programme, Executive B explained, "it's actually more like a donation; it's more like a financial contribution" concluding, "it's not currently strategic enough". Executive H agreed that "it's never been really taken seriously from the start and I think that's where the problem lies". She explained that "people think it's something that you can do... quickly, all you need to do is spend money then you'll get your points, so I don't think people take it seriously, I don't think senior people take CSI seriously". She added that "I think it's simply because people don't really understand it". Executive H later added that even today, "in some companies it lies with the PA and the CEO" and what they fund is dependent on their personal interests, whether "it's golf that he's into, or cycling, and that's what you sponsor". She concluded, "I don't think that there's enough effort spent on CSI", and argued that broader collaborative initiatives are needed, because "a little bit of everything doesn't really make a big impact... there's no focus".

Executive B had similar views, explaining how her colleagues had become "very, very frustrated with all of it because, in many cases, it does just become a tick-box exercise, scrambling around, trying to look up how to spend that money and how to get the numbers that we need to report on at the end of the year". Executive E argued that the problem came down to a lack of motivation, arguing that "for many companies, CSI is a tick-box exercise". She added that instead of having a serious CSI department, "unfortunately, what I see in most companies is that it is somebody sitting in a corner ticking a box". This reference to the small number of individuals who are actually tasked with CSI in major corporations, and their lack

of seniority, previous experience, and access to resources, was highlighted frequently as evidence that companies do not take CSI seriously. Executive H said, "in a lot of companies, the CSI manager is not a very senior position", and added that "CSI departments are most probably one person and, if you're lucky, they've got an intern". Executive E made the same argument, explaining "most companies have one person or half a person dedicated to CSI" and that "it's a person sitting in the company with very little clout that actually just does what they're told to". She argued that this highlights "a broad lack of commitment to CSI". The views expressed by participants indicate that many companies in South Africa still embrace a view of social responsibility that aligns with that of Friedman (1970), and that the more recent conceptualisations of shared value in social responsibility, discussed by Porter and Kramer (2011), have yet to take hold.

6.3.3 Concern 3: CSI distracts society from the broader lack of responsibility in business

Some participants argued that CSI might, in fact, do more harm than good, shielding companies from having to implement more meaningful socially responsible business practices. Echoing the concern raised by Fig (2005), perceptions emerged that some companies may even intentionally use their CSI initiatives to distract the public from the broader negative externalities of their operations, creating a "fig leaf" which hides their lack of social commitment within their core business activities. A concern was also raised that the extensive marketing and public relations efforts related to CSI might mislead the public into believing that companies with highly publicised CSI programmes are doing significant social good, and that these CSI programmes are representative of broader ethical and socially-oriented behaviour throughout their business operations, when this may not actually be the case. This supports the assessment of Benn and Bolton (2013), who noted the link between the social

efforts of business and corporate attempts to manipulate their image through hollow rhetoric or superficial reforms.

Laufer (2003) notes that there is a precedent for corporate deception and acts of greenwashing and corporate disinformation, particularly in situations where their activities are not subject to meaningful external verification. Thus, it is possible that CSI effectively serves as a fig-leaf that could allow companies to be creative in the way in which they manage their reputations (Laufer, 2003) and avoid needing to implement more meaningful and potentially costlier socially responsible business practices in its core business. Some participants saw this as being an unintended negative side effect of CSI, while others alleged that it was a more sinister and intentional act, in which companies knowingly promote their CSI with the intention of distracting and deceiving stakeholders. This aligns to the assessment of Gray (2001), in a related field, that "the quality of attestation to social and environmental reports is woefully poor... This renders attestation either a complete waste of time and money or, more perniciously, a deliberate attempt to mislead society as to the quality of organisations' social and environmental performance" (p. 13). This concern was particularly pronounced in companies that generate significant negative externalities, with participants emphasising that such negative externalities need to be addressed directly, not "compensated" for indirectly through CSI. Practices causing well-documented and widespread negative externalities include aggressive sales practices, selling vulnerable individuals items they cannot afford, colluding to raise the prices of items that are considered staples of the poorest South Africans (such as the price of bread), selling alcohol at some of the lowest prices in the world and heavily marketing this in townships (contributing to alcohol abuse), amongst other practices. The most commonly cited example, however, was predatory banking practices, in which financially illiterate members of society in South Africa are aggressively lent money at astonishingly high interest rates to purchase items that they cannot afford, trapping them in an inescapable cycle in which

they, at times, end up paying the majority of their small incomes to service their debt. As one participant put it, claiming to embrace social responsibility through CSI while behaving in such an irresponsible manner in one's core business is "like putting lipstick on a bulldog".

Academic C, for example, argued that CSI is "not always done with good intentions" and that it can be a "distraction", while Academic A explained, "I have considered CSI sometimes more of a problem than a benefit because CSI has in the past been used as 'fig leaf' for companies to say 'look what we are doing to contribute to society as our responsibility, as our giving back', but actually, by emphasising those kinds of things, they've been skirting how they make the money in the first place, focusing on giving back one percent of after-tax-profit... And they've been exploiting suppliers or customers or contributing to indebtedness or whatever in their core business".

Academic A argued that it is "almost an anti-responsible, a non-responsible, or irresponsible practice to highlight CSI when core strategies in business practices have not been interrogated". The problem with the focus on CSI is that it can mean less of a focus on the broader social responsibilities of business. As an illustration, Academic A described Carroll's notion that "there is the economic responsibility, there is the legal responsibility, there is an ethical responsibility, and only at the top of the pyramid they've got more discretionary or philanthropic responsibility". He shared his view that "it's only when the other things are really dealt with that we can start being concerned about the philanthropic aspect". Academic B had a similar criticism, providing an example of one major South African bank that, despite having a "beautiful" CSI programme, lent out billions of rands worth of "unsecured loans to the mass market". He explained his view that "It's fundamentally fraud. Because the material impact that they had on society was that it perpetuates a huge problem of over-indebtedness. There is already a huge debt spiral amongst poor people in South Africa". He noted that once this

reckless lending became public knowledge, the company's Head of Risk responded in the media by literally saying, "f**k the poor". Academic B also spoke of a recent bread price-fixing scandal in South Africa, in which a number of major companies, all of which practised CSI, were found guilty of colluding to artificially raise the price of bread. Academic B explained, "I mean honestly, it's material considering the context of South Africa that determining bread prices is something that should keep you awake at night because it is staple food to a huge amount of people in South Africa". Academic B concluded his criticism by stating, "the dominant economic logic is still prevailing and we are putting sweeteners on a deeply ugly beast. It's like lipstick on a bulldog".

Citing this same example as a glaring case of company inauthenticity, Academic D provided a similar perspective that "all the bread price-fixing companies were spending one percent of their after-tax cash on CSI projects and most of that involved giving food to poor children. So they were doing that on one hand and then, in their core business, they were fixing the bread price. You've got to be very cynical about corporate philanthropy when you see that sort of stuff". Academic D argued that companies are "basically buying goodwill when that goodwill is probably not really deserved on the basis of... core business operations". He went on to say, "it's fundamentally problematic... when you weigh that positive impact up against that very sinister sort of legitimisation which happens, then I think there is a problem. So the impact gets completely negated because it breathes this undeserved sense that companies are operating for the good... I think that it has a profoundly negative consequence on society because we don't then criticise corporates adequately. You don't adequately think about the impact". Academic D explained that the problem with corporations acting as though they conduct their CSI out of a sense of moral imperative when, in reality, they are driven by regulation or self-interest, is that "people begin to believe the story and I think a lot of

employees begin to believe it" and that, as a result, "people don't really critically interrogate the character of that supposed 'morality'".

Providing a corporate perspective, Executive E said, "of course a company like [ours] wants to distract you. They have to", adding that "the business of businesses is making money, that's what they do. They are accountable to shareholders and they are naughty, you know, they all are". Executive E gave credit to the South African press for holding companies accountable, however, and argued that their oversight often prevents companies from getting away with things they would otherwise. Executive B described companies having "an underlying guilt" that they sit with, explaining "especially when we look at things like selling certain products to individuals who might not necessarily be able to afford those products". She expressed her belief that, on a philosophical level, this is why CSI is often an "underlying, off-setting of our guilt". Executive A said that there is often a misperception that having a good CSI programme is what defines whether a company is socially responsible. Referring to recent unethical behaviour at her own company, she explained, "on the one hand you boast 'our vision is infrastructure development; to promote socio-economic development', and yet we [break the law], and we were fined". Executive A added that she did not feel that CSI is big enough to hide unethical corporate behaviour on a meaningful scale, however, saying that "I don't think in any way our CSI can - It's not big enough, it's not substantial enough - to actually mask the real issues or the wrongdoing". Nevertheless, the majority of the participants argued that CSI could, in fact, be used to mask unethical corporate behaviour, noting that the commitments that companies make to society through CSI are often not mirrored in the way that they conduct their core business operations, and that CSI is thus often used as a tool by businesses to *avoid* responsibility.

6.3.4 Concern 4: CSI is practised as an external function to business

Central to the concern that CSI may distract or mislead the public regarding a company's broader commitment to social responsibility was the concern that CSI, by definition, encourages an external rather than an internal focus on social responsibility. International CSR practice has increasingly emphasised the strategic alignment of responsible business practices (Carroll, 2008). This has driven the focus of CSR inward, with CSR increasingly being seen as an internal function of business (Blowfield & Murray, 2011). By contrast, CSI is typically externally focused and often conducted in a manner that is inconsistent with how companies conduct their broader business operations. Participants argued that companies should turn their focus inward, conducting CSI in a way that is strategic and aligned with their core business operations. Participants expressed the concern that an external CSI focus is problematic because it contributes to the low impact of CSI; leads to CSI that is often not strategic; means that CSI is executed without the benefit of the skills and expertise of a company's internal business functions; allows companies to ignore their broader social responsibilities; and allows companies to use CSI to "compensate" for business externalities rather than addressing them directly.

Constructing a view on the state of CSI in South Africa is dependent on how one defines CSI and what its role and scope is, and should be, within the broader social responsibilities of business. For those who see CSI as the primary or sole expression of a company's responsibility to society, a variety of assessments, criticisms, and recommendations would apply that would almost certainly be invalid if, instead, CSI is seen to be merely a small, philanthropic add-on to the far broader and more substantial corporate social responsibilities a company is expected to embrace, irrespective of its practice of CSI. Viewing CSI as the primary means through which companies exercise their social responsibility can create an unhealthy "CSI mindset",

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according to Academic A, whereby "companies are ignoring the material social and environmental issues in their business". Academic A gave the example of a micro-lender whose CSI activities were focused on recycling and providing bursaries to students. He criticised this by explaining, "they are ignoring the material issues in their business", because there is a "huge indebtedness problem in this country", which is a "problem that they, if not actively and knowingly, at least indirectly are contributing to". By focusing on recycling and bursaries rather than addressing the issue of indebtedness, Academic A explained that the company was taking an approach that was "entirely devoid or absent of what this company's day job was". He explained, "when they talk about responsibility, they need to put that front and centre" and ask "what are we doing in our day job, in our business, to worsen inequality? What can we do by applying our technical and our strategic wherewithal to address this problem?" Academic B pointed to this same example, saying that micro-lenders have "a huge role to play just to understand what the social impact of microloans are in society and what can they do to minimise the impact of access to credit on society, because there are enough examples out there where micro-lending companies have abused the system and people are so indebted that they don't take any money home at the end of the month after they have paid off their credit. So focus on your material role and allocate your CSI spend accordingly". Some companies have taken this a step further, and run marketing campaigns that are entirely noneconomic and focus on drawing public attention to social issues, such as HIV, rape, or domestic violence, when this is not related to their own business or even their own social initiatives (Drumwright, 1996). Some welcome these efforts to raise awareness about important social issues, but others see such marketing as inauthentic and criticise such campaigns for taking advantage of sensitive social issues for corporate gain (Drumwright, 1996).

While several participants made the suggestion that CSI needs to become more strategic, and that CSI should be aligned to a business's core operations, this suggestion proved

to mean different things to different participants. There were two key variants in the way that *strategic CSI* was interpreted. The first was based on the idea that companies should be more strategic in ensuring that they benefit from their CSI initiatives, and align CSI to their core business operations in order to obtain corporate buy-in and ensure that their CSI objectives are aligned to the company's best interests. The second was based on the idea that greater strategy and strategic planning in CSI could make CSI more efficient and increase its social impact. Similarly, aligning CSI to a company's area of expertise could allow it to execute more effective CSI and add more value, given their experience in the particular area they are trying to address. Thus, in some cases participants were making a business-centric observation that strategy and alignment can allow companies to maximise the benefit they derive from CSI. In other cases, participants were making an observation focused on social impact, that CSI can be made more effective when practised strategically and in an area aligned with the expertise of the company. One participant noted that the first of these two variations is the dominant logic observed in the literature, with the focus typically on how to use social efforts to derive benefit for business and improve corporate financial performance. The participant argued that the increasing trend in business of trying to make CSI more strategic in order to derive maximum benefit for the organisation fails to acknowledge that some things should be done for society simply because they are the right thing to do, not in order to benefit from it.

CSI is sometimes seen as a means by which companies can compensate society for the negative externalities of their business operations, but Academic A criticised this view, explaining, "I think it's a problem to see CSI as a way to help compensate for externalities because it's too indirect. It's too often used as a smoke screen. If you are concerned about externalities, you address them directly". Academic B argued that, overall, CSI "plays a very important role, but that should not be the focus at all", explaining that companies should instead focus internally on what their broader impact on society is, the nature of their business, and

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what their "material role in society could be". Another participant pushed back on the notion that CSI should be more internally focused and aligned to core business operations, however. Their argument was that the widespread social need in South Africa means that many rural people who are in desperate need are not actually employees, customers, or other stakeholders of business, and thus the external focus of CSI could be an asset, with the potential to create a positive social impact that reaches a broader, and potentially more in-need, population. This argument would potentially have some merit if CSI were to be practised as an add-on to the far broader social responsibilities a company was embracing in its core business, and if companies were to use their CSI to target these often-ignored members of society who are not the traditional stakeholders of business. Unfortunately, however, evidence points to the fact that CSI is often conducted *instead* of broader CSR practice, and that companies typically target their CSI spending at their most important direct stakeholders, rather than to "forgotten" members of society.

Executive G acknowledged that CSI is small in scale, and that "the gap, or the backlog" is "so huge that what you do is looked at as a drop in the ocean", and companies need to consider their broader responsibilities, as argued above. However, she added that there are a large number of South Africans living in poverty who are not employees or direct stakeholders of companies, and thus, if the focus on responsibility shifts too far inward, these members of society might pay the price. She explained, "I think CSI still has its space", noting that despite being one of the largest companies in South Africa, her company only employed an incredibly small percentage of the total population, and that the gap between those they employ and those who are unemployed is going to continue to grow, with "the majority still living in poverty". Thus, she concluded that CSI needs to be used as a tool to reach a broader group of South Africans who are external to the business, as opposed to only being implemented strategically amongst a company's immediate stakeholders.

6.3.5 Concern 5: CSI encourages retrospective rather than prospective responsibility

Similar to the concern that CSI encourages an external, rather than an internal focus on social responsibility, one participant raised the concern that CSI typically emphasises the retrospective responsibilities of businesses, rather than its prospective responsibilities. Companies adopt a posture of retrospective responsibility when they focus on addressing past events or negative externalities, while adopting a prospective stance on responsibility requires that companies focus on not causing negative externalities in the first place, and that they are proactive about the social responsibility of business. While accepting retrospective responsibility is important, it was emphasised that prospective responsibility is equally important and often neglected. The concern is that CSI is often representative of a retrospective stance on responsibility and thus perpetuates a cycle of companies ignoring their prospective responsibilities. Academic B explained that *retrospective responsibility* is the responsibility to correct or compensate for the wrongs or externalities that a business might have already caused, whilst *prospective responsibility* is the responsibility to avoid having a negative impact in the future, by not causing harm in the first place. Academic B explained, "our responsibility to react to something that happened is like exceeding the speed limit and then paying the fine. You took responsibility, you now pay the fine, but you shouldn't have exceeded the speed limit in the first instance". He went on to state that retrospective responsibility is "reactive... backward thinking" and that a focus on retrospective responsibility puts companies "in compliance mode". Prospective responsibility, by contrast, is "forward thinking", and has to do with companies "taking responsibility" and "being a responsible business citizen". He argued that both types of responsibilities are important, but that companies tend to focus more on their retrospective responsibilities and that they should begin to shift this to a greater focus on their prospective responsibilities in society. Blowfield and Murray (2011) make this same observation, noting that businesses are increasingly being called to participate in addressing

some of the world's greatest challenges by acknowledging their role in areas such as climate change and human rights.

6.3.6 Concern 6: CSI is often executed as a marketing or public relations function

Multiple participants alleged that CSI is primarily implemented as a marketing or public relations exercise, rather than as a genuine attempt to generate positive social change. Projects are selected that will maximise publicity; time and energy are focused on advertising social efforts rather than implementing projects effectively; and there have been cases where more money is spent on marketing or on a CSI launch event than was spent on the actual project itself. Participants pointed to the fact that most CSI departments in South Africa are staffed with people with marketing or public relations backgrounds, as opposed to individuals with experience in development, and noted that the majority of these CSI departments are housed within the marketing or public relations departments of companies.

Thus, the perception emerged that the primary focus of the corporate practice of CSI is often on the marketing or public relations value a company can extract from its efforts, an observation also noted by Benn and Bolton (2013). This was seen to be problematic for two reasons. The first was that a marketing and public relations focus may lead to inauthenticity in CSI, and result in companies setting objectives that meet internal objectives and advance their own interests and reputation in society, rather than being focused on social objectives that advance society's interests. A second concern was that the size and sophistication of the marketing efforts surrounding CSI have contributed to a culture in which corporate claims about CSI have become exaggerated and misleading, aligning the concerns of Fig (2005) and Ramlall (2012). This could lead to decoupling, whereby the stated objectives of CSI differ from the true underlying activities that characterise its practice. Participants gave examples of extreme cases in which companies have been found to be spending more money on advertising,

marketing, and promotions, and on exclusive CSI launch events, than they were actually spending on the social causes themselves. Setting objectives for CSI practice that are primarily concerned with improving public perceptions of a company's social commitment could ironically thus be contributing to the low social impact of CSI.

In addition to the concern that the focus of CSI was often more on public perception than on generating real social impact, the concern was that the extensive marketing and public relations efforts surrounding CSI practice may lead to misrepresentations or exaggerations of CSI activities. This would align with the concern expressed by Laufer (2003) that crafted and manipulated corporate representations can lead to a "gloss" (p. 253) that inflates perceptions of the social actions of corporations. Participant responses lent credence to the sentiment of Ramlall (2012) that this practice has allowed companies to hide behind "glossy company reports, corporate marketing strategies and empty promises" (p. 285). Participant concerns were thus at times linked to concerns about inflated public perceptions of CSI, and that exaggerated corporate claims about CSI could amount to false advertising that is misleading the public. In discussing CSR, Laufer (2003) warns of corporate disinformation and highlights the degree to which companies often fall short of accurate and fair corporate reporting on their social activities. Participant views regarding CSI reporting would seem to align with that of Laufer (2003), and his claim that unverified disclosures from companies are often merely public relations exercises.

In addition to the direct evidence that companies focus on marketing and public relations when conducting CSI, participants pointed to the fact that individuals with marketing or public relations backgrounds are often seen to be the most desirable candidates to staff CSI departments, rather than those with experience in development. Participants also pointed to the fact that CSI departments are usually housed within the marketing and public relations

departments of companies as evidence of the true intentions of companies when conducting CSI. This ties into the concern explored above, that the marketing focus of CSI fuels the misalignment between CSI and broader business practices, and echoes the concern of Laufer (2003) regarding a potential lack of integrity in terms of corporate representations of their social efforts. It also supports the notion advanced by Meyer and Rowan (1977) that organisations pay particular attention to public perceptions of their efforts, and the alignment between the expectations of society and their formal structures, rather than to the underlying efficiency of the activities themselves. Academic C, for example, spoke about his concern that CSI "is very much a public relations/marketing exercise". He argued that the typical business approach to CSI is to say, "let's donate a bit of money here and there, and let's see where we can get the most media and social media coverage... let's get as much publicity out of it as possible". Academic B noted that some consider CSI to be a process whereby companies "outsource their conscience", and that this results in a "fault line" between their marketing efforts and their corporate behaviour. He explained that a problem that arises when a company says, "everybody come look how grand we are, look what a difference we make to society, and they try and show all the attention on that, and meantime, back at the ranch, obviously there are some serious questions about some practices and the way they conduct their business".

Executive E argued, "CSI people are not professionals. They are people who come from marketing or have a degree in HR... they don't understand development. And so, they do things that are sweet and they are going to write a big cheque and get a nice photograph and it's just a real problem for me". Executive B shared the view that marketing and public relations often drives CSI efforts, sharing her personal experience that "I definitely have seen cases of corporates who sometimes will go out and spend more on the actual [CSI launch] event and the catering for the event and the branding of the event than actually what the financial contribution was". Executive E echoed this sentiment and described a similar case in which a

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company had "spent a pathetic amount of money. They dished out fifty grand here, a hundred grand here. Then they went and sent a photographer and a writer around the country to take beautiful photographs and they then produced a coffee table book, which was not a normal size book. It was very expensive; the paper was very expensive". The book was used to describe "all the CSI and good work that they have done", but Executive E argued that the company could not claim to have had a real impact when they had only put in a mere fifty thousand rand out of a million rand into the actual project itself. Executive E went on to recount how the company then had a "fancy" launch event, at which the national Minister of Finance praised the company's work, saying "you know what I really love about this company is that they don't mention how much money they actually spent, they are so modest". Executive E explained that, in reality, the only real reason the figures had been omitted was because of how little money had been donated, claiming "I've seen those kinds of things throughout my career". Executive E added, "if you see the adverts on TV on CSI, the adverts are 'look what we did as a company, we invested in maths and science and look what we've achieved', which is absolute bullocks. You gave money to somebody else, they're the ones who did the work", highlighting that company participation in CSI programmes is often limited to marketing their involvement in these programmes rather than helping to implement them. Executive H said the problem with this is that "if you are in marketing or PR you need to explain to your CEO what's in it for you. If you spend a million rand you kind of want two million worth of PR on the deal". Executive H made a different point, arguing that a typical corporate attitude is to say to the communities they assist: "I'm going to tell you what your problem is, and then I'm going to tell you what your solution is, and then we're going to smile, have a nice picture afterwards and everyone's going to say this is the PR value we got from that. At the end of the day, the community really don't want that".

These concerns need to be tempered, however, with the reality that companies are clearly justified in wanting their CSI efforts to be known by the public. In an environment where companies are often scrutinised and face public pressure to behave responsibly, the extent to which they respond by publicly communicating their social efforts is understandable. Thus, it is not the act of marketing CSI that is, in of itself, a point of concern. Instead, the concern is the extent to which the marketing of such efforts becomes the *primary* function of CSI, thus diminishing its impact, and the extent to which such marketing may be used to distort or exaggerate the social efforts of businesses.

6.3.7 Concern 7: There is little accountability or incentive to create social impact

Some argued that all of the concerns raised above are due, at least in part, to the fact that there is little accountability in CSI, and cited this lack of accountability as being a key factor in its ineffectiveness. This was often attributed to the inauthentic motivations for CSI practice. Regulation compelling contributions to CSI only dictates the amount of money to be spent on CSI, but does not make any attempt to audit whether this funding is ultimately spent effectively. Similarly, companies performing CSI who are motivated by their own self-interest have an incentive to make their CSI efforts *appear* effective from a marketing and public relations standpoint, but do not necessarily have an incentive to put in the additional work that would be required to ensure that these efforts are impactful in reality. Thus, the concern was that the focus is often on the easily-manipulated optics of CSI efforts, avoiding any accountability pertaining to social impact. If the practice of CSI in South Africa were to be as widely decoupled as these participants alleged that it is, this ostensibly could be contributing to the lack of accountability in its practice.

Some participants highlighted the ease with which an impression of positive impact can be created when, in reality, far less meaningful impact may actually be taking place. As an

example, one participant cited the push to transform the racial profile of the traditionally white-male dominated boards of directors of South African companies. The participant highlighted that often when black appointments are made to boards in South Africa, they are added on as extra board members, rather than replacing existing ones, at times being placed in non-executive positions carrying less influence than other board members. Similarly, while CSI staff members are often not considered senior members of staff, some companies have recognised the need for it to appear as though these positions carry significant weight. Thus, in some cases, CSI managers are asked to report directly to the CEO or board of directors and are given “senior” titles, but are regarded as less than the equals of other executives in core areas of the business, in practice having little power or influence in their company despite their supposedly senior role. Academic B gave an example of a discussion he previously had, saying "we spoke about the crisis of water. The response from this particular gentleman was 'well, companies need to make sure that they will be able to afford water in the future because water is going to be expensive'". Academic B recounted having expressed his frustration, saying to the person, "you absolutely lost the plot completely. Don't you see the fault in your argument?" Academic B explained that this supposed focus on social responsibility related to the water crisis was, in fact, simply a focus on how the issue might affect businesses, rather than how it would affect society.

The lack of accountability in CSI can mean that there are few consequences for failed CSI efforts and that there are no incentives to improve CSI practice. Effectively, companies are able to put minimal effort and thought into CSI practice without ramifications. In the absence of companies being genuinely motivated to drive positive social impact, participants argued that improved regulation aimed at making CSI more impactful would be required to influence corporate behaviour. Regulation has indeed been effective in increasing the levels of funding dedicated to CSI in South Africa, but not at increasing its effectiveness or ensuring

impact. However, Scherer and Plazzo (2007) note that regulation is not a particularly effective means by which to integrate the activities of business and social concerns, given the immense variability and complexity of the field. Edelman and Suchman (1997) agree that regulation is particularly ineffective in these types of environments, often emerging as ambiguous and plagued with loopholes. The contradictions and complexities of the domain can, at times, lead to a posture of evasion and circumvention. Thus, regulation has its own complexities, and it may be difficult for the government to create a mechanism that compels companies to ensure that their CSI is more impactful.

Given the significant role that regulation plays in motivating CSI practice (Reddy & Hamann, 2018), some participants cited the problem as being that regulation only specifies an amount of money to be spent and does not hold companies accountable for its impact. Academic B explained that "South Africa has a very unique history of very aspirational regulation stretching from our constitution, which is the best in the world. But it is still aspirational and, in practice, we don't succeed to actually meet what the constitution, the bill of rights, actually asks". Academic B asserted that regulation was a "necessary evil" and explained, "we know that regulation hasn't really succeeded in making the world a better place, but it is trying to at least make the world not a worse place... without regulation, you can just imagine. It would be chaos". He argued that the focus now has to be on how to move beyond compliance and ensure greater accountability for the impact CSI generates. However, Academic C suggested that companies are unlikely to perform at a level above that which is required when it comes to social responsibility, arguing that regulation "is a necessity because, if you ask companies to transform out of their own, they're not going to do it". Academic C said that, while regulation can be "painful", new regulation "is the only way that we're going to change the society, sad to say". Academic C added that, in addition to companies being held accountable, they also need to impose this same accountability on the recipients of their CSI

funding. He explained, "there has to be that financial accountability" where companies start saying "I gave you money; if you don't perform, I'm not going to give you more money; I am going to divest. You're going to feel it the hard way". Academic C explained that, while the amount of money companies spend on CSI gets a lot of attention, "it's more serious *how* they spend the money. There should be an impact, so there is responsibility. It shouldn't just be money going down that bottomless pit where you can't see any impact". He explained, "if you are going to take money there has to be a counter-performance, not just in providing good products and services, but the way in which you conduct yourself", saying that companies tend to "just give and give" and that there are currently "no consequences for never improving".

However, the findings of Peloza, Loock, Cerrutti, and Muyot (2012) reveal that there may, in fact, be consequences for firms who embrace a more superficial form of social responsibility. Their research identified a meaningful gap between stakeholder perceptions of the social efforts of companies and these company's true investment in social initiatives. They also noted that corporate marketing of their social efforts has become so commonplace, companies may be miscalculating the extent to which their social efforts are valued by stakeholders. In order for companies to differentiate themselves, Peloza et al. (2012) argue that firms need to focus on both the perception and the reality of their social initiatives. They argue that, when companies integrate sustainability into their core businesses rather than positioning it as a peripheral issue, they can begin to close the gap between the real and perceived performance of their social efforts.

6.3.8 Concern 8: Companies are not experienced at investing social resources

Some participants warned that companies might not be experienced enough at managing social resources and that, at times, they may inadvertently do more harm than good when establishing programmes in areas such as healthcare and education. In addition to

potentially not being experienced at providing social services and distributing social resources, companies may be similarly ill-equipped to assess social priorities and to determine which causes or interventions deserve to be prioritised. The first concern was that this lack of experience may contribute to CSI efforts being ineffectual, and the second concern was that such efforts could potentially do harm. Some argue that this concern is overblown, however, and that businesses have vast skills that can easily be applied to tackle social issues (Mulligan, 1986). Similarly, it may simply highlight the importance of hiring individuals skilled in development into CSI management roles, and establishing partnerships and collaborative efforts. Ultimately, it seems as though this concern should not be seen as warning against CSI practice, but rather used to emphasise the importance of the sophistication of CSI practice and of having experienced individuals within the company to manage these issues. One participant argued that government, despite being inefficient, has a mandate to provide social services and to distribute social resources, and may be better positioned to fairly, sustainably, and effectively manage social programmes and funding, although many other participants pushed back on this out of concern over government inefficiency. Academic D emphasised this saying "corporates are pretty damn ill-equipped to understand what the real social needs are, so you often find that there are very strange allocations of money which are based on whim rather than on any science". Academic A warned that "sometimes, if you're throwing money at a problem, you create other problems, or you create worse problems if you don't do that in a judicious way", but also added that there was value in CSI being spent by companies in innovative ways. Executive H agreed that companies are not well positioned to spend social resources, and Executive C highlighted that corporates need to understand that this "isn't their core skill necessarily. So, first, they need to bring in the necessary skills to do it efficiently and then they need to bring in the correct partners to do it with".

6.3.9 Concern 9: CSI practitioners are often inexperienced

Some participants raised the concern that the individuals who are appointed to CSI departments at companies often come from marketing, public relations, or human resources backgrounds, and therefore do not have the experience or qualifications needed to be able to effectively perform their job functions. Similarly, the CSI function is often housed within a company's public relations or marketing department, thus implying a greater focus on how CSI programmes appear than how effective they really are (Hamann, Woolman, & Sprague, 2008). Far from being global experts in sustainability and development, these individuals are often inexperienced in these areas, have limited mandates, and their annual performance reviews and targets focus more on making their CSI look good than it does on their CSI being truly impactful.

It was argued that those running the CSI department within companies often have little clout or influence within their organisations, and that their roles are often not senior. When their roles are labelled as being “senior”, it is sometimes an artificially senior position, where the remuneration, access to resources, and overall influence in the company do not match the supposed seniority of the position. A concern was also raised that, occasionally, companies hire individuals who have previously worked at an NGO. However, given that many South African NGOs are small and unsophisticated, they at times join with scant sense of business and thus bring little to their roles. In effect, previous experience at an NGO that was not particularly impactful is unlikely to translate into the ability to work as an effective CSI practitioner.

Scherer and Plazzo (2007) were proponents of the benefit of corporates being a part of solving problems, and highlighted the benefits of effective self-regulation and independent verification and certification of activities. As with any discipline, the quality and experience

and of its practitioners and the resources to which they have access ultimately define their long-term prospects for success. Companies need to begin to acknowledge this and facilitate a process whereby experienced CSI practitioners become senior members of the executive, with the influence and independence to drive real change and facilitate the self-regulation advocated by Scherer and Plazzo (2007). Measuring social impact has inherent challenges, and it would appear that perhaps measuring the inputs to CSI might be easier than measuring its social impact. Are we sure that the likely prerequisites are in place for CSI to be effective? For example, if CSI departments were to be run by highly qualified experts in sustainability and development, with extensive experience and success in social projects, and are given the independence to implement their passion and experience in generating social impact, surely that would create a more conducive environment in which CSR could become more impactful? Given the seniority and influence to become powerful voices within their companies; given the independence to be able to stand up for what they feel is right without fear of retaliation; and the given budgets and resources necessary to accomplish meaningful social change; surely CSR managers would be more likely to be able to accomplish meaningful social aims?

This view was shared by Executive E, who agreed that "the biggest issue in this country is that CSI people are not professionals", and that instead "they are people who come from marketing or have a degree in HR... they don't understand development". Executive E characterised the typical South African CSI manager as "a person sitting in the company with very little clout that actually just does what they're told to". Executive E argued, "we should be recruiting professionals in this space... the people who studied development who understand the issues, but that's not who gets recruited into those positions". Executive E said that CSI "could have so much more clout, but most of the time a CSI person is not the right person". Executive E added the suggestion "I think that people should be forced to be, trained to be CSI professionals. I think there should be a qualification requirement". Executive H agreed that "in

a lot of companies, the CSI manager is not a very senior position", and supported the assessment that CSI is usually run by someone with a human resources or public relations background, when "in fact, it should be a very strategic position". She added that even when someone with an NGO background joins a company, this often does not work out because "they don't have a sense of business". Executive E shared her observation on the type of people who are typically hired into CSI roles, saying "I've seen who runs CSI departments.... designer clothes, nail salons, and don't give a crap about those people on the ground or don't understand them at all". Executive H agreed that CSI often attracts the wrong type of people, explaining "a lot of people see CSI as a stepping stone, because you can be in a lot of pictures, it can be a very glamorous job, but again, then you mess up the system for the rest of us".

6.3.10 Concern 10: There is not enough collaboration in CSI

The majority of the participants in this study argued that a lack of collaboration in CSI is hurting its effectiveness, and that CSI practice could be improved through greater collaboration and partnerships, as well as through joint strategic planning of initiatives. Participants cited low levels of engagement as being a major impediment to the success of CSI, resulting in inconsistent strategies, duplication of efforts or gaps in approach, and an overarching lack of focus and coordination. It was argued that greater levels of collaboration with other companies would allow for the joint funding of projects by helping to create a more sizeable pool of funding to address specific issues. It was also argued that this would help to reduce duplication of efforts, allow for broader strategic planning, and increase accountability.

One cause of the lack of collaboration between companies was seen to be the competition between them, even in the social arena. Companies typically want recognition for their CSI work and autonomy in their efforts. Collaborating with others can muddy the waters in this regard, particularly when it comes to taking credit for their CSI initiatives. Nevertheless,

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some argued that the size and complexity of South Africa's social challenges, and the relatively small size of CSI, mean that this warrants a broader and more coordinated approach. It was also mentioned that it makes sense that companies would work together to address these issues given that companies are effectively all faced with the same social needs.

The majority of participants called for greater collaboration between companies, while others added that greater collaboration with government, society, and NGOs is also needed. It was argued that acting independently is inefficient when there are already other parties addressing the same issues a company is targeting, or when other potential partners have existing experience in that area. Government is a particularly important example of this, given their immense existing investments in education, healthcare, and other areas in which CSI often focuses. The benefit of collaboration with the government was seen to be its existing mandate to address social issues and its experience in doing so, as well as the size of the funding already dedicated in these areas. It was also argued that stakeholder engagement is vital, and that consulting with the intended beneficiaries of CSI is important in order to ensure that social problems are sufficiently understood and that proposed interventions are appropriate. Greater collaboration between companies and NGOs could also be beneficial. Such interactions would allow for skills transfers between companies and NGOs, as well as more efficient execution of CSI initiatives in areas in which NGOs have experience. It was further emphasised that NGOs need to collaborate with one another. At present, NGOs are usually very sensitive about getting credit for their own work and are often pulling in different directions, which causes funding to be split in too many different ways. They also introduce administrative costs because of their repeated applications for funding and frequently become preoccupied with their organisation's own survival and success. Executive E argued that CSI professionals need to "work together as a team to address social issues", collaborating as peers rather than seeing each other as competitors. Executive E explained, "if I'm a CSI professional, I should be regularly engaging

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with the CSI professionals at other big corporates, because those are actually my peers, my professional peers, but I don't. I go to one CSI conference a year". Executive E argued that as just "one person sitting in the corner of one company, you're just going to throw money at things" whereas, with a team approach, more could be accomplished. Executive E said that companies need to band together and tackle major challenges and, rather than funding "that little programme on the side and that little programme on the side, actually we've got to fix the system".

Executive D made the case that "the issue of collaboration" is a major problem, noting that "there is no collaboration, and corporates do not understand that beyond profit there is no competition... there lies an opportunity for corporates to come together". Executive D provided an example, "if our investment is towards education, why is education still not performing the way it needs to perform? It's because everyone comes with different strategies and we end up doing the same thing once more and there's no coordinated efforts to try address them". Executive H explained that a "major" problem with CSI is that "everyone is still in competition with each other, so one company just doesn't want to work with the other one, and that's stupid". Executive C highlighted that it is not just partnerships with companies that are important, but also partnerships with government. She explained that government is already working to deliver social services such as education, and so "doing it independently introduces loads of inefficiencies". Executive C said, "the big issue with it is that there is no real collaboration" and "the challenge around that is because people do want recognition for their investments because they do have to report in an annual report and they want to show to the shareholders". She continued, "people are still trying to do stuff on their own and then look good".

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Executive H provided an illustration of how such collaboration might work, saying that government should identify the social issues that they consider to be a priority and, for a few years, these should become the focus of CSI programmes across the country. She believed that this would be a better approach because "at this stage, a little bit of everything doesn't really make a big impact anywhere", concluding, "I think there is no focus". Executive G highlighted, "we are supposed to work with society in general, NGOs in the area, government in the area. Are we all pulling with the same kind of strength? The reality is we're not, and the gap remains huge". Executive C added that collaboration between individual NGOs in South Africa is also critical, explaining that there are "too many small charities to actually do stuff on that scale", adding that "if they collaborated, their impact obviously would be much wider than it currently is". Executive C clarified that "the problem on the charity side is there are really good people with really good hearts that set up these organisations", but that the problem is that there are "thousands of them... that are wanting to be independent. So they want money for *their* project. For the people around *them*". She explained that "they essentially become in competition with all the other good people that are also doing good things. It becomes a nightmare for corporates because then it's 5000 different people asking for money".

However, there was some push back on the assumption that greater levels of collaboration and partnership would lead to more impact in CSI. Some participants pointed to cases in which collaboration has resulted in larger, pooled CSI efforts that were no more efficiently run than traditional CSI, and that ultimately did not prove to be any more successful or impactful. Thus, while collaboration was cited as being important, it was not seen as being the sole solution to challenges in the field.

6.3.11 Concern 11: The philanthropic nature of CSI perpetuates a cycle of dependence

Some participants argued that CSI, as it is currently practised, is more akin to charity or philanthropy than it is to CSR, and that CSI perpetuates a cycle of dependence rather than empowerment. Some feared that this might reinforce unhealthy and unsustainable societal expectations regarding aid, as people begin to expect support and thus potentially abandon their own efforts to improve their situations. It also serves only as a short-term solution, and might lead people to come to rely on a source of social support that is, in fact, more fickle than government or global aid. Charity may also reinforce the idea that third parties will step in to save people from the consequences of irresponsible behaviours, such as failing to adequately care for children. This could impact the culture within society and encourage a mentality of dependence. CSI can also lead communities to make demands or feel entitled to be given things. This can create dependence and encourage a culture in which people come to expect charity. Executive C made the point that CSI has "a really negative connotation in terms of charity, in terms of giving", and Executive B confirmed that "I would say that currently our CSI is actually more like a donation; it's more like a financial contribution". Executive C argued that when you give people charity, "it doesn't actually help anyone in the long-term", while Executive E explained that "South Africa is in a very difficult position at the moment because you've got a lot of organisations playing a welfare kind of role". Academic C illustrated a similar concern by giving an example of corporate funding for facilities for children, saying "I feel very sorry for them, but now you build more of these facilities and you send a message to society that it's okay. You can neglect your kids and somebody else will take responsibility for educating them". Academic C argued that, when it comes to CSI, "it shouldn't be aid; it shouldn't be charity". He warned that CSI efforts can unintentionally incentivise unhealthy social behaviours, and pointed out "there has been some research in Africa where people have said 'don't just give us money, that weakens our position'". Academic

D shared this view, saying, "I'm a firm believer in the fact that charity is actually a bad thing. We should aspire to a situation where one does not need charity". Executive G argued that the problem with CSI, as it is currently practised, is that "we are perpetuating the mentality of dependence. We are becoming so dependent".

6.3.12 Concern 12: CSI can lead the state to abscond from its duties

The concern was raised that an unintended negative consequence of CSI can be that it causes the government to retreat or abscond from its responsibilities. By providing services that are traditionally the responsibility of government, in areas such as education and healthcare, an incentive might be created for government to withdraw from providing services in certain communities, or this might relieve the pressure to begin providing services in areas where they are not already being received. A related concern was that this could lead to an unreliable assumption that companies will continue to provide these services in perpetuity, when company support of these social services may be more fleeting, tied to factors such as their continued operations in an area. Academic A explained, "if you go and spend money on stuff that actually the state should be doing, that can have inadvertent and negative consequences that the state retreats and absconds". Academic A argued that the "current CSI focuses too much on what the state should be doing, which is a problem because it is an overlap, but also it is a problem because it incentivises the state to abscond". As noted by Trialogue (2017), the majority of CSI funding goes to support key government priority areas, such as education and healthcare. Academic C shared this view, stating that "if companies step in, government can just sit back which is not good", arguing that when companies take the place of government in providing social services in some communities "I don't think that is appropriate at all".

6.3.13 Concern 13: CSI interventions allow companies to "play God"

A few participants raised the concern that companies are sometimes careless and insensitive in their CSI programmes, meddling in the lives of vulnerable individuals in a way that makes a spectacle out of poverty and creates confusion or humiliates participants. The traditionally short-term nature of CSI may lead to interventions that occur on a whim and that may mislead community members. Similarly, the traditional corporate emphasis on the marketing and public relations of CSI efforts may in some cases make a spectacle out of poverty, with the suffering of others being exploited as they become pawns in corporate media campaigns. Community members risk becoming actors in misinformation campaigns and thus tools in perpetuating lies about CSI and corporate commitment to social responsibility. In some cases, companies may benefit more from their CSI practice than the individuals featured in these campaigns. As one participant noted, communities have grown suspicious of corporate claims that they want to help communities, beginning to recognise the superficial nature of many CSI programmes, and questioning the motives of companies that come into their communities and then quickly leave again, despite claiming to have an authentic social commitment. In cases where CSI is used to compensate for negative externalities of business operations, such CSI may humiliate the victims of corporate externalities who are forced to observe those same companies gaining legitimacy from their supposed social commitment. Executive H, for example, explained that when CSI is driven as a marketing initiative, it often comes at the expense of local communities. She argued that companies often go into underprivileged communities saying "we're going to smile, have a nice picture afterwards and everyone's going to say this is the PR value we got from that" but she added that "at the end of the day, the community really don't want that". Executive H said, "I think we are hurting our own people with the good intention that's just not really working out entirely".

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Executive H provided the perspective that, as a company, "you don't really want to commit to a long-term commitment... so you go to a school, you create a massive hype, you take your pictures, you paint the wall and everyone leaves and then what? So you do more damage with those kinds of relationships and that's exactly why people don't trust CSI, even if the intention is good". Executive H concluded by saying "this is the thing I hate the most... a lot of people donate blankets to homeless people, and you get your CEO to come and stand in his suit next to a homeless guy, hug him and smile for a picture, I mean there's nothing nice about that picture, it's horrible, the guy leaves, feels great about what he's just done and the poor homeless guy... it's just horrible". Academic D argued that "we should aspire to a situation where someone can't make themselves feel better about their exploitation by just giving bread to people... they should get bread without that being a mechanism by which someone can legitimise their exploitation".

Executive E added that NGOs can also be victims of this dynamic, explaining that "there is a massive power imbalance between the CSI people and the people actually doing the hard work on the ground, taking huge pay cuts to be able to make a difference in society... the way that CSI funders treat NGOs is often disgraceful". Executive H echoed that concern and said, "I think that we should not be so arrogant if we are in corporate, and look down at NGOs, because sadly that does happen". Academic B raised the concern that the short-term nature of CSI involvement can place communities at risk, providing the example of mining companies establishing new communities in previously unoccupied areas. When a community's livelihood and all of their social services are beholden to the company's continued involvement, when a company pulls out of that area it can create a crisis. He explained that these areas are "basically virgin territory", and thus by building a community and schools and so on, "ultimately, you are building a society" but asked, "how would that society cope once you have left?"

6.3.14 Concern 14: CSI repays a debt to a few that is owed to many

CSI is usually driven by regulation or a perception that it is in a company's interests to embrace it. Occasionally, however, it appears that CSI is used by companies as a mechanism to provide: reparation for past transgressions, such as during apartheid; compensation for negative social or environmental externalities resulting from business operations; or partial payment for a company's license to operate requirements. License to operate requirements are negotiated by government with companies and that draw specific benefits from society, such as through mining natural resources, or with companies in sin industries who have particularly large negative externalities associated with their businesses. While CSI practised for such reasons is arguably in the minority, a concern was raised regarding the misalignment between the large number of South Africans who would theoretically be owed such a "debt", and the very narrow segment of society that receives subsequent "compensation" in the form of CSI. For example, the majority of South Africans suffered under apartheid; social and environmental externalities of business can be far-reaching; and the natural resources that mining companies extract are, in theory, owned by all South Africans. By contrast, CSI typically benefits only certain individuals and, given that companies get to choose who benefits from their CSI initiatives, CSI is often skewed to benefit those in whom companies have a vested interest, such as communities in the immediate vicinity of their operations, or in the communities of their employees or customers. This also potentially provides legitimacy to a process through which companies "buy" their way out of their broader social responsibilities, or compensate for business externalities that would be better addressed directly. Academic D provided an example, saying that there are "very strange phenomenon emerging, where a natural resource (in most cases a mineral) which technically belongs to the whole country - it doesn't belong to any particular local community - really profoundly benefits a local community, while other communities just get no benefit from it". Academic D said that, in fact,

"those are national resources. There should be a national benefit. And the allocation of that national benefit should be done on the basis of something approaching a science, and not a whim". While some believe that mining companies have a responsibility to ensure that the local communities directly surrounding the mine benefit from it, Academic D rejected this, saying the only time this makes sense is if we accept that CSI is simply about advancing company interests. In that case, the corporate motivation is that "you want the local community to support your endeavours; you want your local community to support your exploitation of a particular resource". CSI that is intended as a form of compensation may also be a concern because it allows companies to "buy" their way out of the broader responsibilities of their business practices, rather than being forced to address them directly. Academic A explained that using CSI "as a way to help compensate for externalities" is too indirect, and that any such externalities should instead be addressed directly.

6.3.15 Concern 15: Third-party CSI managers are part of the problem

The practice of appointing third-party CSI managers has emerged in South Africa, which a minority of companies use to manage their CSI budgets on their behalf. Some participants raised the concern that these third-party managers are often ineffective, and do not contribute meaningful expertise to the field. Rather than leading the conversation around CSI and helping to advance it to a science, these third-party managers often take a safe approach, focused more on their clients' interests than on their responsibility to society. Others raised the concern that third-party CSI managers exist in the first place, and protest that the concept itself is a misnomer because the potential strategic impact of CSI is tied to it being implemented with the weight of company expertise. Executive E was one such participant, arguing that third-party managers were far more concerned with helping their clients than helping society. Executive E said, "I think they are part of the problem, to be honest. They have been around

the longest. They should be leading the conversation and they're not, because they play it safe, because it's not their money and don't want to lose their clients. But they should be taking very strong views and very strong stances on things. They have had so much exposure to the issues in the country over the last twenty years, and what have they done with it? Where's the leadership that's coming out of there? There isn't any. It's very responsive and they take very much a safe view on things because they're basically all about their clients. I don't think they have an answer". Executive E explained how, at conferences held by third parties, "there is no maturity, as far as I'm concerned, in the topics addressed, the content is very safe". Academic B also said that he objects to companies giving their CSI funding to a third party to manage. He argued that companies should be conducting CSI strategically in a way that leverages their expertise, rather than simply outsourcing it. Executive D agreed, saying "you can't just give funding and expect an NGO or an implantation partner to do it for you without you being involved". It is not clear to what extent third-party managers could be driving social impact, or whether this is even appropriate, but it would appear to be necessary that this is interrogated.

6.3.16 Concern 16: Society is not doing its part

Some corporates complained of a lack of community appreciation for their CSI programmes, as well as a general lack of respect for their efforts within the communities they serve. They claim that unappreciative or hostile communities have sometimes complicated their CSI efforts. There have been a number of cases in which schools built or renovated through CSI have been severely vandalised by students, and where community centres or other facilities built with CSI funds have been burnt down by the community, usually as a protest by community members who are unhappy with their broader circumstances or who feel additional demands they are making are not being met. It appears that communities are sometimes not appreciative or do not look after the investments made by companies, or many unreasonable

demands. Some companies also appear to be frustrated by their assessment that the government is not pulling its weight, given that they have such a large responsibility in this area. Executive A, for example, told a story of how disheartening it was to see that a school that they had paid to renovate just three months earlier as part of their CSI funding had already been severely vandalised by the school's students. Executive G spoke with similar exasperation about a brand-new community centre they had built with their CSI funds, explaining that shortly after it was built the community burned the centre down because additional demands they made were not being met. Now the community is demanding that the community centre they burnt down be rebuilt. Executive G explained that this situation is getting worse and argued that community members are being unreasonable. She explained that "they demand whatever that they want to demand" and things quickly escalate into protest if they do not get their way. She said that community members feel that they should have the right to make unilateral decisions on behalf of the company, such as recently deciding that the company's requirement that their workers have graduated high-school is no longer valid. She explained that they simply say we "don't need to pass matric for you to employ us" and start protests unless the company complies.

Executive G said that it came down to the fact that "it seems like it's not appreciated as much as it should be". Executive G gave an example of a CSI programme they run in a neighbouring African country versus their CSI programmes in South Africa. She explained that, in other countries, "you go see the difference in terms of how a small initiative is appreciated and looked after in that area compared to us". She complained that, in South Africa, "they expect to be given to an extent that, when you've given a hand, it's not enough, they need an arm" and said, "we can't ignore it because, as South Africans, we are perpetuating the mentality of dependence". Executive A gave her own example of how they funded a government initiative to build schools, saying "we weren't asked, we were *informed* that we will contribute 'X' percent... which we happily did, but then the schools get burnt... and then

they come back to say we now trying to raise a billion rand". She questioned how companies should be expected to respond when faced with this dilemma. Executive B said that government is not doing its part, expressing a "feeling that the government actually isn't kind of pulling their weight in doing the best that they can do". Academic C had a message for members of society in South Africa: "You need to start growing up and take responsibility for your actions in so many areas". Academic C told the story of a colleague who visited a poor township, "he can't believe it - the taps are just running and he asked somebody 'why don't you close the tap?'" The reply was, "oh, I don't pay for it". His response was "grow up. Somebody is paying for it. Take responsibility". However, he acknowledged that there is a legacy of how these attitudes have arisen, noting "of course that boils down to education where, as children, people need to learn to take responsibility for actions and I think that is where things have gone horribly wrong in this country. People don't take responsibility. They just expect to receive".

6.3.17 Concern 17: CSI practice remains primitive and has not matured as a discipline

Some participants raised the concern that CSI remains a primitive practice and has not advanced as a discipline, especially when compared with the sophistication that has been achieved by companies in other areas of their business operations. They argued that CSI is yet to see the building of a community of practice or progress in learning, and thus there is little progression in thinking, maturation of the discipline into a science, or emergence of best practices. Similarly, some cited concerns over CSI terminology that aligned with the concerns raised by Fig (2005). They noted that CSI is often confused with CSR in South Africa, with the terms often used interchangeably when, in reality, there are material differences between the two. Other participants cited their concern over the use of the term CSI all together, and highlighted that it has developed a negative connotation for some. Executive E argued, "you should have such an enormous community of practice by now, where this whole sector has

shifted and you can see it shifting from where it was fifteen years ago to where it is now. I see nothing". Executive E added, "there is no learning; there is hardly any learning in CSI". Executive E continued, "CSI has now been a thing for, what, twenty years? And if you look at impact investing as an example, in 2010, no one had heard of it, and look at the progression of impact investing in terms of its maturation", it has far outpaced CSI. She pointed to the fact that impact investment had seen the emergence of conferences and the progression of thinking in the field through a community of practice with people engaging around the topic. However, "you look at CSI... there is no progression, there is no maturation... I don't see maturation at all. People are still doing little charitable contributions here and there, but lack strategy... where is the impact of those things? The reality is companies aren't even measuring that impact properly". Executive E said that even at leading CSI conferences "there is no maturity as far as I'm concerned". Executive B echoed these concerns, arguing that CSI is "not currently strategic enough", while Executive A warned that CSI risks becoming merely "a social welfare mechanism", taking away "the potential for CSI to become a strategic function".

6.3.18 Concern 18: CSI terminology can be misleading

Participants raised the concern that there is some confusion regarding the term CSI, and that the term is sometimes confused with the related but distinct term CSR. Academic A explained that "CSI is very different to CSR", adding that "CSR has been so confused with CSI". Academic B made the same observation, saying "I have an issue with the term CSI... because CSI is a very South African term, it is not an international term, CSR is obviously a far more global term, so whether you use CSR and CSI interchangeably I don't know". Executive C explained that in South Africa, "it's called corporate social investment, and it's got a really negative connotation in terms of charity, in terms of giving, we don't call it CSI at all, we try not to call it CSI at all, because people do associate it as something separate to the

business". Executive C highlighted that "the meaning of the word, or the association that people have got with CSI" is "as something small, as something unimportant, as something charitable". The distinction between CSI and CSR must thus be firmly established in future literature.

6.3.19 Concern 19: Metrics to assess social impact are not adequate

Some participants argued that improved tools, metrics, and benchmarks for assessing social impact are needed in order for us to begin to better assess the outcomes of CSI. Executive E explained that, at present, "the reality is companies aren't even measuring that impact properly". Executive D agreed that, with regards to CSI, "billions will be spent, but what are we trying to achieve here and how are we measuring them?" Academic B argued that "we might be able to, once we can measure it more accurately, have an even greater impact". A risk with metrics and benchmarks, however, is that they have the potential to be used as subversive tools to provide legitimacy to initiatives that are not legitimate (Brown, 2015). These measures typically also use a fundamentally economic lens, even when examining social impact, that replace the use of deeper values in considering social change (Brown, 2015). Thus, while new frameworks for monitoring impact have the potential to add value, they are not a panacea, and their value will depend on the underlying objectives and motivations of those who use them. Companies wishing to create the *appearance* of being socially responsible while not actually attempting to *be* responsible will likely manipulate and exploit any benchmarks and metrics as tools to market their supposed responsibility. The value of these tools will primarily be limited to those who use them in the authentic pursuit of greater social good.

6.3.20 Concern 20: The size and scope of CSI is small

Certain participants argued that CSI represents a relatively small financial contribution from corporates to society, and that its potential impact is limited given its small size and scale. Although CSI contributions may be small as a percentage of the overall economy, others argued

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that if CSI were to be implemented strategically and with the expertise that companies would ordinarily apply to their other business ventures, CSI could still be highly effective. Academic C explained the concern over the limited scale of CSI, saying, "it is such a small section of the budget that goes to CSI, it doesn't really have an impact". Executive G acknowledged that CSI is often "looked at as a drop in the ocean", particularly given the immensity of the social need in South Africa, and Executive H agreed, arguing that the limitation of CSI is "it's such a small amount... you don't make a difference". Executive F highlighted the small scale of their efforts relative to the levels of social need in South Africa, concluding that "I still think a lot more could be done". Academic C argued that while CSI might be small in scale, business as a whole is a large, powerful force. "It is a valid argument to say that government should take care of basic human needs and they should build the roads and the schools and the clinics. But we don't see it happening, and if you look at the size of companies combined versus the government, they are a very powerful force". As a result, Academic C stressed that, given the small scale of CSI, what matters more is the way in which companies conduct themselves at a broader level. "Now we are talking about the bigger responsibility. The way in which employees are treated, the way in which consumers are treated, communities are treated." Academics A and B both agreed that, in terms of scale, companies are in a position to have a far greater impact on society through their core business operations, and that companies must focus on their "material" role in society, and allocate their CSI spending accordingly. Paying fair wages to employees; not abusing tax loopholes; treating society and consumers fairly; providing quality products and services; ensuring environmentally friendly business operations; not engaging in predatory sales or lending practices; and other such behaviours are examples of such business practices. However, Executive A argued that it was not so much the small size of CSI that was the issue, but rather "it's just poor management of those funds" that results in poor outcomes, and that if CSI is improved, it could still have a sizable impact.

6.4 Improvements Suggested for CSI in South Africa

There were notably fewer suggestions for improvements in CSI than there were criticisms of its practice. This may be reflective of the inherent challenges faced in conducting high-quality CSI initiatives and the complexity of any potential solutions. While participants were able to quickly identify a range of faults in CSI in South Africa, ideas for how to improve CSI practice were raised with less certainty and conviction. There was also less consensus and saturation in the ideas ultimately raised for CSI improvements, and conflicting views emerged whereby ideas proposed by some were rejected by others.

The primary suggestions made by participants regarding how the practice of CSI could be improved included:

- CSI should be strategic and aligned to core businesses operations
- Collaboration and partnerships are needed
- Companies need to be authentic in their motivations for CSI
- CSI managers need to be experienced professionals
- CSI must be executed with the skill and expertise of businesses

Secondary suggestions that were raised less frequently included:

- Regulation may be needed to modify corporate behaviour
- Companies must engage with communities and stakeholders
- CSI needs to become more sophisticated
- CSI should be used to fund strategically important social areas
- Government or third-parties may need to administer CSI

The following section individually presents the suggestions made regarding potential improvements to the practice of CSI in South Africa.

6.4.1 Improvement 1: CSI should be strategic and aligned to core business operations

Some participants argued that CSI needs to become more strategic in order for it to become more effective. Academic C argued that companies should align their CSI to their core businesses and areas of expertise. As an example, he suggested that construction companies should renovate public facilities and not attempt to fund healthcare programmes, emphasising that companies should support initiatives aligned with their broader strategic focus. Academic B gave the example, "financial services should not get involved in healthcare; leave that to the pharmaceutical companies". He added that there are some exceptions to this, like when mining companies need to set up infrastructure such as schooling around their mines. Academic A argued that "integration with core business" is important and explained that the benefit of this is that it can then "become more integrated to strategic core budgets, and I think that's a good way to spend CSI budget". Executive H said what matters is that CSI has "a strategic focus", arguing that "if it's not part of your strategy then you really shouldn't do it. I don't think you should just give money... I think you should stick to what you do best". Executive C explained, "if you don't align it to your business, you're not going to get business buy-in". Executive D agreed and said that, in the case of her company, "we're moving away from just a philanthropic approach to more strategy".

Executive B said that "there could be much greater alignment" between CSI and business strategy, adding, "there is a massive opportunity there". Executive F made the same argument, stating, "as far as I'm concerned, it's got to be aligned with your core competencies". Executive G argued that, by taking into account how social factors can negatively affect one's business, it then automatically becomes "part of the business strategy". Executive E argued that it did not make sense to her that CSI was not more strategic, because "if they're smart, they will take it very seriously because ultimately you want to secure your future customers, and if

you've got a country that is very unequal and you've got a growing poor, you're actually limiting your market". Executive C added that "if you take a longer-term view" on CSI, then she believed that it "certainly does" improve the financial performance of companies. Executive C noted, "it needs to be integrated in the longer-term programme that benefits both the company and the beneficiary, so it's more a partnership model than us being good and giving you money to go and do big things because then next week the person's back for more". Executive C explained that, with this approach, "then you get more synergies and the chance of getting more scale with the investment". In a rebuttal to these views, however, Executive E made a unique observation regarding the business community, saying that "everyone has advised them that they must be strategic" with their CSI, but she argued that, "in actual fact, there are some things in society you should just do because it's the right thing to do" and not because one expects to gain something from it.

6.4.2 Improvement 2: Collaboration and partnerships are needed

All of the corporate participants independently raised the need for greater collaboration and partnerships in order for CSI to become more effective. Most participants raised the need for increased collaboration between companies, while others raised the need for greater collaboration with government and NGOs. One participant added that increased collaboration between NGOs themselves is also needed. Academic A shared his view that South Africa needs "more effective cross-sector collaboration, because that is often required in addressing shared socio-ecological problems". Executive A felt that CSI could be improved through collaboration with other corporate partners, suggesting that likeminded partners who work in ancillary fields should connect on longer-term projects in order to have a greater impact. Executive B agreed that there is a need for greater collaboration between corporates, saying, "I think each corporate is trying to do their little bit and trying to make their little mark. I think there is a huge potential

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in collaboration and corporates coming together, bringing in their small little pools of money, and having a much bigger impact that way". Executive D explained that, in order to accurately understand whether we are investing in the right areas and "doing the right things" in CSI, "we need to zoom out and sit collectively and look at it and say, 'as CSI practitioners, what are the objectives and is what we are doing addressing that?'" Executive D added, "we should be able to hold each other accountable to know 'what are we doing?'" Executive E said that if companies got together and realised, "as a group, we now have the strength to lobby for issues... let's now take this whole thing seriously; let's get our CEOs involved. As a group that size, you then have clout".

In addition to these observations regarding the need for greater collaboration between corporates, other participants emphasised that collaboration with government is also important. Executive E argued that a "collaborative approach" was needed in CSI and stressed that this collaboration should be between both companies and government. Executive E said that, when companies are critical of the government, rather than being tempted to do "something outside the system because they don't think the system works", they should instead partner to tackle these issues together. Executive C explained that they already see government as a vital partner in CSI, saying, "there's always a government link in many of our big programmes... in approaching it as a partner, you get scale that way more often. If you really wanted to do a school programme in isolation it would just be madness because you have the Department of Education spending millions of rands... Doing it independently introduces loads of inefficiencies". Executive G was another corporate participant to argue that collaboration with government is important, saying that CSI needs to be "linked with what government wants to achieve" in any particular social area, given that they are already attempting to address those issues. Executive G explained that this is already a key part of their current model for CSI. The company funds new infrastructure, such as clinics or schools, but then turn these over to the

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government and never attempt to run them themselves, noting "we don't run any school, we don't run any clinic, everything that we do we hand over to the relevant authority. Whether it's a municipality or the government department". She concluded, "once we're finished, we give them the keys, we're out". Executive G explained that her engagements with the government have always been done with an understanding that "we'll build it" and that government will respond by saying, "we will equip it... we will run it, we will maintain it".

Executive C made the case that partnerships with NGOs are also important, and that this can serve as a platform for collaboration with other companies. She explained, "you need to have reached that space in your own approach to it, where you start seeing the charities as partners and, once that's settled on, then you can start seeing other companies as potential partners in the same programmes". Executive H said, that companies "should focus on working with proper NGOs" and should "let the NGOs and the people on the ground actually implement". She argued that "NGOs can carry it through because they work on the ground; they work with people", referring to the fact that companies might be too short-term in their CSI engagements to maintain sustainable long-term community relationships the way that NGOs can. Executive C argued that regardless of the partner, companies need to understand that the work they do in CSI "isn't their core skill necessarily, so firstly they need to bring in the necessary skills to do it efficiently and then they need to bring in the correct partners to do it with". Executive C said when you take a broader view of CSI, "what you do is you start looking for partners rather than for charities that you're only supporting randomly", adding that collaboration between NGOs themselves is important, given that they have a tendency to try to pull in different directions. Executive D argued that collaboration needs to span all of the groups mentioned above, saying, "the whole ecosystem of education needs to come together (and here I'm talking about the minister, the district offices, the schools, the parents, teachers, school leavers, the NGOs, and the corporates) to say: 'How are we holding each other

accountable?"". Executive B cautioned, however, that collaboration is not a panacea, and that previous attempts at collaboration in which resources have been pooled for larger initiatives have had poor results. She added that in these cases, "we see very little return on investment in terms of that donation... we're not told exactly what they do with that money, we don't see where that money goes; what the return on investment is there".

6.4.3 Improvement 3: CSI must be executed with the skill and expertise of businesses

A number of participants argued that the financial contributions made through CSI would be significantly more impactful if they were implemented with the support of traditional business functions. CSI initiatives are often executed as external programmes by CSI managers who do not have access to the intellectual resources of their own business units. Academic B argued that the contribution that companies make through their CSI could be much more than a simple financial contribution. He said, "there is the opportunity for them to think about this and apply their minds; to be cerebral and granular" and added, you need "to get companies to understand it is not the three billion or the seven billion in total that business provides" to CSI that matters, but instead their power and leverage as businesses. He concluded, "we're not leveraging the power of business by the rand value". Academic A explained, "sometimes it is not so much the money, it's about coordination, it's about innovation", adding the example that "there are opportunities where companies can use CSI budgets to experiment or test frontiers".

Some participants noted that companies tend to simply write checks for causes, or to NGOs or other third parties, or attempt to implement CSI programmes based only on the skills of one or two individuals, who are often not experienced in the field. Instead, they argued that if the financial contribution made by companies were implemented with skill and precision, these could be far more impactful. Examples might be robust strategy and planning, budgeting, oversight, monitoring and evaluation, as well as potentially leveraging local and international

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corporate relationships. Executive E explained that if companies were to use their intellectual resources and business experience alongside their CSI contributions, "that's where companies could play an amazing role". Executive F added that "from a corporate point of view, we've got so much expertise here, why not share it. Why not transfer the skills... there is that element of skills transfer".

Companies could potentially also be in a position to create positive social impact by using their skills and expertise independent of CSI, such as by providing their expertise to government, academic institutions, and non-profits, to help them achieve greater effectiveness. Using their knowledge and skills, companies may be able to help these institutions tackle social issues. Academic A explained that by choosing not to do so, "they are ignoring the potential that they could be having... the contribution that they could be making by actually putting to work these very significant capabilities they have developed", adding that at a minimum they could "at least use some of their broader capabilities or relationships" to drive such an agenda. Academic A noted that "perhaps sometimes there can be very good partnerships with government" and that "sometimes they can challenge government". As an example, a soft drink company could assist government in establishing a more effective programme to deliver medicines to communities that traditionally struggle to get them, leveraging their expertise in rural supply chain and logistics.

Regardless of whether companies ultimately take greater responsibility for using their core competencies to execute their social initiatives internally, the practice of engaging partner organisations, such as NGOs and CSI consulting firms, to implement some of these initiatives is unlikely to change. Thus, the quality of the third-party execution of these social initiatives also plays a role in the impact of CSI. Companies could thus consider working toward improving the quality of the partner organisations with which they engage.

6.4.4 Improvement 4: Companies need to be authentic in their motivations for CSI

Some participants stressed that, in order for CSI to become more effective, companies will need to actually be motivated to generate social impact, and would have to start taking CSI more seriously. However, ideas on how this could be achieved were less clear. Academic C argued that companies have a responsibility to take into account the moral and ethical considerations to which most natural persons would subject themselves. He highlighted the significant gap between what individuals are legally required to do, and what most would ethically do, and that companies needed to do the same. Arguing that most CSI is conducted without any reference to ethical practice, Academic C argued, "the moment that they took out ethics from the definition of responsible investing, that is where the problem started". Academic C saw this moral standing as essentially being something that should be a prerequisite to doing business, arguing that "they need a license to operate and they can only get it by taking care of their stakeholders". Executive D said that CSI needs to be approached in a developmental way rather than companies simply going through the motions, adding that CSI "needs to be a developmental approach to how you approach the issues of financial and social investment". Academic A agreed that companies need to "pay more attention to impact rather than ticking the box of the BEE scorecard".

Executive B suggested that companies need to step forward, stating "I think it is one of those things where we have reaped so many benefits as corporates over the years that it is time that we start giving back, and it is time that we start transforming our country and seeing a completely different landscape". Academic A emphasised, "there is also a role for business to identify externalities. The motivations for that are multi-fold: one is just because it is the right thing to do. Business managers also want to be able to feel like they aren't screwing people over too much, hence this thing about moral motivation and so on. But there is also a lot of

self-interest at play, especially if you consider the aggregate or accumulative impacts of companies that are systematically externalising social and ecological costs", highlighting that these accumulated negative impacts can ultimately harm businesses. Academic A said that there have been cases where mining companies "have just been extracting, extracting, extracting, and you just have this massive amount of informal settlements around these mines which are now beginning to really harm the mining industry, so some of the mines are escaping there for instance because they just can't handle the dismal conditions of the communities and because they are realising that... those conditions will spill over into wage disputes and other resentments". Academic B commented that it would be ideal if companies "fully grasped what their impact in society is and what the nature of their business and their material role in society could be". In considering the ideal motivation for CSI, Executive E said, "it should be a moral imperative" for companies. Executive H admitted that at present, "in boardrooms, we do split doing good and doing business", adding that "you need to make money, it is a business, but you also need to do good and you need to be sincere on both sides and you don't really get a lot of people that can marry the two".

The fundamental assumptions that underpin CSI may also need to be re-examined. Eccles (2013) notes that, even in a best-case scenario, if the social initiatives of today were to become universally adopted and achieve all of their current objectives, we would likely end up with something far short of the meaningfully better-off society and sustainable planet that we might assume this would create. For example, Eccles (2010) examined how the responsible investors, guided by the prevalent standards and benchmarks of today, might have influenced corporate behaviour during the years of apartheid, from the 1970s to early 1990s. His conclusion was that they would have been ineffective, having little impact on changing the social reality of the day. Eccles (2013) argues that "in terms of the human condition, we still have a seething mass of fellow human beings living in miserable, grinding poverty. We also

still have an apparently imbecilic wealthy class... living in a state of pathological disconnection from this miserable, grinding poverty" (p. 287). Eccles's (2013) argument is that many of our efforts for sustainability, far from meaningfully improving the world we live in, will simply lead to more of the same of what we have now. Sustainability talks of a desire to ensure the continuance of society and our environment, but as Eccles (2013) notes, sustainability in its current form predominantly calls for a continuation of the status quo rather than meaningful change. This line of thinking argues that, far from academic tinkering, we need to completely rethink our assumptions, variables, and conclusions; we need to rethink our benchmarks and metrics; we need to rethink CSR best practices; and we need to rethink our goals and vision for responsibility in business. Ultimately, a broad reconsideration of CSI practice will likely be required.

6.4.5 Improvement 5: CSI should be used to fund strategically important social areas

Some participants argued that CSI could be more impactful if it focused on strategically important social issues in South Africa, such as education and job creation. Academic B was one participant who made such a claim, arguing that education, healthcare, and unemployment were all important areas on which CSI should focus. Executive A believed that CSI should focus on education, skills development, and job creation, saying that these are the three things that are "really frustrating the ordinary man on the street. It's what results in all this unrest and protest, because people are hungry and cannot sustain themselves". Academic D felt that education needs to be the primary focus of CSI funding, but that early childhood development needs more attention than late-stage education interventions. He explained that most of the students who attend his university have already "benefited from superior early childhood development" and that their subsequent success at university "had pretty much nothing to do

with what we do with them. By the time they get to us they are either made or not made", noting that the majority of the current focus on education came too late in the education process.

Executive H made this same argument, agreeing that while the education sector is already the largest recipient of CSI funding, these interventions were aimed at the wrong age group. She explained, "we are currently focusing on the dropouts. How are you going to fix a nation with your dropouts?". Instead, she argued that CSI needs to "focus on small children; focus on your teachers" and that you should "start with your babies, from zero to eight years old. We're not focusing on that enough". She added, "you need to get your best people to be your ECD teachers, make sure that that is where we start and then you get the primary schools sorted out and then focus on your high schools and then your school leavers". Executive H concluded that there also needs to be a greater focus on ensuring that NGOs are better equipped.

Executive E agreed that "you've got to get this generation educated", but shared her view that "inequality is a major issue and unemployment is a major issue, and until you sort those two things out, people don't have the luxury of choice around education, around healthcare, around all of these issues". Executive F argued that, in her view, "I just think that too much is given to education", and advocated that companies rather address the issue of healthcare in the country, as a means by which to have a more tangible, significant impact on people's lives in a way that current education initiatives are failing to do.

Academic A had a different perspective, arguing that CSI should be used strategically to drive innovation and test frontiers, becoming a high-risk funder for entrepreneurs and new innovation. Academic A said, "this is an opportunity for CSI to be the spearhead of innovation around us", noting that companies should "use CSI much more proactively for innovation, as a spearhead for change". Academic D felt that this type of focus is problematic, however, arguing that a focus on entrepreneurship constitutes a "business-centric perspective" that would

"essentially put money back into business and business ventures", rather than addressing more pressing social needs. Other participants cautioned that the issue of where CSI is being spent is not as important as *how* it is being spent, and that shifting the focus of CSI is unlikely to lead to meaningful improvements. Corporate C, for example, highlighted that education is already the highest priority in CSI spending, noting that "40 percent of the total budget goes towards education from corporates, and yet our education is one of the lowest in the world". Executive E made the same observation, saying "we've all been funding education projects for the last ten years and we're not shifting maths and science".

6.4.6 Improvement 6: Regulation may be needed to modify corporate behaviour

Some participants shared the view that greater levels of regulation and enforcement are going to be the only way to get companies to transform their CSI practices. Academic C argued that improved regulation "is a necessity, because if you ask companies to transform out of their own they're not going to do it". Evidence of this could be found in Academic R's insight that current regulation has indeed been successful in increasing the *amount* of money dedicated to CSI, noting that "money is probably spent that wouldn't otherwise be spent". Academic D made the same point, arguing that without regulation, "you would see a significant drop in the corporate social investment of companies". Executive B explained, "I think there would be a lot of corporates who weren't contributing if it wasn't regulated", noting that her company always spends the absolute minimum specified by regulation, "we spend exactly our one percent of net profit after tax". Executive D agreed that regulation is important, arguing that without it, "corporates would be doing things that are totally not aligned to what they should be". Executive F supported regulatory reforms and noted, "regulatory wise, more can be done". Executive H agreed, saying that she does not think that legislation is well thought through

enough, and that coordinated efforts to address social issues are now needed, explaining, "unless there's legislation dictating that, it won't work".

Now that regulation has addressed the quantum of corporate spending on CSI, further regulation may be needed to ensure that companies begin to spend this money meaningfully and in a way that generates impact. Academic C expressed his optimism that companies would adjust to further legislation, saying "as painful as legislation is... if it comes they will adjust and we will see change. So painful, yes, but I think that is the only way that you going to get people getting into action". Academic D emphasised that regulation should be used to ensure that we do not have a situation where "all of the benefit is concentrated in some set of hands, and all of the burdens are borne in another set of hands". Academic D explained that when there is not a natural business case for companies to act in a socially responsible manner, that is when the government should step in to "regulate business, either to create a business case or to prevent companies from being essentially malignant in their activities". Academic A agreed that "the South African state is seriously challenged in addressing externalities and of providing social goods and services", and that "it's crucial for the state to address social and environmental externalities" of business. However, Academic A emphasised that government cannot bear the full weight of responsibility for corporate behaviour, and added that it was important for businesses to take responsibility for identifying and addressing their own externalities as well.

There may also be some corroboration of these views in a related discipline in South Africa. Similar to CSI, *enterprise development* (ED) initiatives in South Africa are effectively government mandated for large businesses in South Africa and are focused on trying to establish or grow black-owned businesses in the country. *The Enterprise Development Report* (Fröhlicher & Pothering, 2013) highlights the many shortcomings of ED, however, and the

alarming extent to which ED has failed to enact social change. The report credits an attitude of compliance rather than commitment, and the lack of experience in managing ED within corporations, as the major reasons behind ED programmes not achieving their potential. The report also highlights inconsistencies between the stated motivations for ED practice and how ED is typically implemented, arguing that this is a significant contributor to the failure of ED initiatives. Fröhlicher and Pothering (2013) cite the lack of incentive to enact impactful or successful ED strategies, and the low levels of motivation to enact change, as key reasons behind this trend. These authors were also able to establish that government legislation had been the driving force behind much of the growth in corporate involvement in ED in the country. This may indicate that improved regulation will be required in order to drive reforms in CSI, but also highlights the challenges faced in such an approach.

6.4.7 Improvement 7: Companies must engage with communities and stakeholders

Some participants emphasised that stakeholder engagement is required to ensure that stakeholder perspectives are heard as companies take on social issues. A similar suggestion was that companies should have greater levels of engagement with the ultimate beneficiaries of their CSI initiatives so that they better understand the real challenges of local communities and what practical solutions to those might be. Academic B explained that while companies often have forums and platforms for engagement, "once you look slightly deeper into how the operationalisation of these engagements actually happens, you see there are a lot of holes in their approach". He said that stakeholder engagement is "a theoretical construct that companies grab onto" but that in practice they are often "not really clear on how to do that", given the complexity and cost of facilitating meaningful engagement. Executive H emphasised, "I think we should start involving the people that we want to assist", adding that companies "are very arrogant". Executive D said companies needed to make community engagement a priority, and

dig deeper to "understand what it really means". Executive B agreed that stakeholder engagement is vital, giving the example that when working with a school, a company should be asking, "what exactly is it that you are struggling with? What are the key misalignments; the key areas that you are finding difficult?" Companies should then address those issues, "as opposed to going to NGOs and saying: 'Here's the money go off and run your programmes'".

6.4.8 Improvement 8: CSI managers need to be experienced professionals

In line with the criticisms that CSI departments are typically staffed with individuals who do not have experience in development, the suggestion was made that companies needed to hire professionals for CSI positions. Executive E explained, "if you were very strategic and you actually went in there (again, it's about having the right people) you could completely transform those communities". Executive E argued that this was the single biggest issue that needs to be tackled and said, "we should be recruiting professionals in this space", adding the suggestion, "I think that people should be forced to be, trained to be CSI professionals. I think there should be a qualification requirement". Executive H agreed that the position of CSI manager "should be a very strategic position" in companies.

6.4.9 Improvement 9: CSI needs to become more sophisticated

Participants expressed a number of concerns regarding the lack of maturation in the field of CSI, including insufficient metrics, tools, and benchmarks for assessing social impact and shortcomings in terminology. Addressing these concerns would by no means guarantee that CSI will become more effective, but it would likely cultivate an environment in which a more impactful version of CSI might be more probable. Executive C noted that the term CSI has a "negative connotation", while Academic A added that there has been much confusion around CSI terminology. Executive E emphasised the importance of learning in the discipline

of CSI and the need for a more sophisticated "community of practice". These may be important steps in ensuring maturation in the field of CSI.

6.4.10 Improvement 10: Government or third-parties may need to administer CSI

One participant suggested that CSI could potentially be better spent by a third party, such as government, and that perhaps it should be collected as a tax. Academic D explained that, given that companies are often relatively inexperienced at spending social resources, the one percent of NPAT that companies provide for CSI programmes could potentially be collected as an additional tax for the government to administer. He explained, "government is better equipped. Government is mandated by its citizens to figure out how best to spend redistributed money in the form of tax. They have... all sorts of social infrastructure which is basically designed to figure out how to spend money in the best interest of society or in the best interest of development of the society". Academic D acknowledged that this may be a controversial argument, and that some might worry that such funding "will get lost in corruption", but he argued that "even with that, I still think government would be better equipped to spend the money than the corporate world... government is much better equipped to figure out how to spend social money". Theoretically, this funding could also be collected and administered by a third party other than the government.

Other participants pushed back on this idea, however, less because of fear of government corruption and inefficiency, but more because they argued that companies are in a position to add significant strategic value to CSI in terms of their business expertise. Although many participants acknowledged that this does not often happen in practice, the potential of having a more strategic implementation of CSI was still generally seen as preferable to government administration. Executive C made the observation that there is another benefit to companies managing their own CSI funding, explaining that "when business interacts directly

with organisations, there's a skills transfer that happens, whether it be through a structured mentorship programme or just actually people in charity organisations spending time with business people" and "a cross skills transfer that happens which strengthens society on a wider level, which would completely fade away if there was one central place that handed out money". Executive C explained that this is a reciprocal relationship, and while "there is definitely a transfer of skills from business to the organisation", that there is "also the skills transfer from the small organisation or the charities, to business, in terms of how to approach, people in need or whatever the cause might be, just sort of a cross skills transfer that happens which strengthens society on a wider level". Academic A agreed that keeping the "institution" of CSI within business is important because "it allows companies to decide and to apply some of their skills and insights in spending that money in creative and innovative ways".

6.5 CSI and Institutional Theory

Institutional theory served as the theoretical framework for this study and its influence is apparent in each of the chapters of this dissertation. This section will consider the specific interplay between CSI and institutional theory in greater depth, however, and discuss the results of this study exclusively with the language of institutional theory.

If it were assumed that organisations are perfectly rational and pursue technical efficiency, relatively immune from their broader institutionalised context, it would likely be difficult to make sense of the largely ceremonial nature of modern-day CSI practice in South Africa, as described by many of the participants in this study. The inconsistencies between the CSI claims made by the majority of companies in the quantitative data and the reality of CSI articulated by participants begin to make more sense when examined through the lens of institutional theory, however. Institutional theory offers an alternative to the more simplistic mainstream assertions regarding the drivers behind CSI in South Africa, instead advancing the

idea that such practices have deep institutional underpinnings and cognitive justifications worthy of investigation (Bansal, 2005; Campbell, 2007).

In this context, the formal CSI structures of South African companies appear to be the result of the social norms and institutionalised myths that guide their behaviour. This has led organisations to embrace the cultural and ceremonial drivers of CSI in pursuit of legitimacy, rather than efficiency, as anticipated by DiMaggio and Powell (1991). Reviewing the empirical findings of this study, it could be argued that the prevailing social expectation that companies behave in a socially responsible manner ultimately drives companies to embrace CSI in South Africa, as does the regulation that has resulted from this expectation. Participants frequently referenced the corporate pursuit of legitimacy in South Africa through their CSI efforts which, as Scott (1995) explains, can provide them with greater stability and improved long-term survival prospects, or even decreased risk (Diemont et al., 2016).

Based on the evidence, it seems as though companies may also practise CSI without necessarily believing it has any inherent economic value and regardless of its ultimate technical inefficiency. Thus, the inauthenticity and inefficiency of CSI cited by many of the participants in this study may make more sense if one accepts that companies pursue and derive value from legitimacy, which CSI helps them earn in the eyes of government and society. Companies are willing to embrace the institutional myths and social norms that compel CSI practice, even when it comes at a direct economic cost and at the cost of efficiency. The inauthentic motivations behind CSI appear to have led to the decoupling of its practice, however, as the pursuit of legitimacy, rather than true social impact, has led to an ineffective form of CSI in which companies prioritise optics over impact.

Galaskiewicz (1991) argues that, by definition, companies do not have an ethical construct or possess a conscience, and are inherently driven by their own short-term self-

interest. Interviewees argued that this appears to be the case in the field of CSI where, instead of pursuing meaningful CSI practice, companies pursue the rewards associated with being in alignment with the cultural norms of South African society (Scott, 1995). Examining the empirical results alongside the theoretical underpinnings of institutional theory advanced by Meyer and Rowan (1977) and presented earlier in Chapter 3, one could argue that the formal structures and policies for CSI practice have simply been a response to these prevalent social expectations. Over time, these CSI structures have become deeply ingrained and highly rationalised in South African corporate structures, and the myth of CSI has become indistinguishable from broader institutional structures and interests. Companies have avoided processes of inspection and evaluation that could illuminate the divide between what they say they do and what they actually do in CSI, instead encouraging reliance on good faith. Companies have also reduced the coordination and control of their CSI activities, resulting in a decoupling between their formal CSI structures and the actual underlying CSI activities that they perform. This divide has come at the cost of efficiency and has taken on a ritual significance.

It could be argued that the perceived inconsistency between the way in which companies champion CSI in their rhetoric and formal structures, whilst pragmatically dismissing CSI, is a case of decoupling. Evidence of decoupling in CSI in South Africa can be found in the claims of authors such as Hamann and Kapelus (2004), who raised concern over the claims of business regarding their CSI practices, and Fig (2005), who similarly claimed that a gap that exists between what companies claim and what they practise in CSI. Participants in this study echoed these authors' concerns. The decoupling of CSI in South Africa appears to have resulted in the formal structures and blueprints for CSI activities differing from their actual underlying CSI activities, mirroring the divergence between organisational rhetoric and underlying pragmatism identified by DiMaggio (1991). Participants in this study commonly

argued that the stated motivations for CSI practice and its supposed objectives are disjointed from their actual underlying CSI activities. If this is true, it would appear that companies often pursue optics over impact, creating policies and blueprints that conform to social expectations of their behaviour, while ultimately allowing these to be subverted or poorly implemented, and for their activities to stray from their formal CSI structures. CSI thus appears to be an exercise in ceremony rather than technical efficiency. It also appears that the concerns raised by Evans (2004) regarding the potentially superficial nature of corporate efforts of social responsibility appear to have manifested in the field of CSI. Meyer and Rowan (1977) note that companies relying on institutionalised myths often create "elaborate displays of confidence" (p. 358), which might explain the hyperbolic claims companies often make about their CSI practice and commitment to social responsibility (Fig, 2005).

Although this study found evidence that CSI is typically not motivated by altruism, claims of altruism and symbolic and ceremonial CSI practices have now become practically universal within the corporate landscape in South Africa. Applying the logic of Meyer and Rowan (1977), embracing CSI allows companies to avoid the risk of being accused of negligence or of being socially malignant, and thus could partially serve as a risk mitigation tactic. The legitimacy that companies gain from their improved social standing as a result of practising CSI, and the value of appeasing regulators, represents an economic value to companies. Thus, it appears that the benefits that companies derive from CSI are derived regardless of whether CSI is effectively implemented. This is despite the fact that CSI itself does not necessarily benefit the organisation in a directly measurable way in the short-term. Ironically, it is embracing the formal structures of CSI and adopting its practice that appears to ultimately indemnify companies from having to actually exercise their social responsibility in more meaningful ways; optical compliance with CSI is all that is required, and companies are thus never forced to accomplish the stated purpose of their CSI activities. Organisations still

need to keep up the appearance that the myths to which they subscribe actually work, however, and thus organisations still pay attention to the optics of their CSI activities, through marketing and public relations efforts.

Institutional theory holds that efficiency is likely to be the primary determinant of corporate success when the public is able to easily inspect, control, and evaluate a company's activities; however, if the public is unable to do so, conformance to institutional norms are likely to matter more than efficiency (Meyer & Rowan, 1977). Broadly speaking, it appears that the public is ill-equipped to assess the social impact of CSI and the efficiency of CSI initiatives in South Africa, and has little ability to audit and control the CSI activities of South African companies. Similarly, the outputs of CSI are difficult to measure and the field is arguably inherently ambiguous. Thus, it appears as though companies may pursue compliance with institutionalised norms surrounding CSI rather than pursuing technical efficiency in their CSI programmes. It is important to note that, in this context, it could be argued that companies are being efficient at improving their legitimacy and survival prospects through their ceremonial practice of CSI, despite being inefficient at accomplishing the phenomenon's stated objectives.

Given that institutional theory considers how societal beliefs and norms define the institutional environment (Singh et al., 1991), it is interesting to consider the extent to which companies appear to have mirrored the prevailing social acceptance of certain social standards during the time of colonialism, apartheid, and post-apartheid South Africa. Companies appear to have been willing to accept discriminatory social practices whilst these were embraced by the political and social elite, and similarly willing to accept transformation in the new, post-apartheid South Africa as this became the new social norm.

Institutional theory also acknowledges the role that complexity plays in necessitating the development of formal institutional structures (Meyer & Rowan, 1977). In the face of greater complexity, formal structures become increasingly important in modern society (Meyer & Rowan, 1977). Given the complexity of the field of CSI, and the immense challenges characteristic of efforts to drive positive social impact, the emergence of formal structures is potentially understandable in this context. Institutional theory accepts that the perceptions of social actors and the cognitive lens through which they view the world impacts the formation of organisations (Fligstein, 1991), and determines what is perceived to be real and have meaning (Scott, 1995). It could thus be argued that embracing CSI becomes taken-for-granted behaviour in organisations, essentially becoming a preconscious process that is widely adopted without question (DiMaggio & Powell, 1991). Regardless of whether corporate behaviour is automatic and unconscious or a more strategic response to institutional pressures (Galaskiewicz & Wasserman, 1989), it appears that companies operate with bounded rationality and imperfect information, and thus follow scripted CSI behaviours that provide routine and stability to an otherwise complex activity (Fligstein, 1991). This introduces a degree of certainty that reduces anxiety and perpetuates impersonal, rationalised CSI processes, in line with the thinking of Giddens (1979). Ultimately, it is the stability resulting from CSI practice rather than the efficiency or the actual performance of their CSI programmes that incentivises corporate behaviour.

Reviewing the results of this study alongside the insights of DiMaggio and Powell (1983), one might argue that institutional theory can also be used to explain the high degree of homogeneity in CSI practice, including both the universal adoption of CSI amongst large companies in South Africa, as well as the similarities in the way in which CSI activities are implemented and reported. As DiMaggio and Powell (1983) explain, this phenomenon, in which companies are naturally driven to become more structurally and culturally similar to one

another, is known in institutional theory as isomorphism, and is not necessarily intentional. Facing the same government regulations and social pressures compelling CSI practice, companies appear to have responded similarly through a process of coercive isomorphism. Confronted with the same uncertainty and ambiguity in considering how best to implement CSI, organisations have looked toward each other to model their behaviour in a process of mimetic isomorphism. As CSI has emerged as a profession, education and training in the field of CSI and growing networks of CSI professionals have facilitated the homogenisation and legitimisation of their activities through a process of normative isomorphism. Homogenisation in CSI in South Africa may also be driven by structural limitations in the number of choices companies have for each dimension of CSI practice, such as their more limited choice of CSI consultants and NGOs, or local social impact benchmarks or metrics upon which to base their CSI reporting.

This study also finds support for the observation of Matten and Moon (2008) that there is a meaningful degree of divergence in international CSR practice. Institutional theory specifically acknowledges the important role of the state and its laws in determining institutional structures, and how political and professional actors, as well as standardised terminology and mechanisms of financial exchange, influence institutional forms (Scott, 1995). Thus, in the context of CSI, the suffocating role of South Africa's government during the years of apartheid and high levels of government regulation in more recent years likely influence social responsibility in South Africa more than in some other markets. Participants indicated that divergence from international practice can be seen in areas such as South Africa's unique CSI terminology, and the more external focus of its practice. Institutional theory also acknowledges the fact that "value" is not necessarily universal, or purely financial, and that factors such as security and social standing can be considered to be important outcomes of an organisation's activities (Friedland & Alford, 1991). South Africa's local context has likely

resulted in a set of values that differ somewhat from international norms, although it is often noted that this effect should not be exaggerated and that corporate South Africa, and its economically-empowered minority, does not differ substantially from the norms observed in more developed markets.

While it is evident that institutional theory is valid in the South African context, Evans (2004) warns against this being used as justification for subsequent *institutional monocropping*, in which idealised conceptualisations of Anglo-American firms result in theories that are then naively presumed to transcend cultures and contexts. He argues that this typically results in ineffective and superficial interventions that are decoupled from reality. Thus, while institutional theory and mainstream literature on CSR are undoubtedly relevant in the South African context, there seems to be support for the idea that local nuances need to be considered.

Galaskiewicz (1991) made an observation regarding the potential for divergence in organisational practice, noting that the micro and macro social orders from which organisations take their cues when conforming to social norms are not necessarily uniform. This observation is interesting in the South African context, given that the country is simultaneously diverse and homogeneous in different respects. South Africa is known for its cultural and economic diversity, which might lead to the assumption that there is greater heterogeneity in South African CSI practice compared to mainstream international CSR as a result. As previously mentioned, however, South Africa's wealth remains concentrated in a narrow segment of the South African population, and South Africa's corporate community is far smaller and more concentrated than in many developed markets (Brandmeir, Grimm, Heise, & Holzhausen, 2017). This concentration of wealth likely contributes to greater homogeneity in local CSI practice, representing an important dynamic in the local institutionalisation of its practice.

6.6 Conclusion

The qualitative study revealed profound concerns amongst academic and corporate practitioners in the field over the motivations behind why companies practise CSI and the limited impact it appears to have on society. These concerns, and the suggestions made for improvements, provide insights that serve as a foundation for a deeper understanding of CSI and upon which meaningful solutions could be formulated. The implications of these findings are presented in the concluding chapter.

Chapter 7: Conclusions

This chapter presents the final conclusions of this research and explores the unique contribution it makes to knowledge in the field. These conclusions draw on the discussion of the results and connections made with the existing literature, which were presented in Chapters 5 and 6. The limitations of the research are then discussed and the recommendations and implications for the field are presented. The chapter concludes with ideas for future research.

7.1 Concluding Remarks

This study investigated the validity of criticisms found in literature and society of the practice of CSI in South Africa. Using a two-phase explanatory sequential research design, an initial quantitative study of archival data provided insights into the current state of CSI in the country. A subsequent qualitative study utilising thematic analysis of interview data addressed questions arising from the quantitative analysis.

The first objective of this study was to explore nominal and real levels of CSI funding in South Africa between 1990 and 2017, to describe key characteristics of this funding, and to determine whether any relationships exist between CSI funding levels and corporate financial performance or social need. The results of the study provide insight into the state of CSI in South Africa, demonstrating an inflation-adjusted growth in CSI funding of 68.56% between 1990 to 2017. The vast majority of this growth was attributable to the period between 2007 and 2017, which coincides with the introduction of B-BBEE legislation in the country which effectively compelled large companies to dedicate one percent of their NPAT to CSI initiatives. Companies overwhelmingly focus on education initiatives when spending their CSI budgets, with social and community development initiatives also receiving a meaningful allocation of funding, as of 2017. CSI giving in South Africa is dominated by a selection of large contributors, with just 15 companies in South Africa contributing 44.97% of all CSI in South

Africa in 2017. Regression and principal component analysis were then used to investigate the relationship between CSI levels and indicators for corporate financial performance and social need. A strong positive relationship was identified between CSI and the independent variables associated with corporate financial performance. Although the results of the statistical analysis could not, in of themselves, exclude that some relationship between social need and CSI does exist, the strong positive relationship between CSI and financial and economic variables provided evidence that the quantum of CSI giving in South Africa may be linked primarily to measures of corporate financial performance. This raised a number of questions that were best suited to an in-depth qualitative study, which was then conducted.

The objective of the qualitative study was to assess the perspectives of leading experts in the field of CSI as to their views on the state of CSI in South Africa, including the motivations driving companies to fund CSI and their assessments of the efficacy of its practice. The qualitative study utilised thematic analysis of interview data addresses questions arising from the quantitative results. Semi-structured interviews were conducted with leading corporate CSI executives and prominent academics in the field regarding their perceptions on the efficacy of CSI and the motivations driving corporate funding of CSI, including their concerns regarding CSI and suggestions for improvements.

Participants in the study argued that the social responsibility of business in South Africa originates from the moral and legal imperative to act responsibly, the responsibility to address South Africa's painful past and current high levels of poverty and inequality, and the responsibility to consider the negative externalities of business operations. This responsibility is magnified by the ability of business to respond, and the failure of government and others to adequately respond, to the immense social need in South Africa. There appear to be important differences between the perceived social responsibilities of business in South Africa and those

in more developed markets. The country's unique social challenges, history, regulatory environment, and the emergence of CSI, with its own terminology and practice, all seem to contribute to deviations from international CSR.

It appears that the prevalent expectation in South African society that companies have a responsibility to society has created an environment in which companies desiring legitimacy are incentivised to practise CSI. This occurs as a result of both social pressure and government regulation and has led CSI to become an institutionalised practice in South Africa, with norms and myths translating into formal corporate structures. There was a concerning misalignment between the factors seen to be creating the social responsibility of business and the subsequent reasons that were identified as motivating companies to actually perform CSI, however. This mirrors a similar misalignment between their formal CSI structures and their actual underlying activities cited by participants, providing evidence that there is pervasive decoupling in the practice of CSI in South Africa. Companies appear to perform CSI primarily because they are required to by government regulation, or because they perceive it to be in their self-interest. CSI appears to rarely be conducted solely out of a sense of responsibility or moral imperative. The quantum of funding spent on CSI in South Africa seems to be primarily dictated by the minimum stipulated by regulatory requirements, or the minimum level agreed to with government in negotiations to obtain or maintain a license to operate. The objectives of CSI funding, once allocated, appear to usually be aligned to corporate self-interest, particularly in strengthening their reputation and public relations efforts, and improving their bottom-line. In other cases, companies do not have any particular objectives for their CSI at all, ascribing little value to CSI and thus adopting a non-strategic, compliance-driven approach to CSI implementation.

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This study identified a number of concerns regarding the practice of CSI, one of the most significant of which was that CSI is broadly ineffective at generating positive social impact in South African society. Although it is difficult to accurately measure social impact, many participants argued that the social impact of CSI in South Africa is low. The small size and scale of CSI leads to low levels of absolute impact, and poorly-run CSI initiatives lacking strategy and expertise resulting from an inauthentic commitment to social responsibility have been ineffective at generating meaningful social impact relative to the size of CSI spending. The inherent difficulties in measuring social impact, and a lack of sufficient mechanisms for accurately assessing social impact, make measuring the impact of CSI challenging. Improved metrics, tools and benchmarks may help facilitate greater accountability in CSI. Companies are likely positioned to make their greatest impact through CSI when they apply their experience and intellectual resources to ensure that their CSI programmes are effective and well-run. CSI should be implemented with the same skill as other business functions.

Given that CSI is typically motivated by regulation or self-interest, as opposed to authentic social concern, it appears that companies often do not take CSI seriously. This can result in CSI that lacks strategy, lacks accountability, and fails to achieve meaningful social impact. When CSI is not taken seriously, and companies are not making meaningful and authentic attempts to achieve social impact in the first place, any new interventions aimed at improving CSI practice are likely to be undermined. Short of companies authentically embracing the moral imperative of their responsibilities, it should be expected that companies will likely continue to prioritise optics over impact, unless incentivised otherwise. Social responsibility is often considered without consideration for the moral and ethical responsibilities of business, and this may need to change in order for CSI to become more authentic and impactful. CSI is also often implemented as a marketing or public relations exercise, with objectives that are primarily aligned to improving the public image and

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reputation of companies, rather than being aligned to driving positive social impact. CSI that is primarily a marketing or public relations exercise may increase the likelihood of CSI being ineffective, and of misrepresentations being made regarding the social impact of CSI and regarding the true underlying motivations of CSI practice.

Companies are broadly unaccountable to the success of their CSI efforts, and face few consequences for poorly-executed social initiatives. Regulation compelling CSI practice contributes to the lack of accountability in CSI by only stipulating the amount to be spent on CSI and not making any attempt to ensure that CSI funding is spent in a way that is efficient and impactful. Similarly, companies acting out of self-interest, by meeting social expectations regarding their corporate commitment to social responsibility, typically results in a focus on the optics of CSI rather than on its impact. Improved regulation may be needed to compel companies to ensure that their CSI is more impactful, although devising a mechanism that could sufficiently mandate impactful CSI, monitor and assess its impact, and enforce compliance is rife with complexities.

Concerns were also raised by participants that CSI may have negative consequences that are currently underestimated. Intentionally or unintentionally, CSI has the power to distract the public from a lack of broader corporate commitment to social responsibility, with sophisticated marketing and public relations surrounding CSI alleviating the scrutiny placed on the level of social responsibility in a company's core business. This is something that may need to be guarded against. Companies frequently use CSI to tout their social responsiveness, but this may not be an accurate measure of their broader commitment to social responsibility within their core businesses. Companies are in a position to have a greater positive impact on society if they embrace social responsibility both internally in their core business operations as well through their external practice of CSI.

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CSI may perpetuate a cycle of dependence, failing to empower communities by focusing on symptoms rather than the underlying causes of social need, and contributing to unhealthy and unsustainable social expectations regarding aid. CSI may also cause the government to abscond from their responsibilities, allowing them to retreat from delivering certain social services when these are being provided by companies in particular communities, and relieving the pressure on them to begin providing social services in communities which are not already serviced by the government. When companies are careless or insensitive in implementing their CSI programmes, or they market and publicise their interactions with communities at the expense of the dignity and privacy of individuals, companies can cause harm by making a spectacle out of the need and poverty of others. CSI often involves intervening in the lives of those in need, and companies should be sensitive in these interactions, given that their actions impact the lives of vulnerable populations. When CSI is used as a mechanism to compensate for negative business externalities or to compensate for the benefits it derives from society, a misalignment is created between the large number of South Africans who would theoretically be owed such compensation and the narrow segment of society that actually benefits from CSI.

CSI remains a relatively primitive practice and will need to mature as a discipline in order for it to become more effective. CSI terminology needs to be clarified and the term should be distinguished from that of CSR in practice and in the literature. This study argues that the use of the term CSI should be limited to the external efforts a company makes to meet their responsibilities to society, while the term CSR should be used to denote the broader social responsibility of business and the activities undertaken internally to advance this responsibility.

CSI may also encourage companies to view social responsibility as an external function, and perpetuate the view that companies can ignore social responsibility in their core

business operations as long as they practise CSI. When the objective is to maximise the benefit that a company derives from its CSI practice, companies should be strategic in their practice of CSI and align it to their core business operations to ensure buy-in and to align it to the company's self-interest. When the objective is to maximise the social impact of CSI, CSI should be practised with greater strategy in order to increase its effectiveness, and should be aligned to a company's areas of expertise in order to ensure the company is operating in the areas in which it is most experienced and able to add value. Given that CSR is often embraced as a strategic and internal function, primarily benefiting a company's direct stakeholders, the external focus of CSI could be uniquely beneficial if it were practised as an add-on to CSR and aimed at benefiting a broader segment of society.

CSI appears to be more likely than CSR to be practised as a function of retrospective responsibility rather than prospective responsibility, orientating companies toward considering their responsibilities in a manner that is reactive rather than proactive. This can lead to a mindset of compensation for harm rather than one in which resources are used to prevent harm in the first place. CSI practitioners appear to often be unqualified and inexperienced at running and evaluating social initiatives and operate with little influence, inauthentic mandates, and scant access to resources in many companies. Companies need to begin to hire experienced professionals in their CSI departments, equipping them with the appropriate resources and mandates, and allowing them the independence and influence within the organisation that is required for them to be effective. Companies should recognise any potential shortcomings in their ability to accurately assess and address social issues, and hire individuals experienced in driving social impact to address social challenges.

There is very little collaboration in CSI, and thus CSI is often performed in a vacuum in a way that is uncoordinated, resulting in a duplication of efforts and a lack of focus.

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Companies should consider greater levels of coordination with other companies and partnerships with government, society, and NPOs to allow for synergies to emerge through the sharing of information and resources. Companies may find that collaborating with government is particularly beneficial when attempting to run a CSI programme that overlaps with an area that is already directly serviced by the government, such as education and healthcare. NGOs, often concerned with their own survival and funding, may be part of the problem, and need to begin to collaborate and possibly merge with one another to facilitate greater efficiency and focus. Stakeholder engagement and consulting with the intended beneficiaries of CSI is important in order to ensure that social problems are sufficiently understood and that proposed interventions are appropriate for local communities. Third-party managers of CSI should reflect on their own responsibilities, and prioritise social impact in their initiatives. They should also embrace their role as thought leaders in the field, and aid in the advancement of the discipline of CSI. The social responsibilities of business also cannot be considered in a vacuum, and the roles and responsibilities of society and government should be scrutinised alongside those of business. It is reasonable that companies expect society and government to play their part in addressing the social challenges in the country.

Both the quantitative and qualitative phases of the study were conducted through a lens of institutional theory. This provided a framework through which to consider the impact of institutional forces on corporate behaviour in South Africa. The results of the qualitative study indicate that companies primarily embrace CSI in an attempt to adhere to the social expectations and laws of society, thereby gaining legitimacy, stability, and improved long-term survival prospects. Corporate pragmatism and an indifference to the true efficiency of CSI has resulted in decoupling between the formal structures and rhetoric surrounding CSI and the underlying activities that characterise its practice, however. A ceremonial commitment to CSI has led companies to emphasise the optics rather than the impact of their CSI activities.

7.2 Unique Contribution to Knowledge

This study makes an important and unique contribution to knowledge, advancing theory in the field of CSI. By using institutional theory as a framework for evaluating CSI in South Africa, this study makes a contribution by demonstrating that corporate behaviour and motivations for CSI practice are the result of institutionalised forces. The study identifies coercive isomorphism as the most significant driver of CSI in the local context, with companies facing significant social pressure and a rise in government regulation compelling its practice. Companies in South Africa adhere to the social norms and legal expectations regarding their social responsibility efforts because of their strong desire for legitimacy. This study also provides evidence of decoupling in CSI, finding that formal CSI structures are often decoupled from the underlying activities that characterise its practice. This suggests that any study of CSI should consider not just the stated objectives and motivations for its practice, and the formal structures that typify it, but also the actual underlying activities and institutional forces that drive its practice.

The quantitative phase of this study makes a contribution by providing insight into the state of CSI practice in South Africa, including the levels of CSI funding and the focus areas toward which CSI funding is directed. It also provides insight into how CSI contributions have fared against inflation, and identified an inflection point at which CSI funding appears to have increased as a result of new regulation effectively compelling its practice.

The qualitative study provides an empirical foundation upon which the practice of CSI can be evaluated. The study makes a contribution to knowledge by providing insight into the defining themes that have emerged in CSI practice, identifying a number of concerns regarding CSI and the factors that are contributing to these shortcomings. The results of this study provide valuable insight into the motivations that drive CSI practice, proving evidence that companies

are primarily motivated by regulation and self-interest rather than a sense of responsibility or morality in their funding of CSI. The study determines that this has translated into an emphasis on the optics rather than the impact of CSI in South Africa, and that this is likely lowering its efficacy.

Whilst not measuring social impact directly, this study gathered the views of corporate CSI experts who have first-hand insight into the efficacy of CSI initiatives. Their assessment that the impact of CSI is low, or that the impact of CSI is not clear, is an important finding. This is particularly significant given the substantial claims companies make about the impact of their CSI efforts, as well as their apparently inaccurate claims that they perform CSI primarily because of the moral imperative to do so. The results of this study show that the potential harm caused by CSI practice is likely underestimated, emphasising the need for companies to consider the negative externalities of CSI practice. It could be argued that the sophisticated marketing of CSI efforts makes a spectacle out of poverty, and that the short-term nature of many CSI interventions interferes in the lives of vulnerable populations. Similarly, CSI may have the unintended consequence of causing the government to abstain from its responsibilities, and of reinforcing an unhealthy societal dependence on aid. Thus, this study contributes to our understanding of the role that CSI may play in distracting the public from the broader responsibilities companies are failing to embrace in their core businesses. The study also draws attention to shortcomings in CSI literature, particularly the inconsistent use of CSI terminology observed in both the literature and perspectives of the participants in this study. This highlights the need for clarity in the definition of CSI.

This study calls into question efforts to articulate a business case for CSI in South Africa, and to evaluate the effect of CSI on corporate financial performance. By arguing that a business case alone is unlikely to translate into impactful CSI practice, and noting the poor

quality and inherent subjectivity and complexity of such studies, it asserts that such studies are of little value in advancing the maturation of the field. While acknowledging the value of improved tools, metrics, and benchmarks for assessing social impact, the results caution against the increasingly prevalent view that these are a panacea that will remedy the shortcomings of CSI practice. The study also argues that any improvements will be met with equally sophisticated methods of optically adhering to CSI standards, while doing little to improve its actual practice. Ultimately, the study proposes that incentives or disincentives and greater accountability may be required in order to make CSI contributions more impactful, as may improvements to best practices in the field. These implications are particularly relevant in the South African context, but may also apply to companies in other developing markets.

7.3 Research Limitations

The qualitative study sought in-depth insights that allowed for a more thorough analysis of participant perspectives. The executive interviewees were all experienced practitioners who were responsible for their company's CSI function, but also had insight into the practice of CSI amongst their peers. Similarly, the academics selected for the study were of the most highly published and respected academics in the field. A primary limitation of the qualitative study, however, is that its results may not be generalisable to the broader community of CSI practice amongst other companies in South Africa, particularly those of a materially smaller size. The research focused on the perspectives of a sample of corporate practitioners of CSI from some of the largest companies in South Africa who, collectively, control the majority of the CSI funding in the country. In this regard, the findings of this research are relevant to the way in which the majority of the quantity of CSI funding is administered in the country. The findings may not, however, be generalisable to smaller companies in South Africa, which ostensibly may practise CSI in a manner that is different from larger companies.

It is worth noting that the perspectives expressed by the participants were their own, and did not necessarily represent the official positions or views of their companies or academic institutions. This appears to have been an asset, however, as the anonymity provided to the corporate participants, in particular, seems to have emboldened them to provide more transparent personal perspectives that are at times critical of their own companies or the broader practice of CSI, thus straying from scripted corporate positions on the issues discussed. The study is also limited by its focus on the South African context. Thus, whilst some of the findings may indeed be relevant within a global context, there is no assurance that this is necessarily the case. Another limitation lies in the research methodologies chosen for the study, and the impossibility of analysing every possible relationship and insight that might be found within the data collected. However, it is hoped that the rigorous analysis conducted throughout this research provides valuable insights that contribute to an understanding of the South African CSI landscape.

7.4 Recommendations and Implications for the Profession

This study asserts that a new paradigm is needed for CSI practice to become more effective and impactful. This could have significant implications for the profession. The social efficacy of CSI is likely to be determined by the extent to which self-interest, external pressure, self-regulation, and authentic altruism converge to drive improvements in CSI practice.

The extent to which CSI can be in the *self-interest* of companies has been well established in the literature. Although the majority of large South African companies appear to be aware of this, greater dissemination of research confirming the value of CSI practice could potentially lead to greater levels of CSI giving. This link between CSI and corporate financial performance seems unlikely to contribute in any meaningful way to improvements in the quality of CSI practice, however. Greater levels of *external pressure* could lead to

improvements in CSI practice, as a result of coercive isomorphism resulting from increased social pressure or greater regulation compelling more impactful CSI practice. A degree of *self-regulation* may also be required. Akin to the changes that have been made to strengthen the compliance departments of financial firms in recent decades, this study argues that CSI departments should be afforded the independence and influence that would allow them to self-regulate their company's activities. Finally, *authentic altruism* in business, the result of a renewed commitment to morality and the social responsibilities of business, could lead to improvements in the impact of CSI. Brown (2015) notes our human capacity as moral agents to take responsibility for our actions, and Peterson (1999) argues that it is through the adoption of responsibility that we find meaning. A genuine commitment to social good, emerging from a moral acceptance of responsibility, has the potential to transform the role of business in society and create meaning for its stakeholders. Unless this occurs, a lack of authenticity in action will likely continue to impede improvements in impact.

In addition to the importance of these four motivations converging to drive a more impactful era in CSI practice, it is also important that CSI matures as a discipline. Best practices in the field need to be refined and changes need to be made to the way that CSI initiatives are conceived and implemented. Academic institutions need to provide rigorous, specialised training in the functions that would allow graduates to succeed in CSI roles. This could include better training on running social initiatives and measuring and assessing social impact. Professional bodies, third-party managers, and consultants need to become more sophisticated and contribute to setting high standards in the industry. This would likely result in a rise in normative isomorphism, as the field experiences greater professionalisation. Improved tools, metrics, and benchmarks are likely also required. This is something that has received significant attention in the literature, but it is important to note that these will likely only lead

to meaningful improvements in impact if it is accompanied by increases in the motivation to actually make CSI more impactful.

Companies need to consider collaboration and partnerships, and greater levels of stakeholder engagement. Companies should also hire individuals with experience in development and a track record of generating social impact into CSI roles. In order to maximise the social impact of CSI, CSI should be practised with more strategy in order to increase its effectiveness, and should be aligned to a company's areas of expertise in order to ensure the company is operating in the areas in which it is most experienced and able to add value. This should not be confused with "strategic CSI" that is focused on strategically increasing the benefits that companies derive from their CSI efforts. Companies need to execute CSI with the skills and expertise that they apply to their traditional business functions. Companies should also evaluate the various areas that they could focus on with their CSI funding, and determine where there are the greatest opportunities for impact.

7.5 Future Research Directions

This study led to the identification of several questions that warrant future research. Further research will be needed to assess the social impact of CSI, particularly how impactful it is relative to its cost. Research investigating the negative externalities of CSI might also be informative. The practice of CSI would benefit from research that contributes to the development of improved metrics, tools, and benchmarks to gauge the social impact of social programmes, although these appear to have inherent limitations. Further research solidifying CSI as a term that is distinct from CSR is also needed to limit the confusion surrounding the use of CSI terminology. This research assessed the perceptions of corporate executives and academics on the practice of CSI. Future research could investigate the perceptions of other stakeholders, such as the NGOs that receive CSI funding, the third-party managers of CSI

funding, and of the government officials who have implemented legislation intended to increase levels of CSI funding.

Research documenting institutional forces and formal structures in the practice of CSI would be valuable in confirming the findings of this study. Research into decoupling in CSI practice would also be useful, particularly case studies identifying specific discrepancies between the structures and rhetoric of CSI, and the true underlying activities that characterise its practice. Given that this study focused on large, listed companies in South Africa, further research could be used to conduct similar studies on companies with different characteristics. When considered as a whole, these studies might allow for a more complete assessment of the practice of CSI in South Africa. Research could also explore the extent to which government and society are meeting their own social responsibilities, in addition to the extent to which business is doing so. Furthermore, the role of shareholders in directing corporate behaviour pertaining to CSI might also be investigated.

One observation in this study was the extent to which the moral and ethical convictions of the executive participants often failed to translate into the way they practised, or were permitted to practise, their CSI functions. The reasons behind this could be studied further, as could the extent to which the misalignment between the stated objectives and underlying motivations of CSI practice impacts the individuals tasked with managing CSI programmes in these companies. Given that specific incentives or disincentives may be required to compel improvements in CSI practice, research could be conducted into the specific interventions that might be most effective. Potential improvements to current South African government regulation driving CSI could also be explored.

7.6 Conclusion

By examining CSI in South Africa through a lens of institutional theory, this study proposes that institutional theory provides a strong theoretical basis for assessing the corporate practice of CSI. Building on the work of institutional theorists, it finds evidence that companies practise CSI as a result of their desire for legitimacy, stability, and long-term survival, which they obtain by adhering to the social norms, expectations, and laws of South African society. This incentivises companies to emphasise the optics of their CSI activities, which they perform regardless of whether they truly believe they have social responsibilities. A ceremonial commitment to CSI has led its practice to become an institutionalised myth that is widely embraced by corporate South Africa. Corporate pragmatism and an indifference to the true efficiency of CSI has resulted in decoupling, however, with the formal structures and rhetoric of CSI departments decoupled from the true underlying activities that characterise its practice. This study highlights pervasive concerns amongst academics and practitioners regarding the practice of CSI in South Africa. This includes the concern that the impact of CSI is low, that the motivations for CSI practice are often inauthentic, and that the quality of many CSI initiatives is poor. Ultimately, enhanced incentives or disincentives and greater accountability may be required in order to make CSI contributions more impactful, as may improvements to best practices in the field. Critical reflection on the state of CSI in South Africa is thus warranted, as are concerted efforts to improve the efficacy of its practice.

Appendix A

Interview Guide

Do companies have a responsibility to society in South Africa? Kindly explain why you think they do or do not.

What do you think are the motives behind why companies fund CSI in South Africa?

Please explain whether you believe that CSI is in the self-interest of companies and improves company financial performance in the long run?

What do you believe the social impact of CSI is in South Africa, particularly relative to the funds dedicated to it?

What is your view on the current state and quality of CSI practice in South Africa?

How do you think that the social impact of CSI can be improved?

How effective and appropriate are the government regulations in South Africa that pertain to CSI?

What do you perceive to be the most effective ways to spend CSI funding?

Do you believe companies should distribute their CSI funding in the specific communities in which they have employees and/or customers, or more broadly across South Africa?

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