



Corporate Social Responsibility – The Way Forward for Development?

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Abstract – CSR: The Way Forward for Development?

With Corporate Social Responsibility coming to prominence over the last few decades, business has become a central player in the sphere of development. The business case for CSR, by far the most dominant argument for CSR, suggests that CSR is the answer to social ills, injustice and poverty, but seeks ways to get a return on their investment and gain a competitive advantage through CSR/CSI activities. Critics have argued that business cannot be counted on to voluntarily contribute to social good - citing the nature of business as the greatest deterrent to positive behaviour. A third stream recognises the potential of CSR but identifies constraints in the present manifestations of CSR and CSI in South Africa, and calls for a more critical engagement of business in society. A fourth approach recognises that due to the nature of CSR and the politics that surrounds its practice, CSR can be seen as a type of imperialism, holding the notions of dominance and superiority over their beneficiaries in the South, and not taking into consideration their experiences or feedback.

Using the critical case of a large South African petroleum company, this thesis seeks to answer the central research question, **“What approach to CSR does Company X take? What underpins this approach?”** This thesis furthermore subscribes to the need for more critical, Southern perspectives that needs to be acknowledged in the CSR rhetoric and argues that political and economic rather than social considerations currently dominate the sphere of CSR. This is further emphasised through the political environment in which CSR takes place. Finally, this paper, argues that the language of CSR in South Africa needs to be rethought. In South Africa, CSR more often than not is interpreted to mean companies’ CSI activities. Using authors such as Fig (2005) and Fig et al, 2007, this thesis argues that wrapped up in the notion of CSI are inherent political considerations that thwart the developmental potential of CSI.

Chapter 1

Introduction

‘Development...[is] first of all about liberating people from all that holds them back from a full human life....’

Hope and Timmel, 1984

1.1. Development Dilemma – Situating Corporate Social Responsibility

For many critics today, the field of development has reached an impasse. In spite of development efforts it appears that poverty levels continue to rise, and levels of inequality continue to deepen. The United Nations Millennium Development Goals Report Statistics reveal is that conventional development appears *slow* in accomplishing its goals of social wellbeing and sustainability; and many are looking for alternative methods to address the growing need for societal wellness (United Nations, 2013). What follows in this dissertation therefore is an exploration of what some (Carroll and Shabana, 2010; Warhurst, 2001) believe to be such an alternative, CSR, and where it stands today both internationally and in the local South African context. This will be illustrated by looking at a South African petroleum company, Company X, and their commitment to improved collaboration and developmental outcomes through their practice of CSR.

In South Africa, CSR is more often referred to as Corporate Social Investment (CSI), and as we discover, there is an unresolved and deep tension that exists between these two concepts. This is significant, because South Africa has unique historical characteristics that have influenced, and continue to influence the rhetoric around the business as a corporate citizen. Drawing on the ideas of David Fig (2005; 2007), I will be referring to Corporate Social Responsibility or CSR, and sometimes use the term corporate social investment or CSI when referring to our case, Company X.

Company X represents a critical case (Flyvberg, 2006) in the South African context. As a petroleum company that employs more than 5000 individuals, which operated and benefited from an apartheid system and which continues to exists in post-apartheid South Africa, the way Company X now works to address past wrongs through their CSR initiatives takes on great importance.

In the context of this research, perhaps more importantly, CSR may represent the creation of space for complimentary partners to development organisations in helping to achieve developmental ends. According to Trialogue, research specialists on CSI in the South African and global context, the two sectors of development and business are intricately linked and improved collaboration is needed “in order to realise greater impacts” (Triologue, 2011: 34).

1.2 Motivation for this enquiry

The reason for this exploration is not only based on an uncomfortable abundance of research on the social ills evident in many developing countries today, but it is also based on the very obvious evidence of social discomforts such as poverty, inequality and unemployment evident in the South Africa context (Bond, 2008). There is a growing opinion that business, if given a chance, has a role to play, and can help to bring about positive outcomes in the area of sustainable social development.

In an attempt to find new and creative solutions, it has become quite clear that partnerships between the various sectors (i.e. Governments, civil society and business), have become quite typical on the development policy scene (Bendell, 2005: 363). This means that business has now become a key player in the world of development. According to Lund-Thomsen, proponents of CSR see it as having the potential to solve “pressing social and environmental problems by acting on a voluntary basis through partnerships with other stakeholders” (Lund-Thomsen, 2005: 620). According to Micaela Flores-Araoz (2011), writing for the online magazine, Polity.org.za, “The days when the government was seen as the exclusive social change agent and the absolute macro problem solver are now becoming part of the past...”. In other words, through the processes of CSR, companies are now increasingly working alongside government as delivery agents of development, and critically, they are being held accountable by society.

While there have been a number of debates (Bakan, 2005; Rabet, 2009; Bendell, 2005; Lund-Thomsen, 2005; Visser, 2005) this research is premised on the idea that CSR has the potential to contribute to social wellbeing and be a co-creator of positive social change.

The central question in this research, **“What approach to CSR does Company X take? What underpins this approach?”** therefore emanates from positive, but critical attitudes toward CSR’s potential. It also emanates from the idea that while it can be argued that the market cannot provide short term financial returns as well as long term social benefits; that although the ethical consumer may not drive change; that even though it may be the case that some companies only see doing good as a public relations exercise, business has the potential to be a part of the solution when the ‘how’ of CSR is adequately addressed and carefully conceived (Doane, 2005; Visser, 2010; Smith, 2002; Fox, 2004). If CSR and CSI are going to have the positive social and environmental impact that is desired, then what is called for is the acknowledgment of its limitations, and a rethinking of the *how* of their practice (Lund-Thomsen, 2005; Smith, 2002).

The case study will serve to shed light on how companies may be practising CSR today, by unpacking the workings of a petroleum firm, Company X. It argues that one of the main limitations of CSR today

is the political environment in which CSR takes place and how primarily political and economic considerations work to restrict the developmental potential of CSR.

Chapter Two explains the methodology used to address the research question. In order to understand the political nature of CSR, qualitative research methods were used to access the mindset of Company X CSR practitioners, perceptions and experiences of Company X stakeholders and opinions of CSR experts.

Chapter Three reviews the current literature on these matters, highlighting differences between the various approaches to CSR, including the dominant business case approach as well as more critical nuanced approaches both internationally and in South Africa. It also addresses CSR in the extractive sectors, and the political influences in this space.

Chapter Four takes a closer look at the South African CSR context. Using the works of Fig (2005; 2007), Lund-Thomsen, (2005) and groundWork, (2002; 2006), this chapter also helps us understand how CSR and CSI are conceptualised in the South African context and what the implications are for how companies delineate CSR and practise CSI.

Using the understanding of the South African context provided in Chapter Four, **Chapter Five** offers the findings of this case. It demonstrates how a large South African company approaches CSR, what motivates their approach, and identifies numerous instances where political and economic considerations take priority over social considerations.

Finally, **Chapter Six** provides a few final thoughts on the research, and makes recommendations to pursue improved collaboration.

Chapter 2

Methodology

2.1 Introduction

According to Michael Burawoy, a proponent of reflexive science, because we live in a world that is constantly in a state of flux, we invariably influence and are influenced by what we study. It is therefore important that research is grounded and guided by clear methodology (Burawoy, 1998: 4). In order to capture the complexity of corporate social responsibility in South Africa, I decided that qualitative methods would best be suited to tap into the mindset and experiences of those practicing CSR and those receiving it. This part of the research study explains the methodology that was used to answer the research question, **“What approach to CSR does Company X take? What underpins this approach?”**

2.2 Conceptual framework

This study is based on methods of qualitative research. In its very basic description, qualitative research is that which does not try to quantify phenomenon observed, but rather, looks to explain complexity, connections, motivations and even feelings (Tesch, 1990). There is an emphasis placed on first understanding the phenomena being studied from the perspective of those studied, before being able to make an adequate assessment or valuation (Fielding, 2006). Because I wanted to understand CSR at a deeper level than reports portray, and discover the context, culture and influences on the conceptualisation of CSR at Company X, conducting qualitative study seemed an appropriate approach. Utilising the case study methodology I was able to go behind the façade of reports and find understanding not only of the case in question, but find understanding of the way that the petroleum industry approaches CSR and community.

2.3 Case selection

In detailing the intricacies of case selection and sampling in qualitative research, Curtis et al state that decisions concerning the choice of a case or of participants needs to be both reflexive and explicit (Curtis et al, 2000: 1002). In other words, the onus is on the researcher to see their influence in the research, and to make it clear how this influence might impact the study. For this research study, once a round of literature review had been undertaken, I decided to do a comparative case study between two companies' approaches to CSR. The final research question would only be established once companies had actually confirmed their participation in the study and I had had initial conversations with them.

Purposive sampling, which entails the selection of a sample based on one's own knowledge of the subject matter, population, and "the purpose of the study" was used (Babbie & Mouton, 2005: 166). After the initial exploration, and unsuccessfully approaching numerous companies, I secured a meeting with the national CSI manager of Company X, who was based in Cape Town. I presented my request to the national CSI manager of Company X and explained what I envisioned the research would entail. After some internal discussion, resulting in the CSI manager presenting the request to their Corporate Affairs department, I was granted permission to do my research on them.

Once purposive sampling techniques were used to establish the case for my research study, I used the network of people associated with Company X to select a sample of respondents (Babbie & Mouton, 2005: 166, 167). The following respondents were identified as key to the research: the national CSI manager, who has an overview of all CSI initiatives undertaken by Company X, and who was central in developing the company's CSI strategy. Three other company employees were also approached, namely two managers from the CSI department, as well as the general manager of Corporate Affairs, who would present a broader, company-view of CSR and CSI at Company X. One of the CSI managers declined to be a part of the study, while the other manager as well as the Corporate Affairs manager agreed to participate.

In order to present a balanced view of CSR at Company X, it was important to conduct interviews with beneficiaries of Company X's CSR initiatives. As such, I approached the following projects: the Anyday Schools Project*, the Be Safe Project*, as well as the Conservation Project*¹. My sample of respondents therefore included three Company X employees; five respondents from their education stream, two respondents from the environmental stream, and one from the safety stream. In relation to the Company employees, questions were asked that related to the history of CSR/CSI at Company X; aims of the company's CSR and CSI initiatives; who leads and informs company CSR and CSI policy; what the motivations are that guide CSI initiatives, and so forth. Questions to beneficiary respondents related to issues of transparency and inclusion in decision-making process; challenges to working with Company X and feedback to and from the company.

In addition to these respondents, two key informants were David Fig, an academic on issues of CSR, and Bobby Peek, director of groundWork, a leading environmental justice NGO in Durban, South Africa. Both Fig and Peek have years of experience looking at company-community relations and provide an in-depth understanding of CSR and CSI as they occur in the South African context. In

¹ The names of projects have been changed in order to keep them anonymous.

addition, numerous attempts to contact the Department of Environmental Affairs, both at the national level as well as the provincial level, yielded no success in accessing the right person to speak to. The one individual that I managed to speak to from the provincial office was on the board of one of the refineries and therefore felt legally bound to not disclose any information with regard to my study, and therefore declined to be interviewed.

Triangulation, which is the use of multiple methods of data using multiple methods of data gathering techniques, is critical to ensuring validity of the research. Therefore, these various levels of information form a critical part of the triangulation process toward more replicable and valid findings (Babbie & Mouton, 2000: 282, 283). This is a significant principle that guides case study research, and I felt that interviewing a wide array of individuals added an aspect of triangulation and therefore validity to the findings².

2.4 Research Methods

There are a number of ways in which data may be collected and analysed within a qualitative framework. A few of them stand out; the Miles and Huberman method; grounded theory; the extended case method. Renata Tesch provides a comprehensive history and description of methods of qualitative research methods in her book, *Qualitative Research: Analysis Types and Software Tools* (1990). Based on an understanding that extended case studies have a societal significance, that they work to understand a phenomenon within a specific context, and explain elements and outcomes of that phenomenon, based on forces that act upon it, this became my method of choice (Burawoy, 1998).

2.4.1 The Case study

While traditionally being misunderstood as a method of qualitative research, the case study has increasingly been seen as valuable, based on the fact that it provides in-depth understanding through a process of “intensive investigation of a single unit” (Babbie & Mouton, 2005: 281; Flyvberg; 2006). Dooley and Soy posit that case study method of research outdoes others in providing in-depth of understanding of a complex issue; strengthening and consolidating preceding research on the matter (Dooley, 2002: 335; Soy, 1997). A host of challenges have however been levelled at case study methodology, and these need to be brought up before we move on. A few of these arguments against the method include:

- It being “essentially intuitive, primitive and unmanageable” (Miles in Yin, 1981: 58)

² Questions posed to all the respondents can be found in the appendix.

- That it cannot be expected to transcend story-telling (Miles in Yin, 1981: 58)
- While producing interesting results, no generalisations can be made on the basis of individual cases and “therefore, the case study cannot contribute to scientific development” (Flyvberg, 2006: 219, 221; Burawoy, 1998).

Contrary to these earlier critiques which Flyvberg refutes as being over simplistic, more recent studies such as Flyvberg (2006) show that the case study “can yield valuable scientific information...” predicated upon thorough and rigorous tests at every step of the process (Babbie & Mouton, 2005: 280; Flyvberg, 2006). Flyvberg illustrates the value of case study methodology by refuting five misconceptions about it as a method. According to Flyvberg, the best learning occurs through the understanding of practical examples, rather than through the theoretical (Flyvberg, 2006). He asserts that context-dependent studies helps us understand the parameters and rules that govern behaviours (Flyvberg, 2006: 4, 5).

2.4.2 The Extended Case Study

The extended case study method could be viewed as an answer to criticism directed at the application of a single case study. It entails the process of using multiple methods of data collection to find answers to research questions. What we learn to do through the extended case study is locate everyday life and phenomena both to the extralocal and to the historical, and to understand in a more holistic way the connections between phenomena and the environments in which they occur (Burawoy, 1998: 4).

Understanding what the extended case study method is and applying it, has a number of implications for this research. The first thing it means for our case is the application of multiple methods of data collection for analysis. In this study, the data collection includes observation, semi-structured interviewing with company employees at various levels of management, and use of secondary data, including the company website information, as well as confidential CSI company policy and strategy documents, called Company X’s Corporate Social Investment Manual. The second thing that it means for our case is locating the phenomenon, CSR (CSI for Company X and many other companies in South Africa), in its natural habitat, and understanding influences that act upon it. What this means is that we aim to understand how CSI at Company X gets shaped and directed. Moreover, it provides insights on how CSR and CSI at Company X may be compromised in its aims by its external and internal context; and ultimately, helps us address the research question.

2.5 Research tools

2.5.1 Observation

Observation is considered by Bernard to be the foundation of cultural anthropological work (Bernard, 2002). Observational techniques are methods by which a researcher is able to gather first-hand data or information on “programmes, processes or behaviours being studied”, and it is very often used because it provides opportunities for formative collection of data on a wide range of open topics while theoretically providing a “holistic perspective” (Bless et al, 2006: 114).

In terms of the research on Company X, because observation is such a vital part of finding understanding in qualitative research, it was one of the crucial ways to investigate the topic. In order to do as much observation as possible, I requested permission to accompany the company representatives that I interviewed on field visits with their NGO partners. While there was agreement, this however never materialised. I was however fortunate enough to be in an initial exploratory meeting between Company X representatives and the organisation with which they partner on the safety focussed project. This meeting shed much light on how Company X communicates and negotiates with potential and current partner organisations. It was however a one-time occurrence and therefore, while I was able to make observations based on this meeting, I cannot draw generalisations from it.

I was also fortunate to be present at an awards ceremony that was arranged by Company X for their education project. At this event, I was able to be there before hand to watch interactions between Company X representatives, the individuals who form part of the project and some of the beneficiaries. I was also able to meet all the respondents that formed part of the study in the education project, and set meetings with them. These meetings were however beneficial for my research process as it gave me opportunities to see Company X employees interact with their beneficiaries and partners.

2.5.2 In-Depth Semi-structured Interviewing

In-depth semi-structured interviewing is one of the most frequently used methods for data collection in qualitative research and it differs from a lot of other types of data collection methods in that it allows for the individual to directly express his or her perspectives and opinions in their own words (Babbie& Mouton, 2001: 289; Bless, et al, 2006: 116). In order to delve deeply and understand Company X’s approach to CSR, in-depth semi-structured interviews were utilised. The interview method is a scheduled activity and so although informal and “freewheeling” in character, it is neither random nor informal in its aims (Bernard, 2002: 3). This is desirable because although the

questions guide the direction of the conversation, the answers are not predetermined by the researcher and it therefore considered to be “flexible, iterative, and continuous, rather than prepared in advance and locked in stone” (Babbie & Mouton, 2001: 289).

What this means in practice is that I was able to use the knowledge gathered in previous interview rounds to inform subsequent interviews, and ‘access knowledge’ that might have gone untapped by probing and verifying through mirroring. In this way, while the researcher could be said to be ‘shaping’ the interview as a co-structor, the responses are still that of the respondent and by mirroring back to respondents what I believe them to be saying, they are able to say, ‘yes, that’s what I mean’, or ‘no, that is not what I am saying’. The mirroring process proved to be vital to the process of semi-structured interviewing as it is in this way that I was able to clarify that what I was hearing is actually what the respondent was saying, and thereby, making accurate statements and analysis. The interviews also provided different data from observation in that they provided the perspectives of various stakeholders. The use of interviews as a data collection method begins with the assumption that the participants’ perspectives are meaningful, knowable, and able to be made explicit.

The strategy of using case studies requires thick descriptions, and rich information. In order to accomplish this for the study on Company X, one-hour long semi-structured in-depth individual interviews were conducted with experts on CSR, employees of Company X, as well as the beneficiaries various CSI projects by Company X. Together with the interviews, observation, strategy documents, community and independent expert input allowed for triangulation of data and corroboration of facts, and by allowing people to give their views, unexpected views and outcomes were given scope.

2.5.3 Secondary Data

In order understand Company X’s approach to CSR, I examined confidential company CSI strategy documents, their Corporate Social Investment Manual. The CSI manager offered these documents in order to answer some of my questions during our initial interview. These documents lay out in great detail the policies, guidelines and aims with respect to CSI and community engagement and were instrumental with regard to helping to shape certain questions regarding conceptualisation and strategy of the CSI department at Company X. Realising that impact reports on their various projects would shed light on how Company X’s CSR strategy was working, and what effect their investments were having, I asked if it was possible to see these, but was unfortunately turned down.

The annual Trialogue CSI Handbook and Conference held in May 2012 were another source of secondary data. Attending the conference was useful in helping in understanding the 'general' conversations and trends that are happening in the CSR and CSI arena in South Africa, and furthermore helped to inform questions posed to Company X in interviews. These key secondary sources of information were vital in helping me understand the South African CSR arena, and analyse the approach to CSR at Company X.

The final secondary source of information was a report and online video material provided by Durban-based NGO, groundWork. These shed light on their experiences of company-community relations between petroleum companies (one of them being Company X) in the South Durban area where there are a number of refineries.

2.6 Capturing and Interpreting the Data

According to Tesch, qualitative study and its analysis is a complex process, as qualitative research defies standardisation and can take many forms and follow a number of different procedures (Tesch, 1990: 3, 4). Kohn asserts that many find analysis of a case study the most difficult aspect of the process of doing case study research (Kohn, 1997: 5). The reasons that they suggest for this is the intensity of analysis, which starts from the time data collection starts happening; and secondly because of the data overload that the researchers are subject to (Kohn, 1997: 5). Taking this into account, Babbie and Mouton stress the importance of planning for the process of analysis.

In terms of ordering the data, I started by making extensive notes in a journal while doing an initial reading of materials such as the confidential strategy documents. My initial questions also came from this initial reading. A log was kept of all interviews as they happened, and while I made extensive notes during the interviews and recorded them on a Dictaphone, I debriefed my thoughts in a journal after each interview. My debriefs made a note of those elements of the interview that stood out for me – and so themes started to emerge. As more interviews were conducted, the notes became more detailed and initial patterns started to emerge.

An early thread that stood out for me and that continued to become more significant throughout the process of data analysis is the idea that CSR, CSI and indeed the corporation being a political entity. Once all the interviews had been completed and I went back for another reading of the interview data and re-listened to the audio of the interviews, the initial open coding around the political nature of CSR emerged.

2.6.1 Transcriptions and coding

The process of coding is a complex one, but it is fundamental in the application of qualitative research (Fielding & Lee, 1998: 41). According to Punch, coding refers to the process of “finding categories within the data, rather than bringing them to the data from the literature or anywhere else” (Punch, 2005: 159). In other words, there was a discovery process that took place. As case study research needs to provide thick descriptions, rich information and in-depth understanding of the phenomenon observed, I decided that doing transcriptions myself would help to acquaint me more fully with the material. The first thing that was therefore done after an interview was to just listen to it. By doing this, I was able to hear the voice of the speaker. The codes or categories that were created reflected concepts that are found in interviews, observations, and secondary data.

In this research, open coding of the first interviews with key respondents from Company X yielded the initial “working set of codes” (Fielding & Lee, 1998: 41; Punch, 2005: 15). In this phase of coding, I identified the broad themes of collaboration, community engagement and inclusion or exclusion. The initial interviews and codes also acted as stimulus for the next round of interviews with development partners, beneficiaries and follow-up interviews with Company X employees (Fielding & Lee, 1998: 41). While it was the idea to have at least two interviews with each of the respondents, this was only possible with the national CSI manager, one of the CSI managers and two of the beneficiaries from the education project. From here, I moved onto axial coding, where the themes that emerged in the open coding started relating to each other in a thematic way (Punch, 2005: 209). Finally, using the codes identified during the axial coding, selective codes were identified which became the core themes across the research. These together with the literature helped to define the main findings of the research with regard to the political environment and nature of CSR, community inclusion and exclusion and development.

2.7 Validity and Reliability

In all research studies, validity and reliability are needed to ensure the integrity of the research. Babbie and Mouton define reliability as “a matter of whether a particular technique, applied repeatedly to the same object, would yield the same result each time” (2005: 119). To ensure validity and reliability in this research project, it was decided to interview at least two respondents from each of the bodies represented. In practice therefore, I interviewed three people from Company X, four people from the education project (three tutors and one beneficiary), two from the environmental project, and one from the safety project (which had just started). In addition, as mentioned above, interviews were also conducted with David Fig, an expert on matters of CSR in the

South African context and Bobby Peek, the director of groundWork (email interview). What this means is that I did not only rely on my own observations, which could be subjective in nature, but looked at interviews, reports, company documentation, and previous research to establish findings (Kohn, 1997: 8,9).

2.8 Value and Limitations

2.8.1 Limitations

The most noteworthy limitation for this study is that it is based on a single case. As has been learned in the section dealing with the case study, there has been much debate on the application and generalisability of a single case. Some see deductions drawn from a single case as not nearly informative enough to be able to generalise from, as cases may differ in context and framework. This case however, based on a large multinational petroleum company with extensive operations may have significant implications for others companies in the natural resource extractive industries.

2.8.2 Value

The most important role that this research could play is in adding to the body of knowledge on CSR and CSI in South Africa today. Although many company websites tell the story of developmental policy agendas where CSI is concerned, when one does a search trying to find linkages between development and CSI, few real case studies can be found from a South African perspective that does not border on what is known as 'greenwash'. The value therefore of this study is that it highlights what currently informs company CSR and CSI conceptualisation and strategy, and that it adds to a greater understanding of the politics and rhetoric of CSR.

In addition to the above, while acknowledging that this study is based on a single case, given the size and scale of the company and its operations, Flyvberg points out that much can be learned from such a single case. In his words, "It is correct that the case study is a 'detailed examination of a single example,' but....it is not true that a case study cannot provide reliable information about the broader class" (Flyvberg, 2006: 2). According to Flyvberg, "a critical case can be defined as having strategic importance in relation to the general problem" and when this case fulfils the criteria and standards that is required of all cases in a specific category, then indeed generalisations can be made (Flyvberg, 2006: 14-15). As it is required of Company X to adhere to certain standards of operation within the petroleum and petrochemical industry, I believe that it is a critical case, and that we can apply learning from its case to other petroleum companies.

2.9 Challenges and Opportunities for Learning

There were quite a few challenges that had to be dealt with in order to complete this research. Firstly, in order to do a case study, a rapport needs to be established with those prepared to be respondents. As there are always time constraints involved in academic research, this was not established to its fullest potential. This challenge applies to all research work, which requires balancing time constraints with doing work that is honest, and a true reflection of reality.

A final challenge that was encountered is that Company X, ensuring that they were legally protected, asked that a non-disclosure agreement be signed. This had implications for the timeframes for completion for this research study. However, after a series of negotiations with both the company and the university, a suitable outcome was found for all.

2.10 Ethics

In any study that involves people and their experiences or opinions; or that involves the environment or beings such as animals, ethical issues arise (Babbie & Mouton, 2005: 520). Ethical issues deal with doing the right thing (which may be different for the individuals involved in the research process), but essentially have to do with balancing the interest of the researcher with respect for the rights of the subject and various stakeholders (Babbie & Mouton, 2005: 520). The issue of ethics is important in social science research because sometimes a conflict of interest may arise, and sometimes sensitive material may come to light that forms an integral part of the research. In this instance, all respondents were made aware of the nature of the research, and what I was hoping to gain from doing it. Respondents were asked to participate voluntarily, thinking that voluntary participation would render the most honest responses (Babbie & Mouton, 2005: 521). Respondents from all organisations, excluding expert opinions, but including all company employees, NGO partners, and beneficiaries were assured of confidentiality. Confidentiality means that although respondents can be identified by the researcher, they have given an assurance that their identities will not be revealed (Babbie & Mouton, 2005: 523). In terms of the research done on Company X, I have tried my best to honour this agreement of confidentiality by giving organisations pseudonyms and by not revealing anyone's given name.

2.11 Conclusion

This concludes the discussion on the methodology that was used to address the research question. In the next chapter, we move onto the literature on the conceptualisation and practise of CSR in the global and domestic arena.

Chapter 3

Literature Review

3.1 Introduction

Business has become a central player in the world of development, increasingly taking a greater role in developmental efforts through CSR initiatives - funding and implementing development strategies where governments are under-resourced or where developmental agencies just do not have the capacity or the funding to undertake such activities. This chapter will discuss the literature on the history, practises, discourses and debates around CSR and CSI (in South Africa) particularly in the extractive industries, for example, the mining and petroleum sectors.

3.2. Background and Setting

Since its inception in the 18th century, the corporation has had a questionable reputation due to its seemingly underhanded business ethics, its pathological pursuit of power and control, and its apparent disregard for human and environmental rights and dignity (Bakan, 2005). Since then, it has found ways to 'redeem' itself and has over the last 150 years grown to become the world's dominant economic institution (Bakan, 2005: 5; Hamann & Kapelus, 2004). Today these powerful institutions, "...govern our lives", get involved in developmental efforts and have powerful political agendas (Bakan, 2005: 5). According to Warhurst, the days of businesses doing exactly as they please without consideration for affected communities and environments are however, something of the past (Warhurst, 2001: 58). Today, increasingly corporations are being asked to acknowledge that they form a part of society; that they do not operate separately from it, and so therefore that they are not held to different rules and standards.

As a concept, CSR is not new, and has come to global prominence even more in the last four decades (Smith, 2002:1). The earliest forms of CSR could be witnessed more than 4000 years ago in ancient Hindu and Islamic texts, while more modern forms of CSR can be traced back to nineteenth century Britain (Smith, 2002: 1; Visser, 2010: 311). It was during this time of industrial expansion that the corporations' impact on both the environment and on society took on greater proportions, was followed by increasingly bad press and flagging sales that the corporation became aware of the need for a cleaner, more caring brand (Bakan, 2005; BRASS Centre, 2007). Bakan and Rabet posit that historically, corporations engaged in CSR out of necessity, but they go further and say that very little has changed in this regard (Bakan, 2005). The field of CSR has nonetheless taken root, and if as it claims, CSR is to accomplish developmental outcomes, it needs to be positioned in such a way as to

give it credibility and legitimacy; but it furthermore needs to act in a way that actively looks for ways to engage both *critically and developmentally*.

3.3 Corporate Social Responsibility Defined

Although the reporting of CSR has been on the increase, many agree that there is very little clarity on what these concepts actually mean. It is therefore not surprising that within the realms of academic debate and the business environment, there are numerous definitions to encapsulate what they mean (van Marrewijk, 2003: 95). In other words, the concept means different things to different people, and its meaning continues to evolve depending on the environment and context (Blowfield & Frynas 2005: 501; Fisher et al, 2009: 67; Pedersen, 2006: 139). Definitions and meaning are furthermore often informed by political and ideological underpinnings which often work to mould the practice of the CSR to suit the interests of the elite.

One of the earliest definitions of CSR is Archie Carroll's definition which states that CSR involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive (Carroll, 1983 in Visser, 2005: 32). What is significant here, is the idea that business has a number of responsibilities, and that some of these responsibilities deal directly with business while others deal with *both business and society*. Drawing on his earlier work, Carroll asserts that CSR entails *required* "economic and legal responsibilities"; *expected* "ethical responsibilities"; and *desired* "discretionary/philanthropic responsibilities" (Carroll & Shabana, 2010: 90). Carroll and Shabana go on to argue that by delineating the understanding of CSR this way, Carroll successfully makes the distinction between the old-fashioned responsibilities held by the corporation which contend that the responsibility of business is to maximise profits, and new, more nuanced responsibilities of business which reflect their ethical and discretionary/philanthropic responsibilities (Carroll & Shabana, 2010: 90).

The World Bank's working definition of CSR is as follows, "Corporate social responsibility is the commitment of business to sustainable economic development – working with employees, their families, the local community and society at large to improve the quality of life, in ways that are both good for business and good for development" (Ward, 2004: 3). In a similar vein, Martinez and Agüero, in search of a more holistic and integrative approach to CSR defines the socially responsible corporation as one that integrates a concern for ethics, with

“...a set of practices a company may follow in order to improve its relationships with its stakeholders and to create value...these practices go beyond the formal requirements normally regulating these relationships or any specific laws that may be in place. It...implies

a set of voluntary actions and going beyond the company's obligation to each of the members of its stakeholders..." (Martinez & Aguero, 2005).

What is important to note here is that there is increasingly a call for stakeholders and not simply shareholders to be included in these conversations, planning and decision-making. There is also increasingly a call for the creation of shared value. This may be indicative of a more critical conversation that is emerging around CSR (Porter & Kramer, 2006).

Brown, working closely with the South African NGO Network, sees the concept of CSR as reflective of companies' value systems. She defines CSR as "the manner in which a company manages its business processes to generate stakeholder value while having a positive impact on the community and minimising any adverse impact on the environment" (Brown, 2006). This definition speaks of a deeper approach to CSR than conventional attitudes, as it enhances the morale of employees and the immediate communities surrounding a company.

3.4 CSR and CSI explained in South Africa

According to Lund-Thomsen, corporate responsibility in South Africa is complex, and must be understood within a context where the apartheid system deliberately caused a schism between blacks and whites through severe uneven distribution of resources (Lund-Thomsen, 2005: 624). One notices that in South Africa, significantly, companies interpret CSR to refer to their CSI activities (Hamann & Kapelus, 2004: 87; Fig, 2005: 599). David Fig both explains and helps us define the two concepts in the South African context. In Fig's 2005 article, *Manufacturing Amnesia: Corporate Social Responsibility in South Africa*, CSI is defined as those activities

"...that encompasses projects that are external to the business or *outward looking projects* undertaken for the purpose of uplifting communities in general and those which have a strong developmental approach. It also includes projects with a focus on social, developmental or community aspects where the investment is not primarily driven as a marketing initiative" (Fig, 2005: 601).

Fig takes issue with this kind of general definition, pointing out the way that businesses define CSI in South Africa leaves little room for measures to effectively address past 'failures' on the part of business. He suggests that *responsibility*, on the other hand is the active acknowledgement of past wrongs or behaviours, and the offer to redress, in the South African context, "apartheid-era violations of human rights" (Fig, 2005: 601). Fig's point works to bring context into the CSR and CSI debate by showing how political, economic and historical considerations seek to be obscured in definitions of CSI.

3.5 Discourses in the realm of CSR

Considering both South African and global definitions, we acknowledge that a variety of discourses and approaches exists around the concept of CSR. Dinah Rajak refers to this nature and environment of CSR in terms of corporate virtue being juxtaposed with corporate greed (Rajak, 2009: 214). She reiterates this by alluding to the widely used oxymoron, “compassionate capitalism” and goes on to question whether CSR heralds “the reconnection of the market economy with the realm of morality” (Rajak, 2009: 214). In this section, we contemplate a number of discourses that frame the practice of CSR and CSI both locally and internationally.

3.5.1 CSR as Philanthropy

Traditional forms of CSR were often framed in terms of charity or philanthropy, and were based on the *assumption* of altruism on the part of practicing companies and individuals. Not unlike the central argument in this dissertation, which suggests that CSR in South Africa is a political affair and underscored by political economic considerations rather than social considerations, Rajak argues that the ‘charity’ of CSR is fraught with the *politics and power* differential that exists between the giver and receiver of ‘gifts’ (Rajak, 2009). In her words, “the discourse of CSR, as practised by multinational mining corporations, creates categories of *benefactor* and *recipient*, on which structures of patronage and dependency are built....” She goes on to argue that “the lines between CSR and philanthropy are blurred...CSR is profoundly bound up with the politics of the gift” (Rajak, 2009). Of course, while she argues this with regard to multinational mining companies, it can be just as true for business of any kind.

For Tracey, Phillips and Haugh, the practice of CSR as philanthropy has a whole range of outcomes that are not conducive to development and work to foster old or traditional models of dependency (Tracey, Phillips & Haugh, 2005). For Tracey et al, CSR as philanthropy is an indication of CSR being viewed as being a peripheral function of business and therefore neither conducive to accomplishing real development nor seeing their development partners as equal partners in their developmental efforts (Tracey, Phillips & Haugh, 2005).

3.5.2 The Business Case for CSR

The business case for CSR is by far the most dominant of approaches. Alyson Warhurst, member of the faculty of the World Economic Forum, sees the potential for sustainable development through the linkage with CSR. She believes that companies today operate within a broader paradigm than that of simply, “do no harm”, and have rather moved to an approach that has a “demonstrate positive development benefit” imperative (Warhurst, 2001: 57). She furthermore suggests tools that

allow for companies and stakeholders to contribute to and not detract from sustainable development, as CSR is possibly the way to bridge the gap in intervention capabilities (Warhurst, 2001). In other words, Warhurst considers business to possibly have the resources to take over where government is not able to, and where civil society needs to be supported. I do not believe that she excludes either government or civil society, but rather that she sees CSR as possibly creating a space to reimagine development relationships.

According to Carroll and Shabana, the business case for CSR is the rational approach to CSR, “where there is a clear link to firm financial performance” (Carroll & Shabana, 2010: 93). They define the business case for CSR as the “arguments or rationales supporting or documenting why the business community should accept and advance the CSR ‘cause’” ...and are concerned primarily with trying to show what the tangible benefits are for businesses to engage in CSR activities and policies (Carroll & Shabana, 2010: 86, 93). According to Kurucz, et al, the business case can be seen as an investment in an initiative that promises to yield a return and justifies expenditure (Kurucz, et al, 2008: 84). He sees the ‘pitch’ for CSR as the understanding that “business can do well by doing good” or that business will do better by helping to creating a better society (Kurucz, et al, 2008: 84).

The business case justification for doing CSR would include obtaining a competitive advantage, maintaining a stable work environment, managing external perceptions, cost and risk reduction, keeping employees happy and creating synergistic value creation, (Frynas, 2005: 583; Kurucz, 2008; Carroll & Shabana, 2010). For Carroll and Shabana, understanding these justifications for CSR helps to identify the motivations for CSR initiatives and assists businesses in recognising what specific benefits “flow back to companies, as well as society, in their fulfilment” (Carroll & Shabana, 2010: 90). Corporate social responsibility is about business going *beyond the required and expected*, as CSR by nature is developmental and is premised on the enhancement of the societal environment in which they exist (Carroll & Shabana, 2010: 91). This, they argue is the manifestation of the idea of “long-term enlightened self-interest” (Carroll & Shabana, 2010: 88).

There are four main arguments for the business case for CSR. Firstly, there is the cost and risk reduction arguments, which refer to decisions made about a company’s choices about CSR in order to reduce both cost and risk to the company (Carroll & Shabana, 2010: 97; Kurucz, et al, 2008: 88). This approach to CSR is typified by a trade-off of interests of the social, environmental and economic concerns and in its most primal form, it seeks to maximise profits for the company (Kurucz et al, 2008: 89, Carroll & Shabana, 2010: 97, 98).

The competitive advantage approach sees companies seeking to differentiate themselves from other companies through their approach and practice of CSR (Carroll & Shabana, 2010: 97, 98). Here, companies are able to leverage opportunities and adapt to the demands of external stakeholders (Kurucz et al, 2009: 90). This view of CSR sees the perceived demands of stakeholders as opportunities, rather than as constraints, and by working toward meeting those demands, by including stakeholders in the decision-making process, companies are seen to set themselves apart from other companies (Kurucz, 2008: 89,90).

The legitimacy and reputation approach to CSR is seen as that which “leverages gains in legitimacy and reputation made through aligning stakeholder interests” (Kurucz, 2008: 90; Carroll & Shabana, 2010: 99). According to Kurucz, this frame of enquiry takes into consideration factors such as “license to operate, social-impact hypotheses, cause-related marketing, and socially responsible investing” (Kurucz, 2008: 90). Companies believe that by being seen as a company that is environmentally responsible, or that invests in social causes, it will gain a competitive advantage as society will see it’s good works and reward them for their ‘good behaviour’ (Kurucz, 2008: 90,91; Bradley, 2009: 186; Carroll & Shabana, 2010: 99,100).

Finally, synergistic value creation, or win-win approaches to CSR is seen as the approach that links and is able to connect various demands of stakeholders and create a situation where each party is a winner (Kurucz, 2008: 91; Carroll & Shabana, 2010: 100). This form of doing CSR is seen as one which satisfies constituent demands, while allowing the company themselves to pursue their operations (Carroll & Shabana, 2010: 100).

While there are recognised advantages for businesses to engage in CSR, and society also seemingly benefits, there exist a number of limitations to the business case for CSR. Carroll and Shabana argue that while companies engage in CSR, there are not always the expected tangible financial rewards because consumers may not have the economic power to participate actively in the market and purchase only from those who are socially responsible (Carroll & Shabana, 2010: 98). Both Kurucz et al and Carroll and Shabana argue that the consistent positive correlation between the doing good and profit making cannot be shown, and that there exists a “schism between economic and ethical justifications for CSR” (Kurucz et al, 2008: 98; Carroll & Shabana, 2010: 100).

The business case in the African context however must be seen differently, according to Wayne Visser (2005). In response to Carroll’s understanding of CSR, Visser argues that the CSR needs to be understood in cultural terms and challenges Carroll’s take on CSR in his 2005 article, *Revisiting Carroll’s CSR Pyramid, An African Perspective*. According to Visser, most of the work done on CSR by

Carroll has taken place in the United States, and he argues that there are sufficient studies to suggest that culture and context play a role in how CSR is understood, conceptualised and practised (Visser, 2005, 34-36). Ultimately, Visser argues that based on the peculiar characteristics of the African context, the classic CSR pyramid conceived by Carroll, may not be the best model for effective CSR practices, and that a revised governance structure around CSR will help to provide the enabling environment that Fox suggests is needed (Visser, 2005: 48, 49).

Writing mainly about the mining context in developing countries, another South African writer, Ralph Hamann, argues that the business case for CSR cannot and should not be taken for granted – especially since most of the literature and empirical research on the business case for CSR was not written for or about a Global South context (Hamann & Kapelus, 2004: 279). According to the international Mining, Minerals and Sustainable Development report, “...voluntary approaches alone are insufficient where there is a compelling priority but little or no business case to justify the additional expenditures needed to meet it” (MMSD, 2002 in Hamann & Kapelus, 2004: 280). Using the case of the single-sex accommodation provided by mines in South Africa, Hamann argues that unless the *social and ethical* are equal considerations, the business case for doing CSR by companies will not lead to sustainable development (Hamann & Kapelus, 2004: 288; 289). Lund-Thomsen in his 2005 article looking at the natural resource extraction industries like mining and petroleum in the South, levels certain challenges at the business case. Firstly he argues that the business case for CSR often works to highlight the ‘good’ done through CSR and ignores the political influences that come into play through transnational companies (TNCs) getting involved in community (Lund-Thomsen, 2005: 622). Secondly, the CSR discourse is quick to point out its voluntary nature, however, this is apparent self-regulation, argues Lund-Thomsen argues, is used as a mechanism to avoid more stringent national and international regulation (Lund-Thomsen, 2005: 622).

3.6 Critical perspectives on CSR

3.6.1 Negative Perceptions

Van Marrewijk points to the fact that too often CSR is seen as the remedy to cure social ills, but highlights that because the practice of CSR is voluntary, it is often tailored and biased by specific (corporate) interests (Van Marrewijk, 2003). Bakan’s scathing account of the development and existence of the corporation argues that CSR has grown out of a “self-conscious corrective” of earlier “greed-inspired visions of the corporation” (2005: 28). It is however his claim that although there has been an apparent shift in the way the corporation presents itself, it essentially remains unchanged (Bakan, 2005: 28). In agreement with the sentiments presented by Bakan and Peek, Delphine Rabet

views CSR in a very sceptical light, emphasising that the same businesses that we turn to today to 'solve' our problems of poverty and social ills were the ones responsible in the first place for much of the human rights abuses committed and doubts whether society can "rely on corporations to tackle human rights on a voluntary and non-binding basis" (2009: 467; Bakan, 2005; Peek, 2006). In other words, Bakan, Peek and Rabet argue that in order for business to be a part of tackling human rights violations, it cannot be a voluntary effort. Regulation is therefore necessary to hold business to their obligations to society.

In his 2008 article, *Social Movements and Corporate Social Responsibility*, Patrick Bond asserts that activists, largely, have rejected CSR, and makes use of the three case studies, namely the TAC and access to AIDS medicines, commercialised water, and climate change to make his point that we cannot trust CSR to achieve the developmental aims that it claims to (Bond, 2008). Bond validates his point by saying "we must *not* accept the CSR industry's claim that transnational corporate capital's profits are consistent with reduction of poverty and inequality, and with environmental stewardship" (Bond, 2008: 1038). Bond's caution relates to the idea posited by Rabet and Bakan that companies cannot be counted on to voluntarily do good in society, but he takes this further by arguing that business demonstrations of positive social impact does not necessarily amount to poverty reduction and environmentally just behaviour.

3.6.2 Nuanced Perspectives

Calling for a more nuanced and critical approach to CSR, critical thinkers are advocating for a "not whether, but how" approach (Smith, 2002). To a large extent, the literature on CSR, particularly the business case, has been not sufficiently nuanced to address the challenges inherent in it, particularly in the oil and energy sector. Overly negative perspectives fail to see the potential of CSR, and CSR in its current formation is failing to achieve its developmental aims. In 2005, *International Affairs* published a special issue on CSR. Lund-Thomsen believes that this represents the emergence of a critical agenda on CSR in the South, highlighting both prospects and challenges of CSR in developing countries (Lund-Thomsen, 2005: 619). I believe that this perspective holds the most benefit for theory building on CSR, and the most potential for development issues going forward.

According to Jem Bendell in her article on the accountability of corporate social responsibility, there is an underlying assumption that the development of the Global South will be supported (if not promoted) by CSR initiatives (Bendell, 2005: 363). What this means is that corporations in the future have to become "conscious agents of development" and be instrumental in identifying opportunities for social benefit, *promoting social change* (Bendell, 2005: 363).

Lund-Thomsen, in this special issue, makes the distinction between two approaches to corporate responsibility in the Southern context; namely CSR, promoted by business, as well as corporate accountability which is more closely associated with the civil society groups seeking greater regulation and responsibility on the part of business activity (Lund-Thomsen, 2005). Using the example of petroleum companies in Durban, South Africa, Lund-Thomsen argues that both approaches have shortcomings in that they do not address the “underlying international political economy issues that create conflicts between companies and communities” (Lund-Thomsen, 2005: 620). He goes on to assert however that the corporate accountability approach, especially in developing countries, has the potential to influence and improve the way that corporates operate and impact communities (Lund-Thomsen, 2005: 620).

Tom Fox and Prieto-Carron et al believe that if CSR is the means by which poverty and other social issues are to be addressed, not only does the new discourse and application of CSR policies and practise have to include a critical Southern perspective, but that this perspective needs to form a part of a new developmental agenda for CSR (Fox, 2004: 29; Prieto-Carron et al, 2006: 977). According to Tom Fox, “A development-oriented agenda represents a challenge to those companies who adopt CSR practices on a tokenistic basis...” (Fox, 2004: 34). In other words, unless CSR is informed by a critical development-oriented framework, and underpinned by an enabling environment that also holds them accountable, the effective outcomes of those initiatives may have strayed far from what is developmental. In spite of concerns by Prieto-Carron et al about what they perceive as ‘flaws’ in the CSR discourse, they do however go on to show that there are indeed positives when the CSR framework that is put into practice employs critical definitions of both business and poverty; and furthermore, of the *impact* of CSR on poverty and other social issues (Prieto-Carron et al, 2006: 981). Prieto-Carron et al, as well as Lund-Thomsen believe that a critical assessment is needed not only of the paradigms within which CSR is conceptualised and practised, but also that methodologies for studying the impacts of CSR should be investigated (Prieto-Carron et al, 2006: 981; Lund-Thomsen, 2005: 620). They argue that there is a lack of well-elaborated methodologies to capture the effects of CSR, and therefore call for a framework that includes a conscious recognition of important developmental issues related to corporate power and policy (Prieto-Carron, et al, 2006: 983).

Like Esben Pedersen, Prieto-Carron et al make the case for a type of CSR that employs a recognition of the importance of issues pertaining to inclusion, openness, tolerance, empowerment, transparency, power and participation of all stakeholders in decision-making processes (Pedersen, 2006: 141; Prieto-Carron et al, 2006: 984). Important questions both to ask and answer in the

discourse and practice of CSR is, “who has the power to make decisions; what power structures are implicit in CSR and who has a voice in the debate”, say Prieto-Carron, 2006: 984). They assert that “even if these groups occasionally have a voice in multi-stakeholder initiatives, ‘power relations between stakeholders continue to shape the issues that are raised, the alliances that are formed and the successes’ that are identified” (Prieto-Carron et al, 2006: 984). Only conscientised companies behave differently to these very typical frameworks. According to Bendell, employing the conscientised kind of thinking and behaviour encouraged in Pedersen’s article “marks a change from previously established views of corporations being seen as the enemies”, and draws business into the sphere where they are recognised as being partners in development with a constructive contribution to make, while simultaneously identifying the disenfranchised stakeholders as having an equal stake (Bendell, 2005: 363; Pedersen, 2006). Bendell optimistically sees this as becoming the new norm, but it leads her to concur with the sentiments put forward by Prieto-Carron et al that the role of corporations, and indeed their CSR initiatives, needs to be put to more systemic engagement and analysis (Prieto-Carron et al, 2006; Bendell, 2005: 363).

Esben Pedersen points out criteria, which make for the effective and operable practice of CSR around stakeholder engagement: *inclusion, openness, tolerance, empowerment and transparency*, (Pedersen, 2006: 141, 153-157). Inclusion says Pedersen, is the recognition that important stakeholders who will be impacted by an intervention should be in the room and form part of the conversation (Pedersen, 2006: 140, 141). Who is considered as crucial to the conversation is not a neutral decision, and reveals which interests are emphasised (Pedersen, 2006: 141). Openness and tolerance in dialogue refers to the practise of allowing divergent views to be expressed, even if they do not align with dominant perspectives or interests (Pedersen, 2006: 141, 142). Pedersen defines empowerment in dialogue as stakeholders being able to influence the structure, process and outcomes of dialogue in order to speak for themselves and be included in decision-making processes (Pedersen, 2006: 142). Transparency in dialogue is about accountability and stakeholders’ ability to hold business to account within the CSR space (Pedersen, 2006: 142). Without information, it will not be possible to hold companies accountable, so therefore in the CSR arena transparency becomes critical to achieving successful interventions (Pedersen, 2006: 142). These criteria have important implications for making CSR participatory and developmental as they contribute to quality and depth of dialogue when dealing with participatory CSR (Pedersen, 2006: 141). It is Fox’s belief that where CSR initiatives “bring genuine benefits, attempts to relate the business agenda to poverty reduction are to be welcomed”, however, he believes that there are further efforts necessary to help create a genuinely development-oriented CSR agenda (Fox, 2004: 34). Without the equitable inclusion of all

stakeholders, power once again swings in the direction of dominant interests, which can be seen in many contexts today – more especially in the South, with dominant Northern interests.

In a similar way that Wayne Visser (2005) has argued that culture plays an important role in our understanding of the business case for CSR, Idemudia, as well as Jamali and Neville have argued that acknowledging context and circumstantial influences are essential to a critical discourse on CSR, particularly as it applies to the Global South (Idemudia, 2011; Jamali & Neville, 2011). In Idemudia's words, "...the failure to critically engage with the role of government, adopt a bottom-up approach to CSR analysis and avoid piecemeal research focus has meant the emerging Southern perspective to CSR is yet to achieve its full potential"(Idemudia, 2011: 1). Idemudia asserts that where mainstream CSR has failed is in its lack of acknowledging, researching and planning for CSR that has adapted to the context in which it occurs. This 'disjuncture' argues Idemudia, is largely based on a Northern perspective that pervades much of the CSR literature and agenda. According to Idemudia's chapter, "Southern perspectives of CSR are not adequately represented" (Fox, et al, 2002 in Idemudia, 2011) resulting in CSR agendas that lose their relevance because they are "not attuned with the priorities and realities of the South" (Idemudia, 2011: 3).

A final approach to CSR can be seen in the emerging discourse of CSR as imperialism. Khan and Lund-Thomsen, as well as de Neve use their experiences of research in Pakistan and India to illustrate the changing understandings of the way that CSR operates and is perceived (Khan & Lund-Thomsen, 2011; de Neve, 2009). Khan and Lund-Thomsen argue that the CSR discourse is set in the world of management and corporate debate, and essentially, what is lacking is the voice and perceptions of the beneficiary (Khan & Lund-Thomsen, 2011). Through their study of manufacturers' perspectives in Pakistan, Khan and Lund-Thompson show that CSR is viewed as a form of economic and cultural imperialism, imposing Western standards, regulations and concerns onto the Pakistani beneficiary (Khan & Lund-Thomsen, 2011). What they find significant is that imperialistic approaches to CSR "assume that economic, social and environmental problems can be solved through the use of appropriate managerial practices in ways that create wealth and improve societies" (Khan & Lund-Thomsen, 2011). In the same way that Khan and Lund-Thomsen demonstrate imperialism in CSR in Pakistan, de Neve illustrates inherent imperialism expressed in codes and standards of CSR in India (de Neve, 2009). De Neve argues that codes and standards that regulate the operation of CSR are further representations of Western dominance and are never neutral, but rather, carry judgement and perpetuate power dynamics that favour the West (de Neve, 2009).

3.7 CSR in the energy and mining sectors in the Global South

Petroleum and mining companies present a fascinating conundrum. The first reason for this is due to the nature of what petroleum and mining companies do (i.e. extractive manufacturing), the finiteness of their business and the negative social and environmental impact of their operations, they have come under enormous censure (Hamann & Kapelus, 2004; Frynas, 2005; Watts, 2005). In his article reviewing efforts toward developing CSR in the political economy of the oil and petroleum industry, Watts illustrates the gross human rights abuses, petroviolece and anti-democratic practices perpetrated by this industry (Watts, 2005). He demonstrates how the interests of the North are often prioritised over that of their counterparts, and shows the complexity of oil operations in the developing world, with “complicated forms of legal responsibilities on the one side and complicity and spheres of influence on the other” (Watts, 2005).

This point is further reiterated by Jędrzej Frynas in his article on the false developmental promises of CSR in the oil and petroleum industry (Frynas, 2005). According to Frynas, the negative impact of the oil and petroleum industry is listed as posing a threat to the environment at *every* stage of the supply chain – in the exploration, production, transportation and refining stages (Frynas, 2005: 594). Demonstrating the adverse social impacts of the industry, Frynas shows how the oil and petroleum business has not only rendered many displaced, for some it has meant the loss of any means of subsistence; for others it has caused the destruction of private property and land; and still for others, it has meant migration and “...not infrequently, [this] leads to prostitution, the spread of AIDS or a rise in local food prices” (Frynas, 2005: 594). In other words, petroleum companies have impacted communities in some negative ways, and the fact therefore that they often champion CSR is required, and yet ironic.

The second reason that petroleum companies are an enigma, is that they also present some of the leading voices in the championing of CSR in the North, as illustrated by companies such as Enron and Shell (Bradley, 2009; Frynas, 2005). Not unlike the mining sector in South Africa, petroleum and energy companies play a “...dual role as both a significant contributor of socio-economic development and as the cause of direct and very visible social and environmental problems” (Hamann & Bezuidenhout, 2007: 96; Frynas, 2005; Kings, 2014).

Recognising the need to see a greater return on investment by oil and petroleum companies, there has been a growing appreciation of the need for local considerations. According to *The Business of a Better World* article, Top 10 CSR Issues and Trends for the Extractives Industry in 2013, there are various trends that are emerging in the extractive industries that have political, social and economic

implications (Pluess & Oxman, 2013). The first of these that they point out is the “social license to operate”, calling for more robust “community-engagement strategies grounded in building trust and partnering with communities” (Pluess & Oxman, 2013). The second is the acknowledgement that meaningful CSR will not simply happen on the periphery of business, but that it will play a central integrated role into mainstream business (Pluess & Oxman, 2013). Another of these trends is the realisation that both transnational and local corporations have social and political impacts not only on the countries in which they operate, but that they also impact on local individual communities (Pluess & Oxman, 2013). Companies are now being asked to “not only to mitigate downside risk, but also to enhance social-investment programming and corresponding delivery of local benefits that help companies secure and maintain social licence” (Pluess & Oxman, 2013). This clearly demonstrates a growing recognition of the need for more critical engagement by the oil and petroleum sector.

3.8 CSR and Politics

CSR is often described as being about business doing good in the societies in which they operate. According to Karnani it is not up to companies to spend shareholder money. He goes on to argue the idea that, “companies have a duty to address social ills is not just flawed...it also makes it more likely that we'll ignore the real solutions to these problems” (Karnani, Wall Street Journal, 2010)

I believe that these arguments might be a little simplistic, and in order to truly understand the role that business and CSR play in society, we have to consider the political and economic implications, pressures and structures that underlie CSR interventions. Referring to the multifarious nature of the business of oil and petroleum in developing countries, Watts defines the oil complex as the “...configuration of social, political, and economic forces with a broadly similar “petrostructure” ” (Watts, 2005). While he uses the example Iraq whose economy is built on that of their oil reserves, it does not detract from the reality that the oil industry has produced a “close alignment between oil, finance, and weapons of war...and a close association between oil security as a strategic concern and various types of conflict” (Watts, 2005).

What is seen here is a close association not only between oil and human rights violations, but more importantly, the inextricable link between oil, power, political structures and engagements (e.g. war) and the idea of ‘making-up’ for these violations through championing the cause of community engagement and CSR. According to Dinah Rajak in her chapter, “I am the Conscience of the Company”, she develops a complex argument that suggests that CSR is wrapped up not only in the concept of compassionate capitalism, but in the idea of the “*politics of the gift*” (Rajak, 2009).

Traditional forms of CSR were often framed in terms of charity or philanthropy, and were based on the *assumption* of altruism on the part of practicing companies and individuals. Not unlike the central argument in this dissertation, Rajak argues that the ‘charity’ of CSR is fraught with the *politics and power* differential that exists between the giver and receiver of ‘gifts’ (Rajak, 2009). In her words, “the discourse of CSR, as practised by multinational mining corporations, creates categories of *benefactor* and *recipient*, on which structures of patronage and dependency are built....” She goes on to argue that “the lines between CSR and philanthropy are blurred...CSR is profoundly bound up with the politics of the gift” (Rajak, 2009). Of course, while she argues this with regard to multinational mining companies, it can be just as true for business of any kind.

Rajak goes on to explore the idea of CSR creating “geographies of incorporation and exclusion that not only serve to demarcate the company’s responsibility, but also to consolidate its authority” (or power) (Rajak, 2009). The idea of demarcation of responsibility is shared by CSR experts such as David Fig (2005) who contend that this may be the foundation of the tension between CSR and CSI in the South African context. According to Rajak, there are some approaches that claim the ‘value-free’, apolitical nature of CSR, and which objectively identify “societal or collective need, denying the moral impetus behind a policy of decision” (Rajak, 2009: 215). Rajak’s argument counters the above and asserts with Apthorpe and Foucault that this ‘objectively’ conceptualised policy (e.g. CSR-policy) is bound up in the notion of the “mechanistic tools of policy-making” which mask political processes under a veil of “scientific rationalism” (Rajak, 2009: 215). And furthermore, that this “policy can be seen as part of the political technology used to remove the highly political issue of social responsibility from the realm of political and moral discourse (Dreyfus & Rabinow, 1982 in Rajak, 2009:215). What becomes apparent through these understandings of CSR is what some would refer to as the altruism and goodness on the part of corporations are often politically and economically motivated and that this needs to be recognised

3.9 Conclusion

In the face of the critique that many theorists hold up against current practices of CSR, it is clear that “it [CSR] will only be rehabilitated through a radical restructuring around the core principles of sustainable and equitable development” (Fox, 2004: 35). However, having done an extensive review of the literature on CSR, it is also clear that are calling for a more nuanced practise of CSR. While I subscribe a positive developmental view of CSR, it is my argument that CSR and CSI are often circumscribed by political and economic considerations which are not sufficiently explored by the literature. While not a part of this study, it is important to note that CSR is not sufficiently informed by social development considerations or theory either, but this is work for further study. These two

factors often work to thwart the developmental efforts of CSR by business. What follows next is a description of the context of CSR in the South African setting – highlighting the legislative and political environment that has given rise to CSR in its current form in this country, and helping us further in answering my research question **“What approach to CSR does Company X take? What underpins this approach?”** In answering this question in relation to the petroleum industry in South Africa, I believe that this study is important as it sheds light on the Global South CSR context, but it also highlights the role that politics, and political and economic considerations play in the sphere of CSR.

Chapter 4

CSR Context in South Africa

4.1 Introduction

Not unlike the global context, business in South Africa is being brought into the space of development – contributing to educational, health and environmental issues. In an environment where conventional efforts of development which have come under fire for being outdated, the practise of CSR has grown, albeit in a sphere of controversy and much debate. The literature review shed a great deal of light on a changing global context around CSR. In this chapter, while we sketch a bit of the international trends around CSR, we really consider the South African context and try to understand the factors that gave rise to CSI; how CSR and CSI have been conceptualised and the regulations that govern this space and encourage companies to be responsible corporate citizens.

4.2 Global Context

It is important to note that CSR does not happen in isolation, but that while local contexts are impacted by local needs and legislation, they are simultaneously impacted by global trends, markets and economics. Essentially, this means that the government or state is no longer the only vehicle to ensure development, but can rather be seen as the facilitator of development, creating a space and facilitating that development which is now largely in the realm of the private and NGO sectors. In her online article, *CSR in South Africa: More than a nice intention*, Micaela Flores-Araoz puts it like this, “The days when the government was seen as the exclusive social change agent and the absolute macro problem solver are becoming part of the past, as companies are gradually taking a larger role, actively participating in social and community projects under the concept of Corporate Social Responsibility (CSR)” (Flores-Araoz, 2011).

Globally, development agencies have taken an emphatic stance on the role of business in society. According to the *King III Report*, international trends show an increased emphasis in European countries on getting serious about sustainable and responsible business practices. Since the release of the *King II Report*, the concept of sustainably supporting society, the environment, and the economy has steadily increased, with the United Nations publishing the Global Compact and The Principals of Responsible Investment (King III, 2009).

4.2.1 The United Nations Global Compact

Comprised of 10 principles focused on issues of human rights, labour rights, the environment and anti-corruption, the *United Nations Global Compact* is a strategic policy initiative to get businesses

all over the world to align with sustainable and inclusive businesses practices while simultaneously making sure that they benefit society (UN Global Compact, 2013). In their words, “The UN Global Compact works toward the vision of a sustainable and inclusive global economy which delivers lasting benefits to people, communities, and markets” (UN Global Compact, 2013). The table below outlines the 10 principles of the UN Global Compact.

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Source: <http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html> Accessed 04/10/13.

4.2.2. Global Reporting Initiative

With a similar vision to that of the *UN Global Compact*, the *Global Reporting Initiative* (GRI) is an organisation that “promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to sustainable development” (Global Reporting Initiative, 2013). The principles set out by the GRI promote ideals of transparency and inclusivity and reporting according to the GRI standard can be used by companies to be clear about their “economic,

environmental, and social performance and impacts” (Global Reporting Initiative, 2013). This comprehensive reporting mechanism is meant to be used by organisations across sectors, and includes the consideration of economic factors (namely, economic performance, market presence, indirect economic impacts, procurement practices); environmental factors (namely materials used, energy, biodiversity, emissions, effluents and waste, compliance and so forth); and social factors (namely, labour practices, human rights product responsibility, and so forth) (GRI, G4 Sustainability Reporting Guidelines, 2013: 9).

This is not an exhaustive list, but is meant to show the global trend toward more responsible business practice. The next sections will look specifically at factors that have given rise to the CSR context in South Africa.

4.3 The South African Context

4.3.1 The Political Landscape

Corporate social responsibility has become more sophisticated and multifaceted as societies become more conscious of their rights and articulate their demands. Patrick Bond points out that while CSR has been high on the agenda for quite some time, there is still much scepticism around its conceptualisation and practise (Bond, 2008). In South Africa, there is a growing consciousness around these issues - with unique South African historical and social factors influencing this space requiring an understanding of the past in order to plan for the future effectively.

Visser points that in spite of many years of progress on the continent, Africa remains caught in a cycle of poverty (Visser, 2005). In this context, he argues, CSR remains a challenge for companies (Visser, 2005). The political and socioeconomic landscape in South Africa has been one characterised by “low growth, high poverty, unemployment-ridden, ever more unequal, capital-flight-prone, volatile, vulnerable, elite-oriented economy...” (Bond, 2008). With apartheid producing less control and greater upheaval and struggle for freedom, business was prompted to look toward ways of redress and adopting business practices that indicated intent toward contributing to a more just and equitable system. In the collaborative work by David Fig, Andries Bezuidenhout, Ralph Hamann and Rahmat Omar, the political landscape and economy of apartheid South Africa and its links to corporate social responsibility are clearly established (Fig et al, 2007). This will be further discussed in coming sections.

In an effort toward redressing past wrongs committed in the name of an apartheid system, and to encourage corporate South Africa to contribute to the restoration of equitable compensation, a

number of codes were established, and include such standards as the King Reports, The Johannesburg Stock Exchange Socially Responsible Investment (JSE SRI) and the B-BBEE Scorecard. The table below is the official 2013 B-BBEE Scorecard as in the Department of Trade and Industry's October 2013 Gazette, and sheds light on what the South African Government has mandated companies should be emphasising in terms of their investment in society and what is believed will bring about equity and equal opportunity in South Africa towards redressing past injustices.

Element	Weighting	Code Series Reference
Ownership	25 points	100
Management Control	15 points	200
Skills Development	20 points	300
Enterprise and Supplier Development	40 points	400
Socio-Economic Development	5 points	500

Source: The B-BBEE Generic Scorecard, *Government Gazette*, 11 October 2013, DTI

4.3.2 The King Reports

Along with current chairperson of the Global Reporting Initiative, Mervyn King, a former Supreme Court Judge in South Africa, the Institute of Directors of Southern Africa, commissioned the King Committee (Van Vuuren and Schulschenk, 2013: 1). The King Reports can be seen to be the South African contribution to international codes on corporate governance, and in later reports expanded to include issues of sustainability and leadership. They are considered to be “set international standards on best practice” around issues of ethical leadership, corporate citizenship, governance of information and the consideration of stakeholder relationships (Van Vuuren and Schulschenk, 2013: 1; King III Report, 2009). While not a legislative document, the King Reports adopt a comply or explain approach which requires all companies listed on the JSE, to adopt measures in line with the King Codes or explain their non-compliance.

4.3.3. The Johannesburg Stock Exchange Socially Responsible Investment (JSE SRI) Initiative

The JSE SRI was launched in 2004 in response to a growing consciousness around issues of sustainability around the world, but for the JSE SRI, particularly, the need for sustainability in the South African context (JSE, 2013). Its main objectives are multi-fold: to identify companies listed on the JSE that integrate principles of the triple bottom line and good governance business activities; provide a tool for broad holistic assessment of company policies and practices against globally aligned and locally relevant corporate responsibility standards; to serve as a facilitation vehicle for responsible investment for investors; to contribute to the development of responsible business practice in South Africa and beyond (JSE, 2013). The areas measured in the JSE SRI include the three

broad criteria in the triple bottom line: Environment, Society and Governance related issues, and delineate these across the various measures in the table below.

Society	Governance and sustainability	Environment
Training & Development	Board Practice	Addressing all key issues
Employee Relations	Ethics	Working Towards Environmental Sustainability
Health & Safety	Indirect Impacts	
Equal Opportunities	Business Value & Risk Management	
Community Relations	Broader Economic Issues	
Stakeholder Engagement		
Black Economic Empowerment		
HIV/AIDS		

Source: JSE SRI Background and Selection Criteria, 2011

Based on the above, one can deduce that in general, both in developing and in developed countries, the concept of CSR is being welcomed and increasingly, the political and economic environment is being prepared toward creating more meaningful forms of corporate interventions.

4.4 The Socio-Economic Landscape of South Africa

While it is clear that much has been written on the practise of CSR, it is important to note that most of this has occurred mainly in the American and European contexts, and as Visser points out in his challenge to Carroll, culture impacts the way societies 'order' their priorities, and therefore Carroll's pyramid, while helpful, is not necessarily reflective of an African CSR practice (Visser, 2005: 36-45). It is therefore imperative that one gets a sense of the environment in which CSR and CSI takes place in the South African context in order not just to understand, but to make recommendations for the future. Fig, Visser, Idemudia and Jamali & Neville all suggest that the distinctive South African context must be acknowledged, and CSR must be adapted to speak to past and continued injustices if it is to have meaningful impact (Fig, 2005; Fig 2007; Visser; 2006; Idemudia, 2011; Jamali & Neville, 2011).

The rest of this chapter seeks to answer a few questions. The first of these is simply, how is CSR conceptualised and articulated in South Africa? What in the landscape of South African history prompted business to see CSR/CSI as a way forward? As guides to answer these questions, we use work done by David Fig and his fellow authors in their book, *Staking their Claims, Corporate Social*

and Environmental Responsibility in South Africa (2007), Visser in his 2005 article, *Revisiting Carroll's CSR Pyramid: An African Perspective* and Hamann & Bezuidenhout's chapter, *The Mining Industry* (2007). In order to also more fully acknowledge where we have come in the South African context, Trialogue's CSI Handbooks of 2011 and 2012, also form a part of the data used here.

In his article *Revisiting Carroll's CSR Pyramid: An African Perspective*, Wayne Visser points out that in spite of Africa playing a much larger role recently in terms of the world economic market and in spite of much aid flowing into the continent, the truth of the matter is that Africa, to a large extent is still steeped in the same, if not worse poverty as before (Visser, 2005: 30, 31). Business in Africa has a mixed reputation, being known for creating opportunities to improve the lives of millions, while simultaneously being known for "complicity in political corruption, environmental destruction, labour exploitation and social disruption" (Visser, 2005: 31). That said, according to many, the private sector still remains "one of the best placed institutions to make a significant positive contribution towards improving social, economic and environmental conditions in Africa" (Visser, 2005: 31). Acknowledging this, Visser begs the question, "CSR according to what or whose definition? And is it a definition that is relevant to the African context?" (Visser, 2005: 31).

In Trialogue's 2011 CSI handbook, research showed that during the year 2010-2011, South African companies contributed approximately R6,2 billion in expenditure toward social issues (Trialogue, 2011: 35). Approximately 71% of this was spent through CSI initiatives, with focus areas being primarily on education, social and community development and health initiatives (Trialogue, 2011: 37). The 2012 statistics reveal that during the year 2011-2012, there had been an increase in terms of social spend, equalling R6,9 billion. This spend includes actual financial contributions which amounted to approximately R5 billion through CSI expenditure, but it also includes spending by departments within a company that are not part of the central CSI function; "licence-to-operate" spending; various donations of goods, skills or services and donation of employee time through volunteer projects (Trialogue, 2012: 32). As in the previous year, financial contributions were largely focused on educational, social and community development, health and environmental issues (Trialogue, 2012: 36). Due to an increased emphasis of the B-BBEE codes on enterprise development, there is also increased focus here (Trialogue, 2012: 36). The research also showed that while companies are concerned with social issues and many of them partner strategically with NGOs and NPOs, they were not prepared to contribute toward the operational costs of their development partners, and very few of them saw the need for a joint monitoring and evaluation process (Trialogue, 2012). While these statistics are provided by a 'neutral' third party, attending two consecutive years of the Trialogue *Making CSI Matter Conference*, as well as the Tshikululu *Serious*

Social Investing Conference, very little change in terms of the conversations – there is the continual call for meaningful business intervention in society, to understand better who the client/stakeholder is, and to ensure results through a well organised and collaborative monitoring and evaluation process. But what does all this mean when there is not precise clarity on what is being dealt with in terms of CSR?

Part of the answer, I believe, lies in David Fig's understanding of the CSR landscape in South Africa. In their 2007 book, *Staking their Claims Corporate Social and Environmental Responsibility in South Africa*, Fig et al acknowledge that while much 'good' has been done in the sphere of CSR, there remains inherent contradictions and gaps in the thinking and practise of CSR (Fig et al, 2007: 6,7). These gaps, Fig et al argue, can be seen to be underlined by the fact that "while firms may be committed to better management of their social and environmental practices, their *core business* may actually be doing disproportionate social or environmental damage" as the 'corporate responsibility thinking actually does not permeate throughout the business thinking (Fig et al, 2007: 6, my emphasis). What this means therefore is that a company that has good environmental policies may actually operate in 'dirty' ways (Fig et al, 2007: 6). This becomes a significant factor when one realises how much power some of these companies have.

In Africa, many of the multinational companies, including some petroleum companies, are very powerful, and as Tom Benning writes, many have "...more clout than many governments in Africa" (Benning, 2013). There has been much interest and debate surrounding issues of multinationals and their investment into Africa, as well as much interest in their social contributions and their ability to sway governments and rules in their favour. Currently in South Africa, while CSI is 'regulated' through the B-BBEE scorecard and voluntary adherence to the King III standards, there is little else that incentivises companies to think seriously about the notion of CSR and creating value throughout their chains. Increasingly companies are getting mileage out of their CSI spend and so reporting on corporate social performance often seems to be used as a way of advertising a company's good deeds. In order to do more than simply use these good deeds as window trimmings, it is important to understand what the legislative landscape is in terms of CSR and CSI. In South Africa (as discussed above), there are a number of measurements for companies to be able to show their commitment to issues of social, environmental and governance concerns. These include measurements set out in the Johannesburg Stock Exchange Social Reporting Index (JSE SRI), the King III codes, as well as the B-BBEE scorecard. This is not an exhaustive list of measurements used, but they are the most recognised criteria that companies are asked to adhere to in South Africa. While it may be argued

that these standards exist to ensure social wellbeing, social activists such as Bobby Peek argue that it is still business as usual and that there has not been any substantial change in business operations.

Coming back to the question of what exactly we are dealing with in the South African context in terms of CSR and CSI, it became clear that CSR is the more common of the two phrases. This observation is a reflection of the one made by David Fig in his 2005 article, *Manufacturing Amnesia: Corporate Social Responsibility in South Africa*. For Fig, this is one of the most important aspects of CSR that address reason for the gaps in CSR, and can be linked to the way in which corporate responsibility is conceptualised in South African context.

According to Fig's thesis, the confluence between what is considered corporate's social responsibility and corporate's social investment is reflective of, and can be traced back to the powerful links that exists between state and capital (Fig, 2005; Fig, et al 2007: 1). This being said, one then has to question why CSI is the more common used to describe business social, environmental activities in South Africa. Corporate social investment was defined by one respondent in my research, as:

“...the contribution that companies make or an organisation makes to the community or the society in which it operates. It's an *actual* (emphasis provided) investment – it could be in a monetary term or it could be in kind, support or actual services or materials provided to the communities or societies in which it operates”.

This definition tells of a greater value that is placed on the action and monetary value, rather than on responsibility in all aspects of business. David Fig offers an answer to this conundrum. According to Fig et al, the 'confusion' has not happened by accident, but rather, it is reflective of a thinking that seeks to hide the true nature of the role that business played in Apartheid. Fig asserts that businesses benefitted through an apartheid system that provided an environment in which they operated at will and profited from these activities without impunity for wrongs committed (Fig, 2005; Fig et al, 2007). Further to an external environment from which they benefitted, it is Fig's meaning that corporate South Africa actually contributed to the entrenching of apartheid (Fig, 2005; Fig et al, 2007). In his 2005 article Fig acknowledges that with the dawn of a new dispensation, there was no consensus on whether business contributed to the fall off apartheid. “Liberal writers attribute to the role of business the gradual admission of black workers into semi-skilled positions, the removal of workplace segregation and the sponsorship of urban reform in the face of government intransigence” (Fig, 2005: 599). In other words, in spite of the South African government's lack of flexibility on matters of race in the workplace, liberal thinkers attribute the positive changes in business to business' vision. The other side of the coin sees business not only contributing to an apartheid system, but, Fig points out, corporate South Africa specifically

introduced many systems benefitting white South Africa, as well as business themselves, to the detriment of the largest sections of the population (Fig, 2005: 600).

With the transition to democracy, the corporate sector was apprehensive of what would be demanded of them, but “realised that it had to accommodate new priorities, but there was some uncertainty as to how far it would need to transform” (Fig, 2005: 600). What this shows is not only a reluctance on the part of business to accommodate a more just system, but the recognition that they had no choice due pressures applied from a number of sources. Fig points out that within two years of assuming power, the ANC Government established GEAR (Growth, Employment and Reconstruction), a monetarist programme, prioritizing “privatization, deregulation and trade liberalization” and reassured business that redistributive measures would have little impact on them (Fig, 2005: 600). It was with this as its foundation that corporate South Africa was able to avoid *corporate social responsibility* (a backward-looking thinking that acknowledges past wrongs), in favour of a more convenient *corporate social investment*, which, according to Fig, “asks no questions about legacy, memory, history, justice, or moral and ethical responsibilities” (Fig, 2005: 600, 601).

In their chapter looking at the way corporate social and environmental responsibility is practised in the mining sector in South Africa, Hamann and Bezuidenhout agree with Fig, arguing that the mining sector, not only added to the tally of human rights violations, but in the South African context, were complicit in the entrenchment of apartheid (Hamann & Bezuidenhout, 2007). Hamann and Bezuidenhout also demonstrate how mining companies, like petroleum companies, championed the cause of corporate responsibility, showing their “...desire to resist and ameliorate the most oppressive characteristics of the apartheid regime in order to guard against social and political unrest among the disenfranchised black majority, and hence ensure the maintenance of capital production...” (Hamann & Bezuidenhout, 2007: 101, 102). Hamann and Bezuidenhout go on to show that many mining companies started philanthropic initiatives toward the end of the apartheid regime, and these are what become known as CSI – corporate social investment (Hamann & Bezuidenhout, 2007: 102). What is significant here for me is that Hamann and Bezuidenhout highlight a very real tension that existed for capital at that time – make profit, but avoid social and political upheaval by engaging in social and environmental initiatives. For them, the emphasis that many of the mining companies still place on the notion of CSI however shows an “explicit reluctance to deal with the social impacts of *core* business...” (Hamann & Bezuidenhout, 2007: 104). Like Fig they demonstrate the separation exists between CSI and corporate strategy, seen for example in the “isolation of CSI managers from core decision making in the business” (Hamann & Bezuidenhout, 2007: 104).

4.5 Case Study Context

Company X offers a unique opportunity to see how companies in the South African context have adapted to a new way of thinking about their responsibility to society. I believe that this is so because they existed in both the apartheid era, and continue to operate today in post-apartheid South Africa. What follows is a description of the history of Company X, as well as the development of CSI at Company X over the last few decades.

Company X is a South African business with a Sub-Saharan footprint. It is considered by many to be one of the major South African companies, operating in 21 African countries. Its initial business was the supply of lubricants to various industries. As the company has grown, it has changed hands and business focus, today employing in excess of 5000 individuals, and focusing on the downstream refined petroleum product market.

Company X was started about 100 years ago, and was then owned by American interests who, during the height of the apartheid era, decided to withdraw out of the South African market. The company was subsequently bought over by a South African mining company, had a name-change and according to records was then listed on the Johannesburg Stock Exchange. Due to internal politics they were however delisted again in 1999. Company X is therefore the evolutionary outcome of an organisation that has been in existence since the late 19th century.

While the sale of oil and petroleum products globally was still in its infancy at this time, South Africa was not far behind in terms of demand for petroleum. The 1920s to 1930s heralded not only an expansion in terms of the technology needed to advance the field, but it also saw the birth of talks around staff development and, one could say that the crude beginnings of CSR and CSI at the company was born. The post-war decade between 1950 and 1960 was a time of revolution and industry not only for Europe, but for South Africa as well. The company's refinery was built in the 1950s, proving to be an economic boost for the country, but also allowing for employment, marketing and advancement in the new field of engineering development of petroleum and aviation technology. It was also during this time that corporate responsibility around worker job security and pensions became more cemented at the company.

The decade between 1970 and 1980 proved to be the era of increased scientific endeavour around the world, it was also a time of growing global conscience, and the effect on the Company X proved no less. Although the concept of CSI had been developing for some time by then, it was at this time that tentative undertakings were made around the role of women in the workplace, and the first grumblings of community engagement were heard at the company. The global anti-apartheid

movement came to the fore at this time and it was during the 1980s that the company officially established its *CSI* department, and launched a programme that promoted education irrespective of race. This was the start of its emphasis on education as a *CSI* focus area. Internally, the focus was on training at all levels in the company, grooming and training Black and Coloured employees to take on management roles; and on-the-job training for less advanced positions.

The year 1990 heralded a shift in company and country leadership and politics, and saw the emergence of Company X in the form we know it today. The decade leading up to the new millennium presented new beginnings and new opportunities. The year 1991 saw the company win prestigious awards. This rejuvenation however was not the only thing happening, and with disinvestment, difficult times lay ahead for the refinery with resultant job losses and controversy between Company X and the community surrounding its Durban refinery. Along with global responsiveness and organisation around issues of pollution and the environment, the community around the refinery themselves became mobilised, appealing to the company, and demanding environmental reform. The dawn of the new millennium saw greater support of social development through adherence to B-BBEE standards, health (HIV/AIDS) awareness and support programmes, setting up a fund for the provision of anti-retroviral treatment and which was administered through the company's Medical Benefit Fund.

The next chapter will discuss in greater detail the various aspects of Company X's business and corporate social responsibility practice, and will highlight the freedoms and constraints placed on CSR by the environment (company and state) in which they operate. It will also help us to answer the research question, **"What approach to CSR does Company X take? What underpins this approach?"**

Chapter 5

Findings and Discussion

Companies still thinking about the environment as a social responsibility rather than a business imperative are living in the dark ages.

Carter Roberts

Creating a strong business and building a better world are not conflicting goals – they are both essential ingredients for long-term success

William Clay Ford Jr. (Ford)

5.1 Introduction

The last two chapters shed light on the dominant approaches used by companies, in particular, petroleum and mining companies as far as CSR and community engagement is concerned. As has become clear, the petroleum and mining industry has found itself the between the proverbial rock and hard place. On the one hand, like most corporations, they are required to ensure that shareholders get a healthy return in their investment. On the other, societies now demand that business not only guarantee that they do no harm, but that they mitigate for negative impacts, *intended or unintended*, and that they show commitment to making a positive contribution to society. Current political and economic parameters, have acted to both promote this behaviour, and constrain it. In addition to the political ‘complications’, historical evidence seems to suggest that many South African companies not only benefitted from the apartheid system, but that they actively sought to entrench it (groundWork, 2002; Fig et al, 2007). This renders many South African companies, including petroleum and mining companies, complicit in the entrenchment of what was an inhumane and unjust system with much more to consider in terms of CSR.

As one of the largest employers in the South African context, and because of the nature of capital and the type of market that Company X operates in, *how* they engage socially is very relevant to this study. As I was unable to speak to the ‘communities’ around refinery in person, groundWork, a South African environmental justice NGO located in KwaZulu-Natal became a key informant with regard to the company-community relations between Company X and their host communities. Historically, the discord between petrochemical and mining companies and their host communities is well-known. Hamann and Bezuidenhout (2007) cite examples of company-community friction that occurred in mining communities; Watts (2005) uses various examples of oil companies in developing countries to show the tensions that exist between host communities and oil companies, largely as a result of communities being “excluded from the purported benefits of the oil industry”, and Dinah Rajak (2009), writing on the politics of the corporate gift, uses the example of mining companies to

demonstrate the political, economic and social forces at play between mining companies and communities in Rustenburg in South Africa. The case of Company X is no different. As a petroleum company operating in South Africa during apartheid and after, Company X is no stranger to conflict between itself and its host community (groundWork, 2002; groundWork, 2006; Lund-Thomsen, 2005). And, not unlike the mining and oil companies that have championed the cause of social engagement, Company X too has a long history of corporate social investment and community involvement; and has allowed politics and economic concerns to dictate how it operates and engages with its stakeholders.

This chapter presents the evidence to support our main argument that political and economic factors, rather than social factors, shape CSR strategy and practice at Company X.

5.2 Central Findings

5.2.1 The politics of CSR

Through interviews with Company X employees, NGO partners, beneficiaries of Company X CSI initiatives, Company X CSI Manual and interviews with key experts on the field of CSR and CSI in South Africa, the most significant finding that emerged in this research is that CSR, and CSI in South Africa, takes place in a highly politicalised environment, both external to and from within companies, and this renders a CSR that is polluted by politics. In addition to social and environmental concerns, political and economic considerations are even more significant in giving rise to CSR within companies, and has impacted the demeanour and personality of South African CSR and CSI. According to groundWork, commenting on the political environment and enablement of politics in business,

“...corporations have too much power and connecting this with the elite political power results in the deconstruction of the gains made in environmental legislation after apartheid. We need to find ways to ensure that their power is dismantled” (groundWork interview, 2014).

Fox (2004) draws our attention to the need for the creation of an enabling environment for development to happen through CSR. A different type of enabling environment is also highlighted in Fig (2005, 2007) and Hamann and Bezuidenhout (2007) who refer to the South African apartheid state which crafted an environment that allowed business to thrive at will, often at the expense of community, and without impunity. In terms of the internal political sphere, Frynas draws our attention to examples from his own research with oil and gas companies, where some of the most scathing condemnation of CSR can be found, and where insiders in business have very critical views of CSR. He quotes three of them as saying, “CSR is a waste of time”; “CSR is about managing

perceptions and making people inside and outside the company feel good about themselves”; and finally, “CSR is a red herring in terms of development projects” (Frynas, 2005: 581). These views of CSR, especially if they are held by top management personnel, will influence the CSR (and CSI in South Africa) and can be damaging toward the practise of CSR.

Like many other oil and petrochemical companies, Company X has a political story set in a political environment engineered largely by an apartheid state. This has had a bearing on how Company X performed and continues to perform socially and environmentally. A documentary by groundWork, illustrates that the environment for business during the apartheid era favoured the petrochemical industry to the extent that they were able to displace entire communities in the Kwa-Zulu Natal area, re-arranging different racial groupings in a way that disadvantaged communities while favouring the industry (groundWork, 2006). This enabled Company X, and other petroleum companies in the South Durban area to benefit from prime real estate and resources, to the detriment of their community neighbours (Lund-Thomsen, 2005; groundWork, 2006).

5.2.2 National Political Priorities

In a similar way that the apartheid state enabled business interests to flourish (Fig, 2005; 2007), the post-apartheid state also sets out legislation that provides a framework within which business operates. Today, like many other companies, Company X’s CSI strategy is in line with a non-discriminatory constitution and guided by updated state policy such as the B-BBEE legislation. In terms of how Company X is influenced by the external political environment, we find a recurrent theme when in conversation with Company X employees regarding the alignment of its CSI strategy to that of national goals and priorities, seeing government as a significant partner and influencer of how they plan their CSR activities. The head of Corporate Affairs at Company X spoke of the political nature of CSI when asked what informs company strategy and policy, in the following way,

“...government policy and priorities of the country, the national agenda of the country influences what we do in terms of CSI...we would look at what the priorities of the government of the day is, and see how we can align our programmes alongside them...as long as it makes business sense as well...” (Head of Corporate Affairs Interview, 2012).

He went on to say,

“...within south Africa there is a requirement that we get involved to the BEE codes of good practice. That CSI needs to have particular structure and how you report to that etc.” (Head of Corporate Affairs Interview, 2012).

Another of the company’s CSI managers described their relationship to government and the political environment as follows,

“...government plays a very critical role here as well. Sometimes we look at corporate but government needs to be there and needs to be...not necessarily sort of policed but they need to provide an enabling environment” (CSI Manager Interview, 2012).

She went on to say,

“I guess it is about being supportive – to, work closely with those government and NGOs to support that work that is being done for society. And it’s really about making a contribution...but in a way that is supportive of what government is doing and of what work NGOs and civil society is doing. So, it’s really about working along them to make that contribution, and make it relevant” (CSI Manager Interview, 2012).

When considering these statements, it is clear that social considerations motivate companies to engage in CSR activities, it is also evident that national priorities to a great extent influence decision-making and operations of companies. There is however also an unspoken understanding that when these national priorities change it undoubtedly has an impact on the works of business, including how they operate in society.

5.2.3 Company Politics

In the same way that external political considerations affect CSR at a company, it is clear that internal company politics and bureaucratic company structures also impact CSI strategy implementation and outcomes. In his article on the “The False Developmental Promise of Corporate Social Responsibility: Evidence from Multinational Oil Companies”, Frynas (2005) draws our attention to negative attitudes toward CSR within companies in the oil and petrochemical sector which need to be taken seriously as they are able to impact a company’s approach to CSR. In Rajak’s (2009) chapter considering the politics of the corporate gift, Dinah Rajak highlights the political dynamic that often exists between giver and receiver of corporate ‘gifts’.

According to respondents from Company X, while there was no overwhelming negative attitudes toward the notion of CSR and CSI, neither did it appear however that there was in fact overwhelming support either. It was very clear from interviews with company employees that for Company X, the bottom line is more important than CSR, and that they actually do not always have the means to support the development efforts of CSR, but because of state ‘regulations’, the company had no choice. It was also clear from numerous conversations with company employees that in spite of the fact that they are ultimately responsible for producing the strategic objectives of their department, the revenue producing divisions and department were vastly *influential* in how they approach and perform CSI. The CSI manager explained this phenomenon in the following way,

“At a national CSI level, [CSI national manager] would interact with senior management of Sales and Marketing. And so there’s a two-way communication...there’s internal and

external focus whereby we go as CSI people, and inform other divisions of what our current strategy is, and what our focus areas are, and *then we ask them in turn to give us opportunities to sit in and hear what their plans are for the year, and where they're heading, what their vision is in terms of long-term initiatives, so that we can see how we then align what we're doing in some way with those divisions...* So that's how we try and align our actual CSI interventions along with our business output" (CSI Manager Interview, 2012).

Essentially, what *influence* implies here, is that if other departments are positive about the direction that the CSI department is headed in, they will support the CSI strategy. The converse of this is however also possible, where other divisions within the business, divisions that are powerful based on their profit-making ability, may be sceptical toward CSI. In those circumstances, the values of CSR and the practice of CSI will have very different motivations, and can have very different outcomes. Essentially, what this influence also means is that the revenue producing departments in the organisation often first consider what the advantages are to the business, what the business case may be for engaging in a certain strategy, before they support the CSR and CSI said strategy. As the Corporate Affairs manager alluded to,

"...as long as it makes business sense as well".

And so, the game of CSI within business can be a very delicate and political one, and will need to be carefully managed and nurtured.

5.2.4 International Arena

While not as evident from the case of Company X, Watts points out that the socio political and development environments of many petro-states are highly susceptible to the whims of international politics and the global oil agenda (Watts, 2005). Watts draws our attention to the political underpinnings of the rise of CSR in petro-states, and to the fact that CSR was developed as an antidote (in the form of codes of conduct) to accusations of unsavoury behaviour by corporations (Watts, 2005).

Finally, many have argued that the voluntary nature of CSR renders it altruistic and that putting in place regulation to govern its practice may take away from the efficaciousness of it. Blowfield and Frynas express this as follows: "For many proponents and critics, a key distinguishing feature of CSR is the voluntary nature of the initiatives companies undertake in its name, in contrast to the formal regulatory mechanisms historically used to govern business. Few hold that business should not be legally accountable, but in certain circumstances a voluntary approach to regulating business behaviour might be beneficial" (Blowfield & Frynas, 2005: 502). This *voluntary* aspect to CSR

however, can also be seen in a political light. In my interview with groundWork, they made a noteworthy point in this regard,

“The EU believes that CSR will not and does not work for managing corporate misbehaviour. While in Africa Corporations often try and get government to withhold law and enforcement in favour of voluntary mechanisms such as CSR”(groundWork interview, 2014).

This is a significant point, as many companies in Africa, including petroleum companies like Company X, are not only viewed as the saviours, based on their “spending millions of dollars on efforts to fight disease, improve education and empower women” (Benning, 2013), but use these activities to obscure the fact that their first priority remains economic expansion, and still they are very much supported by African governments.

5.3 Company X defines CSR and CSI

As mentioned in the previous chapter, the concept that is widely referred to as CSR is often confused or used interchangeably with the concept known as CSI. This is particularly significant in the South African context where we have a complex history. When doing a search, one will see that internationally, CSR is the concept more commonly utilised in literature, however, in South Africa, the dominant term used is CSI. David Fig and his colleagues have suggested that the reason for this stems from political and economic consideration dating back to the apartheid era, with regard to which South African business has conveniently developed an affected amnesia (Fig, 2005; Fig et al, 2007). They assert that because of the nature of CSR, a backward looking concept that takes into considerations past behaviours that may have contributed to current social or environmental issues, and seeks to make compensation for this, CSR has proven to be an uncomfortable strategy requirement for South African business. Acknowledging the complex history of South Africa, Fig and others have determined that the business South Africa has most likely calculated that it would not be in their best interest to subscribe to the notion of CSR, as this would require a greater commitment than they are prepared to give (Fig, 2005; Fig et al, 2007). Looking specifically at the mining and extractive industries, Hamann and Bezuidenhout argue that by defining their contribution toward society as CSI reveals an “...explicit reluctance to deal with the social impacts of *core* business...” (Hamann & Bezuidenhout, 2007: 104).

For this research study, while I referred to CSR to lay the groundwork and set the theoretical scene, I am forced to use CSI in my findings and discussion sections because that is the chosen term by Company X. As such, it is important that we understand what Company X is referring to when it speaks of CSR and CSI.

According to Company X's CSI management members, CSI and CSR are not interchangeable. They use the term CSI, and give reasons what are the reasons for this, but at no point do they acknowledge the tension and politics that underlie that separation of these terms. For Company X, in contrast to CSI being about the *financial* contributions to communities in which it operates, CSR is more about *values, intentions and obligations* held by each board member, manager and employee than about the 'action' of CSI. From interviews and Company X policy documents, it seems that Company X have not only succeeded in making CSR a more distant concept, but a more theoretical concept.

In an interview done with one of the senior managers of Company X, he defined the two concepts of CSR and CSI concepts in the following way,

“responsibility is the obligation of ensuring that whatever we do doesn't have an impact on other people that occupy our space, and the planet, and society in general...While *investment* (interviewee's emphasis) is really about investing both in human and financial resources to mitigate whatever impact we might have...maybe we can look at it as a premium that you would pay toward any insurance...and apart from mitigating, it's also about the right thing to do because...for business to continue be sustainable, you need to also be part of solutions to address those social problems that are there” (Head of Corporate Affairs Interview, 2012).

From interviews with the company employees, it appears that Company X believes that CSI is about where *values and intentions* become *action*, and I believe that they see this as more valuable. The CSI manager phrased the distinction in the following way:

“CSR is the responsibility of every person in the organisation, and that comes down... intent to take care of the environment, take care of the area in which we operate, are we doing things in a safe and responsible manner...whereas investment is really the arm or leg on which the company supports societal needs” (CSI Manager Interview, 2012).

I believe that this perspective helps to shape its definitions of the two concepts, and it is also this which has contributed to its definitions therefore moving away from what it chooses to see as more abstract definitions of CSR, and be focused on the what it sees as its real work – investing. Accordingly, over the last decade, the company has dedicated a total in excess of R150 million to causes that it sees as imperative; education, safety, environmental issues and community outreach. The company's official definition of CSI is that it is:

“...about building long term capacity in an area of *developmental* need that is critical to the business and society, to create sustainable solutions, with like-minded partners” (Company X, 2006: CSI Manual).

Describing CSI in her own words, the national CSI manager spoke about the concept in the following way,

“what you have to do...your responsibility...CSR for me...it's very high level.... I can do CSR at a very high level by even buying a solution. Then I've done my responsibly. But then it's actually far removed as well. When I start investing, it's like you treat that money as if it was yours...And surely you're not going to invest in a dummy share. You're going to invest in something that's going to show you returns...even social returns...so I think investment is a bit of more hands-on, the way we like to do it” (National CSI Manager Interview, 2012).

Another of the team members went on to define CSI as,

“ensuring that the company has license to operate in South Africa, and so it has a responsibility toward the company and to society...therefore, our investment is really used to ensure that we give back to society, and so in a positive way, make a difference” (CSI Manager Interview, 2012).

The way that Company X chooses to define CSR and CSI is a reflection of what Fig et al (2007) have argued with regard to the rhetoric around CSR vs CSI. Company X, like many of the corporations that existed during the apartheid era, benefitted from a system that allowed them to expand without consideration for the environment or community. While the definitions provided by individuals however, offer an understanding of those that actually do the work on the ground, and who have experience of developmental work, I do not believe that they consider at all the apartheid measures that benefited them. And when they do not acknowledge these, then *CSI*, rather than *CSR*, makes ample sense.

5.4 CSI department in company structure

Having looked through numerous websites it is clear that most CSI departments (in South Africa) fall within three categories as far as company structure is concerned. Firstly, due to their contexts, frameworks and intent, some companies integrate their CSI tasks into their Human Resources or Marketing departments. There are others which, based on their context or perspective on CSI, outsource their CSI initiatives to organisations such as Tshikululu Social Investments, a social investment management company managing grantmaking funds and trusts for large and medium-sized businesses in South Africa (Tshikululu Social Investments, 2013). Finally, there are some larger companies that are able to have a separate CSI department due to their human and financial capacity. Company X falls within this latter category, and has kept its CSI roles in-house in a department dedicated to CSI functions. The CSI department at Company X occupies a very specific and strategic space. Among other functions pertaining to the areas of internal and external image management, the CSI function is located under the Corporate Affairs banner in the CEO's Office.

I believe that this reveals something about how CSI is both viewed and valued by the company, and that it has implications for how CSI is practiced at Company X. In answering questions pertaining to key drivers of CSI at Company X it became clear through discussions with Company X employees, that many of the various divisions in the organisation help to inform, influence and direct the course that CSI at Company X takes. This can have a number of outcomes with both negative and positive impacts, and can therefore act to encourage or thwart the endeavours of CSI and development of Company X. It is this influence that can also be understood in terms of the political, highly bureaucratic nature of the corporation, and which may allow power to play its role and continue between corporations and community beneficiaries and development partners.

5.5 CSI Focus Areas at Company X

When considering the history of CSI at Company X, one will notice that over the last few decades, its focus areas have evolved, coming more into line with both national *business* and *political* concerns. Not unlike most other companies, Company X's CSI initiatives originated from the CEO's office, and were largely philanthropic in nature. During the last few decades, it could be argued that as a response to a largely negative view of the corporation, many companies were almost forced toward a CSR agenda that catered to the need for 'healthier and more caring' corporate images (Bakan, 2005). Company X, like those other companies, recognised the growing demand for social contributions, and started to steer its initiatives to where it is today.

It was in the late 1980s, that the CSI department of Company X became an official entity. CSI initiatives at Company X at this time in South Africa's history were very much in line with what the country was going through. The focus areas therefore, responding to what Company X perceived as being the national requisites, were identified as:

- Education
- Sustainable Job Creation
- Peace and Security and
- Building National Pride and Identity

From about 2004, Company X has shifted gears, more clearly defining policy and consolidating governance structures. It recognised that political imperatives may have changed, but social realities, necessities and obligations have remained largely unaffected. What this translated into is an "evolutionary adaptation[s]...a more focused, hands-on approach, aligned with national and

business priorities” (Triologue, 2004 in Fourie, 2005). The three new pillars of its CSI strategies are as follows:

- Education
- Safety
- Environment, and a fourth aspect of its CSI strategy known as,
- Community Outreach

What both these focus areas shed light on relates once again to a political framing of CSI in the corporate sector today – it reveals both international and local political, economic and social forces acting on corporations and making certain demands on them. When national priorities changed, while not obligating CSI priorities at Company X to change, it definitely influenced the Company’s CSI strategy, and shows that corporations act with political will in response to a range of forces acting upon them as well as in response to social realities around them. It is also important to note that while the CSI department’s focus changed, it did so within the context of a changing company - one that was adapting to a changing global landscape and planning for its own evolutionary process.

The following section will describe each of the CSI focus areas that Company X places at the centre of its strategy.

5.5.1 Education

According to Company X’s CSI manager, as well as the Company X’s Corporate Social Investment Manual, the education project is Company X’s flagship CSI initiative, and has proven to be the major driver in terms of the company’s CSI budget spend. As is the approach with the other streams in its CSI strategy, Company X’s education focus is premised upon two things; an explicit national imperative and agenda around education, and a clear alignment with business priority. Recognising that with previous efforts its scope was too diverse to have the best outcomes, both for business and for society, Company X believed that a more streamlined approach was needed. What that meant was that as a CSI department, they had to reconceptualise both the direction in which the CSI initiatives were headed, and the desired outcomes of those initiatives. The new re-mastered plan was described as an “alignment of external investment development with internal business investment and practice” (Company X CSI Manual, 2006).

Currently, Company X has two focus areas in terms of its education strategy. The first of these is the growing of talent from Grades 10-12 by offering supplementary Maths, Science and English tuition. The second is the Whole School Development Initiative, which aims to train teachers and school

leadership to more effectively perform their roles. Education is considered to be critical as a national priority – one that will have a noteworthy impact on both the future and the economic success of the country; and one that will in the future afford Company X a qualified and sizable pool of technically qualified individuals to draw on for future human resources. Here too, in terms of what the National Development Plan for the country is, the plan of Company X is intricately linked to that of government.

*5.5.1.2 Anyday Schools Project**

The education initiative I looked at I will call the Anyday Schools Project. This is Company X's leading education project; it has been in existence for about 28 years. Significant research has established that a high quality of education leads to higher productivity in later years of schooling and adulthood, lower rates of criminal activity and considerable economic gains for the state (Schweinhart & Weikart, 1985). Within the context of both apartheid, and post-apartheid South Africa, it is evident that many of South Africa's children were not the beneficiaries of this recognition. And, although in more recent times, steps have been taken to improve access to social development programmes and to improve the state of education, progress in this area has been far from uniform. Recognising a lack in the education system in South Africa, and acknowledging that this reality lay right at its doorstep, Company X started a supplementary education programme, initially only for Grade 10-12 children of its employees around its head office and regional offices. However, as its operations grew to include others areas in the country, Company X's education programme expanded to include the Grade 10-12 children of the broader community (National CSI Manager Interview, 2012).

Until 2004, the initiative offered all school subjects to the enrolled learners. Evaluation of the project suggested that by doing this, its resources were too thinly spread, and that the company was losing the impact that it desired. Deciding that it wanted to be strategic about education initiative, Company X then chose to shift its focus to include only those subjects that would benefit its business imperatives, but that would also coincide with the needs expressed by national priorities. Essentially, this has emerged as a concentrated programme that offers selected high school learners the opportunity to access weekly supplementary tutoring in the areas of Maths, Science and English. The learners come from various schools across the country, and represent different economic and social realities. According to the company's CSI Manual (2006), the desired outcomes of this programme include:

- To contribute to furthering education in South Africa and contributing to improving competencies of teachers in the areas of Maths, Science and Technology, while also helping to increase the numbers of learners in these fields of study.
- To grow the pool of human resources available in the fields of Maths, Science and Technology.
- To maximise the impact of current investments, while growing expertise in the area of development. To also ensure company staff themselves understand and recognise the value of CSI and development to the business.
- To engage constituents through multi-stakeholder engagements, and to ensure that they are well informed of the company approach and are able to see benefits of their focus.

5.5.2 Safety

A critical area for Company X is its responsibility and investment in terms of road and product safety. This is seen as vital to strategy as it straddles concerns for the company with its large road fleet as well as its operational safety needs; but it also speaks to the country's need for protection and wellbeing on the roads and in citizens' homes. Not only does it see safety as critical in areas of business practice and safety in the work place, but also in terms of presenting itself as a company that is caring, conscious and proactive in the areas of awareness and education of communities around issues of safety. The theme of safety in Company X's CSI strategy was not only developed from the perspective of running a safe business, but it was also significant in respect of what it calls "complete product stewardship" (Company X CSI Manual, 2006). It explains this as the endeavour to run good business practices in all spheres of its product life – seeing its responsibility in terms of safety as it affects operations, distribution and products. Recognising that the field of refining and manufacturing is often a contentious business as it has implications for the environment it has both political and socioeconomic implications for communities, Company X sees acting responsibly as critical to being a 'good corporate citizen'.

*5.5.2.1 Be Safe Project**

The initiative I looked at will be called the Be Safe Project. What makes this project an interesting one is that it is done in partnership with an NGO, Circle Support* and spans both the concern for road safety and health. Although the NGO has been doing work in the field of health and safety for a long time and has been delivering its services at six of Company X's truck stops, the partnership has only recently been formalised. As there was already an existing relationship, the benefits of formalising the association seemed clear and it was decided that the natural extension was to

expand support through already existing infrastructure with a reputable partner. The Be Safe initiative was started by the Road Freight Industry in 1999 and since then has broadened its scope and services which enables it to be adapted to almost any industry. What sets this initiative apart, is that there are very few initiatives like it that cater to the needs of both road and health safety simultaneously. How it accomplishes this is by setting up wellness centres at truck stops, which serve both the long-distance drivers and the communities around truck stops; offering them health care (i.e. testing for and treating HIV/AIDS, diabetes, etc.) and education on socio-economic and health issues that these communities might experience (National CSI Manager Interview, 2012).

The first of these wellness centres was set up in 2011, and the plan is to roll out to further truck stop communities around the country in the coming months and years. This initiative can be seen as a means to not only portray Company X as a caring company, but it allows the company to contribute significantly to national priorities regarding a health system that is over-taxed, while simultaneously contributing to national social development.

The desired outcomes of its safety initiatives include:

- Being recognised as an industry and brand leader on the issue of safety.
- Being recognised as an industry leader in the way it communicates and educates consumers about the safe use and disposal of products.
- Being recognised as a progressive creator of new and innovative business opportunities in the area of recycling and safe passage to market of its products.

Currently, Company X is associated with and has initiated seven safety projects, but it sees these as scattered, unfocused and not nearly enough aligned to the *business priorities*. Like the Education CSI initiatives, the CSI Safety Initiatives are being tailored to align with both national priority and business needs. According to the CSI employees of Company X, there have been marked improvement in terms of safety on the roads and the health concerns around their truck stops. They therefore feel that they are reaching their goals in the safety focus area.

5.5.3 Environment

The final pillar of Company X's CSI strategy is a focus on environmental issues. With much research providing evidence of the global environment at risk, the environmental and social impacts of corporations, including petroleum companies such as Company X, have increasingly come under the microscope. As a petroleum company, the environmental misbehaviours (e.g. air and water pollution in the South Durban area) of Company X, has been the topic of much controversy, especially in the

vicinity of its refinery in the Durban South Basin. While primary research in this area was not possible for this research study, crucial information regarding Company X's operation in this area was obtained through research environmental NGO, groundWork, as well as Peter Lund-Thomsen.

According to studies conducted by groundWork and Lund-Thomsen, the pattern of black communities being placed downwind and downstream from companies meant that black communities bore the brunt of highly pollute air and water, and "disproportionate health and productivity costs" (groundWork, 2002: 34; groundWork, 2006; Lund-Thomsen, 2005: 624, 625). This is no different for communities in the Durban South Basin where petrochemical and petroleum companies are concentrated, and where Company X, has set up its refinery. According to groundWork and a recent Mail & Guardian article, refineries in the South Durban area contribute to concentrated air pollution and poor water quality which ultimately affect communities' health and their ability to participate economically, having to give up their jobs due to illness. (groundWork, 2002; groundWork, 2006; Mail and Siphos Kings, 2014). Durban-based groundWork, assert that as early on as 1931, communities were segregated by the pre-apartheid Durban Town Council based on racial distinctions. This was done at the request of the local Chamber of Industries in order for business in the area to have easy access to cheap, coloured labour (groundWork, 2002: 35). With little to no buffer between companies and residential areas, these communities have been subjected to numerous toxic incidents, and despite lobbying by various groups, the industry and authorities did very little to change the status quo (groundWork, 2002: 37). Fig notes that in South Africa, "while many firms have implemented more stringent environmental management systems....these systems have not always been applied in such a way as fundamentally to challenge the existing modus operandi"(2005: 603). In 1996, local activists rallied together in response to a growing concern regarding increased pollution in the area, and formed the South Durban Community Environmental Alliance (SDCEA) (groundWork, 2002: 36; Lund-Thomsen, 2005).

Company X and its neighbours are an example of the picture painted above. There was a fractious relationship that existed between the neighbours, but in 1998, Company X and the SDCEA came to an agreement which bound the company to reducing the emission of pollutants within a specified time (groundWork, 2002). This agreement supposedly represented a breakthrough in relations between Company X and their host community, but there remained a high level of mistrust between community and company (groundWork, 2002). Lund-Thomsen notes however that agreements such as the Good Neighbour Agreement should be seen as a positive outcome of corporate responsibility in this regard (Lund-Thomsen, 2005: 621, 622).

Environmental impact has consequently become a key measurement of business performance at Company X, and it has together with the wider industry made commitments – some which they have honoured, and others which they have not (groundWork, 2002) - and to a more sustainable planet through improved refinery conditions, reducing its emissions and carbon footprint and supporting initiatives that provide education and research around environmental and conservation issues. The way companies behave in relation to their environment and the societies around them says much about how much they are held accountable by the powers-that-be, for example, government, and tells a political story that either aids business in operating irresponsibly, or holds them to account. Although having been involved with environmental concerns for many years, the environmental focus at Company X has only become a more consolidated CSI focus area since 2005.

*5.5.3.1 Conservation Project**

The environmental project I focussed on I will call the Conservation Project. Working toward its goals in the area of environment, Company X has established a partnership between itself and an environmental NGO based in Cape Town, called Battery Birds*. The start of this partnership with Battery Birds took place about five years ago, when the development director approached Company X for financial assistance in their efforts to rehabilitate and conserve seabirds, to further awareness efforts through environmental education and to collaborate on research projects (Conservation Project Interview 1, 2012).

This collaboration straddles two areas of priority for Company X. Firstly, it fulfils the company's commitment to environmental and conservation issues in the country, while simultaneously contributing to its other priority, education. Battery Birds is located very near a body of water, and one of their primary focus areas is the rehabilitation of beaches and that of seabirds. Oceans and ocean fauna and flora have suffered greatly at the hands of oil and petroleum companies, and by supporting Battery Birds, I think that Company X has made a conscious effort to "quiet its conscience". I also believe that through supporting this initiative, there has been a conscious aligning of external investment with internal business imperative to be seen as a company "that cares for the environment and the social fabric of the country". In an interview with Fig, he admitted that he is not as confident about CSR and its potential as he was when he wrote his 2005 and 2007 articles (Fig Interview, 2013). He argues that when this is the case, CSR spending is used "to construct a benign public image for themselves", to greenwash very serious misbehaviours on the part of business (Fig, 2005: 603).

5.5.4 Community Outreach Programme

My initial perception was that the Community Outreach Programme was underestimated by Company X, as it does not form part of the three main CSI thematic approaches. While I was assured community outreach is a major investment in terms of Company X's CSI spend, and that they see community outreach and engagement as more than simply making donations, and place great value on building and maintaining relationships with communities. I am still not convinced that Company X values communication with their *critical* stakeholders sufficiently. In a number of interviews with tutors in the education and conservation stream, it was mentioned that feedback from Company X's clients is not encouraged. One tutor put it this way,

“In terms of learner feedback, there aren't really many opportunities for that to take place, however, they have introduced the life skills program, in which facilitators came in, ran a few sessions, with learners, and communicated up. But uhm, by and large I think that is an area lacking....getting feedback from learners up to the company and secondly also from educators to parents. When learners do assessments....the assessment marks are fed up to the principle, but parents aren't necessary...you know, aren't informed of how well or badly learners did. So maybe that is another area lacking and I think that those two areas are...certainly improvements could be made” (Tutor at Anyday Schools Project, 2012).

A parent of one of the beneficiaries mentioned that while they were happy with their son's improvement in school, they had never been asked to give feedback, whether good or bad (Education Project Interview 5, 2012). And according to Bobby Peek from groundWork, Company X ignored their unhappy neighbours (groundWork Interview, 2014), and never gave regular feedback to their community neighbours (groundWork, 2002).

In terms of community outreach, Company X recognises that their priority communities are the people who live on the fenceline of the refinery in the South Durban area. As has been discussed in the previous section, Company X has had confrontational and sometimes violent relations with the communities that have been displaced and which now live along the refinery fenceline as neighbours. According to Company X employees, the company recognises the value that community outreach can have, and how it makes good sense to ensure that their community neighbours feel listened to, respected and included. According to the company's 2009 Sustainability Report, “Stakeholder engagement is a means to build trust and nurture relationships which is key to maintaining our lead position”. According to groundWork, an NGO working in the South Durban area, this has not been their behaviour, nor experience of their fenceline community neighbours.

Environmental justice NGO, groundWork reports that environmental *injustice* has been rife in the South Durban Basin since before apartheid was consolidated. Seeing a political opening just prior to the 1994 elections, Company X proposed the new “policy of transparency” in order to deal with the community unrest, to which the community proposed a Good Neighbour Agreement (GNA) (groundWork, 2002). The GNA stipulated that Company X would commit to “reporting actual impacts, and to workplace and environmental planning including pollution reduction, improved emergency planning and active affirmative action” (groundWork, 2002). Throughout the 1990s, there have been numerous attempts to consolidate agreements that would enforce environmental justice. Through the SDCEA, a community group working toward the aims of corporate accountability, a breakthrough was reached in terms of environmental concerns *and* community engagement. For groundWork this represented the proverbial one step forward, three steps back’. Lund-Thomsen sees this as a positive outcome of corporate responsibility and community engagement (Lund-Thomsen, 2005).

Esben Pedersen draws our attention to certain aspects that are necessary if business is going to have successful engagements with communities through their CSR initiatives; inclusion, transparency and empowerment, amongst other things (2006). And while we do not measure impact in this research study, previous studies have shown that these factors are critical for sustainability and impact of developmental initiatives (Stiglitz, 2002).

The first aspect that Pedersen insists is critical for genuine engagement with community through dialogue is **inclusion**. It is clear from observations and interviews with various respondents that Company X makes conscious decisions about who they engage with in dialogue, discussion and negotiation. I believe that this consciousness is used for both good and bad, and that this is based on what the political and economic requirements at any specific time demands. The CSI Manager explained it in the following way,

“what informs us about *who* to engage...is actually *the what* that needs to be communicated or engaged upon...so, people that engage at the implementation may be the same or different from those that we engage at a different part of the process. It’s important that a kind of chain in engagement happens, that at every touch point, you consult, you engage...all the time, as they are going to implement, and they’re (NGO) going to deal with the people on the ground, because they’re known anyway, they’re already on the ground. But then we don’t just disappear...at the same time, a very important stakeholder to engage is the department of Education, and other government departments” (CSI Manager Interview, 2012).

The same individual went on to say that,

“the intention also is the conscious understanding that for us to be able to achieve those solutions that are more sustainable you need to work with a multitude of partners where everyone brings what they have. Earlier I spoke about the Department of Education owning the education space. So, their contribution is bringing political will and also the will on the ground to receive what we bring, because they see that there is going to be value for them as well. And then the schools, they understand how they will benefit. There’s also the issue of ownership – we don’t want to own things – we want to be part of creating that for communities so that they can also learn to help themselves” (CSI Manager Interview, 2012).

What emerged from the interview data however is that while there is that commitment by Company X, not all constituents feel that they are included *in a sufficient and meaningful way*. Some of their NGO partners reported that while they were included in talks, they did not feel sufficiently included in *decision-making processes* that would ultimately affect them and communities. One NGO director stated it like this,

“[We] would really have liked to have been present at the decision making level and to be included to meet the [country] managers...after all, *we work on the ground*” (Battery Birds Director Interview, 2012).

While it is important to recognise that this will affect efficiency, and may mean that the process takes longer, it is significant as a participatory ideal of development.

The second and third dimensions of Pedersen’s model are **openness and tolerance**. Again, one realises that in a world that is geared toward quick turnarounds, processes that prioritise principles of openness and tolerance (i.e. taking time to listen to opinions that may not be their own) take time that may not seem to contribute to the efficiency business requires. Realising its importance as an ideal toward a type of CSR that is effective is critical. In response to the question posed to groundWork director, Bobby Peek regarding his experience in terms of company-community engagement where there are conflicting ideas in the room, his response was a blunt: “Companies ignore community!”

Speaking with the CSI manager however, she reports that over the years there have been many consultative processes, processes of problem-solving and negotiation. She explained things in the following way:

“in dialogue, we try to give fair opportunity to everyone stating their points of view, and I guess we would have to...because that’s healthy for relationships. If the need arose, we would bring in a third party, a neutral party to maybe facilitate the communication...so that the community feels that they have been given the opportunity to be part of the decision-making process...we don’t want to go in and feel that we’re dictating to the our partners (i.e.

community and NGOs) and saying, ‘because we’re bringing the investment portion, this is how it’s meant to be, and not any other way’” (CSI Manager, 2012).

This individual at Company X went on to share two instances where, mid-project talks were needed to clarify changes and altered needs of the development partner and initiative. She put it like this,

“We’ve just given a donation to the Athlone School for the Blind, specifically saying they came to us with a proposal for what the school needed, we saw the opportunity that it could fit in with our education area, and they were looking for talking scientific calculators for blind people and brailers. We then looked at our budget, and said, ok, this is what we can afford, and said, we’d prefer that they spend half of the contribution on brailers, which focusses on literacy, really, because a child who’s blind needs a brailier, and half on the scientific calculators because it speaks to our maths and science supplementary outreaches. We then drew up an agreement that had to be signed, and then yesterday in meeting with them, they said to me, they know that they signed an agreement, but they just want to ask my opinion, and what would we think if they asked for the terms of the agreement to be changed – they realised that so many brailers are actually not necessary, and that they’re actually, besides the scientific calculators, need cuberhythms for children in the grades 1-4 area in the school. And I said, we are happy, as long as you put in writing ...because I said, we are not the experts in knowing the requirements of the school are... you are the experts, you make the judgement call, you put it in writing, and say, further to our agreement, this is what we now discussed, and so therefore, we don’t try and dictate, we are open to them changing the requirements and the specifics of the outcomes of our contribution or investment. And I think...I hope that we are able to make people feel comfortable to do that...we had an another intervention with the Betokeng Foundation in our maths programme, and the initial application and agreement was that they would deliver workshops to a cluster of schools in the Plettenberg Bay area to the maths and science teachers. And then when they started the project they noticed that the teachers were resistant, and so they decided to change their approach – they wrote to us, and the director and the programme manager came and said, we need to come and chat to you because things have changed since we last signed the agreement, and we’re finding that we need to change our approach, so we are asking you if we can still go ahead, but with this new approach –we’re engaging the teachers now and instead of saying, come to the workshop, this is what we want to train you on, they’ve now gone about it, and said, you are the maths and science teachers, what do you need in your classrooms, how do we as Betokeng Foundation support you with the money that we’ve been given? And they completely reversed the process. And the teachers have bought into the concept, and they came with, this is our dreams for how we want to manage our classrooms, and they’ve workshopped it over a three months period, and now the teachers are supporting and have come on board, and have decided to teach each other... And we embraced the change...” (CSI Manager Interview, 2012).

From observations and interviews, it is clear that Company X appears open to questions, and to views that may not fit entirely with initial agreements. They appear to be prepared to renegotiate when talks have to be reopened due to changes in circumstances and positions. From the 2002

report by groundWork, they mention that although consensus was not reached between Company X and their host communities on certain agreements, that there was a *second round of negotiations*. I think that this speaks of a desire to engage communities with divergent opinions, however, this seems to work only when there is not too much digression from what they see as aligning to business and national priority.

The fourth dimension of Pedersen's model is **empowerment**. Empowerment in this instance refers to a process where stakeholders or constituents are able to "affect the structure, process and outcome of the dialogue" (Pedersen, 2006: 142). In terms of this Empowerment, when we consider the previous examples of Company X's engagement with their NGO and community partners, I feel that it indicates a willingness on the part of Company X to let development partner constituents affect the outcomes of the dialogue when these have no direct or drastic bearing on the outcome that the company had envisioned initially. When these outcomes have implications for political and economic considerations, as is the case with communities in the South Durban area, I think that the empowerment aspect of their dialogue yield very different results.

The last of the criterion mentioned by Pederson is **transparency**, defined by Pedersen as the process of disclosing information regarding social performance to the constituents of a company (Pedersen, 2006: 142, 143). This element of stakeholder engagement is important, because not only is it a way of letting constituents into the process, allowing them access to information, and allowing them some degree of power in holding companies accountable; participatory processes around transparency should encourage organisations and companies to be more reflexive and more transparent about their CSR practises. It is also significant because allowing constituents full access to information regarding the process and outcomes of participant dialogue is indicative of a commitment to more participatory and developmental thinking around CSR and stakeholder engagement (Pedersen, 2006: 143).

While there are not many opportunities for Company X to engage at this level with the *general public*, they do publish an annual sustainability report where they declare information regarding their social and environmental performance and impact to the South African population. Where they can and should liaise at a deeper level with community members however, is through their CSI focus area initiatives. The feedback received from Company X's NGO partners is varied. A few of the individuals reported that feedback was encouraged at *general* meetings. What was an area of concern for these individuals is that there appears to be a lack of *required* feedback from the community beneficiaries *upward*. In other words, while these beneficiaries were being given

feedback from Company X, it appeared that the company was not really interested in receiving community feedback. When speaking to one of those community beneficiaries, the individuals reported to never having given feedback about how they were experiencing the programme, what they were happy with or what might not be working so well for them. Another community beneficiary member however reported that while it was not necessary to talk to them regarding problems, the company's intervention had had such amazing results for their communities, and themselves in their capacities, and they would have like the opportunity to give more direct, albeit anonymous feedback to the company themselves. Irrespective of what the feedback is, feedback on community initiatives should be seen as critical to informing the direction of future CSR or CSI endeavours.

Where transparency is most critical however, and where community engagement in a meaningful way is most vital, is with the communities that surround Company X's refinery. In interviews and in their 2009 Sustainability Report, Company X reports that there has been much thought into consultative processes and getting community feedback. Over the years, there has been much contention in the area between community and company. Based on how closely they exist together, and how much they impact (in terms of pollution) communities, Company X is held to a higher standard of transparency, and community feedback appears to act as a type of monitoring and evaluation tool. An individual from the CSI team described the relationship with this community and issues around engagement and transparency in the following way:

"The refinery is within a particular community, so we have a community liaison forum that meets with our CSI, it's not just us as CSI who operate here. We talk to them about CSI matters, about employee matters, because we recruit in the area, we talk about health and safety matters. We are almost reporting to them about what is happening. We announce to the communities through the newspapers in the area; we have a call centre that we engage..." (National CSI Manager Interview, 2012).

Another of the CSI management spoke about their relationship with communities around the refinery by saying:

"They play a role of course in holding us accountable, and it is not just about going to say, 'oh this is what we did'...they ask a lot of questions, they engage us, they contribute to our strategy revision because there are people that are in the community, we learn a lot from them about what is going on in the community and how we can shape our strategy, how we can shape our approach to the work that we do. So we actually consider them as a very important stakeholder" (CSI Manager Interview, 2012).

While there is gratitude, albeit some concern from some beneficiary organisations and individuals with respect to community outreach and engagement, through groundWork reports, one comes to

realise that although Company X engages with these communities through various CSI initiatives, it is not always as well-received as Company X would like to think. Some in the community perceive this CSI and community engagement simply as greenwash (groundWork Interview, 2014). Company X is also not perceived as inclusive, open and tolerant or transparent as they imagine. And according to Bobby Peek at groundWork: “Company X uses negotiations mainly to placate the community” (groundWork Interview, 2014). In an interview with Fig he asserted that while CSR contributes some good, current forms of CSR do not accomplish enough developmentally as CSR is used largely as public relations exercises with communities (Fig Interview, 2013).

In terms of the framework for this research study, it is my belief that in Community Outreach should be classified as one of the main pillars of CSI at Company X, or that it should at least explicitly form the foundation for each of the CSI pillars. My research has shown that it *is* central to strategy, and there exists a consciousness regarding community engagement, however, for political reasons associated with resources, and in order to remain streamlined within the thematic areas, it not listed as such. Wrapped up in these initiatives one discovers the politics of the gift, as described by Dinah Rajak (2009).

5.6 Key Drivers and Constituents of CSI at Company X

5.6.1 Key Drivers of CSI at Company X

In this section, we take a look at who the key drivers of CSI are in Company X. The importance of this is that *who and what* drives a concept often has control of the direction and focus of said concept, and will often reveal the politics at play. For reasons underscored by the principles of human and community development, therefore, *who* drives development, and *who* is seen as the key constituents of development initiatives, becomes of vital importance. As Mathie and Cunningham argue, the *drivers of CSI have implications for ownership of initiatives*, for sustainability of initiatives, and will influence the success or failure of these CSI project (Mathie & Cunningham, 2003).

The key drivers of CSI at Company X are based within the company. Company X has established a dedicated CSI department, with the national CSI manager and her team who manage and drive its projects and initiatives. According to the national CSI manager as well as the Head of Corporate Affairs, the executive management is supportive of the work of the CSI department, and does its part to drive CSI at Company X by approving budgets for the various projects, as long as there is business value for the company.

In terms of our argument, that CSI is political, what this means is that a shift in company and state policy and priority, will alter how Company X sees its responsibility to society, and how it strategises

for its CSI initiatives. What this also means is that its vision of “building long term capacity in an area of *developmental* need that is critical to the business and society, to create sustainable solutions” (official company CSI definition in Company X CSI Manual) and how it accomplish this is intrinsically linked to and influenced by the availability of resources and what the shareholders recognise as company priority. Ultimately, if CSI leadership, the executive and shareholders agree on their strategy and initiatives, the chances of interventions being effective are enhanced, but the converse of this also holds true. Unless all are equally convinced of the benefits of CSI for society, as well as for the company, Company X could work to thwart its own efforts of development.

5.6.2 Key Constituents of CSI at Company X

In a similar way that the drivers of CSI and development are of vital importance to the output and impacts of initiatives, the key constituents of CSI also tell a story. Company X reports seeing all its stakeholders as equally important, but depending on the context, may emphasise one or another.

According to the CSI manager, one of the company’s most important constituents is the Department of Energy. Another of the CSI management team members saw the company’s first obligation to be to its shareholders: “I would say our first constituent would be our shareholders, and then our other stakeholders” (CSI Manager Interview, 2012). Those other key constituents were listed as communities, other government departments, business clients, and consumers of products and employees. According to the national CSI manager, they are: “...co-creators in what (people) are struggling with in their own communities”, and therefore: “the person on the street is an important stakeholder” (National CSI Manager Interview, 2012). Company X further reports seeing community children as important stakeholders. It believes that it is through children that behaviours and ideas are shifted, therefore, engaging children as a key constituent is both necessary and important. Engagement of children happens specifically through the education and conservation programmes, and in addition to conveying knowledge and skills, serves to produce a pipeline of skilled and qualified potential employees for Company X in the future.

5.7 Motivations for engaging in CSR or CSI

Research shows that there is a whole range of reasons why a company would engage in CSR and CSI activities. Based on the nature of what companies do, and based simply on the nature of the corporation (Bakan, 2005), why companies would choose to engage in CSI can be quite complex and multifaceted.

Company X, being a petroleum company, and involved in the refining of petroleum and manufacturing of petroleum-related goods often pollutes its environment as a ‘by-product’ of its

activities, and finds itself in a complicated position in terms of motivations to engage in CSI efforts. Through interviews done with Company X employees and their beneficiaries, it becomes apparent that some of these reasons appear quite altruistic, and others that seem to be less so, and more about political and economic self-interest. According to Porter and Kramer's assessment, there are four main justifications why companies engage in CSR, namely, moral obligations, sustainability, license to operate and reputation (Porter & Kramer, 2006). In line with these explanations, when asked why Company X supports certain initiatives, and engages in CSI, the first response given to the question was:

“...because we have a responsibility toward the company, but also, to society...to in a positive way, make a difference and support initiatives...to ensure the sustainability of various facets within society” (CSI manager Interview, 2012).

Another response was that it was: “...about the right thing to do”. Recognising however that what it does as a company has a significant environmental and societal impact, an impact that some might describe as negative; it acknowledges that as a good corporate citizen, it has an obligation to:

“mitigate whatever impact [it] might have...maybe we can look at it as a premium that you would pay towards any insurance” (National CSI manager Interview, 2012).

However, while it recognises the simple purity of ‘doing good’, there is also the flip side of the coin, where it simultaneously recognises that doing good has the ability to be translated into a good, caring corporate image. This is not always well received, as this is what groundWork had to say when asked about CSR practised by the petroleum and petrochemical companies in the South Durban areas:

“groundWork does not believe in CSR or CSI...CSI is nothing more than greenwash...they [companies] use engagement to deliver a public message and to create the perception that they are talking to the community, rather than meaningfully acting on what they know they have to act upon, i.e. reducing their pollution. They like talking about how to talk, rather than talk about how to reduce their pollution” (groundWork Interview, 2014).

While there is a definite drive toward playing a part in helping to alleviate some of the challenges that society experiences in terms of power, abilities and freedom, CSR and CSI I is also seen as a brand-enhancer. The national CSI manager described this tension in the following way:

“I see CSI as playing a key role in all aspects of corporate affairs, in terms of its ability for stakeholder engagement and also in terms of its capability to build the brand” (National CSI Manager Interview, 2012).

In terms of the programmes and projects that were looked at, it was found that Company X's motivation for engaging was ‘cyclical’. In other words, there are those at Company X that recognise

that by investing and adding value to society, it contributes to a healthy social order. When society is maintained they are able to support and contribute to the economic wellbeing of businesses that exist in their environment. And therefore, by keeping communities around the company economically viable, Company X has recognised that it feeds into its own economic wellbeing. The general manager of the Corporate Affairs division phrased this cyclical movement in this way:

“there's an old, story that if people live well, and they get employment, they will have disposable income, they will spend that money obviously in procuring services and goods etc., which is where we're in. Now, first if you improve the wellbeing of people, then there's employment, there's what. You know it's actually a cycle...a daily chain” (Head of Corporate Affairs interview, 2012).

Finally, underpinning all of these are the political and economic considerations that Company X fulfils in its legislative obligations as a South African corporate. It not only adds to its Broad-Based Black Economic Empowerment (B-BBEE) status, it is also able to increase its rating. By fulfilling its legislative obligations to these codes, Company X serves not only a national developmental priority, it simultaneously serves a business imperative, knowing that increasingly, brand loyalty, and investment opportunities are served by being seen to be a responsible business.

Essentially, what was found is that while many of the reasons for engaging in CSR could be interpreted as altruistic, there is also largely a self-interested, business case for doing so. Sen (1999) however deals with this in a positive way, by pointing out that “self-interest does not necessarily exclude sympathy or concern for others” (Sen in Menzies, 2010: 25). What this means is that by society doing well, business will do well because society can then support business in their economic endeavours. The two concepts are in no way mutually exclusive, and can be seen as a win-win situation for all. According to Menzies, the implication for business is that they can do CSR and make sure that they are doing well financially “without undermining their core business values” (Menzies, 2010: 25).

5.8 Conclusion

In answering the research question, “**What approach to CSR does Company X take? What underpins this approach?**” this chapter has clarified the details CSR and CSI conceptualisation and practice at Company X. We were able to identify the environment in which Company X operates and those factors that have significant influence on its CSR operations. The concluding chapter will give final thoughts and recommendations for this critical case going forward.

Chapter 6

Conclusion

“...it can only have real substance if it is reinforced by changes in company law relating to governance, if it is rewarded by financial markets, if its definitions relates to the goals of social and ecological sustainability, if its implementation is benchmarked and audited, if it is open to public scrutiny, if the compliance mechanisms are in place, and it is embedded across the organization horizontally and vertically”

Peter Frankental, 2001

6.1 Introduction

The corporation, of the 21st century presents an interesting puzzle. It is almost a bit schizophrenic. On the one hand, there are those elements of business that behaves as Bakan’s sociopathic corporation - pathologically in pursuit of profit and power (Bakan, 2005). However there is also within the modern corporation that which seeks to mitigate its actions, which asks “how can I do good?” Quoting Karl Marx who observed that those who ignore their history are bound to repeat it, someone said, “to make further progress toward more socially responsible and sustainable business practices, we will need a mixture of new ideas about the future and wisdom drawn from the lessons of the past” (BRASS Centre, 2007). Considering what we have been trying to discover in this research paper, such statement seems apt.

Much has been said about the failure of conventional development in the world today. And many are looking toward new and creative ways to counter this. Business has joined the fray and through CSR activities has joined in the efforts to try and effect social development and wellbeing. Although this dissertation acknowledges the limitations of CSR, it takes as a given that business is in this space, and will remain so. However, it also recognises that environment, context and motivations, impact how companies engage their communities, and asks **“What approach to CSR does Company X take? What underpins this approach?”**

In order to answer these questions, a study was conducted on a large South African petroleum company with a transnational footprint. Although this study is based on one case, utilising categories devised by Flyvberg (2006), Company X is identified as a critical case to the petroleum industry. As such, broader applications can be made about the case that applies to the industry at large.

This dissertation reveals one/two main finding about CSR in South Africa and at Company X, which I believe affect every aspect of the company’s CSR operation. When I started this research, I thought I knew what CSR was about, I and what I discovered sometimes disturbed me, and other times made me believe that there is good in the corporation. For me, the main finding of this dissertation

regards the political nature of CSR. I had always asserted that politics is everything, but somehow I had separated politics from CSR. Through this research process, I discovered just how pervasive the effect of political considerations are.

6.2 Learnings

What follows are the learnings that came out of the study of Company X and their CSR and CSI strategy:

Firstly, in answering the research question, Company X has a mixed-method approach when it comes to CSR. Although David Fig admitted to not being as optimistic about CSR as he was when he wrote his 2005 article, *Manufacturing Amnesia: Corporate Social Responsibility in South Africa*, he admits that many companies do good, and that there usually is a multi-pronged approach to CSR. While CSR at Company X started out as voluntary philanthropy, it has developed into a complex approach that is still voluntary, but largely business-case driven. Like Carroll and Shabana (2010) argue, the business case is very much about rationalisation of investment, and Company X, like many other companies that subscribe to this method, prioritises economic, competitive advantage and branding considerations.

The second learning from this research is that CSR does not happen in a vacuum. CSR is simply not located within the corporation, but takes place in a wider context and culture (Visser, 2005; Idemudia, 2011). Corporate social responsibility at Company X has been significantly impacted by both the company and country history and context (groundWork, 2002; Fig, 2005; Fig et al, 2007). Extralocal influences from outside of the company, for example, history, culture, and Northern CSR rhetoric have all played a significant role in shaping Company X's conceptualisation and practice of CSI.

The third learning from this study is that the state plays a very important role in creating the enabling environment in which CSR is supposed to take place (Fox, 2004). In a similar way that the apartheid state created the environment in which business flourished (groundWork, 2002; Lund-Thomsen, 2005; Fig, 2005; Hamann & Bezuidenhout, 2007), the post-apartheid state too has a responsibility to create an environment that not simply enables business and economic growth, but which also enables the development of a critical CSR agenda (Fox, 2004). The South African state has created an environment in which business is compelled through legislation like the B-BBEE codes to adhere to certain standards of conduct. While these codes and standards encourage good business practise, I believe they do not always produce the kind of developmental outcomes we need to see due to companies fulfilling only minimum requirements.

The final and most significant learning from all of the above is that politics, power economic considerations underpin a lot of what happens in the sphere of CSR, and CSI in South Africa. Whether it is CSR acting as an imperialistic entity through TNCs (Khan & Lund-Thomsen, 2011; de Neve, 2009) or complying with legislation to avoid paying fines or even stricter legislation (Lund-Thomsen, 2005: 622), business in South Africa, including Company X, have been practising a top-down, politically and economically-driven CSR agenda. Over the last few years, Company X's CSI strategy has developed into a complex structure that includes an education, conservation and safety focus. In addition to these three focus areas, but not included in them, is Company X's Community Outreach Programme. A recurrent theme across all Company X's CSI programmes is that they see government (and not community) as their key partner in CSI initiatives; CSR and CSI strategies are guided by business and political imperatives; and branding considerations play a significant role in terms of conceptualisation of the company's CSI initiatives. Much of Company X's engagement with community (particularly their host communities in the Durban South area) through their CSI initiatives are top-down in nature, and in spite of the fact that CSI employees and policy documents state that multi-stakeholder engagement is of paramount importance, the reality is that much of Company X's community engagement appears one-sided and shallow (groundWork, 2002; 2006).

In a world where that has seen a conscientising around issues of environmental and human rights, one may argue that through companies engaging CSR and CSI initiatives, there has been improved business practise for many companies resulting in more just working conditions for employees, lower carbon emissions and increased community engagement. Company X similarly has made numerous efforts to ensure that their carbon footprint has been brought in check, as well as making sure that their employees and employees' families are the beneficiaries of every working benefit applicable to health, education and retirement benefits. What the findings however also show is that while Company X is committed to contributing to social change and social justice, it appears slow in recognising the significance of political and economic factors that impact their practise of CSR, and in applying development principles that encourage active meaningful bottom-up input from their beneficiaries.

Justice Albie Sachs, in his book, *The Strange Alchemy of Life and Law*, makes this statement that "Dialogue is the foundation of repair. The dignity that goes with dialogue is the basis for achieving common citizenship. It is the equality of voice that marks a decisive start, the beginning of a sense of shared morality" (Sachs, 2009). In essence, what Sachs is advocating for is justice through dialogue, participation, and the recognition of human dignity. Dialogue and participation are undoubtedly the hallmarks of real development that results in social change (Pedersen, 2006). It is Pedersen's view

that that knowledge and awareness of both the stakeholders, and the priorities and values that are important to them, need to be seen as is a significant driver for the successful implementation of stakeholder engagement and CSR (Pedersen, 2006: 154). Unless there is a conscious acknowledgment of the political and economic factors that underpin companies' approaches to CSR and prevent authentic engagement, unless we engage critically with these and address inherent power dynamics in current forms of CSR, then as a developmental effort, CSR will never accomplish its potential.

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Appendix II – Interview Schedules

Interview Guide for Management at Company X

1. What is your role at Company X? Can you estimate how much time you invest in each of your areas of responsibility?
2. What is your professional background? How does this influence how you approach CSI?
3. When the national CSI manager reports to you, what does that entail? What do you need to hear from her?
4. Why does Company X do CSI? What value does it add to the company?
5. If at all, how should companies practice CSI? What should motivate a company's practice of CSI?
6. Why does Company X have their own CSI department? Why do they not outsource the functions of CSI?
7. I understand from reading and hearing about some of the projects that Company X is involved in that they have partnered with other corporates, NGOs, etc. Please tell me how and why you select those partners? What are the (record of those) outcomes?
8. How do you differentiate between CSR and CSI at Company X? What are the roles of each?
9. What role does CSI have to play in a country's development?
10. What role are companies expected to play within the socio-economic development landscape?

Interview guide for beneficiaries of CSI initiatives

1. How long have you been involved in? Why did you decide to get involved? What is your role?
2. Who do you work for regularly? And how did you get involved here?

3. Can you tell me how did this initiative started? Why did it get started?
4. Why do you think Company X got involved/started this initiative?
5. In your opinion, what are the aims of the programme?
6. Do you think the programme has achieved/is achieving these aims?
7. What do you like/appreciate most about the programme?
8. Is there anything that you think should be changed either about the programme or about how it is run?
9. If questions/problems or issues arise, what is the process? How do you resolve those?
10. How involved are you in decision-making processes (e.g. course curricula, etc.)? Who is included in those processes? Are you kept informed of outcomes of dialogues/decision-making processes?
11. Around decision-making issues, do you think that sufficient voices are heard? In other words, do they need to consult more people than they already do?
12. Would you say that there is transparency in process and outcomes of processes?
13. What are the benefits of this initiative for individuals, society and country?

Interview guide for groundWork

1. Tell me about your organisation? What do you do? What kind of research/lobbying do you do?
2. What is your role at the organisation?
3. In which areas do you operate?
4. In your opinion, is it possible for corporations to business and take care of their financial performance and still contribute to sustainable development?
5. Other than the political and economic stimuli, in your experience, what other factors do you see as motivating businesses to practice CSR/CSI and community engagement?
6. Which petroleum companies are there in KZN? Can you tell me about the history of the oil refinery of Company X.
7. What is your relationship to these companies?

8. What has been your experience of the way petroleum companies approach CSR/CSI and community engagement?

Interview Guide for David Fig

1. In your opinion, is it possible for corporations to business and take care of their financial performance and still contribute to sustainable development?
2. Do CSR and CSI contribute to development or is it still a PR affair?
3. Other than the political and economic stimuli, what other factors do you see as encouraging businesses to practice CSR/CSI?
4. What has been your experience of the way petroleum companies approach CSR/CSI?
5. In your article, Manufacturing Amnesia, you write, “large corporations had made profits on the back of human rights violations, yet did not seek to exact any recompense for the victims of this injustice” ...Do you think that governments recognise this? Should we expect corporations to voluntarily admit to this and offer restitution?
6. As opposed to CSR, CSI appears to be very much a South African ‘concept’. Would you agree? If not, what is it that informs the ‘amnesia’ in other contexts?
7. CSI purports to alleviate poverty and contribute to developmental outcomes. In your experience, does business know development sufficiently well to dictate the terms of interventions as much as they do?
8. Most initiatives that address the policies that govern CSR is voluntary. Should CSR/CSI be more strictly legislated/regulated? What would be the consequences of this?
9. What kind of community engagement have you witnessed? Would you say that these are effective in ‘placating communities’? or do they really hear what communities are asking for and consider these in further steps?
10. Do CSR and CSI contribute to development or is it still a PR affair? Would you say that CSR does its job as far as petroleum/oil companies are concerned?
11. CSI purports to alleviate poverty and contribute to developmental outcomes. In your experience, does business know development sufficiently well to dictate the terms of interventions as much as they do?

