Alignment of corporate social responsibility with corporate strategy in companies listed on the Johannesburg Stock Exchange Socially Responsible Investment (SRI) Index

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ABSTRACT

Recent economic crises coupled with corporate scandals have plunged the world into the greatest financial predicament it has faced in almost a century. Deregulation has empowered business leaders and their subsequent unethical behaviour has undermined the very foundations of the world's financial and business infrastructure.

It is perplexing that corporate social responsibility (CSR) spend is the first area of business to suffer cutbacks during challenging times – especially since it is often the lack of ethic that has led to such crises in the first place. The cosmic exploration of CSR over the past 50 years has left academics and business leaders with a lack of causal evidence as to the value of behaving in a socially responsible manner.

This research tests the theory that CSR can have strategic implications and is pivotal for organisational sustainability. The research uses four constructs of corporate strategy that could be related to CSR, namely: centrality, specificity, proactivity and voluntarism.

The research has found that CSR can in be aligned with corporate strategy and assist firms in reaching their long-term goals. It has also found the term "strategic CSR" to be relevant in organisations. The paper proposes a framework that organisations can use to approach CSR in a strategic manner and to create value from CSR.

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DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other university. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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Signed: _______________

13 November 2008

“We make a living by what we get; we make a life by what we give”

Sir Winston Churchill

(1874 - 1965)

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My hope is that this research gives something back to society and encourages further vital research into this field.

Saul Tomson

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1.1. INTRODUCTION

''It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.'' (Smith, 1776, p. 456).

This capitalist opinion, seemingly controversial, lays the ground for a difficult and challenging topic – one that is filled with diverse opinions and relevant arguments on either side.

It has been said about corporate social responsibility (CSR): "The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organisations at a given point in time" (Carol, 2008, p. 365). *The Second King Report on Corporate Governance* (The King Committee, 2002) encourages companies to embrace the triple-bottom line aspects of environment, society and economy as a method of operating. CSR is an all-encompassing concept that defines a business's involvement in society and measures both positive and negative impacts. This ultimately builds a reputation for a company and affects its future interactions with all stakeholders.

In 1970, Friedman wrote in the New York Times that the real social responsibility of a company is to increase its bottom-line profits. Directing funds to charity initiatives and non-profit generating activities does not benefit consumers and investors, thus reducing the wealth of society and ultimately having adverse effects on those to whom such initiatives were initially aimed at (Friedman, 1970). Since stated, Friedman's position has come under increasing criticism. Today, CSR is almost a globally accepted necessity and requirement for both public and private enterprises. As business grow globally, local stakeholders increasingly scrutinise their *modus operandi* and insist that such business behave and operate in an ethical and responsible manner and play significant roles in local environments (Knox and Maklan, 2004). Some argue that, because businesses draw on resources from society, they have a moral obligation to give back to society and enhance it (Barnett, 2007).

It is increasingly rare in modern society to find businesses that do not measure the outcomes of all their activities. Management continually strive to measure value-add and effectiveness, whether this be return on investment for marketing spend or a new printer. A stigma has been created around CSR that philanthropic activities need not be measured or deliver return to the company. This leads to low expectations from CSR spend, over and above having a positive effect on society.

Founders and leaders of organisations spend large amounts of time articulating their vision and mission statements throughout their organisations (Porter, 1996). These statements play integral roles when it comes to developing a strategy for the firm and are guiding principles for decision-making at management level. Further, management is incentivised and rewarded for behaving in a manner that is aligned with the company vision. Often the most successful of companies are those that follow this carefully thought out path. All resources and activities are directed toward this end and future plans are developed with these goals in mind. Therefore there is a need for companies to align all their activities with their corporate strategy. Measurability is also aligned to how closely the activity in question ties in to the organisations strategy. This could include the choice of geographic location, product choice or even brand positioning.

In many organisations, there is a seemingly large disconnection between strategy and activity. Questions arise such as: Why is it that CSR activities are not decided upon according to the same standards as other business choices (Porter and Kramer, 2006)? Who are the people making these decisions? Are the people who are making CSR policy decisions part of organisational strategic thinking? If CEOs are focusing their CSR spend on the cause that touches their heart the most, while being noble, are they not furthering the objectives of the organisation? Companies today need to allocate large portions of their budgets to socially responsible causes and by directing these funds intelligently they could further their organisations mission.

The research aims to measure the alignment of CSR with corporate strategy. How much thought has been put in to where funds are being spent or what types of initiatives are being undertaken? Over the years it has been documented that calculating return on investment for CSR spend is highly challenging and largely unreliable. There is a failure to find strong empirical evidence for the relationship between socially responsible behaviour and financial performance (Burke and Logsdon, 1996). Some corporates interpret this as evidence that CSR is irrelevant for successful corporate performance or even antithetical to it.

The research also explores how CSR can create strategic benefits for the organisation even if not measured accurately. If benefits are not noticed then firms may not embark on such socially responsible initiatives. Even though there are short-term costs to CSR, it is possible that it can contribute to long-term success of the firm.

Corporate social responsibility has been defined and redefined many times over the decades and the concept remains a topic of much disagreement amongst academics (Wiley and Sons, 2006). In the literature review of this paper, more details were explored in terms of how to define CSR. For the interests of this paper, the approach taken is one mentioned by Mosley, Pietri and Megginson (1996, p.296): "Corporate Social Responsibility refers to management's obligation to set policies, make decisions and follow courses of action beyond the requirements of the law that are desirable in terms of the values and objectives of society". This means that the research will look at CSR from a policy decision-making perspective and in terms of its proximity to legal and ethical requirements. CSR thus includes issues such as economic sustainability, environmental sustainability and social sustainability. These are further defined when the Johannesburg Stock Exchange Social Responsibility Investment Index is explored.

Research from the 1970s proved inconclusive with regard to quantifying CSR's impact on profitability (Burke and Logsdon, 1996). These measures usually tried to correlate one feature of social responsibility with many company indices from annual results and the like. Researchers have found it difficult to correlate the single measures but found it equally difficult to gather data on the wider range of impacts of CSR initiatives. This, combined with difficulties in defining CSR, make it increasingly difficult to find statistical correlations between CSR and profitability.

Should CSR contribute to company goals, it can enable executives to look at CSR in a different light. If companies enjoy positive results from their activities – results that further enhance the strategy of the organisation – then CSR can be viewed as a wise investment, if not, then it can be condemned to be at most "the right thing to do".

Although the literature review embarks on an in depth analysis of CSR, the research itself focuses on one particular aspect – that being whether or not an alignment between CSR and organisational strategy exists in companies listed on the JSE SRI Index.

The research is predominantly based on a paper by Burke and Logsdon (1996) entitled *How Corporate Social Responsibility Pays Off*. The authors highlight five measures that are useful in gauging whether or not CSR is a worthwhile activity in which organisations should engage. Since the research explores whether or not there is alignment between CSR and corporate strategy, only four of the five measures are applied in this research, namely centrality, specificity, proactivity and voluntarism.

1.2. TOPIC RELEVANCE AND MOTIVATION

Although this area of research is a popular one in the USA and United Kingdom, it is relatively unexplored and the theory has not been tested in South Africa (Parris, 2008). It is also known that during challenging financial times, companies look to cut back wherever possible in order to maintain bottom line performance. Often CSR is seen as external to regular operations and therefore it is considered secondary and disposable. Hence, research of this nature would hopefully bring to light that CSR can play a role in contributing to the long-term goals and vision of an organisation.

South Africa is a diverse country that is filled with extremes, and none more pronounced than the distance between the “haves” and the “have-nots”. Since 1990 a concerted effort has been made by the Government of South Africa to alleviate poverty and fight discrimination on all levels. The effects of such poverty are far reaching and impact on the high levels of crime, HIV-AIDS, lack of education and unemployment that exists in our society. This effort though has been met with only small levels of success. Unemployment is still close to 24% and many of this country’s citizens live below the breadline. Supply of basic services and infrastructure such as health care, housing and electricity is inadequate and leaves one feeling hopeless and despondent. International aid is restricted as a result of the corruption and bureaucracy that exists in African societies and local philanthropy, while admirable, is still limited and inadequate (Kingdon and Knight, 2004).

The reality is that Government alone cannot and should not address all the challenges the country faces. Business should be encouraged to actively support non-profit initiatives with both financial and non-financial measures. One of the challenges businesses face in this regard is measuring success of their initiatives. Often CSR activities are well thought out and far-reaching yet difficult to measure. Sometimes little thought is put into CSR spend yet the impact on both internal and external stakeholders can be significant.

In order to achieve real change, every South African has to play his/her part. This country is filled with so much depravation and tragedy that even the smallest effort could bring about significant change. Often businesses alleviate their social conscience by making financial contributions to non-profits but this is simply not sufficient. This country needs business leaders to apply their minds and their time to creative solutions for the nation's greatest challenges. Should there be strategic gain for organisations from their CSR spend, they will be able to acknowledge that such initiatives are mutually beneficial, both for the organisation and the community at large. This would not only have enormous effects on the poor in this country but also create positive ramifications for firms. In turn, they would have incentives to increase such behaviour. If such a culture could be spread through corporate businesses they would certainly make great inroads into poverty alleviation and education (Kingdon and Knight, 2004).

CHAPTER 2: THEORY AND LITERATURE REVIEW

2.1 INTRODUCTION

The theory and literature review covers key concepts associated with the topic under review. It comprises of three main sections, each highlighting a different element of the research. Firstly, the literature looks at different definitions of Corporate Social Responsibility. One of the challenges inherent in research in this area is that there are many differing ways of understanding CSR. Secondly, the literature explores CSR in relation to corporate strategy and delves into whether or not CSR can be strategic and the implications thereof. Finally, the literature review looks at what corporate strategy really is and how it has developed over the years.

In addition to the above three main sections of the literature review, Burke and Logsdon's (1996) paper on which this research is based is reviewed and sets the tone for this research. The Johannesburg Stock Exchange Social Responsibility Investment Index is also reviewed as it forms the basis of the population and the research.

Each area has been thoroughly reviewed and summarised to display the researchers' knowledge of existing theory and to provide the basis for the research. This includes a rigorous examination of existing theory and literature on the subject matter and a blending of ideas and theories to present a comprehensive background to the subject matter. The synergies between the major topics of the literature review present a focused approached and provide a platform to the research questions which in turn guide the research process.

2.2. DEFINING CORPORATE SOCIAL RESPONSIBILITY

2.2.1. The term 'CSR'

A vast amount of research has been documented on this topic, yet as a result of the broad meaning of CSR, much of the research is unrelated and sometimes presents contrasting points of view (Wiley and Sons, 2006). Authors such as McWilliams and Siegel (2001) and Kok, Van Der Weile, McKenna and Brown (2001) propose that CSR relates to the way in which firms conduct their business operations. They emphasise the role of the firm in society as being one that is greater than profit generation. This places responsibility on the firm to behave in a considerate and ethical manner. This implies that they are cognitive of a society that exists around them and therefore make decisions that benefit and are to the satisfaction of society. There are those schools of thought that believe businesses exist to serve their shareholders alone and by doing so are acting in the best interest of society. Today, these thinkers, starting with Friedman in 1970 constitute less of the body of thought around CSR. To reconcile these seemingly paradoxical attitudes, Drucker (1969) has stated that socially-responsible behavior actually enhances the self-interest of business in the long-run.

According to Luthans and Hodgett (1972), CSR is a broad concept that encompasses aspects such as world poverty, consumerism, ecology, civil rights, as well as the physical and psychological well-being of workers.

Cannon (1992, p. 33) quotes Lord Sieff, the former chairman of Marks & Spencer: “Business only contributes fully to a society if it is efficient, profitable and socially responsible”.

The World Business Council for Sustainable Development proposes a definition for CSR as: “The ethical behavior of a company towards society . . . management acting responsibly in its relationships with other stakeholders who have a legitimate interest in the business, and CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” (Moir, 2001, p. 18).

The wide array of definitions for CSR stretches across the entire spectrum of corporate strategy CSR is a term that has been widely defined over the year. Definitions of CSR range from CSR as a systems approach to managing all stakeholders (Freeman, 1984) to CSR as a completely voluntary activity (McWilliams and Siegel, 2001). Concepts that are commonly used include: corporate sustainability, corporate citizenship, corporate responsibility, business responsibility, business social responsibility, business reputation, and the ethical corporation. It is this burdensome collection of terms that makes CSR hard to interpret in a consistent way. This can lead some companies to consider CSR as purely corporate philanthropy while others disregard the principle entirely. Hopkins (2001) states that the aim of social responsibility is to promote increased standards of living while preserving the profitability of the business, for its internal and external stakeholders.

The lack of a clear definition of CSR is one of the potential drawbacks in creating meaningful tools for measurement as well as common understanding of terminology used. The research draws on the various understandings above and aims to discover how business and organisational leaders view CSR and define it.

2.2.2. The Development of CSR

CSR literature dates back to the 1950s, where "business ethics" were concerned with decision-making within the exiting legal and ethical framework. This is when Friedman made his controversial statement that ultimately the business of business is profit. From 1960, as corporate scandals began to emerge and dangerous products made their way onto the market, CSR gained momentum in society's consciousness (Wiley and Sons, 2006). This forced companies to make disclosures to their communities about their operating procedures and policies. As globalisation spread, so did the cognisance of humanity and world civilisation and the operations of large multi-nationals in developing countries came to the fore. The orthodox view of CSR states that it is not the responsibility of business to solve social issues. Arguments against this are based on the "duties of gratitude and citizenship" and the understanding that if governments cannot solve certain social issues than it is up to businesses to attempt to do so (Hopkins, 1999).

2.2.3. CSR as a Concept

McWilliams and Siegel (2001) believe that CSR occurs when firms go above and beyond the interests of the firm or the law to deliver some form of value, service or return to society in general. This theory is shared by Mosley *et al* (2006), who further state that CSR refers to the obligation placed on management to decide and put in place policies that will ultimately dictate decision-making throughout the firm. Wood (1991, p. 695) states: "The basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behaviour and outcomes." The extent to which businesses fulfil their responsibilities can be measured by assessing decision-making in the businesses and how these decisions motivate the actions taken.

Contrary to this view, Kok *et al* (2001) believe that it is the obligation of a firm to society to use its resources in a beneficial manner as society and firms do not operate independently. They go further to state that firms should do so independent of any gains that they may have from such activity. Post, Frederick, Lawrence and Weber (1996) assert that responsibility needs to be placed on corporations for their activities so that they are held accountable to society and the environment at large. Baron (1995) focuses his definition of CSR on delivery and actions as opposed to thoughts and motivations.

2.2.4. Triple-bottom Line

Elkington (1997) stresses that a company’s contribution to the betterment of society involves not only economic contribution and value creation but also extends to three main areas referred to as the triple-bottom line or triple-P bottom line. Profit is the economic dimension. This is the creation of value through transacting in regular business activities, as well as creates opportunities for employment. The second “P” refers to people, which is the social dimension. This extends to the impact the company has on of people be it within the organisation or the community at large, for example health and safety, remunerations and labour practices. The third “P” refers to the planet. This is the ecological dimension, which states that no organisation exists separate to the rest of the world. Each organisation has a responsibility to the earth we live on and to ensure its survival for future generations.

2.2.5. The Stakeholder Approach

The stakeholder approach to CSR emphasises the relationship the firm has with its various constituents. This means that firms are open to continual dialogue with all stakeholders and that each has a role to play in the future of the firm. This dictates certain procedural standards for the firm to ensure policies are maintained and transparency is ensured (Freeman, 1984). Stakeholders refer to employees and how they are treated, the approach to minorities, as well as safety and labour relations. Another set of stakeholders are suppliers that require ethical behaviour on behalf of the firm as well as formal procedures for complaints. Customers are also stakeholders and expect a quality of service or product that is fair and meets environmental regulations. They also require complaints procedures. Society at large is also viewed as a stakeholder and this relates to environmental issues. Competitors require respect for intellectual property and measures to prevent collusion. This is all achieved through codes of conduct, ethical policies and training, social reporting and manuals, ISO certifications and the like.

2.2.6. Corporate Social Responsiveness

According to some academics, the term "Corporate Social Responsiveness" is perhaps a more appropriate term as it connotes more that just responding or assuming obligation. That is, though, motivation to respond but not necessarily actually performing. These authors though believe that motivation is not enough, because responding involves management actually putting something tangible into place. However, it is noted that leadership first needs to acknowledge the sense of responsibility before actually embarking on actual policies and projects (Hopkins, 2001).

2.2.7. CSR as risk management

Risk management is a concept that has gained traction in the recent past. Many scandals have undermined the existence of large multi-national companies leaving employees and investors in precarious situations (Wiley and Sons, 2006). As such the mitigation of risk, also known as corporate governance, has become a focal point of many firms. The risks that organisations face are both internal and external and relate to the reputation of the firm. CSR has become a method of integrating risk management into the organisational practices. It has been known to drive decision-making and ensure compliance on many different levels (Story and Price, 2006).

Table 1: Summary of opinions on corporate social responsibility

Author	Concept
McWilliams and Siegel (2001)	Go over and above organisation's objectives to do good for society.
Mosley, Pietri and Megginson (2006)	Management is responsible for instituting policies that contextualise decision-making.
Wood (1991)	Business and society are intrinsically connected and therefore CSR is an expectation of society.
Kok, Van Der Weile, McKenna and Brown (2001)	Firm is obligated to society to use resources responsibly.
Post, Fredrick, Lawrence and Weber (1996)	Organisations are accountable to society and the environment.
Elkington (1997)	CSR as an intrinsic component to triple-bottom line in terms of economic, social and ecological dimensions.
Freeman (1984)	The stakeholder approach that refers to a firm's responsibility to customers, employees, shareholders, suppliers, regulatory authorities, society and the environment.
Story and Price (2006)	CSR as a means of risk management and corporate governance.

2.3. CSR AND CORPORATE STRATEGY

2.3.1. Motivation for CSR

In their article, *Strategic and Moral Motivation for Corporate Social Responsibility*, Graafland and van de Ven (2006) present a challenging perspective to CSR and stakeholder influence. Underlying their research is the debate around which of two motives is more important. The first motive is a strategic motive. This point of view states that carefully planned and considered CSR leads to long-term financial success of the company. This perspective sees CSR as a win-win scenario for both the financial success of the company and the betterment of society. The second point of view is that there is a moral or intrinsic motive for CSR, which companies and society view as an obligation. This view extends as far as to say that should the company not fulfil its moral obligations, society could take steps to punish the firm (Graafland, 2002). The research examines managements view on CSR and actual CSR efforts.

There is a further argument that a deontological motive is more critical than a financial one. This is highlighted in times of financial difficulty for companies and when pursuit of CSR is motivated for reasons beyond the profit motive (Etzioni, 1998).

Graafland and van de Ven's (2006) research tested 111 Dutch firms where actual CSR performance was measured with reference to 31 aspects of CSR. All these aspects related to instruments with which to implement CSR into the organisation and related to the five major stakeholder groups, that being employees, suppliers, customers, competitors, and society at large.

The authors take the view that companies have different reasons for the development of a CSR policy or project. Firstly, there is a belief that a well thought through and excellently implemented CSR program will have positive ramifications in the long run.

The second reason for CSR initiatives is that they create a good reputation. Although this could be seen as a secondary driver for CSR it can affect both potential employees and the existing staff (Turban and Greening, 1996). This is achieved by setting a climate within the organisation that leads employees to feel a sense of trust in the company and ultimately leads to greater commitment from the employees. Another positive ramification of such a culture is that it reduces employee turnover and lowers the rate of absenteeism. This could very well lead to increased profits and increased productivity for the company. Yet another positive result is an improved work attitude and good conduct (Sims and Keon, 1997). It is also known that ethical environments reduce employee misconduct (Weaver and Trevino, 1999) and increase job satisfaction (Sims and Keon 1997). Thus a reputation is developed from such behaviour and this can contribute to job satisfaction. This can be reinforced by other parties, such as family and friends commenting to employees about the atmosphere in the company and the pride associated with the organisation.

A third reason for companies to develop active CSR policies is that there is an existing culture, potentially from the founders and/or leaders, that embraces moral and ethical behaviour. It could be one of the foundations upon which the company is built and prides itself in. Etzioni (1998) provides evidence that such an ethos has positive ramifications for employee behaviour and conduct.

The research also found that a moral commitment to CSR provides a stronger motive to contribute to CSR in practice than that of a positive strategic view (Graafland and van de Ven, 2006). This is considered an intrinsic motivation for CSR as opposed to an extrinsic motivation which has to do with financial benefits of CSR. An intrinsic motivation is desirable in and of itself and often an extrinsic value is externally influenced. However, the research showed that, from the customers' and employees' perspective, an extrinsic approach is favoured yet all other stakeholders place a greater value on an intrinsic approach. Further research actually showed that customers can indeed punish companies should they harm customer's interests. Overall the research found a weak correlation between the strategic view and actual CSR efforts. A possible reason for this is that strategic CSR can be seen as false and staged and therefore its impact is reduced (Oberholzer-Gee, 1997). The question is, when moral motivations are irrelevant or do not exit, will a strategic approach win support from managers and leaders (Graafland and van de Ven, 2006)?

2.3.2. CSR and Value Maximisation

Another way of evaluating whether or not CSR pays off is by looking at how the firm maximises value. This, according to Mackey, Mackey and Barney (2007) illuminates the business community about investor preferences and corporate strategies. Their research is underlined by two basic views about whether or not to engage in socially responsible behaviour. Traditional business management dictates that leaders should make decisions that increase and maximise the value of the shares of the firm's equity holders. This is achieved by maximising the present value of the firm's future cash flows (Copeland, Murrin and Koller, 1994). Therefore it can be deduced that if CSR initiatives do not help to realise such value in the present they should be avoided as they will only have negative consequences for the organisation. The second view cited by Mackey *et al* (2007) is that is that firms have a responsibility over and above that of profit maximisation. The ramifications of such a narrow minded view of profits are that management could negate the values of other stakeholders. These stakeholders, whether they are employees or customers, have different values to shareholders. They place emphasis on a wider responsibility of the firm in terms of societal and environmental contributions. They are also willing to do this at the expense of long-term profits.

One argument here is that socially responsible actions can increase the present value of a firm's future cash flow and also be consistent therefore with the shareholders goal of maximising profit. This can be achieved by doing things that actually improve cash flows, for example avoiding government fines by complying with legislation. Another argument is that shareholders in fact have a deeper interest than that of only profit maximisation. This interest is the unit of analyses in the paper by Mackey *et al* (2007). The authors ultimately are of the opinion that when demand for socially responsible investment exceeds the supply thereof, some investors will have interests beyond wealth maximisation. They are therefore are willing to invest in companies that are active with CSR projects even at the risk of reduced present values of future cash flows.

By further exploring topics of motivation and value maximisation, the research intends to understand the thought processes involved with creating CSR initiatives and policies and how these contribute toward organisational strategy and whether or not it factors into decision-making.

2.3.3. Regulations and Government Intervention

Although the topic of government intervention is of absolute importance, there is still a sense of controversy around it. There is an important association between business and politics and it can be seen in many areas of day-to-day operations. In terms of CSR, government imposes certain regulations, limitations and expectations on businesses to behave, conform and adapt. This imposition could be view by corporates as a strategic imperative for future existence of the operation. In this area, Galan (2006) is of the opinion that government stance in general and especially in developing markets is far to mainstream and regulatory. By this he implies that there is a requirement for contextualisation and differentiation in their approach to various sectors and institutional frameworks.

One of the methods of evaluation in this framework involves understanding government and societal regulations and their impact on CSR decision-making. The thought is that viewing CSR as a strategic initiative involves acknowledging a wide array of stakeholders who influence policy and decision-making (Freeman, 1984). One such stakeholder is government and by extension society as they impose certain expectations on business to behave in a certain manner.

2.3.4. Decision-making and CSR

In terms of decision-making, Porter (1996) states that corporations should use the same intense levels of measurement for CSR as they do for their core business decisions. If this is done, their opinions of CSR being a cost-centre and merely charity could be altered to believe that CSR can create opportunity, give a competitive advantage. He further believes that the proximity between strategy and CSR is an area of massive potential growth. However, companies tend to be generic in their decision-making with regard to CSR instead of applying it to individual strategies (Porter and Kramer, 2006). Porter and Kramer’s research showed that out of the largest 250 US multinational corporations, around 65% produced a CSR report in 2005. This occurred in either their annual report or in separate sustainability reports. Yet these reports hardly offer a clear and focused strategic effort. Rather they are a collection of heart-warming stories that illustrate organisations social efforts in a bid to promote their good nature and culture.

Porter and Kramer (2006) also highlight four major justifications for CSR, as follows:

1. **Moral appeal** – it is expected by stakeholders that companies behave in an ethical manner.
2. **Sustainability** – it is expected of organisations to take responsibility for the Earth and natural resources.
3. **License to operate** – the approval received from respective stakeholders or policy makers to do business the way the firm does.
4. **Reputation** – a popular reason for CSR highlighting the fact that positive CSR efforts will improve the brand, inspire employees and potentially increase share price.

Porter and Kramer (2006) also offer three tiers of how to prioritise social issues:

1. **Generic social issues** – these are issues that are disconnected from a company's activity and have no bearing on its long-term competitiveness.
2. **Value chain social impacts** – through its regular operations the company affects certain social issues.
3. **Social dimensions of competitive context** – these are issues in society that impact the foundations of the company's competitiveness in places where it does business.

Porter and Kramer (2006) also assert that in order to progress CSR, there needs to be a common belief that businesses need society and society needs businesses. Both are interdependent and rely on one another.

Through investigation and research, it will be valuable to test Porter and Kramer's theories and understand what the motivations for CSR are in large organisations and whether or not they consider corporate strategy. It will also be valuable to understand how CSR issues are prioritised which will indicate how strategic companies are when considering their CSR imperatives.

Table 2: Summary of opinions on CSR and corporate strategy

Author	Concept
Graafland and van de Ven (2006)	A well thought out CSR strategy can have positive ramifications in the long run as well as creates a good reputation. Good CSR leads to motivated employees and lower staff turnover.
Turban and Greening (1996)	CSR can directly or indirectly increase the firm's profits in various ways.
Sims and Keon (1997) **Weaver and Trevino (1996)**	Good CSR will encourage a good work attitude and good conduct as well as reduce employee misconduct.
Etzioni (1998)	Establishing good CSR practice as a core value leads to a more ethical and motivated workforce.
Mackey, Mackey and Barney (2007)	Good CSR is important to attract investors and leaders to the firm. Risk is mitigated by complying with government requirements
Porter and Kramer (2006)	Firms need to be more specific in their CSR policies as opposed to instituting generic solutions. Corporate reputation is another strategic advantage of CSR.

2.4. CORPORATE STRATEGY

2.4.1. What is Corporate Strategy?

Organisations need to establish a strategic framework for significant success. Such a framework consists of a distinct vision for the future, a mission that defines what the organisation needs to do, values that lead to certain behaviours, strategies that focus on key success approaches, and action plans that guide daily work tasks and jobs.

Chakravarthy and White's (2001) classical model of strategy differentiates between strategy formulation and strategy implementation. The classical model sees strategy as a group of goal-orientated decisions that can be analysed and that are the imperative of top management. It is concerned with improving, consolidating and altering a firm's position and is correlated to outcomes. It covers the entire business spectrum, which includes both the internal and external environment (Chakravarthy and White, 2001). There are three different levels where strategy is encountered in the firm. The first is on a business level where the product or service is dealt with and this dictates operational strategy of market differentiation. The second is on a corporate level where growth is considered, be it organic or through mergers and acquisitions. The third is on a multi-national level and that involves country-specific strategy and world growth strategies (Chakravarthy and White, 2001).

2.4.2. Porter on Corporate Strategy

Porter (1996), in his article *What is Corporate Strategy?*, states that competitive advantage is a factor of all the activities that centre on creating, selling and delivering a product or service and that strategy is not operational effectiveness. Over time though, operational effectiveness can easily be reproduced and cease to provide competitive advantages. Strategic positioning is different in that it attempts to create a sustainable competitive advantage by ensuring that a company capitalises on its strengths. This could be an aspect that is similar to its rivals but that is carried out in a different manner. He highlights three key principles that comprise strategic positioning, namely:

1. Strategy involves the creation of a unique and valuable position that can emerge through serving few needs of many customers, broad needs of few customers and serving broad needs of many customers in a small market.
2. Strategy inevitably involves trade-offs in what the firms decides to do as no organisation can be the best at everything.
3. Strategy involves a seamless thread that weaves all company activities together to operate harmoniously to achieve a set goal.

Porter (1996) places responsibility of a consistent, clearly defined and focused strategy on leaders within organisations. As opposed to middle level managers who concern themselves with short-term duties, leaders need to take a holistic approach to all company activities and ensure all activities are moving in the same direction. Strategic positions should have a horizon of a decade or more, not of a single planning cycle. Continuity in strategic positions is essential as it allows the organisation to build unique capability aligned with the strategy. Strategy is about competitive positioning, which means choosing to compete in such a way that the business has a sustainable edge over competitors. Sustainable edge is ultimately an outcome of industry structure and unique capabilities. Competition is more than just among rivals; it extends to buyers, sellers and competitors (Porter, 1996).

2.4.3. Hamel on Corporate Strategy

Hamel (1996), in his article *Strategy as a Revolution*, highlights three types of companies in any industry. There are the rule-makers who are the incumbents and build the industry from nothing. There are the rule-takers who pay homage to the above group and are follow-on 'copycats' of the business world. Finally there are rule-breakers who are the industry revolutionaries and are intent on overturning the industrial order. The rule-makers are forever at risk due to deregulation, technological change and globalisation. Strategy, according to Hamel (1996), sits with the rule-breakers whose vision encompasses revolutionising the world as we know it. He highlights 10 principles of strategy (Hamel, 1996):

1. Strategic planning is not strategic when it is a calendar event.
2. Strategy must challenge the norm.
3. Strategy sits at the top of the organisation and requires diversity.
4. Create mechanism for revolutionaries to be heard.
5. Create a culture that embraces change.

6. Strategy making should be a democratic process that all levels of employees can involve themselves.
7. Anyone can be a strategy activist.
8. Change perspectives in order to see opportunity.
9. Keep the top and the bottom of organisations connected so that people deciding on strategy know what is happening on the ground.
10. The end is not always in sight. This will allow strategy formulation to continue even when the outcome is not guaranteed.

2.4.4. Andrews on Corporate Strategy

Andrews (1987) asserts that strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principle policies and plans for achieving those goals and defines the range of business the company is to pursue, the kind of economic and human organisation it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers and communities. Andrews (1987) indicates that strategy is about implementation and design as well as about the allocation of resources toward a common end or goal. He differentiates between corporate strategy and business strategy in that the former applies to the entire enterprise whilst the latter to an individual product, service or market. The decisions of corporate strategy resource allocations are long-term decisions that are effective over long periods of time and commit the company to specific outcomes. Some aspects of strategy though do not change frequently and those are things such as high quality, good labour relations or a commitment to new technology. Yet some things change rapidly like product lines, manufacturing processes and styles. Strategy is often expressed through a summary statement that may appear on public documentation. It will characterise the company, its products, ethos, and vision.

Andrews (1987) believes strategy must be seen as an integrated set of goals and policies and the interdependence of purposes, policies and organised action is central. Formulation of strategy accordingly includes:

- identifying opportunity and risk;
- assessing the company's resources;
- incorporating personal values and aspirations; and
- acknowledging non-economic responsibility to society.

2.4.5. Strategic Intent

Hamel and Prahalad (1989) introduce the concept of strategic intent. In South Africa, many industries are working hard to match the competitive advantages of their global rivals. When competitiveness seems out of reach, the next option is strategic alliances, but few of these however go beyond imitation. Imitation will not lead to competitive revitalization as strategies are transparent to competitors that have already mastered them. Successful competitors rarely stand still and many executives feel that they are forever playing catch-up to their competitors. Regaining competitiveness will mean rethinking the many basic concepts of strategy. Competitor analysis is important. Assessing the current tactical advantages of known competitors will not help understand the resolution, stamina and inventiveness of potential competitors.

Companies that achieve global leadership once had ambitions that were out of proportion to their resources and capabilities and obsession to win. This obsession is called strategic intent and it implies an enormous stretch for any organisation. Strategic intent is more than just ambition, it is also encompasses an active management process that includes:

- focusing the organisation on the essence of winning;
- motivating people by communicating the value of the target;
- leaving room for individual and team contributions;
- sustaining enthusiasm providing new operational definitions as circumstances change; and
- using intent consistently to guide resource allocations.

If a company has strategic intent the top management is more likely to talk about global market leadership and to pursue it. It also gives meaning and direction to employees and clearly communicates the company goals to them.

Strategic intent should not be confused with strategic planning. Strategies are accepted or rejected on the “how” and “what” of the plan. Strategic planning should be future orientated and should not only focus on today’s problems but also on tomorrow’s opportunities. The goal of strategic intent is to fold the future back into the present. The question should not be “how will this be different next year?” but rather “what must we do differently next year to reach our strategic intent?" The current supply of resources and capabilities will not be enough. The organisation should either be more inventive than others or make better use of limited resources. Strategic intent creates an obvious misfit between current resources and ambitions.

In order for strategy to be embraced Hamel and Prahalad (1989) suggest that employees and individuals need to understand the impact of the strategy on their jobs. Top management needs to do the following:

- create a sense of urgency by amplifying trends in society;
- develop a competitor focus at every level through the widespread use of competitive intelligence (this creates a sense of benchmarking performance again the best-in-class competitors);
- provide employees with the skills they need and provide training if needed;
- give the organisation time to digest the challenge before launching another one; and
- establish clear milestones and review mechanisms to track progress and internal reward recognitions to reinforce desired behaviour.

Few competitive advantages are long lasting. The essence of strategy lies in creating tomorrow's competitive advantages faster than other rivals. An organisation's capability to improve existing skills is its most defensible advantage of all.

To achieve strategic intent the organisation must take on larger, better-financed companies. This means choosing engagements competitively and conserving scarce resources. It cannot be achieved by making incremental changes to the competitor's technology but rather it requires competitive innovation. Competitive innovation helps to reduce risk over the short-term and focus resources over the medium term. Strategic intent ensures consistent resource allocation over the long-term thus working towards ambitious goals. The strategist's goal is not to find a niche in the existing market but rather identify a new space suited to the company's strengths that is off the map (Hamel and Prahalad, 1989).

2.4.6. Anshoff's Growth Alternatives

Inevitably, strategy is aimed at increasing growth over the long-term. For a business to improve its relative position it must grow and change at double the speed of its environment. There are four basic growth alternatives according to Anshoff (1957):

1. **Increased market penetration** – market existing products to existing customers. This means increasing revenue by, for example, promoting the product or repositioning the brand. However, the product is not altered and the company does not seek any new customers.
2. **Market development –** market existing product range in a new market. This means that the product remains the same, but it is marketed to a new audience. Exporting the product and marketing it in a new region are examples of market development.

3. **Product development** – a new product is marketed to existing customers. New product offerings are developed to replace existing ones. Such products are then marketed to existing customers. This often happens within auto-markets where existing models are updated or replaced and then marketed to existing customers.
4. **Diversification** – simultaneous development of new products and markets. This posses distinctive problems as it entails a severance from the past patterns and traditions of a company and an entry into uncharted territory.

Figure 1: Anshoff's two by two product / market alternatives matrix

PRODUCT / MARKET	PRESENT	FUTURE
PRESENT	Market Penetration	Product Development
FUTURE	Market Development	Diversification

Anshoff (1957) suggests that the starting point of planning a growth strategy is the analysis of environmental trends which includes economic, political and international trends. One needs an understanding of the firm's competitive strength relative to other members of the industry and also an understanding of how the company can improve through market penetration, market development and product development. It is true though, that trends are difficult to forecast, and therefore a range of forecasts should be made with different outcomes. Diversification objectives should be supplemented by a statement of long range product-market objectives which preserve certain unifying characteristics as it goes through a process of growth and change (Anshoff, 1957).

Understanding strategy is one of the foundations of this research and leads directly to the research questions in terms of contextualisation and validity. In order to accurately report on CSR and corporate strategy there needs to be an understanding of how the concept is defined in existing academic literature. There also needs to be an understanding of how these definitions are viewed in practice.

Table 3: Summary of opinions on corporate strategy

Author	Concept
Chakravarthy and White (2001)	Strategy needs to be considered on a business level, corporate level and multi-national level.
Porter (1996)	Strategy does not refer to operational effectiveness but rather a competitive advantage created by doing something distinctively. It involves creating a unique position, trade-offs and the interconnectedness of all company activities.
Hamel (1996)	Strategy is about breaking with convention and creating new ‘rules’ for engagement.
Andrews (1987)	Strategy is about a series of decisions that reveals objectives, purposes and goals and the allocation of resources.
Anshoff (1957)	Strategy is about achieving growth the increased market penetration, market development, product development and diversification.

2.5. FRAMEWORK TO BE USED

The framework used is based on research by Burke and Logsdon (1996). Their research is motivated by the fact that in difficult financial times, it is common for organisations to cut back on philanthropic spending. In many circumstances it is the social spending of the firm that is first scrutinised (Burke and Logsdon, 1996). The authors state that scholars of business and society are of the opinion that in the end CSR does “pay off”. It is this reward in the long-run that socially responsible companies strive for and enjoy.

As a result of the lack of empirical evidence connecting CSR to financial success, many businesspeople are critical of whether such a correlation exists. Their research attempts a different angle on the heavily debated issue of CSR and profitability. It avoids attempting to prove direct correlations to short-term profits and intends to examine strategic benefits in the long-run. In its essence the research examines how a firm can serve its own interests and that of societies at the same time. Without such a correlation it would be difficult to ensure that firms would consistently behave in a socially responsible manner and in a way that benefits all stakeholders.

During the late 1800’s, neo-classical economists strongly believed that CSR had no impact on corporate profitability. In fact many later intellectuals, Friedman included, believed that it had a negative effect on bottom line profits. The debate around CSR progressed in the 1970s in a fashion that attempted to quantify CSR and its benefits. Many of these studies used single measures and correlated them with single measures of profitability. Although it was attempted to analyse a multitude of social factors, it was difficult to collect data on all factors accurately. Statistical associations between CSR and profitability were attempted to be proven but failed as a result of incomparable definitions of CSR.

While these debates where being tackled, similar arguments where taking place over what business strategy meant. Ultimately there were attempts to reconcile CSR and strategy, which included the stakeholder model of strategic management and the inclusion of social demands as strategic issues (Freeman, 1984). Carroll and Hoy (1984, p. 55) state that the integration of CSR policy within the traditional strategy model was also furthered by the recognition that CSR policies should be “strategically related to the economic interests of the firm”. From here the concept of strategic CSR developed by discovering several ways that CSR activities could be linked to the strategy of the organisation.

It is therefore stated that CSR is strategic when it yields substantial benefits for the firm in some form or another. This is particularly effective when these activities contribute to the firm’s mission and goals and support core business activities. This does not imply that all CSR activities are strategic in nature or that they contribute to organisational objectives. The research aims to discover when and how CSR activities serve both organisational and societal interests.

The research highlights the following four areas that are crucial for the firm in its pursuit of success. These are also useful in relating CSR policies to value creation in the firm. These four areas will provide a basis for understanding when CSR initiatives are aligned with organisational strategy.

2.5.1. Centrality

This measures the closeness of fit between a CSR policy and the firm's mission and objectives. When actions have centrality they are expected to receive priority within the organisation and to yield benefits in the future and possibly lead directly to economic profits for the firm. Further benefits are employee morale, productivity and retention of staff. Questions that assist in identifying centrality include: Would CSR increase commitment, retention, and passion to the company? Will it reduce absenteeism, turnover, training and recruiting expenses? Is it relatively unimportant to employees? Will organisations see benefits though increased employee motivation? Will the corporate brand benefit in the eyes of the consumers and other stakeholders? Would this lead to further support of products and services by customers and increased funding from investors? Does government view such companies differently and will they benefit from this with increased business opportunities.

2.5.2. Specificity

This refers to the ability of the organisation to capture the benefits of the CSR initiative. This is critical as many great initiatives could serve the industry as a whole and not pay dividends to the specific firm. These would be known as the non-specific benefits of CSR.

2.5.3. Proactivity

This reflects how strategic the initiatives are in terms of anticipated future trends and behaviours. These trends could be economic, social or political. Businesses are constantly trying to be proactive with their products and services and therefore scan the environment for such trends (Burke and Logsdon, 1996). These could arise from both opportunities and threats that exist in the environment in which the business exists. Firms that are alert in this regard usually are better positioned to take advantage of such potential changes in the macro-environment and hence enjoy long-term profits and sustainability.

2.5.4. Voluntarism

This extends to how much further the organisation is willing to go beyond the requirements of the law. Government and governing bodies impose certain requirements on businesses which lay out the basis for operating. These could be measures of corporate governance, of ethical standards or of health and safety regulations. For example, this could be donations of a charitable nature that are induced by pressure but not required in any manner. These actions can offer strategic and socially responsible payoffs in the long-run.

2.6. THE JOHANNESBURG STOCK EXCHANGE SOCIAL RESPONSIBILITY INVESTMENT INDEX

In 2004, the JSE launched its SRI index in response to the growing requirements of investors and society. The index would measure companies and their abilities to demonstrate more socially responsible behaviour. Its aims were to ensure companies embrace the triple-bottom lines of environmental, economic and social sustainability.

Large investment institutions are increasingly on the lookout for companies that are compliant with triple-bottom line before making large investments in those companies. The SRI index helps to identify those companies that are listed on the JSE and that adopt the principles of sustainability into their regular business activities. The SRI also aims to facilitate investment in such companies.

As a result of the detailed nature of CSR in South Africa, the SRI index has detailed criteria for each of the triple-bottom lines. In addition, the index identifies criteria for corporate governance, which is the foundation on which each of the triple-bottom lines rest. This is necessary as good corporate governance plays a major role in ensuring that sustainability issues are identified, managed and resolved.

The SRI Index consists of companies listed on the FTSE/JSE All Share Index and which meet the criteria set out by the SRI Index Advisory Committee.

These are continually reviewed to ensure that current practices of socially responsibility and sustainability are considered and revisited.

The three pillars of the index are aligned to the three pillars of triple-bottom line namely environmental sustainability, economic sustainability and social sustainability. All three of these are weighted in the rating process and ultimately affect how a company is rated on an annual basis.

Pillar One: Environmental sustainability

The very nature of companies is that they affect the environment in which they operate. This could be both positive and negative for the environment and for the company. Many companies, in some form or another, make use of natural resources as an input factor into the production process or their services that they offer. South Africa is blessed with a rich resource base, which needs to be wisely managed if it is to provide any sustainable support to the development of South Africa and its people.

Government has recognised this need as seen by its signature on the many international conventions that relate to sustainability and also its pledge along with other African leaders to the New Partnership for Africa's Development (NEPAD). Companies therefore need to align themselves with these international objectives and develop strategies to measure and monitor how they interact with the environment and behave with regard to these limited resources.

A company should continually seek to improve its environmental performance by:

- working to reduce and control its direct negative environmental impacts;
- actively promoting awareness of its significant direct and indirect impacts;
- working to be aware and proactive with regard to climate change
- working to use natural resources in a sustainable way; and
- committing to reduction of environmental risk, auditing and reporting.

Pillar Two: Economic sustainability

This encompasses both the long-term and short-term growth of a company. Often companies fall short of this vision by measuring only the short-term financial performance and sacrifice long-term sustainability for short-term profits. This often can be as a result of greed and egoistic behaviour by executives and large share-holders.

Companies need to be able to adapt to macro-economic driving forces by balancing the use of resources against short-term profits and should further be focussed on working towards long-term growth and sustainability through measuring their economic impacts in their sphere of influence.

Pillar Three: Social sustainability

The traditional concept of a company existing to make profit alone has all but ceased to exist. Today, organisations are a key component of modern society, often playing a role in the lives of a country's citizens as well as the business world and the government. Companies need to maintain a positive and ethical relationship with all affected stakeholders. As a direct consequence, companies are increasingly called to account for a culture that reflects non-discrimination and fairness in all aspects of the company's business.

To further enhance this concept a company strategy needs to be linked to internal management systems and key performance indicators aimed at promoting social upliftment, poverty reduction and development of its staff and the communities in which it operates. In South Africa, more so than many other countries, companies are required to place emphasis on diversity (including gender and disability diversity), employment equity, black economic empowerment, fair labour practices, employee health and safety, development of human capital and managing the impact of the HIV/AIDS pandemic on the company's activities.

Within each of the above themes, there are specific measurement criteria that evaluate how companies integrate the principles into their existing frameworks of governance and activities across the following business areas:

Policy and strategy

Commitment can be demonstrated through public statements, policies and/or strategies, which should ideally be publicly available. Implementing management and performance measures can in certain instances also be sufficient to demonstrate commitment, for example where the nature of the system negates the need for an additional policy statement. Each company needs to show growth and improvement no matter where they feature in any current year. Policies that are recognised are those that identify the environmental, economic and social challenges that the company faces, and that commit to the use of reasonable targets for improved performance and for successfully integrating long-term considerations in relation to each Pillar into their business strategies.

Management and performance

Systems, including the use of targets, objectives and other initiatives, monitor and measure business activities, progress and performance against targets. While this is already included in some areas, the Index will continue its evolution towards increasing performance measurements throughout the criteria. There is also a requirement for the company to create a management system at an operational level to ensure policies are implemented, and that the achievement of targets set in such policies are monitored and measured.

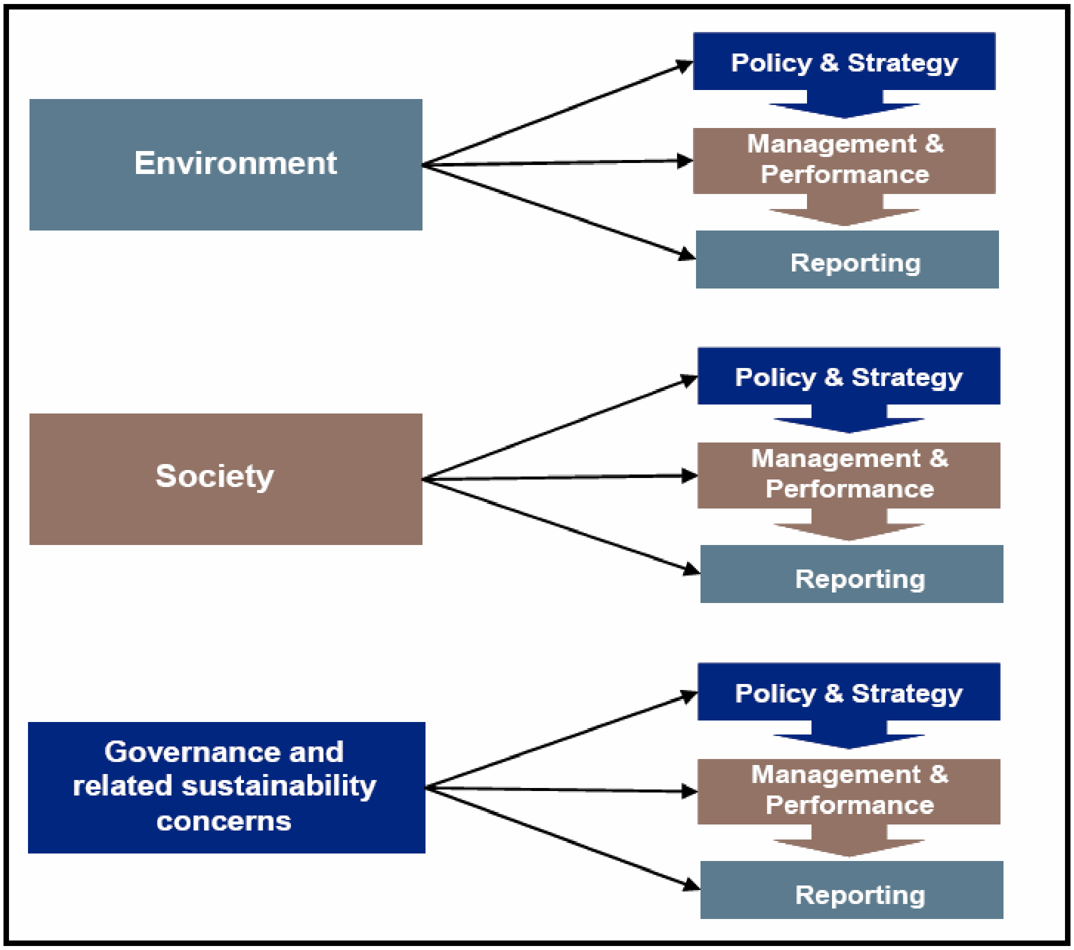
Reporting

The fundamental principle to reporting is to provide stakeholders with access to information about aspects of the company's business activities within a reasonable time period, ensuring that relevant information is available on a reasonably regular basis. This goes beyond the publication of glossy reports. Disclosure of relevant data with regard to the targets set and policies stated is essential for a positive rating. Being able to produce documents accurately and regularly will be a critical success factor for companies wishing to score a high rating.

The criteria indicators define the minimum *content* that should be covered by reporting for purposes of the Index.

Companies should, however, also consider and incorporate the basic principles of reporting quality – including materiality; balance (reflecting positive and negative aspects); comparability; accuracy; transparency and clarity; timeliness (frequency); and reliability (as may be confirmed by independent assurance / verification).

Figure 2: Three pillars of the SRI Index



(Source: www.jse.co.za/sri)

CHAPTER 3: RESEARCH QUESTIONS AND PROPOSTIONS

3.1. PURPOSE OF THE RESEARCH

This chapter will expand the reasons for the research and break it down into manageable research questions. The exact purpose of this study is to understand the outcomes of the questions below and to describe, decipher and translate the findings into useful knowledge for examining the link between corporate strategy and corporate social responsibility and for further research. The questions are based on the literature review as well as the stated objectives in the introduction. The ramifications of such a study are that it could further enlighten business leaders in their dilemmas around CSR spend. These dilemmas are around understanding what, if any, value does CSR lend to firms that are seeking profits. It lends insight into how CSR is currently managed in terms of decision-making and allocations and how much thought is put into this process. It will also delve into understanding who the decision-makers are with regard to CSR projects and policies.

3.2. FRAMEWORK TO BE USED

The research aims to discover how aligned CSR decision-making is with organisational strategy, if at all. CSR is strategic when it yields substantial business related benefits to the organisation (Burke and Logsdon, 1996, Porter and Kramer, 2006). Especially if it supports core business activities and hence contributes to the firm accomplishing its mission. Yet there are still many non-strategic CSR initiatives but the research aims to investigate only those areas that do contribute toward strategy by extracting this information from the research participants. The research will use a sample from the population of companies that consist of those listed on the JSE SRI Index. It is these companies that already have a serious approach to CSR and will have dedicated resources and policies worth investigating.

The primary question that this research seeks to answer is: When and in what ways do strategic activities serve both societal and business interests?

The following are the major research questions that the study explores:

1. How is CSR defined by leaders in the workplace?

This research question is aiming to understand how CSR is viewed by business leaders in the workplace. With so many definitions and theories, it is interesting to understand how it is practically approached. It also allows the researcher to contextualise the remarks of the respondent.

2. How close is the fit between CSR policies or programmes and the firm's missions and objectives and how can CSR be strategic?

Research question two explores the fit between CSR policies, programmes and initiatives and the mission, goals and objectives of the firm. This is the essence of the research and is intended to provide an in-depth understanding of how CSR is strategic.

3. Rather than creating a collective benefit that can be utilised by any business, how specific are the benefits of CSR initiatives to the particular company initiating them?

Research question three delves into the ability of the organisation to retain the benefits of their CSR initiatives as opposed to creating a collective benefit for competitors or society. The proposal is that an organisation that can retain the benefits can use them to their strategic advantage over an organisation that creates a collective good for society or a competitor.

4. Organisational strategy tends to take advantage of future trends. Do CSR initiatives anticipate future trends in society and business, and are they utilised for the firms benefit?

Research question aimed at understanding if the CSR policies and initiatives and decision makers consider future trends when embarking on a new project or policy. The proposition here is that, by taking advantage of future trends, CSR can create strategic opportunity for the organisation.

5. Government and social legislation create certain legal and ethical expectations for the firm. Do the CSR policies and initiatives go over and above these expectations in a voluntary manner, or do they meet the minimum requirements?

Research question five explores whether or not CSR goes over and above the legislated requirements and ethical expectations of the firm and whether or not there is a sense of voluntarism that exists in managements approach to CSR. Here the proposition is that should the organisation exceed expectations and regulation it could enhance its standing with these institutions as well as it corporate reputation, both of which yield strategic advantage.

CHAPTER 4: RESEARCH METHODOLOGY

4.1. INTRODUCTION

This chapter explores the methodology that is adopted for this research project. The literature review highlights the framework that has been used to proceed with this study. The framework selected lends itself to a study that is qualitative and also largely perception based as the topic is an exploratory one that attempts to understand the logic and thought behind CSR projects, policies and procedures. The research method, design, sampling, and data analysis techniques therefore follow on in this nature.

4.2. RATIONALE FOR THE RESEARCH METHOD

The present study aimed to explore the alignment between CSR initiatives and corporate strategy within certain companies in a South African context. This topic has been relatively unexplored in the South African context and therefore this ‘new thinking’ led to an in-depth exploratory study focusing on gathering qualitative data from CSR and general managers in various organisations (Parris, 2008). In order to achieve this, it was necessary to engage with decision-makers in these fields to understand their motivations for selecting various CSR initiatives. It was imperative to understand how they reached their policies and decisions in order to ascertain how much of a role corporate strategy played in this regard. It was also important to focus on understanding the personal point of view of the participant and to learn from the participants experience in this field. The in-depth interview was more of a dialogue that a formal or rigid question-answer session that allowed for no variation. Also of importance was the researcher's ability in evaluating the respondents' attitudes and perspective on the subject matter. The structure of the depth interview is such that it allows conversation focusing around a few themes, ultimately compiling an intellectual puzzle (Mason, 2002). As a result of the sensitive and qualitative nature of the subject matter, it was important for the researcher to create a relaxed environment. Here the participant could answer the questions in an informal manner without judgement. As and when themes emerged the researcher noted them and constantly tried to connect concepts from the previous interviews. The research needed to ascertain whether a link exists between these two areas of the organisation, and whether the strategy was implicitly considered when making CSR decisions. It was also necessary to delve into who makes the CSR decisions in the organisation. Were they senior decision-makers who understand the strategy of the organisation or were they middle-level managers who are responsible for a designated budget? It was of vital importance to engage these decision-makers and to delve into their thought processes when conceptualising and measuring their CSR initiatives. Were they hoping to contribute to furthering the organisations missions and objectives or were they merely executing the goodwill of their leaders or founders? Pure financial analyses on the return of CSR spend, albeit extremely difficult to gauge, would only be enlightening in relation to the financial outlay for projects and revenue generated from the initiative. This in itself could be spurious as it was most difficult to prove causality. Seeing as revenue was not the primary objective of CSR initiatives, this would be a poor measurement scale for the benefits thereof. Payback for these initiatives was largely intangible and includes goodwill, inspired and motivated employees, brand recognition, corporate reputation and the like. Costs too could be viewed as time off, employee fatigue and the use of corporate contacts and materials. Contributions to the overall strategy of the organisation could prove useful in furthering CSR spend and contributing to the bottom-line.

It was necessary therefore to adopt a qualitative approach to understanding the rationale behind CSR decisions and measuring their proximity with organisational strategy. In order to understand the rationale and decision-making processes, the researcher conducted interviews to understand the thoughts and motivations of the decision makers.

As the research was qualitative in its nature, it was subjective and thus could not prove causality. Rather, exploratory research was used to diagnose the situation and discover new ideas – an investigation as to whether such a connection exists. The qualitative method helped when seeking to refine an idea and delve deeper into principles and constructs within the organisation.

This form of research helped to crystallise a problem as opposed to providing a precise measurement. In particular, in-depth interviews that were semi-structured and extensive encouraged the participants to talk freely about the topic (Zikmund, 2003). As Zikmund (2003, p. 62) states: "By analysing any existing studies on the subject, by talking with knowledgeable individuals, and by informally investigating the situation, the researchers can progressively sharpen the concepts".

The limitations of such a study were that the findings could not be generalised but rather served as a starting point for further research. The researcher needed to be comfortable with ambiguity. The process was built through multiple interviews and slowly a clear picture began to appear.

Qualitative research allowed for deeper insights into the experiences of the subjects of the study in relation to a particular phenomenon. It was the most appropriate method when seeking to discover characteristics of a phenomenon (Tucker, Powell and Meyer, 1995).

4.3. RESEARCH PROCESS

The research took the form of a qualitative study that explored the topic of the alignment of CSR initiatives within an organisation and the organisations corporate strategy. The research began by identifying several organisations within the South African business environment. These companies were selected from companies that are listed on the Johannesburg Stock Exchange and registered on its Social Responsibility Investment Index.

The index, established in 2004, identifies companies listed on the JSE that integrate the principles of triple-bottom line and good governance into their business activities. From the selected companies the researcher engaged people within each organisation in interviews. Given the exploratory nature of this study, it was imperative to conduct face-to-face, in-depth interviews in the sample organisations. In order to gain primary data, the research questions from Chapter three were extrapolated into a questionnaire document that was utilised for conducting the interviews. The questions were based on the framework proposed earlier and were questions that invited the participant to share his/her perspective on the subject matter. Some of the questions overlapped and this was to ensure that the participant understood the question thoroughly. The interviews culminated in an open-ended question to ascertain what, if any, was the primary driver (not mentioned in the framework used) that was considered when embarking on a CSR initiative. Interviews were aimed at employees from selected organisations that hold the positions of (or similar position to):

- CSR Manager – who was able to give input on the various initiatives, why they were chosen and the desired impact on communities at large as well as possible connections to the organisation in question.
- CSI Manager
- Policy-makers
- Sustainability and Governance Managers
- Corporate Affairs Executives

The interviews were semi-structured and one-on-one in nature to allow concepts to flow freely and ideas to be generated. They followed the structure of the proposed framework and aimed to measure the CSR initiatives relative to the organisations mission. The interviews culminated in an open ended question to ascertain what, if any, is the primary driver (not mentioned in the framework used) that is considered when embarking on a CSR initiative.

The research was complimented by an analysis of available company documentation. This was achieved by comparing company strategy documentation to CSR strategy documentation. Where detailed strategy document was not available, statements from annual reports were analysed to ascertain general company direction. This analysis supplemented the interviews and assisted the researcher when asking interviewees clarify questions as per company documentation.

The use of qualitative research is vital in understanding the rationale behind the decisions and the impact of these decisions. The semi-structured questions gave guidance and directions to the interviews while allowing the respondents to talk freely about the topics at hand. Probing questions such as "Why do you say that?" or "Tell me more about that?" or "Can you give me an example of that?" assisted in continually crystallising and clarifying the issue at hand. They were not limiting questions that confined the interviewee but they still had some form that guided the conversation.

The research questions were based on a paper by Burke and Logsdon (1996), entitled *How Corporate Social Responsibility Pays Off*. Their research explored the lack of empirical evidence when approaching this topic from a measurement perspective and they therefore proposed a strategic approach. In this they identified some five areas that could measure the strategic impact of the CSR policies and projects on the organisation.

This research focused on exploring four of those issues within a specific set of companies being those that are listed on the JSE SRI Index. The narrow sample definition allowed the researcher to contextualise the findings and compare and contrast when required.

The use of the constant comparative technique helped fine tune the questions and refine them. It was useful after the interviews to examine the findings and the responses to better understand the topic and to understand how to ask the questions in a clearer and more precise manner. It certainly provided the researcher while the opportunity to ensure that the interviews were constantly improving and of a higher standard.

4.4. POPULATION AND UNIT OF ANALYSIS

The concept of a population can be defined as: "A population is a complete group of entities sharing a common set of characteristics" (Zikmund, 2003, p. 369). The population for this study consisted of medium to large businesses in South Africa. They needed to be philanthropic companies that have an active CSR program. Qualifying criteria included that the companies are listed on the Johannesburg Stock Exchange (JSE) Social Responsibility Investment Index (SRI) and are considered successful, high-impact organisations according to the SRI Index's rating mechanism. The companies needed to have a planned approach to CSR as opposed to being active on an ad-hoc basis.

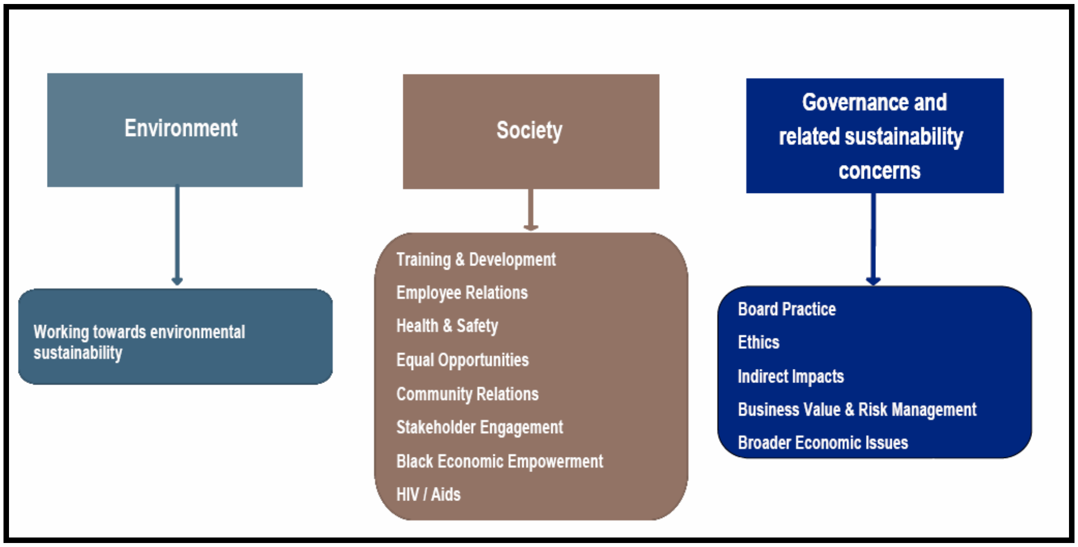
The unit of analysis was the proximity of alignment between the CSR strategy or programs and the organisational strategy within each sample company from the JSE SRI Index.

According to the JSE SRI Index, the methodology used for this research evaluated each company according to how they demonstrated a commitment to social sustainability and good stakeholder relationships by:

- treating all stakeholders with dignity, fairness and respect, recognising their rights to life and security and free association, and their rights to freedom from discrimination;
- actively promoting the development and empowerment of its employees and the community;
- ensuring that core labour standards are met and good employee relations maintained;
- working to promote the health and safety of its employees; and
- monitoring performance against targets and reporting on performance.

The JSE SRI Index is a measure of companies that can integrate the principles emerging from each of the three pillars of environmental, economic and social sustainability and from corporate governance into their existing frameworks of business practice.

Figure 3: Integration of principles of three pillars of the SRI Index



(Source: www.jse.co.za/sri)

The JSE SRI Index aims to continually move the targets so that companies strive to improve on their rating and avoid complacency. The JSE SRI Index also acknowledges that it is impossible to cater for every variable but a concerted effort is made over time to ensure that a comprehensive evaluation technique is adopted which is clearly communicated and fair to all stakeholders.

4.5. SAMPLE SIZE

The sample was selected by non-probability methods to give the researcher control over who was chosen to participate. This made the research not entirely representative of the population and hence statistical inferences could not be drawn. The further use of convenience sampling ensured that there was no need for a list of the population but also prevented the research projecting data beyond the sample (Zikmund 2003). Given the time constraints, the scope of the research and the detailed nature of the interviews, the sample size consisted of six companies. The anonymity of the participants was protected and therefore the names of the participants and their companies does not appear in the report in correlation to specific comments and statements. The advantages of such a small grouping were that the interviews could delve deep and really seek to understand thought processes that were involved. The disadvantage was that the findings were particular to a handful of companies and at best could be used to highlight a trend which may be useful for further research.

In selecting a sample of companies to include in this study factors were considered included:

- Did the company fit the population definition?
- Was there a dedicated CSR manager to engage with?
- Were there personnel that were equipped to engage in discussion on the topic at hand?
- Were these people accessible and willing to be interviewed?
- Were these companies willing to be included in such a study?

Selected Companies

Although the JSE SRI Index does not rank companies in an ordinal manner, an annual classification is done according to best performers. For the purpose of this research, they were therefore ranked as high-impact companies, medium-impact companies to low-impact companies. The research was conducted by investigating companies that fall in all three of these categories. As a result of partaking in the Index's requirements these companies have a propensity to create a positive perception of their organisation in the greater community. As a result they proved to be good candidates for further research into CSR and business success.

The following companies, which were all rated on the JSE SRI Index, were approached for participation, and co-operative companies were selected from this list based on their willingness to participate and their availability:

1. Anglo American
2. Anglogold Ashanti
3. Aveng
4. Gold Fields
5. Group Five
6. Highveld Steel
7. Illovo Sugar
8. Merafe Resources
9. Sasol
10. Tongaat Hulett
11. Massmart
12. Absa Group
13. African Bank Investments
14. Standard Bank Group

These companies were selected as they have placed value and emphasis on CSR within their organisations. They have deemed it necessary to be listed on the JSE SRI index and are striving to meet the criteria of the index year after year. The significance here is that to try and measure the alignment of corporate strategy to that of corporate social responsibility in companies that do not seriously tackle the issue of CSR could lead the researcher to false assumptions. The results of such research would also be ambiguous and not lead to any clear understandings of the topic at hand.

It was also assumed that companies that partake in the JSE SRI Index believe that they are making a positive impact on society and all their stakeholders. They have invested time and money in complying with the SRI index criteria and therefore see that value of being recognised as a socially responsible company. The research question, being does their CSR initiatives align with their corporate strategy, therefore was relevant to these organisations.

4.6. DATA COLLECTION, ANALYSIS AND MANAGEMENT

There were two important stages in the data collection process. Firstly a pre-testing phase helped to ascertain that the data collection plan for the main study was effective and appropriate. This process helped to eliminate errors due improper design resulting from bias or leading questions. It also helped to refine the questioning process to gain a more concise line of reasoning (Zikmund, 2003). This was done with the assistance of fellow students and work colleagues. In the actual collection of data, semi-structured, in-depth interviews were used which allowed insight into CSR and organisational strategy. At a later stage these ideas were used to formulate more specific questions. Of paramount importance in this process was keen listening and attentiveness to what is being said and what was not being said.

The data collection process involved (Clark, 2006):

- conducting interviews – both face-to-face and telephonic;
- recording interviews (subject to agreement from respondent);
- making notes during interviews of key points;
- reflecting on non-verbal reactions by subjects and noting them;
- post-interview reflections and summaries of major points – two hours per interview;
- starting to reflect on themes that are emerging;
- repeating the process and constantly gathering information and building on themes;
- organising the data from each interview into a format that permits comparison – this involved listening to each interview in segments and collaborating the data.
- categorising information into succinct themes and points of view in the discussion guide;
- writing down direct quotes and assigning them to correct themes
- transcribing relevant examples and stories
- looking for commonalities or differing points of view across the data;
- deciding on the key issues that emerge; and
- building a “story” around the key issues.

Data analysis or descriptive analysis transformed raw data into a form that made it understandable so that the researcher could deduce useful information (Zikmund, 2003). The analysis method employed in this research was constant comparative, content analysis and narrative enquiry. Constant comparative methods were used to compare new data with previous data after the narrative analysis of each interview. This was most useful when using an iterative process and constantly trying to improve the form of data collection. Content analysis involved a rigorous examination of the contents of the data for familiar terminology and phraseology used. This helped to measure the frequency of statements and their pertinence. This involved listening to the interviews in segments, time and time again so that general themes could emerge. Narrative enquiry involved listening and deducing what factors led to decision-making and what were perceived results. This included time to reflect on comments and contemplate what caused the participant to answer in such a manner. The assumptions made were that the participants were honest and truthful. As a result of anonymity, it was hoped that they would be more honest and impartial as their responses have no bearing on themselves of their companies.

Data management occurred continuously to ensure the results were as relevant and accurate as possible.

4.7. DATA VALIDITY AND RELIABILITY

While quantitative research has to convince the reader that certain procedures have been followed, qualitative research has to convince the reader that it makes sense (Clark, 2006). The analysis was, therefore, done together with the research supervisor to ensure as much objectivity as possible in such a process. This reduced researcher bias and while subjectivity in qualitative research must be accepted, an expert researcher’s additional opinion brings rigour and an element of objectivity to the process (Clark 2006). Also interview scripts were as standardised as possible to ensure consistency. Research of this nature could lead to bias and therefore during the interviews the researcher had to pay particular attention to language used as opposed to the researcher’s interpretation of the participant’s comments.

4.8. RESEARCH LIMITATIONS

- The research was focused on companies that are involved in the JSE SRI Index, that are already partaking is CSR and value it as a method of operating and securing a good reputation. This could skew the results in that these companies do indeed consider the four critical factors highlighted above when planning CSR.

- The research was qualitative in nature and therefore conclusions cannot be extrapolated to other companies, other industries or countries (Zikmund, 2003).

- The sample size is small and therefore and this enhances the difficulty of generalising the findings to a greater population.

- As a result of availability and the way CSR is structured in different organisations, not all the participants held the same positions. This led to different perspectives on the subject matter.

- The exploratory data should not take the place of quantitative research that may follow on from this research (Zikmund 2003)

- Another limitation was that conducting face-to-face interviews and extracting the precise information presented certain challenges. For example, participants wanted to be perceived as giving the right answer which sometimes may have prevented them from being completely truthful. In order to remain objective, effort was placed on ensuring the interview schedule was followed. This also ensured that questions were not asked in a leading manner.

- The research was only conducted in companies listed on the JSE SRI Index and therefore did not include companies that are less committed or professional in their approach to CSR. Therefore the results could not be compared to all companies and their approaches to CSR.

- Another challenge was that of trying to ascertain and differentiate both the “surface reactions and the subconscious motivations of the respondent" (Zikmund, 2003, p. 130). In this form of research one expected to be faced with subjectivity and certain bias which needed to be considered carefully.

- The interpretations of the findings are judgemental and potentially subjective and the exploratory data here cannot take the place of quantitative research that may follow on as a result of this paper (Zikmund, 2003).

- The outcome is largely reliant on the quality of the data presented by the participants as well as the quality of the analysis.

- A lack of consensus amongst academics and business leaders with regard to a definition of corporate social responsibility posed a challenge when engaging with participants in the research and discussing the subject matter.

- Another limitation was the availability of the participants. As this was limited it led to a variety of different positions amongst the participants. This means that they had different levels of access to information which makes comparison on interviews challenging.

4.9. CHAPTER SUMMARY

This chapter has motivated the use of a qualitative, in-depth method that makes use of semi-structured interviews. It elaborated on the population and how the sample was selected as well as providing insight into the JSE SRI Index. The chapter ended by covering some limitations of the research.

The previous chapters have built the foundation for the research in terms of the context, background and methodology. The following chapters will outline the actual research that was done. This includes presenting the findings of the interviews and the analysis of the results.

CHAPTER 5: RESULTS

5.2. INTRODUCTION

The objective of this chapter is to present the results of the interviews and explore how they connect back to the research questions. The interview schedule is broken down so that it each question relates back to the research questions which follow on from the literature review. In the following chapter these results will be analysed. The research explores the alignment of corporate social responsibility with corporate strategy with particular reference to participating companies listed on the JSE SRI Index. The research is qualitative in its nature aims to understand the motivations of managers for selecting various CSR initiatives and whether or not these have bearing on corporate strategy.

5.2. FINDINGS FROM INTERVIEWS

The data collected from the five face-to-face interviews as well as the telephonic interview have been analysed in such a manner as to identify common themes and ideas. Each interview required approximately one hour of in-depth questioning per respondent utilising the interview schedule and questions as shown in Appendix 1. Each interview has been followed by in-depth content analysis and reflection on the discussion and new information learned by a using constant comparative. Often ideas from prior interviews were used to refine the questions for latter interviews. Often this was as a result of the researcher's understanding of the topic being improved and becoming more focused. The techniques used were that of content analysis and frequency analysis. According to Zikmund (2003) this methodology transforms raw data into a format that makes it understandable and presentable in such a manner that one can deduce useful information on the research questions. The use of content analysis in particular involves analysing the data for familiar terminology and phraseology to find consistency amongst the respondents.

The research questions are mapped to the interview questions (refer to Appendix 1) as follows:

Table 4: Research questions in correlation to interview questions

Research Question 1:	How is CSR defined by leaders in the workplace?	Interview Question: 1a
Research Question 2:	How close is the fit between CSR policies or programmes and the firm's missions and objectives?	Interview Questions: 1b, 1c, 1d, 1e, 1f, 1g, 1h
Research Question 3:	Rather then creating a collective benefit that can be utilised by any business, how specific are the benefits of CSR initiatives to the particular company initiating them?	Interview Questions: 1h, 2a, 2b
Research Question 4:	Organisational strategy tends to take advantage of future trends. Do CSR initiatives anticipate future trends in society and business and utilise them for the firm's benefit?	Interview Questions: 3a, 3b, 3c, 3d
Research Question 5:	Government and social legislation create certain legal and ethical expectations for the firm. Do the CSR policies and initiatives go over and above these expectations in a voluntary manner, or do they meet the minimum requirements?	Interview Questions: 4a, 4b

With regard to the framework of Burke and Logsdon's (1996) paper *How Corporate Social Responsibility Pays Off*, research question two relates to the construct of centrality, research question three relates to the construct of specificity, research question four relates to the construct of proactivity, and research question five relates to the construct of voluntarism.

5.2.1. FINDINGS RELATING TO RESEARCH QUESTION ONE

Throughout the literature review and analysis of previous research, one common theme that emerged is that of multiple definitions of the term corporate social responsibility. This lack of uniformity and agreement exists amongst both academics and businesspeople as shown in the literature review in Chapter Two. This research therefore aims to present an understanding of different perspectives amongst the participants in the research as the platform. The results are based on question one of the interviews. The results are presented in the Table 5 below:

Table 5: Aggregated results for research question one

RANK	CONSTRUCT: Defining CSR in the workplace	FREQUENCY
1	Risk management process focuses on sustainability and compliance with international standards as well as government expectations.	5
2	Community upliftment through social initiatives; a sense of responsibility to reinvest in communities where we operate, and focus on the previously disadvantaged.	4
3	Focus on skills development for employees and community.	3
4	Activities that have little business or profit related outcomes but are "the right thing to do" or moral duties.	2
4	Activities involving volunteers and community engagement.	2
5	A construct of Private and Public, Partnership where government and business work together to achieve set goals.	1
5	A focus on satisfying triple-bottom line - environment, society and economy.	1

The understanding of CSR varies substantially and respondents highlight more that one definition. This has lead to the frequencies above. The majority of respondents cite risk management, sustainability and compliance as the foremost definition of their company's view of CSR. Three respondents mention the stakeholder approach while three others also mention risk management as a definition of CSR. Triple-bottom line (environment, society and economy) is only mentioned by respondent E while "Public and Private Partnerships" (the coming together of business and government for common goals) was also only mentioned by one respondent. Four respondents consider CSR to be of a social nature and cite aspects such as community upliftment, responsibility, re-investment and upliftment of the previously disadvantaged. Three respondents refer to skills development as being a large part of how they view CSR. This is both from an internal perspective such as employees, and an external perspective such as communities in which they operate.

5.2.2. FINDINGS RELATING TO RESEARCH QUESTION TWO

The primary focus of the research is to delve into the concept of alignment of corporate social responsibility and organisational strategy in the companies listed on the JSE SRI index. Thus, question two determines how close the fit between CSR policies or programmes and the firm's missions and objectives is. In order to better understand this, the research explores subjects such as decision-making around CSR policies and the understanding throughout the organisation of what CSR is, including how and if CSR is actually measured. It also looks at what corporate strategy is and if it is understood by those who are making CSR policy decisions. The term "strategic CSR" is also explored as a crescendo to the discussion on strategy and CSR. The findings from interview question 1b in determining decision-making and CSR is presented in Table 6.

Table 6: Results for research question two from interview question 1b

RANK	CONSTRUCT: Decision-making and CSR	FREQUENCY
1	Executive, non-executive and board level involvement from a strategic and business perspective – a top-down approach.	4
2	Outside input from academics, institutions, communities, government legislation and international norms.	3
3	Executive, non-executive and Board level involvement based on issues that they have emotional or other non-profit orientated connections to.	1
3	Stakeholders input at ground level and fed through the system – a bottom-up approach.	1

Findings from interview question 1c & 1d:

Table 7: Results for research question two from interview question 1c & 1d

	CONSTRUCT	FREQUENCY
	Corporate strategy *is understood* and transparent to CSR decision makers.	**4**
	Corporate strategy is *not understood* and unclear to CSR decision makers.	**2**
	Corporate social responsibility is well documented and communicated.	**4**
	Corporate social responsibility is not well documented and communicated.	**2**

Two respondents present a meticulous understanding of the decision-making process, documentation and communication of both corporate strategy and CSR. A thorough information distribution channel has been created to distribute knowledge and insight of corporate strategy to all those in decision-making positions. This process takes place in many formats from senior strategic meetings, general management retreats and online communication through intranet and email. One respondent acknowledges that although corporate strategy is well documented, the documents are not accessible and are only shared with the top 150 managers and that CSR decision-makers often fell outside that layer. This respondent is also of the opinion that CSR policy is not understood by many of the managers in the company and it is a somewhat foreign concept that lies outside the realm of regular business operations. Two respondents state that CSR policy is available to all in their companies to see and efforts are made to communicate this. However, the impacts of such efforts are questionable as seen by the lack of understanding that exits amongst managers when questioned about CSR policies.

Findings from interview question 1e, 1f & 1g:

Table 8: Results for research question two from interview question 1e, 1f & 1g

RANK	CONSTRUCT: CSR and organisational strategy	FREQUENCY
1	CSR **develops stakeholders** which can be employees, clients, suppliers, communities from an educational and health perspective.	5
2	**Risk management** is the key to our CSR policy and that in turn gives us strategic advantage.	4
3	**Corporate reputation** is critical to the success of the company and this is heavily influenced by CSR policies to all stakeholders.	3
4	CSR relates directly to **triple bottom line** which affects the organisational goals directly.	2
5	CSR provides a **moral high ground** which gives the company strategic advantage over competitors and the ability to influence the regulatory authorities.	1

One respondent illuminates the key strategic advantages of CSR to the company's objectives. Firstly, it is about an understanding that the risk exposure of the organisation is essential to the future of the company. The CSR efforts go a long way in ensuring that the risk is lowered. Secondly, this respondent also states that the organisation needs to have a moral high ground in the areas it is aiming to influence regulatory authorities. It is about recognising stakeholders in business and aligning with their requirements. This in turn gives the company credibility when it represents itself to the legislature and public servants, which is a key strategic issue. Risk management is also highlighted by two respondents who say that without the social initiatives the company would not have the ability to operate

Respondent B illuminates three further strategic advantages of CSR. Firstly from a skills perspective, both employees (both current and potential future employees) and future clients can contribute directly to bottom line and ultimately organisational objectives through their development and upliftment. This relates both to the realm of education and health where better skilled and healthier employees and clients ensure better performance for the company and its shareholders. As a labour intensive company, people are often the greatest asset and this is paramount to the successful growth of the organisation. This last point is, however, also cited by three other respondents as a significant aspect of CSR.

The second key strategic advantage according to respondent B is the development of a powerful corporate reputation which impacts the business on many levels. This perspective is also shared by respondent F. This extends to employees and whether they seek to work for an organisation because of how it is perceived in the business world. This also extends to suppliers who often will not supply unethical organisations. Customers certainly do not want to be seen purchasing or even associating with a company that is not socially responsible.
A third point (which is shared by respondent C) is that of triple-bottom line, which enlarges the scope of strategy to include elements that are not directly related to profit. In this area, the company that is socially responsible is achieving what it strategically needs to as part of its triple-bottom line objectives.

Two respondents point out that strategic CSR is about engaging all levels of stakeholders for a long-term, mutually beneficial relationship. This means going beyond once-off initiatives to full engagement with well thought out programmes that will benefit the organisation and the stakeholder simultaneously. These respondents further state that if it the situation is not one where a win-win philosophy exists, it cannot be sustainable from either the organisation's or the stakeholders' perspectives.

5.2.3. FINDINGS RELATING TO RESEARCH QUESTION THREE

Findings from interview question 1h, 2a & 2b:

Table 9: Results for research question three from interview questions 1h, 2a & 2b

RANK	CONSTRUCT: Are CSR benefits retained?	FREQUENCY
1	Community, individuals and society benefit through investment and development.	6
2	The company benefits when it pursues issues that relate to its products and services or skills that it may require.	4
3	The company retains benefits through the building of corporate reputation.	4
4	Measurement for business uses is weak yet measurement for government and compliance is strong.	2
4	Competitors can benefit as it is difficult for initiating company to retain exclusive benefits	2
5	Collaboration between the company and its competitors exists when it is completely unrelated to business activities.	1
5	Measurement is around the retention of benefits of CSR initiatives.	1

One respondent emphasises that CSR benefits must be retained by the company in order to make it worthwhile in the long run. This is achieved by focusing CSR in areas that relate to the company's products and services as well as to its closest stakeholders such as employees and customers. Another respondent highlights this fact and emphasises that with skills development initiatives, the company is able to retain benefits but it requires legal protection to ensure this. In addition, other stakeholders can be retained through various initiatives.

Significantly, four respondents emphasise the creation of a corporate brand that is reputable and associated with positive socially responsible activities that lead to the retention of these stakeholders and provide long-term growth opportunities. Where clientele comprise the public and society in general, the organisation that invests in issues to which those clients relate, will more likely retain the benefit of such an investment for the present and the future.

Yet only one respondent further emphasises that the leaders of the organisation need to see the relevance of the CSR initiative or policy to the business and how they alone can benefit in order for it to be viable.

Another respondent believes that the essence of measuring CSR initiatives is found in the ability of the organisation to exclusively retain the benefits within the company. If the company can, for example, retain over 90% of community members that they assisted then that CSR initiative has been successful.

In this regard, only one respondent sees it as a win-win imperative in that both the company and the individuals benefit. It is a mutually beneficial focus.

Corporate egos do exist in this arena where different organisations want their reputations to benefit and independence is therefore of paramount importance. This independence is therefore all about retaining the benefits of the projects.

All respondents, to some degree or another, highlight the fact that the community, individual and societies are those that retain the most benefit from CSR initiatives. This is not necessarily the objective or the motivations of the company but it is the reality on the ground.

5.2.4. FINDINGS FROM RESEARCH QUESTION FOUR

Findings from interview question 3a and 3b:

Table 10: Results for research question four from interview questions 3a & 3b

RANK	CONSTRUCT: Why is CSR important and what are the factors considered when planning CSR initiatives?	FREQUENCY
1	Compliance with SRI index, Iris, Idasa and other regulatory authorities.	4
1	Helps to make business decisions and enable future growth.	4
2	Look primarily at the needs and the organisations ability to effect change.	3
3	Risk management is the primary motivator.	1
3	CSR is decided upon by market and competitor scanning.	1
3	Need to know what is socially material, which requires research.	1

One respondent is motivated by managing risk within the organisation so as to behave in a preventative manner. Another input is monitoring authorities from the educational, government and regulatory authorities. Although these organisations are not proactive, one can engage them to create awareness within an organisation.

It is also mentioned that the input and factors are based largely on societal needs and the capabilities that exist to meet such needs.

Two respondents emphasise that government has a role to play in setting regulation and encouraging certain behaviours by corporates. This is emphasised by the legal and ethical expectation required by employees for their companies. The respondents also express the social needs and policies that are required and respond accordingly.

Only one respondent highlights the importance of external regulatory authorities feeding in to the CSR system and the dependence that organisations have on these authorities. This extends to understanding where and how competitors have positioned themselves and following trends while they are in their early stages. External consultants also play a paramount role in educating the organisation about what the issues are and how to capitalise on them quickly.

Findings from interview question 3c and 3d:

Table 11: Results for research question four from interview questions 3c & 3d

RANK	CONSTRUCT: Does CSR anticipate future trends?	FREQUENCY
1	Do not anticipate trends when making decisions rather a reactive stance exists.	3
1	Forms part of the leadership's strategic imperatives and investors requirements.	3
2	Use personnel to anticipate change in this arena by monitoring environment.	2
2	Look at international trends.	2
3	Look at what business advantages a CSR initiative would have and then decide on future policies and projects.	1
3	Engage with clients, suppliers and staff to understand what are up and coming CSR trends and needs.	1

One respondent believes that by monitoring regulatory and societal changes, the organisation can anticipate change and hence adjust processes and policies to align with future trends. This not only involves understanding and being on the forefront of government legislation but also being aware of where international companies are going in this regard and implementing similar programmes. South Africa is developed in this arena as there is a proactive legislature and the government is open to these CSR ideas particularly as a result of our historical past. This is aided by a liberal constitution. There is also an active civil society that can feed into the media and lobby government. Lastly there is a proactive media that are willing to report on injustices and are sympathetic to these initiatives. There is further mention by this respondent that by being a market leader they can build their reputation around a concern before the issue that they are addressing has surfaced. This also prevents them from panicking when the issue surfaces and gives them a lead over their competitors. It also gives them first mover advantage in this arena and that can be useful in terms of reputation, attracting clientele and building their brand as a responsible company. In the future CSR will play a more prominent role in societies lives and a proactive company can that can anticipate could gain tremendous strategic advantage. Customer impact surveys and environmental surveys are good tools in ascertaining up and coming requirements.

Respondent B sees that CSR trends are anticipated off the back off business potential in that region or sector. This is as a result of the importance of these issues to the local communities, suppliers, municipalities and clients. Also by leveraging off international norms and standards that South Africa has not dealt with yet.

Another response regarding future policies sees a change from organisations being reactive to societal demands to a more mature approach. This involves understanding and analysing skills that exist within the organisation and then looking at how best to deploy them. This could be within existing socially responsible initiatives or better yet in creating new initiatives that address needs that will affect the company in the future. Respondent C states that: “In Africa we worry about immediate needs, we cannot anticipate what will be needed in the future”.

Conversely, two respondents believe that their organisation does not actively seek trends within society but rather focuses on the information that is readily available.

Respondent E introduced the concept of strategic committees that asses issues on a monthly basis. This is about understanding the up and coming challenges that the organisation needs to be aware of. This then ties into CSR policies if they can address the identified challenges and enhance the organisations

5.2.5. FINDINGS FROM RESEARCH QUESTION FIVE

Findings from interview question 4a and 4b:

Table 12: Results for research question four from interview questions 4a & 4b

RANK	CONSTRUCT: Does voluntarism exist and can it be a strategic tool?	FREQUENCY
1	Meet the requirements is sufficient	**4**
2	Goes beyond the minimum requirement	**3**

One respondent explains that although they often can see the spirit of the legislation, it is extremely onerous and costly to go over and above requirements so in those circumstances they remain focused on fulfilling the minimum requirements. In other circumstances there could be a strategic advantage in going beyond the minimum requirements in a voluntary capacity.

SRI Index provides a sense of security to international investors that companies are focused on their sustainability. This means that the SRI Index serves equally as much as a risk management tool as a socially responsible measurement tool. This gives the international investors security that they will not be exposed to unethical organisations.

One respondent reflects on the responsibility of being a listed company in that it must meet the requirements of government and "tick the boxes" where necessary. This serves as an important tool in appeasing shareholders and bringing them a sense of comfort. The company intends to go beyond the requirements to really add value, meaning and a sustainable effect on the business. In order to ensure they are ahead of their competitors and have a competitive advantage, they need to achieve better than the norm.

Another respondent believes that the CSR initiatives need to mirror the business values. If the business strives to be the best in their field than they should try and go beyond minimum CSR standards to be leaders in that fields too. It is therefore about going beyond local expectations and achieving of international standards. This in turn plays a part in building the corporate brand and ensuring the organisation is perceived as market leaders in business and ethics.

A third respondent states that it is the company's responsibility to meet the required standards set by government. This is because they are both the custodians in the country as well as legislators. Exceeding this from a social element is not always healthy as this in turn leads government to reply completely on business to address social issues. The business tries to position itself in terms of its employees in a position that they are perceived as a healthy and happy place to work. This does involve going beyond requirements but that certainly does have strategic advantages in the long-run.

A fourth respondent insists that the business decides to behave ethically out of its own volition, and that their behaviour, although guided, is not driven by government. It therefore does not see this as a strategic tool in achieving the company's objectives although it is an enabler. By this, the respondent explained that without its active approach to CSR, it may not be able to perform at the levels it does. There could be drawbacks that could distract the company from its mission and objectives. Therefore CSR is a value of the organisation and in that way it chooses to be proactive in its behaviour.

Lastly, one respondent's organisation also uses legislation as an enabling tool and a guide more that a dictated standard. The organisation aims to comply with requirements but does not restrict its policies to the extent that legislation is laid out. When it comes to spend though, the company always aims to exceed the required spend on investment in society. This is more a result of the belief system and values of the leaders then the strict requirements of the law. If legislation requires specific reporting and behaviour then the company will endeavour to comply at the highest levels.

CHAPTER 6: DISCUSSION OF RESULTS

6.1. INTRODUCTION

The theory and literature review was aimed at exploring the key elements and concepts of the research. The exploration of the academic literature presented differing opinions on Corporate Social Responsibility. There was an overwhelming sense that a void exists within the literature and previous research done. The literature showed how the concept of CSR was developed and the controversy it has faced over the years. The spectrum of opinions is extremely diverse.

In order for CSR to continue to be a relevant activity in organisations, there needs to be a sense of value attached to its activities. This is never as important as in time of financial crisis and operating pressures. It is these issues that often cause firms to behave in unethical ways and further it is this unethical behaviour that often leads firms to crises in the first place.

Burke and Logsdon's (1996) framework proposes that business and society scholars fundamentally believe that CSR can be worthwhile for the organisation and all its stakeholders as well as society in general. The lack of empirical evidence to suggest a relationship between CSR and bottom line has been perceived by some that CSR is irrelevant and almost antithetical to corporate performance. The focus therefore of this research is to understand and explore ways that CSR can create strategic advantages without necessarily being measurable on the bottom line. The paper defines CSR as strategic when it provides substantial business related benefits to the organisation and plays a significant role in assisting the firm to achieve its objectives in the long-run.

The interviews were based of four dimensions of the above framework namely:

1. **Centrality:** A measure of the closeness of fit between CSR policies and projects and the mission and objectives of the firm. Organisations measure the consistency all of its activities with the goals, missions and objectives of the firm. The higher the centrality of the activity, the greater the perceived value it will create and therefore this means greater profits and hence these activities will receive higher priority.

2. **Specificity:** CSR policies create benefits which could be for the firm, or others could benefit from them. Specificity is about the firm's ability to capture these benefits as opposed to just creating a collective good. CSR initiatives are valuable in that they can create benefits for the broader society and individuals within that society, but if the firm can somehow capture these benefits, they could be used as a strategic tool to improve the firms positioning.

3. **Proactivity:** This is about how much the firm is anticipating future changes in economy, technology and social and political trends. This is a skill whereby the business is constantly planning and scanning the environment. In turbulent periods this is particularly useful as firms can

take advantage of changes in the market place. They can also create new opportunities from market changes new social issues or threats. By recognising these trends quickly, a firm can be better positioned to make an opportunity out of the new reality.

4. **Voluntarism:** Regulations often form the backbone of a firms CSR policy. Voluntarism looks at the discretionary decision making by the firm over and above regulatory requirements. Aside from the pressures the leaders may face, philanthropy is a voluntary activity that is not regulated as such. By engaging in voluntary activities that compliment their core activities firms can create strategic and social pay offs.

6.2. RESEARCH QUESTION ONE

How is CSR defined by leaders in the workplace?

Research question one explores an understanding of how CSR is viewed by business leaders in the workplace. The results from the interviews and reviewing of company documentation reveal the following:

6.2.1. CSR as risk management

The topic of risk management is mentioned five times across the interviews. This relates to CSR as a sustainability tool and a compliance issue. Firms realise that so much depends on their ability to comply with the regulated agendas and requirements of authorities and investors. This extends also to the expectations that both clients and employees have of the organisation. Respondent B captures this clearly by stating: “Our corporate social responsibility is largely a legal requirement and a risk management exercise which is expected of us as a Blue-Chip company”.

Many organisations, especially those listed on the SRI Index face societal and regulatory pressures that drive certain behaviours. It is often the drive for greater profits that lead to unethical behaviours and policies. Having said this, investors are also concerned about the long-term prosperity of their investments. They need to know and be reassured that they are investing in companies that are sustainable and focus on the future prosperity of their company. Therefore business leaders highlight the importance of CSR as a risk management tool. Risk management is the identification and acceptance or offsetting of the risks threatening the profitability or existence of an organisation. This must not be mistaken as only a social concern, rather it relates to the long-term profitability of the business. As discussed, one of the pillars of the JSE SRI Index is economic sustainability. This is a comprehensive approach to the long-term prosperity of the company. It involves decision-making that supersedes short-term profit initiatives and involves commitments and sacrifices for the future.

Story and Price (2006), depict the concept of CSR as a tool for risk management. Their research emphasises that risk management has become a focal point of many firms. The risks that organisations face are both internal and external and relate to the reputation of the firm. Therefore by adopting rigorous CSR procedures, the firm can manage their risk in a strategic way and ensure that the firm is taking a proactive stance to corporate governance.

6.2.2. CSR as community upliftment and voluntarism

With regard to CSR as a tool for community upliftment, respondent B expresses the following opinion: "When we get involved in a particular community we sit down with site management and ask them what type of skills they require on the site. We then look at it and decide what skills we could train in the local environment. We recruit from the community and train on the site and give certification".

For many of the respondents, CSR is primarily viewed as a social element of the business. This relates to uplifting communities and employees through investment and skills development. As a point of interest, both respondent A and respondent E referred to the fact that in South Africa there are factors at play that distinguish the approach to CSR and social investment from the rest of the world. As a result of the background and history of the majority of the South African workforce, it is necessary to not only employ previously disadvantaged people, but also to invest in their communities.

This is as a result of the fact that many employees are still living within the townships and commuting into work on a daily basis. They are living in impoverished communities where their families are unemployed and often living below the breadline. This investment is over and above the regular skills development that occurs in the workplace. For example, respondent A communicates the situation of an employee who commutes for three hours daily to fulfil her duties at work. She is a single parent with one child living in a shack. As a result of the mother leaving early in the morning, the six year old daughter is left sleeping when the employee travels to work. The six year old then prepares herself for the day and makes her own breakfast. She then goes to the neighbour who takes her to school . The neighbour then calls the mother and says that her child has arrived safely. This particular day the employee had not yet heard from the neighbour at 10am and obviously was distracted from work. The despair was unimaginable, she had no means of communicating with her child, or knowing where she was. She then had to approach a boss who may not have been sympathetic.

These are issues that occur on a daily basis and companies therefore need to understand the social circumstances of their employees and invest to improve their lifestyles. This is both a humanitarian activity and an investment in a manner that would increase employee contribution to their work environment.

Interestingly, the companies that were interviewed for this paper are grouped into different sectors. Two companies are from resource industries, two from financial services, one from retail and one is a construction company. It is found that the resource and construction companies approach their CSR and investment responsibilities in similar manners. In particular, they participate in the communities in which they operate. As such, development and investment is focused on regions where they are extracting from the environment in some form or another. It is therefore a related business investment as skills development and employment occur within that environment but so too do re-investment and social upliftment. This is captured by respondent D who says: "CSR is a way of ploughing back into communities which creates the business areas in which we operate". This is what can be termed a supply-oriented CSR approach.

Those in financial services and retails companies focus their approach on their customers and their development – a somewhat demand-oriented approach to CSR. Where they have a wide-spread, large customer base, importance is placed on social programmes that give them exposure and build their corporate reputation. On both fronts though, the focus on employees is equally strong and central to their CSR policies. This is one of the key factors that differentiate South Africa as a workplace to a first world country. Customer demand for certain behaviours from businesses is far more prominent.

Respondent C expresses the opinion that: "CSR is about funding and uplifting communities. It is anything that we choose do and not necessarily are obliged to do." This accentuates the point the there is a focus on upliftment as a tool of being socially responsible and there is also an element of choice. This definition is somewhat different to the risk management approach as there is a greater sense of voluntarism as opposed to regulation.

In the literature, the opinions of McWilliams and Siegel (2001) as well as Mosley *et al* (2006) concur with this understanding of CSR. Their opinions move away from a regulatory approach and closer to a social mechanism where the firm goes beyond requirements or their own interests deliver some form of value add to society in general. Sometimes this needs to be instituted in the firm with policies that oblige management to behave in this way and focus decision making to this end.

6.2.3. CSR as stakeholder management

Freeman (1984) expresses the concept of CSR as a method for approaching and managing stakeholders. This approach is one that espouses a socially responsible approach to all of the various role-players in the lifecycle of an organisation. This extends from internal stakeholders such as employees, investors and management and external stakeholders such as suppliers, clients and government. The approach relates to how they are dealt with and the relationships that exist between the organisation and the stakeholder. They are social, non-tacit contracts that depict and predict behaviours that can be expected. This “contract” is about the responsibilities that the organisations have to their stakeholders.

As respondent A asserts: “We look at what is socially material to our business and therefore it covers all our stakeholder groups. We have corporate socially responsible practices for each stakeholder group. This relates to our suppliers, customers, to our communities we operate in, to our government, to civil societies and to our employees. So in essence we look at what is socially material in each of these groups”. The respondent shows the importance of behaving in an appropriate manner when dealing with all stakeholders in an ethical and responsible way. This also extends to having documented practices and approaches to these people. Once stakeholders have been identified, it is important to understand what is of materiality to these stakeholders. For example, with regard to employees, HIV is socially material and therefore the company may introduce programs such as voluntary counselling and testing and the provision of antiretrovirals. This is material for many reasons, one of which may be that employees in a retail environment may interact with clients and therefore health is of paramount importance. For customers this could mean selling products that are environmentally debilitating so it involves understanding what those products are and managing the process through things like customer education and product labelling.

Respondent E supports this approach by stating that: “Part of our vision and values is to ensure that we are relevant in society by harmonising the needs of all stakeholders both internal and external”. This concept of harmony encompasses having a holistic and comprehensive approach that relates to all stakeholders. Ultimately, it is these individual relationships that combine together to present a comprehensive CSR policy.

6.2.4. CSR as the a moral duty

CSR as a moral duty is different to community upliftment in that it extends to the human element involved in decision-making and resource allocation. This in essence makes the point that leaders of organisations are human beings and have certain sensitivities. This is different to instituting policies for community investment, it occurs in a more ad-hoc manner when CEOs are touched by a heartfelt story and want to make a tangible difference. It is far more discretionary in its nature and far more unpredictable.

Respondent D highlights the role of senior leadership in her institution. It is stated that CSR takes a top-down approach and that decision-making is often made at the most senior levels. Probed as to whether this is aligned to a policy, the respondent illuminates the point that often it is the discretionary and emotional perspective that directs the policy. The example given is about an experience the Chief Information Officer (CIO) had with an employee in a certain division of the business. This experience affected the CIO in an emotional way, perhaps to do with a similar past experience that a family member of his had been through. The conviction of the CIO to institute a policy in response to this incident became a determined focus of his. Ultimately it was his passion and persistence for this policy that won the approval of the Board and saw the organisation becoming a leader in this area.

Although CSR as a moral duty is not a common approach and not a dominant approach in any of the participating companies, it cannot be completely discounted. The literature review does not shed much light on this topic, potentially because of the informality of the decision-making process.

6.2.5. CSR as a private and public partnership

Respondent D asserts: “It is about linking with national and government priorities because they are custodians of the communities and they know the priorities and how we can be involved. We are participating in the private and public partnership.”

Although this is only mentioned once in the interviews it represents an interesting perspective on CSR. One that confronts the realities of society in a way that is part government and part business oriented. It is about recognising that government knows and understand the needs and priorities within society and that business can play an instrumental role in assisting to address the needs. Nay-sayers might propose that this approach “cripples” government in that it alleviates their responsibility to a large degree and disempowers them from taking responsibility for society and its challenges. Proponents though enjoy the direction and support of government for the social and business activities. They therefore passionately embark on a partnering with the public sector and use this as a method of putting their corporate social responsibility into practice.

6.2.6. CSR as triple-bottom line

Another approach to CSR is that of triple-bottom line. It is somewhat surprising that this is not mentioned more often in the interviews, in fact it is mentioned once, as triple-bottom line is a common way of CSR in the business environment currently. The literature showed that CSR in not limited to value creation but relates to the three main areas of business. These areas are profit or the economic dimension, the environmental dimension and the social performance of the company.

Elkington (1997), developed this concept to show that a company contribution to the betterment of society is not only that of economic contribution and value creation but extends to the three main areas of profit, people and the planet.

Triple-bottom line forms the pillars of the SRI Index as explored earlier in this paper. It was initially expected that more companies would focus on this concept as their approach to CSR as according to the SRI Index they are measured by their impact with regards to environmental, economic and social sustainability. This though, requires high-level input as a strategic long-term approach to CSR. It is also difficult to take such an approach to CSR without a focused senior resource that is dedicated to these activities. In the interview respondent B mentions: “Three years ago, CSR was merely a term used for charitable initiatives, until someone, a HR Director, was appointed at a high-level and given responsibility for CSR”. As companies mature and rationalise their approach, triple-bottom line reporting provides an increasingly balanced way of approaching CSR.

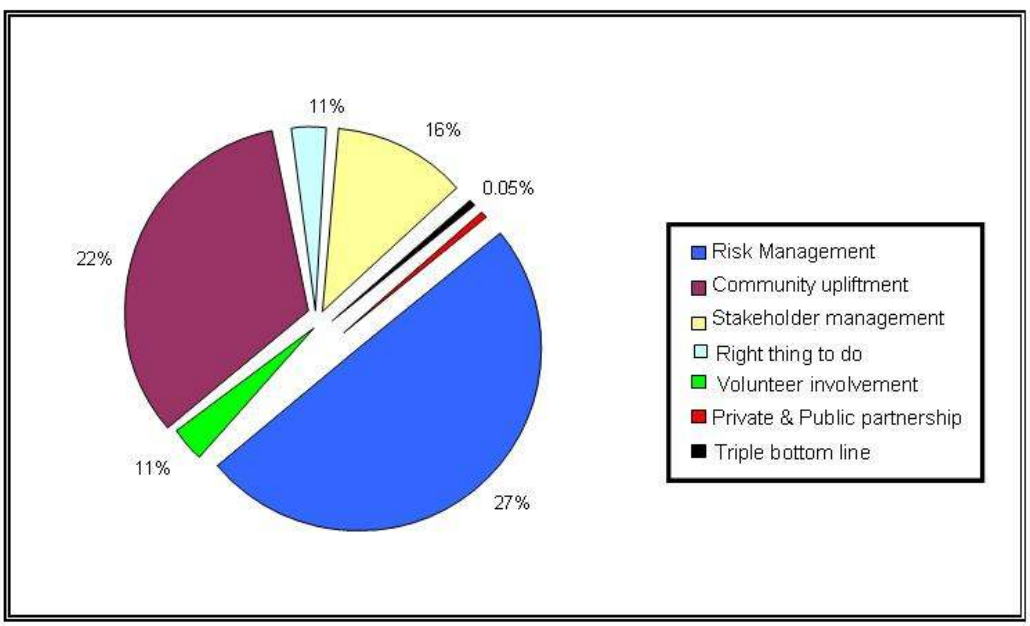
6.2.7. Conclusive findings for research question one

In summary the major approaches that companies used to define CSR in the interviews conducted is that of:

- CSR as a risk management exercise.
- CSR from a community upliftment perspective.
- CSR as a stakeholder approach.

These approaches as well as lesser view points are indicated in Figure 3.

Figure 4: How participating respondents view corporate social responsibility



Risk management ranks highest with a count of five, the researcher distinguishes between community upliftment (which had a count of four) and the moral duty (which had a count of two) approach. If one groups the business oriented only perspectives and social only perspectives, the social ones outnumber the business ones as can be seen by the above example.

Having said this, the research question is not aimed at defining one solitary approach to CSR rather a collective understanding about the most dominant approaches by business leaders. The main opinions are supported by the literature presented earlier and represent a growing perspective that CSR is more that just a social element that is completely detached from business activities.

The above approach to research question one presents a useful foundation when exploring the remaining four research questions. This includes understanding the perspectives on what CSR is when respondents talk about CSR and its alignment to the strategy of the organisation.

6.3. RESEARCH QUESTION TWO

How close is the fit between CSR policies or programmes and the firm's missions and objectives?

Research question two explores the fit between CSR policies, programmes and initiatives and the mission, goals and objectives of the firm. This research question looks at subjects such as decision-making in CSR policies and the understanding throughout the organisation of what CSR is including how and if CSR is actually measured. It also looks at what corporate strategy is and if it is understood by those who are making CSR policy decision. Finally it touches on the concept of strategic CSR. The results from the interviews and reviewing of company documentation reveal the following:

6.3.1. Decision making and CSR

The research explores the understanding of how the decision-making with regard to CSR happens in the organisations that participated. The processes and thoughts behind the decision-making substantiate the research as to why such decisions are made and if corporate objectives are considered when making CSR decisions.

The research has found that senior involvement exists when it comes to decision-making and CSR. This means that either an executive on a committee, a non-executive director with responsibility for a committee, a board member or the board itself has input in deciding on CSR policy and programming. This is complimented in many occasions by the input of outside academics, institutions, communities, governments and international standards. The count shows that this occurs in 67% of the participants of the research. This shows that in these organisations there is a meticulous and serious approach to CSR.

Before any initiative is embarked upon, market research is done with academics and consultants as to the best approach for the organisation at hand. This sense of acknowledgement that CSR is a complex field and requires external expertise is reassuring. It conveys the feeling that these organisations are looking to maximise value add with their CSR policies and initiatives. The information is then fed into a decision-making system which includes, again in 67% of the participants, a senior executive in the business. It is assumed that at an executive level, corporate strategy is forefront in the leaders mind. Therefore one expects some sense of alignment with regard to CSR decision-making in these instances.

Only one of the respondents proposes a bottom-up approach. By this, the respondent suggests that decision-making takes place on lower managerial levels by understanding what is happening on the ground. Having said this, the proposals in this organisation are always approved by an executive committee before their implementation. Therefore one could argue that there is senior strategic input all be it at a later stage of the CSR decision-making process.

This supports the views of Porter and Kramer (2006) who proposes that organisations use the same level of focus and intensity when making decisions about CSR as they do when making decisions about other strategic imperatives. Porter and Kramer (2006) assert such a rigorous approach to CSR serves the organisation in two ways. Firstly, it allows CSR to affect the organisation in a positive and contributory manner. Secondly, leaders appreciate CSR more and therefore no longer view CSR as being cost-centred and merely charitable. Rather CSR is seen as a tool that can create opportunity, give competitive advantage and incentivise innovation.

Lastly, one respondent states the CSR is managed and implemented at lower levels of management without senior strategic input. The responsibility for such initiatives rest with this manager and reports are directed to higher level managers who feed back into the executive reporting system. In this organisation there are clear guidelines in place. These guidelines are instituted based on existing protocols which have been in place for many years. This ties in with the theories of Etzioni (1998) who proposes that CSR is developed based on existing cultures within the organisation that can often be traced back to the values of the founding members and their attitudes toward moral and ethical behaviour.

One can therefore conclude that high-level decision making occurs in these organisations and that in turn enhances the CSR policies and programmes that exist.

6.3.2. Understanding of CSR and strategy in the firm

Of key importance to decision makers in the organisation is an underlying knowledge about both CSR strategy and corporate strategy. The interview questions aim at exploring whether policy is communicated and understood. In order to effectively align CSR and strategy, knowledge of both areas would be of paramount importance.

In the participating companies the research shows that corporate strategy is understood and is transparent to CSR decision makers. Furthermore, CSR is well documented and communicated throughout the organisation. This occurs in 67% of the companies, whereas the other 33% reflect the opposite. In these companies both corporate strategy and / or CSR is not well documented nor is it well communicated. This would hinder decision making and potentially limited effective and strategic CSR from occurring in these organisations.

Andrews (1987) refers to strategy as a pattern of decisions in a company that determines and reveals its mission and goals to its stakeholders. This is clearly important in light of the research findings in that organisations that do not communicate their strategy well do not empower decision-makers to align their policies to the strategy of the organisation. In such circumstances, the policy may act in contradiction with the mission of the organisation and therefore limit its potential of reaching its goals. Hamel and Prahalad (1989) further suggest that in order to empower managers to make decisions, leaders need to create and communicate policies clearly so that consistent decision making can occur. They also propose a feedback mechanism to evaluate such decisions and their effectiveness in aligning with corporate strategy.

It is imperative to have documented and communicated policies for aligned decision-making in organisations. The research here compliments the literature found and re-iterates that communicated policies lead to enhanced decision making.

6.3.3. Alignment of CSR with organisational strategy

Central to the research is the understanding and insight as to if and how CSR contributes to organisational objectives in the participating organisations. The interviews explores if alignment exists between these two areas and in what way. It also delves into the concept of "strategic CSR" and whether or not such a concept exists.

The research found different ways which CSR contributes to an organisation fulfilling its strategic imperative. Mentioned five times is the fact that CSR develops stakeholder relationships which govern so many of the business outcomes important to the success of the company. Respondent C asserts: "If CSR is not a win-win program that benefits the organisation and the stakeholder than it is not CSR, then it is merely charity. Firms also fail to see it as win-win sometimes…whatever we are involved in needs to be done in a sustainable way."

Freeman's (1984) stakeholder approach emphasises the relationship with society and the continual dialogue with all stakeholders. It acknowledges that each stakeholder has a pivotal role to play in the future of the firm. This dictates into certain procedural standards for the firm to ensure policies are maintained and transparency ensured.

Complimenting this is a risk management approach which is referred to four times across the interview respondents. Respondent A says: "To the extent that risk management is a strategic activity, CSR is key to that process…it is about recognising that the department of trade and industry is a key stakeholder in our business and when we meet with them we can go in hand-on-heart saying that we have executed BEE sufficiently well in our business".

Story and Price (2006) propose that risk management, also known as corporate governance, emerges as a result of multinationals becoming involved in corporate scandals that undermined the most basic ethical requirements of firms. They propose that organisations have both internal and external risk management as well as the risk of their corporate reputation. Story and Price (2006) go on to explain that CSR has become a method of integrating risk management into the organisational practices. It has been known to drive decision-making and ensure compliance on many different levels.

The centrality of CSR in ensuring a powerful and impressive corporate reputation is referred to three times. Today, with the influence of the media, it is pivotal that customers, investors, suppliers, employees and regulators perceive firms in a positive manner. Respondent A highlights this by quoting the Tiger Brands price fixing saga where the organisation was lambasted for fixing the bread price. Respondent A asks: "How could a business that at its core were the neediest people in our country even contemplate fixing a price for the most important food product of our national diet? What that did to the organisations reputation is irreparable".

Wood (1991) highlights the interconnectedness of business and society and in this the expectations that society has of business. By behaving in a socially irresponsible manner organisations are breaking that invisible bond they have with a society. This can prove damaging to the business in a profound manner. Turban and Greening (1996) point out that CSR initiatives can create a positive reputation for companies especially amongst existing employees and also future potential employees. Porter (1996) enhances this by stating that positive CSR efforts will improve the brand, inspire employees and potentially increase the share price of the organisation.

Two respondents regard CSR alignment with strategy as it relates directly to the bottom line. Respondent F suggests: "CSR is a tool for management to achieve to their bottom line because at the end of the day the community in which we work can provide feedback into our company, so you will find that people from the communities will gravitate toward working in the mills…It's a brand image that we create in the areas in which we operate. If we do not have the goodwill, these people will gravitate toward our competitors."The respondent shows that if the organisation is to be irresponsible toward the communities in which they operate, they stand to risk losing both customers and employees to their competitors. This is possibly true across all sectors but the research finds that blue-collar workers are particularly sensitive to the ethics of their companies. This respondent is of the opinion that there is an expectation on behalf of the employees and should they not fulfil that expectation, bottom line would be adversely affected.

Respondent C says: "By complying with triple-bottom line and by being socially responsible we are ensuring that our doors can always be open for business". This also relates to compliance as a legal requirement for organisational success. Elkington (1997) regards CSR in terms of bottom-line and triple-bottom line focus. This is a direct tie back to the SRI Index of the JSE and a foundation upon which organisations need to operate. The strategic implications are clear in that improved bottom line results are almost always an important objective and goal for profit oriented business.

Finally, one respondent highlights the moral duty that a comprehensive CSR policy gives an organisation. This allows the company to have a strategic advantage over its competitors as well as the abilities to influence regulatory authorities. This means that firms can insist that they have complied with certain requirements and can therefore request certain rewards or reinforcers from the regulators.

With regard to the term "strategic CSR" all of the respondents identify with the term and give examples of how their organisation's CSR is strategic or could be. One of the respondents refers to it as a "management tool" which exists amongst other management tools that the organisation has at its disposal to execute its strategy. This is contrary to the view expressed in the literature by Oberholzer-Gee (1997) who assert a weak correlation between strategy and CSR in their research. The opinion Carroll and Hoy (1984) supports the concept of strategic CSR by stating that CSR policies should be related to the economic interests of the firm.

6.3.4. Conclusive findings for research question two

Therefore the research shows that the proposal of the framework is true and that CSR can be closely linked to strategy if not inextricably connected. The findings are in support of this element of the framework proposed by Burke and Logsdon (1996). Although different respondents regard the connections and strategic implications manifesting in different ways, they are all in conclusive agreement of this proposed aspect of the framework. It is captured nicely by Respondent C who says: “Strategic CSR is about thinking more with your head than with your heart…it is about saying “no” to things that are simply not aligned with your business.”

6.4. RESEARCH QUESTION THREE

Rather then creating a collective benefit that can be utilised by any business, how specific are the benefits of CSR initiatives to the particular company initiating them?

Research question three explores the ability of the organisation to retain the benefits of their CSR initiatives as opposed to creating a collective benefit for competitors or society. It proposed that a firm that retains such benefits can use them to their strategic benefit. The results from the interviews and reviewing of company documentation reveal the following:

6.4.1. Capturing the benefit of CSR

This research question looks at subjects such as measurability of CSR, who gains the most benefit from the policies and the programmes as well as understanding the success of a CSR initiative. Is it that success is only achieved when the organisation alone benefits or could there be success if the industry benefits? These questions are important in gauging how specific the benefits are to the company. If the benefits could be retained, it could create a competitive advantage for the company.

All respondents suggest the primary beneficiaries of their CSR are the community at large, the individuals within that community and society in general. It is generally suggested that although the company does get tremendous benefit, it is the areas of investment that gain the most. This could mean the staff as individuals through the up-skilling or the re-investment the company makes back into their home environment. For the resource companies this could mean the societies around where they extract their resources. This may be in the form of skills development, job opportunities or the building of schools and sewerage systems.

In all these circumstances there could be and probably is benefit for the organisation but they are not able to retain this benefit alone. Two of the respondents directly stated that a competitor may very well be benefiting from their CSR work and the researcher believes that another two respondents intimated the same opinion, although it was not stated explicitly. This could be as the result of weak measurement tools of CSR. Two of the respondents stated that they are unable to quantify the benefits to the company. This could make it difficult in evaluating whether or not the company alone benefits. In the literature there were two sources for such an approach being that of McWilliams and Siegel (2001) as well as Mosley *et al* (2006). They emphasise a social approach where the firm goes beyond requirements or their own interests deliver value add to society. Graafland and van de Ven (2006) talk about the intrinsic motive to CSR which is all about companies knowing that they must do what is right by society in order to avoid punishment by society.

Four of the respondents also believe that stakeholders are beneficiaries of their policies and programmes. This includes their employees through policy decisions and skills transfer, their suppliers, competitors and regulators through their regulation compliance, their customers and society through their ethical behaviour and responsibility, their investors through their approach to sustainability and corporate reputation and finally the communities where they invest, develop and give back. If these firms are able to execute their CSR policies well they stand to develop not only good relationships with their stakeholders, they also a sense of loyalty and commitment. Freeman (1984) spoke about the stakeholder approach and the benefit the good CSR has for all stakeholders.

6.4.2. Conclusive findings for research question three

There is certainly a sentiment from the participants that the ultimate beneficiary is the community. This may be the objectives of the policies in some senses yet the benefit to the firm is seemingly secondary and not retained exclusively. It should not be assumed that the community should never benefit from CSR initiatives, rather that the firms retain benefit to a large degree while at the same time executing their projects. This finding is more aligned with the investment side of CSR as opposed to the policy side as this is a more emotional element of CSR. It also displays the respondent's approval of the philanthropic work of the organisation.

When discussing success of CSR, the respondents suggest that the success lies in the organisations' ability to impact their stakeholders and not necessarily in the organisations' ability to retain the benefit.

This clearly is not in alignment with the framework which seeks to prove that organisations that retain the benefit alone stand to gain strategic advantage over their competitors. This is not to say that the stakeholder approach does not present strategic advantages rather that the findings of the research do not concur with those of the proposed framework. In this regard the proposal that an organisation that can retain the benefits and can use them to their strategic advantage over an organisation that creates a collective good for society or a competitor is not met.

6.5. RESEARCH QUESTION FOUR

Organisational strategy tends to take advantage of future trends. Do CSR initiatives anticipate future trends in society and business and utilise them for the firms benefit?

Research question four is about understanding if the CSR policies and initiatives and / or decision-makers consider future trends when embarking on a new project or policy. It was proposed here that, by taking advantage of future trends, CSR can create strategic opportunity for the organisation. The results from the interviews and reviewing of company documentation reveal the following:

6.5.1. Anticipating future trends

This research question looks at aspects such as what is considered when planning the CSR initiatives of the company as well as an exploration as to the consideration given to future trends when CSR decisions are made. According to Burke and Logsdon (1996) proactivity has been identified by business strategists as a critical characteristic in planning for the future. Should the organisation be able to recognise changes earlier it could take advantage of these and turn them into opportunities. Hamel (1996) in his article *Strategy as a Revolution* talks about the rule breakers as companies that have a vision of what may happen in the future and therefore adjust what they are doing now, somewhat unconventionally, to prepare for this future.

The research finds that four of the firms consider the regulatory requirements when planning new CSR. A count of four is also found for a question from the interviews that re-iterates why the policy was put in place. This is that CSR helps the organisation to make business decisions and enables future growth. The reference to future growth is appropriate for this research questions as it shows the sentiment that firms have about being anticipatory in their CSR. A further three counts are found from the construct looking primarily at the organisations ability to effect change. This makes the point that organisations sometimes have capacity to do so much and no more. This is made clear with Respondent D who refers to the overwhelming task at hand dealing with present day issues and that it is “luxury to worry about anticipating future needs and obligations when today’s are already out of reach”.

When it comes to the anticipatory nature of decision-making the count is split in half. Three counts suggest their organisations “do not really anticipate future trends” while three counts suggest their organisations “form part of the leaderships’ strategic imperative and investor requirements”.

The counts against anticipating trends testified to the challenges that organisations currently experience. The CSR challenges are complex and all-encompassing and although firms would like to take a more proactive stance these issues prevent them from doing so.

Respondent A is most vocal about their anticipatory approach saying “The policy is not going to work if the MD looks at it and he thinks that it is some corporate 'do-gooder' trying to do good. The guys have to see some connection back to their commercial proposition and the issues we are going to face in the future. I think that is what is making CSR successful at our company". A practical example is given about a full-time resource that is constantly monitoring legislation that is up for discussion. This is done to identify opportunities that may arise from a new regulation that is to come into place. It is stated that if the organisation can anticipate this and act before any of their competitors then this will allow them to be "market leaders" in this field. It also avoids the reality of some new regulation surprising the company and putting them in a reactive position. By taking the "market leadership" with regard to this regulation, they can attract clients, build the brand of the organisation and be seen as quick to comply. Through their interaction with academics, the leaders believe that CSR will become an increasingly important factor for customers as they begin to shop more responsibly. If the firm can anticipate future CSR issues they can implement them before their competitors and strategically stand to gain.

Hamel and Prahalad (1989) say that strategic planning should be future-orientated and not only focus on today's problems but also tomorrow's opportunities. In turn if CSR is to be strategic it needs to have an appreciation for today's challenges but an admiration for tomorrow's opportunities. In his model for strategic diversification, Anshoff (1957) talks about growth alternatives from a strategic perspective. One of his alternatives is product development. This refers to developing new products, services or ideas. CSR is similar in that it needs to "innovate" and predict future trends in order to be relevant in the future.

6.5.2. Conclusive findings for research question four

The research in this regard is inconclusive as to whether organisations are anticipating future challenges and opportunities in their CSR. Having said this, all the respondents acknowledge that if they could be proactive they would stand to benefit from this. Those that currently are proactive certainly see the benefit and continue to enhance their scanning. This will help them to pick up trends quicker and anticipate opportunities and act on them. The proposal is met in the sense that there is recognition that if the firm would take advantage of future trends, it could create a strategic advantage.

6.6. RESEARCH QUESTION FIVE

Government and 'social' legislation create certain legal and ethical expectations for the firm. Do the CSR policies and initiatives go over and above these expectations in a voluntary manner, or do they meet the minimum requirements?

Research question five explores whether or not CSR goes over and above the legislated requirements and ethical expectations of the firm and whether or not there was a sense of voluntarism that exists in managements' approach to CSR. It was proposed that should the organisation indeed exceed expectations and regulation it could yield strategic advantage. The results from the interviews and reviewing of company documentation reveal the following:

6.6.1. Exceeding CSR expectations and regulations

This research question looks at the role that legislation plays in decision making with regard to CSR as well as a firm's objectives of meeting or exceeding these societal expectations or governmental regulations. The concept of exceeding voluntary or imposed standards can be strategic in that organisations will be able to capitalise on better corporate brands, better relationships with society and government and become market leaders in adopting regulation before other competitors. Burke and Logsdon (1996) acknowledge the proximity between voluntarism and proactivity yet still consider it a separate variable.

The research finds that the results are once again split in half. Half the respondents express that their companies go beyond the minimum requirements whereas the other half feel that meeting the requirements is sufficient.

The cost of meeting the requirements alone places increasing pressure on organisations and therefore the thought of aiming to exceed expectations is suggested to be a bit premature. One respondent comments: "This idea about we all have to do the right thing is just not going to wash with serious business leaders… Sometimes commercial sense means that it will keep you on the right side of the law." This statement explains that regulation plays an important role for business leaders. In some instances this is greater than a moral or strategic imperative. It is about making certain that compliance exists regardless of the cost. Having to go beyond that can prove to be difficult for some as the benefits are not obvious to business leaders.

On the other hand some respondents insist that the acknowledgment, sense of pride and responsibility warrant the extra effort. Respondent B suggests that being a listed company means that there are responsibilities that smaller companies do not have to consider. When shareholders are relentlessly keeping an eye on what the organisation is doing, the extra cost and effort is warranted. At the same time the positive ramifications for the reputation can be leveraged in many ways and turned into a business opportunity for the organisation.

The SRI Index provides a sense of security to international investors that companies are focused on their sustainability. This means that the SRI Index serves equally as much as a risk management tool as a socially responsible measurement tool. This gives the international investors security that they will not be exposed to unethical organisations.

Yet with the example of Carbon Disclosure Project (CDP), respondent A's company initially felt that it was not critical to participate and make this an issue as they were not in a country that is governed by the Kyoto Protocol (a commitment to the reduction of greenhouse gases produced by industrialized nations) nor were they in an industry that is particularly low in emissions. At a later stage though the company decided that it did want to participate and take a serious approach as a result on the “naming and shaming” approach of the CDP. There is a growing awareness of consumers around environmental issues and it is emerging as a sensitive subject and therefore is important to take an active stance. This is an example of a completely voluntary action that could have clear strategic business advantages based on pragmatic thinking. This ultimately has impact on corporate reputation and the company’s future. There is legislation that the organisation must comply with on strict levels. For example, in respondent A’s company, the Consumer Protection Bill, Tobacco and Restricted Products Amendment Law and the Merchandise Act are complied with. This warrants a full-time individual employed to focus on understanding the legislation and how it affects the business. It also ensures that the business complies with these requirements and meets the expectations of the government.

Galan (2006) argues the regulatory stance of governments, especially in developing markets. He states that greater contextualisation could lead to improved uptake of the regulations. This occurs as a result of the organisations being able to see the benefits to society and their own enterprises. This view is somewhat controversial in its criticism of regulators but provides interesting insight as to potentially why organisations tend not to exceed regulations. This could be that they are not relevant or adapted enough to the company or industry.

6.6.2. Conclusive findings for research question five

Therefore this research question cannot be answered without further research as the feedback is equally split with no tendency either way. The concept of voluntarism is recognised and adopted in some organisations which shows that it is not a completely foreign concept. It certainly has not been prioritised as organisations believe that meeting the requirements is sufficient and challenging at that. One respondent supported the proposition and displayed that an organisation that exceeds expectations and regulations could yield strategic advantage. This though requires further research.

6.7. CHAPTER SUMMARY

After the in-depth interviews and analysis of the findings the research questions and propositions have been answered to some degree. Insight has been gained as to how organisations view CSR in the work place. This sets the foundation for further research and provides insightful results that reflect some of the literature from Chapter Two. The research supports the main research question being research question two. It shows a direct correlation between CSR and corporate strategy and displays that CSR can be strategic and play a central role in the organisation. This manifests in different ways in different companies but overall there is agreement as to the basic tenet of CSR being aligned to strategy. With regard to specificity, the results do not support the framework as the major beneficiary for CSR is felt to be the community. There is an overwhelming sense that organisations could retain the benefit of their CSR and use this to their strategic advantage. In terms of anticipating future trends for CSR and being proactive, the research finds that ideally this could be advantages should the firm be able to achieve it. Some of the firms are already seeing the strategic advantage of being proactive but it is not yet a reality for all. Lastly, the construct voluntarism presents an even split between the participants. The concept is seemingly distant for those who have not adopted that approach while those that have adopted a voluntary approach see it as a strategic advantage for their organisation.

CHAPTER 7: CONCLUSION AND RECOMMENDATIONS

7.1. INTRODUCTION

This chapter will highlight the conclusions drawn from the research findings that are discussed in the previous chapters. It will also provide feedback on the efficacy of the framework that the research was based on. It will then include some recommendations for stakeholders as well as recommendations for future research.

The concept of CSR has always been a controversial and widely debated topic. Over the past fifty or so years many different academics have proposed theories both for and against the concept of CSR as a management tool for business. For many years researchers focused their attention on trying to create and prove a link between the performance of the firm and the CSR of the firm. These have been difficult to prove for numerous reasons including the plethora of definitions that exist for CSR and the elements of CSR that are difficult to measure in a tangible way. Many academics support the candid approach of Friedman (1970) who asserts that the only focus of businesses should be profit and not social initiatives. Currently, it is almost universally accepted that CSR is not only an imperative of organisations, it is an obligation. This responsibility is not only for moral and ethical reasons but for business motives too. It recognises that it is essential for businesses to engage in such agendas should they wish to survive in the long run. This research intended to explore the concept of CSR and its alignment with corporate strategy. Rather than attempting to prove a causal link between CSR and profits, the research aims to understand how and if CSR could be strategic in its nature and could impact the organisations goals and objectives.

7.2. MAJOR FINDINGS

The major findings of the research are somewhat mixed. In general there is evidence to show that the proposed framework is appropriate and relevant within participating firms. Of the four elements explored namely centrality, specificity, proactivity and voluntarism, centrality emerges as the strongest contribution CSR could make in aligning itself with corporate strategy. The other elements all receive different levels of support from the participants. Specificity is acknowledged as a strategic tool yet the participants all feel that the beneficiaries retain most of the benefit. Proactivity and voluntarism are only adopted in half the firms participating in the study. These elements received less of an enthusiastic response.

After the in-depth interviews and analysis of the findings the research questions have been answered to some degree. Insight is gained as to how organisations view CSR in the work place. This sets the foundation for further research and provides insightful results that reflect some of the literature in Chapter Two. The findings support the main research question which looks at alignment of CSR and corporate strategy. It shows a direct correlation between CSR and corporate strategy and reveals that CSR can be strategic and play a central role in the organisation. This manifests in different ways in different companies but overall there is agreement as to the basic tenet of CSR being aligned to strategy. With regard to specificity, the results do not support the framework as the major beneficiary for CSR is believed to be the community. There is an overwhelming sense that if organisations could retain the benefit of their CSR, they could use this to their strategic advantage. The research findings for proactivity are somewhat mixed. It is challenging to anticipate trends and to allocate resources to it but the participants felt that should they be able to do this, it would be rewarding for the firm. In some cases, the research found that proactivity was being actualised and providing strategic benefit. The construct of voluntarism has been adopted in half the firms. These firms clearly present strategic advantages of such behaviour. Yet the firms who have not implemented this approach find it a somewhat abstract concept and not at all a priority.

7.3. RECOMMENDATIONS TO CSR PRACTIONERS AND LEADERS

The research focuses on CSR and strategy and finds many advantages of being strategic in terms of CSR. These form the basis of the recommendations to CSR practitioners, decision-makers and leaders of organisations.

1. It is critical that decision-makers in the CSR arena are aware of the corporate strategy of the organisation. This will ensure that their decisions are aligned with such a strategy and are working in tandem with the organisation in achieving its goals.

2. When decisions are made, management should ensure that they clearly display how they will assist the organisation to achieve its mandate. By doing this, one can ensure that management will buy in to their plans and support their initiatives.

3. Ensure that all policies are well thought out and aligned with the strategy. Often many existing policies are never re-examined after the organisation makes a strategic adjustment.

4. Obtain feedback on CSR success stories and report this to senior management. This will reinforce their supportive decision and make future concessions easier to come by.

5. Understand what is emotionally important to the CEO and Chairman. Try and align policies and programmes to this but only when they compliment strategy.

6. Understand what is socially material to the organisation and align CSR initiatives to these issues. It is critical that relevant issues are addressed and given thought to.

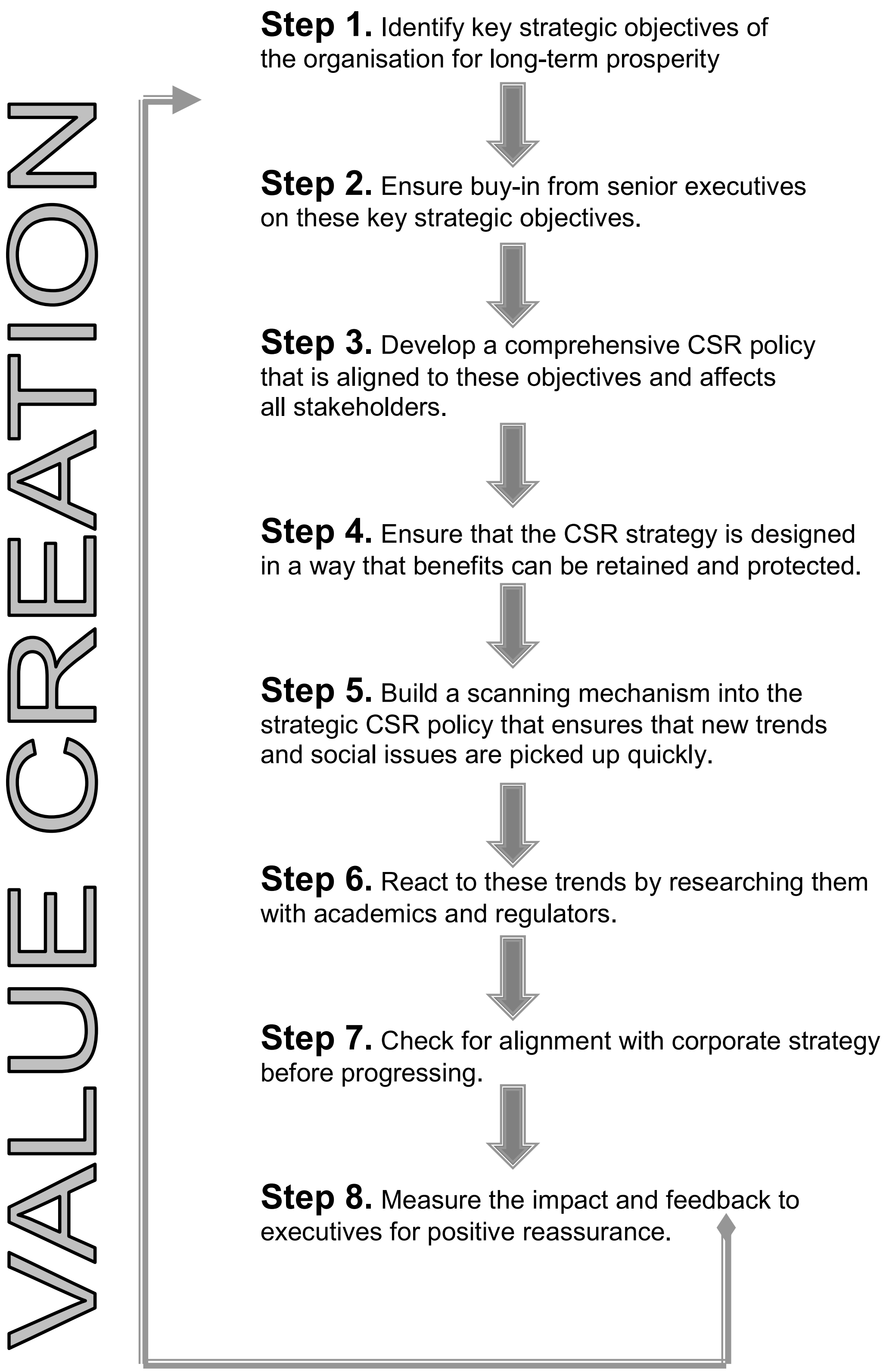
7. Before embarking on a CSR initiative or policy, consider how the firm will retain the benefit of such an initiative. Ensure that the firm is not creating a collective good for its competitors and other stakeholders to take advantage of.

8. Decide on a forum to scan the environment for regulatory and social changes that are occurring. Be first to act on these changes and try and incorporate the benefits into the firms strategy.

9. Where strategically beneficial try and exceed the expectations created by society and government. This will go a long way in building relationships with these stakeholders and enhancing corporate reputation of the firm.

A proposed mechanism for embracing CSR as a strategic tool is presented in Figure 5. It is a tool that presents a logical and encompassing approach to adopting and implementing strategic CSR. It is a combination of the literature reviewed, the framework that was used and the findings that were presented. It is intended to provide leaders with a method of engaging CSR practitioners and managing them for results. This in turn is intended to provide strategic and long term value to the organisation from their CSR policies and activities.

Figure 5: Proposed mechanism for embracing CSR as a strategic tool.



7.4. RECOMMENDATIONS FOR FUTURE RESEARCH

1. The research, although enlightening and persuasive, is limited in its nature. This is as a result of the methodology used. The researcher is of the opinion that a subject such as CSR and corporate strategy requires in-depth understanding and therefore a qualitative approach is taken as opposed to a quantitative approach. This leads to the insights and idea formulation and concretisation that occurs but the next logical step could be to test the theory in a quantitative format.

2. The research is limited to the JSE SRI Index companies in an effort to keep other variables consistent while testing the variable within the research. Future research could expand this population to include non-listed companies, listed companies that do not appear on the SRI Index or even small to medium companies that are participative in the CSR area.

3. Another area of interest that emerges from this research is the positional perspective of CSR. The researcher finds that depending on the difference in vantage point, different participants put forward different perspectives. Therefore research could be conducted as to how different people within organisations perceive CSR and how this translates into their jobs. Do individuals recognise the benefits in their day to day activities or don't they?

4. The research also began to pick up on certain trends that are sector specific. . It would be interesting to investigate how different industries approach CSR and how they actualise it and why. This could be looked at as supply-side CSR versus demand-side CSR. This differentiates between CSR used to build capacity for the organisation and CSR used to satisfy customers, employees or investors.

5. The researcher finds that many organisations have a compliance approach to CSR yet the government is not efficient in measuring beyond the ticks on the report. This refers to the fact that government requires organisations to submit certain documentation showing that they are fulfilling certain criteria, yet the quality of the CSR may not be followed up on. Research could delve into the effectiveness of government in regulating certain behaviour as opposed to creating a system where organisations just complete paperwork.

6. CSR often relates to ones own employees because of the disadvantaged past that many of the South African work force have. Research could investigate how much of CSR is invested in areas that relate directly to ones own employees and how much is invested into the wider society. This could lead to some novel insights into CSR and South Africa.

7. Further research could embark on creating some sort of balanced scorecard for strategic CSR. This would involve basing measurements of

a framework such as the one in this paper and creating a means of rating firms' effectiveness in executing such initiatives.

7.5. CONCLUDING REMARKS

This study has attempted to contribute to the body of knowledge by exploring the relevance of a framework that seeks to align CSR and corporate strategy. It has delved into conceptual issues such as the perspectives that organisations have on CSR and their approaches to it as a management tool. The findings are that indeed CSR does have strategic implications and can be used as a management tool to achieve organisational objectives. Although some of the CSR constructs are not yet fully adopted in all the participating businesses, they were recognised as potential contributors to corporate strategy. The findings have laid a platform for further quantitative research that can concretise the findings from this research. This is turn could present business leaders with the reality that CSR can and is strategic and hence does benefit the organisation in a meaningful way. This could ensure that organisations take a more serious approach to CSR and that it could be embraced as a tool for leaders to ensure sustainability of their organisations. It could also ensure that CSR rises on the corporate agenda and is no longer the first area to be affected in economic slowdowns. CSR is a fascinating area of research as is of growing interest to academics and business leaders. This research focused on strategic CSR, other research may bring different perspectives. The more this topic is explored, the greater the gain for business and society.

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APPENDIX 1: INTERVIEW SCHEDULE

Saul Tomson

MBA RESEARCH

GIBS MBA 2007/2008

ALIGNMENT OF CORPORATE SOCIAL RESPONSIBILITY WITH ORGANISATIONAL STRATEGY IN COMPANIES LISTED ON THE JSE SRI INDEX

Interview Schedule

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Letter of Consent

NAME & SURNAME: _______________
COMPANY: ________________
DATE: ________________

RE: MBA RESEARCH – GORDON INSTITUTE OF BUSINESS SCIENCE

Dear ___________________

I am conducting exploratory research for my MBA degree at Gibs. My topic deals with the issue of Corporate Social Responsibility and its alignment with the corporate strategy.

I am grateful to you for your participation in my research and wish to state that at any time should you want to remain anonymous of withdraw from the research, you can do so without any penalty. The interview is expected to last 1 hour where I will ask a series of questions relating to CSR and your company.

If you have any concerns please feel free to contact me.

Regards,

Saul Tomson

Signature of Participant: _______________________
Date____
Signature of Researcher_______________________
Date:_______________________________________

The research is predominantly based on a paper by Burke and Logsdon (1996) entitled *How Corporate Social Responsibility Pays Off*. The authors highlight five measures that are useful in gauging whether or not CSR is a worthwhile activity for organisations to embark on. The research explores whether or not there is alignment between CSR and corporate strategy and therefore only four of the five measures are applied in this research. It is these four measures that are useful, each in their own way, in gauging whether or not such alignment exists.

INTERVIEW QUESTIONS

1. **CENTRALITY**
    a. Can you define what your company considers CSR?
    b. How are decisions made with regard to CSR policies and spend?
    c. Has corporate strategy been documented and communicated?
    d. Has CSR policy been documented and communicated?
    e. Do CSR projects, policies and initiatives contribute to the organisational objectives? How?
    f. Is there alignment between CSR and organisational strategy? How are/aren't they aligned?
    g. Is there such a thing as strategic CSR?
    h. Is CSR being measured in any tangible way?

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YUNIBESITHI YA PRETORIA

2. SPECIFICITY

a. Who benefits from your CSR initiatives?
   i. Your company?
   ii. Other companies?
   iii. Industry as a whole?
   iv. Society only?
b. What makes a CSR initiative successful?

3. PROACTIVITY

a. Why was a CSR programme or policy developed?
b. What factors are considered when planning CSR projects?
c. Are future trends anticipated and projects directed in any way to these areas?
d. How does the company pick up trends in the market place?

4. VOLUNTARISM

a. What role does legislation play in decision making with regard to CSR policies?
b. Does the company strive to fulfil minimum requirements or to go beyond what is expected?