The importance of a people-centred approach for Corporate Social Responsibility: A case study of Welverdiend and the surrounding community

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“What lies behind us and what lies before us are tiny matters compared to what lies within us.”

Ralph Waldo Emerson

ACKNOWLEDGEMENTS

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ABSTRACT

Despite the contribution of mining to the South African economy, this industry has impacted negatively on the environment and society for many decades. These negative impacts are evidence of poor corporate actions. Instead of contributing to society, it seems that mining companies, more often than not, neglect their corporate social responsibilities mostly in the pursuit of financial profit. It has been well documented that it is mostly local populations, living close to mining operations, which pay the price of social and environmental damages and degradation, while the industry's benefits are measured in economic and political terms. Such an imbalance between the economic, environmental and social factors will make Sustainable Development impossible to achieve. Welverdiend is a community paying a dear price in terms of social problems caused by mining operations. The aim of this study, therefore, is to assess the impact of these problems on the social well-being of Welverdiend and the surrounding community's residents. In the light of these findings on different social issues, the research aims to confirm the importance of a people-centred approach to Corporate Social Responsibility (CSR).

The following is a brief outline of the course of the study. *Chapter One* serves as the introduction to the research project. *Chapter Two*, aligned with *Objective One*, provides a theoretical overview on Corporate Social Responsibility and Sustainable Development. *Chapter Three*, which is aligned with *Objectives Two* and *Three*, reports on the findings obtained through a survey and *Chapter Four*, aligned with *Objective Four,* presents the conclusion and recommendations.

OPSOMMING

Afgesien van die feit dat die mynwese aansienlike ekonomiese bydraes lewer, impakteer hierdie bedryf al vir dekades lank ook op die omgewing en die mens. Hierdie negatiewe impakte is 'n bewys van onvoldoende korporatiewe aksies vanaf die myn-sektor. In stede daarvan om die samelewing te ontwikkel, blyk dit dat die mynbedryf geneig is om hulle sosiale verantwoordelikhede te ontduik. Hierdie sosiale verantwoordelikhede word meestal afgeskeep in die wedywering om en strewe na profyt. Daar is afdoende bewys in die literatuur dat diegene wat die prys betaal in terme van sosiale en omgewings-verliese gewoonlik die plaaslike gemeenskappe is, terwyl die voordele in politiese en ekonomiese terme gemeet word. Die wanbalans tussen ekonomiese, omgewings- en sosiale faktore maak Volhoubare Ontwikkeling 'n moeilik bereikbare doel. 'n Gemeenskap wat 'n duur prys betaal in terme van sosiale impak as gevolg van die mynbedryf, is die gemeenskap van Welverdiend. Daarom is die doel van hierdie studie die be-oordeling van die impak van myn-aktiwiteite op die sosiale welstand van Welverdiend en die omliggende gemeenskap. In die lig van hierdie bevindinge betreffende verskillende sosiale vraagstukke, beoog die navorsing om die belangrikheid van 'n mikro-benadering tot Korporatiewe Sosiale Verantwoordelikheid te bevestig.

Die volgende is 'n uiteensetting oor die verloop van die studie: *Hoofstuk Een* dien as inleiding tot die navorsingprojek. *Hoofstuk Twee*, soos belyn met *Doelwit Een*, verskaf 'n teoretiese oorsig van Korporatiewe Sosiale Verantwoordelikheid asook Volhoubare Ontwikkeling. *Hoofstuk Drie*, belyn met *Doelwit Twee* en *Doelwit Drie*, gee verslag oor die bevindinge soos verkry deur die navorsing en *Hoofstuk Vier* bevat 'n gevolgtrekking asook aanbevelings.

CHAPTER ONE

INTRODUCTION

"We must go beyond textbooks, go out into the bypaths and untrodden depths of the wilderness and travel and explore and tell the world the glories of our journey."

John Hope Franklin

1.1 KEYWORDS: Corporate Social Responsibility, economical contributions, social impacts, environmental impacts, people-centred approach, Sustainable Development, Welverdiend

1.2 INTRODUCTION

The Gold Reef, discovered by George Harrison in 1886 on the farm Langlaagte on the Witwatersrand, changed South Africa for ever. In this regard, Callinicos (2007:199) states that the discovery of gold transformed the country and became a ruler of South Africa's economy for decades to come.

However, despite the economic contributions of mining, this industry has impacted on the environment and society over many decades. In accordance with this, Warhust (1998:3) states that although mining companies have positively contributed to social development, they have also been associated with some negative impacts, for example, deepening disparities in wealth, creating poor labour conditions, participating in corruption, polluting, failing both health and safety and **disrespecting human rights**.

These negative impacts are evidence of poor corporate actions. Instead of contributing to society, it seems that mining companies, more often than not, are escaping their corporate social responsibilities. Kapelus (2002:275) rightly remarks these companies have long had a dubious reputation of mostly neglecting their social responsibility in the pursuit of economic development. With regard to this, Middleton (2003:331) is of the opinion that a problem might occur when those who benefit from mining do not coincide with those who pay the cost of it. Banks (1993), as cited in Middleton (2003:331), is of the opinion that those who pay the price in

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terms of **social** and **environmental damage** and degradation are mostly local populations, living in proximity to mining operations, while the industry's benefits are measured in **economic** and **political terms**.

The urgency for responsible and ethical business actions, where the economy is not favoured over society and the environment, brings the issue of Corporate Social Responsibility (CSR) strongly to the fore.

A variety of definitions of CSR exists within its field. The European Commission (2002:3) defines CSR as a concept whereby companies voluntarily incorporate social and environmental concerns into their business operations and transactions with their stakeholders.

Three key concepts can be identified in this definition, namely: **social**, **environmental** and **economical**. Of course, these concepts also form the basis of sustainability and when viewed in this light, CSR and sustainability go hand in hand. Companies that adhere to sound CSR practices will most probably augment the whole question of sustainability, while sustainable development, on the other hand, will inevitably reflect sound CSR practices in terms of the social, environmental and economical dimensions.

The concept, **Sustainable Development** (SD), was first defined in 1987 by the World Commission on Environment and Development (WCED) in its report 'Our Common Future'. The WCED defined SD as follows: *"Sustainable development is development which meets the needs of the present without compromising the ability of future generations to meet their own needs"* (WCED, 1987:41). Blowfield and Murray (2008:27) state that this ability to sustain a high quality of life for current and future generations underlines the importance of companies rethinking what they produce and how they do so.

The above-mentioned conceptualisation of CSR and SD reiterates the reciprocal relationship that exists between these two concepts. To sum up, Blowfield and Murray (2008:231) explain that sustainability issues lie at the theoretical heart of CSR; in addition, the International Institute for Sustainable Development (ISSD, 2010) confirms that CSR is an evolution in the approach to sustainable development.

After a brief overview of the related concepts of CSR and SD, the problem statement will be discussed.

1.3 BACKGROUND AND PROBLEM STATEMENT

The history of Welverdiend and the surrounding area are well cemented in South Africa's mining records (Van Eeden, 2006:413). According to Van Eeden (2006:413), during the 1930s, settlers from the Cape Colony migrated to the western part of the region, known today as the Merafong Municipal Region, of which Welverdiend and the surrounding farms are a part. Farming was the initial primary economic activity in this region, and it was only late in 1934 that mining activities accelerated. The first three gold mines to operate in this region were Blyvooruitzicht, West-Driefontein and Doornfontein. Alongside the development of these mines, towns originated. **Welverdiend** was founded in 1942, forming part of the **Far West Rand** (Van Eeden, 2006:412-13).

The following map indicates where Welverdiend is located.

(Source: ©2011 Google – Map data ©2011 AfriGIS (Pty) Ltd Google)

Figure 1: Map Indicating Welverdiend **(A***: Welverdiend)

Since the very start of the mining industry in this region, environmental as well as social issues arose; however some attention was given to environmental problems by focusing on the

conservation of the environment (*see* Bezuidenhout *et al*, 2007). The **social problems** were, however, ignored or kept from the public (*see* Van Eeden, 2006:427). However, later on, some historical social issues were documented.

Seeing that environmental and social issues are inseparable, a list of historical environmental aspects that occurred due to mining in the Far West Rand will be presented briefly:

- The formation of sinkholes since the mid-1950s because of dewatering activities by the mines (Swart *et al*, 2003:751; Van Niekerk & Van der Walt, 2006:442; Coetzee *et al*, 2006:iii; Van Eeden *et al*, 2008:41; Van Eeden *et al*, 2009:53);

- Since the 1960s, the filling of sinkholes with contaminated slime, thus posing serious human and animal health risks (Coetzee *et al*, 2006:30, Van Eeden *et al*, 2008:46);

- The decline of farming activities in favour of mining activities since the 1960s (Van Eeden, 2006:421; Van Eeden, 2007:59; Van Eeden *et al*, 2008:45; Coetzee *et al*, 2006:iii);

- The discovery of high levels of radioactivity from as early as the 1970s (Van Eeden, 2006:424-27);

- The pollution of ground- and surface water since the mid-20th century (Van Eeden, 2006:424-27; Winde & Stoch, 2010:72);

- The decrease in water levels since the early 20th century (Van Eeden, 2008:470).

Against the above background and introduction*,* the **problem statement** will be put forward:

Seeing that mining activities have had a profound environmental impact on the Far West Rand, it is most probably likely that they have also had a social impact, leaving the town of Welverdiend and the surrounding community affected by them. In terms of social impact, the mining industry has, most probably, affected the welfare of the residents of Welverdiend and the surrounding community, making sustainable development hard to achieve.

Based on the problem statement, the logical **research questions** are:

Viewed against the background of the impact of gold mining on the Far West Rand, what are the **social problems** faced by the residents and surrounding community of Welverdiend? Secondary to this, what is the importance **of human well-being** for Corporate Social Responsibility and sustainable development?

1.4 RESEARCH OBJECTIVES

1.4.1 General Objective

This study aims to determine the **social problems** faced by the residents of Welverdiend and the surrounding community in order to reflect on the importance of sound CSR actions, and, more importantly, to **confirm** on the importance of a **people-centred approach** to CSR.

1.4.2 Specific Objectives

The following specific research objectives have been identified:

1. To define and conceptualise the phenomenon of CSR from the literature, and indicate its association with SD;

2. To assess the impact of mining operations on the social well-being of residents of Welverdiend and the surrounding community;

3. To confirm on the importance of a people-centred approach as regards CSR;

4. To make recommendations for developing and improving the well-being of communities affected by mining, based on a people-centred approach to development.

1.5 CENTRAL THEORETICAL ARGUMENT

In the field of development studies, macro- and micro-development theories embrace and demarcate the theoretical domain. A micro-perspective of development is based on a **people-centred approach**. Development is, according to this theoretical viewpoint, based on human well-being and the aim of action plans should be to provide opportunities for people to become more than they are (Coetzee, 2001:119).

According to Coetzee (2001:122), development is seen as the desirable outcome and should, therefore, be defined by the people who find themselves in a situation of underdevelopment. From this perspective, development efforts have to be based on the assumption that people value respect and want to be treated as worthy individuals (Coetzee, 2001). Coetzee (2001:122) also states that a worthy life is desired by all, and, for that reason, development should also be based on human well-being. Development and human well-being are intertwined and cannot be separated. In this regard, Nayyar and Chang (2005:3) propose that the people-centred approach implies that **human well-being is the essence of development**.

The World Bank, the International Labour Office and the United Nations Environmental Programme have all accepted that development should be more than merely striving for material improvement; the human dimension needs to be added (Coetzee, 2001:135). Nayyar and Chang (2005:8) go a step further by declaring that development must bring an improvement in the living conditions of people by fulfilling their basic human needs, e.g. shelter, health, food and education, to mention but a few. Therefore, action plans should be guided by keeping the factor *'humanness'* in mind. According to Coetzee (2008:135), any developmental programme must focus on ways to uncover people's own definitions of human well-being.

Coetzee (2001:122) is of the opinion that increased humanness, as the basic ideal for development, will involve striving for:

- Social justice.

- Comprehensive consultation and joint decision making.

- The alleviation of all forms of suffering (the satisfaction of basic needs).

- Respect for the local ecosystem as well as the local social and cultural patterns.

- The advancement of people through their own endeavours (freedom of expression and impression).

Taking into account the current situation, with reference to the background sketched on Welverdiend and the principles of a people-centred approach towards development, a CSR framework that is directed by a people-centred approach seems necessary and should form an **integral part** of any mining company's CSR strategy.

The micro-approach towards development, specifically the 'humanness factors', will serve as the directive principles during the research. These principles will underpin all communication with the affected communities and will steer the research when investigating the different issues at hand in the identified area.

1.6 RESEARCH METHODOLOGY

1.6.1 Research Procedures

In order to accomplish the stated research objectives, information was obtained by means of two main procedures, namely a **literature study** and a thorough **survey**. The survey (*see 1.6.1.2*) was conducted from the qualitative research paradigm and entailed focus group discussions as well as semi-structured interviews.

1.6.1.1 Literature study

The literature study, or literature review, focused on the conceptualisation of Corporate Social Responsibility and Sustainable Development, the importance of a people-centred approach for development and the importance of communities for development and CSR. The literature study was also used to contextualise the findings.

In order to ensure the thoroughness of the literature study, the researcher used the following databases:

- The internet, specifically, Google and Google Scholar.

- Journal articles; retrieved from databases such as EBSCO, JSTOR and ScienceDirect as well as from the Ferdinand Postma library (Potchefstroom campus).

- Newspaper articles.

- Textbooks.

- Research studies, conference proceedings and related scientific reports.

1.6.1.2 The Survey

The survey was conducted in and around the town Welverdiend, located in the Gauteng Province of South Africa. Besides the literature study (*see 1.6.1.1*), data was collected by using

the following data collection techniques (*see 1.6.2*): semi-structured interviews, focus-group discussions, key informant discussions, and personal observations.

The survey adhered to the **qualitative research paradigm**. According to Henning (2005:3), qualitative research gives the researcher the chance to understand and explain the phenomena investigated, without any predetermined boundaries, by making use of data and literature. For these mainly inductive enquiry interviews, key informants and focus-group discussions were used. A focus-group discussion is a special type of interview wherein the participants of the research project get together to converse under the guidance of a supervisor or researcher (Neuman, 2003:396). Such focus-group interviews are of great value since they create the opportunity for the participants to air their opinions, ideas, perceptions and concerns freely.

The field research interviews were informal and semi-structured: they were mainly like conversations between the researcher and the participants. Neuman (2003:390) states that the field interview is a joint production by the field researcher and research subject. This conversational nature of the interview allowed the researcher to explore the participants' experiences, feelings and beliefs. The field research interviews also made space for the mutual sharing of experiences in order to build trust (Neuman, 2003:391). The researcher found it relatively easy to talk to the Welverdiend community members: most of them are farmers. The researcher also comes from a farming background, and to relate to their stories and establish rapport was a fairly natural and normal process.

In order to provide trustworthy findings, the research was directed according to the following four elements as documented in Cronjé and Chenga (2007:213):

- Truth value (confidence in the truth of the findings and the context in which the study was undertaken).

- Applicability (the degree to which the findings can be applied to other contexts and settings, or to other groups).

- Consistency (whether the findings would be consistent if the inquiry was replicated with the same subjects or in a similar context).

- Neutrality (the degree to which the findings are a function solely of the informants and conditions of research, and not of other biases).

1.6.2 Data Collection

In order to determine the social impact of mining activities in a qualitative manner, semi-structured interviews as well as focus-group discussions (eight to 12 people) were employed (*see 1.6.1.2*). The aim of the questions posed to communities and farmers were two-fold. The **first** was to determine the social impact of the mines' activities on the communities, considering factors like the environment and economy. **Secondary**, the researcher aimed to uncover the participants' views on development and human well-being and the importance they hold for CSR. The focus-group discussions as well as semi-structured interviews were used, therefore, to determine the residents of Welverdiend and the surrounding community's experiences of the mining operations and their impact on their society as well as how development is viewed by the participants.

During the research, discussions with **key informants** were also held to further clarify the research setting. Throughout the empirical investigation, some data was also drawn from **field notes** and the **observations** made by the researcher.

The total study population consisted of approximately twenty-five (25) participants and was selected from the local community, farmers, NGOs, academics, community and environmental activists, and mine workers. To 'gather' the different research subjects, snowball sampling was used. According to Neuman (2003:214), snowball sampling is a method to identify the cases in a network. The researcher started with an initial group discussion and from that discussion, other contacts, referrals and networks resulted in more appointments. Neuman (2003:214) states that snowball sampling begins with one person or a few people, and spreads out on the basis of links and initial cases, making it a multi-stage technique. One preset condition (for interviewing) was that the participants should be able to express themselves verbally.

During the data collection, the participants chose the research setting, adding to their comfort with the research. Neuman (2003:395) states that a whole interview's meaning is shaped by its *gestalt* or whole interaction between a researcher and a participant in a specific context.

1.6.3 Data Analysis

The qualitative data analysis procedure entailed the recording, transcribing and translating (most of the obtained data was in Afrikaans) of the interviews. The content of the interviews was then analysed by means of thematic (conception) analysis. Neuman (2003:441) indicates

that concept formation and theme identification are integral parts of data analysis; the researcher followed that process exactly.

More specifically, the researcher followed the following eight steps during the process of conceptual analysis, as identified by Palmquist *et al* (2005):

1. Deciding on the level of analysis.
2. Deciding how many concepts to code for.
3. Deciding whether to code for the existence or frequency of a concept.
4. Deciding how to distinguish among the concepts.
5. Developing rules for the coding of texts.
6. Deciding what to do with irrelevant information.
7. Coding texts.
8. Analysing results.

1.6.4 Ethical Considerations

The researcher disclosed her identity and explained the nature of the research to every participant before the semi-structured interviews and focus group discussions commenced. At that point, ethical approval from the participants was obtained through written consent by the signing of a consent form (*see Appendix A*). At no point were the participants forced to participate or asked to reveal information which they were not comfortable with. Participants were also informed that they were free to withdraw from the research at any time. The identities of participants were concealed throughout the study by means of anonymity. The researcher also treated all the collected data as confidential.

The North-West University (NWU) considers research ethics as a high priority. The Research Ethical Committee of the NWU was developed in order to serve as the gatekeeper of ethical considerations in research. At present, specific ethical guidelines, processes and structures are being developed for the Faculty of Arts and the Research Focus Area: Social Transformation (under which this study resorted). Post-graduate students are expected to complete a Research Ethical Application Form before they commence with their respective projects. The nature of the form communicates the scope of the research and to what extent ethical considerations should be taken into consideration with regard to people, animals, etc. Only after the form has been approved, can the student continue with his/her research.

1.7 CHAPTER DIVISION

Chapter 1:   Introduction

Chapter 2:   Corporate Social Responsibility and Sustainable Development: A Theoretical overview

Chapter 3:   Findings: Social aspects and a people-centred approach to CSR and SD

Chapter 4:   Conclusion and Recommendations

CHAPTER TWO

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT:
A THEORETICAL OVERVIEW

"Future generation is the most important thing."
Confucius

2.1 INTRODUCTION

To grasp the importance of Corporate Social Responsibility (CSR), an overview of the definition and origins of this fairly new phenomenon needs to be conducted. CSR is a reasonably new concept, and as Caroll (1979:497) states, a concept that has been evolving over decades. Secchi (2007:347) verifies that the debate on CSR issues dates back to as early as the 1950s. The classical view of CSR was narrowed down to philanthropy; eventually CSR broadened its horizons to society-business relations, stipulating the contribution that a firm or corporation should provide for solving social problems.

Taken that CSR is such a dynamic concept, various definitions of it exist, but there is no single universally accepted definition (Whitehouse, 2006; Blowfield & Murray, 2008:13). As already mentioned in *Chapter One*, the European Commission defines CSR as a concept whereby companies incorporate social and environmental concerns, voluntarily, into their business operations and transactions with their stakeholders.

For the purpose of this mini-dissertation, a clear understanding of CSR is needed; therefore, its conceptualisation will be highlighted in the next section. After this, the concept of Sustainable Development will be discussed by highlighting the different definitions and development theories that exist around it.

2.2 DEFINING CORPORATE SOCIAL RESPONSIBILITY

From the *Introduction*, it is clear that there exist a number of definitions on CSR, but to get a better understanding of the concept, a focus on Caroll's definition can be used in a meaningful way and can serve as a point of departure. Caroll and Buchholtz (2006:35) define CSR as a concept where *"[t]he social responsibility of business encompasses the economic, legal, ethical and philanthropic expectations that society has of an organisation at a given point in time".* Caroll and Buchholtz's explanation of CSR in the definition clearly identifies four areas of responsibility.

The first responsibility is evident in the expectations society has of businesses **to produce products and services** that are demanded by society and sold at responsible prices (Caroll & Buchholtz, 2006:35). The second responsibility refers to what society views as '**codified ethics**'. Codified ethics comprise the laws that society regards as the policies, as designed by lawmakers, businesses have to comply with (Caroll & Buchholtz, 2006:35). Because the law may be inadequate and sometimes fall far too short, ethical responsibilities are also taken in consideration. **Ethical responsibility**, according to Caroll and Buchholtz (2006:37) entails those practices that are expected by society but are not documented in legislation. Lastly, **philanthropic responsibility** refers to the expectations society has of a company. One such expectation is that a company will conduct its business in a fair and just manner, cohering to society's standards, norms and values (Caroll & Buchholtz, 2006:37).

Another definition of CSR is found in the work of Holme and Watts (2000:10), who define CSR as a commitment by business in order to contribute to sustainable economic development. CSR also involves the improvement of the quality of life: this may be achieved working alongside employees, their families, the local community and the bigger society.

CSR is a concept that has changed over decades and is still evolving. This dynamic nature of CSR makes it challenging to define, but the concept of CSR can easily be understood as those practices of companies which are **socially** acceptable and adequate. Another viewpoint (Blowfield & Murray, 2008:12) marks the beginning of CSR rightly where the law ends. Alongside the development of CSR, applicable theories in the field of CSR also developed. A comprehensive look at these theories will follow.

2.3 CSR THEORIES

According to Lee (2008:56), most scholars agree that Howard Bowen's *Social Responsibilities of the Businessman* (1953) marked the first attempt to develop a theory of the relationship between corporations and society. As Lee (2008:56) rightly points out, Bowen was not the first to write on this. This discussion was touched upon by the Puritan and Protestant writers, who showed an interest in the relationship between business and society. History shows that a variety of people also commented on the relationship, ranging from businessmen such as Henry Ford to the American sociologist, C. Wright Mills (Lee, 2008:57).

For the purpose of this research, CSR theories are going to be discussed from the viewpoint of Secchi, who developed a group of three theories, as well as from the views of Garriga and Melé, who map CSR into four territories (Ismail, 2009:200). Some similarities exist between the two viewpoints; emphasis will be put on the resemblance.

 Secchi's (2007:349) three groups of theories are the following:
- utilitarian;
- managerial; and,
- relational.

Garigga and Melé (2004:52) classify CSR theories into four groups, namely:
- instrumental;
- political;
- integrative; and
- ethical.

Consequently, a discussion of the above-mentioned typologies will be presented.

The **utilitarian theories** concern an enterprise, which is seen as part of a wider enterprise called the economic system (Secchi, 2007:349). According to Ismail (2009:201), CSR ideas came about after the realisation that there exists a need for an economics of responsibility, with its roots in the corporations' business ethics. Synonymously with these utilitarian theories are the **instrumental theories**, as documented by Garigga and Melé (2004:53). The instrumental

theories are seen as a strategic tool to achieve wealth and economic objectives, the main goal of which is wealth creation. The aim for profit does not exclude stakeholders. From this vantage point it is believed that the satisfaction of shareholders may contribute to the maximising of shareholder value.

Further to this, Garigga and Melé (2004:53) state that depending on the economic objective, three main groups of instrumental theories may exist. The first group aims at the maximising of shareholder value, measured by the share price and entailing a short-term profit orientation. The second group focuses on the strategic goal of achieving competitive advantages. These may produce long-term profits. The third is closely related to the second group and is called cause-related marketing.

According to Secchi (2007:349), the second group of theories, called **managerial theories**, is composed of scholars whose aim is to re-evaluate the roles of corporations, making this the core of their analysis. Theories in this group define a firm as the centre through which to evaluate external phenomena.

According to Ismail (2009:200), the difference between the managerial and utilitarian theories is how these two differ in terms of their approaches towards CSR. In managerial theories, everything external to the company is taken into account for organisational decision making (Ismail, 2009:201). On the other hand, utilitarian theories view CSR as a defence tactic against external attacks, because there needs to be a balance between profit and social objectives.

Furthermore, managerial theories may be divided into three sub-groups, namely Corporate Social Performance (CSP), Social Accountability, Auditing and Reporting (SAAR) and lastly, social responsibility for multinationals. CSP determines the value the social variables contribute to a company's economic performance (Secchi, 2007:355). Kreps (1962), cited in Secchi (2007:355), highlights the importance of CSP, by stating that corporate activities cannot be evaluated only through the profit level. Thus, CSP becomes a measure of socially responsible behaviour, making it possible for a company to obtain connections to strategic and organisational issues (Secchi, 2007:356). The concepts within SAAR exist in interaction with each other, but are considered as three different activities. Secchi (2007:357) explains the relationship as follows: social accounting may be the first step in the process, and after that, managers might decide to publish a social responsibility report. Lastly, social auditing takes

place when managers decide to independently evaluate the reporting and accounting actions. Notable to this sub-group is the practical side it gives to CSR. Secchi (2007:358) concludes that SAAR gives managers practical tools to promote CSR, in the process giving SAAR a strong managerial character. The last sub-group, social responsibility in international business is concerned with corporations which conduct their business in foreign countries. Secchi (2007:358) reports that serious cases in international business have been addressed by supra-national institutions that intervene to moderate corporate behaviour; this happens especially when western firms operate in less-developed countries. This sub-group falls under the managerial theories, because at the end of the day, these supra-national interventions cannot constrain corporate business: problem solving and social responsibility remain in the hands of managers and owners.

Managerial theories are also strongly related to **political theories**, as conceptualised by Garriga and Melé (2004:53). According to them, political theories emphasise the social power of corporations. The emphasis is on the relationship a corporation has with society and its responsibility in the political arena associated with power. Ismail (2009:202) states that the idea of political power is based on Davis's (1960) idea that business is a social institution and that power must be used responsibly.

Secchi (2007:349) states that **relational theories** refer to the relationship between a corporation and society. This relationship entails that a firm loses its central role and is an interactive part of an economic system. Thus, CSR emerges from the interaction between **business** and **society**. Against this background, Secchi (2007:360-63) classifies relational theories into four sub-groups, namely:

- Business and society: Concerned with the two-way interaction that exists between business and society and how CSR emerges because of this.

- Stakeholder approach: Some authors focus on the complementary approach that exists between ethical variables and the stakeholder approach, while other scholars identify the stakeholder approach as a way to manage the socially responsible behaviour of a company. Garigga and Mele's (2004:52) **integrative** and **ethical theories** fall under the above sub-group. Integrative theories consider that businesses ought to integrate social demands. According to these theories, businesses are dependent on society for their

continuity, growth and existence. Ethical theories understand the relationship between business and society and are embedded in ethical values. CSR is viewed from an ethical perspective and firms ought to accept social responsibilities as an ethical obligation above any other considerations.

- Corporate global citizenship: According to Matten *et al* (2003:111), corporate citizenship underlines the importance that a corporation should hold a rightful place in society next to other citizens, with which the corporation forms a community.

- Social contract theory: Provides a theoretical basis for justifying the morality of economic activities, referring to the social relations between a firm and society. Garigga and Mele (2004:53) classify this theory under the group of **ethical theories**, as discussed.

Derived from the above, the theories of CSR imply that a company does not only need to fulfil its promise to investors by being profitable, but must, at the same time, be socially, morally and environmentally responsible in its business operations; in other words, be ethical and responsible to society and the environment whilst making a profit. This introduces the notion of business ethics.

2.4 THE IMPORTANCE OF BUSINESS ETHICS

Business ethics is a framework for understanding corporate social responsibility and may best be defined as the ethical systems that are applied in a profit-orientated organisation (Blowfield & Murray, 2008:18). Important to note is that business ethics should not be viewed as an aspect of CSR, but rather the structure in which CSR is situated, entailing the behaviour of individuals and groups within an organisation. Further, business ethics refers to the values of a company and how these values like honesty, fairness, trust, etc., are integrated into the business (Blowfield & Murray 2008:18).

As stated, business ethics may be regarded as the setting in which proper CSR should take place. For sound overarching CSR practices in this setting, two key components cannot be overlooked; namely **Corporate Social Investment** (CSI) and **Corporate Citizenship** (CC). A closer look at these two concepts follows, and afterwards a model by Njenga and Smit (2007:6) will be put forward to illustrate the interactive relationship between CSI, CC and CSR.

To understand CSI, Njenga and Smit (2007:4) explain that a company, irrespective of what it is selling or producing, is connected to the society and environment in which it operates. Being linked to the society and environment, a company automatically relies on the resources found in its surroundings. Resources that companies rely on may include financial, natural and human ones. Njenga and Smit (2007:4) argue that the success of a company lies on the availability of these resources. Seeing that the companies cannot function and utilize resources in isolation, they are bound to have an impact on the society and environment they operate in.

Impacts may either be favourable or unfavourable for the communities living in these environments. But, as indicated, a company's success relies on resources; therefore, good care should be taken of them. CSI, according to Njenga and Smit (2007:4), refers thus to the way in which companies care for the well-being of the social and ecological environment of the communities in which they operate. CSI is often viewed as the first step in a company's interaction with a community; CSR the practical second step and CC completes the picture when CSI and CSR are incorporated into a broad vision, entailing the sustainability of humankind and the planet (Njenga & Smit, 2007:5-6). Important to note is that CSI and CC are building blocks of one another, but should not be confused or used synonymously: there is a difference.

Maignan and Ferrell (2001:38) explain that CC has not been formally conceptualised by academics, but that much of the conceptual work stems from research undertaken in CSR. The four identified areas of research which underpin CC are: CSR, corporate social performance, corporate social responsiveness and stakeholder management. Taking these four research areas in consideration, Maignan and Ferrel (2001:38) define CC "...*as the* **extent** *to which businesses assume the economic, legal, ethical and discretionary responsibilities imposed on them by stakeholders"*. Maignan and Ferrel (2001:38) further argue that literature by Caroll (1979) and Clarkson (1991; 1995) view corporate citizenship on a continuum, ranging from reactive to proactive business. A reactive business implies that a business rejects all its responsibilities, whilst a proactive business is aware, meets and anticipates the responsibilities forced on to a company by its stakeholders.

Taken from above, CSI and CC form an integral part of CSR and are three closely related concepts occurring in an interactive relationship. Njenga and Smit (2007:6) illustrate the interrelatedness between the three concepts as follows:

CSI
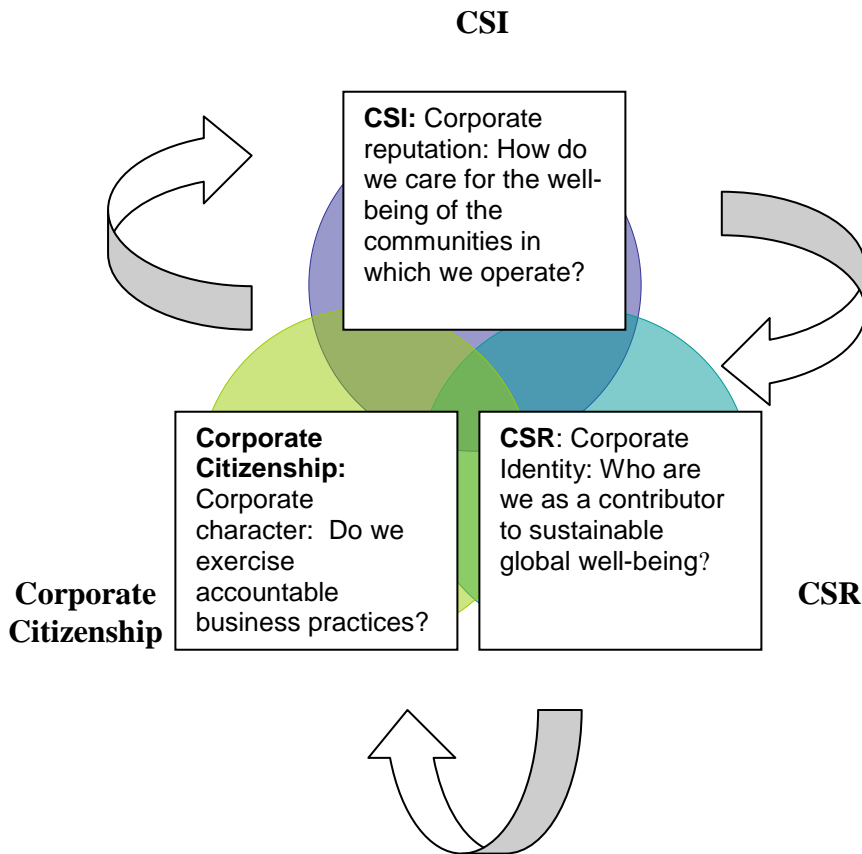
Figure 2: Corporate Citizenship, CSR and CSI

According to Njenga and Smit's model and already suggested earlier, CSI often serves as the starting point for CSR. The first step is usually when a business realises that it is obliged to give back to communities and the environment it operates in. CSR follows naturally after the first step, involving the realisation that a business should build strong public relations for social responsibility. Public relations should involve responsibilities directed at the company itself,

such as the workforce, as well as to those outside of the company, for example, the treatment and respect for customers, stakeholders, communities and the environment.

After the above contextualisation of the global importance of business ethics, CSI and CC, a look at how CSR is positioned in the South African context will be presented.

2.5 CSR IN SOUTH AFRICA

Corporate Social Responsibility in South Africa was strongly influenced by a concept called **Corporate Governance**. Sir Andrew Cadbury defined it as follows: *"Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals...the aim is to align as nearly as possible the interests of individuals, corporations and society"* (Institute of Directors in Southern Africa, 2002:7). At this stage, a brief look at the King Reports of Corporate Governance in South Africa will be useful.

- **King I**

In November 1994, the first King Report on Corporate Governance was published in South Africa by the King Committee on Corporate Governance. King I was the first of its kind in South Africa with an aim of fostering the highest standards of corporate governance in South Africa. Further, King I advocated an integrated approach to good governance in the interest of a range of stakeholders. The evolving economic environment and legislative development demanded the need for King I to be updated; this produced King II in 2002 (Institute of Directors in Southern Africa, 2002:7).

- **King II**

The King Committee on Corporate Governance has gone beyond financial and regulatory matters with a focus entailing social, ethic and environmental issues. The King II Report further recognises that governance, regardless of the societal context it operates in, reflects the value system of the society in which it functions (Institute of Directors in Southern Africa, 2009). A prominent feature of King II was that of CSR. King I had a clear focus on economic value, whilst King II included within its focus the social as well as environmental aspects. Together with the economical aspect, these three are known as the **triple bottom line** (Institute of Directors in Southern Africa, 2002:7). However, King II was also later updated.

- **King III**

Because of the new Company Act no. 71 of 2008, the King III Report was released on the 1st of September 2009 and came into effect in 2010 in South Africa (Institute of Directors in Southern Africa, 2009:4). King III's focus is on Corporate Governance, which involves the establishment of structures and procedures in order for directors to discharge their legal responsibilities and also involves the compliance with the laws of a country (Institute of Directors in Southern Africa, 2009:6). Apart from corporate governance, leadership, **sustainability** and corporate citizenship form the philosophy of the report.

Sustainable reporting, which falls under the bigger picture of integrated reporting, marks an important difference between the King II and King III reports. Integrated reporting refers to the integrity of sustainable reporting within a company. King II did not require any oversight of a company's sustainable report, whereas King III required that the sustainable report should be independently audited to ensure its successful integrity (King Committee on Corporate Governance, 2009:40). Integrated reporting also requires the explanation of how a company had made its money and the inclusion of any financial commentary; this requirement was also stipulated in King II. A new addition to King III, to ensure integrated reporting, is that sustainable reporting and disclosure should be done independently of a company's board, by referring sustainable reporting to an audit committee. This audit committee should ensure the reliability of the sustainable report by certifying that the information therein does not contradict the financial aspects of the report (King Committee on Corporate Governance, 2009:40).

The importance of sustainability is reflected in the Report, by stating that *"...sustainability is the primary moral and economic imperative of the 21st century. It is one of the most important sources of both opportunities and risks for businesses".* The King III Report further emphasises the importance of sustainability by stating rightfully that nature, society and business, also known as the three pillars of sustainable development, are interconnected (Institute of Directors in Southern Africa, 2009:9).

According to King III, it is these three elements that need to be taken into consideration when business decisions are being made. The implementation of the King III Report does not only affect overall business practices, but has significant implications for the South African mining industry, and influenced the notion of CSR in the South African mining context.

2.6 CSR IN MINING

Corporations in South Africa are experiencing transformation regarding their role in society. This transformation, among others, entails how businesses should conduct their operations in a sustainable responsible manner, by not only considering the communities in which they operate but also the greater society.

Taking a look at the mining industry, Jenkins and Obara (2006:3) assert that mining is bound to have vast impacts on communities and these impacts may range from positive to negative. With regard to these negative impacts, Anderson (1996, cited in Kapelus, 2002) is alarmed that mining companies have been a matter of concern due to their unfulfilled promises of being the engines of the local economy. In fact, the social and environmental impacts of their activities are greatly compensated for by their economic benefits. Jenkins and Obara (2006:1) rightly state that in the past, the mining industry has tended to take a *'devil may care'* attitude towards its mining impacts. This implies operating with economical gain as its main focus, and in the process, causing social and environmental devastation. CSR in the mining industry gained strong prominence as a result of these social and environmental devastations (Hamann & Kapelus, 2004:85). This prominence is evident when looking at the last couple of decades which marked an abrupt increase in companies' CSR spending with mining in the forefront, addressing social and environmental problems (Kapelus, 2002; Jenkins & Obara, 2006). This focus by the mining industry on CSR might be due to the fact that the extractive industry has been compelled to address the three pillars of sustainable development, namely social, environmental and economical issues. The Mining Charter was probably the most important legislative landmark and paved the way for sustainable development and transformation in the mining sector.

The Mining Charter was developed in 2002 according to section 100 of the Mineral and Petroleum Resource Development Act (MPDRA). The Mining Charter, which was revised and released in September 2010, identified nine areas of importance, namely ownership, procurement and enterprise development, beneficiation, employment equity, human resource development, mine community development, housing and living conditions, **sustainable development** and growth of the mining industry and reporting - all elements with clear SD and equity focuses. The Mining Charter is also the result of government's proactive stance in terms

of regulation and enforcement in the mining sector. The Charter states that non-compliance with it will result in legal action.

According to the Mining Charter (2010), minerals are non-renewable resources and must be balanced in such a way that it proves economic benefits, taking in considering social and environmental needs, without compromising the need of future generations (South Africa, 2010:5). This statement is in exact alignment with the World Commission on Environment and Development's (WCED) definition of sustainable development, initially defined in 1987 (s*ee 1.2*).

Against the above-mentioned points, it is logical to say that in the mining industry CSR may be used to achieve SD and *vice versa;* therefore, neither CSR nor SD should be neglected, as in the past. Further, the King Reports (*see 2.5*) as mentioned earlier, also marked the importance and relevancy of sustainable development for the mining industry. To conclude this section, Hamann and Kapelus (2004:86) indicate that the objective of CSR is to align corporate policies and practices to SD in order to ensure companies' reputations and their access to capital, land and markets.

A discussion on the definition of Sustainable Development and an overview of developmental theories will now follow. After this conceptualisation, it will become clear where CSR fits into the bigger picture of SD for communities.

2.7 SUSTAINABLE DEVELOPMENT (SD)

2.7.1 Defining Sustainable Development

As previously stated (*see 1.2*), the World Commission on Environment and Development (WCED) coined the term Sustainable Development in 1987. In 2001, the Organisation for Economic Cooperation and Development's (OECD) policy brief defined SD, in **technical** terms, as a "…*development path along which the maximisation of **human well-being** for today's generations does not lead to declines in future well-being. Attaining this path requires eliminating those negative externalities that are responsible for **natural resource depletion and environment degradation**. It also requires securing those public goods that are essential for economic development to last, such as those provided by well-functioning ecosystems, a healthy environment and a cohesive society. Sustainable development also stresses the*

*importance of retaining the flexibility to respond to future shocks even when their probability,
and the size and location of their effects cannot be assessed with certainty".*

Taking a look at the above definition, SD has a sound focus on **human welfare**. Human
welfare, according to the definition, can be achieved and attained in an environment where
natural resource depletion and environmental degradation are not visible whilst facing (and
achieving) economic goals. Clearly, the focus should be on human beings and their welfare. In
the past, development, in the theoretical sense, was analysed from a macro perspective; it was
only later that a people-centred approach on the micro level was added.

Consequently, the developmental theories will briefly be put under the magnifying lens.

2.7.2 Developmental Theories

As stated (*see Chapter One*), development's historical foundations are primary based on a
macro perspective. More specifically, development was initially framed by the modernisation,
dependency and world system theories. Payne and Phillips (2010:56) explain that these
development theories developed after World War II in 1945 and were driven by the end of
European colonialism, which also led to the creation of new states in Asia and Africa. According
to Payne and Phillips (2010:56), these underdeveloped, previously colonial countries were
faced with a number of problems ranging from political and social to economical issues. Payne
and Phillips (2010:56) further state that this fired the beginning of a new intellectual field of
enquiry; the question and focus lay in the development of 'Third World' countries, caught up in
the middle between the capitalist 'First World' and communist 'Second World' countries (Payne
& Phillips, 2010:56). Consequently, development became 'Third World' studies. Initially, two
different sets of theories diametrically opposed to one another, namely the modernisation theory
and the dependency and world system theories were to be found in the theoretical domain.
These marked the foundations of the developmental theories that followed.

2.7.2.1 The Modernisation Theory

The modernisation theory was the most popular theory from the end of the Second World War
to the late 1960s (Coetzee, 2001). The theory centres around the idea that economic growth in
general, and industrialisation specifically, will move a society towards change (Graaff & Venter,
2001). Change and progress are central ideas of the theory, as interpreted by Western culture,
which argues that modernisation is the outcome when traditional or pre-modern societies

transform in such a way that new forms of technology, organisational or social characteristics become visible. In conjunction with this argument, development or progress are viewed on a linear time frame. Traditional societies are at one end and modernity is at the other end of the continuum, and progress from a traditional or pre-modern society to modernity is possible when certain variables such as industrialisation, secularisation and democratisation are introduced. The modernisation theory was later-on highly criticised, which led to the formulation of the dependency and world system theories.

2.7.2.2 The Dependency and World System Theories

The dependency and world system theories are both Marxist developmental concepts and during the late 1960s and 1970s were opposed to the modernisation theory. There exist numerous proponents of these theories, but for the purpose of this study, the writings of Andre Gunder Frank's dependency theory and Immanuel Wallerstein's writing on the world system theory will be discussed.

The dependency theory, as put forward by Andre Gunder Frank, states that 'core' or 'First World' countries actively underdeveloped 'peripheral' or 'Third World' countries. The underdevelopment of 'Third World' countries takes place because of the negative spread of capitalism from 'First World' countries.

Taking a look at the world system theory, Wallerstein argues that 'core' or 'First World' countries, as in the case of the dependency theory, actively underdeveloped 'peripheral' or 'Third World' countries. The world system theory, however, differs from the dependency theory in terms of the existence of an additional category, 'semi-peripheral' countries. Wallerstein defines semi-peripheral countries as those countries that are midway between the core and peripheral counties. The reason for this intermediate position is that semi-peripheral countries are exploited by the core countries, but at the same time the semi-peripheral countries exploit peripheral countries (Graaff & Venter, 2001).

When taking a thorough view at the above-mentioned theories, it is hard to picture the manifestation of CSR within the frame of one of the macro-theories of development. The focus is purely on the industry as a whole; the enrichment of some countries leading to other countries being exploited. The humanness factor is clearly absent, giving no inclination for the human

rights of people. Fortunately, the micro-foundation towards development made room for **human well-being** and is, therefore, a perfect fit for CSR. This is discussed next.

2.7.2.3 The Micro-Foundation towards Development

The micro-foundation is based on a people-centred approach. Nayyar and Chang (2005:1) are of the opinion that development should bring about the improvements in the living conditions of **people**. Basic needs, such as shelter, food, health care provision, etc., not only need to be provided, but also the **right to live a meaningful life** (Coetzee, 2001:119).

The micro-foundation towards development explains that meaningful experiences of reality are the basis of development (Coetzee, 2001:119). Coetzee (2001:120) accentuates that this viewpoint of development differs greatly from the traditional view of it. In the past, development was viewed as the result of certain characteristics such as industrialisation, new agricultural techniques, urbanisation, large-scale education and specialisation (*also see 2.7.2.1*). This view of development implies that the world is changeable and that people can control the movement from underdevelopment to development by introducing certain characteristics (Coetzee, 2001:120). However, contemporary developmental views indicate that the traditional view of development (especially modernisation) lacks insight in the process of change from underdevelopment to development (Coetzee, 2001:120). With regard to this, the concern here is that the deeper dimensions of underdevelopment is overlooked. This introduces the call for a different view on development entailing the realisation that economic growth and development are not related as such (Coetzee, 2001:122).

The following six principles, as presented by Coetzee (2001:122-126), will serve as the starting point towards a different definition of development, namely the micro-foundation approach.

- **People can be more than they are**

Development is based on human well-being and can be used as a mechanism for people to became more than they are, through increasing humanness. Increased humanness implies the striving for the following: social justice, comprehensive consultation and joint decision-making, the lessening of suffering by satisfying basic needs, respect for the local ecosystem, local social and cultural patterns and the freedom of expression and impression. The striving for increased humanness does not essentially mean an increase in material welfare. Although development

projects from this perspective would definitely aim to bring material benefits, the main focus is on the increase of human well-being.

- **Meaning**

Developmental programmes and plans should stress that progress relies on two factors: the first is on the continuous confirmation of meaning and secondly, progress relies on the will to create a meaningful life. The following are prerequisites for a new interpretation of growth, progress and development:
  - o A desire among individuals and groups to work towards a specific goal and ideas of reality, the establishment of a political will and general human well-being;
  - o to use existing economic and social structures calculatedly in order to promote individual development; and
  - o to highlight the distribution of benefits of innovation, knowledge, material investments and general creativity.

The centre of this analysis highlights that meaning and the specific circumstances within which action should take place are most important. With regard to this, a clear understanding of the level of operation is necessary. The following goals give direction at how ground-level developmental operations should take place: the provision of a sphere for meaningful existence, community development for social reconstruction, the acknowledgment of social justice, education in the broader sense of the word and the eradication of poverty and inequality.

- **The emphasis on the experience of the life-world**

As stated previously, a development programme or plan accentuating that people can be more than they are, does not necessarily entail an increase in material welfare. Instead, development is more likely to succeed when people integrate their life-world meaning into their yearning for developed situations. To incorporate people's life-world meaning, developmental plans are more likely to succeed. People feel they can relate and associate themselves with the programme because it reflects their everyday living or social life world.

The idea of a total social life world is strongly associated with the concept of culture (Coetzee, 2001:124). UNESCO's (1995) report, *Our Creative Diversity*, marks the United Nations view on culture and its relationship with development. Wright (1998:12) states that the report presents

two definitions of culture. The first definition views culture as not just one domain of life, but is *'constructive, constitutive and creative'* of all life's aspects, entailing both the economy and development. The second definition states that the world is made up of separated 'cultures' of people situated within these cultures. The importance of culture for development becomes clear when the report explains that past neglect of people's 'cultures' within the setting of broader 'cultures' have led to the failure of developmental plans (Wright, 1998:12).

Viewed from the micro-perspective, life-world refers to the micro-social reality between individuals. As indicated earlier (*see 1.6.1.2 and 1.6.2*), the experience of the life-world plays a critical role in this research with regard to data collection. Consequently, the research participants described their perceived life-world during the interviews and focus groups (*also see Chapter 3*).

- **Desirable direction**

For desirable direction, meaning and the specific circumstances of where action takes place are at the core of analysis. The departure points of this approach are individual decisions and the processes of interaction, which are related to the process of giving meaning; this implies that it is not a top-down approach but a bottom-up approach. This bottom-up approach stresses that development must be based on human well-being, and this should be defined by the people themselves, uncovering their own definition of it.

- **Consciousness**

The micro approach towards development is based on the principle that those who are affected by development must be involved in the development process. This principle is based on the belief that all people have the right to live in a life-world that is meaningful to them. To understand this life-world of people, development should be grounded in the consciousness of people, in order to grasp the social reality within which people live. This grounded consciousness implies the existence of a dialogue between society and the individual. This dialectal relationship implies that people have the right to make their own decisions and also have the opportunity to reject any development programme. Therefore, development actions should require the participation of people in the design of any development programme.

- **Participation and self-reliance**

Participation and self-reliance may be viewed as the two most important aspects of responsible well-being. In the context of development, participation and self-reliance implies the necessity to involve the people who are the supposed beneficiaries of development. Participation means doing away with a domination structure, implying that the focus should be at the bottom.

Well-being, ranging from spiritual, psychological, social and material human experiences is the ultimate end of development. Chambers (2006:193) coined the term 'responsible well-being' and according to him, when well-being is qualified by equity and sustainability it becomes responsible well-being. Therefore, it can be said that the basics of well-being are **livelihood**, **security**, **equity** and **sustainability**.

Coming out clearly from the discussed principles is that **development is for people**. People should define their own social reality as well as describe their view of the developmental process.

After the preceding conceptualisation of Corporate Social Responsibility and Sustainable Development, the next section will discuss the importance these two concepts have for communities and what should be done in order to create and develop a more sustained society.

2.8 RELEVANCE OF CSR AND SD WITHIN MINING COMMUNITIES

Mining has played, and is still playing, an important part in societal development. As Middleton (2003) expresses it, the history of the Stone, Iron and Bronze Ages portray this. Society's dependence upon mining has not ceased since then, in fact, it has got bigger. Very few products worldwide are not produced from minerals. There are some countries whose economy is totally dependent on the extraction industry. In South Africa, the situation is not any different. According to the Chamber of Mine's Annual Report 2009/10, the mining sector remains a pillar of the South African economy. To illustrate this, the mining sector in South Africa contributes the following: 19% of the Gross Domestic Product (GDP), about one million jobs, 18% of gross investment, about 93% of the country's electricity-generating capacity and about 30% of the country's liquid fuel supply (Chamber of Mines of South Africa, 2010:31). Due to the fact that the mining industry fuels job creation, generates electricity supply and adds to the economy of

the country, it automatically plays a part in the socio-economic development and welfare of South Africa.

Affecting the social dimension of the country, the mining industries are also capable of promoting a move towards SD. This move is possible through sound CSR practices. Jenkins and Obara (2006:2) are of the opinion that for mining companies, CSR is the manifestation of a move towards greater sustainability. The Chamber of Mines (2010) reports that the values and aims of sustainable development go hand in hand with the values and aims of the mining industry. Mining companies can achieve progress through the basic dimensions of development, namely: economic development, environmental protection and social cohesion, all three in the course of CSR.

Focussing on the **social** dimension, a manner through which mining companies can achieve progress in SD is by considering the interests of all the **stakeholders**. Key stakeholders, and ones that are closely tied to the **social welfare** of the country, are, of course, mining **communities** (Jenkins & Obara, 2006).

Not only are communities important because of the impact they have to face from mining, but they also play a critical role in terms of consenting to mining operations. The importance of communities is visible in the authority they have in the process of 'issuing' social rights to mines, granting them approval to mine in an area. These social rights that communities can 'issue' are reflected in what is called a Social Licence to Operate (SLO). Lassonde (2003) defines a social licence as "*... the acceptance and belief by society, and specifically our local communities, in the value creation of our activities, such as we are allowed to access and extract mineral resources. … You don't get your social licence by going to a government ministry and making an application or simply paying a fee. … It requires far more than money to truly become part of the communities in which you operate".*

An SLO gives the mines an opportunity to invest into the local community and, as Nelsen and Scoble (2006) point out, it grants the mines an opportunity to transform and promote the economic and social development of the community, adding to sustainable development.

Veige *et al* (2001:192) affirm that the global environment in which mines operate is becoming more and more visible. This global spotlight forces mines to be more socially responsible. In

order for mines to be successful in social responsibility action within surrounding communities, the following may be considered (Veige *et al*, 2001:192):

- Environmental impacts should not present any risk to associated communities.

- Mine development must be perceived to bring a net benefit to the community, to just lessen impacts is not sufficient. Through community diversification that is part of mine planning, development, operation and post-closure, a net benefit would be accomplished.

- Transparent and effective communication between the mining company and the community are necessary; citizens should be encouraged to share in decisions that directly affect their future. This active participation will help mining companies avoid risks to the sustainability of the mine's operations as well as that of the community.

Operating in accordance with these considerations, mining companies will also function as socially responsible in a given area, and will, therefore, gain the consent of communities to operate in a specific area. Additional ways to acquire a social licence from communities, as identified by Nelsen (2005), are as follows:

- Understanding culture, language and history.
- Educating local stakeholders about the project, e.g. mining processes and environment impacts.
- Guaranteeing open stakeholder communication.
- Sustaining a sound track record as well as a positive corporate reputation.
- Training the work-force.
- Creating a business partnership with communities for economic development.
- Employing innovation and technology in order to avoid unnecessary impacts.
- Seeking the support of the community and aiming to build capacity.
- Enabling corporate transparency.
- Collaborating with communities to answer their infrastructure needs.

The above-mentioned section outlined the importance and inter-relatedness of CSR and SD in mining communities, as well as the critical Social Licence to Operate. Unfortunately – as will be seen in *Chapter Three* – mining companies not always adhere to the described CSR and SD

principles, especially regarding the social dimension of development. In doing so, human well-being and sustainability will stay a faraway illusion.

2.9 CONCLUSION

After the conceptualisation of CSR and SD, the reciprocal relationship between these two concepts is clear. Against the background of this chapter, it is also clear that the mining industry has the ability to promote Sustainable Development in South Africa. This can only be accomplished through fostering sound CSR practices.

Being one of the primary stakeholders, communities play an integral part in a mine's right to operate. Therefore, sound CSR practices from the mining companies are vital, not only for the mine's self in terms of a social license but also to develop communities. For CSR practices to be successful, they need to take place against the background of a bottom-up approach. This bottom-up approach may be achieved when directing CSR programmes according to the six principles (*see 2.7.2.3)* of the micro-foundation towards development. By using these principles as orchestrators for CSR programmes and policies, people will automatically be put at the centre of development.

Chapter Three will discuss the findings on the **social issues** as obtained in an area where the mines have had a clear environmental impact. The chapter will also report on how CSR and development are defined by various stakeholders, e.g. the local community, mine management, activists and scholars.

CHAPTER THREE

FINDINGS: SOCIAL ASPECTS AND A PEOPLE-CENTRED APPROACH TOWARDS
CSR AND SD

"There is no such thing as a worthless conversation, provided you know what to listen for. And questions are the breath of life for a conversation."

James Nathan Miller

3.1 INTRODUCTION

Aligned with the objectives identified in *Chapter One* (*see 1.4.2*), this chapter is divided into two sections. The first part will report on the social issues faced by the residents of Welverdiend and the surrounding community. The second will give an account on how the participants view CSR and development in order to confirm the importance of a people-centred approach for CSR.

Given the fact that this study looks deeper into a mining community, a definition of a mining community would be suitable at this stage. Veiga *et al* (2001:191) define mining communities as places *"...where the population is significantly affected by a nearby mining operation. The community may be associated with the mining venture through direct employment or through environmental, social, economic or other impacts. The community can range in size from a city to a village... Communities vary in the profile and perceptions about mining and needs"*.

Further, the Mining, Minerals and Sustainable Development (MMSD) Project describes three different types of mining communities, namely occupational, residential and indigenous communities. Occupational communities may be explained as households or families who derive all or most of their income from mining. Residential communities are those who live within the geographical area affected by the mine's activity - these communities could have existed before the mines or have developed as a result of them. Indigenous communities may be described as: *"...households or families with an ancient and cultural attachment to the land where mining occurs or has an impact"* (MMSD, 2002:200).

Consequently, a brief background to Welverdiend and the surrounding area follows.

3.2 BACKGROUND TO WELVERDIEND

Gold mining activities in the Witwatersrand area initially started in 1886 (Neame, 1959:6; Van Onselen, 2001:1). Shortly after the discovery of the main gold reef on Langlaagte, it became evident that the reef stretches 50 km to the east as well as to the west (Callinicos, 2007:199; Van Onselen, 2001:3). The region to the west came to be known as the West Rand. Mining activities moved further to the south and gold mining started on the Far West Rand in 1934 (Van Niekerk & Van der Walt, 2006:442) (*see 1.3*).

Welverdiend, a small town of approximately 2 000 inhabitants is situated in the Gauteng province of South Africa, 17 km west of Carletonville. Being part of the Far West Rand, the town lies relative closely to gold mines, of which the closest is to be found just outside of the town's border towards Carletonville (*see Map – Figure 1*). Farming is one of the main activities in this region and serves as a primary source of income in the community. The community, mostly consisting of farmers and those residents living in and around Welverdiend, may be classified under residential communities (*see 3.1*).

Consequently, the qualitative data that was collected by means of focus groups and semi-structured interviews in the Welverdiend area will now be presented.

3.3 FINDINGS

As discussed in *Chapter Two* (see *2.7.2.3*), the people-centred approach stresses that human well-being should be the starting point of development. Therefore, people should define and voice the experiences of their own social reality as well as their views on development. The findings, as obtained by the researcher, voice the social reality of people living in an area where mining has had, and still has, a significant environmental impact. Alongside these social aspects, the participants also discussed their views on CSR and development.

First, the social aspects prevalent in the area will be discussed.

3.3.1 Social Aspects

From the interviews and focus groups held in the specific community, a number of social aspects were identified and these give an in-depth description of how communities, living in and around Welverdiend, are being affected by mining operations. The broad identified themes are as follows:

- Health;
- hazards;
- livelihood;
- economic wealth versus human well-being;
- transparency;
- government.

3.3.1.1 Health

According to Swart *et al* (2003:635), the Wonderfonteinspruit, part of the Far West Rand and found just outside of Welverdiend, was described as a natural jewel during the nineteenth century. Unfortunately, the mining industry did not leave the s*pruit* and its surroundings untouched. The formation of sinkholes, the drop in the groundwater table and even water pollution were some of the mining impacts that affected the s*pruit* and surrounding areas (Swart *et al*, 2003:635).

The leading issue identified in the area, is that of water. This includes its quality as well as its quantity. A report of the Department of Environmental Affairs and Tourism (South Africa, 2008:1) documents that contaminated mine-water effluent is widely accepted as the single greatest environmental risk associated with mining activities. Furthermore, poor quality of water has an impact on other dimensions, such as human and animal health. This and other water-related issues will now be discussed against the background of some empirical evidence provided by the research subjects in the area under investigation.

Firstly, **general health issues** linked to water came strongly to the fore. The following quotations reflect some views of respondents and are reproduced here verbatim.

"Whilst I was pregnant, I was very cautious. I didn't drink any water; no one in our family drinks the water as well as our staff. We drink only bottled water, and cook only with bottled water. It

was a very big concern whilst I was pregnant. I look at her [*baby*] *now and think by myself, but I had a choice. I went out of my way not to eat meat or vegetables from this area. What about someone who doesn't have a choice or if someone says, 'No everything is perfect here'?"* **Female Farmer**

"Drink this water for a day, you have diarrhoea. If a child has diarrhoea for three days, he dies. In the rural communities here, the children die because the parents don't know what is wrong… they take the child to the clinic and they give the wrong medicine." **Farmer**

"Local communities eat the vegetables, drink the water and eat meat from the area; this will destroy a community..." **Farmer**

"The residents of Muiskraal thought they were drinking Mooi River water, but instead they were drinking Wonderfonteinspruit water, which is highly polluted. One woman got seriously sick. People cannot drink that water. Whilst I was living with my parents, I used to get these dry patches on my skin. I went to the doctor and he told me that the water is not clean, and that it [*water*] *needs to be cleansed. The Mooi River and the Wonderfonteinspruit flow there,* [*Muiskraal*]*, the Mooi River's water is cleaner than the Wonderfonteinspruit."* **Resident of Welverdiend**

Another water-related problem identified in the area, has to do with **farming activities**. Numerous farmers stress their concern regarding their land, crops and water use. The following give voice to some concerns in this regard.

"I bought some goat 6 or 7 years ago outside Carletonville, the grazing is very bad there. And the water is also not suitable for irrigation." **Farmer**

"The Wonderfonteinspruit at Welverdiend smells like sulphur and fishing is prohibited." **Environmental activist**

"A canal that flows from two upstream mining operations flows into the Wonderfonteinspruit just outside Welverdiend. That may be why the people living downstream of Welverdiend are having more trouble [*with farming activities*] *than those living upstream."* **Resident of Welverdiend**

Taken against the background of the above findings, a logical assumption is that there exists a possible risk for Potchefstroom in the North West Province. Based on the fact that the *Wonderfonteinspruit* flows into the Mooi River, from whereon it flows into the Boskop Dam, which serves as the main water reservoir for the city of Potchefstroom, it is clearly pointing to a potential threat for the city lying downstream of it.

Seeing that HIV/AIDS is considered as a world-wide epidemic it is no surprise that this critical issue also came to the fore during the research. Taking a look at relevant global statistics, the alarming situation surrounding HIV/AIDS is obvious. In the 2009 report by UNAIDS (2011), the global number of people living with HIV was estimated at 33.3 million. Looking at sub-Saharan Africa, the number of children and adults living with HIV was estimated at 22.5 million in 2009. In South Africa, the number of people living with HIV is estimated between 5 400 000 and 5 900 000 (UNAIDS, 2010).

Agriculture, as the cornerstone of human life, provides among others, farm workers with their daily food (Barnett & Whiteside, 2006:238). With regard to this fact, the importance of a healthy diet that stems from agricultural activities is vital for farmers as well as the farm workers. With regard to this, the UNAIDS 2008 Policy Brief on HIV and Nutrition points out that the neglect of food security and proper nutrition are critical for those living with HIV. The lack of food security and poor nutrition may accelerate the progress to AIDS.

Sketched against above background on HIV and AIDS, and keeping the preceding findings on health as well as on farming activities in mind, the following quote by a participant captures the alarming situation with regards to HIV/AIDS and poor nutrition in the Welverdiend area:

"We had 6 workers that died of AIDS in the last 6 years, just on this farm; you have the same scenario elsewhere. Give an AIDS sufferer poor food, poor quality water and you have an AIDS accelerator. It is like going for genocide." **Farmer**

South Africa is a country rich in diversity, hosting a variety of different cultures, religions and languages. Being a multi-cultural country, respect and conservation towards cultural and religious practices are considered essential. However, this is not always the case, and as Kapelus (2002:280) supportively states, traditional cultural customs are seen as a stumbling

block by the mining industry for its activities. The following response from an interviewee portrays clearly the disrespect towards cultural and religious customs in this regard in the Welverdiend area.

"Religious groups came to the Gerhard Minnebron to collect water for their sacred ceremonies. A priest wrote a letter to government about his concerns about the quality of the Gerhard Minnerbron and their traditions, but didn't get a response." **Farmer**

3.3.1.2 Hazards

Geological hazards were identified in the Welverdiend area during the research. A geological hazard can be defined as a threat, with the potential to cause harm to people including death, injury, disease and stress, disruption in human activity, property and the environment (International Strategy of Disaster Reduction, 2010). Examples of this type of hazards are as follows: earthquakes, volcanic activity and emissions, related geophysical processes such as mass movements, landslides, rockslides, surface collapses, and debris or mudflows (International Strategy of Disaster Reduction, 2010). A hazard is to be distinguished from a disaster; the International Strategy of Disaster Reduction (2010) defines a disaster *"…as a serious disruption of the functioning of a community or a society causing widespread human, material, economic and environmental losses, which exceed the ability of the affected community or society to cope using its own resources".*

Two main hazards in the area, according to the interviewees, are that of sinkholes and sinkhole formation. According to Swart and Van Schalkwyk (2001:593), a sinkhole is cylindrical or conical in shape, varies in depth from 1 to 50 m., in diameter from 1 to100 m. and may consist of an axis measuring up to 1 km. in length. Derived from above two definitions by the International Strategy of Disaster Reduction, it is clear that sinkholes can be classified under geographical hazards and have the potential to develop into disaster.

The residents of Welverdiend and surrounding communities have accounted the following with regard to sinkholes:

"Another problem is that of sinkholes. The Krugersdorp road, which is not far from here [*Welverdiend*]*, sank away three to four years ago, because of sinkholes."* **Resident of Welverdiend**

"There are RDP houses in Welverdiend, which are now being relocated towards Khutsong because of the sinkholes." **Non-Governmental Organisation**

"There is a possible new development which is going to take place just outside Welverdiend. Geologists did some tests on that area, to see if it is appropriate for building. The geologists told me that there are definitely 4 to 5 sinkholes that are waiting to happen, and that the ground is not suited for building…" **Resident of Welverdiend**

"A few years ago, a sinkhole formed at the town's reservoirs and Welverdiend was without water for some time." **Farmer**

3.3.1.3 Livelihood

Chambers and Conwey (1992:6) propose a working definition of livelihood based on the World Commission on Environment and Management's definition of this concept. According to the authors, livelihood may be defined as follows: *"A livelihood comprise the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks; maintain or enhance its capabilities and assets, while not undermining the **natural resource** base".*

Natural capital is the term used for natural resource stock. Land, water, forest, air quality, erosion protection, waste assimilation are all examples of natural resources. The importance of natural resources cannot be overvalued and are directly linked to livelihood and development. With regard to this, the Department for International Development (2010) confirms on this important relationship by mentioning that natural capital is fundamental for those who derive their livelihoods from resource-based activities, such as farming and fishing to mention two. This importance brings with it a strong encouragement to safeguard natural resources in order to protect the livelihood of people. However, this is not easily accomplished, especially in an area where mining activities are visible.

Gold mining specifically has long been associated with its negative impact on the environment. These negative impacts on the natural resources and natural capital have also impacted on the livelihood of people living in the Welverdiend area.

The following portrays the risks the community is facing in terms of livelihood and the natural resources they are dependent on.

"We do have calf abortions from time to time, but that can also be due to the fact that we move the cows. We have problems due to the mining operations; we have problems with access control, field fires, erosion as well as cattle theft. Over a 1 000 ha burned down, because of field fires recently." **Farmer**

"Our business is completely closed down. We can't sell the farm, and can't drink the water, but we are not bankrupt, but others are not so lucky… if you lose all your cattle and cannot sell, what do you do, you become like a pensioner sitting in a stingy room eating dog food." **Farmer**

"The mines take out what they need and then leave. Another problem is that people cannot sell their farms because the farms value decrease because of the mine's pollution." **Welverdiend Resident**

"Some farmers sold their farms and got out, other did not, because at the end it is an economic situation, they keep quiet and go on." **Farmer**

"We did an autopsy on a one-year-old calf, and his organs showed signs of calcification." **Environmental activist**

"A lot of farms in this area are on the market but no one wants to buy..." **Farmer**

3.3.1.4 Economic wealth versus human well-being

The relationship between business and society has greatly been debated over the past decades (*see* Carrol & Buchholtz, 2006:4-28; Bakan, 2004:66-168; Hamann, 2008:1-35).   A central argument of this discussion is the position a business has to portray in a society; and that the relationship should not foster the one in terms of economic development, and neglect the other in terms of societal and environmental degradation.

Van Eeden (2006) affirms that the gold mines of the Witwatersrand have been the cornerstone on which the wealth of the country was build. Seeing that gold mining is such a keystone to the economics of South Africa, it should, therefore, be a great contributor to the socio-economic

development of the country (s*ee 2.8*); unfortunately, this is not always the case. The South African mining industry is a big source of employment and profit; however, this industry is also strongly associated with being the cause of a number of social problems in the country as well as its negative impact on communities (Hamann & Bezuidenhout, 2007:95).

The following are views on how the community experiences the mine's position in society.

"I don't believe that the mines show any respect for the eco-system or the people, they do everything for their own benefit…" **Resident of Welverdiend**

"Water is a big issue, the mines use a lot of water for their own operations." **Farmer**

"Sinkholes do happen, and it is because of mining. We [*the mine*] *do what we can in terms of solving the social problems with regards to the formation of sinkholes. Sinkholes cannot be prevented. We* [*the mine*] *take responsibility from 1997 when we bought the mine over. Not earlier."* **Mine worker**

"Communities are often left poorer after mining." **Environmental activist**

"People did not benefit from the mineral wealth." **Non-Governmental Organisation**

"There are a lot of social and environmental issues because of the mining and the root of the problem is money." **Academic**

"People are nothing for the mine, only a number. The mine is only there to make money." **Farmer**

"At the end of the day, we only have our health. And now it is wealth versus health." **Welverdiend resident**

"There was and still is no focus on social development, it is all about the money." **Academic**

"Since the 20th century, the attitude was: Let's make money. Research shows that the government was also very supportive towards mines." **Historian**

"It is true, the groundwater table did drop in some places, but it [mining] benefited the country's economy." **Mine worker**

3.3.1.5 Transparency

Nelsen (2005) identified ten methods for acquiring a Social License to Operate (*also see 2.8*), of which corporate open communication among all stakeholders was identified as one, and this one is strongly related with the notion of transparency.

Transparency may be defined as the *"…availability of firm-specific information to those outside [of the corporation]..."* (Bushman *et al*, 2003:207). The importance of corporate transparency is further underlined through studying the seven stages of Corporate Social Responsibility as adapted from Mirvis and Googins (2006), cited in Blowfield and Murray (2008:105). The last stage postulates that openness, transparency and disclosure about different aspects of corporate responsibility performance form the final stage of a mature corporately responsible firm. The importance of transparency for a company's CSR profile is, therefore, of absolute importance.

The following are views on transparency regarding the essence of this study, as seen by the community of Welverdiend.

"NNR's [National Nuclear Regulator] mandate doesn't allow them to take action against any mines. They have no legal authority to sue mines. But why didn't they tell it in the beginning?" **Farmer**

"Some farmers were bought out by mines. They are not allowed to speak to the public and they are not allowed to make any future health claims." **Farmer**

"Who are other people to withheld information from me, when it is having a direct impact on my children?" **Farmer**

"[A mine] is busy building a new tailings dam, but farmers were not considered and the building started suddenly. The dam is over the 400 ha." **Resident of Welverdiend**

3.3.1.6 Government

Since the National Party came to be the governing party in 1948 in South Africa, the government played a central part in the extractive industry. Turton (2008:1) states that an alliance was formed between the government and the gold mines. This alliance entailed that the mines supported the government during the *Apartheid* era in the country, and when sanctions were put on South Africa, the mines served as an economic safety net. In return, the government allowed the mining companies to make substantial profits, by externalising their costs onto society. In this regard, Adler *et al* (2007:33) supportively argue that *"…the early gold-economy was simply an extractive industry with little consideration given to possibly adverse long-term effects"*.

The government is supposed to play a central part in sound CSR practices. It is not merely corporations' responsibility to be social responsible, but social responsibility stretches beyond corporate borders, also to the government. The United Nations (2010) reports that the role of government in CSR is four fold. Government should play a central part in the process of regulating, facilitating, warranting and brokering of CSR agendas.

By regulating CSR agendas, the government may implement stricter regulations in order to control corporate actions. Through facilitation, the government may enable companies to get involved in CSR in order to drive social and environmental improvements (United Nations, 2010:100-101). The third role the government ought to play is by acting as a broker. This implies that the government should partner public-sector agencies, businesses, civil societies and other stakeholder groups in addressing social and environmental challenges. In other words, the government should establish a dialogue between multiple stakeholders (United Nations, 2010:100-101). Lastly, the government can provide political support and public warrant of a CSR concept (United Nations, 2010:100-101). This entails a number of practices, of which the commitment to implement international principles, education in CSR, the publicity of good CSR practices by companies and the endorsement of pro-CSR indicators, guidelines, systems and standards are concrete examples.

Derived from the above, it is clear that the government should take an active stance towards social responsibility. Unfortunately, as seen in the findings below, government fails this duty from time to time, for various reasons.

The following are the views of the community on how the government has positioned itself around the mining industry in the Welverdiend area.

"The government wants to make money out of the environmental problem. They get BEE companies to do rehabilitation work, where we [*the mine*] *can do it for less. The government uses the environmental issues as a whip to get to the mines, because they* [*the government*] *don't want to take responsibility."* **Mine Worker**

"Mines and government spend a fortune on verbiage." **Academic**

"Complaints from oppositional parties were documented from as early as the 70s. Stating that the government is polluting the environment and that sinkholes are a problem, and that the people are being affected. But government had another vision. Money talks harder…" **Historian**

"In 1960, a report was released that stated that the government granted mines the permission to mine, but if there is a problem, you [*the mines*] *should pay the people. The mines bought out a lot of farms so that no one could complain. The government was aware of it* [*the social and environmental problems*]*, the new government doesn't have a choice now. They realise that it is our country's big source of income. The government never wanted to plough back so much money for remediation. We are in a checkmate situation, because the government can't do anything because of the fact that it* [*the mining*] *is such a big financial source."* **Historian**

"The big problem is that there are always politics involved in the mining industry." **Resident of Welverdiend**

Derived from the above findings on relevant social issues in the area, it is obvious that the mining industry has not left the residents of Welverdiend and the surrounding community untouched. It is against these negative social findings that the position of development becomes uncertain. The people-centred approach insists that development can only be defined by those living in an underdeveloped situation *(see 2.7.2.3)*.

Therefore, presented in the next section, the participants were asked to voice their views on development in general, the question of human well-being and the fact that people need to be central to the notion of development.

3.3.2 People-Centred Approach

As acknowledged in *Chapter 2,* CSR and SD are inseparable (s*ee 2.5, 2.6 & 2.8*). Sound CSR actions by corporations will foster SD*,* making CSR a perfect fit for SD and *vice versa.* Key to both CSR and SD are the **social dimension** and, as stated in *Chapter 2* (s*ee 2.7*), development is for **people**.

Derived from above-mentioned, a developmental approach with a strong people focus seems like the ideal approach for sound CSR practices. As already mentioned, such an approach is the micro-foundation towards development, also known as the people-centred approach (*see 1.5*). People thus form the essence of this developmental approach; therefore, it is appropriate to 'hear the voices' of different people on this important issues. Important to mention is that the findings confirm the importance of a people-centred approach for CSR and SD.

It must also be noted that the evaluation in this study of the importance of the people-centred approach within the framework of CSR and development, rests on the perceptions of the study population. Therefore, no in-depth study on the Sustainability Reports of any of the mines operating in the Far West Rand was done. Such a process did not resort under the scope of this research. However, in order to strive to get, to some extent, a balanced view, interviews were also conducted with mine workers and management in order to get their views on CSR in terms of development.

The findings, as obtained by the interviewees, are as follows:

*"The power of a corporate institution can also **educate people**. There should not only be looked at how the people are affected, but should accommodate and educate people to become environmental conscious. Corporations should invest in the **living spaces** of the people. Corporations have **enormous power** in their operating space to educate its employees."* **Academic**

*"Corporate social responsibility is the company's way of **giving back** to society, sustainable development is exactly the same thing, but through sustainable projects."* **Mine Worker**

*"**People are the basis of any development**. And also the basis of any other basis. Macro development is driven by the government and one could question their competence. Poverty is the biggest problem, because we cannot get enough people in the system so that they can have a job. When you have a job, you also become disciplined and develop thereafter. Social grants are a big problem, because we are creating a back log and the pressure on society is getting bigger and bigger."* **Mine Worker**

*"We [people] have a **mindset** on how the environment may be used and abused; CSR needs to change that, a **mind shift** needs to be concluded. With CSR, there is definitely a change for the better compared to when there was no such structure, but we still have the baggage of wrong thinking and with an environment that is shattered."* **Historian**

*"**There need to be a change of framework** and a move towards a social-capitalistic system. In the past there was not something like Sustainable Development or CSR, now that it is getting to be more in the foreground, some change for the better is taking place, but we sit with problems because of the neglect of CSR in the past. The focus was on the economy."* **Mine worker**

*"**People are the building blocks** of society and well-being is the most important thing. Not only physical well-being, but also psychological well-being. If we don't get development right, the real losers are the **next generation.**"* **Farmer**

*"In the past many companies went into society and said, I think you guys need a school here. And then you forget that maybe the people enjoy sitting under a tree and educate their kids like that. You have to **talk to people** when you identify projects… I have seen cases where companies have built infra-structure, and then it becomes white elephants. Not because the people don't need it, but because they **haven't engaged**, and the people have not been part of that process, and that is a fundamental flaw."* **Sustainable Development Manager**

*"The focus should be on the **well-being of the people**. And at the end of the day we only have our health."* **Farmer**

*"[Mining] is a great GDP factor. But mines are forces to invest in non-productive systems. For example, we don't get much from our community projects. The **human expenses** are just too big."* **Mine worker**

"I have worked for the mines for 40 years and in that first years I don't know of any development programmes." **Former mine worker**

*"**You have to go back to the basics**. In society there is certain risks; societal risks, and in South Africa, what are the big things? Poverty, unemployment and crime. All those are linked. And when you have a business considering development you need to take into account the impact of your development, and that it should be positive. Yes, we as Goldfields go into a community and put up a casino, some people might go and work there, but what are you doing actually? Degrading the moral fibre, so you need to take that into account. Based on what I just said, one thing that holds us back as a country is **education**. So you need to tap into that, building of schools, getting better education, so we have kids coming out that is engineers, scientists etc. That is the baseline. When you are dealing with our illiteracy rate, you are dealing with a set of people, although there is jobs out there, they don't fill them because they don't have the skills. They don't have the basics to get the skills. So development starts with building capacity and it starts with education. Second part that ties in with that is health. If the community is literate and unhealthy, that doesn't help either. So we focus on getting the **baseline right**. The other aspect with poverty is hunger. So we need to develop our agriculture, it is important for development. So when we do projects, we focus on education, health and agriculture."* **Mine Manager**

When looking at above findings, it is clear that the underlying golden thread to a people-centred approach boils down to **business ethics**. Business ethics (*also see 2.4*) are concerned with the behaviours of individuals in a business as well as in the broader society (Blowfield & Murray, 2008:18). The challenge is clearly to integrate business ethics and other core values, such as respect, honesty, trust and fairness into the day-to-day practises of the company; thus striving towards the business case for CSR. Taken against the findings that have been discussed so far in this chapter, business ethics in the mining industry are not that easily accomplished and the following quote, coming from a mine manager, captured the essence perfectly of how CSR should be conducted:

"Ultimately, I would like to see that Sustainable Development should totally disappear, because Sustainable Development is the way you do business. So when people do things, they should think **automatically** *how it is going to be better for the environment and development."* **Sustainable Development Manager**

3.4 CONCLUSION

Through the research it has been found that the communities in and around Welverdiend are faced with certain social issues due to poor CSR practices. These social aspects may not only be attributed to the current mines operating in the area, but can also be traced back to former mining companies. Through the exploration of the community's people, mine employees as well as academics' views on CSR, it has become clear that a people-centred approach towards development is the answer to sound CSR practices and sustainable development. However, a mind change or change of framework needs to take place. This approach will not only lead to development but will also, most importantly, minimise the social issues communities have to face due a lack of CSR.

The next chapter discusses the change of framework that needs to take place in order for a people-centred approach to fit into the CSR practices of a company.

CHAPTER FOUR

CONCLUSION AND RECOMMENDATIONS

"If they [companies] believe they are in business to serve people, to help solve problems, to use and employ the ingenuity of their workers to improve the lives of people around them by learning from the nature that gives us life, we have a chance."

Paul Hawken

4.1 INTRODUCTION

Up to now, the three first objectives (*see 1.4.2*) have been addressed. *Chapter Two*, aligned with *Objective One*, provided a theoretical overview on CSR and SD. *Chapter Three*, aligned with *Objectives Two* and *Three*, reported on the findings as obtained through the survey.

In light of the previous chapter and the objectives identified in *Chapter One* (*see 1.4.2*), the aim of this brief, final chapter is to present a concluding summary that recapitulates the social issues as presented in *Chapter Three*. Equally important, the chapter will also confirm the importance of a people-centred approach for CSR. Lastly, recommendations for developing and improving the well-being of communities affected by mining, based on a people-centred approach towards development, will be put forward (*Objective Four*).

4.2 CONCLUDING SUMMARY

As previously indicated, the theoretical foundations of development are based within a macro perspective. The modernisation theory, dependency theory and world system theory form the basis of the macro perspective.   Only later in history did the micro-approach towards development gain prominence.   Seeing that the foundations of development are based on macro theories, development is still today easily understood from its historical foundations. This view also tends to filter through towards CSR practices of some companies in the world of business. Distinctive of such a traditional understanding of CSR in companies, is the **top-down approach:** where the company decides what is needed in a community. A core concern with such an approach is that the **human factor** is absent, ignoring the needs of people.

The main aim of this research was to verify the importance of a people-centred approach for corporate social responsibility. In order to achieve this, the **second objective** (*see 1.4.2*) aimed to determine the social aspects that are prevalent in an area where signs of environmental degradation, originated from mining, are clearly visible; occurring because of poor CSR practices. By identifying the social aspects, the need for proper CSR practices become logical, especially the role that it plays in terms of community development. The **third objective** (*see 1.4.2*) aimed to discover the participants' views on and experiences of the 'humanness factor' within a CSR framework and the broader developmental milieu.

Consequently, a **summary of the findings**, along the lines of the above-mentioned objectives, will be given.

Looking at the first objective, it was found that the residents and surrounding community of Welverdiend are faced with numerous social problems. The essence regarding these issues will now be presented:

- **Health**

A main social issue in the studied community is that of personal health. The participants feel that their health is at risk due to environmental degradation, mainly the pollution of water. What is also of concern is that the downstream lying town, Potchefstroom, may also be at risk. This is due to the fact that the Wonderfonteinspruit runs into the Mooi River, from whereon it flows to Boskop Dam, which is the main water supplier for Potchefstroom.

Another critical issue concerning health, which came to the fore during the research, was that of HIV/AIDS in the farming community. The concern relates to the poor water quality in the region. It is well-known that an HIV sufferer needs a healthy diet, and seeing that the farm workers use the contaminated water in their diet, this puts them at a higher health risk.

- **Hazards**

Apart from environmental problems and land degradation, sinkholes put animals and humans at serious risk. Welverdiend lies adjacent to a mining area (*see Map – Figure 1*); therefore, there is a risk of sinkhole formation.

- **Livelihood**

The importance of livelihood cannot be overvalued. Livelihood secures financial resources and human existence; to destroy such an important asset will lead to the deprivation of a person's finances and even health. The findings portray that the livelihood of a number of people in the Welverdiend area has been in a significant way negatively impacted on by mining activities in the area.

- **Economic wealth versus human well-being**

The overall view from the participants was that the mines are completely economically orientated. Wealth creation is put at the centre of the mining industry's operations, and in the process, environmental and social problems are created. Therefore, the interviewees feel that economic welfare is mostly generated at the expense of the well-being of communities.

- **Transparency**

It was no surprise that the question of transparency was very strongly raised by the research subjects, seeing that ethical and responsible behaviour is supposed to underlie corporate citizenship. Respondents felt that to keep information from them regarding pollution, rehabilitation and economic deals and transactions, is nothing less than a corporate crime. People have, of course, the right to access information and the issue of free prior and informed consent (FPIC) also comes into play at this point.

- **Government**

In the past (under *Apartheid*), government had played an essential part in the mining industry (*see 3.3.1.6*). Looking at the findings in *Chapter 3,* the current relationship between the

government and the extractive industry is similar to that of the past. The participants feel that the relationship between these two parties is benefiting both. The government is turning a blind eye to social and environmental issues because of the economic value created by the mining industry and, in return, the mines are granted complete freedom in their operations (harming the environment, mine without water licenses, etc.). Whilst giving the mining industry full authority, the government is, at the same time, neglecting its own responsibility towards society. It has been stated (*see 3.3.1.6*) that the government's role in fostering social responsibility may be fourfold and should entail regulating, facilitating, warranting and brokering of CSR agendas.

In light of the six above-mentioned social aspects, **sound CSR practices from companies** and **responsible governments** turned out to be the most important answer for a community like Welverdiend. Unfortunately, some of the mining operations and origins of accompanying consequences could be dated back more than twenty years ago. The question about who is literally going to take responsibility can thus rightly be asked. Opinions and visions from mining companies *(see 3.2.2)* currently in operation in the area seem hopeful; however, policy and practice are two different concepts. The Welverdiend situation reflects much similarity with the contentious situation to be found on the South African West Coast, where De Beers drastically scaled down its operations at Kleinzee and left most communities in dire straits (*see* Cronjé *et al*, 2009). The result regarding this study is that residents and surrounding communities in the Welverdiend area are at the receiving end of irresponsible corporate actions (past and present) and in a state of despair. In worst-case scenarios, even basic human health is at danger. Based on this, it is hard to imagine that such a community would be in the position for growth and development.

Regarding these implied issues and aligned with the third objective (*see 1.4.2*), the views of the study population on **a human-centred approach**, **CSR practices** and **development** can be summarised as follows:

According to the participants, the **well-being** of people forms the basis of development. Most importantly, it has been found in this study that a **change in the mindsets** of people is necessary for CSR. This change is needed in order to protect and develop human well-being through sound CSR practices. It has been mentioned in some of the focus groups that the investment in people is crucial for development; this investment should mostly aim at **education**

in the broad sense of the word, involving literacy to basic labour skills (*also see Recommendations*), which will also lead to the eradication of poverty.

The lack of acknowledgement of communities by companies is really a sad state of affairs; even the World Bank iterates this important dimension. The World Bank described CSR as *"…the commitment that businesses have to contribute to sustainable economic development, working with employees, their families, the **local community** and society at large to improve the **quality of life**, in ways that are both good for business and development"* (Blowfield, 2005:515).

Unfortunately, in light of the findings of this research (*see 3.3.1.4 and 3.3.2),* it is evident that **economic wealth** is favoured over **human well-being**; making it the root cause of the social issues identified. Respondents were of the opinion that the ruling 'capitalist nature' is posing a test for sound CSR practises.

Adding to above viewpoint, Blowfield (2005:520) supportively argues that the greatest challenge and limitations for CSR are related to the fundamental values and beliefs of the **capitalist** enterprise. A capitalist enterprise involves the right to make profit, free trade, the freedom of capital, the supremacy of private property, the commoditisation of all sort of things including labour, the domination of market in the determining of price and value and the privilege of companies to act as citizens and moral entities (Blowfield, 2005:520). These capitalist notions are not new, and are documented in the work of Adam Smith, Karl Marx, John Maynard Keynes and Milton Friedman, to mention a few (Blowfield, 2005:520). A farmer expressed the view that *"[p]eople are nothing for the mine, only a number. The mine is only there to make money".* This viewpoint links on to the famous statement made by Friedman in 1970 namely that *"…there is one, and only one social responsibility for business – to use its resources and engage in activities designed to **increase profits**"* (Friedman, 1970).

The aim at this point is not to argue the importance of CSR; this has been done throughout the mini-dissertation and is also evident from the findings. An important focus to be stressed here is rather the milieu in which CSR is taking place, i.e. **capitalism**, and the fact that a **change of framework** is needed for CSR to result in sustainable development. Against this reality, Nayyer and Chang (2005:2) recognised this leading ideology of economic wealth creation, and respond by identifying the following three points of departure for development:

- The first point of departure states that the **well-being of humankind** serves as the essence of development. According to Nayyer and Chang (2005:3), this point tends to be forgotten because of the dominant discourse, where 'economic freedom' gets more attention than individual well-being.

- The second point states that a distinction between the means and ends should be established. Economic growth and efficiency are means while economic development and **social progress** are ends (Nayyar & Chang, 2005:3).

- The third point stipulates that economic growth is necessary but not sufficient in the **eradication of poverty**. The outcomes of economic policies should not be moderated by social policies. The dichotomy between economic and social development is inadequate, so is the dichotomy between economic and social policies (Nayyar & Chang, 2005:3).

Against these points of departure, Nayyar and Chang (2005:3) conclude that a need for integrative social and economic policies exists, and that it is time to **explore alternatives** in development. Examining the above three focus points, it is clear that **human well-being and society** play an essential part in development. These points of departure are, of course, also entwined with the **people-centred approach for development** (*see 2.7.2.3).* Such an argument marks the micro approach not only as the **most important** approach for development, but also as an essential approach for development in terms of sound CSR practices.

Derived from the **findings** of the study and **viewpoints** of the respondents, **personal observations** by the researcher, basic concepts related to the **theoretical argument** of the mini-dissertation, as well as some relevant suggestions from the **literature**, the following general **recommendations** can provide mining companies with some direction towards sound CSR practises, especially with **surrounding communities** in view.

4.3 RECOMMENDATIONS

- **Education** should be placed at the centre of a company's CSR programmes. The focus is here on the building of human capital. In terms of education, the whole spectrum can

be considered by a company for possible involvement and support, i.e. from ABET (Adult Basic Education and Training), primary and secondary schooling (building of schools, special education programmes for children in this educational range, etc.) and bursaries and internships for learners who finish school. By fostering human well-being through education, the social development of South Africa will be positively influenced.

- Given the socio-economic context of South Africa, poverty eradication should form an integral part of any mining company's CSR agenda. This could be achieved through the difficult and contentious process of **employment creation**, directly by sourcing jobs from the neighbouring communities, but also indirectly through the provision of portable skills through training programmes and the establishing and strengthening of a talent pool in communities.   Job creation will also be the foundation for other facets of human development, such as individual growth, self-reliance and self-actualisation.   These human resource development initiatives are, anyway, implied by the Social and Labour Plans (SLPs) that mining companies must submit to the Department of Mineral Resources (DMR) and required by legislation (Section 100 of Mineral and Petroleum Resources Development Act, 2004).

- **Economic growth**, **social development** and **environmental protection** should be incorporated and synchronised (**Triple Bottom Line**) within a company's CSR programme and developmental agenda, and also be managed in a real, sustainable manner. Local economic development (LED) is also one of the 'departments' that needs to be addressed by the SLPs of mining companies. Developmental projects must be established in local communities in line with needs and priorities indicated by Integrated Development Plans (IDPs) and Local Economic Development Plans (LEDPs) of local governments. In this regard, proper consultation with communities must be the starting point of any potential project. In terms of the sustainability regarding these issues, provision and a plan for **mine closure** is another very important aspect (also required by the Social and Labour Plan); a prerequisite that is definitely not adhered to in the context of Welverdiend and its people.   The same apply, of course, to environmental responsibility; policies stipulated by (hopefully) approved Environmental Impact Assessments (EIAs) and practice on the ground are two different 'things', as being seen in Welverdiend.

- **Proper engagement** with and **consent** of the community are crucial to the success of mining activities, CSR programmes and policies, and ultimately, sustainable development (*see 2.7*). When companies are serious regarding the 'requirements' of the Social License to Operate (SLO) in an area, CSR practises will develop that will probably respond to the need(s) that exist in a community, adding to the welfare of people.

- **Transparency** should form a fundamental part of a mining company's CSR practice (*also see 3.3.1.5*). The public and community members have the right to be informed of any impact, negative or positive. By having access to information, communities have the privilege to make informed decisions in terms of their **personal well-being** and **development in a wider context**.

- People's **livelihood** should, by all means, be safeguarded instead of being destroyed or negatively impacted on by the mines. Poverty and unemployment are critical social issues in South Africa; therefore, CSR practices and programmes should aim at the protection of people's livelihoods.

- Together with the private sector (e.g. mining companies), the **government's role** in terms of development should be defined. Social responsibility is not just the responsibility of mining companies. The government, too, should play an integral part in overseeing the implementation of the regulatory frameworks. The **Mineral and Petroleum Resources Development Act** (MPRA – 2002/2004) and the **Broad-based Socio-economic Charter for the Mining Industry** (The Mining Charter, 2002 & 2010) have a clear focus on people and development; it is, therefore, the government's responsibility to ensure compliance with these frameworks by the industry.

4.4 FINAL REMARKS

As a way of concluding this research, three broad implications of the inclusion of a people-centred approach towards development into CSR programmes of mining companies will briefly be outlined:

- When looking at community development, a people-centred approach towards development is definitely one of the ways to be successful in the upliftment and development of communities.

- It was evident from the research that education should play an integral part in the development programmes of mining companies. Therefore, the CSR programmes should be people and community focused.

- By directing CSR programmes in line with the people-centred approach, mining companies limit the chances for failure of developmental programmes. More often than not, past developmental programmes have failed because companies decided what was needed for communities. Through a people-centred approach, the voice of communities can guide development towards the desired direction.

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APPENDIX A

RESEARCH CONSENT FORM

Survey on Corporate Social Responsibility in South African mining communities

- We would like to take this opportunity to thank you for agreeing to participate in the above-mentioned survey.

- There are no known harms associated with participation in this research.

- All individual, company records and notes of participation will be kept strictly confidential, such that only the researchers will have access to this information.

- The results from this study may be published in the form of a research report and academic/professional journal papers.

- Information about the project will not be made public in any way that identifies any individual or company participants.

- Participation is completely voluntary. It may be discontinued at any time for any reason without explanation and without penalty.

I have read the above information and I understand that I can ask questions or withdraw at any time. I consent to participate in this research study.

_____
Participant's signature
For and on behalf of

_____
Investigator's signature

_____
Date