

# Investigating selection criteria and methods used by companies in deciding on the beneficiaries of their corporate social responsibility programmes

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## **ABSTRACT**

Corporate social responsibility (CSR) intervention will not solve all South Africa's socio-economic problems, nor eradicate the intensifying levels of poverty. It will also not eradicate the expanding levels of inequality. Nonetheless, the means by which the CSR intervention has displayed itself over the years towards society has and will continue to improve the lives of countless individuals and has further brought hope into the lives of those who were without and whose future was in a state of gloom. The affirmative contribution made by companies practising CSR to humanity is considerable.

The contents of this research study enclosed in this document, investigated how companies practising CSR roll out their CSR programmes from the respective decision-making perspectives to the implementation phase. It investigated the strategies that companies employ in selecting their lists of beneficiaries and the decision-making models companies employ in choosing who should be on their list of beneficiaries. The practice of CSR has for a notable amount of time been linked with the sustainable development phenomenon. The sustainable development phenomenon was crafted as a reaction and panacea to initiatives set by companies that are set to benefit business without considering the future generations. This research study further explored whether companies practising CSR consider sustainable development in their CSR initiatives.

The empirical evidence of this research has revealed that companies spend millions of Rands towards CSR programmes. These investments, however, generally do not consider sustainability where the current and future generations are both set to benefit. The general findings of this research indicate a need for companies to be innovative and to have long-term thinking in the implementation of their CSR programmes.

### **Keywords**

Beneficiaries, communities, companies, corporate governance, corporate social responsibility, decision-making models, programmes, socio-economic, stakeholders, strategies, sustainable development.

## **OPSOMMING**

Korporatiewe sosiale verantwoordelikheid (KSV) - ingryping sal nie alle Suid-Afrikaanse sosio-ekonomiese probleme oplos nie, en ook nie die toenemende armoedevlakke uitwis nie. Dit sal nie die toenemende ongelykheidsvlakke uitwis nie. Desnieteenstaande, die wyse waarop die KSV-ingryping deur die jare teenoor die samelewing openbaar is, het en verbeter steeds die lewens van tallose individue en het ook hoop in die lewens gebring van diegene wat sonder hoop was en wie se toekoms wanhopig gelyk het. Die positiewe bydrae wat aan mense deur maatskappye wat KSV beoefen, gelewer is, is aansienlik.

Die inhoud van die navorsingstudie wat in hierdie dokument vervat is, het ondersoek ingestel hoe maatskappye wat KSV beoefen hul KSV-programme implementeer, vanaf die onderskeie besluitnemingsperspektiewe tot die inwerkingstellingsfase. Die strategieë wat maatskappye aanwend om hulle lys begunstigdes te kies en die besluitnemingsmodelle wat maatskappye aanwend om te besluit wie op hul lys begunstigdes moet wees, is ondersoek. Die praktyk van KSV is vir 'n sigbare tyd met die verskynsel van volhoubare ontwikkeling verbind. Die verskynsel van volhoubare ontwikkeling is gepraktiseer as 'n reaksie op en wondermiddel vir inisiatiewe wat deur maatskappye gevestig is met die doel om tot voordeel van besigheid te wees, sonder om toekomstige generasies in aanmerking te neem. Hierdie navorsingstudie het verder ondersoek ingestel of maatskappye wat KSV beoefen volhoubare ontwikkeling in hul KSV-inisiatiewe oorweeg.

Die empiriese bewyse voortspruitend uit hierdie navorsing het getoon dat maatskappye miljoene rande aan KSV-programme spandeer. Hierdie bestedings neem oor die algemeen nie volhoubaarheid in ag nie waardeur beide die huidige en volgende generasies sou kon baat. Die algemene bevindings van hierdie navorsing dui die noodsaaklikheid aan vir maatskappye om innoverend te wees en langtermyn denke te hê in die implementering van hul KSV-programme.

**Sleutelwoorde:** Begunstigdes, belanghebbendes, besluitnemingsmodelle, gemeenskappe, korporatiewe beheer, korporatiewe sosiale verantwoordelikheid, maatskappye, programme, sosio-ekonomies, strategieë, volhoubare ontwikkeling.

## DECLARATION

I, Tshoane Mogaladi, hereby declare that the work in this report is my own, that it is based on original research work conducted by me and that it has not been submitted elsewhere for the purpose of obtaining a degree or diploma either in part or in full.



Signature of student

Date: 13 November 2015

My dedication goes to the following individuals and people:

Professor Eddie Bain for the passion, sheer patience, professional and educational guidance you have showered me with.

My family and friends who have supported me during the time of need and provided me with words of motivation.

The individual respondents from the companies to whom I administered questionnaires - when most were closing doors, yours kept on opening.

To Professor Annette Combrink, for the professionalism you displayed in editing this dissertation, I thank you,

Most important, to my parents, this is for you.

Kudos to myself as well!

## **LIST OF ABBREVIATIONS**

AA	Affirmative Action
AG21	Agenda 21
BBBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
EE	Employment Equity
GEAR	Growth, Employment & Redistribution Programme
JSE	Johannesburg Stock Exchange
NGO	Non-Governmental Organization
RDP	Reconstruction and Development Programme
SD	Sustainable Development
SLO	Social Licence to Operate
TBL	Triple Bottom Line

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## **CHAPTER 1**

### **ORIENTATION, PROBLEM STATEMENT AND METHODOLOGY**

#### **1.1 INTRODUCTION**

The purpose of this Chapter is to provide a scientific framework for the research. It commences with an orientation, a problem statement, and the objectives and research questions of the study. This is followed by the central theoretical statement, methodology, limitation and delimitation of the study, and ethical considerations. The Chapter is concluded with the significance of the study, a chapter layout, and a conclusion.

#### **1.2 ORIENTATION**

Prior to 1994, as a result of apartheid, South Africa experienced a period of institutionalised socio-economic inequality and racial segregation, which almost exclusively served the socio-economic interests of a minority of the population. Apartheid officially ended in April 1994 when the first democratic elections were held in South Africa, which allowed all eligible citizens to exercise their right to vote. The advent of democracy saw the democratically elected government inherit the structural inequalities created by the previous regime. The newly-elected democratic government drafted The Constitution of the Republic of South Africa, 1996; as well as the subordinate legislation and other strategic initiatives aimed at redressing these inequalities; for example, the Reconstruction and Development Programme (RDP) and the Growth, Employment and Redistribution Programme (GEAR). The objectives of these programmes were to provide the citizens of South Africa with equal treatment in respect of basic services, accentuating the commitment to an equal society (Bhorat & Kambur, 2006:1-3). This commitment to equal treatment and an equal society found expressions in many forms, one of them being corporate social responsibility.

In investigating selection criteria and methods used by companies in deciding on the beneficiaries of their corporate social responsibility (CSR) programmes, cognisance

must be taken of the corporate social responsibility environment within which companies operate. This environment will subsequently be briefly discussed by referring to the so-called King reports on corporate governance, and government's policies; documents that created the South African environment for companies' CSR operations.

In 1994, the King Commission on Corporate Governance issued the first King Report on Corporate Governance, or the King I Report. Its aim was to promote good corporate governance and adequate standards for boards of directors of listed companies, financial institutions and some public enterprises. Corporate governance is a system of rules, practices and processes by which companies are directed, managed and controlled. While encouraging good governance practices, the report also emphasised the need for corporations to be socially responsible in the areas and communities in which they operate (King Report on Corporate Governance. 1994:17). Chapter 12 of the King I Report also places specific focus on the shareholders and stakeholders of corporations. The Report lays down that company shareholders normally elect the Board of Directors ('the Board'), approve the annual financial statements and consent to the actions of the Directors, who in turn, must take accountability for the stewardship of the corporations.

The said Report further suggested that the Directors' Report should be aimed at all stakeholders, taking cognisance of all their interests and concerns. The Report recommended that social responsibility activities or programmes and any large donations be included in the Directors' Report. Chapter 16 of the King I Report further states that companies should view themselves as residents in the location where they operate their business, act in a spirit of good neighbourliness, reach out and be sensitive to the needs of the communities (Institute of Directors for Southern Africa and King Commission, 1994:23).

In 2002, the King II Report on Corporate Governance was published – at about the same time when the Johannesburg Stock Exchange (JSE) required listed companies to comply with the King I Report as the norm. Companies that did not comply were required to provide justification for non-compliance. The King II Report established seven good corporate governance elements to which any corporation adopting the

Report should pay attention to: discipline, transparency, fairness, social responsibility, independence, accountability and responsibility.

Chapter 5 of the King II Report stated that “in South Africa, where social imbalances have existed for many decades, the need for reform, the need for ploughing back and the need for greater social and ethical conscience of companies are crucial to their long term survival. Such actions would also promote the greater well-being of society generally. It further noted that, increasingly, South African companies are seen as agents of change not only for their own benefit but also for the benefit of other stakeholders” (Institute of Directors for Southern Africa and King Commission, 2002:114).

The King III Report, the third edition of South Africa’s Report on Corporate Governance, was made officially effective in March 2010. The preceding editions placed emphasis on sustainability issues and risks, while highlighting the need for companies to meet the requirements of all stakeholders. The topics covered in the third edition are ethical leadership and corporate citizenship, boards and directors, audit committees, the governance of risk, the governance of information technology, compliance with laws, rules, codes and standards, internal audit, governing stakeholder relationships and integrated reporting and disclosure (Institute of Directors for Southern Africa and King Commission, 2009:01).

The democratic regime that has governed the country since 1994 has not only made important strides in combating the social imbalances through legislation, different social programmes and various public initiatives, but also through the impulse given to the private sector in being involved in philanthropic initiatives aimed at improving the lives of the previously disadvantaged population. The South African Companies Act 61 of 1973 does not oblige companies to engage in corporate social responsibility (CSR) projects. However, with reference to mining and the energy industries, the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002) (section 25), under subsection 2 (f) on the rights and obligations of the holder of the mining rights, states that “[t]he holder of mining rights must comply with the requirements of the prescribed social and labour plans”. The Mining Charter (2010), further

accentuates subsection 2 (f) by stating that “companies must undertake to implement and monitor social and labour plans”.

The King I, II and III Reports explicitly address the need and relevance for corporations to acknowledge all stakeholders and to adopt a triple bottom line (TBL) reporting approach, which embraces the economic, environmental and social responsibility aspects. The King Reports’ clauses are not mandatory, but they take a “comply/apply or explain” approach that somewhat forces corporations to operate CSR programmes or justify why they have not adopted them.

The world-wide emergence of CSR reflects increasing pressures exerted on companies to assume a greater responsibility in ameliorating the harmful impacts of their operations, while also positively contributing to the welfare of communities. According to Griseri and Seppala (2010:3) the first publications on the role of business in society may be traced as far back as the 1930s in the United States – an indication that CSR is a long-standing concept. In the United States, CSR was seen as a method of self-regulation distinct from both government legislation and managerial ethics. At a broader level, CSR may be defined as the accommodation of corporate behaviour to society’s values and expectations. Bowen (cited by Griseri and Seppala 2010:5), define corporate social responsibility as “an obligation that arises from the impact that corporate decisions and actions have on the lives of the people”.

A socially responsible corporation is one with a multiplicity of interests. Instead of focusing solely on larger returns for its shareholders, a responsible enterprise also takes into account employees, suppliers, dealers and local communities who are affected by the whole supply chain of business processes (Carroll & Buchholtz, 2008:71). Companies today are called upon by their shareholders and other stakeholders not merely to boost their triple bottom line, but in addition, to help address some of the country’s most challenging problems, including those concerning economic development and the environment. While opinions differ on how responsibility should be allocated across the public and private sectors; employers, customers, corporate stakeholders (which typically includes shareholders, suppliers, communities, governments and regulators) there are demands that companies recognise a broader scope of their responsibility in addressing those problems (Carroll

& Buchholtz, 2003:78). In recognising a broader scope of responsibility, the issue that arises is: how do companies select their beneficiaries towards the implementation of their corporate social responsible programmes?

The problem statement will now be formulated with regard to the above orientation.

### **1.3 PROBLEM STATEMENT**

The bulk of the South African population resides in the urban areas. The fact that industrial activity remains in urban areas means that CSR programmes, and decisions on the beneficiaries of such programmes, may enhance the livelihood of the communities that are in the vicinity of the providing companies in these areas. Part of the reason is that the head offices of the major conglomerates, including the staff responsible for CSR implementation, are located in these urban areas. Therefore, companies are bound to be exposed to potential beneficiaries in urban areas, as against those in the remote and rural areas. Furthermore a report from a discussion document on an Integrated Urban Development Framework states that urban areas are home to 69% of the South African population (Cogta, 2012:12-15).

The preceding paragraphs on the orientation of the study indicate that the South African corporate governance requirements are based on business principles and practices as stated by the King Reports and the Minerals and Petroleum Resources Development Act of 2002 which posit that leaders should direct their company to achieve sustainable economic, social and environmental performance. Such performance is, however, not always complied with. According to a research report compiled by the Bench Marks Foundation, it was found that "...in most areas corporate social responsibility is either negligible or non-existent. Communities continue to experience the consequences of the gaps between policy and practice, and policy and human rights, which impact heavily on the potential for sustainable development" (Bench Marks Foundation, 2008:26). This impact on the potential for sustainable development may be the result of poor planning towards the selection of targeted beneficiaries and CSR projects. For example, the selection decisions made by companies may be *ad hoc* (that is: for the specific purpose, case, or situation at hand and for no other), incremental (that is: the process of increasing in number, size,

quantity, or extent over time), impulsive (on the spur of the moment), and intuitive (the decision maker has a “hunch” that this or that alternative will have the desired result), or made by a combination of decision-making techniques (Cloete & de Koning, 2011:123-6). There is thus a need for investigating on what basis and how companies decide which beneficiaries and projects deserve to be listed in their CSR programmes and what the effects are of these decisions on sustainable development in the selected communities.

The study was therefore guided by the following research objectives and questions:

#### **1.4 OBJECTIVES OF THE STUDY**

The main objective of the study has been to explore and evaluate the selection criteria and methods that companies employ to select and prefer one or more community as their beneficiary over the other; how they decide on CSR projects to be implemented in those communities and what the effects of such decisions are on sustainable development in the selected communities.

The sub-objectives of this study are three-fold:

- To investigate the selection criteria that companies follow in compiling their lists of beneficiaries in CSR programmes, with a view to understanding on what basis such listing occurs.
- To study and investigate the selection of beneficiaries relating to decision-making models that companies follow in selecting their beneficiaries in CSR programmes.
- To investigate whether companies consider sustainable development in their CSR programmes, and how these programmes affects sustainable development.

#### **1.5 RESEARCH QUESTIONS**

The research questions arising from the objectives are the following:

- What are the selection criteria that companies follow in compiling their lists of beneficiaries in CSR programmes?
- Which model, or models, of decision-making do companies follow in selecting their beneficiaries in CSR programmes?
- Do companies consider sustainable development in the implementation of their CSR programmes, and how do these programmes affect sustainable development?

## **1.6 CENTRAL THEORETICAL STATEMENT.**

“Corporate social responsibility” is a term that does not always hold the same meaning for everybody. Too often, CSR is regarded as the panacea which will solve the global poverty gap, social exclusion and environmental degradation. However, CSR requires organisations to fundamentally rethink their position and act in terms of the complex societal milieu of which they are part. Government increasingly leaves societal issues within the ambit of corporations (Marrewijk, 2003:98).

CSR is concerned with the impact of the activities of any organisation on the social, environmental and economic environment in which it operates. It is also concerned with the manner in which the senior management or Board of Directors direct, manage and control the organisation and relate to shareholders. Further, there has been a growing interest by academics and practitioners in the field of CSR. This interest is reflected in many books and articles having been published in relation to the topic. A number of theories have been developed locally and internationally on this topic (Rosam & Peddle, 1988:03).

CSR embraces the range of economic, legal, ethical and discretionary actions that affect the economic performance of the firm that stakeholders view as directly related to the firm’s plans and actions. These issues are at the heart of CSR policy (Werther & Chandler, 2011:06). The notion of strategic partnering is also central to the CSR agenda. A strategic partnership may bring the complementary skills and inputs of the public sector, the private sector and civil society together in tackling complex social and environmental problems. The public may act as respondents, conveners and

facilitator towards sustainability, which has been described by the King III Report as: “...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. Nature, society, and business are interconnected in complex ways that should be understood by decision-makers. Most importantly, current incremental changes towards sustainability are not sufficient – we need a fundamental shift in the way companies and directors act and organize themselves” (Institute of Directors in Southern Africa, 2009:11). What is more, corporate citizenship and sustainability require business decision-makers to adopt a holistic approach to economic, social and environmental issues in their core business strategy; this fundamental shift should move away from CSR initiatives being seen merely as ad hoc or nice-to-haves, rather than as being integral to their business strategy, planned and coordinated across all sections of the company (Institute of Directors in Southern Africa, 2009:24).

This research endeavoured to investigate the selection criteria that companies employ in deciding on their set of beneficiaries and CSR projects when embracing the range of their economic, social and environmental obligations. This investigation was conducted in terms of the research methodology outlined below.

## **1.7 METHODOLOGY**

Research methodology concerns the step-by-step plan of the research by means of which the researcher decides how to undertake the project from the beginning to the end. The focus encompasses all the requirements of the research activities, namely, planning, scheduling and its execution (Brynard & Hanekom, 2006:36).

The paragraphs that follow outline the research methodology which involves two research procedures, namely a literature review and an empirical study in which the following concepts are briefly discussed: a literature review, the research design, instrumentation, data collection, data analysis and discussion of limitations and delimitations of the research.

### **1.7.1 Literature review**

Somekh and Lewin (2011:16) are of the view that a survey of the relevant literature is an integral part of scholarship. They suggest that the task accomplished through engagements with books and theory that others have produced is to establish which studies, ideas and methods are most pertinent to the specific research being undertaken. This review further creates a warrant for research by identifying gaps, bringing together ideas and approaches which have previously remained disparate and recognising the particular contribution that the research will make.

A comprehensive literature study was conducted to gain a clearer understanding of the research problem under investigation. In the quest to gather knowledge about the research problem, the researcher consulted the following databases in the research review:

- Catalogue of theses and dissertations of South African Universities;
- Catalogue of books: Ferdinand Postma Library, North-West University;
- Journal articles retrieved from databases, including EBSCO, JSTOR and ScienceDirect;
- The internet;
- Publications by Government; and
- Documents regarding other related and relevant research (for example conference proceedings and policy documents and the King Commission reports).

### **1.7.2 Empirical study**

Data was also sourced through an empirical study detailed in the following item. The research was conducted through a qualitative research method comprising a semi-structured questionnaire as the data collection technique.

#### **1.7.2.1 Empirical research design**

Perri and Bellamy (2012:21) describe research design as a specification of the way in which data will be created, collected, constructed, coded, analysed and interpreted to

enable the researcher to draw warranted descriptive, explanatory or interpretive inferences.

The research method selected for this research project took the form of a qualitative research design (see item 1.7.2.2 for sampling technique). Flick *et al.*, (2004:01) explain qualitative research as a method that claims to describe the participant's worldview from the inside out from the point of view of people who are involved in the process. Its aim is to add value to a better understanding of social realities and to provide a deeper understanding of the associated process, meanings, patterns and structural features. One of the key features of qualitative analysis is a case study as a starting point and the research design of this research made use of a number of cases.

According to Yin (2003) cited in Baxter and Jack (2008:545), a case study design should be considered when: (a) the focus of the study is to answer "how" and "why" questions; (b) when one cannot manipulate the behaviour of those involved in the study; (c) one wants to examine contextual conditions because one believes they are relevant to the phenomenon under study; or (d) the boundaries between the phenomenon and context are not clear.

The intended outcome of this research is to attempt to understand the "how" and "why" in which companies practising CSR enter into the process of conducting needs analyses, designing their programmes and selecting their beneficiaries. The research further attempted to explore the contextual conditions of the operationalisation of CSR projects and to establish their relationship in terms of selecting beneficiaries' levels of need. The researcher also sought to understand why companies design particular programmes and why they select one beneficiary over the other.

The purpose of the following paragraphs is to describe and justify the empirical research design by referring to sampling, instrumentation, data collection and data analysis of the research.

### 1.7.2.2 Sampling

Seale (2004:64) points out that a sample is a small-scale representation, a kind of miniature model of the population from which it was selected. He further emphasises that because it includes merely a part, not all, of the population, it can never be the exact replica of that population.

The data-sampling technique that was used for this research is non-probability and convenience sampling. Wanger *et al.*, (2012:89) explain sampling of this type as a non-random process where respondents are included and selected in a sample because they are available and willing to participate. Convenience sampling is regarded as the most expedient form of sampling, in the sense that a researcher uses whoever is readily available. It is also referred to as accidental or haphazard sampling (De Vos *et al.*, 2011:232).

The rationale behind the selection of and preference for the application of the non-probability technique and convenience sampling is that the research will concentrate largely on corporate companies whose human capital use their working hours to execute the duties allocated to them to ensure productivity. If they are distracted by this research, the respondents at times may hamper the organisations' productivity and the scheduling of their work activities. For these reasons, it was considered to be advantageous to utilise the respondents available at that moment. In most cases the researcher also telephonically, and through emails requested appointments for interviewing the prospective respondents, because not everyone was available, due to work demands.

For this type of research, fifteen case studies or sampling units were deemed to be adequate. The principle of saturation highlights that the researcher has the liberty to stop collecting data when no new data are being gained from the sources.

Respondents were drawn from companies that are involved or were once involved in CSR initiatives. The companies selected had to have a minimum budget of R500 000.00 per financial year in respect of CSR activities. A budget of R500 000.00 was randomly decided on to narrow down the research field. To ensure validity, the

researcher also requested the policies and strategies of the said companies in relation to their CSR projects.

The number of companies that were selected for participation was fifteen diverse types. They were selected from across Gauteng Province (Johannesburg and Pretoria/Tshwane). The preferred respondents were the Heads or Deputies of CSR, preferably managers and CSR practitioners.

### **1.7.2.3 Instrumentation**

The instruments that were used to collect the data included semi-structured questionnaires and face-to-face interviews or via the telephone. The method of collecting data for this research is triangulation. Flick *et al* (2004:178) explain triangulation of data as a method that combines data that is taken from various sources at different times, in different places or from various people. Face-to-face interviews were used for respondents who were available and able to allocate time for the interviews. Telephone interviews served in those instances where the respondents could not be reached by alternative means. This method of instrumentation is referred to as primary data. Brynard and Hanekom (2006:36) describe this method as a process whereby the researcher collects their own data as opposed to secondary data which is described as a process in which researchers use data that has already been researched.

In the case of those respondents who could not be otherwise reached, the researcher used emails to send the questionnaire, which were followed up by a telephone call to verify receipt of the document.

Another form of instrument that was utilised was the companies' documents detailing the process of their CSR practices, for instance their strategy, and the guidelines that outline their approach towards the implementation of CSR. The reports assisted in testing the validity and reliability of the data received during the interviews and to compare them with what is being investigated.

#### **1.7.2.4 Data collection**

Before the researcher started collecting data, it was important for him to spend some time developing good-quality, unambiguous questions. The quality of data received was dependent on the quality of the questions designed. Bickman and Rog (2009:376) are of the view that a good question is one which produces answers that are reliable and valid measures of whatever is being described. Key elements of good questions that were included in the questionnaire are the following:

- They need to be consistently understood,
- Respondents need to have access to the information required to answer the questions, and
- The way in which respondents are asked questions must provide an appropriate way to report what they have to say.

#### **1.7.2.5 Data analysis**

Gibbs (cited by De Vos *et al.* 2011:349) explain qualitative data analysis as an analysis that implies some kind of transformation. In this transformation, the researcher often begins with a large volume of information collected and then processes the data, through analytical methods, into clear, understandable, insightful, reliable and valid information. A mixture of analytical approaches is employed, involving interpretation of data by sorting, organising and reducing them into more manageable pieces of information. De Vos *et al.*, (2011:403) point out that the steps in analysing data can never be followed inflexibly. Most of the steps serve as guidelines, as they often overlap. They have advocated the following steps as a guide for interpreting data.

#### **Preparing and organising data**

- Planning for recording data
- Data collection and preliminary analysis
- Managing the data

- Reading and writing a memo

### **Reducing the data**

- Generating categories, coding data, and develop themes
- Testing the emergent understanding and searching for alternative explanations
- Interpreting and developing typologies

The type of coding that was used was open coding, which is the process of breaking down, examining, comparing, conceptualising and categorizing data (Bryman, 2004:402). In line with the objective of this research, coding as a part of method of data analysis assisted in comparing the strategies and decision-making processes in selecting one beneficiary over the other and the selected companies' contribution to sustainable development through their CSR programmes.

Whitley and Kite (2002:391-392) suggest two strategies for analysing qualitative data: pattern matching and explanation building. Explanation building was well suited to this study and required that the researcher identify trends in the data. The data was examined for key categories of information or central themes around which the data set was structured as responses on selecting beneficiaries, decision-making techniques to respond to CSR projects and beneficiaries, and sustainable development through the implementation of selected CSR projects. These themes were then used to determine patterns and consistencies in behaviour. The researcher then drew on the insights gained in the literature review and re-contextualised the data (information gained from the patterns using the selection criteria for beneficiaries, decision-making models, and the companies' contribution to sustainable development through their CSR projects), thus giving meaning to the patterns.

## **1.8 LIMITATIONS AND DELIMITATION OF THE RESEARCH**

Limitations of this research could be the following:

- Respondents might delay their interviews, citing their work schedule as an excuse for resisting and avoiding participation.

- The interviews might be disturbed by internal processes or protocols in certain companies; for example, approval by the executive or board to participate in the research.
- Respondents might not be honest in their answers, not reflecting their organisations' actual processes due to fear of exposure. They might try to communicate only the positive material about their companies.
- Certain companies might well reject participation without providing any reason while some might play "hard to get".
- Certain companies might deny the researcher access to their internal strategy and guidelines for reasons of confidentiality.

Delimitations of the research are as follows:

- On the issue of providing dishonest answers, the importance of the research with its aims and objective were explained. The respondents were also assured that their personal names and company identities would not be published in the research report. Anonymity was therefore guaranteed by the researcher (also see item 1.8).
- As for companies approached by the researcher to participate, and who did not wish to, the researcher approached another company to maintain the preferred sample size of fifteen companies. Another method that was used, to the extent possible, is snowballing, whereby coincidentally the head/manager of CSR in one company referred the researcher to other companies practising CSR (De Vos *et al.*, 2011:233).

## **1.9 ETHICAL CONSIDERATIONS**

De Vos *et al.*, (2011:115) raise important issues concerning ethics, such as avoidance of harming participants, ensuring voluntary participation, informed consent, avoidance of deceiving respondents and not violating their privacy/anonymity and/or confidentiality. The following elements of ethics were taken into consideration as outlined by Flick (2009: 37):

- Informed consent – in the process of research, respondents were provided with detailed information and objectives of the research project. This ensures that

respondents agreed to participate in the research project on the basis of the information provided.

- Non-maleficence – the researcher avoided harming the respondents, for example by preventing any form of physical and/or psychological hardships that the participants might experience during the research.
- Autonomy or self-determination – the respondents' values and decisions were respected.

The North-West University (NWU) operates an active and rigorous process of scrutiny of the ethical implications of individual research projects. As part of this process a Research Ethical Application Form was submitted to and approved by the Ethical Committee. The research was conducted within the parameters of the ethical code of conduct prescribed by this Committee.

Ethical approval was sought from all participants; the study objective was explained, the expectations of the participants clarified, and anonymity and confidentiality assured. Consent forms (see Annexures 1 and 2) were completed by respondents and participation was entirely voluntary, and the option of withdrawing from the study at any time was made known to them.

## **1.10 SIGNIFICANCE OF THE STUDY**

The study provided detailed information on how a selection of fifteen companies practising CSR in Johannesburg and Pretoria/Tshwane decided on their selection of communities and CSR projects.

The research was aimed at understanding the selection criteria and decision-making of corporate responsibility practitioners in relation to the approaches they currently employ in the selection of their beneficiaries and CSR programmes. The research therefore sought to make recommendations on the strategies that will improve the distribution of CSR benefits and sustainability thereof to communities.

The findings may therefore assist those researched companies which do not at present have a structured method of deciding on beneficiaries for CSR programmes, to consider measures for developing relevant and well thought-out guidelines and policies that are current and future society-orientated while at the same time adding value to the company.

## **1.11 CHAPTER LAYOUT**

### **Chapter 1: Orientation of the study**

Chapter 1 furnished relevant background information on the research title followed by the problem statement which indicated why the topic is worth being researched. This chapter also covered the research objectives, research questions, central theoretical statements and research methodology. It further considered the significance of the study, the limitations and delimitations of the study, ethical considerations, and provided a chapter layout.

### **Chapter 2: Literature review**

The literature review evaluated theories on the topic that other researchers have proposed. The theories under investigation concerned the practices of CSR locally and globally. It also aimed at gaining as much insight as possible about the decision-making processes as an instrument in selecting beneficiary lists and CSR programmes by the researched companies. This discussion included books, research papers, conference articles and other related sources of information about the topic in hand.

### **Chapter 3: Research analysis and findings**

Chapter 3 considered the empirical findings that have been interpreted and analysed from the data collected. The findings are articulated in relation to the strategies and approaches that companies practising CSR use in deciding on their selection of beneficiary lists and CSR programmes, the decision-making model that they utilise, and to whether their CSR projects are focused on sustainable development.

## **Chapter 4: Conclusions and recommendations**

The final chapter deals with the findings and recommendations made from the data analysis pertaining to the research topic.

### **1.12 CONCLUSION**

Chapter 1 presented an orientation, a methodological framework, and ethical considerations for the analysis of the research topic: Investigating selection criteria and methods used by companies in deciding on the beneficiaries of their corporate social responsibility programmes.

In the next Chapter, an overview of the theories on corporate social responsibility and models of decision-making, sustainable development, and the need for corporate social responsibility will be presented.

## **CHAPTER 2**

### **OVERVIEW OF THEORIES ON CORPORATE SOCIAL RESPONSIBILITY, MODELS OF DECISION-MAKING, SUSTAINABLE DEVELOPMENT, AND THE NEED FOR CORPORATE SOCIAL RESPONSIBILITY**

#### **2.1 INTRODUCTION**

The aim of this chapter is to describe various theories that explain different approaches towards the phenomenon and practice of Corporate Social Responsibility (CSR). Companies practise CSR for their own differing or comparable individualistic motives; these motives are better understood from a theoretical perspective which are explained in this chapter. It further aims to describe the models in the application of decision-making and management. The application of a selected decision-making model, or a combination of models, influences the manner in which companies reach a particular decision on the selection of their CSR beneficiaries.

The subsequent paragraphs will therefore define, describe and explain theories of CSR, followed by a description and explanation of the models on decision-making. The theories of CSR and the models on decision-making will bring an understanding in terms of how decisions are made to reach a particular end; for the purposes of this research, the selection of CSR beneficiaries and programmes. At the end of theories and models on decision-making paragraphs other supporting paragraphs will describe the various CSR commitments that companies face in deciding on the selection of their CSR beneficiaries, as well as their commitment, or otherwise, to sustainability in their CSR programmes.

Below is the description of the theories of CSR in no particular order.

#### **2.2 THEORIES OF CORPORATE SOCIAL RESPONSIBILITY (CSR)**

The phenomenon and practice of CSR are best understood from various theories explaining them. The Oxford Dictionary explains theory as “a set of principles on which the practice of an activity is based or an idea used to account for a situation on

justifying a course of action (Online Oxford Dictionary). The theories explained below therefore provide a basis for companies to account or justify their engagement in CSR activities depending on their value proposition. For the purposes and relevance of this research the following theories will be explained: shareholder theory, stakeholder theory, social contracts theory, and legitimacy theory.

### **2.2.1 Shareholder theory**

The shareholder theory holds that shareholders are the legal owners of business of the company. This theory on CSR posits that “the company’s foremost traditional responsibility is towards its shareholders by increasing the wealth of the company while adhering to the basic requirements of the society, those which are embedded in the law and ethic of the business” (Carroll & Buchholtz, 2003: 582-583). It also holds the view that any social investment that has a likelihood to increase the shareholder value can be made as long as it does not come at a financial loss or cost to the company. This view considers shareholder value as the supreme reference for any business decision relating to corporate social responsibility (Carroll & Buchholtz, 2003: 582-583). Sachs and Ruhli (2011:14) argue that a company as a unit of analysis is seen as an economic entity whose aim is to maximize the cost and the benefit of the business. The objective is to allocate resources to activities that will increase the firm’s primary objective which is economic success. In such economy the sole responsibility of the business, is to use its resources and engage in activities designed to increase its profits for as much as it operates within the parameters of the law and without deception and fraud.

Shareholders and companies depend on society as consumers of their products for their survival. The society consists of stakeholders with varied interests in the business and as such the business and its shareholders find themselves having to attend to the interest of the stakeholders. Such attendance is expressed in the stakeholder theory.

### **2.2.2 Stakeholder theory**

Post *et al.* (1996:08) postulate that when business interacts so often and so closely with society, a shared interest and interdependence develop between a company and

other social groups. These occurrences give birth to corporate stakeholders. Stakeholders are all groups affected by, or those that can affect a company's decisions, policies and/or operations.

Freeman, cited by Werther and Chandler (2011:34), defines a stakeholder in the context of an organization as any group or individual who can affect or is affected by the achievement or activities of the organization. Werther and Candler (2011:35) further cite Posy, Preston and Sachs by arguing that stakeholders in a firm are individuals and constituencies that contribute either voluntarily or involuntarily, to its wealth-creating capacity and activities, and who are therefore its potential beneficiaries and/or risk bearers.

The stakeholder theory further notes that the company's economic stakeholders represent the interface between the company and societal stakeholders. The company's customers are, first and foremost, the economic stakeholders of the company and part of the society within which the company operates. Without this economic interface, the company loses its mechanism of accountability and, therefore, its legitimacy over the long term. The economic interdependence gives birth to a social contract which is a relationship between social groups as stakeholders and the company (Werther & Chandler, 2011:36) expressed in the social contract theory.

### **2.2.3 Social contract theory**

The social contract theory is one of the theories that emerged from political theories. These groups of theories and/or approaches' main focus is on the interplay and connection between business and society and on the power that society has on business in relation to its social license to operate (SLO) and the position of business and its inherent responsibility. Pike (2012:03) quotes the World Bank's explanation of a SLO as the acquiring of free, prior and informed consent of local communities and stakeholders. Local communities provide consent to business to operate within their environment provided they implement their CSR commitments. Such consent is therefore referred as social contracts.

A social contract is an indirect obligation of business towards the society as business depends on society for its existence, continuity and growth. Therefore, management of the company should integrate social demands in such a way that the business operates in accordance with social values. As a result, the content of business responsibility is limited to the space and time of each situation, depending on the values of society at that moment, and comes through the company's functional roles with regard to CSR. This theory is of the view that social contracts provide an alternative view of why organisations need to act responsibly. Although the social contract may explain the initial motivation of companies in becoming involved in CSR programmes, it probably does not explain the totality of its involvement and has to be understood in the context of other theories (Gariga & Mele, 2004:55-56).

Social demands are viewed in a way in which society interacts with business and gives it a certain legitimacy to operate. These demands influenced the development of the legitimacy theory which is explained below (Gariga & Mele, 2004:55-56).

#### **2.2.4 Legitimacy theory**

Schumen (1995) cited by Moir (2001:03) defines legitimacy as “a generalized perception or assumption that the action of an entity are desirable, proper, or appropriate within some socially constructed systems of norms, values, beliefs and definitions”. Legitimacy might be a key reason for undertaking responsible corporate social behaviour and also using that activity as a form of public influence. Piedade and Thomas (2006:60) allude to the fact that companies more often than not will seek to legitimise their activities through communicating business's CSR benefits to the communities that is bound to be affected by the business activities, with the aim of changing the perception of the community about their business activities in case there is any. Zadek (2004) cited by Piedade and Thomas (2006:60) states that companies not only earn legitimacy by only communicating their CSR commitments, but are also required to use responsibly the power granted to them by the community or government, or such power runs the risk of being revoked.

The theories discussed above provide an orientation and an understanding of the motive for companies to either decide, or not, in engaging in CSR initiatives. However,

these theories do not provide an indication of the cognitive logical processes and decision-making models or approaches that companies follow in deciding on and selecting their list of CSR beneficiaries. When companies decide to engage in CSR initiatives, they may, or may not, decide to apply a particular or preferred decision-making model to decide which initiatives are worth investing in and which ones are not. These models provide both hindsight and foresight as to why particular beneficiaries are selected and others are not. The next paragraphs aim to discuss and briefly explain a selection of three of the theories and models of decision-making to assist the researcher in understanding the processes undertaken in the application of decision-making, towards selecting beneficiaries for CSR programmes. These three theories have been selected based on their interrelatedness and applicability (see item 2.3.1).

## **2.3 MODELS OF DECISION-MAKING**

The focus of this research is in determining the selection criteria and methods that companies employ in deciding on their list of beneficiaries for their CSR programmes. Organisational decision-making involves making a choice to either alter some existing condition, or choosing one course of action in preference to other. Decision-making is a dynamic process that on the one hand can solve problems but might also, on the other hand, create problems. Decision-making is a process that can be understood by briefly referring to selected theories and models of decision-making as outlined in the upcoming paragraphs (Milakovich and Gordon, 2007:207).

### **2.3.1 Selected models of decision-making**

One model of decision-making states that decision-making is central to modern life in its individual, collective and corporate aspects. A combination of economic, social, and technological challenges have placed companies in a situation whereby they required to make important decisions to the direction it will take that will lead to its sustainability and that of the environment. The decisions that companies take towards selecting beneficiaries, mostly impact on the life of the beneficiaries of their products and services than on the company itself. A decision is a commitment to a course of action that is intended to produce a satisfying state of affairs. Decision guides behaviour,

companies behave the way they behave because of their decision-making approaches they apply. (Schneider & Shanteau, 2003: 396-399).

Another model (Hanekom, 1991:12) argues that decision-making is the purposive human statement of selecting from alternatives a strategy to solve a problem or to achieve a goal. A decision is but a moment in an on-going process in which alternatives pertaining to a problem or a goal are evaluated and in which the decision maker is forced to make a deliberate choice involving factual and value propositions with the aim of arriving at a desired solution. Although decision-making implies a single activity, namely that of making a choice between two or more alternatives, it is nevertheless true that making a choice involves numerous related tasks such as evaluating factual information objectively, evaluating values objectively, relating values to facts, and *vice versa*.

An assumption can be made that for companies to engage on CSR programmes, there is a decision-making process that the companies engage in. Shaw (2008:04) states that, whatever the nature of decision a company makes, the principles of good decision-making are the same, and it is all about:

- Clarity – which is explained as utter objectivity about the issues, the context and the consequence
- Conviction – the place of intuition, values and trained judgement
- Courage – turning belief into action to build next steps
- Communication – embracing, listening, engaging and persuading

The heart of good decision-making therefore lies in balancing clarity and conviction. It is the interplay between analysis and beliefs, logical thinking and the intuition. Courage and communication are then essential elements of being decisive, taking decisions forward effectively and getting business done. Companies need to understand their own weaknesses and strengths when a decision is made pertaining to a CSR initiative in order to avoid failure or imbalance which might render the company's initiative inoperable or not having an impact (Shaw, 2008: 06).

Social factors play pivotal roles in a judgement and in decision-making; the impact of social organization maintains a major influence in decision-making. Welch (2002:21) postulates that all decisions have three parts, firstly identifying goals, followed by identifying options and, thirdly, choosing from among the options. He further reasons that one needs to assess the importance of a decision in order to determine how much to invest in it. Before one can make a decision on available options it is important to evaluate the options. The approach is not to make a decision based on one dimension only; some evaluation strategies require to evaluate an option on two or more dimensions. For example, in relation to CSR beneficiaries, companies may decide on their beneficiaries based on the specific needs, gender and/or geographical location, or a combination of these factors.

The above-mentioned paragraphs have provided a perspective in terms of how decision-making models are viewed and comprehended. The subsequent paragraphs will discuss some of the decision-making models applied by organisations and administrators in reaching their desired ends, namely the selection of the beneficiaries for their CSR programmes. There are a number of decision-making models, but for the benefit of this research the following models have been selected on the basis of their being interrelated with one another (criticisms on one led to the development of another) and of their applicability to any kind of organisation as explained below: the rational decision-making model, the incremental decision-making model, and the mixed scanning decision-making model.

### **2.3.2 Rational decision-making model**

Dearlove (1998:19) states that effective decision-making involves a number of logical steps referred to as the “rational model of decision-making or synoptic model”.

This model of decision-making involves the following successive steps:

1. Identifying a problem
2. Clarifying the problem and prioritising goals
3. Generating options

4. Evaluating the options (using an appropriate analysis such as cost-effective analysis)
5. Comparing predicted outcomes of each option with goals
6. Choosing the option which best matches the achievement of the prioritised goals.

The rational decision-making theory has received criticism from academics like Charles Lindblom. Firstly, Lindblom argues that it is not all the time that decision makers are faced with concrete clearly defined problems. They rather first have to identify and formulate the problems on which they make decisions. Secondly, it is unrealistic in the intellectual demands it makes on a decision-maker by assuming that the decision maker will have enough information on the alternatives of dealing with the problem. Thirdly, he argues that the rational model of decision-making assumes that a decision-maker is all the time confronted with challenges of value conflict rather than value agreement (Anderson, 2011:128).

Herbert Simon explored rationality in administrative organisation's and identified three reasons for departures from complete rationality in decision-making. Firstly, rationality requires that all alternatives are known beforehand; yet in reality, only a few alternatives can ever be specified. Secondly, rationality requires a complete knowledge of the consequences resulting from each alternative; yet the complexity of most policy problems make this impossible. Thirdly, imagining future consequences implies some level of value judgment in the decision; yet values can never be anticipated or completely defined (Simon, 1997:93).

The criticisms levelled against the rational decision-making model brought an alternative in the form of incremental decision-making.

### **2.3.3 Incremental decision-making model**

The incremental model of decision-making was developed as a result of addressing some of the criticisms levelled against rational decision-making. Incrementalism is a method of working by adding decisions to a programme using many small (often unplanned), incremental changes instead of a few (extensively planned) changes. In

organisational policy, incrementalism refers to the method of change by which many small policy changes are enacted over time in order to create a larger broad based policy change. Incrementalism is a planning methodology normally found where a large strategic plan is either unnecessary or has failed to develop and for that reason it is often just called "muddling through" (Lindblom & Woodhouse, 1993: 87).

The advantages of incrementalism over other formal systems are that no time is wasted by planning for outcomes which may not occur. Disadvantages are that time may be wasted dealing with the immediate problems and no overall strategy is developed. Incrementalism is a model of decision-making that stresses making decisions through limited successive comparison. In contrast to the rational decision-making model, it focuses on simplifying choice rather than aspiring to a complete new problem analysis, by incrementally moving from a status quo rather than abstract goals as a key point of reference, on satisficing (where alternatives are examined and assessed) rather than on maximising (where the best is solely considered, and remedying ills rather than seeking positive goals) (Hoy & Tarter, 2004:37).

The difference between rationalists and incrementalists is that, firstly, the rationalists attempt to maximise benefits in all the phases of decision-making while incrementalists tries to "satisfice" by reaching a decision that is aiming to satisfactorily reaching the situational needs. Incrementalists are of the view that it is irrational to forever expect success in every decision made. Incrementalism does not dismiss the importance of long term consequences. It does, however, emphasise short term needs and problems by responding to immediate needs. Incrementalism may have a practical advantage for administrators to deal with executive orders and legislative requirements. Making decisions minimally incrementally may enable administrators to satisfy minimal expectations while gaining time to determine more specifically what effects the demands from the executive will have in practice. Secondly, incrementalists further argue that non-economic models and modes of decision-making have an intrinsic value and that, in some circumstances, using economic (quantitative) models might well be inappropriate and irrational. Thirdly, they maintain that the incremental decision-making model allows for measures of costs, benefits and side effects of

decisions that are not economic or necessarily quantitative (Hoy & Tarter, 2004: 37-39).

Etzioni (1967:387-388) notes that a more active approach to decisions impacting on society requires two sets of mechanism; firstly a high-order policy making process which sets policy direction and, secondly, an incremental process which prepares for fundamental decision. These mechanisms are provided by a third alternative decision-making model, namely the mixed scanning model; the gaps identified by comparing the rational and incrementalists decision-making models have prompted the development of this third decision-making model (Etzioni, 1967:388).

#### **2.3.4 Mixed scanning decision-making model**

Etzioni cited by Milakovich and Gordon (2007:214) on criticism of the rational and incremental approaches has offered an alternative approach of decision-making which he termed mixed-method scanning, or mixed scanning. Etzioni's main criticism of the incremental approach was an apparent failure to differentiate between fundamental (or rational) and non-fundamental (or incremental) decision-making. Thus, Etzioni suggested a twofold or mixed approach to decision-making that incorporates some elements of both the rational and incremental models.

The mixed scanning model is guided by two questions: firstly, by determining the basic mission of the organisation and, secondly, by determining incremental decisions that will move the organisation in the direction of the basic mission. Etzioni (1989) is cited by Hoy and Tarter (2004: 49-50) as advancing seven rules of mixed scanning strategy as listed below:

- 1 Use focused trial and error – searching for alternatives and continuously checking the outcomes while acting despite the lack of important information.
- 2 Be tentative and go slow – see decisions as experimental and expect to revise them.
- 3 If uncertain, procrastinate – and use the time to collect more information, process new data and consider additional alternatives.

- 4 Stagger decisions – commit to decisions in stages, assess outcome and proceed when results are satisfactory.
- 5 If uncertain, fractionalize decisions – do not commit all resources, instead commit only in parts until the results are satisfactory.
- 6 Hedge bets – Implement several competing alternatives, provided they seem to lead to satisfactory outcomes.
- 7 Be prepared to reverse a decision - reverse a decision that are not high in cost (Hoy & Tarter, 2004: 49-50).

In addition to questions concerning decision-making and the models discussed above, a number of other considerations are present in reaching a particular set of decisions. The decision-maker must consider both what kind and what quantity of resources will be expended in pursuing a particular course of action. To take some decisions, organisation may, for example, require expenditures of time, personnel, and money (Hoy & Tarter, 2004:51).

In line with the sequence of research questions stated in Chapter 1, the next item will focus on sustainable development.

## **2.4 SUSTAINABLE DEVELOPMENT (SD)**

A number of other considerations are present in reaching a particular set of decisions on beneficiaries of CSR. One of the considerations is the issue of sustainable development.

Sustainable development (SD) is a concept that was drafted by the United Nations at the Brundtland Commission in 1987. The commission coined the term “Sustainable development” and described it as the development that meets the needs of the present without compromising the ability of future generations to meet their own needs. The description contains with it two key concepts; “present needs” and “future needs”, in particular the essential needs of the world's poor, to which overriding priority should be given. The report further states that the goals of economic and social development must be defined in terms of sustainability in all countries - developed or developing, market-oriented or centrally planned (Drexhage & Murphy, 2010:02).

Coetzee *et al.* (2001:498) are of the view that if sustainable development is a process of meeting all the people's needs for today and tomorrow, poverty eradication will be its outcome, through equitable distribution of the available resources. Poverty itself pollutes the environment; those who are poor and hungry will often destroy their immediate environment in order to survive. A world in which poverty and inequality are endemic will always be prone to socio-ecological and other crises.

#### **2.4.1 Dimensions of SD**

The SD concept comprises many different dimensions and is usually portrayed as the interface between environmental, economic and social dimensions. These dimensions can be elaborated upon as follows:

##### **2.4.1.1 Environmental dimension**

The environmental dimension of sustainability focuses on the preservation of 'natural capital' and includes the natural resources and ecosystem services. Natural resources can be classified as renewable (e.g. plants and animals) and non-renewable (e.g. fossil fuel, minerals and soil quality). Examples of ecosystem services include biodiversity, climate stability and water purification (Dyllick & Hockerts, 2002:133). To strike a balance between protecting the environment and using the natural resources to sustain life, Cronjé (2007:18) as well as Blowfield and Murray (2008:315) suggest(s) the following principles: protect the earth's life support systems (air, water, soil); use renewable resources no faster than nature can replenish them; minimise the use of non-renewable resources through the three R's (Reduce, Reuse and Recycle); manage waste and prevent pollution; instil environmental awareness in society and a respect for the load capacity of ecosystems.

##### **2.4.1.2 Economic dimension**

An economically sustainable system is one that supports sustainable livelihoods, facilitates the equitable access to resources and opportunities including the equal sharing of finite ecologically productive space and the establishment of viable businesses and industries based on sound ethical principles (Van Wyk, 2011:53). To achieve economic sustainability the following principles need to be followed: promote

equity within countries, between nations, and between generations; encourage ethical business practices such as fair trade; encourage socially and environmentally responsible business practices and policies; promote equitable distribution of true costs and benefits; support local economies and job creation and base business success on the level of social and environmental responsibility (Cronjé, 2007:21).

#### **2.4.1.3 Social dimension**

Sustainable social development refers to the improvement in the well-being of individuals and society at large. The goals of distribution equity, the provision of social services, gender equality and political accountability and participation are pursued to achieve social sustainability (Cronjé, 2007:2).

Lehtonen (2004:202) is of the opinion that there is little consensus regarding the definition for the social dimension of SD and proposes that the most common framework for addressing social sustainability is that of social capital. Social capital refers to the networks of social relations characterised by norms of trust and reciprocity that facilitate collective action. The outcomes of social capital may include the well-being of an individual or society; a vibrant community and political and economic wellbeing (Lehtonen, 2004:205).

Having regard to the foregoing theories of CSR, models of decision-making, and description of sustainable development, the next paragraphs will outline the need for engaging in CSR programmes.

## **2.5 THE NEED FOR CORPORATE SOCIAL RESPONSIBILITY PROGRAMMES**

Chapter one of this mini-dissertation highlighted the obligations mandated by the King Commission Reports, (King I, II, and III), on corporate governance that companies that are listed on the Johannesburg Stock Exchange (JSE) are required by the JSE to engage in CSR activities. The above stated requirement acts as a motivation indicating that CSR is needed to help uplift the well-being of the society. Cragg (2009: 39) cited Carroll by signifying that for a social responsibility to fully address the entire range of obligations business has to society it must embody the economic, legal, ethical and discretionary categories of business performance.

CSR is a vehicle in which business assists government and communities to reduce the impact of poverty and its proliferation. CSR is mainly practised by business, where business is perceived as a solution to poverty by the society. Increasing attention is being diverted to the idea of business as a solution, not in the form of employment, provision of necessary goods and services only, but in a way that business can invest in a manner that is simultaneously viable and sustainable to the society and business. By meeting the needs of the poor, business can possibly increase their productivity and turnovers, and become an engine of empowerment (Blowfield & Murray, 2008: 93-95).

Business can meet the needs of the poor or of the community by practising CSR separately or in a combination of the following four responsibilities; firstly, by approaching CSR from an economic responsibility, secondly, from a legal responsibility point of view, thirdly, from an ethical responsibility point of view and, lastly, from a philanthropic point of view. These points of view are explained in the subsequent paragraphs, but first the umbrella phrase “corporate social responsibility commitments” is introduced briefly.

## **2.6 CORPORATE SOCIAL RESPONSIBILITY COMMITMENTS**

Deliberations about the role of business are centred on two assumptions: firstly, that companies are inherently guided by self-interest and, secondly, that they have an enduring capacity to operate on the basis of civic virtue which in common terms is a licence to operate” Regan (cited by Banarjie, 2007:13). By an extension of these assumptions business will commit either to self-interest or civic virtue in deciding on the selection of its beneficiaries or not. Linked to these assumptions (commitments), are the areas within which CSR commitments can develop.

Carroll (1991:94) in his book titled *Business Horizon* crafted a pyramid of the CSR areas in terms of which business can apply its decision-making in the selection of its CSR beneficiaries. These CSR areas are deliberated on in the forthcoming paragraphs.

### **2.6.1 Economic responsibilities**

Wisser (2006:39) points out that in a country like South Africa where the rate of unemployment is high, business is being radically encouraged (and in some cases required, for example in the mining industry) to redress inequalities of the past. Economic contribution takes an added dimension in the form of Black Economic Empowerment (BEE) and Employment Equity (EE) in the form of Affirmative Action (AA). The principal role of companies on society is to produce goods and services that consumers need and want and to make an acceptable profit in the process. A summary of some important statements characterising economic responsibilities may be as follows according to Wisser (2006:39):

- Generate investment and income
- Produce safe products and services
- Create jobs
- Invest in human capital
- Establish local business linkages
- Spread international business standards
- Support technology transfer
- Build physical and institutional infrastructure

### **2.6.2 Legal responsibilities**

Government provides a regulatory framework, through laws and regulations, within which business is required to operate. Companies also have a legal responsibility to its shareholders by way of maximising the company's profit margins. As a member of society, companies are required to abide by the laws and regulations governing the society. Laws and regulations assist by creating an equal playing field for businesses that compete against one another. For example, by obligating that all businesses must meet the same social responsibility standards, means that by complying with the laws and regulations, businesses meet a minimum level of social responsibility standards expected by government (Lawrence & Webber, 2008:57).

### **2.6.3 Ethical responsibilities**

Ferrell *et al.* (2011:179) state that organisations should establish formal ethics and compliance programmes to better address the ethical issues when they arise. Due to varied humanity backgrounds, individuals will always bring opposing sets of ethical responses and views to situations. As a result potential ethical conflict might surface. Ethical issues could be regarded as problems, situations or opportunities requiring an individual, group, or organisation to choose among several actions that must be evaluated as right or wrong, ethical or unethical.

Ethical responsibility embodies those standards, norms or expectations that reflect a concern for what consumers, employees, shareholders and the community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights. Consistent with the norms of reciprocity, CSR practices that create a perception of fairness, support, trust and commitment incur a sense of obligation among employees to reciprocate and recompense the company. It is therefore important to recognise that corporate integrity and ethical behaviour go beyond just a mere compliance with laws and regulation (Smith *et al.*, 2010:32).

### **2.6.4 Philanthropy**

Philanthropy is a charitable giving to a human cause. This includes activities that engage in acts or programmes that promote human welfare or goodwill. Examples of philanthropy include business contributions to financial resources or executive time (employees giving their time for example to the organisation of their choice, either by assisting with administration, cleaning etc.) such as contributions to the arts, education or activities that are related to community development. Corporate philanthropy is the modern expression of the charity principle. Corporates are drawn into the recognition that business and society are inextricable and are interdependent. This mutual interest places a responsibility on business to exercise care and social concern in formulating policies and conducting business operations. The distinguishing feature between philanthropy and ethical responsibilities is that the former is not expected as an ethical standard or moral obligation. Communities' wishes can be met through companies' contributing their resources to humanitarian activities, however, they are not regarded as unethical if they do not meet the society's wishes (Post *et al.* 1996:45).

## **2.7 CONCLUSION**

Corporate social responsibility is a phenomenon that is best understood through the theories that attempt to explain it. The theories of CSR outlined in this chapter are the shareholder theory, stakeholder theory, social contract theory, and the legitimacy theory. Subsequent paragraphs to the CSR theories outlined the models of decision-making that attempt to demonstrate the processes that companies can make use of to choose particular CSR beneficiaries and programmes. The decision-making models which were dealt with, are the rational decision-making model, incremental decision-making model and the mixed scanning decision-making model. The chapter further provided paragraphs on sustainable development and the dimensions thereof, and on the need for companies to engage in CSR programmes and provided the CSR responsibility commitments which are economic responsibility, legal responsibility, ethical responsibility and philanthropy.

Chapter three provides the research analysis and findings.

## CHAPTER 3

### RESEARCH ANALYSIS AND FINDINGS

#### 3.1 INTRODUCTION

The first two chapters of this mini-dissertation, focused on mapping out a clear approach of executing this research project (chapter 1), and a discussion of the theoretical background to the study (chapter 2). Item 3 of chapter 1 indicate the main objective of the research which is to study, explore and evaluate the strategies, approaches and guidelines that companies employ to select their beneficiaries; how they decide on CSR programmes to be implemented, and in which communities, and what the effects are of such decisions on sustainable development in the selected communities. Item 4 of chapter 1 presented the following research questions:

- What are the strategies of companies in compiling their lists of beneficiaries in CSR programmes?
- Which model of decision-making does companies follow in selecting their beneficiaries in CSR programmes? and
- Do companies consider sustainable development in the implementation of their CSR programmes, and how to these programmes affect sustainable development?

The research questions stated above were used in the development of a questionnaire (see Annexure 2) with the aim of achieving the research objectives. The findings that will be presented in this chapter, comprises of data that was obtained using this pre-developed questionnaire. The questionnaire was divided into two sections (sections A and B). Section A was designed to obtain biographical data and section B was designed to provide answers to the research questions in such a manner that the respondents were able to express themselves without limitation and were enabled to elaborate on their answers. The questionnaire consisted of open-ended questions as stated in item 6 of chapter 1, under research methodology, sub-paragraph 6.2.3.

The first part of the subsequent analysis consists of a consolidated interpretation of biographical data (Section A of the questionnaire); the second part consists of a

consolidated interpretation of the qualitative data (Section B of the questionnaire). The subsequent paragraphs present the analysis of the biographical data and the findings thereto.

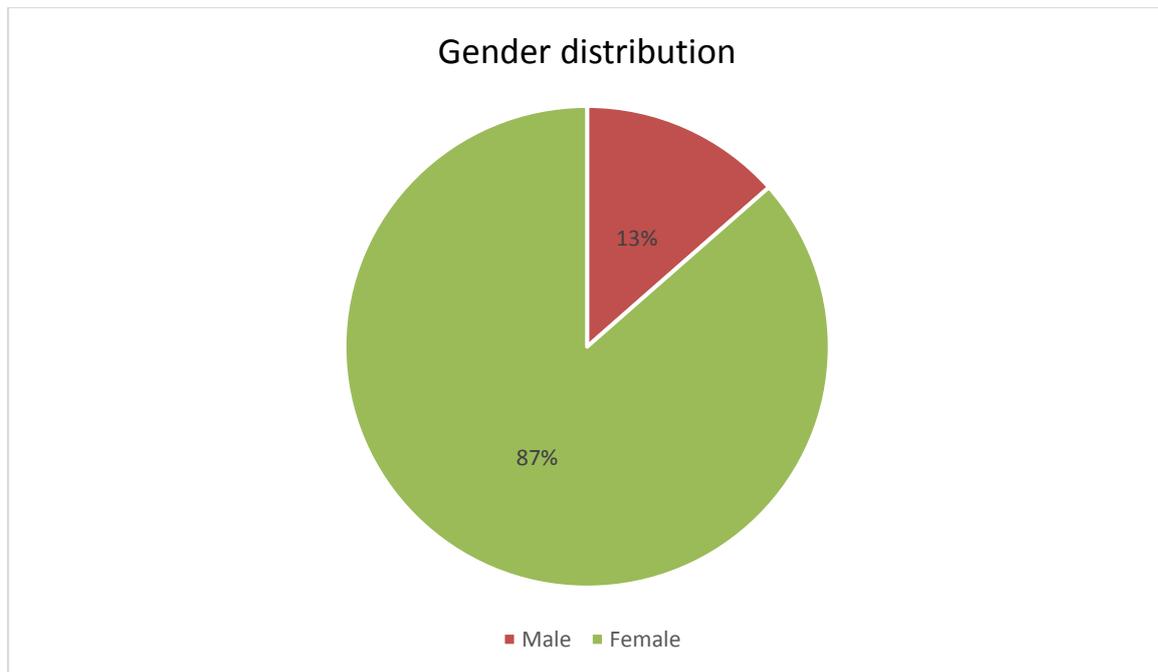
## **3.2 ANALYSIS OF BIOGRAPHICAL DATA (SECTION A OF THE QUESTIONNAIRE)**

### **3.2.1 Biographical data**

The methodology in Chapter 1 provided a scientific map in terms of how the data was collected. In line with the designed methodology, the researcher conducted the survey by communicating with the selected respondents mainly through the use of emails. The researcher also interacted with the respondents through face-to-face interviews and through telephone conversations prior to sending out the questionnaire by email. The researcher's sample consisted of fifteen companies practising CSR and the following biographical data was gathered in relation to: gender, age group, ethnicity, position in the company, the position of the official that he/she reports to, whether the respondent is a CSR practitioner, and how the respondent links to corporate social responsibility in cases where he/she is not a CSR practitioner.

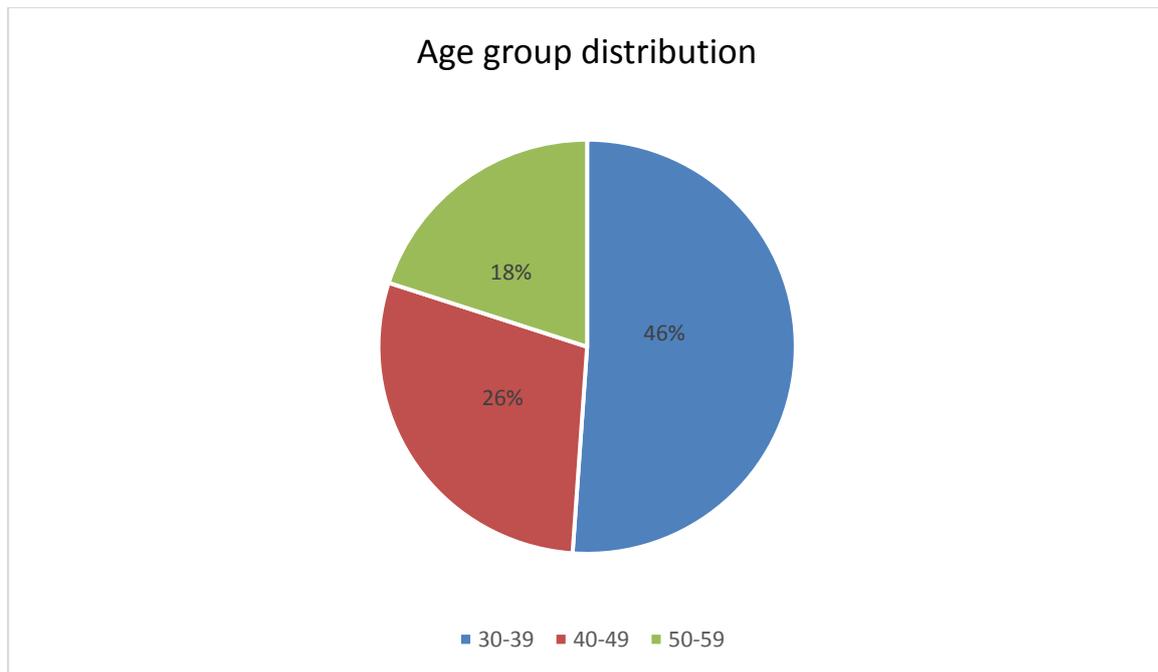
The information was consolidated by making use of the following pie charts:

Figure 1: Gender distribution.



An interesting trend in the biographical data in Figure 1 above is the high number of female practitioners in CSR positions; 87% employed compared to the male practitioners of 13%. The data indicates that CSR companies have employed a majority of females as opposed to the males.

Figure 2: Age group distribution



The percentages in Figure 2 indicate a higher percentage of CSR practitioners between the ages of 30-39 at 46%, and the percentage decreased as they reached the ages 40-49 years at 26 %, and it gets even less at the ages between 50-59 years at 18 %. The survey did not find any CSR practitioners between the ages of 20-29 years.

Figure 3: Ethnic distribution

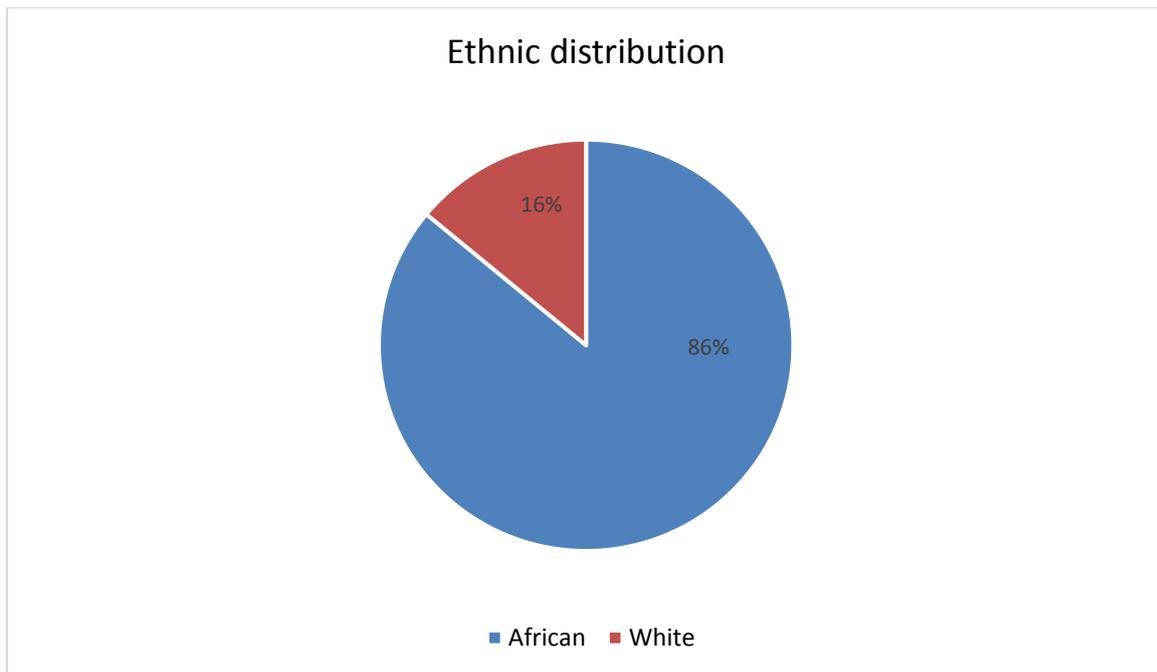
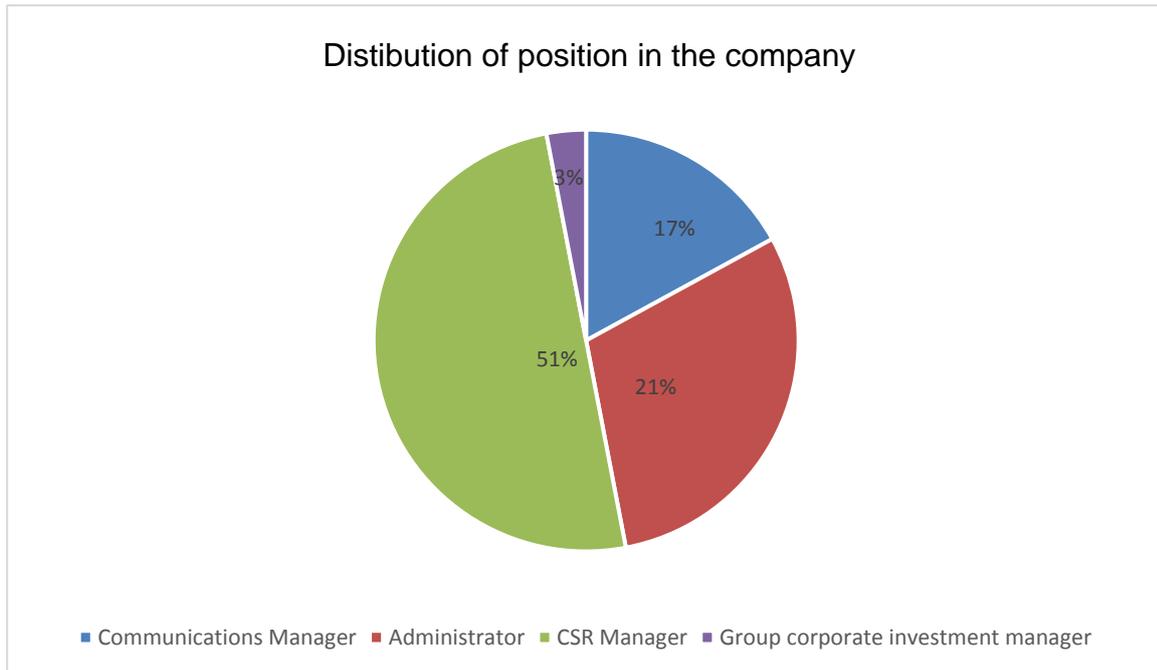


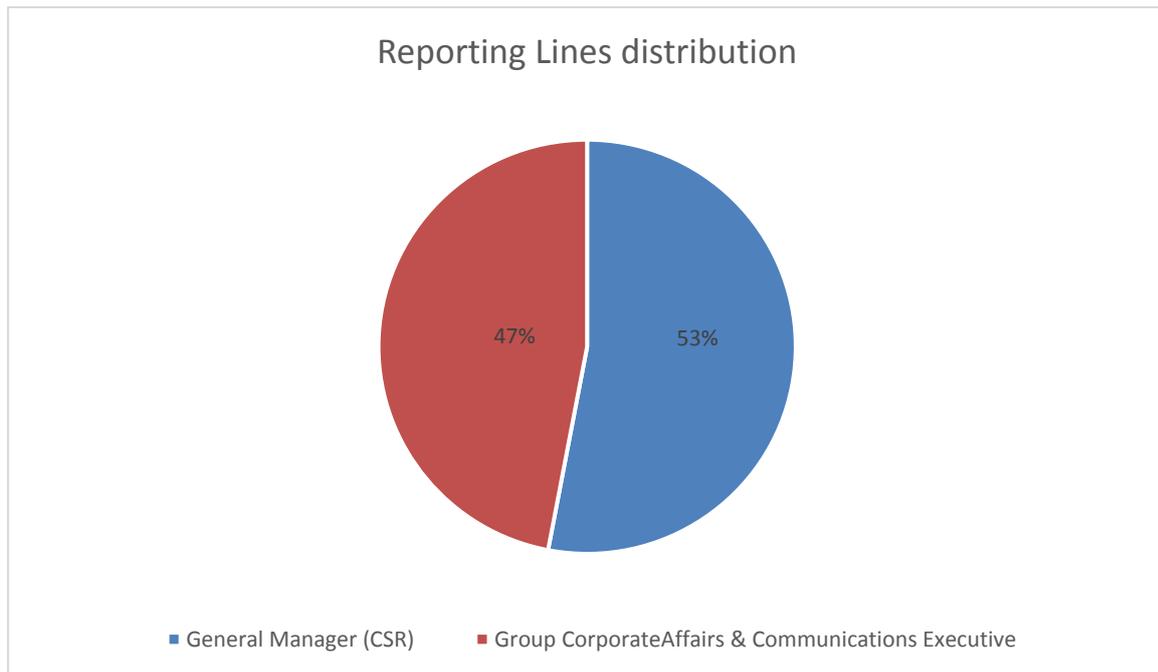
Figure 3 reflects that a high percentage of 86% of the companies employ Africans against 16 % of the companies which employ whites.

Figure 4: Distribution of position in the company



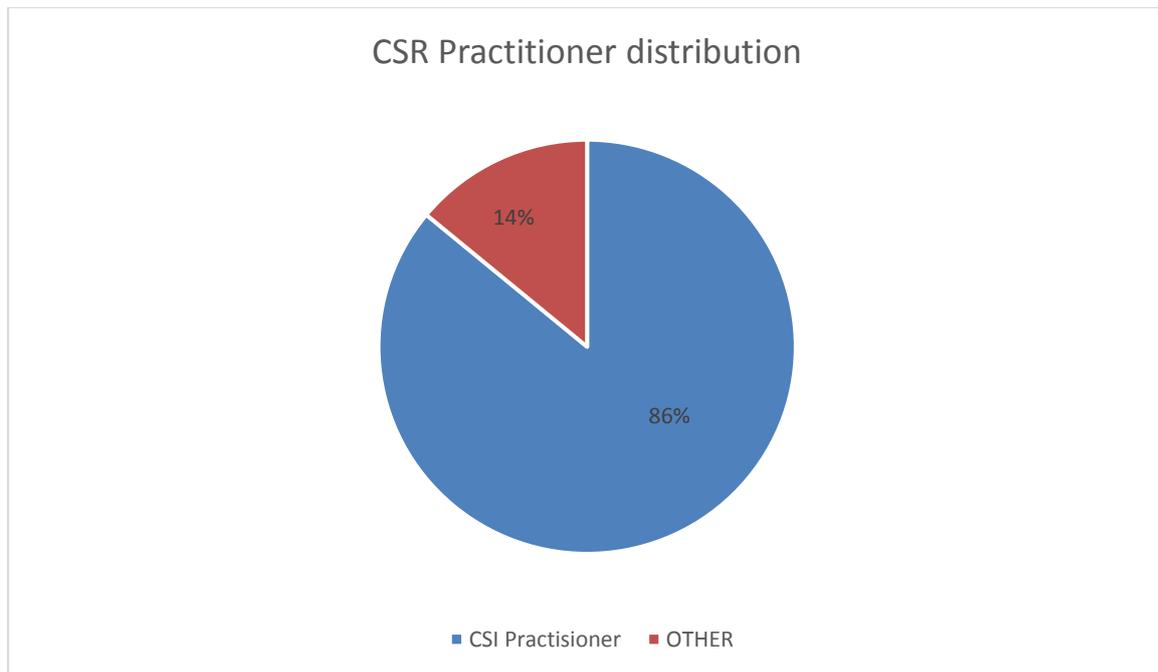
The information shown in Figure 4 provides a summary of the responses in terms of the respondents' position in the company. The following were the positions identified in the questionnaire: CSR managers, administrators, communications managers and group corporate social investment managers. The majority of the respondents were CSR managers who make up 51% of the respondents, followed by administrators at 29%, communications managers at 17%, and group corporate social investment managers at 3%.

Figure 5: Reporting lines distribution



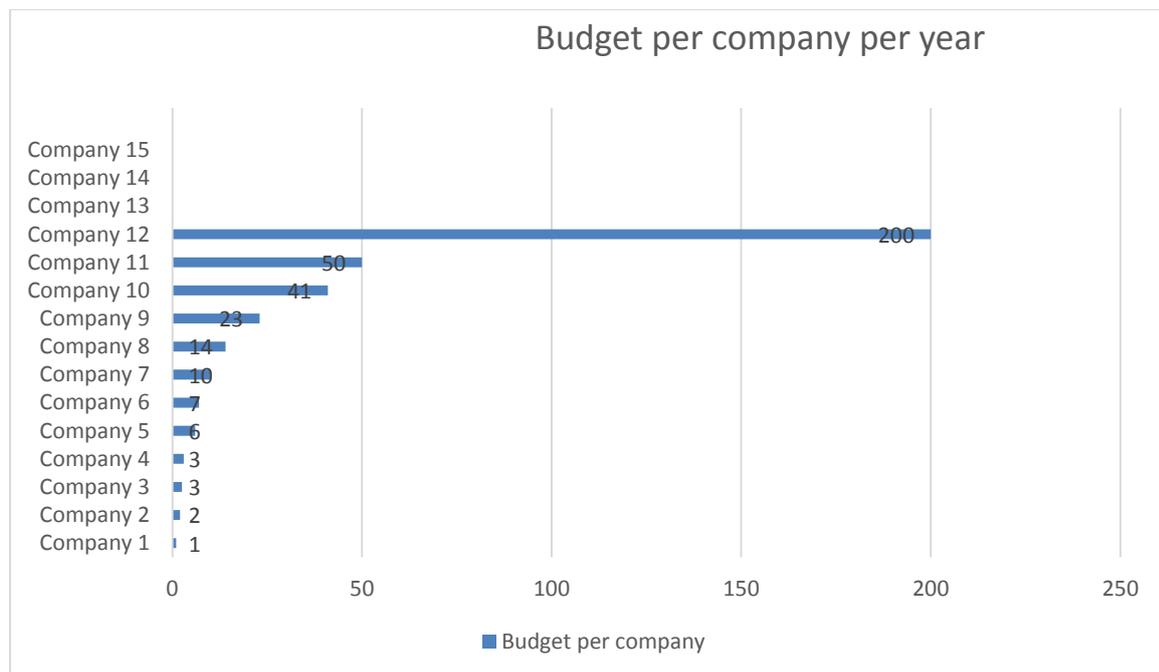
The data in Figure 5 indicates the respondents' reporting lines per company. According to the empirical evidence collected most of the CSR practitioners (53%) report to a General Manager (CSR) and 47% of the CSR practitioners report to a Group Corporate and Communications Executive.

Figure 6: CSR practitioner distribution



The data in Figure 6 represents the percentage of CSR practitioners who participated in the research, where 86 % of the respondents were CSR practitioners, where 14 % represent officials who are not directly practising CSR but are somehow responsible or linked to some activities of CSR such as trust administrators and communications managers.

Figure 7: Budget distribution for CSR per company per year expressed in R million.



The bar chart on figure 7 provides a description of how much money companies invest in their CSR initiatives. The budget allocation for the companies ranges from R1 million to R200 million, with an average of all the companies amounting to R30 million. Companies 13, 14 and 15 opted not to answer the question on the amount of the budget allocation to CSR initiatives.

### 3.3 ANALYSIS OF QUALITATIVE DATA (SECTION B OF THE QUESTIONNAIRE)

In Chapter 1 (item 3) of this mini-dissertation the following research questions were posed:

- What are the strategies of companies in compiling their lists of beneficiaries in CSR programmes?
- Which model of decision-making do companies follow in selecting their beneficiaries in CSR programmes? and
- Do companies consider sustainable development in the implementation of their CSR programmes, and how do these programmes affect sustainable development?

The subsequent paragraphs will analyse the empirical data obtained from the research questions. The analysis aims to address the above-stated research questions and the findings thereto.

### **3.3.1 Strategies of companies in compiling their lists of beneficiaries and CSR programmes**

The respondents from the researched companies practising CSR had to answer the following question **“How do companies decide on their list of beneficiaries and CSR programmes?”** From these answers, a thematic analysis of all fifteen responses was made; the codes identified were: *“policies”, “NGOs”, “focus”, “needs”, and “assessment”*. These codes contributed to the following themes: *“policies as guidelines”, “NGOs as implementing agencies”, “focus area of the company”, “responding to community needs”, and “assessment of community needs”*. The findings on these themes will subsequently be elaborated upon.

#### **3.3.1.1 Findings in terms of strategies of companies in compiling their lists of beneficiaries and CSR programmes**

The majority of companies (9 out of 15 companies) have specifically developed guidelines and policies which they use as a guide in their selection process. These companies specified a diversity of reasons as a guide in selecting their list of beneficiaries, namely: non-governmental organisation (NGOs), needs of the community (where the need is most severe), the relevant geographical location, and the CSR focus area of the company.

A triangular relationship between the company, NGO and community in a limited number of companies (only four out of fifteen companies) were indicated. This limited number of companies use the services of NGOs to implement their CSR activities in the selected parts of the community. One of the respondents provided this answer *“Beneficiaries have to be registered NGOs and have a good history of financial reporting, in addition, the particular projects which we sponsor have to be aligned to our community involvement focus areas as outlined”*.

Of the fifteen companies interviewed, the four companies also indicated that they make use of NGOs as a bridge between them and the community. NGOs apply for funding to the companies practicing CSR on behalf of their (NGOs) beneficiaries. The mentioned company take the NGO through a demanding selection process to scan if their investment will be in the right hands and ultimately benefit the selected community.

In a case where the company is satisfied with the performance of the NGO during the interviewing process, the NGO will be funded; however, the aims and objectives of the NGO must be aligned to the policy objectives of the donating company. Here is one of the answers provided by a respondent *“[It] depends on the focus area that we are looking at as to the NGO. We generally do research and then interview the NGO’s before making a decision (by committee)”*.

NGOs therefore do form part of the strategies of companies in compiling their lists of beneficiaries and CSR programmes, albeit to a limited extent.

Five of the fifteen companies indicated that they selected their beneficiaries based on the needs of the community – this is an indication that one-third of the researched companies’ strategic approach to CSR is community-needs-centred.

Two companies demonstrated the processes undertaken to select their list of beneficiaries. These companies receive a variety of funding applications, which they review and assess, do evaluations and approve the application they deem deserving to receive their funding. One of the two companies indicated that the approval depends on the company’s focus area and the relevant location and whether a budget is available. The other company did not indicate what their approval is based upon.

The next sub-paragraph will present an analysis of the empirical evidence gathered with respect to the strategies of companies.

### **3.3.1.2 Analysis of the empirical evidence gathered on CSR strategies of companies**

The empirical evidence obtained from the various companies presented a shared trend with regards to deciding which communities and projects deserve to be listed as their beneficiaries. The majority of the companies stated that they selected their beneficiaries in areas where they have business operations or where they have business facilities.

The move by companies to select their beneficiaries on the basis of where they draw their labour from or where they operate as a business is supported by the *“social contract theory”* referred in chapter 2, paragraph 2.2, sub-paragraph 2.2.3. In brief, social contract theory holds the view that business has an indirect obligation towards

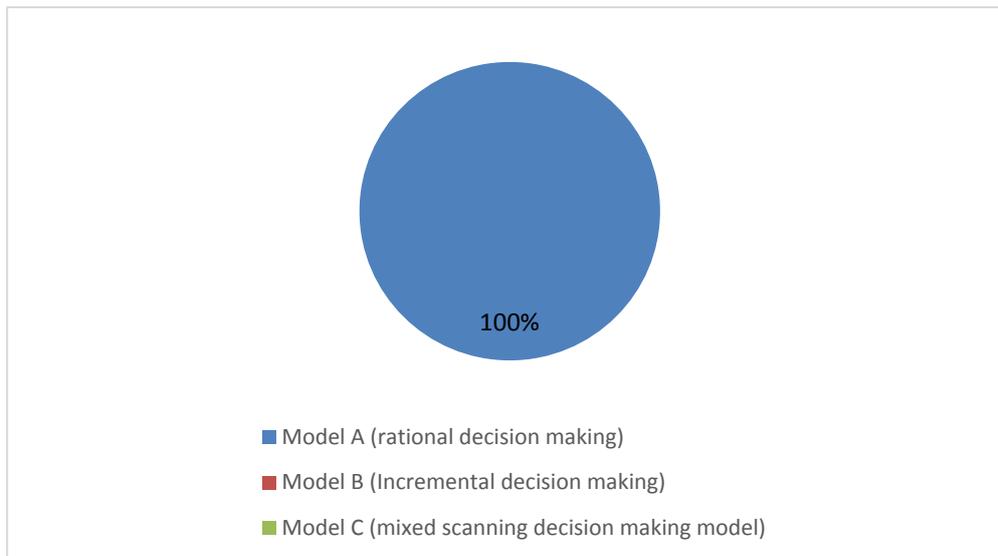
the society as business depends on society for its existence, continuity and growth. Therefore, management of the company should integrate social demands in such a way that the business operates in accordance with social values (Gariga & Mele, 2004:55-56). Throughout the empirical investigation it emerged that most companies focus their attention on the social values of education and poverty alleviation programmes. The questionnaire did not focus on which kind of educational or poverty alleviation programmes companies invest their resources in.

The next item will present the findings with respect to the decision-making model that CSR companies follow in selecting their lists of beneficiaries and CSR programmes.

### **3.3.2 Findings of the decision-making models followed by CSR companies in selecting their lists of beneficiaries and CSR programmes**

Chapter 2 has presented the following three models of decision-making: 1) the rational decision-making model, 2) the incremental decision-making model, and 3) the mixed-scanning decision-making model. This item analyses the decision-making models employed by the companies in selecting their CSR beneficiaries. The respondents were subjected to a question where they had to choose a decision-making model and elaborate on the process they engage in which is in line with company policy and practice. The following pie chart in figure 8 presents the results.

Figure 8: Decision-making model followed by company



The information presented in Figure 8 indicates that all the companies (100%) that participated in the survey employed decision-making model A (rational decision-making model) when selecting their list of beneficiaries. The rational decision-making model involves the following successive steps:

- 1) Identifying a problem;
- 2) Clarifying the problem and prioritising goals;
- 3) Generating options;
- 4) Evaluating the options (using an appropriate analysis such as cost-effective analysis);
- 5) Comparing predicted outcomes of each options; and
- 6) Choosing the option which best matches the achievement of the prioritised goal (Dearlove, 1998:19).

In line with the evidence presented in figure 8, a thematic analysis of all fifteen responses was made. The following codes were identified: “beneficiary”, “elimination”, “goals”, “assessment”, “marginalised”, and “priorities”. From these codes, the following themes were identified: “possible beneficiary”, “process of elimination”, “clearly defined goals”, “pre-project assessment”, “poorest and marginalised”, and “identification of priorities”. The responses in the research are analysed in terms of these themes as follows:

### **3.3.2.1 Analysis in terms of the decision-making model followed by companies in compiling their lists of beneficiaries and CSR programmes**

The results indicate that all the companies' decisions are planned and form part of the company's CSR strategy and policies in achieving their goals. This planned decision-making process selects a specific beneficiary(s) through a process of elimination or pre-project assessment in terms of the company's goals from those applicants that are listed as "possible" and "poorest" As previously indicated, all the companies (100%) indicated that they followed the rational comprehensive decision-making process. One of the respondents indicated that they "*aligned themselves to their goals and strategy*"; another respondent indicated that they "*do pre-project assessment*". These examples reflect a clear indication that companies follow a mapped-out process that ensures alignment with the company's CSR vision and mission in terms of the rational decision-making model.

In line with the research questions, the researcher further explored whether the companies practising CSR consider sustainable development in their CSR programmes and initiatives and, if so, how this affects sustainable development after implementation. The next item provides this analysis.

### **3.3.3 Companies' consideration of, and effect on, sustainable development through their CSR programmes and initiatives**

The third research question sought to ascertain whether companies' decision-making processes affect sustainable development in targeted communities where sustainable development was qualified in the questionnaire as "...a process whereby people use the resources without the resources running out for the next generation"; a simplified version of: to meet the needs of the present without compromising the ability of future generations to meet their own needs (Kates *et al.*, 2005:10). Sustainable development is an essential concept in making sure that companies use their resources responsibly with a view that the existing and next generations will be able to benefit from them. Chapter 2 (see item 2.4.1) has presented the following three dimensions of sustainability: 1) the environmental dimension, 2) the economic dimension, and 3) the social dimension.

In order to answer this research question, the respondents had to indicate whether the companies that they are employed in, consider sustainable development, and, secondly, how the beneficiary programmes affect sustainable development.

These two aspects will subsequently be analysed.

### **3.3.3.1 Companies' consideration of sustainable development in their CSR programmes and initiatives**

The respondents from the researched companies practicing CSR provided the following answers in relation to the question **“Do you consider sustainable development in your corporate social responsibility programmes and initiatives**, First, a thematic analysis of all fifteen responses were made. The following codes were identified: *“programmes”, “plan”, “sustainability”, “projects”, “empower”, and “investment”*. From these codes, the following themes were developed: *“programmes based on multi-year plans”, “planning for other sources of funding towards sustainability”, “CSI projects as CSR investment”, and “investing responsibly”*.

Drawing on the above codes and themes, the companies' consideration of sustainable development in their CSR programmes and initiatives can be summarised as follows: companies do not consider sustainable development as a once-off event, but as a multi-year event that is seen as a responsible investment opportunity, and that recipients must also plan for other sources of funding towards responsible investment in sustainability.

### **3.3.3.2 Analysis of beneficiary CSR programmes' effect on sustainable development.**

An analysis of this sub-paragraph will be dedicated to responses by companies on whether their programmes contribute to sustainable development.

The respondents from the companies provided answers in relation to the following question **“how does the company's decision-making process on beneficiary programmes affect sustainable development”?** A thematic analysis of the fifteen responses was made and the codes identified were: *“impact”, “communities”, and “giving”*. These codes contributed to the following themes: *“sustained impact”, “capacitating communities”, and “giving back”*.

The majority of the companies did not demonstrate how their beneficiary programmes affect sustainable development. Only two out of fifteen companies managed to demonstrate how their CSR interventions embrace the concept of sustainable development by referring to the need for creating sustainability in order to capacitate members of the community.

Also, the responses indicated that the companies' focus on sustainable development was on the social and economic dimensions of the "triple bottom line" and not on the environmental dimension.

### **3.3.3.3 Analyses of sustainable development in relation to CSR programmes**

The following analysis reflects on the two questions asked in the questionnaire on sustainable development. The analyses will combine responses from the two questions given their similarities and the fact that they complement each other and in some instances their answers overlap.

First, the analyses will be based on the following question **"do you consider sustainable development in your corporate social responsibility programmes and initiatives?"** To guard against any uninformed interpretation of sustainable development, the questionnaire briefly gave a definition of what sustainable development is. Of the 15 companies who responded, the majority (13 out of 15) responded yes to the question on whether they consider sustainable development in their corporate social responsibility programmes and initiatives. The remaining two companies were silent on the question (they did not respond yes or no).

Although the majority (13 out of 15) responded yes to the question, only two respondents demonstrated relatively on how their companies consider sustainable development. The remaining 11 companies did not demonstrate relevantly as to how (in what way or manner) their companies consider sustainable development.

The featured responses therefore indicated that the majority of companies incorporate sustainable development in their corporate social responsibility programmes and initiatives, but were lacking on how exactly it was considered.

The question “**how does your company’s decision-making process on beneficiary projects affect sustainable development in the communities where the beneficiary projects are being implemented?**” yielded minimum results where only 2 out of the 15 companies explained the “how” and “effect” in reference to the responses provided. The remainder of the respondents’ answers neither related nor linked to the question of the effect of their CSR programmes on sustainable development. The minority of companies (2 out of 10) therefore managed to provide a relevant answer by demonstrating how their companies’ decisions on beneficiary projects affect sustainable development. This is a worrying result of the research, as respondents reported that their companies do consider sustainable development but at the same time could not indicate how this consideration had an effect on sustainability in the beneficiary CSR projects through the implementation thereof.

In terms of the theoretical exposition of sustainable development in Chapter 2, consisting of the three dimensions of sustainability, namely the environmental, economic and social dimensions, the findings show that the emphasis of sustainability in selecting the companies’ beneficiaries in the researched companies was the economic and social dimensions only. The environmental dimension was therefore not considered important by the companies.

#### **4 CONCLUSION**

The analysis and findings of this chapter pointed out that companies respectively employ diverse strategies in deciding on their list of beneficiaries. The common denominator in the majority of companies with respect to how they decide on their list of beneficiaries is that they commit their resources to initiatives that are aimed at responding to community needs in areas where they draw labour from and where they have business operations. In addition, companies’ CSR initiatives are mainly directed towards the poor and marginalised communities. The strategies employed by the companies are in line with the recommendation presented in chapter 1 of this research by the King I Report which states that “companies should view themselves as residents in the location where they operate their business, act in a spirit of good neighbourliness, reach out and be sensitive to the needs of communities”.

The research has also shown that companies systematically make decisions to select their lists of beneficiaries. The empirical evidence has shown that there are thought

processes undertaken by companies to select their lists of beneficiaries. The scientific theory in chapter two presented three models of decision-making. The research has proven that the companies follow a particular model to select their beneficiaries, namely the rational-comprehensive one. This model assists companies to maintain focus and not to deviate from the original plan. This model also provides guidance in the achievement of the objectives and mission of the company.

While it is important for companies to focus their attention on the mission of the company, it is also imperative to align decisions on CSR strategies and approaches to sustainable development. Sustainable development ensures intergenerational benefit on programmes that aim at closing the poverty gap and other related social challenges. The empirical evidence of this research study has shown that most of the companies do incorporate sustainable development in their CSR strategies and programmes, but do not know how sustainability is achieved in the communities of the targeted beneficiaries.

The next Chapter (Chapter 4) provides concluding remarks and recommendations based on the findings of Chapter 3.

## **CHAPTER 4**

### **CONCLUSION AND RECOMMENDATIONS**

## 4.1 INTRODUCTION

Corporate social responsibility (CSR) can play a noteworthy role by positively transforming the socio-economic status of the society and the country. The CSR initiatives by and large occupy an exceptional position in closing the poverty gap. These initiatives are, ideally, decided upon and implemented to provide much needed assistance in places where the state falls short in fulfilling societal needs. Corporate companies have adopted contemporary approaches of doing business by not only being fixated on growing shareholders wealth, but by also incorporating CSR programmes in their business operations. The scientific theory in chapter 2 has indicated that CSR does not only benefit the society; it also strategically assists business to interact with the society meaningfully while addressing the needs and wishes of the society. The conspicuous care in a form of financial assistance to community programmes demonstrated by the companies reciprocally enables companies and communities to enjoy a symbiotic relationship. Chapter 2 of the research has demonstrated how companies are in some way obliged by the specific regulatory and institutional frameworks to implement CSR programmes. CSR programmes can be best and fully utilised to the benefit of the society by companies that are acquainted with strategies and selection methods on how to identify beneficiaries towards the implementation of their CSR programmes in order to attain sustainable development.

The main objective of this research was to explore and evaluate the strategic approaches and guidelines that companies employ to select and prefer one or more community over the other as their beneficiaries; how they decide on which CSR programmes must be implemented in those communities, and what the effects of such decisions are on sustainable development in the selected communities. Chapter 1, item 2 indicated that, in general, in most areas CSR is either negligible or non-existent. Communities continue to experience the consequences of gaps between policy and practice, and policy and human rights, which impact heavily on the potential for sustainable development.

The sub-objectives of the study were threefold:

- To investigate the strategies of companies in compiling their lists of beneficiaries in CSR programmes, with a view to understanding on which basis such listing occurs.
- To study and investigate which decision-making model companies follow in selecting their beneficiaries in CSR programmes.
- To investigate whether companies consider sustainable development in implementing their CSR programmes, and how these programmes affect sustainable development.

This concluding chapter will point out whether the empirical study has achieved the objectives of the research study. In order to establish whether the research study has accomplished its objectives, it is therefore necessary to list the research objectives and to demonstrate how the study has accomplished them or not. Subsequent to the above, this chapter will propose recommendations based on the research results. The following paragraphs highlight the research objectives and what the empirical evidence has found.

## **4.2 RESEARCH OBJECTIVES**

The results highlighted under the following research objectives provide a broadened view in respect of how companies conduct their CSR practices. It further indicates the decision-making model that companies apply and how sustainable development is incorporated in their CSR programmes.

### **4.2.1 Research objective 1: To investigate the strategies of companies in compiling their lists of beneficiaries in CSR programmes, with a view to understanding on which basis such listing occurs**

The strategies that companies follow in the selection of their lists of beneficiaries and programmes are documented in chapter three of this mini-dissertation. The research objective intended to determine whether companies practising CSR follow a specific

strategy in selecting their beneficiaries or whether they select their beneficiaries randomly.

The research results show that companies do have a strategic basis in selecting their lists of beneficiaries as stakeholders in their CSR programmes. The majority of companies indicated that they select their lists of beneficiaries in areas where they have business operations or where they have business facilities. This practice and strategy are validated by chapter 16 of the King I Report which states that companies should view themselves as residents in the locations where they operate their businesses, act in a spirit of good neighbourliness, reach out and be sensitive to the needs of the communities (*The King Report on Corporate Governance*, 1994:23).

Stakeholder theory holds the view that, when businesses interact so often and so closely with the society, a shared interest and interdependence develop between them and other social groups. Stakeholders are all groups affected by, or those that can affect a company's decisions, policies and/or operations (Post *et al.*, 1996:08). While the majority of companies select their lists of beneficiaries where they draw labour from and where they have business facilities, the minority of companies relied on Non-Governmental Organizations (NGOs) to help them select their lists of beneficiaries. The companies' reliance on NGOs indicates that, to a limited extent, some companies have a specific (NGO-related) internal strategy and selection criteria as they put reliance on NGOs in selecting beneficiaries and CSR programmes. The majority of companies do, however, have strategies by which they select their beneficiaries themselves.

#### **4.2.2 Research objective 2: To study and investigate which decision-making model companies follow in selecting their beneficiaries in CSR programmes**

In relation to the research objective stated above, Chapter 2 discussed three types of decision-making models that companies may choose to apply in selecting their list of beneficiaries; these models are: the rational decision-making model, the incremental decision-making model, and the mixed scanning decision-making model.

The empirical evidence showed that all companies employ the rational decision-making model in selecting their lists of beneficiaries.

The rational decision-making model involves the following successive steps as illustrated in chapter 2.

- Identifying a problem,
- Clarifying the problem and prioritizing of goals,
- Generating options,
- Evaluating the option (by using an appropriate analysis such as cost effective analysis),
- Comparing the predicted outcomes of each option on the achievement of the goals, and
- Choosing the option which best matches the achievement of the prioritised goals.

As the above-stated model was adopted by all companies (including the few who relied on NGOs to make the selection on their behalf), this style of decision-making provides a step-by-step guide on how their CSR beneficiaries should be selected. A key element about the selected model is that it assists companies to keep their focus on specific sets of goals and not deviate from their objectives.

The rational decision-making model has received criticism from academics like Charles Lindblom. Lindblom argues that it is not all the time that decision-makers are faced with concrete clearly defined problems. He argues that the rational model of decision-making assumes that a decision-maker is all the time confronted with challenges of value conflict rather than value agreement (Anderson, 2011:128)

Herbert Simon also explored the rational decision-making model in administrative organisation's and identified the following three flaws in relation to rational decision-making model: Firstly, it requires that alternatives are known before hand, yet in reality, only few alternatives can ever be specified. Secondly, rationality requires a complete knowledge of the consequences resulting from each alternative, yet the complexity of

most policy problems makes this impossible. Thirdly, imagining future consequences implies some level of value judgment in the decision; yet values can never be anticipated or completely defined (Simon, 1973:93).

Based on the above criticisms, companies may be required to rethink their strategy and be critical when choosing a decision-making model. In order to address the weaknesses as highlighted by Herbert Simon on rational decision-making, companies should consider strengthening their approach by including steps that will enable them to respond to any unforeseen challenges. Companies may make use of some of the steps advanced by Etzioni, such as “the use of focused trial and error, being tentative and going slow and last but not least procrastinating in case of uncertainty” (Hoy & Tarter, 2004:49-50). Also, companies could consider using a model which is able to respond positively to any unforeseen challenges. In cases where CSR companies fail to respond to unforeseen challenges in accordance with the rational decision-making model, there may be a need to utilise an alternative decision-making model, namely the mixed scanning decision-making model.

#### **4.2.3 Research objective 3: To investigate whether companies consider sustainable development in implementing their CSR programmes, and how these projects affect sustainable development**

The concept of sustainable development was deliberated on in Chapter 2 of this mini-dissertation (see item 2.4). The objective of including sustainable development in the research was to determine whether companies consider the environmental, economic, and social interests (see item 2.4.1) of present and future generations in their implementation of their CSR initiatives.

The empirical evidence established that the majority of companies do consider sustainable development and therefore do incorporate sustainable development in their CSR activities. However, the majority of companies (thirteen out of fifteen) failed to answer the question on “how do their decision-making process affect sustainable development in targeted communities” Their answers were neither related nor linked to the question on sustainable development. The minority of companies (two out of

fifteen) managed to provide a relevant answer by demonstrating how their companies affect sustainable development.

In the minority of cases where sustainability was referred to, such sustainability referred to the social and economic dimensions thereof with the exclusion of the environmental dimension.

To summarise: the study found that the majority of companies do plan and incorporate sustainable development when deciding on their selection of the beneficiaries of their CSR programmes. However, the majority of the companies were not able to demonstrate the effect that their CSR programmes have on the targeted communities of their selected CSR programmes.

The lack of demonstrating the effect of their CSR programmes on the selected beneficiaries indicates that they either do not understand the concept, or disregard it as a necessary component in the formulation and implementation of their CSR programmes towards the impact and longevity of their initiatives and the outcomes thereof on society. This form of approach is contrary to the legitimacy theory which posits that companies need to be seen as doing good to present and future communities.

### **4.3 RECOMMENDATIONS**

The recommendations contained in this Chapter are generated and developed by means of addressing the weaknesses established during the collection and analysis of the empirical evidence. The evidence has shown how companies strategise their CSR programmes with regard to selecting their list of beneficiaries. In the pursuit of trying to address the weaknesses established during the research, the following recommendations are suggested in line with the order of the research objectives.

#### **4.3.1 Strategies of companies in terms of selecting their list of beneficiaries:**

- Communities from which they draw their labour and which are adjacent to business operations are the first to benefit from the CSR programmes; this

corresponds to the King recommendations and was confirmed by the empirical evidence where the majority of companies indicated that they provide CSR initiatives in adjacent communities where they draw labour from. Consideration should, however, also be given to a wider range of communities that include remote communities who are also consumers of their products.

#### **4.3.2 Decision-making models employed:**

The research indicated that all the companies follow a predetermined process in selecting their list of beneficiaries and CSR programmes. The model which all the companies employ is the rational decision-making model.

- Companies could consider a decision-making model that will allow room for flexibility and diversity while keeping focused on the main objectives. An alternative decision-making model that can be employed is the mixed-scanning decision-making model. This model is a more flexible one compared to the rational comprehensive and incremental models.

#### **4.3.3 To study and investigate how the decision-making processes affect sustainable development**

Sustainable development is a concept that companies should neither take for granted nor overlook with regard to the social needs of the present and future generations. CSR programmes should therefore be developed and implemented in such a way that they benefit not only the present, but also the next generations. Drawing on the empirical evidence collected and analysed, the following recommendations are made:

- It is important for companies not only to consider sustainable development in their selection of their CSR programmes, but also to follow through with the process of assessing what the effects of such programmes are on the selected beneficiaries. As stated earlier, the research found that the majority of companies do consider sustainable development in the selection of their beneficiaries, but at the same time do not measure the effects of their CSR programmes on the targeted communities. This may be the result of either not understanding the concept, or disregard it as

an enabling component in both the formulation and implementation of their CSR programmes.

- Companies also need to ensure that their human capital acquire a knowledge of what sustainable development entails, for example by organising workshops/training that will orientate their staff about sustainable development.

In view of the above stated conclusions and recommendations, the following areas of research may add value to the broader concept of corporate social responsibility.

#### **4.4 AREAS FOR FURTHER RESEARCH**

The rationale for including areas for future research is motivated by the limitations and weaknesses which the researcher has identified with the research. These limitations and weaknesses are areas which researchers may consider in future with the aim of adding value to the general or specific practices of CSR. They may also serve as a guide for prospective researchers to formulate their research topics. The researcher has identified the following as areas for future research:

- Studying the effectiveness of NGOs in implementing the CSR programmes on behalf of CSR companies.
- Investigating CSR companies' understanding of sustainable development and its influence on the quality of their CSR programmes.
- Investigating verification processes applied to NGOs in a case where they applied for funding by CSR companies.
- Investigating the impact of partnerships between NGOs and companies in the selection and implementation of CSR initiatives.

#### **4.5 FINAL CONCLUDING REMARKS**

The theoretical overview shows that the practice of corporate social responsibility has had a span of over half a century. These practices can build a better citizenry and prevent unforeseen social ills that might have been caused by poverty. In summary, the research focused on three important issues.

Firstly, this research study investigated the strategies of companies in compiling their lists of beneficiaries in CSR programmes, with a view to understanding on which basis such listing occurs. Most companies indicated that their selection strategies focused on the poorest communities and in the geographical areas where their companies are based.

Secondly, the research study investigated the decision-making model that CSR companies follow in selecting their lists of beneficiaries for CSR programmes. The research has found that all companies utilise a similar model, namely the rational comprehensive decision-making model. This may suggest that companies are not cognisant of other decision-making models. It may assist if CSR companies acquaint themselves with other alternate models.

Thirdly, the research study investigated whether companies consider sustainable development in implementing their CSR programmes, and how these programmes affect sustainable development. The results indicated that only a limited number of companies assess the effect of their CSR programmes on the selected beneficiaries. It is a worrisome to note that most of the researched companies are not concerned about their CSR projects' influence on both the present and next generations. It is of paramount importance that CSR practitioners should try to influence the CSR policy frameworks of companies with the aim of not only incorporating sustainable development in their CSR programmes, but also to assess the effect thereof on selected beneficiaries.

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## **ANNEXURE 1**

North-West University

Potchefstroom Campus

01 February 2015

Dear Sir/Madam

This research project's purpose is in to determine the decision-making models employed by companies practicing corporate social responsibility programmes and/or activities. The objectives of the research is to determine the reasons why, for example, companies select beneficiary A over beneficiary B and, further, in determining whether there is any decision-making model/process followed in selecting beneficiaries.

The questionnaire should not take more than 25 minutes of your time. Your response in this regard is highly valued and of utmost importance.

The following ethical considerations are considered.

- All responses, company records and notes of participation will be kept strictly confidential.
- Information about this research project will not be made public in a way that identifies any individual or company participants.
- The results from this study may be published in the form research report and academic/professional journal articles.
- This research study has been awarded an ethical clearance by the university.

Should you have any queries or comments regarding this survey, you are welcome to contact me telephonically at 011 999 5444 or 073 42 55 616 or email at tshoanemogaladi@gmail.com

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

---

**Participant's signature**

---

**Researcher's signature**

---

**Date**

## ANNEXURE 2

PLEASE ANSWER THE FOLLOWING QUESTION BY CROSSING AN (X) IN THE RELEVANT BLOCK OR WRITING DOWN YOUR ANSWER IN THE SPACE PROVIDED

Example of how to complete this questionnaire

Your gender?

If you are Female:

Male	1
Female	2

### Section A – Background information

This section of the questionnaire refers to the background or biographical information. Although we are aware of the sensitivity of the questions in this section, the information obtained here will allow us to compare the groups of respondents, once again, we assure you that your responses will remain anonymous. Your cooperation is appreciated.

#### 1 Gender

Male	1
Female	2

#### 2 Age group

20-24 yrs	24-29 yrs	30-34 yrs	35-39 yrs	40-44 yrs	45-49 yrs	50-54 yrs	55-59 yrs	60 yrs
1	2	3	4	5	6	7	8	9

#### 3 Ethnicity

African	1
Indian	2
Coloured	3
White	4
Other	5

#### 4 What is your current position in the company?

#### 5 What is the position of the person you report to?

#### 6 Are you a corporate social responsibility practitioner?

Yes	1
No	2

7 If your answer above is no, how do link to corporate social responsibility practice?

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**Section B**

This section explores the decision-making models employed by your organization with regards to the selection of your beneficiaries.

8 What is the minimum budget (in Rands) you have received yearly for the past three consecutive years?

9 On what basis do you decide which communities and projects deserve to be listed as your beneficiaries?

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10 Is there any particular process you follow to select your beneficiaries?

Yes	1
No	2

If yes, briefly describe the process?

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---

If no, how do you select your beneficiaries?

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11 Do you consider sustainable development in your corporate social responsibility programmes and initiatives?

*(Sustainable development - is a process whereby people use the resources without the resources running out for the next generation)*

Yes	1
No	2

Please elaborate how.

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12 How does your company's decision making process on beneficiary projects affect sustainable development in the communities where the beneficiary projects are being implemented? Please describe.

Yes	1
No	2

If the answer is yes, please elaborate.

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Thank you for co-operation in completing this questionnaire.

## *Declaration*

*This is to declare that I, Annette L Combrink, accredited language editor and translator of the South African Translators' Institute, have language-edited the dissertation*  
*by*

T Mogaladi

*with the title*

Investigating selection criteria and methods used by companies in deciding on the beneficiaries of their corporate social responsibility programmes



*Prof Annette L Combrink*

*Accredited translator and language editor*

*South African Translators' Institute*

*Membership No. 1000356*

*Date: 12 November 2015*