

**A CASE STUDY OF THE STRATEGIC NATURE OF
DAIMLERCHRYSLER SOUTH AFRICA'S CORPORATE SOCIAL
INVESTMENT PROGRAMMES IN THE LOCAL COMMUNITIES
OF THE BORDER-KEI REGION IN THE EASTERN CAPE
PROVINCE**

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Abstract

Corporate social responsibility has become the business issue of the 21st century. Heightened expectations of the business sector, globalisation and increased media attention on the role of business in society are casting an intense spotlight on this issue. As a result, pressure has built on business to play a larger role in bringing about socio-economic development to many local communities where they operate. While for a long time companies have been involved in the community on a philanthropy basis, many companies today are reassessing the manner in which they conduct their corporate social responsibility programmes. Many companies are including corporate social responsibility issues into their strategic planning process and overall corporate strategy. Emphasis is given to certain strategic indicators that must be present in order for a company to be said to have taken a strategic approach to corporate social responsibility. This study adopted a critical-realist approach using a case study method to evaluate DaimlerChrysler South Africa's corporate social investment programmes in the local community of the Border-Kei region against these strategic indicators.

This new form of engagement is even challenging for a multinational corporation, which may feel that it is only obliged to assist the local community where its corporate headquarters is located. But as companies derive an ever-larger share of revenue and profits from international operations, multinational companies are being called upon to redefine "community", by looking beyond local, domestic and geographical communities to include those in regions where they have factories or factories operated by key suppliers. This study found that DCSA was strategically involved and had a good relationship with its local community. However, the company needs to be more connected with the rural communities to make local projects more successful especially after handover.

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DEDICATION

I sincerely dedicate this work to my dear late father, **Mr Joseph Oluoch Odiga** (1936-1998), for believing in me and pushing me to reach my full potential. For his wisdom in life and for instilling in his children at a young age so many important values, most importantly to always think ahead and work hard.

DECLARATION

I declare that this is my own unaided work. It is being submitted for the Master of Commerce degree at Rhodes University, Grahamstown. It has not been submitted before for any degree or examination in any other University.

Signed _____

_____ day of _____ 2003

OPENING

Business has become the most powerful institution on the planet. The dominant institution in any society needs to take responsibility for the whole. But business has not had such a tradition. This is a new role, not well understood or accepted. Built on the concept of capitalism and free enterprise from the beginning was the assumption that the actions of many units of individual enterprise, responding to market forces and guided by the “invisible hand” of Adam Smith, would somehow add up to desirable outcomes. But in the last decade of the twentieth century, it has become clear that the “invisible hand” is faltering. It depended on a consensus of overarching means and values that are no longer present. So business has to adopt a tradition it has never had throughout the entire history of capitalism: to share responsibility for the whole. Every decision that is made, every action that is taken, must be viewed in light of that responsibility.

-WILLIS HARMAN, CO-FOUNDER OF THE WORLD BUSINESS ACADEMY.

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CHAPTER ONE: INTRODUCTION AND PROBLEM STATEMENT

“Every corporation is a citizen – an economic and social force touching many communities.”- *The Centre for Corporate Citizenship at Boston College, Chestnut Hill, MA, USA.*

1.0 Introduction to Corporate Social Responsibility

Businesses have traditionally defined themselves purely as economic entities maximizing returns for their owners. Today, however, business organizations are being called upon to play a broader role in society. The need for companies to redefine themselves as economic and social entities is embodied in the concept of corporate social responsibility whereby companies are increasingly being called upon to be good corporate citizens in the communities in which they conduct their business operations.

This important view is strengthened by what is called the triple bottom line'- that is, the obligation on companies to care for three distinct dimensions which are:

- the financial health of the company and the need to increase stakeholders' wealth,
- the safety of workers and products,
- the well being of the natural and social environment in which companies operate (Estehuyse, 2002:10).

Frederick, Davis and Post (1988:23) argue that a business is an integral part of the society in which it operates and as such it is vitally important for business managers to be aware of the social environment and to interact with it skilfully and carefully. Business operations occur in a complex social environment and businesses have a social and moral obligation to take care of the society in which they operate. If a business fails to take care of its social environment, its long-term survival may be jeopardized. Seen this way, the sustainability of society and business as related entities becomes increasingly

important. Therefore being a socially responsible company is good for business, because in the long-term it increases shareholder value as well as committing the business's skills, money and resources in solving society's problems.

Shevel (2001:10) observes that developments locally and internationally have highlighted the need for companies to engage in corporate social investment programmes. For example, good corporate governance as defined by King II, a revision of the King code on Corporate Governance in South Africa (King Report, 2002:114), requires that companies should place social and transformation issues on their boardroom agendas. The King Report (2002:114) continues that in a society like South Africa, where social imbalances have existed for many decades, the need for "ploughing back" and the need for a greater social and ethical conscience of companies are crucial for their long-term survival. For this reason, South African companies are increasingly seen as agents of change and through activities such as corporate social investment programmes, companies can bring about developments in local communities and improve the well-being of society generally.

The way corporate social responsibility programmes are conducted is also changing. There is a shift from a short-term *ad hoc* approach to corporate social investment to a more involved long-term engagement in corporate social investment programmes. As a result, companies are increasingly reviewing their approach to corporate social investment initiatives. Many corporate social investment programmes are now being aligned to core corporate values, and integrated into the overall corporate strategic planning process. Birch (2001:3) supports the above view by arguing that sustainable change in this area can occur only when companies adopt a corporate strategy that puts corporate social responsibility at the heart of corporate culture and conduct, that is, to make it a strategic issue in business organizations.

1.1 An Overview of Corporate Social Responsibility in South Africa

Corporate social responsibility in South Africa has undergone fundamental change since its introduction in the early 1970's. During the apartheid era, American companies operating in South Africa were compelled to follow the Sullivan Code, which was introduced in 1977. This code required American companies to have social investment programmes in order to maintain a presence in South Africa. Alperson (1995:5) contends that before the introduction of the Sullivan Code, South African companies gave little attention to corporate social investment programmes. In fact, no partnership between businesses and their stakeholders existed and most corporate social investment programmes were generally *ad hoc* donation programmes.

Today, companies in South Africa realize that they need to engage communities on a more permanent basis and they are therefore spending more time on planning, implementation and delivery of corporate social investment projects. As a result, there is more consultation and engagement at grass roots level with communities. Businesses are also realizing that people are not only cash-conscious, but they also want to be empowered to help themselves and hence the move away from a cheque book mentality to a more involved development-based approach.

Rockey (1998:3) observes that the shift away from a 'handout philosophy' to a more developmental approach brings with it the concepts of empowerment and sustainability and necessitates a new approach to corporate social investment. This, in turn, requires partnership building with communities and other role players in order to maximize the impact on development. When communities are consulted and partnerships are formed between the parties, there is a feeling of ownership on the part of the community. This removes the so-called paternalist approach that led to a major failure of many projects because the communities were not made a part of the process. Rockey (1998:1) argues also that there has been a dramatic shift in private sector attitude towards corporate social investment. Corporate social investment

programmes have moved from the realm of “nice to have” into one of “must have”, with organizations working alongside government, albeit independently, in an effort to meet the demands of the transformation envisaged for the country.

Recent developments such as the King Committee Report on Corporate Governance in South Africa (King II, 2002:91) which states that sustainability in the corporate context means that each enterprise must balance the needs for long-term viability and prosperity - of the enterprise itself and the society and the environment upon which it relies- with short-term financial gain have also made companies to take corporate social investment issues more seriously. Business organizations have the ability to use their power, resources and influence to bring about socio-economic change in society. As a result, businesses are now realizing that the private sector’s contribution to development is valuable, necessary and potentially powerful if appropriately harnessed.

The need for corporate social investment programmes in South Africa and the Eastern Cape in particular is immense. Poverty is one of the leading socio-economic challenges facing the region. Lester, Nel and Binns (2000:241) observe that the extremely high unemployment figure in the country generally and in the Eastern Cape in particular is a serious cause for concern in a country which is trying to promote equal opportunity for all its citizens whilst simultaneously addressing past injustices. In this regard, Lester et al (2000:237) observe that a more rural province such as the Eastern Cape which absorbed several of the former ‘homelands’, has the highest concentration of poverty, with unemployment nearly 60%, when compared to other provinces.

Poverty is concentrated mainly amongst black people. Also, this province has the highest number of unemployed youth in the country and is facing a decline in the performance of the education system generally (*Daily Dispatch*, May 25, 2002). But on a broader level, South Africa is developing off a very poor base

in health, welfare, and education across the board and this puts a lot more responsibility on companies, because there are simply not enough state resources to meet the developmental needs of the country (*Sunday Times*, February 9, 2003).

Given these development challenges facing South Africa today, the private sector's specific role in this regard is more relevant than ever before. Corporate social investment is one vehicle companies can use to bring about socio-economic development to many disadvantaged communities. Business organizations in South Africa are recognizing their role in making South Africa develop socially and economically. This can be seen from the major focus areas of their corporate social investment programmes which are in education, training, job creation, small business development, health and welfare (*Sunday Times Business Times*, May 26, 2002:20). Both government and business must address these socio-economic challenges if the country is to aspire to social and economic equality for all its citizens.

In recognizing business' role in bringing about socio-economic development, Thorne and Smith (2000:22) argue that world class organizations in the new millennium will have to focus outwardly by accepting social and environmental responsibilities, thereby maintaining a cohesive and positive society that can provide the best possible conditions for business growth. Providing a stable social order will bring a competitive advantage since organisational purpose will be more than just increasing profit or market share. It will reflect an on-going commitment to adding value to employees, customers and the wider community.

The debate about the appropriateness of the term *responsibility* has also been a focus of debate in South African companies carrying out corporate social responsibility programmes. *Corporate social responsibility* was the term used by the Sullivan Code signatory companies under the Apartheid regime. Other South African companies later adopted this term. With the changed social investment environment in the country, many companies have moved away

from using the term 'responsibility' towards a terminology that reflects a focus on investment, and highlights the importance of 'community' and of 'development'. With this focus on community development, Rockey (1998:7) observes that the term '*Corporate Social Investment*' (hereinafter, CSI) is frequently used by almost half the companies in South Africa. On the other hand, while corporate social responsibility refers to a company's overall relationship with all its stakeholders, corporate social investment refers specifically to those company activities that are directed towards the development of the local community. In this study, the two terms are sometimes used interchangeably.

1.2 Background and Introduction to the Study

The study investigates the corporate social investment programmes of one company, Daimler Chrysler South Africa (hereafter DCSA) in the local communities of the Border-Kei region in the Eastern Cape Province where the company has one of its major manufacturing plants. Using a qualitative case study research approach, the company's corporate social investment programmes will be assessed with regard to how they are aligned to the company's corporate goals and its overall strategic planning process.

This assessment is based on the fact that corporate social responsibility has shifted from being a philanthropic activity to a more serious business activity and more companies are aligning their corporate social investment activities with their main business processes. As such, these activities are now being integrated as part of a firm's corporate culture, core values and strategic planning process. Hess, Rogovisky and Dunfee (2002) give a theoretical framework that outlines certain indicators that can be used as guidelines to show whether a company is conducting its corporate social investment programmes from a strategic point of view or not (see also Waddock and Boyle (1995) and O'Brien (2001)). DCSA's programmes will be evaluated against these indicators to show whether they are strategic or not. The word 'evaluate' as used in this research is in the sense of comparing DCSA

performance of its CSI activities against Hess et al's theoretical framework of strategic corporate social responsibility as opposed to applying the term as a research methodology as used in evaluative research.

The socio-economic situation in the Eastern Cape warrants a study to ascertain what corporate social investment programmes a company such as DCOSA carries out within this local community which it operates in. While the poor may not make good customers, a better-educated and healthy population makes good neighbours for business as potential employees in the future. The challenge for the company is to turn these social problems into business opportunities. In operating in this poverty-stricken environment, their success should also entail developing the local communities thereby stimulating the business environment in the region.

Globalization has also rendered the world borderless and multinational corporations such as DaimlerChrysler conduct their business activities internationally wherever they find favourable returns on their investment. As multinationals dominate international business and trade, they are increasingly being criticised for not paying adequate attention to the needs of the local communities where they operate. According to Daniels and Radenbaugh (1998:449), the primary criticism is that multinational enterprises (MNEs) are inadequately concerned about national societal interests because of their global base of operations.

Of particular interest in this study is an evaluation of the extent to which DCOSA, a multinational corporation, is involved with its local community. This will entail looking at whether DCOSA is engaging in long term corporate social investment programmes to assist its local community in the Border-Kei region. This is important because multinational corporations are increasingly being called upon to show greater accountability and commitment to the local communities where they have significant operations. This view is strengthened by Business for Social Responsibility (BSR), a global think-tank organization in the USA that assists big companies to be socially responsible.

It warns that as multinational companies derive an ever-larger share of revenue and profits from international operations, they need to redefine “community” by looking beyond their local, domestic, geographic communities to include those in regions where they have factories or factories operated by their key suppliers (Business for Social Responsibility, 2002). The local community of the Border-Kei region where DCSA’s manufacturing plant is located is an important stakeholder in DaimlerChrysler’s business operations as the company draws the majority of its workforce from the province.

Whereas traditionally businesses have assisted the communities through corporate donations to charities and *ad hoc* projects, there is now a strong move for companies to become strategically involved with communities. This has led business to reassess the manner in which they undertake corporate social responsibility programmes. There is a move away from purely philanthropic giving to corporate social responsibility programmes that are much more sophisticated, calculated, focused, and strategic (Shevel, 2001:10). The study will look at how DCSA interacts with its local community with regard to corporate social responsibility (hereinafter, CSR) investment programmes and the extent to which these programmes are aligned to its long-term corporate objectives and overall strategic planning process.

1.3 Corporate Profile of DaimlerChrysler South Africa (DCSA)

DCSA is a wholly owned subsidiary of Daimler Chrysler AG, the German–US world class automotive manufacturing company with its headquarters in Bremen, Germany. DCSA represents one of the largest German investors in South Africa and occupies a top position amongst the world-wide circle of foreign manufacturing plants outside Germany. According to the annual global Fortune Top 500 companies for 2000, DaimlerChrysler AG was ranked the fifth biggest motor manufacturer in the world after General Motors, Ford, Volkswagen and Toyota (Lünsche in *Sunday Times Business Times*, 11 November 2001). It is also the biggest company in Europe. Locally, DCSA performs very well and it was reported that in 2001, it sold more vehicles in

South Africa than any other automotive manufacture (Botha in *Daily Dispatch*, 5.02.2002). The company aims to be the best in its industry with regard to meeting the transport and motoring needs of the African and other emerging markets.

DCSA manufactures the Mercedes-Benz C-class passenger cars and as part of its growth oriented strategy, the plant in East London also builds the Mitsubishi Colt pick-up vehicles under the Mitsubishi Motors Corporation label. Both of these vehicles are not only destined for the South African market but are also exported to other countries in Africa, Australia, South East Asia, the Far East and most right-hand drive markets. DCSA currently markets a full range of vehicles including: Mercedes-Benz passenger cars, Mercedes-Benz commercial vehicles, Freightliner custom-built trucks and buses, Chrysler and Jeep vehicles, Mitsubishi Pajero and Colt vehicles and lastly, Western Star trucks.

East London has been a manufacturing plant for various car distributors since 1948 and after going through many years of different ownership by different companies, the plant became Mercedes Benz of South Africa (MBSA), East London in 1986. With the merger of Germany's Daimler Benz AG and Chrysler Corporation of the United States in 1998 to form DaimlerChrysler AG, MBSA automatically became DaimlerChrysler (Pty) South Africa Ltd (DCSA). DCSA operates from three locations in South Africa, that is, in Pretoria, Pinetown and East London.

The company's head office is located in Zwartkop, Pretoria and it houses the Marketing and Administrative divisions of DCSA. It has a staff component of 370 employees in this office. DCSA's Pinetown branch oversees the parts and distribution function of the company. It is one of the largest Mercedes-Benz parts and warehousing facilities in the world and there are 250 employees in this branch. DCS's largest operations are in its manufacturing plant located in the city of East London, Eastern Cape Province. This manufacturing operation has over 3800 employees and is the largest of the

three branches in the country. As such, DCSA is the largest single employer and the only motor manufacturer in the Border-Kei region and therefore its status as a major contributor to the regional economic growth is well established.

DCSA's executive management board comprises six management board members, namely the Chief Operating Executive, who is also the Chairman of the board, and the management board members for Finance, Manufacturing, Commercial Vehicles, Human Resources and Sales and Marketing. The Manufacturing and Human Resources board members operate from the East London manufacturing plant because this is where manufacturing takes place and over 75% of the employees of DCSA are located here. There is no question that the manufacturing plant in East London is a significant operation for DaimlerChrysler AG, as this production facility is now fully integrated into the DaimlerChrysler global manufacturing network (Botha in *Daily Dispatch*, Wednesday, February 27, 2002).

1.4 Motivation for this Study

Firstly, the overriding interest for me in choosing this area of study is to investigate the view that **companies need to be seen to be supportive of the social environments, particularly the local communities in which they operate.** In short, corporate social responsibility is important because businesses are part of the wider social system. In addition, there is also a growing expectation in South Africa, especially with the release of the King II report on corporate governance, about the need for companies to engage in corporate social responsibility activities in communities where they operate. Hence, there is the need to investigate the extent to which issues of corporate responsibility and governance are becoming integrated into the overall business strategy in general and into the strategic planning processes of companies in particular.

A local community has a strong impact on the survival of business since business derives some of its inputs like human capital from the community. Likewise, society has the expectation that business will take active steps to assist it to solve some of its social problems. In this case, as the largest employer in the Border-Kei region, DCSA draws most of its work force from this local community. DCSA's resources, wealth and capabilities are in stark contrast to the socio-economic challenges in the local environment where it operates. Being a big business in the area and the largest employer in the region, its contribution to the development of the local community is critical. This in itself is a challenge for DCSA to take long-term strategic measures to bring about some socio-economic development to the region through corporate social investment initiatives. Indeed, whilst the long-term sustainability and profitability of DCSA is important to the economy of the Border-Kei region, it is also dependent on, and should be buttressed by, the social integration and development of the local community.

The other reason for embarking on this study is the conviction that being seen to be a good corporate citizen in the community is important for business because it builds its reputation as a caring company in the eyes of the people. According to Rockey (1998:6), "today there is a growing awareness that being seen to be a socially responsible corporate citizen in the community is an important aspect of a company's public relations and corporate image profile". Therefore, it is of particular interest to find out the extent to which DCSA, as a business operating in the local community of the Border-Kei region, is aware that its public image is a function of how it is perceived to be discharging its corporate social responsibility activities in the local community.

In addition, corporate social responsibility is a strategic issue that needs to be incorporated into a company's strategic planning process (Estehuyse, 2002; McIntosh, Leipziger, Jones and Coleman, 1998; Wheeler and Sillanpaa, 1997; and Birch, 2001). This study is about the importance of incorporating corporate responsibility in the strategic planning process and corporate values of a company. This study will argue that a company's commitment to and

appreciation of corporate social responsibility will be seen in the extent to which CSR values are incorporated in its strategic planning process and activities. This argument is based on the view that CSR is important and cannot be seen as optional by business organisations. Corporate social responsibility when executed strategically can create partnerships that bring benefits to the company and the community thus creating a win-win situation for all. For DCSA, investment in the local community makes sound business sense because the company will benefit from creating a happy, stable and healthy society that is conducive to business success. Nowhere is this need greater than in the Eastern Cape where whole communities are in dire need of basic social amenities like schools, healthcare, job creation opportunities and sports development.

1.5 Problem Statement

The literature shows that corporate social responsibility is a strategic issue and can no longer be seen by big business as discretionary. The study will investigate the extent to which DCSA has embraced this premise in its strategic planning process. This will involve looking at how the company is conducting its corporate social responsibility programmes within the local community of the Border-Kei region and assess how these activities are aligned to its core values and strategic planning process.

1.6 Aims of the Study:

The goals of this study are two-fold:

1. To evaluate to what extent DCSA conducts its corporate social investment activities from a strategic level using Hess et al's (2002) theoretical framework of strategic corporate social responsibility,
2. To investigate the relationship between DCSA and the local community of the Border-Kei region and their perceptions of that relationship.

1.7 Research Objectives:

1. To investigate to what extent DCSA's mission, vision and Value statements contain corporate social responsibility values.
2. To find out the support and involvement of the company's top management in corporate social investment activities.
3. To investigate how DCSA applies its core competencies in carrying out its corporate social responsibility activities in the local community.
- 4 To evaluate what social audits the company carries out to ensure the effectiveness of its community investment programmes.
- 5 To find out how DCSA consults and involves local community stakeholders in corporate social investment programmes.
- 6 To find out the reasons why corporate social investment programmes are becoming strategic.
- 7 To investigate what motivates the company to carry out corporate social investment programmes in the local community.
- 8 To find out the types and duration of corporate social responsibility programmes that DCSA conducts within the community.
- 9 To investigate how DCSA's corporate social responsibility programmes are perceived in the local community.
- 10 To investigate the relationship and support between DCSA and the local community.

1.8 Thesis Outline

The thesis will follow the following format:

Chapter Two will look mainly at the theories that explain the concept of corporate social responsibility. It will begin by explaining the role of business in society and the changing public expectation regarding business conduct to matters of social responsibility. Then various theories such as the classical business theory, the systems approach, the social contract theory, the stakeholder approach and the self-interest approach to corporate social

responsibility will be discussed. Lastly, globalization and the power of multinational corporations and their role in corporate social responsibility will be reviewed.

Chapter Three will start with a review of the various viewpoints on the concept of corporate social responsibility that will highlight the definition adopted for this study. Then corporate social responsibility *versus* corporate social responsiveness will be discussed. This will be followed by an in-depth discussion of the three strategies or models for response to corporate social responsibility activities that a company can adopt. The strategic corporate social responsibility model will be discussed in detail focusing on what it means, its characteristics and driving forces. This will be discussed against the background of the theoretical propositions for strategic corporate social responsibility found in the literature. This chapter will end by suggesting the adoption of sustainable capitalism as a way forward for business in the new millennium.

Chapter Four will discuss the research methodology used in the study. A qualitative case-study adopting a critical-realist perspective was used. In-depth personal interviews with several subjects were conducted at the DCSA plant in East London as well as with other important stakeholders in the Border-Kei region. DCSA's company documents and reports on the topic will also be analysed. This chapter will also discuss reliability and validity issues as it pertains to this study and the measures that were taken to ensure this. The chapter ends with a brief discussion of the ethical considerations in the study and how they were dealt with.

In Chapter Five, the results of the research are analysed and interpreted in line with the objectives outlined in the study. The analysis amongst other things focuses on: how DCSA's mission and vision embrace CSR values, its consultation with the employees and local community leaders, the use of its core competencies in carrying out corporate social responsibility activities and lastly how the company conducts social audits to determine the effectiveness

of its programmes. This chapter also looks at the types of corporate social investment programmes that the company supports and why and how it carries out these programmes as well as how it interacts with the local community and how it is perceived by important stakeholders in the local community to be conducting its CSR programmes. This chapter ends with a discussion of the research findings.

Finally, **Chapter Six** is the conclusion chapter and summarizes the whole thesis. Recommendations regarding corporate social responsibility issues covered in the study will also be made in this last chapter. New areas for further research are also identified and highlighted.

1.9 Conclusion

In the past, businesses saw themselves purely in economic terms; however, business corporations are today perceived as being social, political and economic entities. For this reason, they can no longer justify their existence purely in economic terms. The pluralist nature of our modern society calls on business to rethink its strategy and broaden its role in society by embracing social issues into its corporate goals. While companies have traditionally taken part in philanthropic activities, corporate social investment programmes are today more focused on community development and are strategic in that they are aligned to long-term core values of the firm and overall corporate strategy.

Also, instead of addressing corporate social investment activities in a short-term *ad hoc* manner, companies need to move away from this philanthropic level and incorporate social investment activities more seriously into their corporate strategies, in the same way that they treat any other serious commercial activity that they engage in. Only when there is a corporate culture change in the private sector attitude towards CSI, will there be a meaningful change in this area. A few enlightened companies are beginning to see the need for this new approach to CSI. The internationalization of the world economy also places on multinational corporations the greater responsibility

and the need for them to widen their definition of the term “local communities” to incorporate those communities in locations where they have their international operations and not just focus on their headquarters as the local community.

The situation in South Africa is that the need for social uplifting is great as many sections of the society are still underprivileged. The government, in a bid to address social imbalances, is increasingly calling on the private sector to help. While many businesses have responded positively, what is needed is a deliberate, concerted effort by companies to form long-term community investment initiatives in the communities where they operate.

CHAPTER TWO: THEORIES OF CORPORATE SOCIAL RESPONSIBILITY

2.0 Introduction

Given the power and prominence of business organizations in modern society, their role and function has come under close scrutiny. One of the central issues facing companies in the twenty-first century is how they define their relationship to outsiders, especially to the local communities. The phrase 'corporate social responsibility' refers to a wide range of activities undertaken by companies involving the use of their resources in uplifting the communities and markets that they operate in. When strategically designed and executed, these activities enhance the quality of life for many communities and the reputation of companies. Whereas companies have traditionally been involved with the community on a philanthropic basis, companies are today engaging with communities in a broader way and aligning their community involvement activities with their business interests.

In this chapter, the role of business in the society is looked at in detail. Drawing on various perspectives such as the systems approach and the stakeholder model, this chapter will look at the business-society relationship in detail and how it relates to the corporate social responsibility debate. Other theoretical perspectives such as the classical economic approach, the social contract theory and the enlightened self-interest approach will also be discussed. Finally, globalization, which is a contemporary issue affecting the relationship between business and society, will be discussed. Indeed, with the dominance of world business by transnational corporations such as DaimlerChrysler, any discussion of corporate social responsibility cannot ignore the effects of globalization.

2.1 The Role of Business in Society

The relationship between the corporate sector and society has become more complex, or at least the complexities are becoming more recognized. According to Beesley and Evans (1978:14), business activity is increasingly concerned with creating a social infrastructure for solving social problems because companies are also expressions of human aspiration, both individually and collectively. As a result, many large companies around the world are beginning to recognize that legitimacy in society is an active responsibility not a passive one, and that commercial success will increasingly favour the community-based, stakeholder-inclusive companies in the twenty-first century (Roddick in Wheeler and Sillanpaa, 1997: vii).

Anshen (1980:29) argues that businesses have a role to be socially responsible in society for two main reasons: firstly, a business system in general and the corporation in particular are creations of society and are enfranchised to function by society; secondly, although the business system and its constituent institutions are primarily oriented towards economic goals, the pursuit of economic goals inevitably generates a variety of social effects. For these reasons, it is inevitable and proper that society should call for businesses to be more socially accountable and evaluate their corporate performance more broadly.

Anshen (1980:18) maintains further that, “the long-run interests of business in a reasonably open, flexible, and pluralist society are better served when business organizations are perceived to adopt an activist posture towards society’s problems and discontents than when they are perceived to behave negatively or with indifference”. Hood (1996: 4) agrees with these views by arguing that:

It was the accepted doctrine in the United States and other Western societies until the nineteenth century that the right to conduct business in corporate form was a matter of royal or state prerogative, not of private economic interest. Monarchs issued charters to public-stock

corporations that promised public benefits such as exploration and colonization of the New World. Individuals could own shares of the corporation and sell them (with some limitations), but the purpose of the corporation was not merely to serve the interests of stockbrokers.

The views above are supported by Birch (2001:12) who maintains that more people - individuals and groups - are "calling on business to be more economically, environmentally and socially sustainable; to be accountable and transparent; to be inclusive, to be ethical and more equitable". McIntosh, Leipziger, Jones and Coleman (1998:41) observe that it is strange that while companies have always been held accountable, financially and legally, it is only recently that there has been a move to hold companies accountable for their operations that have environmental and social impacts. Much of management literature "recognizes the importance of a company's social activities beyond the pursuit of short-term profit and the maximization of shareholders' interests" (See Anshen, 1980; Hood, 1990; Carroll, 1993; Birch, 2001; and Wheeler and Sillanpaa, 1997).

McIntosh et al (1998) observe that prosperity for all mankind in the future paradoxically lies in business broadening its citizenship role and becoming a more conscious and involved social participant. The challenge for business, therefore, is to find ways of playing its proper role in society according to the demands of the social will. This is where corporate social responsibility comes in: it looks at the proper role and impact of business in modern society and decides whether businesses should just exist to maximize profit or whether they have other functions in society apart from employing people, making profit, paying taxes and obeying laws and regulations.

It would appear as though the debate about the proper role of business in the modern society has evolved into two opposing viewpoints. At one end is the view that the sole responsibility of business in society is to produce economic goods in response to economic motivation and to maximize the interests of shareholders. Anshen (1980:30) observes that the proponents of this view such as Friedman argue that economic performance was precisely society's

objective in enfranchising business institutions. According to him those who hold this view see any introduction of non-economic considerations (such as corporate social responsibility) as a contradiction of the purpose behind the franchise in that business managers have no competencies to achieve social ends.

At the other extreme is the view that the business system and its corporate institutions bear inescapable social responsibilities that are implicit in their enfranchisement and explicit in their performance (Anshen, 1980). Those who hold this view argue that a business organization has other broader responsibilities to play in the society apart from just maximizing returns for its owners. They dismiss as false, deceptive, or trivial the thesis that the competencies of business institutions and their managers uniquely qualify them to accomplish economic ends, and are misdirected, counter productive, or even totally destructive when addressed to social needs (Anshen, 1980:31).

One proponent of this view is Reich (1998:9) who argues that the debate has moved to a point where the issue is no longer *whether* companies should be responsible, but rather *how* they should be responsible. Reich argues that there is a new meaning to corporate social responsibility, one that is consistent both with the greater need for corporate responsiveness to employees and communities and with the greater demands from investors for performance. Corporations in his opinion are bound by two states of law: firstly, their fiduciary responsibility to investors, and secondly, their responsibility to other stakeholders in the rest of the society - thus forming an integrated system of corporate societal responsibility (Reich, 1998:15-16). This argument accepts the notion that corporations are created by society and hence dismisses the conventional proposition that a company has one responsibility, both morally and legally: to maximize the value of the shares of those who have invested in it.

2.2 Theories of Corporate Social Responsibility

Corporate social responsibility is important because it recognizes that a business organization is a social entity as well as an economic one and its performance will therefore be evaluated in social as well as economic terms. For a long time, the focus of business success has hinged on the financial bottom line. Under the “triple bottom” line concept that has emerged today, business performance is being viewed from a much broader perspective. Frederick, Davis and Post (1988:23) support the argument above when they say that: “Overall business success is measured, not just by a company’s financial performance but also by how well it serves broad social and public interests”. In other words, profit seeking alone is inconsistent with the common good of society and business behaviour has to be balanced between making money and serving one’s fellow man. The gist of the corporate social responsibility debate is that there have to be some unique benefits to society from business activities other than those of fulfilling its primary economic goals.

After this review of corporate social responsibility from a broad perspective, the various theories will now be discussed.

2.2.1 The Classical Economic Approach

Under the classical view of business in society, economists believed that prosperity for all could be achieved through minimum regulation of business activity and that the relationship between business and society best took place through the market. This was the position especially in the early decades of the nineteenth century where economic growth contributing to a rising standard of living was widely accepted as the source of all progress - social as well as economic. At that time, no distinction was made between economic and social goods. In other words corporate existence was justified in reference to a corporation’s role in producing goods and services that society needed.

The classical economic approach is what is referred to as 'capitalism'. Free-market thinkers such as Adam Smith proposed capitalism by arguing that the pursuit of profit by economic enterprises, with minimal state interference, really does act as 'an invisible hand' guiding human action towards socially beneficial endeavours (Hood, 1996:15). Classical economists like Adam Smith believed that the natural order of things would automatically make wealth circulate between the rich and the poor through the process of consumption of goods and services. He emphasised productivity as he believed that a set of economic activities would contribute to wealth creation. Smith's principal assumption of a free market economy allowed him to argue forcefully for the minimization of state interference in trade (See Wheeler and Silanpää, 1997:50).

Perhaps the most famous modern supporter of the classical theory of business is Milton Friedman. Friedman (1962) argued that "business should not and must not deviate from its profit orientation" and that it should be concerned only with its economic performance. In Friedman's view, "indeed exercising any other act of social responsibility is in effect a tax on the wealth of the owners and is therefore akin to a socialist doctrine". Friedman (1962:133) even went as far as to contend that, "few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible". Friedman articulated the view that business is 'amoral'- its role is to maximize profits for its shareholders and not to use a share of it for public welfare. In Friedman's opinion, the role of business in society was only to increase profits for its owners. This viewpoint postulates that a business corporation has no responsibility to pursue social goals in society.

According to Anshen (1980:7), under the economic approach, society stipulated that business should operate freely in response to the motivation of profit maximization, subject only to marginal constraints. The function of business in society was to produce goods and services for consumption with

the maximization of profit as its goal. However, as the classical pursuit of self-interest by business did not materialize in public goods being distributed equitably to the rest of population. By the 1950's, society began to exert its social will on business to address social problems in new ways it had not done before. Today, there is a widely held belief among business leaders and academics that a business cannot define itself purely in economic terms and ignore the social and ethical implication of its activities in the lives of individuals in the society.

Donaldson (1982:38) agrees and reiterates that, even though productivity is crucial to justify corporate existence, appealing simply to corporate productivity fails to provide a full solution to the answer of corporate existence. This is because such an explanation does not provide a moral perspective for corporate existence. He continues that such an explanation fails to tell us what else the corporation does, or how its process of creating wealth affects society. In his opinion, to say that an organization produces wealth for society is not sufficient to justify its existence from a moral perspective, since morality covers the entire range of human welfare.

Hood (1996:6) argues that separating profit-seeking business activities from the larger world of political, legal, and social decision-making is impossible because without good schools, infrastructure, peaceful communities, solid families and a prosperous public with money to spend; business cannot thrive. Its economic activities are so intertwined with social responsibilities that the two cannot be separated. In other words, profit maximization alone is a poor guide for evaluating the ethical and social dimensions of business conduct in the modern society.

With the realization of the social responsibilities of business, the 1950's to the 1970's saw business becoming socially responsive due to immense social pressure exerted on it at the time and also partly by the emergence of Keynesian economic principles popular during this period. However, the 1980's and 1990's saw a new surge in capitalist pursuits by business, largely

as a result of globalization and privatization of public enterprises, with its resultant widespread social problems, and hence the new move to make businesses more socially accountable.

King (2000:10) argues that stakeholder activists today are challenging the neo-classical paradigm within which businesses operate and are calling for a bottom line that includes financial, social and environmental sustainability. Zadek (2002:53) rather than totally refute Friedman's classical position, proposes a win-win situation by advocating a 'profits-with principles' argument as the best foundation for corporate citizenship. The win-win situation says that business should address new social norms embodied in the idea of corporate citizenship and through this they can also maximize long-term financial performance.

2.2.2 The Social Contract Theory

In terms of the new social contract, society is drawing a distinction between economic and social benefits, or rather in the popular phrase, between "the quantity of life and quality of life". What the new social contract implies is that business can no longer justify its existence by reference to its economic performance only because society has revised its expectations for business institutions.

Corporate social responsibility is not alien to the normal decision-making process; it merely broadens the context of management decisions to embrace social as well as economic costs. Whereas the classical perspective has viewed the company as an economic organization that derived its legitimacy from its economic performance, the new perspective embraces the company's political and sociological characteristics. This changed social contract led Bell (1978:15) to conclude that 'to think of the business corporation simply as an economic instrument is to fail to understand the meaning of social changes of the last half century' (Bell, cited in Beesley and Evans, 1978: 15).

Perhaps more radical is the view expressed by Dahl that: “every large corporation should be thought of as a social enterprise, that is as an entity whose existence and decisions can be justified in so far as they serve public or social purposes” (Dahl cited in Beesley and Evans 1978:17). As far as Dahl is concerned, this statement is the axiom on which he bases an appeal for corporate social responsibility. This viewpoint emphasises the fundamental principle that some concept of the collective well-being precedes all else. The significance of the new social contract is that business organizations today are being seen as economic, social and even political entities.

According to Cannon (1992:31), there exists an implicit contract between business and the community in which it operates, in that business is expected to create wealth; supply markets; generate employment; innovate and produce a sufficient surplus to sustain its activities and improve its competitiveness, *while contributing to the maintenance of the community in which it operates*. While under the classical economic approach, business bore no responsibility for the social welfare in society as a whole (and in local communities in particular), the social contract theory maintains that business and society are interdependent and that society expects business to make its contribution to the well-being of the community. The other reason for greater demand for business responsibility in society is that society’s values change over time. People’s expectations of business have changed and businesses today are being called upon to take responsibility for creating a better quality of life for people in society.

Carroll (1993) observes that the intense criticism and mistrust of business has led to an increased concern for the social environment and a revision of the social contract between business and society. The “new” social contract between business and society challenges business to embrace a broader perspective of its role in society other than just producing goods and services. What society is saying is that the goal of profit-seeking alone no longer implies preferred behaviour and that corporations are social institutions and, as such,

must live up to society's expectations. As Hood (1996:10) maintains, society has changed the standards expected of corporations, as it has every right to do.

2.2.2.1 The Social Contract Theory in South Africa Today

The changed social contract model can also be seen in South African society today. During the Apartheid era, businesses focused on their economic self-interest with little genuine interest in corporate social responsibility. However, in Post Apartheid South Africa, there needs to be a change in the social contract between business and society in order to address the huge socio-economic challenges facing the country. Anshen (1980:6) contends that in a pluralist society, the social will that ultimately determines what business organizations do and how they do it, changes over time.

One can also clearly see that the social will in South Africa has changed. While in the past the private sector did not play an active role in social development; in the new dispensation the government and the public are increasingly calling on private business to help in bringing about socio-economic development in the wider society particularly the disadvantaged communities.

In the new South Africa, the response of the private sector to the social problems facing the country is crucial. It is therefore important that business organizations actively join hands with government by developing corporate social investment programmes to assist needy communities in order to create a healthy and prosperous society. Mbigi (2000:16) states categorically that, "There is no recorded case in history where a society has been able to make a sustainable transition to democracy without a business revolution. Democracy thrives on economic progress, a highly informed and literate population as well as an enterprising population." The business community must reflect a growing understanding that government alone cannot resolve the huge-social economic challenges facing the country, including poverty.

Businesses in South Africa bear an inescapable moral and ethical responsibility to respond positively to the socio-economic challenges facing the country. It is also in their interest to be socially responsible, because, arguably, business can only prosper in a healthy and socially cohesive society. Corporate social responsibility seen this way is a business imperative and not a favour extended by business to society (See Estehuyse, 2002 and Birch, 2001).

This new social contract between business and society in South Africa is increasingly being manifested in business forging partnerships with the government, civil society groups and communities in a bid to work together to solve social problems. Business has the resources, power, and influence to create a stable and healthy society. Therefore a company like DaimlerChrysler South Africa (DCSA) has an important role to play in bringing about social, as well as economic, development to the Eastern Cape region.

2.2.3 The Systems Approach

The business and its surrounding environment depend on each other for their long-term survival. Frederick, Davis and Post argue (1988:310) that this mutual interdependence between business and society places a responsibility on business to exercise care and social concern to its external environment when conducting its business operations. Many people say that, if business depends on the resources in society in order to function, then it must also actively take part in responding to society's concerns with regard to solving social problems. Seen this way, the sustainability of business and society as two related entities becomes increasingly clear.

Understanding the business-society relationship from a systems approach is important, as it provides another perspective on how the concept of social responsibility developed. A business firm does not operate in a social vacuum; business activities take part in a complex social environment. For this reason, Smit and Cronje (1996:48) argue that management of an organization should

maintain a balance between the various parts of the organization as well as between the organization and its environment. The complex relationship between business and society requires business to recognize that every action it takes is related to the external world around it; and, in turn, everything that occurs in the external world is related to business.

According to systems theory, a system is defined as a set of interrelated elements functioning as a whole (Smit and Cronje, 1996:62). A business system is a sub-set of the larger social system in which it operates. It is not a self-supporting system; rather it is an *open system* that depends on inputs such as capital, labour, technological innovations and other resources from its external environment in order to operate. Mzimela (1996:14) observes that the open system perspective conceptualizes corporate social responsibility as a response to external environmental conditions. He believes that in an open system, an organization is not insulated from socio-political and economic forces in society. Therefore, businesses are viewed as having relations with their environment, which develop through the process of interaction.

From a systems approach, a business cannot ignore the conditions in its social environment especially if these social problems have an impact on its own long-term survival. It is vital then that business reaches out to the community around it. Frederick et al (1988:335) sum up the advantages of good business-society relationship as follows: "When a business has a good relationship with its community, it makes all the difference in the quality of that community's life and in the successful operation of the business firm".

The social challenges facing South Africa such as illiteracy, poverty, unemployment, poor sanitation, inadequate healthcare provision, lack of infrastructure and AIDS cannot be solved by government alone. Business is part of this social system and, as such, needs to be seen to be responding to these social challenges in a proactive and long-term manner. These problems are a threat to the well-being of the whole society including business. Ultimately it is for business's own good to be socially responsive, because a

business cannot ignore the social environment in which it operates and hope to prosper. Certainly people who have a clean environment, education and opportunity make better employees, customers and good neighbours for business than those who are perceived to be poor, illiterate and ignorant.

David (1996:6) concludes that, “If the company’s future cannot be reckoned independently of the country’s future, social initiatives must be an essential strategic prerogative for South African Managers”. Seeing corporate social responsibility from a systems approach enables businesses to recognize that they are part of society and that their future survival also entails developing the social environment, as they cannot hope to survive in the long-term, if the society they are based in is not prosperous.

2.2.3.1 *Ubuntu* and Corporate Social Responsibility

The systems approach can also be likened to the practice common in the African philosophy of ‘*Ubuntu*’, a Zulu term meaning ‘humanness’. The essence of *Ubuntu* is that people are interdependent and that a person grows because of the support and relationship with others. Corporate social responsibility from an *Ubuntu* perspective recognizes the importance of interdependent relationships between an enterprise and the community in which it exists. Therefore, as business is part of the community in which it exists, individuals in that community need to have a sense of belonging to that business as well. Khumalo (2001:59) argues that *Ubuntu* and corporate social responsibility go hand in hand in that, once a company recognizes that it is part of the community in which it operates, helping that society becomes a natural part of its corporate conduct. Khumalo continues that the involvement of business in the society through corporate social responsibility initiatives would be an acknowledgement by business that it exists because of the community. *Ubuntu* also emphasises a sense of belonging and this is a

challenge for companies, especially those operating in the African context, to redefine themselves as a community to which individuals in the surrounding society belong.

This notion of redefining a business as a community where an individual belongs has also been articulated by leading Western management writers. Handy (1997:28) contended that, “a public corporation should now be regarded not as a piece of property but as a community - although not a community created by common purpose but rather by a common place”. Understanding business as a community effectively challenges more traditional ways of thinking about a company as property and in turn, proposes a new thinking about ownership of property. Handy actually emphasizes the viewpoint that seeing business as a community is important, as it recognizes that a business is a community to which everyone belongs. This redefinition of business as a community creates a bond between the individual in society and the corporation as well as between the corporation and other stakeholders.

As part of society, we all need to be involved in solving society’s social concerns. *Ubuntu* embodies this concept of collective responsibility of solving societal problems, as every person in the society strives for the well being of his fellow man. Khumalo supports corporate social responsibility by invoking the *Ubuntu* philosophy and argues that:

Dealing with problems of society should not be the prerogative of government alone nor should it be the sole concern of those affected by them. All of us are part of the society and what affects society affects each of us in one way or another.

This concept of working together to lessen social problems collectively is also found in the idea of the African Renaissance which affirms that growth and development derive from the collective wisdom and experiences of all people in a society. *Ubuntu* is relevant in today’s business environment that is devoid of the voice of humanity. In a world where business conduct is driven by financial bottom line figures, it is time for business leaders to bring another

voice to the table - the voice of *Ubuntu*. By embracing *Ubuntu* principles, corporate social responsibility will naturally become part of business conduct and operations. Business, especially big business, must become more socially responsive. After all, Khumalo (2001:57) argues that, “our responsibility to society increases with the power we have”. In the same spirit of *Ubuntu* the community likewise should also be supportive of business in its endeavours.

Lamberti (2002) praises *Ubuntu* as an imperative for all South African business leaders by arguing that, “this sense of unity with broader society means that a commitment solely to shareholders is simply not a sustainable basis for business success”. Lamberti concedes that with the huge economic disparities in South Africa, our business leaders cannot be judged on the same criteria as their counterparts in Europe or the United States. However, taking the socio-economic context of this country into account, our business leaders need to demonstrate long-term sensitivity to all stakeholders including the local communities where they operate.

2.2.4 The Stakeholder Theory

The business organization of today, especially the modern corporation, is the institutional centrepiece of a complex society. Carroll (1984:59) observes that what was once viewed as a specialized means of providing profit through the manufacture and distribution of goods and services; has become a multipurpose social institution that many individuals and groups depend on for their livelihood and prosperity. Business organizations need to be socially responsive in meeting the myriad expectations and conflicting demands of its stakeholders.

Stakeholder theory postulates that there are various constituencies that have legitimate claims on the modern corporation. These individuals and groups are collectively called *stakeholders*. According to Rowe, Mason, Dickel and Snyder (1983:78) a stakeholder is defined as anyone whose actions can affect an organization or who is affected by the organization's actions. Corporations

are being called upon to respond to the needs of “stakeholders” other than investors. Carroll (1984: 61) argues that from the point of view of a highly pluralist society, stakeholders might not only include shareholders, employees, customers and competitors, but also other groups such as the community, special-interest groups, and society or the public at large. The local community is a large and visible stakeholder group for any corporation.

The stakeholder model is central in understanding business and society relationships. To look at business from the stakeholder point of view is to bring to light in whose interest businesses should be run. Estehuyse (2002:10) argues that for too long business organizations have been inward looking, concentrating mainly on the interests of their shareholders, customers and employees and paying minimal attention to the other stakeholders. He continues that it is no wonder that companies were regarded as “islands in a sea of marketing relationships” (ibid).

Today, the call for companies to be socially responsible to all their stakeholders, including the local community where a business operates, is well recognized. Businesses therefore have to honour the needs, expectations and rights of all stakeholders if they want to prosper in the long-term. Carroll and Butcholtz (2000:64) observe that the stakeholder view was advanced further in 1996 when Britain’s then Labour Party Leader Tony Blair called for an economy characterized by stakeholder capitalism as opposed to traditional shareholder capitalism. Indeed stakeholder and shareholder interests are not mutually exclusive. Roodt (2002:10) argues that the call for stakeholder management is not an argument for rewarding stakeholders at the expense of shareholders, but rather it is a call for companies to strike a mutually beneficial balance amongst stakeholder interests - to seek “stakeholder symmetry”.

2.2.4.1 Stakeholder Management and Corporate Social Responsibility

Corporate strategy has changed from the point of only viewing the firm's stakeholders as customers, shareholders and employees to a point where the business organization has to be accountable to a broader audience than its traditional stakeholders. From a strategic management perspective, Pearce and Robinson (1997:45) write that in defining or redefining the company's mission, managers must recognize the legitimate rights of the all firm's claimants. Each of these interest groups has justifiable reasons for expecting (and often demanding) that the firm satisfy their claims in a responsible manner. It is also argued that applying a stakeholder approach to the management of a firm recognizes that other interests other than those of shareholders are seriously affected by corporate activity. Managers must integrate the interests and considerations of all key stakeholders in the long-term decision making process with regards to the future goals and objectives of the firm.

Applying a stakeholder model to the management of a business entails that the company must adopt a corporate strategy that is consistent with the needs and challenges of the external and internal environment where it operates. This is because the external environment has a significant impact on its long-term operations and survival. According to Johnson and Scholes (1999:11), corporate strategy is concerned with the overall purpose and scope of organizations to meet the expectations of owners or major stakeholders. In scanning this environment, the company must realize that it cannot meet its own long-term goals, if the environment it operates in is socially and economically disintegrating or unstable. Like all phenomena that pose a threat to its long-term survival, business has to take appropriate action to mitigate some of the social problems in society that may affect its survival. This is where corporate social responsibility comes in and business has to respond to the needs and social challenges in the local communities where it operates.

The importance of the stakeholder theory is that it challenges every business organization to think carefully about the many different constituencies upon which its activities and performance have an impact. Therefore, businesses in South Africa cannot close their eyes to the huge socio-economic challenges facing the country because social responsibility is about free enterprise in partnership with other stakeholders.

Business, while addressing stakeholder issues, has to recognize that not all stakeholders, especially indirect stakeholders such as the local community do have a voice as easily as others. As such, companies need to prioritize their needs and act on behalf of these vulnerable stakeholders. The way a business responds to this challenge will determine its identity in the eyes of the public in terms of the values it wants to embrace, its reasons for existence and the way it wants to be perceived in the wider society.

Estehuyse (2002:11) observes that staying in business is in fact an economic imperative as well as a social and moral responsibility. Companies can no longer retreat into “shareholder value” justification (Roddick in Wheeler and Sillanpää 1997: vii). Therefore, the pressures to satisfy institutional investors who demand quick short-term profits have to be balanced with the long-term prosperity of the firm and interests of all key stakeholders. The argument that corporations are solely interested in financial returns and thus only serving their shareholders’ interests is situated in a narrow view of corporations as institutions that have a unitary purpose. Zadek (2001:140), in challenging the view of corporations as unitary entities, argues that, “Corporations are in effect made up of hundreds of communities of interest, and many thousands more, if external as well as internal stakeholders are included”.

Roodt (2002:9) argues that here in South Africa, right from the outset, the first King Report on corporate governance recognized the significance of legitimate stakeholder interests as a fundamental concern of corporate governance. Therefore, stakeholder management brings to light the concept of corporate social responsibility, as it challenges every corporation to rethink

the way it is governed and whose interests it serves. Estehuyse (2002:10) explains that the stakeholder model and the notion that companies should be good corporate citizens requires the private sector to help in creating "... a compact of shared values and principles", that is, to give the global economy a human face. In Estehuyse's opinion, there is an urgent need for social responsibility in the global business order. This view is also stressed by Senge (1990), quoted by Thorne and Smith (2000:26), when he said that "the challenge to contribute to social development is not just a matter of simple self interest, it is also a matter of seizing a historic opportunity that allows business to fundamentally improve the injustice that exists in the world".

2.2.4.2 The Stakeholder Corporation

The stakeholder model has been developed further into what is nowadays called a *stakeholder corporation*. The essential characteristic of a stakeholder corporation is the ability to develop inclusive relationships based on trust with key stakeholders. An inclusive company concentrates on the development of loyal relationships with employees, customers and local communities. These inclusive relationships are increasingly dependent on how a company is perceived to create "added value" beyond its primary commercial activities. Wheeler and Sillanpää (1997: ix) maintain that in the future, "the development of loyal, inclusive stakeholder relationships will become one of the most important determinants of commercial viability and business success". The inclusive approach is also advocated for in the King II Report (2002:98) which recognizes that stakeholders such as the community in which the company operates need to be considered when developing the strategy of the company. Estehuyse (2002:10) adds that the call for business to form inclusive partnerships with other stakeholders will also be a requirement for measuring business performance if they are to retain society's long term 'licence to operate'.

According to Wheeler and Sillanpää (1997: xi), a stakeholder corporation is based on the following assumptions:

- that enterprises which are run in the interests of a wide range of stakeholders are more likely to behave responsibly,
- that business can successfully create two kinds of value: commercial and social,
- that commercial and social values are mutually reinforcing, leading to greater stakeholder loyalty and corporate resilience,
- that social and commercial transparency lead to greater organizational identity and efficiency,
- that inclusive stakeholder enterprise will outperform stakeholder exclusive enterprises with increasing ease in the twenty-first century.

2.2.5 The Enlightened Self-Interest Approach

While the other theories of corporate social responsibility exhort business to be socially responsible from a moral viewpoint, with the enlightened self-interest approach, businesses are encouraged to be socially responsible because there are certain advantages that can accrue to them if they practise corporate social responsibility. In other words, the self-interest approach argues that there is a business case for behaving in a socially responsible manner and it is to the firm's detriment, if it fails to embrace corporate social responsibility practices. Drucker (1984) recognized the business opportunity created by social involvement and urged business to "convert" its social responsibilities into business opportunities. Drucker (1984:42) made the point clearly: "But the proper 'social responsibility' of business is to tame the dragon, that is, to turn a social problem into economic opportunity and economic benefit; into productive capacity, into human competence, into well paid jobs, and into wealth".

David (1996: 5) argues that the enlightened self-interest approach is one that envisages long-term benefits accruing to the company as a result of its contributions to social causes. While benefits of corporate giving have always been seen as remote and difficult to define; progressive companies are realizing that, when a right alignment is found between the long-term company goals and community needs, there can be a very positive and mutually beneficial situation for all concerned (Education Trust Victoria: 2002). The Conference Board of Canada (2002) conducted a corporate social responsibility survey in companies in the United States and Canada and found that many companies; for reputation reasons and other factors, were either maintaining or increasing their company's support for corporate social investment initiatives. They also found that such initiatives were even seen as more important for companies operating in overseas markets, especially in developing countries. In other words, there is a business case for behaving responsibly and many companies are beginning to see value in their corporate social responsibility activities.

Business for Social Responsibility (2002) argues that practices of corporate community involvement long thought of as business 'externalities', are now integral to corporate operations and directly contribute to brand reputation and financial performance. They continue that companies have begun to recognize the business benefits of corporate social responsibility practices through increased access to markets, improved brand image and healthier economies in communities where they do business. Marsden (2000) agrees with these views and adds that companies view engagement with societal needs as vehicles to reap business benefits in areas such as community and market place reputation, better risk management and successful human resource management strategies

In this new environment of doing business, corporate reputation is regarded as one of the most significant discriminators between companies. With the loss of trust that business has suffered for a long time from the public, smarter companies are realizing that they need to turn this poor image into a positive

one by getting involved in corporate social responsibility initiatives. In an environment where customers are discerning and aware of corporate malpractices, thanks to the media and information technology and corporate activists, enlightened companies are realizing that being socially responsible pays off. Where a company is involved in the community, and awareness of that involvement is high, the image of the company is considerably stronger and the “pot of goodwill” towards that company is larger. The more a company is socially responsible, the higher its corporate reputation.

From a self-interest approach, companies are seeking a win-win situation by finding a reconciliation of their profit-making strategies with the welfare of the society. This new paradigm of corporate social responsibility is enabling companies to play a leadership role in social problem solving while furthering their own self-interest. Smith (1994:108) supports this approach by arguing that companies should be “Janus-faced”- that is, with one face serving the community while the other serves its business interest.

The enlightened self-interest model has grown in the past few years with the emergence of “cause-related marketing”. Cause-related marketing is the activity by which a company with an image, product, or service to market, builds a relationship or partnership with a (social) cause or a number of causes for mutual benefit (Education Trust Victoria, 2002). Corporations are tying their marketing strategies to a social cause in the hope of generating awareness and funding for the social problem and, in the process, promoting their own business image. Sponsorships involving non-profit organizations, where a portion of the purchase price is donated to a non-profit organization have become the fastest growing piece of marketing budget Smith (1994: 110). In South Africa, one good example of such a marketing strategy is the Nedbank Affinity Cheque Account where a portion of the client’s cheque account fees is donated by the bank to the arts, environmental conservation or sports development.

Perhaps the most fully developed and successful example of a cause related philanthropy project is the Ronald McDonald House Programme. According to Smith (1994:112), this project started 20 years ago in Pennsylvania, USA; the project now includes 154 houses in several countries. These homes are often attached to non-profit hospitals and they house families who bring severely ill children to urban hospitals for outpatient care. Apart from the important element of meeting healthcare needs for the needy in the communities, the biggest benefits of this project are probably even greater to McDonald's Corporation - about \$7 million in initial funds on average – is raised from customers at McDonald's restaurants run by the franchisees. The community regards McDonald as a caring corporation to the extent that during the Los Angeles riots in 1999, rioters spared McDonald's stores but vandalized the other stores.

Through the self-interest approach, companies see their social involvement initiatives as creating a sustainable competitive advantage necessary to business success in the future. According to Smith (1994:105) enlightened companies are realizing that competing on price and corporate citizenship is smarter than competing on price alone. Thorne and Smith (2000:23) conducted a study in Australia to identify the organizational characteristics of the organizations of the future. They found that the ability to practise corporate social responsibility was regarded as one of the essential core competencies of future organizations. They concluded that an organization that is socially and environmentally responsible will attract the most valuable knowledge workers, thereby gaining a competitive advantage by winning business from other less responsible and less trusting organizations.

Corporate social responsibility is widely seen as a key competitive advantage, as many companies have realized that it is in their own self-interest to be socially responsible, if they want to be successful in the long-term. According to Thorne and Smith (2000:24), world-class organizations of the future will gain a competitive advantage by providing a stable social order in that organizational purpose will be more than just increasing profit or market share;

it will reflect an ongoing commitment to adding value to employees, customers and the wider community. Companies that do not engage in corporate social responsibility will find themselves disadvantaged when it comes to competing for scarce resources. Therefore, in the future, corporate social responsibility for many corporations will be an integral part of running their businesses, if they want to be successful.

2.3 Globalization and Corporate Social Responsibility

Globalization is defined by Lucas (2000) as “the ever-increasing integration of national economies into the global economy through trade and investment, privatization and technological advances”. This phenomenon has become a big issue in world business right now and one cannot discuss multinational corporations and corporate social responsibility without an understanding of globalization and its effects on socio-economic development. There are many writers who agree that globalization is the cause of the social inequalities in the society today.

Lucas (2000) and Henriot (2001) both argue that globalization in its current form is responsible for growing social inequalities, marginalization of the poor and for unprecedented environmental damage. The problems of social exclusion in even the richest countries are growing, particularly in inner city areas. As the economic power of global corporations increases, public cynicism towards business is growing, as people begin to question the proper role of business in society and demand greater business accountability. Further reason why the issue of corporate social responsibility is gaining attention is globalization. Though globalization has integrated national economies through trade and investment, a lot of management literature supports the viewpoint that the obvious beneficiary of globalization is the international corporate sector (See Lucas, 2000; Wheeler and Silanpaa, 1997; Marsden, 2000). DaimlerChrysler is one of these global corporations.

The fact that most beneficiaries of global business are multinational corporations (with their headquarters in the developed countries) can also be taken up by the supporters of the dependency theory who believe that capitalism is a zero sum game in which the rich countries gain at the expense of the poor developing countries. King (1990:235) questions the role of multinational corporations in the Third World by arguing that they are institutions which exploit the cheap labour and raw materials available in these countries but which do not show adequate social concern to their host communities. King continues that, given the role multinational corporations (MNC's) play in international business, and the economic as well as political power they wield, it is not surprising that most criticism of capitalism has been directed specifically against Multinational Corporations.

The dominance of world business by wealthy trans-national corporations puts them in the spotlight as agents of change in society. Shevel (2001:31) observes that some giant corporations generate revenues that far outstrip the gross domestic products (GDP) of many of the smaller countries in which they operate. Of the largest 100 economic entities in the world, measuring Gross National Products alongside company annual turnovers, only half are national states; the others are big companies (Marsden, 2000). These companies have even overtaken many national governments with their sheer size and power. In developing countries such as South Africa, there are huge socio-economic challenges and even small grants can set forth winds of change.

Smith (1994:112) argues that now that most of the profits of multinational companies (MNCs) are made abroad, corporate philanthropy is the best means for these companies of building friendships with government leaders, overcoming regulation hurdles, capturing the imagination of the middle classes and opening a dialogue with the host communities and meeting their needs. Smaller developing countries are even more at the mercy of global forces, and with the serious socio-economic inequalities in these societies, multinational corporations bear an inescapable responsibility to deliver socio-economic change. This study will therefore also look at how well DCSA has

integrated itself into the local economy and whether it can be regarded by the local community as a neighbour of common purpose because of its involvement in the community or whether they are just neighbours sharing a common place.

Private sector business, particularly in the form of large international companies have to be seen by those working inside them as well as by those outside, as part of the solution to the world's biggest environmental and social problems, rather than being just a part of the problem (Marsden, 2000). These issues call for the international private sector to increase their engagement with local communities on a long-term basis well beyond discretionary philanthropy in areas where they operate.

The corporate social responsibility challenges for trans-national companies are even more acute in developing countries, because in many regions there is inadequate or a total collapse of public social welfare. It is argued that these companies cannot take simple compliance measures or a Friedmanesque attitude to their corporate social responsibility roles. In fact, the sheer size and/or societal impact of these companies puts them into a quasi-governmental position to bring about socio-economic development to the affected communities (Marsden, 2000).

2.4 Conclusion

For many business corporations, the idea of “the business of business is business” no longer holds true. There is consensus that companies have a responsibility to be accountable to the society in which they operate. After all, it is society that enfranchises them to exist and society can only tolerate business institutions as long as they keep up with the society's expectations. The case for business engagement in corporate social responsibility issues has tended to be based primarily on moral and ethical grounds. However, a new trend is emerging, whereby companies are realizing on their own that it is in their self-interest to be socially responsible. To this end, companies are

looking for a reconciliation of their profit-making strategies with the welfare of society.

Therefore, the idea that a company should be socially responsible for societal concerns can no longer be challenged and many corporations in the world are today engaging with the society in a broader way. Zadek (2002) observes that some corporations are approaching corporate sustainability issues by developing strategies that have an impact on the broad spectrum of social, environmental and economic dimensions under the vision of sustainable development. He calls such companies *civil corporations*, suggesting that this is the new level of corporate citizenship. In his view, these are the companies that are developing viable business strategies and practices that are aimed at addressing global poverty, inequality and environmental security effectively and without contradiction. Clearly business is moving more and more to higher levels of responsibility as society's expectation for business performance and social accountability increases.

CHAPTER THREE: CORPORATE SOCIAL RESPONSIBILITY

3.0 Introduction

This chapter will give a theoretical explication of corporate social responsibility and strategic corporate social responsibility in particular. It will start by giving different definitions of the concept. Carroll's (1979) four-part definition of corporate social responsibility and how it has changed over the years will be presented and discussed as the most widely accepted definition of corporate social responsibility. This will be followed by an evaluation of the three strategies or models of corporate response to corporate social responsibility programmes; that is, the economic, philanthropic and strategic models. Strategic corporate social responsibility will be discussed in detail, as it is the main area of concern in this study. The evaluation of strategic corporate social responsibility will start by looking at the characteristics of strategic management decisions and their implications for strategic corporate social investment decisions. This will be followed by a discussion of the internal and external driving forces that have led to strategic corporate social responsibility. Thereafter, a discussion of the characteristics (or indicators) of strategic corporate social responsibility will follow. The chapter will conclude by suggesting a way forward by urging companies to adopt the theme of sustainable capitalism.

3.1 The Meaning of Corporate Social Responsibility

There appears to be a lack of consensus regarding the meaning of the concept *Corporate Social Responsibility*. The term has many and varied definitions. To some it conveys the idea of legal responsibility; to others it is simply equated with 'charitable contributions' while some take it to mean 'to be socially conscious'. This lack of consistency has led to much confusion in both the academic and business literature.

According to Beesley and Evans (1978:187), social responsibility is not an external judgement on how 'good' or 'ethical' a company is. Rather, it is a matter of how far a company deals with its environment by incorporating external concerns into its decision-making process. This means that as long as corporate social responsibility remains peripheral to the main business activity and strategic decision-making agenda, corporate social responsibility activities will not have much social impact.

In 1979, Carroll provided the most widely accepted four-part modern definition of corporate social responsibility and he has modified it over the years. According to Carroll, "The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organisations at any given point in time" (Carroll, 1979:500 cited in Carroll 1999:11). The importance of Carroll's four-part definition is that it focuses on the types of responsibilities that business might be argued to have towards society. These responsibilities encompass the following activities:

Economic - Before anything else, the business institution is a basic economic unit in our society. As such, it has a responsibility to produce goods and services that society wants and to sell them at a profit. Carroll (1979) argued that all other business roles are predicated on this fundamental function.

Legal – Just as society expects business to make a profit for its efficiency and effectiveness, society expects business to obey the law. The law represents the basic "rules of the game" by which business is expected to function. Society expects business to fulfil its economic mission within the framework of legal requirements set forth by the society's legal system.

Ethical – The ethical responsibility represents the kinds of behaviours and ethical norms that society expects business to follow. These extend to behaviours and practices that are beyond what is required by the law.

Discretionary – These represent voluntary roles that business assumes but for which society does not provide as clear-cut an explanation as it does for ethical responsibility.

A number of writers do not agree with Carroll's argument that the economic activities of business should be seen as part of its social responsibility activities. Most people believe that a business's economic activities are in its own self-interest and are not done for the social benefit of society. Commenting on business's economic role to ensure the survival of the enterprise, Carmichael and Drummond (1989:11) argue that: "But just as there are many things in life other than food and shelter that you need to survive successfully, the responsible business needs to look beyond just making profits". As a result, the debate about social responsibility has focused mainly on business's philanthropic roles. Carroll and Butcholtz (2000:35) call this critical tension between economic and philanthropic roles of business in society a conflict between a firm's "concern for profits" and its "concern for society".

Carroll (1999:12) went on to describe a business's philanthropic obligations to society as discretionary by saying that, "it is even a misnomer to call these responsibilities because they are guided primarily by business discretion - its choice or desire". Today however, many people do not believe that corporate social responsibility activities are discretionary anymore. With the growing importance of corporate social responsibility from a societal and shareholder point of view, for many corporations being socially responsible is not a question of discretion, but a business imperative.

Therefore, for many corporations, corporate social responsibility has become an integral part of running their business. This is because companies are realizing that you cannot make a decent profit if you are not socially responsible. Businesses have increasingly been seeing their role in society as crucial to creating a better environment for the good of society as well as for their own long-term survival. Corporate social responsibility seen this way is

not a discretionary favour extended to society by business, but a strategic business imperative (Estehuyse, 2002:11).

Carroll (1993:32) revised his four-part definition of corporate social responsibility by suggesting that business's philanthropic activities are part of "being a good corporate citizen". This means therefore that if a business is to be seen as a good corporate citizen, then it should embrace corporate social responsibility and make it an integral part of the way it is run. Hence, for many corporations, corporate social responsibility is no longer being seen as a purely discretionary issue. It can be argued that social issues are gaining attention on many boardroom agendas and in public debate, and it does not look as if the debate is going to go away.

According to Kay (1993:326), social responsibility in business means the establishment of standards of behaviour in areas where society has legitimate expectations of business but where these expectations cannot sensibly be given precise definition, quantification and monitoring. Kay believes that the best way to deal with society's expectations regarding business performance is for business to change its behaviour and attitude towards society. According to Post, Frederick, Lawrence and Weber (1996:37), corporate social responsibility means that the corporation should be held accountable for any of its actions that affect people, their communities and their environment. However, they emphasize that becoming socially responsible does not mean that a company must abandon its primary economic mission but rather balance all its responsibilities.

Business for Social Responsibility (2002) defines corporate social responsibility as "operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business". This definition is close to Carroll's definition, as it also looks at businesses' various responsibilities. Indeed, through socially responsible business practices and policies, companies can achieve viable, sustained growth that benefits stakeholders as well as stockholders.

The concept of corporate social responsibility as used in this study looks at the discretionary aspects of Carroll's four-part definition. However, this study goes further to argue that matters of corporate social responsibility are not discretionary anymore; they have become business imperatives in the new millennium. It is argued here that companies should be proactive in their response to social problems and should integrate corporate social responsibility activities into their strategic planning process. Although in the 80's social investment activities were seen to be mainly philanthropic, they have today become strategic issues in many business organisations.

Corporate social responsibility activities have become strategic in the sense that they have become focused, long term in nature and aligned to a company's core values and corporate goals. The importance of viewing corporate social responsibility activities as a serious business issue is emphasized by the South African Grantmakers Association's (SAGA) Executive Director, Colleen du Toit, who cautions that social responsibility costs when seen as discretionary, could be easily chopped during hard times (*Sunday Times Business Times*, February 9,2003).

3.2 Corporate Social Responsibility Versus Corporate Social Responsiveness

Concern has arisen over the years over the use of the terms *responsibility* and *responsiveness*. The term *responsibility* is criticized for not being dynamic enough to fully describe business's willingness to take part in corporate social responsibility activities.

Sethi (1975) cited in Carroll and Buchholtz (2000:42) approached the question of social responsibility and social performance from a slightly different angle. He proposed a three-stage schema for classifying corporate behaviour as follows:

1. *Social obligation*- is corporate behaviour in response to market forces or legal constraints. In this stage a company concentrates only on the legal and economic criteria of corporate social responsibility.
2. *Social responsibility*- this is where corporate behaviour is congruent with prevailing social norms, values and expectations.
3. *Social responsiveness*– this is the stage where a corporation should decide on and implement a long-term approach with regard to social responsibility in a dynamic social system.

According to Ackerman and Bauer (1976), cited in Carroll, (1999:9), “The connotation of ‘responsibility’ is that of a process assuming an obligation. It places emphasis on motivation rather than performance”. Ackerman and Bauer argue that responding to social demands is much more than deciding what to do. Therefore, the emphasis should rather be on the actual doing of things. In their opinion, a more apt term would be “social responsiveness” because it connotes a dynamic, action-oriented condition.

Anshen (1980:26-27) approached the debate of ‘responsibility’ versus ‘responsiveness’ by looking at it from a *social performance* angle. In his view, the central issue confronting management is one of social performance, not social responsibility. He suggested that business organizations, notably large corporations, should understand this call and design constructive responses that will join social performance to economic performance in the long-term interest of the business. This view is quite similar to the one given above by Ackerman and Bauer.

Carroll and Buchholtz (2000:43), however, still insist on the importance of the term *responsibility*. According to them, it is important to realize that a lot of what business has done and is doing has resulted from a particular motivation - an assumption of obligation, whether assigned by government, forced by special interest groups, or voluntarily assumed. They argue that what business has failed to do in responding to social issues in society is to internalize the obligation to be socially responsive. For many businesses

social responsibility is a temporary hat that can be worn at the convenience of the company rather than as part of their long-term goal and corporate conduct like other serious business activities. This study argues that corporate social responsibility activities should be internalized and become part of a company's strategic decision-making process, because for a long time business has been addressing corporate social responsibility issues in an *ad hoc* manner.

3.3 Strategies of Corporate Response

Numerous approaches have been advanced regarding the appropriate model of corporate response to corporate social responsibility issues in society. It is generally agreed that the more a company has incorporated the concerns from its external environment into its decision-making process, the more that company is deemed to be socially responsible. Based on the research done by King (2000) and O'Brien (2001), corporate response strategies to corporate social responsibility issues can be divided into three categories:

- Economic,
- Philanthropic,
- Strategic.

Marsden (2000) distinguishes these categories as denial (inactive), reactive and proactive.

3.3.1 The Economic or Inactive Strategy

The economic approach to corporate social responsibility is the view supported by the classical economic theory of free enterprise where a business exists to maximize profits for its owners in a competitive market economy. Social responsibility in this regard is related to maximizing the financial return and is believed to accrue to society through shareholder dividends, taxes and wages. This response to corporate social responsibility emanates from the premise that the "business of business is business", where the role of the private sector in society is clear: making money and creating

jobs. Those who support this view believe that in the running of a profitable business, employment opportunities are created and the people who are employed are better able to support themselves.

O'Brien (2000:24) points out that this view of corporate social responsibility tends to attract union support on the basis that the payment of better wages to employees is regarded as more important than assisting the wider community. According to Rumney (2002), this strategy views corporate social investment as a distraction from the main task of creating value for shareholders. This was the prevailing attitude of business in the 1970s and much of the 1980s but today corporations are under such intense scrutiny from the media and NGOs (Non-Governmental Organisations) about their role in society that it is hard to imagine a corporation that holds this view of its role in society.

A company following the inactive strategy adopts a non-involvement approach to social concerns. Marsden (2000:6) calls this strategy the *denial stage* in that it reflects the "Friedman condition", where a company denies responsibility for or the need to engage with any of the societal issues upon which its operations impact, beyond complying with the law and paying its taxes. It is a strategy of non-involvement, because business conduct is guided by a philosophy that says "the business of business is business". While no one would argue with the proposition that "the business of business is business", what is contentious, however, is what constitutes "business" and especially "good business".

Marsden (2000:2) dismisses Friedman's position by arguing that such a scenario is perfectly reasonable in a well-ordered, strong governance context, where whole-system needs such as law and order, social justice and conservation, and market failure issues such as monopoly and externalities are relatively well controlled. In such a context, corporate citizenship is mainly about running a business well, obeying the law, and paying taxes. However, this is not the context within which most business corporations operate. Anshen (1980:42) dismisses the economic approach by arguing that, "The

concept of profit maximization is obsolete. It cannot reasonably be defended by describing its internal logic. The attack on the concept does not challenge its logic, but rather its relevance for a society that is drafting a new franchise for business and its institutions”.

The Education Trust Victoria (2002), challenges the economic approach by arguing that it provides too narrow a definition in valuing a bottom line that does not take into consideration all the factors that contribute to business success or failure. The economic approach is seen as based on conventional economics that focuses on cash flow, forgetting the fact that every economic activity has an impact beyond the making of money. Indeed money is only part of the whole economy.

Therefore, to say that a business has only to fulfil its economic role to be considered socially responsible would be to miss the whole point of the relevance of business in modern society. There are very few businesses in the world today that operate on this premise. Hood (1996:8) argues that profit maximization is a poor guide for evaluating the ethical and social dimensions of business performance and responsible managers should consider embracing societal concerns in their business strategies.

3.3.2 The Philanthropic or Reactive Strategy

The philanthropic level of corporate social responsibility is characterized by community involvement activities that are *ad hoc* in nature, short term and paternalistic in their implementation (O'Brien 2000:24). This is where a business involves itself in society at the level of charity in response to a feeling of social concern. Businesses engaging in corporate social responsibility at this level only base their social involvement as an ethical way to conduct business without necessarily integrating such activities into their long-term corporate strategy. With this strategy, the company is aware of the problems in its social environment but it does not wish to be engaged with them. However, because the company desires to be regarded as a “good” or

'progressive' company, the company will engage in strategies associated with this model such as sponsorship, donations, employee volunteer programmes and cause-related marketing. Many corporations adhere to this model of corporate social responsibility. O'Brien (2000:2) argues that business people operating at this level base their involvement entirely on personal interest concerns, emotionalism, and 'do-gooding'.

Waddock and Boyle (1995: 126) agree with O'Brien's view and add that in exchange for a good public image and employee loyalty, the company offers benefits to the community in the form of grants, matching gifts programmes and sponsorship of community events. In Waddock and Boyle's opinion, even though such efforts might be considered programmatic, they do not offer a systemic approach to corporate social responsibility because such activities are not tied to the core values of the firm.

Marsden (2000) on the other hand, calls the philanthropic level of corporate community involvement *the reactive engagement stage*, in that a company is persuaded (often by threats to its reputation from an NGO action) to move out of denial and accept a wider corporate social responsibility towards societal issues. The philanthropic response is also seen as paternalistic in its approach, in that there is no real consultation and engagement with the communities concerned, because the business starts with the premise, 'I know what is needed'. Nevertheless, a great deal of money has been raised this way to aid social causes.

King (2000) observes that the philanthropic approach to corporate social responsibility does not present a 'real' shift in business practice, since the corporate activities involved cannot be adhered to during a fiscal crisis. What is needed is a corporate culture change that builds corporate social responsibility into the heart of business practice and conduct. This is lacking at the philanthropic level, because the company engages in an exchange relationship with the community, without its activities having an impact on its long-term corporate goals and strategic planning process.

3.3.3 The Strategic Involvement Level or Interactive Strategy

3.3.3.1 The Meaning of Strategic Corporate Social Responsibility

Strategic corporate social responsibility means different things to different people. According to Hood (1996: 30), strategic corporate responsibility is more than simply giving away money; it refers to companies making a conscious investment in worthy social causes from which they expect to receive a return in the future. In other words there is a strong 'strategic' link between the charitable giving and the corporation's bottom line. This definition of strategic corporate social responsibility connotes that such activities are *strategic* because they give a return to the business involved. In other words, the fact that the business derives some tangible bottom line benefits makes these activities strategic. Gillis and Spring (2001) also see strategic corporate social responsibility as something that occurs when a company aligns its corporate giving with its business interests in areas that take advantage of their core competencies and support their business objectives.

This study differs from Gillis and Spring's (2001) definition of strategic corporate social responsibility by arguing that aligning business interest *per se* with corporate social responsibility activities does not make these activities strategic. For a company to be said to be conducting corporate social responsibility from a *strategic* level, its social investment activities must be connected to its strategic planning process and aligned to its core values, culture and conduct (see Waddock and Boyle, 1995; O'Brien, 2000; Birch, 2001; and Hess et al 2002).

Put differently, corporate social responsibility is said to be strategic when a company incorporates community involvement activities into its strategic planning process and operations. This requires that a company incorporate external environmental concerns found in society into its strategic concerns. The company then searches for appropriate responses to these concerns instead of merely regarding them as constraints on commercial activity. This

involves a constant information flow and process of validation between business and community. The implication of all this is that strategic corporate social responsibility is a *long-term engagement* in corporate social investment initiatives and must therefore be incorporated into the strategic planning process of a company. This is the understanding that will be employed in this study.

From the discussion above, it is arguable that different companies find themselves at different levels of engagement in corporate social responsibility. It is assumed here that companies are moving towards greater accountability and thus towards a strategic level of engagement with their various stakeholders with regard to corporate social responsibility activities. The three strategies discussed above are not mutually exclusive and it is possible that a company may adopt different strategic practices in responding to different areas of concern. However, the more a company adopts *strategic corporate social responsibility* as spelt out above, the more socially responsible it is deemed to be.

3.3.3.2 The Significance of Strategic Corporate Responsibility

The importance of aligning corporate strategy and corporate social responsibility activities has been going on for a long time. Bell (1974) supports strategic corporate responsibility by emphasizing that social (and environmental) issues have to be incorporated, not as add-ons to a company's economic activities but as essential and integral to the social redefinition of that company, in order to reflect better the rapidly changing post-industrial economy we now find ourselves in (Bell, 1974 cited in Birch, 2001:10). Rockefeller, (cited in Anshen, 1980:2) had a similar idea when in a 1971 address to the Advertising Council in the USA, predicting a future requirement for corporations to publish certified accounts of their social performance in annual reports to stockholders, he said:

It is vital that social accountability become an integral part of corporate conduct, rather than a philanthropic add-on. Only in that way will the economic development of the private sector move forward within an acceptable framework of public purpose. Only in that way will corporations assure the healthy social climate vital to their own future economic prosperity.

This strategic level of corporate social responsibility that is emerging closely integrates the corporate social investment function with corporate competitive strategy and responds to the rapidly changing business environment in unprecedented ways. As result of this shift toward a more “strategic” emphasis, Waddock and Boyle (1995: 126) argue that the relationship between the community and the company is evolving from a collateral system with the corporation and the community in an exchange relationship, to an interpenetrating system relationship, where the two are less easily distinguishable. King (2000:12) argues that of the three models to corporate social responsibility, it is the strategic level of corporate social responsibility that offers the most promise for any substantial shift in corporate culture and social change because it is based on the principles of sustainability and the triple bottom line concept.

Birch (2001:3) challenges business to develop strategic thinking when it comes to corporate social responsibility by proactively developing long-term community involvement initiatives and not simply engaging in short-term, ‘feel-good’, add-on marketing or branding strategies. He continues that if a company conducts corporate social responsibility from a strategic point of view, two things become apparent:

- The extent to which the company has incorporated the main terms and themes of corporate citizenship in its corporate culture and core business;
- The extent to which the company has developed strategic thinking and practices with respect to corporate citizenship and its involvement with the community.

Kanter (1999:124) views strategic corporate social responsibility as a form of corporate *innovation* by asserting that, “winning in business today demands innovation and not in the traditional business practices such as technology; rather, today’s several leading companies are beginning to find inspiration in an unexpected place: the social sector”. In Kanter’s view, tackling corporate social responsibility from a strategic point of view forces companies to stretch their capabilities to produce innovations that have business as well as community pay-offs. When companies tackle social problems this way, they have a stake in the problems, and they treat the effort the way they would treat any other project central to the company’s operation. They use their best people and their core skills. Clearly this is not charity; it is a strategic business investment. It can be argued therefore that the transition from a purely philanthropic vision of community involvement to a strategic corporate involvement requires a shift in mind-set whereby the company now views the community as one of its key organizational stakeholders.

Unfortunately, most companies are hesitant to incorporate corporate social responsibility into their strategic planning process. According to Birch (2001), who reports that in a study conducted by the Corporate Citizenship Research Unit at Deakin University in Australia on large Australian corporations; it was found that there was considerable hesitation to position corporate citizenship as a proactive, long-term, internal corporate culture process with most companies surveyed generally carrying out short-term community activities. The reason for this was that most firms saw that corporate citizenship was marginally important to their business interests. However, other studies have shown that lately companies are embracing social issues at a strategic level because of the enormous business potential such initiatives offer (see Hess et al 2002, *Business for Social Responsibility*, 2000; Thorne and Smith; 2001).

Also, as corporate reputation becomes increasingly important for business success, corporate citizenship is becoming a mainstream business activity.

Increasingly, corporate social responsibility is now being regarded as an essential and integral part of business mission, strategy and operations. In fact according to Business for Social Responsibility (BSR, 2000), issues of corporate social responsibility long considered business “externalities”, are now integral to corporate operations and directly contribute to brand reputation and financial performance. Corporate social investment is in the midst of a significant evolution as it moves beyond charity and philanthropy towards a far more social and strategic model.

In support of the above view, Waddock and Smith (2000:77) and McIntosh et al (1998), argue that corporate community involvement is not a matter of corporate philanthropy anymore, because responsible management practices have broader and more powerful impacts in society. What is needed is for companies to develop long-term corporate strategies that address corporate social investment programmes which are driven at board level, and which engage local communities fully in these programmes. O’Brien (2001:25) concludes that the strategic model of engagement is important in that it is systemic, meaning that a company is no longer merely showing a social concern for issues, but is actively involved in community development.

3.4 The Characteristics of Strategic Decisions

Making strategic corporate social responsibility decisions can be likened to making strategic decisions. Managing a corporation in today’s complex business environment requires management executives to respond to the challenges posed by the firm’s immediate and remote environment. Any threat to the company’s long-term prosperity warrants a strategic decision-making approach. Having said that corporate social responsibility is now becoming a strategic issue in most business organizations, it is important to briefly outline

the characteristics of strategic decisions to see the similarities they share with strategic corporate social responsibility strategies.

According to Pearce and Robinson (1997:4), **strategic issues** typically have the following characteristics:

- **Require Top-Management Decisions**

Since strategic decisions overarch several areas of a firm's operations, they require top-management involvement. Usually only top management has the perspective needed to understand the broad implications of such decisions and the power to authorize the necessary resources allocations. Strategic corporate responsibility decisions also require the involvement of the top management of the company. According to Waddock and Boyle (2000), such decisions are no longer relegated to some middle management staff in Marketing or Human Resources departments; rather, there is a strong involvement of the CEO and top managers in the evolution and implementation of such strategies.

- **Require Large Amounts of the Firm's Resources**

Strategic decisions involve substantial allocations of people, physical assets, or moneys that either must be redirected from internal resources or secured from outside the firm. They also commit the firm to actions over an extended period.

- **Affect the Firm's Long-term Prosperity**

Strategic decisions ostensibly commit the firm for a long time, typically five years. However, the impact of such decisions often lasts much longer. Strategic corporate social responsibility projects are also

becoming long-term in nature and committing the firm to a longer period of time.

- **Are Future Oriented**

Strategic decisions are based on what managers forecast, rather than what they know. In the turbulent external business environment, a firm will succeed only if it takes a proactive (anticipatory) stance toward change. Strategic corporate social responsibility decisions are also future-oriented. After the firm has scanned its immediate environment for challenges that require its intervention, it adopts a proactive strategy than will minimise risks against it.

- **Usually have Multifunctional or Multi-business Consequences**

Strategic decisions have complex implications for several units within a single business firm. A strategic decision usually involves a number of the firm's strategic business units (SBU's), divisions or program units. All of these areas will be affected by the allocation or reallocation of responsibilities and resources that result from such decisions. Strategic corporate social responsibility decisions are likewise taken by top management and affect the company as a whole. This means therefore that all units, from top and middle management, to workers and even suppliers, should be involved in the implementation of these decisions to ensure their success.

- **Require Considering the Firm's External Environment**

All business firms operate as open systems. They affect and are affected by their external environment. The external environment includes the public and groups that a business is accustomed to dealing with such as competitors, customers, suppliers, scarce resources, government agencies and government laws and regulations.

However, the external environment also poses unexpected economic, social and political challenges that need to be skilfully anticipated, monitored, assessed and incorporated into the executive's decision-making process. This is where strategic corporate social responsibility comes in. It requires that a firm scan its external socio-economic environment for social challenges and respond by taking decisions that are appropriate to address them.

3.5 Hess et al's (model) *Indicators of Strategic Corporate Social Responsibility*

Hess et al (2002:117-122) carried out a study in which they identified the key characteristics of corporate social responsibility when conducted from a strategic level. They argue that corporate social investment initiatives are taking on aspects more commonly associated with corporate strategy and that these activities are grounded in the core competencies of the firm and related to the firm's long-term strategy. There are many writers (see Birch, 2001; King, 2000; O'Brien, 2001; Waddock and Boyle, 1995) who also support these views and agree that these characteristics apply to all firms, big or small. These indicators or characteristics are:

3.5.1 Connection to the Firm's Core Values

A company's vision, mission and core values form the basis for its business goals and conduct. It then follows that, strategic corporate social responsibility programmes should be based on the company's values, which in turn reflect the values and beliefs of the firm's managers and employees. Hess et al. (2002:118) emphasize that mission statements and credos form the basis of the firm's core values and culture. Hess et al argue that established corporate values form part of an organisation's culture and guide it when implementing its corporate social investment strategy in a consistent manner. Therefore, for a company to be seen to have taken corporate social responsibility to a

strategic level, corporate social responsibility values must be reflected in its corporate documents such as its mission and vision statements.

Waddock and Smith (2000:75) observe that there is often a wide gap between what an organization says it stands for in its corporate documents and what it does in reality. By actively linking their corporate investment strategies to their core values, Waddock and Smith argue that companies can bridge the “rhetoric-reality gap” that often occurs when a company’s mission statement is disconnected from its day-to-day activities. A mission statement is normally a statement that sets the direction for a company with regard to what it wants to achieve in the future. Therefore, linking corporate social investment strategies with the firm’s values also demonstrates the long-term commitment of the company to these initiatives, which in turn improves credibility with the firm’s stakeholders.

3.5.2 The Support and Involvement of Top Management

Another implication of linking corporate social investment programmes to a company’s mission and vision is that the firm’s top management will be actively involved in the formulation, implementation and evaluation of corporate social investment programmes. Hess et al (2002:118) argues that the support of the CEO and top management is imperative. It shows commitment and expresses the firm’s values to both the members of the organization and its stakeholders. Even if the community or public relations unit of the firm carries out the day-to-day operational management of corporate social investment programmes, top management should take strategic decisions related to such programmes.

3.5.3 Connection to the Core Competencies of the Firm

Companies embarking on strategic corporate social responsibility are linking their social investment programmes with their firm’s core competencies and key resources. From a strategic management point of view, firms are looking

at ways by which they can meet the challenges and opportunities in their external social environment using their internal capabilities. To carry out their corporate social investment programmes effectively, companies are scanning the external environment to determine where their resources can provide the greatest benefit to the community. An example of a case where a company is using its core competency to carry out social initiatives is Coca-Cola's commitment to fight AIDS in Africa. According to Hess et al (2002:120), Coca-Cola, the largest employer in Africa, plans to use its core competencies in advertising and distribution to assist with awareness and medical campaigns against the plague of AIDS.

3.5.4 Carrying out Social Audits

The last few years have also seen companies showing greater accountability by adopting social auditing practices in their corporate social investment programmes. Hess *et al* (2002:112) observe that many corporate social investment programmes are being systematically evaluated, assessed, and communicated to stakeholders. Social audit reports provide companies with information about how they are viewed and how they are progressing in meeting the expectations of investors, employees, customers, business partners and community needs on a range of corporate social responsibility issues (Business for Social Responsibility, 2002:7). This is a significant feature of the shift towards strategic corporate social responsibility, as companies have realized the need to establish objectives for community involvement and standards for measuring their success. There has been a revival of social auditing and reporting as firms are being pushed to disclose all aspects of their social performance. For most multinational enterprises, it has become mandatory to comply with international social reporting and accountability guidelines established by the Global Reporting Initiative (GRI).

Social audits provide accountability to stakeholders, but most importantly assist firms in evaluating and understanding their performance and the impact of their programmes. Hess et al (2002:121) justify the need for social audits by

arguing that, “just as any effective corporate strategy requires clear goals and effective use of resources, and successful implementation, so must a corporate social initiative”. Social auditing also provides long-term value in that if management has a clear goal of where the firm’s resources have been invested and what return the firm has made with those resources, it can commit itself more in the future to support such initiatives.

3.5.5 Consultation between the Company and the Community

At the strategic corporate social responsibility level, there should be genuine consultation between the corporate and the community. Hess *et al* (2002: 119) argue that when making a choice among various types of community programmes, it is advisable that the firm gets direct input from the community leaders and other stakeholders. O’Brien (2000:25) urges that these consultations should lead to joint decision-making between the company and the local community concerned. By involving the community early on in the process, the company avoids being seen as paternalistic in its approach to corporate social responsibility. O’Brien (2000:25) continues that joint consultation leads to the formation of a partnership where the corporate partner works ‘with’ rather than ‘for’ the community partner. Most importantly, consultation allows the community members to air their views thereby allowing them to feel a part of the process.

3.6 The Driving Forces for Strategic Corporate Social Responsibility

There are many forces that have driven the change from a philanthropic to a strategic approach to corporate social responsibility. Waddock and Boyle (1995) identified several **internal** and **external** forces that are behind this significant shift. These forces are explained below.

3.6.1 The External Forces

The following external forces were identified:

- The process of globalization
- The building of alliances and networks
- Global competitiveness
- Changing government regulation

3.6.1.1 The Process of Globalization

According to Waddock and Boyle (1995:135), greater globalisation of many companies' operations means that the communities to which these companies are responsible to can no longer be narrowly defined as those communities immediately surrounding their corporate headquarters. Rather, "community" is rapidly being redefined as those locales in which a company has significant activities. As many corporations find it necessary to set up operations in widely dispersed global locations, their perception of "community" has greatly expanded and in the process "community" has become "communities".

3.6.1.2 The Building of Alliances and Networks

Apart from globalization, many companies are restructuring themselves into a series of alliances or networks. The process of building networks also serves to expand the number and scope of communities with which companies interact and to whom they become responsible for their actions. This pressure to restructure into alliances is forcing companies to approach corporate social responsibility in a new way. They can no longer have a transactional approach and are, rather, involved in what Waddock and Boyle (1995:129) call "linking themselves into networks" in order to ensure that their good corporate citizenship efforts result in a long-term improvement in the competitive environment.

Companies are entering into collaborative relationships with major governmental and NGOs to tackle problems in society. There is a growing recognition that single entities (be they firms, NGOs or government) may not

be able to adequately address pressing social problems such as poverty, AIDS and development. This shift to a collaborative model in approaching social problems has seen the formation of private-public alliances in order to both leverage corporate impact and improve community problem-solving processes.

3.6.1.3 Global Competitiveness

Companies are also beginning to define the scope of their competition more broadly than they have in the past. Companies are seeing that involvement in corporate social investment programmes adds value to their business. The practices that advance good corporate citizenship are increasingly being recognized as stimulating general business excellence. Therefore, it is arguable that companies that have well integrated corporate social investment programmes can flourish in the future better than those who do not. Increasingly, customers, investors and employees are putting a lot of pressure on companies to be more accountable in order to win market share, capital or talented employees. Thus, to ward off their competitors, companies are adopting well-conceived corporate social responsibility programmes that are integrated with their core values and aligned to their long-term business goals. It can be argued therefore that companies that do not make this shift will not prosper in the future.

3.6.1.4 Increase in Regulation

Many regulations exist today that are compelling companies to adopt strategic models of corporate social responsibility practices. There is an increase in government regulation in the field of corporate social responsibility as well as the emergence of a number of voluntary codes such as the Global Compact, ISO 14001 and Global Reporting Initiative (GRI) are forcing companies to adopt strategic corporate social responsibility practices. Here in South Africa the focus on corporate governance and its growing alignment with corporate citizenship is well known. This is expounded in the widely acclaimed Second

King Report (King II) on Corporate Governance (2002:118) which urges companies to put social responsibility issues into their boardroom agendas (see Shevel, in *Sunday Times Business Times* May, 2001 and Roodt 2001). The emergence of indexes which rank companies on their corporate sustainability such as the proposed FTSE/JSE Social Responsibility Investment (SRI) Index is creating increased awareness amongst companies to take social responsibility issues much more seriously (*Sunday Times Business Times*, February 9 2003).

3.6.1.5 Societal Changes

Society is also going through tremendous changes when it comes to its perception of corporate social investment activities. There is increased NGO activism demanding that companies have a positive impact on the society they operate in. McIntosh et al (1998:43) assert that interest in corporate citizenship and social responsibility is growing, as the role of business in society increases. In recent years the media focus in the area of corporate social responsibility has also increased and with advancement in communications technology; corporate malpractices are reported and disseminated all over the globe much more easily thereby tarnishing corporate reputations. All over the world investors, consumers and employees and society at large are looking at the “triple bottom line”: the economic, environmental and social impacts of a business. This means therefore that a company can no longer hold a passive stance towards corporate social responsibility.

3.6.2 The Internal Forces

There are also changes within organizations that have resulted in the dramatic shift in the way companies execute corporate social investment programmes. The two internal sources of pressures discussed below are closely related. They are:

- Restructuring and Decentralization

- Economic Constraints

3.6.2.1 Restructuring and Decentralisation

According to Waddock and Boyle (1995: 131), in many companies, internal hierarchies have been flattened considerably resulting in companies that are smaller, and “leaner”, with fewer human and capital resources to spend on corporate social responsibilities. The major effect of the flattening of hierarchies has been to bring the corporate social investment function closer to both executive level managers and lower level employees. In Waddock and Boyle’s opinion, corporate social investment is no longer a peripheral function lost in a mass of middle managers. It has become an integral part of the company’s corporate mission and goals with top management involved in its formulation and implementation, resulting in corporate social responsibility activities being carried out in an effective manner.

Decentralization also means that more employees have come to be involved in corporate social investment activities. Waddock and Boyle (1995: 132) observe that in many companies, employees are now also part of the Corporate Social Investment Committees. As a result, corporate social responsibility has becoming “democratized” with companies also broadening their areas of giving to include those areas where employees have expressed an interest.

3.6.2.2 Economic Constraints

Economic pressures and resource constraints clearly limit expenditures for all functional areas in a business organization, including spending on corporate social investment. Recognizing this resource constraint, companies have sought to account properly on how they spend their resources on social investment programmes. According to Business for Social Responsibility (BSR, 2000), companies are monitoring, measuring and evaluating the performance of their corporate social investment programmes to see if they

meet the objectives set out in the beginning. There is, therefore a serious approach to such activities.

3.7 Rethinking Corporate Strategy: The Quest for Sustainable Capitalism

In order to achieve long-term sustainable development, business must develop strategic programmes to deal with the societal problems. Dickson (2002) urges companies to a voluntary integration of corporate social responsibility activities into their business operations. Reaching this stage requires a rethinking of business strategy and new forms of engagement with the local community. Rethinking business strategy along the new lines of sustainable development requires a change in the culture of an organization. This is important in order to open up new opportunities to reassess other aspects of business. The challenge is to establish a corporate culture consistent with the concept of sustainable development which addresses the economic, social and environmental roles of an organization in society.

Zadek (2000) explains this revolution in business thinking towards sustainable capitalism within the context of the '*New Economy*' and asserts that corporate citizenship and sustainable development are integral to understanding the new economy "in the sense that companies will take greater account of their impact on society as a business basic". According to Birch (2001), building business along the lines of sustainable development does not imply doing away with capitalism; rather it is a move to define new corporate practices consistent with the principle of "juster capitalism".

This view of juster capitalism suggests that rather than being fixated on the financial bottom line, companies should develop sustainable businesses by adopting a triple-bottom line approach to business success. Such an approach would address economic, social and environmental issues and integrate them with corporate strategy. Dickson (2002), applying the triple bottom-line concept, sees corporate social responsibility as a business response to the challenge of sustainable development. He urges all companies to aspire to the

idea of 'sustainable business'; one that enhances the long-term shareholder value by addressing the needs of all relevant stakeholders and adds economic, environmental and social value through its core business functions.

Business must realize that corporate social responsibility is not a short-term economic gain, but is for the long-term building of more effective sustainable and cohesive societies. Birch warns that there is no way society can move forward without a sustainable institutional change in business behaviour with regard to corporate social responsibility. This call is even more urgent in a society such as South Africa's where many communities are still very much disadvantaged.

3.8 Conclusion

There appear to be many definitions of the term corporate social responsibility. Despite this, many people today agree that business bears inescapable responsibility to society for solving social problems because it is part of society. Embracing corporate social responsibility issues does not mean that a company abandons its primary economic obligations but that it becomes aware of the societal challenges in its operating environment and devises appropriate strategies to respond to them. Effective corporate social investment strategies offer the firm and society enormous long-term benefits, thus creating a win-win situation. The business response to social issues has become one of the greatest areas of debate in the twenty first century all over the world as investors, consumers; employees and local communities are calling for a "triple-bottom line" that incorporates the economic, environmental and social effects of business performance.

Companies are being called upon to stop addressing corporate social responsibility issues in an *ad hoc* short-term manner and to include them as part of their long-term corporate goals. Only when corporate social responsibility issues become part of mainstream business activities will there be meaningful change in the corporate culture towards corporate social

investment activities. As result, there are many driving forces for this change and companies are moving away from addressing corporate social responsibility issues in a philanthropic manner to a meaningful strategic model. While some firms still see corporate social investment initiatives as an *ad hoc* activity, many are beginning to corporate social responsibility issues as part of their core values and strategic planning process. This has given birth to the concept of 'sustainable capitalism' whereby companies now see that the solution to achieving long-term economic, social and environmental prosperity for all in the society lies in integrating a triple-bottom line philosophy into their overall corporate strategy and strategic planning process. The next chapter discusses the research methodology used in the study and how data was collected.

CHAPTER FOUR: RESEARCH METHODOLOGY

4.0 Introduction

In order to gain a full understanding how Daimler Chrysler South Africa conducts its corporate social responsibility initiatives in the Border-Kei region, and to assess the extent to which these activities are aligned to its overall long-term corporate strategy, a *qualitative* case study approach was used because of the depth and richness of detail it can provide. This chapter discusses the qualitative inquiry in detail and explains how it was employed in this research, the rationale for the case study research strategy and the methods used for data collection. Then data analysis is discussed followed by the important issues of reliability and validity and the measures that were taken to ensure these. Lastly, the ethical considerations that came up during the study and how they were dealt with are discussed.

4.1 Theoretical Assumptions

In any research inquiry, the researcher has to address the issue of whether the study will employ a quantitative or a qualitative methodology. Guba and Lincoln (1982) view quantitative and qualitative research as resting on divergent paradigms, and hence assumptions, about the study of social life. In the opinion of Henwood and Pidgeon (1993:15), the quantity-quality debate has been anchored within two apparently opposed epistemological positions known variously as 'experimental', hypothetico-deductive' or '*positivism*' and the 'naturalistic', 'contextual' or '*interpretive*' approaches respectively. However, Bryman (1988:108) neutralizes this quantitative - qualitative debate by suggesting that "the distinction between qualitative and quantitative research is really a technical matter whereby the choice between them is to do with their suitability in answering particular research questions". Riley, Wood,

Clark, Wilkie and Szivas (2000:113) observe that it serves no useful purpose to regard qualitative and quantitative methods as inherently mutually exclusive. Qualitative in this context means an approach whose concern is with the nature of the phenomenon, as opposed to the quantity or amount of it (Hagen, 1992: 82). It is for the above reasons that a qualitative research design was chosen as the most suitable for understanding how DaimlerChrysler conducts its corporate social investment programmes.

Qualitative research is a field of inquiry in its own right; it is not a new methodology, but one which has a history that precedes the surge of interest in its potential in the 1960's. As such, it has been employed by social scientists for many years (such as Denzin and Lincoln, 1998 and Bryman, 1988). Qualitative research is grounded on the assumption that features of the social environment are constructed as interpretations by individuals and that these interpretations tend to be transitory and situational (Winegardner, 2002). According to Merriam (1988), qualitative research is an umbrella concept covering several forms of inquiry that explain the meaning of a social phenomenon with as little disruption of the natural settings as possible, and in which the focus of the study is on interpretation and meaning. Qualitative research therefore takes place mostly in the natural settings where the phenomenon under study occurs. It is also viewed as being predicated upon a prior set of assumptions about the study of social reality from the point of view of those being studied (Bryman 1988:50).

Qualitative research is multi-method in focus, involving an interpretive, naturalistic approach to its subject matter (Denzin and Lincoln, 1998:3). In qualitative research, the researcher observes and records conversations, actions, and events and then tries to interpret them and their meaning through a range of concepts and theories which owe their explanatory power to factors other than statistical techniques or formulae (Riley et al 2000: 99). In essence, the researcher uses an array of interpretive techniques which seek to describe and translate the meaning of certain more or less naturally occurring phenomena in the social world in situations where the frequency of the

phenomena is not an issue. This tendency to rely on meaning rather than the frequency of occurrence of phenomena is a very important characteristic of qualitative research that underpinned its choice as the most appropriate technique to employ in this study. The study aimed to uncover in depth from the participants of the DaimlerChrysler case study, how they perceive and conduct the phenomenon of corporate social responsibility activity.

To be more specific, this study followed a critical realist post-positivist paradigm. Whereas positivist proponents argue that there is a reality out there to be studied, captured, and understood in a value-free framework; post-positivists while agreeing that there is a “real” world out there to be discovered, argue that this world can never be fully apprehended, only approximated (Denzin and Lincoln, 1998:9 and Guba, 1990: 2). In other words, the critical realist is *critical* of our ability to know reality with certainty (Trochim, 2000). The ontological appropriateness of critical realism therefore is that it assumes that research deals with complex real social phenomena involving reflective people in contrast to positivism which assumes an objective world.

From an epistemological perspective, positivist research views reality through a “one-way mirror” where the researcher is removed from the object or phenomenon under study (Guba and Lincoln, 1994:110). In contrast, Hearly and Perry (2000:123) contend that realist researchers are “value-aware”. They argue that realism acknowledges that researchers have to participate in real-world life situations so as to understand better and express its emergent properties and features. Their view recognizes the subjectivity or social nature of knowledge acquisition.

From a methodological perspective, Trochim (2000) argues that, because all measurement is fallible, the post-positivist emphasizes the importance of multiple measures and observations, each of which may possess different types of error, and therefore the need to use triangulation. These multiple perspectives help to explain reality as comprehensively as possible. Denzin

and Lincoln (1998:3-4) argue that the use of multiple methods, or triangulation, reflects an attempt to secure an in-depth understanding of the phenomenon in question and not an attempt to ensure validation because objective reality can never be captured. Therefore, by employing multiple methods to conduct this study, the aim is to capture in a qualitative sense, as much reality as possible regarding how DCSA performs its corporate social investment programmes. According to Hearly and Perry (2000:123), methodological trustworthiness can be maintained further by developing a case study data base and by the use of quotations in the research report.

Lastly, a critical realist perspective is concerned with theory building or “analytical induction” (Yin, 1994). In other words, theory has to be built before testing its applicability to the general population (Perry and Hearly, 2000:123). In this study, the theoretical propositions guided the interpretation and assessment of how DCSA performs its CSI activities. For this reason, this research has a certain theoretical framework about how strategic corporate responsibility should be done. Data was collected on DCSA’s corporate social investment activities to compare how DCSA’s corporate social responsibility initiatives compare with Hess et al’s theoretical model of strategic corporate social responsibility. Unlike a quantitative study which verifies facts using controlled and measurable variables and statistical analysis, this study employed a qualitative research design to assess rigorously the theoretical propositions used in the study. It is believed that by developing a strong research design it was possible to conduct a rigorous case study.

4.2 Research Strategy: The Case Study Method

A research strategy is a general plan of how a researcher will go about answering the research question(s) set for the study (Saunders, Lewis and Thornhill, 1997: 74). Robson (1993) identifies the three common research strategies as: experiment, survey and case study. The nature of the present research suggested that an embedded, single-case study design was most

appropriate as the intention of case study research is generally to gain an “in-depth” understanding of the phenomena concerned in a “real-life” setting.

Stake (1995:16) supports the views above by observing that the aim of such a study is to “appreciate the uniqueness and complexity of the case, its embeddedness and interaction with its contexts”. The context of this case was unique and dynamic, hence the case study aimed to investigate and report on the complex dynamic interaction of events, people and other factors in how DCSA conducts its corporate social investment programmes (Cohen, Manion and Morrison, 2000:181)

Case study research has been criticized by some researchers as not being rigorous enough. Much of this ‘bad press’ regarding case study methods typically stems from their poor definition as a research strategy. However, leading writers on the case study typology such as Yin (1989 and 1994) and Stake (1995) among others have sought to define rigorous case study methods and their role as an appropriate empirical strategy for addressing research questions. This research draws primarily from Yin’s work. Yin (1994: 13) defines a case study as:

An empirical enquiry that investigates a contemporary phenomenon within its real life context especially when the boundaries between the phenomenon and its context are not evident.

Corporate social responsibility is a *contemporary* socio-economic phenomenon involving many companies and the level at which it is carried out differs from one company to another. The socio-economic *context* in which DCSA operates is very important, as it affects the dynamics of how the company performs its CSR activities. DaimlerChrysler as a multinational corporation operates in a particular socio-economic environment. One would expect that because of either its own corporate values or the challenges that exist in the socio-economic environment, the company has had to approach corporate social responsibility programmes in its own unique way. Therefore, in adopting Yin’s definition of case studies, it is important to describe in detail

the company's corporate social responsibility activities as well as the context in which they take place. Also because as a business, the DCSA manufacturing plant is part of the environment within which it operates, there appears to be no *boundary* between the company and the local community of the Border–Kei region where it is located.

4.2.1 Choosing the Case Study

In choosing a case study strategy over other empirical methods, Yin (1989) suggests that the decision be rationally made against three conditions:

- the *type* of research question(s) being posed;
- the extent of *control* a researcher has over actual behavioural events;
- the degree of focus on a *contemporary* as opposed to historical events.

Case studies are suitable to answering “*how*” and “*why*” research questions such as those found in the present study. This study seeks to find out *how* DaimlerChrysler conducts its corporate social investment programmes and *how* these activities are aligned to their corporate strategic planning process. The study also tries to find out *why* they engage in CSR activities the way they do. For these reasons, a case study strategy appeared to be the most appropriate research strategy to use. In fact, the use of case studies in management research has become increasingly widespread because of the necessity for access, understanding and firsthand experience of organizational change processes (Gummesson, 1991). Yin (1989, 1993) concludes that an appropriate niche for case study methods is in research situations that deal with contemporary events in which the behaviour of the people or systems at the centre of the research problem cannot be manipulated.

Case studies can also be differentiated according to their purposes. Yin (1993) distinguishes case studies as exploratory, descriptive or explanatory. This is an evaluative-exploratory study. The purpose of this research is to understand how DCSA conducts its corporate social responsibility

programmes and compare how these programmes are aligned to its strategic planning process and corporate goals. This comparison entails a comparison of DCSA's performance against Hess et al (2002) theoretical model (indicators) of strategic corporate social responsibility and involves making a judgment whether DCSA conducts corporate social responsibility activities from a strategic level or not.

According to Darke, Shanks and Broadbent (1998), the use of case study in research is useful where examination of the context and dynamics of the situation are important. The context and the dynamics of this case are important. Yin (1993:5) argues that a case study should present a complete description of a phenomenon within its context. Therefore, describing the dynamics and the socio-economic context under which DCSA conducts their corporate social investment activities in the local community and how these activities are connected to their overall corporate strategy was made.

Winegardener (2002:5) emphasizes that when describing a case study, the researcher should look for constructs to organize the data and relate it to other research findings and for themes that identify the salient features of the case. Yin (1989) warns that descriptive case study should not be used simply to describe everything but rather the researcher has a responsibility to be selective in order to focus on answering the purpose of the study. This case study specifically set out to describe DCSA's corporate social investment programmes in light of the *indicators* for strategic corporate social responsibility entailed in the theoretical propositions used in this study. In terms of context, the relationship between DCSA and the local community where these activities take place was also examined.

Winegardner (2002:6) argues that theory is present in all qualitative studies because no study could be designed without some question being asked explicitly or implicitly. Schwandt (1993, cited in Winegardener, 2002) argues that even case studies which generate theory grounded in the data of the study itself, are not conducted in a theoretical vacuum, but contain a "complex

process of induction and deduction, guided by prior theoretical commitments and conceptual schemes”.

In this case study, at the beginning of the research project, an extensive literature review on the subject was done to gain more insight into the subject. A theoretical framework for strategic corporate social responsibility as proposed by Hess et al (2002:117-122) was then adopted for this study. These theoretical propositions were used in the study to assess whether there are similar themes and patterns between these propositions and the way DCSA conducts its corporate social investment initiatives. This is in line with Tellis's (1997:1) and Yin's (1993) view that good case studies require a descriptive theory to be developed before starting the project.

Yin (1993:4) supports the role of theory in doing case studies by arguing that good use of theory will help delimit a case study inquiry to its most effective design. A descriptive theory is not an expression of a cause-effect relationship; rather, a descriptive theory covers the scope and depth of the object (case) being described (Yin, 1993:22). Such a theory specifies a *priori* the critical ingredients of the phenomenon to be described to prevent data collection rambling without a proper direction. Yin (1994:27) argues that this role of theory development, prior to the conduct of any data collection, is one point of difference between case studies and related methods such as ethnography and “grounded theory” because these two methods deliberately avoid specifying any theoretical propositions at the outset of an inquiry.

In this regard, before data collection began, an interview guide was prepared with Hess et al's (2002) theoretical propositions (or characteristics) of strategic corporate social responsibility in mind. These propositions also formed the basis of the objectives of the study in order to answer the research question as accurately as possible by linking data to the objectives of the study and then linking the objectives to the findings. The data analysis then adopted Yin's pattern-matching procedure to compare the research findings with the theoretical propositions set out at the beginning of the study (Yin, 1993). Riley

et al (2000:101-102) actually argue that through a comparison of the results of a study with the theoretical propositions, one can strengthen the validity of theories, help identify other cases to which the results are generalizable, suggest refinements of theories or falsify them completely.

4.2.2 Selecting the Unit of Analysis

Selecting the unit of analysis is a crucial step in case studies. Yin (1993:33) observes that once defined, the unit of analysis (or case) provides stability to a case study design. The criteria for selecting a single-case or multiple cases to study will depend on whether the case is critical, topical or feasible (Yin 1993:34). DaimlerChrysler's East London manufacturing plant was selected as a case to study because of its critical and unique position in the socio-economic development of the Border-Kei region in particular and the Eastern Cape Province as a whole. Its situation in this geographical area is unique and its interaction with the local community of the Border-Kei region was thought to be very complex and intertwined. It also satisfied the other criteria in that the phenomenon being studied is contemporary and topically relevant because the role of business in society is under close scrutiny today as investors and other stakeholders are demanding that companies be socially responsible.

The case study is also known as a triangulated research strategy because many sources of data are used to study a single phenomenon from different perspectives. Triangulation is also an important feature of the critical realist using a post-positivist paradigm which asserts that reality cannot be perfectly understood and that by employing "critical multiplism" (or triangulation) one can approximate this reality (See Guba and Lincoln (1994: 108-109). The importance of multiple sources of data to the reliability of the study is well established (See Yin, 1994; Stake, 1995). Yin (1993:32) reinforces this view by observing that an important aspect of case study data collection is the use of multiple sources of evidence to converge on the same set of issues. One

can have a triangulation of data, investigators, theory or methodology (Denzin, 1984).

To ensure triangulation, the researcher interviewed different people within the company as well as important stakeholders within the local community. The researcher also studied documents from the company such as their corporate brochures as well as external documents in the form of newspaper reports on DCSA's corporate social responsibility activities. Tellis (1997:9) argues that triangulation in the data collection context serves to corroborate the data gathered from other sources. He argues that unlike other research methods such as experiments or surveys which are known to hide some details by controlling and narrowing the variables under study, case studies are designed to bring out the details from the viewpoint of the participants by using multiple sources of data.

The next question to address in a case study strategy is the issue of external validity or generalization. Much concern, confusion and criticism of research done by case studies revolves around their inability to generalize findings beyond the actual case. For this reason, case study methods are often seen as poor substitutes to well-conducted surveys (Crosthwaite, Leod and Malcolm, 1997). In Yin's view, the criticism about the generalizability of case study findings reflects a mistaken understanding. He argues that there is an essential difference between generalizing to theory (analytical generalization) – a property shared by case studies and most naturalistic science studies, and generalising to populations (statistical generalization) – typical of surveys (See Yin, 1989, 1993). Yin (1993:39) goes on to argue that rather than generalizing to a universe or population, case study research should be used to expand our understanding of theoretical propositions. Yin believes that the development of a theory prior to the conduct of a case study produces case studies that can be part of a cumulative body of knowledge rather than just isolated empirical inquiries.

The goal of a researcher in a case study unlike in a survey is not to make statistically based normative statements about the frequency of occurrence of a phenomenon in a defined population. Riley et al (2000:21) argue that external validity required in surveys, popularly known as representativeness and generalisability, are very much positivist in their assumptions about the nature of research and the real world phenomena, and that their applications as standards to ascertain the validity of all types of research might be inappropriate. More importantly, they argue that such levels of justification are unnecessary and flawed and that there is no need for qualitative researchers to adopt an apologetic stance regarding representativeness and generalizability.

Wimmer and Dominick (1994:155) argue that the above observations do not mean that the results of all case studies are idiosyncratic and unique; in fact, if generalizing theoretical propositions is the main goal of the research (as in the present case), then the case study method is perfectly suited to this task. Cohen et al (2000:185) support the above view by observing that case studies, in not having to seek frequency of occurrences, can replace quantity with quality and intensity. In other words, significance rather than frequency is a hallmark of case studies, offering the researcher an insight into the dynamics of situations and people.

It follows from the above arguments that generalisations, although perhaps statistically meaningful, have no applicability in an individual case (Guba and Lincoln, 1994:106). Croswaithe et al (1997:4) argue that the correct context for generalizing beyond immediate case findings is that of theory development and generalization to theory. They argue that the case study design ideally is based on a well-grounded theory and set of theoretical propositions and the findings of the study are then generalized to that theoretical base according to the degree of support the findings provide to the original propositions. Riley et al (2000:101) agree with the above view by emphasizing that the single case study can be one way of testing an already well-formulated theory.

Lastly, conducting a rigorous case study requires a well-prepared research design. Many writers such as Yin (1994); Stake (1995); Tellis (1997:4) and Wimmer and Domminick, (1994:155) emphasize that the case study researcher should construct a case study protocol to ensure accuracy in the research process. Yin (1994) asserts that the development of the rules and procedures contained in the protocol enhance the reliability of the case study. A case study protocol contains the following sections: an overview of the case study project, field procedures, case study questions and lastly a guide for the case study report. Tellis (1997) argues that the discipline imposed on the investigator by the protocol is important to the overall progress and reliability of the study because it helps to keep the investigator's focus on the main tasks and goals.

In the present study, a case study protocol was designed well before the actual fieldwork began and developed as data collection proceeded. It addressed the following issues: access to DCSA, an overview of the case study project, the research topic to keep the researcher focused, the names of the interviewees in the study, a list of the documents required and where to find them, and lastly an interview guide which was prepared before fieldwork began. The question of the style of case study reporting was not seen as a problem as this research adopts the formal research reporting style for theses used in academia.

4.3 Methods of data collection

The primary data for this case study was collected using the qualitative **interview** and **document study**.

4.3.1 Interviews

Individual semi-structured in-depth interviews were of particular relevance in the present study. This is because the nature of the information required a deep analysis of views and perceptions of various people and interviewing

was the best method to gather such data. The qualitative interview appeared to be the best data collection method to gather such data because the researcher could probe deeper for clarity. Hagen (1992:82) argues that while quantitative methods, such as the survey, allow investigation into a certain level of a phenomenon, qualitative approaches are required to achieve a deeper understanding. The strength of qualitative approaches lies in their capacity for the exploration and understanding of meaning frames, subjective experiences, and feelings, which are of particular interest in the present project (Hagen, 1992:84). A questionnaire does not allow for such flexibility.

Identifying the parameters for data collection is an important step in qualitative research. Creswell (1994:149) argues that the idea of qualitative research is to select purposefully informants (or documents or visual material) that will best answer the research question, and no attempt is made to select informants randomly as it is done in a survey. The respondents and the documents in this case study were selected because they were strategically important for the study and they could provide information on DCSA's corporate social investment programmes which the researcher was trying to investigate.

Hagen (1992: 87) observes that qualitative interviews “can take many forms, ranging from open-ended questions to loosely structured conversations”. The semi-structured in-depth interview was used in the present study as it is less structured than a questionnaire, but more structured than everyday conversations. Before going out to conduct interviews, the researcher formulated an interview guide in advance, consisting of a list of themes or questions related to the research topic. Hagen (1992: 88) explains that, “the interview guide is not a structured set of questions to be asked word for word as written, but a list of topics or questions to have in mind when talking to the person interviewed”.

The people from DCSA who were interviewed were chosen from different levels of positions in the company in order to get a broad spectrum of perspectives on the issue under study. Saunders et al (1997:84) warn that if

you interview top bosses only you are likely to encounter the “good news syndrome”. Firstly, the management board member for Human Resources for DCSA nationally was interviewed at his DCSA East London Office. As a top-ranking executive who sits on the executive Board of DCSA, his views represented top management’s view. He also gave valuable information on the overall strategic direction of the company in terms of DCSA's corporate culture with regard to CSR. At middle management level, the Corporate Social Investment Manager who is based in Pretoria was interviewed. Because of logistical constraints, he was interviewed telephonically.

Next, the Public Relations Officer at DCSA East London plant was interviewed. The involvement of this office in CSR is crucial as it acts as the interface between the company and the community and its involvement in CSR issues was regarded as very important. Non-management’s view was also sought and two workers were interviewed: a staff union representative and a shop floor steward. This was crucial in order to explore their view on CSR and explore any contradictions, if any, with management’s view and also to offer new insights on the way DCSA performs the CSR function.

Case studies use multi-perspective analyses whereby the researcher considers not just the voices of the actors but also the relevant groups of actors in the study and the interaction between these groups (Tellis, 1997:2). For this reason, apart from selecting people within the company (case) to interview, important stakeholders within the Border-Kei community were also interviewed to get their perception on how DCSA conducts its CSR activities. This was crucial because corporate social investment is an activity that is conducted within a community outside the company, and as such, it was important to talk to important stakeholders in the Border-Kei region community.

In this regard, the following people were also interviewed: the Mayor’s Special Advisor (on behalf of the Mayor) to represent the views of the residents of the Border–Kei region, and the Executive Director of the Border–Kei Chamber of

Commerce. Next the Business Editor of the *Daily Dispatch*, a leading English Daily newspaper based in East London, was interviewed. Lastly, the Coordinator of the Read Trust, one of the important NGO's in the region that is sponsored by DCSA, was interviewed. Attempts to interview the MEC for Economic Affairs of the Eastern Cape provincial government were futile, as he was away from the province but a questionnaire with the same open-ended questions was faxed to him so that he could participate in this study; he did not respond to them. In total, the researcher interviewed nine out of ten subjects that were chosen. To capture all verbal data accurately, all the interviews were tape-recorded. Field notes were written to record new issues and the researchers own observations that came up during the interview process in order to bring more clarity to the interviews.

4.3.2 Document Study

Document study is an indirect method of data collection, in that, instead of directly observing, or interviewing or asking someone to fill in a questionnaire for the purposes of an enquiry, the researcher deals with something produced for some other purpose (Robson, 1993: 272). The content of the document according to Robson (1993) includes the purpose of the document as well as its institutional, social and cultural aspects. The above point was very important in the study in that by analysing the company's corporate reports and documents from other sources such newspaper reports where CSI issues were covered, the researcher gained valuable information about the content and context of the phenomenon under study.

The company reports were obtained from the company during a preliminary visit before the research began. During the fieldwork period, the DCSA Public Relations Officer again provided me with current additional reports on CSI. Apart from studying the company's documents, the *Daily Dispatch's* coverage of DCSA's corporate social investment activities was also analysed. This information was gained by doing a search at the *Daily Dispatch* Library in East

London where a file of all articles on DCSA by the *Daily Dispatch* newspaper is kept.

It was believed that gaining external documents on the company from *Daily Dispatch* reports would supplement the evidence gained from the company's internal documents and possibly serve to obtain another view, as most corporate reports are written from the company's view. Apart from supplementing company reports, the *Daily Dispatch* can be considered a powerful advocate of the community, not only informing the community about DaimlerChrysler's corporate social investment in the region but also providing its own independent view and perceptions about this issue.

The information from the documents also supplemented the evidence produced in the interviews. In line with the triangulated strategy employed in this study, this was considered an important feature. It was believed that the *Daily Dispatch* while covering the corporate social investment activities of DCSA would portray these activities against the background of the socio-economic constraints and challenges facing the Eastern Cape Province. When reading documents, Creswell (1994:152) emphasizes that it is helpful to note whether the information represents primary material information directly from the people or the situation being studied or secondary material that gives second hand accounts of the people or situation. In this situation, one can say the documents from the company were primary sources, while those from the newspaper provided supplementary additional information about DCSA's CSI activities.

4.4 Data Analysis

Unlike more quantitative research techniques, there are no specific formulae to guide the researcher in analysing qualitative data (Wimmer and Dominick, (1994:156), Riley et al (1994:100). According to Winegardner (2002:7), data analysis in qualitative research is generally regarded as occurring simultaneously with data collection. There are no tight tools for analysing

qualitative data. As Tesch (1990) explains, “the process of data analysis is eclectic; there is no right way (cited in Creswell, 1994:153).

The first analytic technique in the process was the field notes. After each field interview, the researcher assessed the significance of what had been recorded and how it related to the concepts and theories she felt were relevant to the study. It was essential to undertake this exercise in order to provide clarity in data collection (Riley et al 2000). The interviews were recorded and transcribed verbatim and were read in their entirety in order to gain a sense of the whole. The questions contained in the semi-structured interview provided broad parameters within which to analyse the qualitative data that had been obtained.

Winegardner (2002:7) writes that interpretational analysis is a process of close examination of case study data in order to find constructs, themes and patterns. For this reason, the transcribed verbal data from all the interviews were then categorized according to the theme corresponding to the question that it addressed. These questions covered the themes or theoretical propositions of strategic corporate social responsibility as found in the literature and which formed the objectives of the study. Yin (1984:309) notes that one must, just as in a court case, ‘maintain a chain of evidence’.

Once a theme that matched the objectives of the study had been identified, the researcher categorized the appropriate response that matched that theme in an analysis sheet to ensure that each interview was analysed thoroughly. Easterby-Smith, Thorpe and Lowe (1993:113) emphasize that such an “analysis sheet” is the recommended approach for organizing semi-structured interview data as it allows the researcher to “work through each interview”. Once all the data had been categorized into themes, the next step was to scan each of the issues and identify patterns to see how the findings of the study compared with the theoretical propositions put at the beginning of the study. Riley et al (2000:111) emphasize that good qualitative research must get beyond the mere anecdotal; that the data collected ought at some stage to

be able to be fitted into, and have some significance for some theory or model. They argue that the analysis should end only when one begins to see the data fit into some general conceptual framework, that is, when one has “squeezed it dry” (ibid).

Yin (1989) has suggested three broad analytical strategies for analysing case study data: pattern–matching, explanation building and time series. The method applied in this study is the pattern–matching strategy. According to Wimmer and Dominick (1994:156), with a pattern-matching strategy, an empirically–based research pattern is compared with a predicted pattern or several alternative predicted patterns. In this study, this pattern-matching approach was applied as follows: If in the analysis of the case study data, a pattern emerges that matches the themes of DCSA CSR activities to the theoretical propositions of strategic corporate social responsibility (based on the established theory of Hess et al. 2002), then the researcher would conclude that DCSA conducts its CSR activities from a strategic level. If there is no matching pattern, then they do not practise CSR from a strategic level, but maybe from an economic or philanthropic level only.

4.5 Reliability and Validity in Case Studies

As in all research, consideration must be given to construct validity, internal validity, external validity, and reliability (Yin, 1989). Cohen et al (2002:184) emphasize that even though case studies do not have to demonstrate a positivist form of reliability, nevertheless it is important to take certain important steps when undertaking case studies. In this study, the definition of clear research questions ensured construct validity while adopting a single case and employing a descriptive theory to guide the study ensured internal validity. A case study protocol was developed to ensure accuracy in conducting this research.

Yin (1994) suggests that using multiple sources of evidence is one way to ensure construct validity. In this study, data were collected from personal

interviews, company documents and newspaper reports. The more these different sources of evidence from different respondent perspectives converged on the same themes of the study, the more the researcher could see that there was construct validity. Compared to surveys, external validity is not the aim for case studies (see page 83). However, the theories developed for this study can be applied in another multinational corporation that finds itself in the same position as DCSA.

4.6 Ethical Considerations

Ethical issues have to be addressed in all social research. According to Cohen et al (2000:50), each research undertaking is an event *sui generis*, and the conduct of the researchers cannot be, indeed should not be, forced into a procrustean system of ethics, because each situation frequently offers a spectrum of different possibilities. There are certain rules however, that are important and the researcher tried to abide by those as much as possible while conducting this research. The first ethical issue the case study protocol addressed was the issue of gaining access and permission to conduct this study at DCSA's Manufacturing plant in East London.

Gaining access and permission is important to ensure the cooperation of the participants. Bell (1987) is emphatic about this and advises that:

Permission to carry out an investigation must always be sought at an early stage. As soon as you have an agreed project outline and have read enough to convince yourself that the topic is feasible, it is advisable to make a formal, written approach to individuals and the organization concerned, outlining your plans.

Two company visits were made in this regard, first by the Head of Department of Management at Rhodes University in the beginning of the year to present the company with the approved research proposal. Shortly after a positive response was received from the company, the researcher paid a second visit to the company to discuss what the study entailed as well as to collect

company reports on DCSA's corporate social investment activities in the Border-Kei region.

The company waived the requirement of signing a written formal confidentiality agreement and allowed the researcher to conduct the study freely. However, assurances were spelt out to the company that the purpose of conducting the research was for academic purposes only. The company asked to be given a copy of the research findings on completion of the study and the researcher will abide by this agreement. The company would like to study the findings to see if they can adopt some of the recommendations and make improvements if necessary in their CSR activities. Therefore, this research is important to the company as well.

To gain the consent of the respondents, they were sent an official letter in advance outlining the purpose of the study and requesting their permission to be interviewed. These formal letters were typed on the official Departmental letterhead and signed by the Head of Department. Two respondents requested to have a copy of their interview schedules before being interviewed. This however did not affect the other people who did not make the same request since the purpose of the study had already been outlined to them telephonically and in writing. In analysing the study data and writing the final report, it is important to respect the anonymity of the individual respondent. To do this, the respondents' names have not been used and they are referred to only by their job designations or company. The researcher also treated all the responses as equal; and no respondent's views were given more weight than those of others.

4.7 Limitations of the Research and Mitigating Factors

4.7.1 Size of the Sample

This research was based on a single case study and as such, the research findings cannot be generalized to whole populations. Leading writers on case

study method argue that the goal of case study research is not to generalize to whole populations as in a survey, because cases are not sampling units randomly selected from a large universe. The aim of case studies, like this study, is to conduct an in-depth holistic study of a contemporary phenomenon based on a unique case.

4.7.2 Data Collection Methods

Observation, one of the three common data collection methods in case study research was not carried out in this research. The researcher would have loved to make a site visit and observe DCSA's corporate social investments in the Border-Kei area but this was not possible because of lack of resources, especially a 4X4 vehicle to visit some of the rural communities they have assisted.

4.7.3 Interview Bias

In qualitative research, the researcher is the data collection instrument and as such is very much a part of the research process. While the presence of the researcher can help bring out rich details of the study through probing and establishing rapport with the participants, there is great potential for interview bias to crop up. In order to minimize the potential of this type of bias, an identical procedure was followed in dealing with all the respondents from the time of the initial contact up until the interview.

4.8 Conclusion

The study applied a qualitative research approach to investigate how DCSA conducts its corporate social responsibility activities. The study used a critical realist approach within the post-positivist paradigm which stresses that reality is only imperfectly apprehensible but by the use of a variety of data collection methods; one can try as much as possible to at least capture some of these reality. This study aims to investigate as much as possible how DCSA

conducted its corporate social responsibility activities and how these activities are aligned to strategic planning and corporate values. Case study method was chosen as the research strategy to use as the researcher wanted to gain an in-depth understanding and assessment of how this particular company carried out this activity. Personal in-depth interviews as well as document study were used to collect data. The data analysis as applied in the study was also discussed and attention was also paid to ethical problems and limitations that could hinder the research and how to overcome them. The next chapter is data analysis where data from the study is discussed and, as said in this chapter, this data analysis tried to establish whether there is a pattern between DCSA corporate social investment activities and the theoretical propositions of Hess et al (2002) about strategic corporate social responsibility.

CHAPTER FIVE: ANALYSIS AND DISCUSSION OF DATA

5.0 Introduction

In order to answer the question of how DCSA performs its corporate social investment activities and to assess how these activities are aligned to its overall strategic planning process, the findings of this research are presented in this chapter. The data analysed and presented here are documentary data and the interview data. Analysing documents involved studying DaimlerChrysler SA corporate reports, company brochures and magazines as well as the coverage of the company's corporate social investment (hereinafter, CSI) programmes in the local English daily, the *Daily Dispatch*.

Interview data came from interviewing people from the company and the important stakeholders in the local community. Within DCSA, it was important to obtain a broad spectrum of the employees at DCSA to interview, from top management to shop floor workers. Those interviewed were: The Management Board Member for Human Resources; two middle managers, that is, the CSI Manager in Pretoria (by telephone) and the Public Relations Officer at the East London plant and then lastly, two employees (who happened to be employee representatives, one a Shop Steward and the other was a Staff Representative) were also interviewed.

As corporate social investment is an activity that is conducted within the community outside the company, it was also crucial to interview important stakeholders in the Border-Kei region community in addition to interviewing people within DCSA. Therefore, the following people were also interviewed: the Mayor's Special Advisor (on behalf of the Mayor) to represent the views of the residents of the Border-Kei region; the Executive Director of the Border-Kei Chamber of Commerce; and the Business Editor of the *Daily Dispatch*, a leading English Daily newspaper based in East London which covers DCSA corporate social involvement activities in the local press.

Lastly, the Co-ordinator of the Read Trust, one of the important NGO's operating in the region, which is also sponsored by DCSA, was also interviewed. Attempts to interview the MEC for Economic Affairs of the Eastern Cape provincial government were futile as he was away from the province at the time of the research. In total, nine interviews were conducted, five within DCSA and four within the community. For logistical reasons, people in the villages could not be interviewed.

The questions that the respondents were asked were constructed from the objectives that the study set out to achieve. From these broad objectives, one or two questions were constructed and this resulted in the respondents being asked many questions in order to probe deeper to get a better understanding. A copy of these questions is available in the two interview guides attached in the appendix (as appendix i and ii) at the end of the thesis. From the analysis, numerous themes and sub-themes emerged which were subsequently grouped into categories that reflected the objectives and the goals of the study. The findings have quoted liberally from the original data in order to represent the respondents' views as accurately as possible.

DCSA's CSI programmes were compared to the Hess et al (2002) theoretical model of strategic corporate social responsibility which has been used as the theoretical model for this study. This entailed comparing these findings with what is in the literature in order to assess whether DCSA conducts its corporate social investment programmes from a strategic level or not. The socio-economic context of the case is very important; therefore, after analysing Hess et al indicators for strategic corporate social investment programmes, the relationship between DCSA and the local community discussed. Lastly, a summary of the findings of the study is given at the end of the chapter.

5.1 The Indicators of Strategic Corporate Social Responsibility

Hess et al (2002:117-122) clearly set out the following indicators (refer to Chapter 3 page 61) for designing corporate social investment initiatives that can be said to be conducted from a strategic level by a company. In short, they propose that strategic corporate social investment programmes should have the following characteristics:

- Connection to the firm's core values as shown in its mission, vision and value statements
- The involvement of the firm's top management in the formulation and implementation of such programmes
- Connection to the core competencies of the firm
- Set clear objectives and means of measurement of CSI programmes through social audits
- The consultation and involvement of local community leaders in the formulation of corporate social Investment programmes.

5.1.1 CSI Values as Contained in DCSA's Mission, Vision and Values Statements

According to Business for Social Responsibility (BSR, 2000) many companies are choosing to make explicit commitment to corporate social responsibility in their mission, vision and value statements. Such statements frequently extend beyond profit maximization to include an acknowledgement of a company's responsibilities to a broad range of stakeholders, including employees, customers, communities and the environment. A company's mission, vision and values statements are very important corporate documents that clearly spell out the strategic goals and objectives of the company and how the company aims to achieve its long-term goals. These corporate statements strongly set out the corporate culture and conduct and embody the values of the top management of the organization. As such, these statements have a great impact on the organization as a whole and the way the organization wants to be seen by those within and without it. Therefore, one of the first

things the study aimed to find out was to see how DCSA's mission, vision and values incorporate corporate social responsibility issues. If CSR is a strategic issue for DCSA, it would be clearly spelt out in these important corporate statements.

5.1.1.1 DCSA's Mission

DCSA's vision statement states that:

Daimler Chrysler South Africa aims to be the best at meeting the transport and motoring needs of the African and emerging markets by:

- *Manufacturing and marketing motor vehicles*
- *Providing parts and service*

To achieve maximum customer and shareholder value, while behaving in a progressive manner towards our employees, business partners and external environments (www.daimlerchrysler.co.za/corporate1/Corporate.htm).

This mission statement does not clearly mention the local community as one of the company's stakeholders; one can just assume that they are included in what the company refers to as its 'external environments'. For this reason, this mission statement is not explicit enough in recognizing the company's responsibility to the local community where they operate. A good mission statement should clearly set out the company's social mission without ambiguity or generalization. When one compares DCSA's mission statement for example with the one below belonging to Gulf & Western Americas Corporation, which expresses this view clearly, then one can see that there is a big difference.

We believe that in a developing country, revenue is inseparable from mandatory social responsibility and that a company is an integral part of the local and national community in which its activities are based (Pearce and Robinson 1997:121).

5.1.1.2 DCSA's Vision

A vision is a compelling statement about what a company is striving to achieve.

DCSA states its vision as follows:

Siyapambili ('moving forward together') to be the Number One motor company in Africa.

The company declares in its vision that it is *'moving forward together'* and this can be considered to mean that it is moving forward together with all its stakeholders to be the number one motor company in Africa. These stakeholders no doubt include the local community where the company operates. The company cannot aspire to be the number one motor company if the society it operates in and whose success it is based on lags behind. However, a vision is normally short and not elaborate like a mission statement. Therefore, by saying they are "moving forward together", DCSA is moving forward with all its stakeholders including the local community of the Border-Kei region thus reassuring them that the company, in the process of meeting its own goals, will meet their needs as well. In the interviews, the company strongly revealed that the socio-economic needs of this local community are very important to them, and the company cannot aspire to prosper if its local community lags behind (this became clear in the interview quotes).

Barrett (1998:105) emphasizes that the primary purpose of a company's vision statement is to describe how an organization finds fulfilment by declaring the company's intention with regard to the future it desires to create. A vision thus represents a deeper level of motivation than a mission, in that, whereas a mission describes the "means", the vision describes the "end". DCSA vision statement is also not explicit as far as acknowledging the local community is

concerned. However it is important to bear in mind that a vision statement is normally short and not elaborate like a mission statement.

5.1.1.3 DCSA's Values

Apart from having a mission and vision, a company should also have a set of values that shape its corporate culture and conduct. Companies therefore choose to follow values that help them focus on the attainment of their goals as well as make them look like a good corporation in the eyes of the public. Barrett (1998:109) calls values "rules for living". He believes that by stating its values, an organization declares how it expects to behave in accordance to these rules that guide its corporate behaviour and culture. Establishing a set of values helps to create a code of behaviour that builds a cohesive culture and supports the vision and mission of the organization.

DCSA in its website (www.daimlerchrysler.co.za) declares itself to be embracing the following *values*:

- Customer focus
- Teamwork philosophy and practice
- Commitment to enduring business partnerships
- Upholding individual dignity
- Fostering and encouraging a personal development culture
- *Affordable commitment to the environment and community*
- Caring leadership

From the company's website, one can see that DCSA declares explicitly that one of its corporate values is a commitment to the environment and the community even though they have qualified that statement with affordability. However, the fact that the company has expressly set out corporate social investment in the community as one of its values shows that the company cares greatly about this activity. Such an express commitment tells the local community and other stakeholders that the company cares about corporate

social responsibility issues and is committed to living this promise. In addition, DCSA's corporate social investment motto states that:

"We don't just build cars - We build communities. DaimlerChrysler's philosophy extends beyond building the finest vehicles. It involves a genuine and lasting investment in the people who build them- a commitment to empower its employees, and the broader communities in which they live".
(www.dcsa.co.za)

5.1.2 Top Management's Involvement and Support for CSR Programmes

An organization's top managers are the ones who set the strategic direction of the firm as well as choosing the values of an organization that will support its mission and vision statements. If an activity does not receive the attention or support of top management, then one can say that such an activity is not of strategic importance to the organization. Clutterbuck, Dearlove and Snow (1992: 31) argue that ultimately, the success or failure of companies' efforts to manage social responsibility issues is an integral part of executive responsibilities. They continue that the commitment, particularly among top management, to developing the kind of climate where social responsibility attitudes and innovation in community involvement can flourish and become a natural part of the "way we do things here" is crucial.

The interviews from both within and outside the company responded that DCSA's top management was supportive and involved in the company's CSI programmes. One of the respondents from the company gave the following observation when asked how he thought the company's top management was supportive of CSI initiatives:

We used to sit down with Mr Butschek when he was still within the company. We used to sit in those meetings, taking decisions. That on its own shows there is a strong support from top management.

Mr Gunter Butschek is the former Site Leader at the East London manufacturing plant and also a former Management Board Member for manufacturing. He has just left the plant after being transferred to a new position in the Netherlands with Daimler Chrysler International, just a month before this interview was done. It is not surprising that the employees and the stakeholders in the local community still referred to Mr Butschek because he was still fresh in their minds. A new Site Leader, Dr H. Niefer had just arrived from Germany to head the plant at East London when this study was conducted. The new manager had just started on his new job so he was not yet familiar to the outsiders with regard to the company's engagements in social investment programmes in the community. However, it is important to note that he will also be actively involved in CSI as he chairs the plant's CSI Committee as did his predecessor. It is DCSA's policy that the top manager of the plant (the Site Leader) chairs the CSI committee.

Apart from the top management supporting the CSI programmes by their involvement in the CSI Committee, the employees also noted that top management actively took part in these programme. So apart from just "talking the talk", they were also "walking the talk" by taking part in the projects that were being carried out in the community by the company. This worker noted his observations as follows:

They are fully behind us. Whenever we go out, on occasions or when we launch things, they are always behind us. They are with us today and they will always come down to launch things with us. They travel the dusty roads with us and go to those rural schools.

Members of the community were also asked if they were aware of the company's top management involvement and support of DCSA's CSI projects in the region. A number of them responded that they knew and have seen the company's top managers actively involved in CSI programmes. They could even recall by name these top managers. The overall impression is that they think that DCSA's top managers are very supportive of the company's CSR policies. Some of the responses were as follows:

Certainly, I do know on Board level, the Human Resource Board Member, Mr Johann Evertse is a kind person on reports on corporate social responsibility.

The Editor of the Daily Dispatch's response was similar to the above response however, he noted that DCSA's top management were very active in the community but always also reminding people of what their business here was for, to make cars. He said that:

The Pretoria people like Mr Kopkè and those guys we do not see them that often. I see more of Johann Evertse who is the Human Resources Board Member. He and certainly Mr Butschek as well play a role, always with the understanding that the job must be done (the job of delivering on their performance targets in the plant). You know again one must not loose sight that they are here to do business. But I have always had a feeling that a person like Johann Evertse is quite a compassionate sort of person when dealing with your ordinary workers and their needs and interests.

From the company's side, the PR Officer observed that:

Our top management situated in Pretoria and our Board members in East London, very participative and they are committed. If the majority of the workforce has identified area, they are behind us.

The CSI Manager also observed that every Board Member at the beginning of the year is assigned a social cause to lead and at the end of the year, their overall performance is evaluated also with regard to how successful they were in leading these projects. Barrett (1998:213) believes that corporate culture is fundamentally a function of the personality of the leadership at the top and that organizational transformation must start at the top. Therefore, a company's top management should be supportive of corporate social investment programmes by their behaviour by actively taking part and involving themselves in corporate social investment activities. Dickson (2002) agrees that: "It is clear that social responsibility is no longer the preserve of functional specialists". Waddock and Boyle (1995:131) write that involvement of top management in corporate social responsibility is crucial in order to bring

corporate social responsibility as a core function of the firm. They continue that no longer can it be a peripheral staff function lost in a mass of middle managers. If it is to survive, it needs to be integral to the corporate mission and the best people to lead it in that direction are the top managers of the firm.

5.1.3 Use of the Company's Core Competencies in CSI Programmes

The use of core competencies and strengths of the company to carry out corporate social responsibility initiatives is also an indicator of whether a company is conducting its corporate strategic social responsibility from a strategic level or not. DCSA uses its core competencies to conduct its CSR activities. This was done in the following ways:

5.1.3.1 Use of off-road Vehicles

The company has an expertise in building off-road vehicles. This core competency has resulted in use of these off-road 4x4 Mitsubishi trucks to distribute books in the rural areas of the Transkei and the Wild Coast during the Rally to Read Campaign. The company's 4x4's have also been loaned to the Education Department to reach inaccessible rural schools. The company also donated vehicles to the Department of Health to strengthen mobile primary health care clinics in the rural areas in the region. Regarding the use of the DCSA's 4x4 resources, DCSA CSI Manager had this to say:

4x4 is not the only competency we use in our CSR programmes; other motor vehicle manufacturers have the same cars but don't do what we do. In a way, 4x4 makes rural schools accessible. So yes, it's one of the core competencies we use.

5.1.3.2 Engineering and technological expertise

The company also used its other key resources such as its technology and engineering expertise by seconding its experts to help black economic suppliers and companies they had partnered in empowerment initiatives. This

assistance was to improve the efficiency and production flow in these empowered companies so that they could be in a better position to carry out their operations. One such company is the Ikwezi Trucktech which was formed in 2002 to assemble heavy Mercedes-Benz and Freightliner trucks. DCSA Management Board Member for Commercial Vehicles at the launch of this empowerment company said that: "To ensure that quality has been maintained, we have backed it up with DCSA people. A DCAG quality controller will be on site" (Elias and Ross-Thompson in *Daily Dispatch*, February 26, 2002).

5.1.3.3 Good customer service

DSCA also said that, as a company, good customer service is one thing the company prides itself in all its dealings with outsiders, whether they are customers, suppliers or stakeholders from the local community. The company aims to ensure that everybody who comes into contact with the company should feel well treated and his/her request attended to fast and efficiently. That this good customer service philosophy is very important to them is evident in the way they deal with CSI initiatives. For example, CSI Manager said that they respond to CSI proposals within 24 hours. He said this was important to them because it shows respect and caring to the person they are dealing with.

When it comes to the use of core competencies, Hess et al (2002:120) write that one of the most important features of corporate social initiatives is reflected in the link between these programmes and the core competencies and key resources of the firm. They argue that management should scan the external environment to determine where its resources can provide the greatest benefit to the community. For DCSA, they found that they could apply the above resources and capabilities of their firm to back up their CSI programmes.

5.1.4 Conducting Social Audits

It is important for a company to monitor and account for the way it is conducting its corporate social investment activities. For DCSA, monitoring, evaluating and auditing of its CSI programmes are seen as an important aspect of the way they run these CSI programmes.

When it comes to monitoring, the Shop Steward interviewed happened also to sit on the company's Corporate Social Investment Committee. He noted that as part of his duties in this committee, he visits and monitors various CSI programmes that the company is involved in the Border-Kei region to ensure that these programmes are running properly. His view was as follows:

When we are assisting a project, we would not like to see a situation where we are distancing ourselves. We wish to have an understanding together with the manager of the project itself that if we put in our resources, we have to make sure that at the end of the day, we are not far away from that project because we want to see that the funds are rightfully used.

The PR Officer observed the need to measure and account for CSI spending as follows:

What we invest in needs to be measurable like any other business function. It is no more just throwing of money away in the wind or a donation here and a sponsorship there. It is far more focused and aligned as to know what we want to achieve. Therefore, if we invest in a project we want to know if there is a return on our investment and from a strategic point of view, does it align with our overall business practices.

Hess et al (2002:122) write that companies must place emphasis on systematically evaluating and assessing CSI activities so that management has a clear record of where its resources have been invested and what return the firm has achieved through its resources. This requires that CSI initiatives, just like as any corporate strategy, should have a clear basic goal of creating long-term value.

According to the DCSA's CSI Manager in Pretoria, the company's CSI programmes are evaluated regularly on a quarterly basis. This is to ensure that they achieved the target that had been set in the beginning and if they have been effective in terms of having an impact in the community or giving any return to the company. That is, to check "if they are on track". He said that at the end of the year, at a corporate level, an independent audit firm audits all the CSI programmes and the results are reported to the company's Board.

As a multinational corporation (MNC), he also noted that DCSA supports and complies with all the Global Reporting Initiative (GRI) guidelines on social responsibility, accountability and reporting. GRI is an international body formed by the United Nations and leading multinational corporations and the body assists with social responsibility reporting and accountability guidelines. Here in South Africa, he also emphasized that in line with the King Commission on Corporate Governance, DCSA also adheres to their guidelines by being transparent in its activities and it is incorporating social issues in the company's corporate goals and boardroom agenda.

Waddock and Smith (2000:75) argue that conducting social audits of a company's CSI activities helps to bridge the "rhetoric-reality gap" because such audits alert companies to responsible business practices. Most importantly, they stress that such audits assess a company's overall performance against its core values, ethics policy, internal operating practices, management systems, and, most importantly, the expectations of key stakeholders - owners, employees, suppliers, customers and local communities.

5.1.5 Consultation of the Local Community in Formulating CSI Programmes

Hess et al (2002:119) recommend that when making a choice among various types of community programmes, it is advisable that the firm gets direct input from community leaders and other stakeholders. Such an approach they continue, would take into account both community concerns and the firm's business objectives and values. Consulting the community also ensures that the community feels that it is part of the process and not as if the projects are being imposed on it.

DCSA's corporate social investment programmes are formulated by a CSR Committee which undertakes all local DCSA's CSI decision-making in the region. This Committee is chaired by the Site Leader who is also the Manufacturing Board Member. The other committee members are: a Staff Representative, a Union Representative, the Locational HR Manager (who is also the national HR manager for the group), the local Corporate Affairs Manager and the Public Relations Officer. One can see that this Committee comprises only people from the company and there are no outsiders who are involved at this stage. The company argues that they are consulted externally whenever a project is to be carried out in the community.

It is also important to engage important community leaders in stakeholder dialogue to know what their needs are if a company has set aside resources to assist them. This is crucial in order to find out what the community wants rather than taking a paternalistic attitude towards corporate social investment initiatives whereby the company unilaterally decides what they think the community wants. According to O'Brien (2000:25), consultation should result in joint-decision making whereby the company now works "with" instead of working "for" the community.

DCSA management argued that they do consult and involve local communities in their activities. The CSI Manager cited that for example when

DCSA agreed to President Nelson's Mandela request to take an active part in the socio-economic development of the region, the company went out to ask the people of Chaluma community, one of the poorest areas in the Eastern Cape region, what they wanted the company to do for them. The community responded that they wanted a school. DCSA then spent R10 million and built for them a modern school and a community centre. However, the extent of this consultation is not deep as O'Brien (2001) argues that the community and the company need to sit down together and take part in joint decision-making and not the company adopting a paternalist approach.

DCSA's CSI Manager in Pretoria said that even though the community was consulted before the school was built, he felt that after the school was handed over to the community, there was lack of proper management of the school. He felt that the community was not doing its part to look after the facility and that the Department of Education had failed on its part to monitor the school and ensure that everything was running well. This is one area where the company needs to improve on. Proper consultation and involvement by the community and the company is crucial so that projects once handed over to communities continue to be viable and effective.

The community also needs to improve the way they interact with the company by taking an active role in these projects instead of sitting back and waiting for things to be done for them. Kanter (1999:128) argues that the best way to ensure full commitment is to have both partners; not just the corporate but the community as well, put their resources on the line. For example, in the above project, the community could have been contracted to provide their free labour to build the school thus ensuring that they sacrificed something. Kanter continues that investment by both partners builds mutuality and it also ensures that the community partner will sustain the project after hand-over because they feel a sense of "ownership" of the project.

Because the company had put in so much money into this project (R10 million), the Wesleyville school and Community Centre in Chaluma is one of

the key investments they are passionate about, so they are still very close to the community and they visit the area on a regular basis to monitor that everything is running smoothly. However, one could see DCSA's CSI Manager's disappointment that some things had not been done well. He attributed this to poor communication and lack of proper coordination of all the parties involved especially the Department of Education and the community's failure to monitor the project well.

5.2 The Factors that have made CSI become Strategic:

The respondents were then asked why they think that CSI programmes are becoming strategic. There are many reasons they gave for this new approach. These are some of the reasons they cited:

5.2.1 Companies are becoming more accountable

One of the respondents observed that CSI is becoming strategic because companies are becoming more accountable in the way they conduct their CSI programmes. Companies are realizing that if they have to do corporate social investment activities, then it is important that they conduct them in a meaningful way. Therefore companies are beginning to take these initiatives very seriously. He gave the following observation:

Business has now accepted and seen the need for it to take a much more strategic function to CSI in that business has been concerned about being accountable for corporate social investments. Therefore, the whole aspect of CSI is beginning to take on a more meaningful connotation and means more to companies now for them to realize what investment they should be doing and what is it they can be doing. That is why you find bigger companies like DCSA have very clearly defined CSI plans and policies.

DCSA's Management Board Member for Human Resources, observed that the company has changed its approach to corporate social investments. He said that their programmes have become more strategic in the sense that the company nowadays has become more focused in the way they undertake

their CSI activities. Instead of trying to be everything to everybody, they are choosing a few CSI programmes to focus on every year and that this ensures effective delivery of these programmes. He also noted that such programmes are aligned to their business goals and target those issues in the community that need urgent attention.

It has become strategic in the sense that in the old days, we had invested in a lot of initiatives, now we have become more focused. We only focus on the areas that are basically determined by the strategic direction of the company. This is why like for instance education and bursary scholarships programmes like that are important because skills development is an important area for the company and that is why we make such kinds of investments.

The above view is shared by Shevel (2001:11) who writes that; “today, corporate giving by the most proactive donors has become much more sophisticated, calculated, focused, and strategic”.

5.2.2 The global environment of doing business demands CSI

Corporate social investment programmes are also becoming strategic because CSI is increasingly being seen as a business imperative to trade in a global environment. That is, globalization is forcing many companies to rethink their strategies towards corporate social investment programmes. There is a growing realization that globalization has affected all aspects of conducting business, including corporate social investment programmes.

In today’s global context, companies are under much scrutiny. Having a good CSI programme that is incorporated into a company’s strategic planning process is a business imperative. Companies are realizing that they need to have good CSI programmes in order to trade with some overseas partners, as having a bad CSI programme or none at all can even result in a refusal by the overseas partner to do business with you. The Executive Director of the Chamber of Border-Kei Chamber of Business felt that globalization is making companies rethink about the whole process of how they conduct CSI, by

forcing companies to adopt a strategic approach to the issue of CSI. He put it this way:

If you want to operate globally, if you want to supply or procure from overseas, the company that you are dealing with today, these are the questions they will ask you upfront, "What is your CSI policy? What is your green policy?" So what we are saying is that businesses today that want to operate on a global basis, they have got to accept that this is becoming part of their strategic planning and strategic vision. And therefore, it doesn't make sense for a company that wants to trade overseas to have a wishy-washy, willy-nilly kind of CSI programmes. If you take a company like DaimlerChrysler, for example, they are recognized worldwide for their CSI.

DCSA's CSI Manager said that for DCSA, being a multinational corporation, CSI is important to them because they sell their products on the international market and, if they are not socially responsible here, they cannot sell their products internationally. He observed that, "If we are not ploughing back to the community around us, the international community will boycott our products".

Waddock and Boyle (1995:129) found out that globalization is one of the external pressures that is making companies adopt a strategic approach to corporate social responsibility. They found out that globalization is significant in the sense that as companies globalize, the communities to which companies relate can no longer be narrowly defined as the community immediately surrounding the corporate headquarters. The local community in their opinion has to be redefined to mean all those locales in which a company has significant operations. DCSA therefore has a responsibility to the local community of the Border-Kei region, because they have their manufacturing operation here regardless of the fact that their corporate headquarters are in Germany.

5.2.3 Companies want to be recognized as good corporate citizens

Another reason why CSI is becoming strategic is that companies want a return for their CSI involvement and therefore they are changing the way they run their CSI programmes and carrying them out more effectively. One respondent felt that the return companies want from their CSI programmes is *recognition* for what they do. Companies want to be seen as good corporate citizens in the wider society. Commenting on this need for recognition, one community stakeholder had this to say:

I don't think there is any one company that does not expect a return on CSI. What I am saying is that when companies contribute, they want something in return, they want to be *recognised* for what they are doing and that is an important aspect of CSI. That is why I said it is becoming a much more strategic, much more a policy issue in companies.

DCSA confirmed that recognition is important to them in that they want to be recognized and seen as a caring corporate citizen. The PR Officer was clear on this when she said that:

It is important for us because we are a caring citizen...we want to be known as a caring corporate who is active in its community. Not as one who just "talks the talk" but is actually "walking the talk", that is important.

This need for recognition is especially strong with regard to how potential customers perceive a company. DCSA's CSI Manager in Pretoria responded that customers' perception about their company is very important to them, because they want to be recognized by their customers and the public at large as a socially responsible company, more than just a company that manufactures the best car in the world. He felt that customers are not just going to buy their cars because they manufacture the best cars, customers also want to purchase from socially-responsible companies. The CSI Manager expressed these views as follows:

Customers vote with their pockets. If we manufacture the best car in the world and do not support the environment and are not socially responsible, nobody will buy our cars.

Therefore having good CSR practices is seen as very important. Rockey (1998:6) observes that “today there is a growing awareness that being seen to be a socially responsible corporate citizen in the community is an important aspect of a company’s public relations and corporate image profile”. Companies are realizing the competitive advantages of having good corporate reputations and as a result they are undertaking corporate social initiatives much more seriously because they want to be seen and recognized by their stakeholders including their host communities as caring corporate citizens.

5.3 The Socio–Economic Context of the Case

Corporate social investment programmes do not take place in a vacuum, they are carried out within a particular environment and this part of the analysis will look at the dynamics between DCSA and the local community; the nature of DCSA’s CSI programmes, why DCSA conducts CSI programmes in the local community, how these programmes are perceived by the community and lastly the relationship, importance and support between DCSA and the local community of the Border-Kei region.

5.3.1 The major socio-economic problems facing the Eastern Cape Province

The first question the respondents were asked was a broad question to find out the serious socio-economic problems facing the Eastern Cape Province in general and the Border-Kei region in particular. Most respondents mentioned that poverty and unemployment are the biggest problems facing the region. These problems are very serious and are closely connected to other socio-economic problems such as crime, illiteracy, HIV/AIDS, homelessness and street children. In relation to this question, these were some of the responses:

I think the main one is poverty, because we really don't have industries in the Eastern Cape. We do not have any minerals like gold and diamonds and stuff like that. So, I would say that the biggest socio-economic problem in the Border-Kei region is poverty and working opportunities for all the people, so they flock to the cities so that they would get a better job, which they don't.

I think that our serious socio-economic problem is unemployment, and next to unemployment, I think issues such as poverty, illiteracy and homelessness.

The current problem facing the Border-Kei region is unemployment, which is extremely high.

The problem is basically the imbalances of the past. We have enormous infrastructural imbalances which impact negatively on the socio-economic life of the people of the Eastern Cape.

Lester et al (2000: 236) agree with the above responses and argue that poverty is one of the biggest socio-economic challenges facing South Africa and that this poverty is concentrated mainly amongst Africans and in the rural provinces that absorbed several 'homelands' such as the Northern Province (Limpopo) and the Eastern Cape. The Eastern Cape is regarded as the second poorest province in South Africa after Limpopo and it is not surprising that the people in this province feel that poverty and unemployment are the greatest socio-economic challenges facing this region.

The fact that poverty is mainly concentrated within the geographical spaces that were designated by apartheid for African occupation, mostly in the townships and the former homelands can also explain the strong belief that apartheid contributed to many of these socio-economic problems the Eastern Cape is facing. The Eastern Cape inherited two former homelands, Transkei and Ciskei.

5.3.2 The types of CSI Programmes that DCSA is involved in

According to Kirsten (2000:22), DaimlerChrysler's corporate social investment programmes in the Border-Kei region are aimed at uplifting, empowering and

sponsoring self-sustaining regional projects within the community. This focus on upliftment is not surprising, in that the bias of corporate social investment in South Africa is towards upliftment and giving citizens the basic tools with which to better their lives (*Finance Week*, 9 October 2002). Corporate social investment is no longer just about cash but about involving communities and supporting programmes that will have a sustainable impact on their lives.

As one of the largest employers in the Eastern Cape region, Daimler Chrysler South Africa seems to be fully aware of the problems facing the region and its regional social investment strategy is aimed at actively contributing to the socio-economic development of the Eastern Cape (*Hi-Lite*, 2000). The DaimlerChrysler East London Plant identified the following five key focus areas for corporate social investment for 2002 (Corporate Report, 2000): education with an emphasis on literacy, health with a focus on HIV/AIDS, sports development, tourism and safety and crime prevention.

Education

One of the major literacy/educational projects in which DCSA is instrumental in the Border-Kei region is the Rally to Read programme. Rally to Read is a very important and unique nationwide project that allows business to make a measurable, practical and personalized difference to the education of thousands of young South African learners in remote rural schools.

DCSA has co-hosted this programme in the Eastern Cape for the past two years with Kempston Truck Hire. However in 2002, they became the sole hosts of the Eastern Cape Rally to Read programme and invited other businesses in the region to join it in the Read to Rally weekend (Kirsten in *Hi-Lite*, April 2002:29). The project involves the use of 4x4 (off-road) vehicles to reach a number of schools in inaccessible and under-resourced rural schools in the former Transkei. DCSA sees that the use of resources such as money, energy, time, transport and a genuine concern for these rural communities can make a difference in the quality of education in these rural schools.

Apart from its involvement in the Rally to Read programme, the company also has a long-term investment in education in the Border-Kei area. In 2000, the company built the Wesleyville School and Community Centre worth R10 million in the district of Chalumna, situated some 50 kilometres from East London. The company built the school at the instigation of President Nelson Mandela after he met Daimler Chrysler International Chairman, Mr Jurgen Schrempp and Mr Christoph Kopke, DCSA Chairman and spelt out his demands to them that he wanted DaimlerChrysler to play a more meaningful role in the social development of the region.

Also, in January 2002, at the opening of the schools, the company donated ten four-wheel drive vehicles to the Department of Education to be used to monitor the activities in the rural schools during the beginning of the school year. Commenting on this initiative, DCSA's Board member for Human Resources who handed over these vehicles to the MEC for Education said that the company wanted to improve the quality of education in the province, as it drew its labour force locally (Mxotwa in *Daily Dispatch* 24 January 2002).

Finally, another education project the company has been instrumental in is the Sifikile Science and Maths Technology Education Project. Sifikile is aimed at improving the quality of science and maths and encouraging pupils to take up these subjects (Sa Joe in *Daily Dispatch*, May 17, 2002). The company donated a vehicle, installed with computers to serve as a mobile training unit at 20 rural schools in Buffalo City and in Elliotdale. These projects show the company's commitment to the improvement of education in the province.

Health with a focus on HIV/AIDS

DCSA is one of the businesses that have implemented one of the best HIV/AIDS strategies. The company's HIV/AIDS task team comprises management and employees, as well as a full-time HIV/AIDS Co-ordinator responsible for monitoring the company's HIV/AIDS policy. Its HIV programme

assists its employees and their immediate families in the local communities. The company believes that, if their employees and their families are educated and treated with regard to HIV/AIDS, it will have a positive effect in the community (Kirsten in *Hi-Lite Magazine*, April 2002).

DCSA has been widely praised nationally and internationally for its outstanding fight against HIV/AIDS. The highest praise for DCSA's HIV/AIDS programme was paid when the Secretary-General of the United Nations, Kofi Annan, and former United States President, Bill Clinton, honoured DaimlerChrysler AG Chairman Mr Jürgen Schrempp with an international award from the Global Business Coalition (GBC) on HIV/AIDS and the International AIDS Trust for the outstanding HIV/AIDS programmes that it runs in South Africa. (DCSA's *The Star Magazine*, July 2002). UN Secretary – General Kofi Annan, in giving the award, commented:

There is no more important sector in that fight than the business community. Increasingly, companies recognize that fighting AIDS is in their interest - that doing so combines good business with doing good. I hope that many businesses around the world will be inspired by your example (*The Star*, July 2002).

DCSA has a comprehensive prevention and care programme for employees and their families, which includes access to anti-retroviral therapy. At the awards ceremony, the Daimler Chrysler South African Chairman Mr Christoph Kopké said that the company's motivation for having such a comprehensive plan was two-fold: to do something for their employees and their community and as a business imperative for the company (dcsa website). There is no more important sector in the fight against HIV/AIDS than the business community and DCSA see itself as having risen to this challenge.

Apart from HIV/AIDS, DCSA health programme has also focused on the Provincial Department Health's Paediatric Community Service. The company

handed them a bakkie to help reach marginalized rural communities in remote parts of the Border-Kei region.

Sports Development

A vital part of DCSA's social investment programme is its strong support for sports development, aimed at creating opportunities for South Africans to play together (*Hi-Lite*, 2002). Sport is an essential ingredient in unifying people of diverse backgrounds. DCSA has taken huge steps in supporting cricket and soccer development at grass-roots level in the region. Since 1991, DCSA has sponsored the Border Cricket programme which aims to develop cricket facilities where there are none, to upgrade existing facilities, and coach pupils in rural villages. Over the years, many talented players have passed through the five-year cricket development programme. Sport transforms communities and development programmes such as this give many disadvantaged communities the opportunity to participate in the sports of their dreams.

DCSA's involvement with the cricket and soccer development programme is aimed at giving disadvantaged communities access to sports facilities in areas where none existed before. Carmichael and Drummond (1989:49) argue that there is a clear distinction between sponsorship of sports activities as support for the community, and the market-driven sponsorship which has the primary purpose of promoting a company and its products. In DCSA's case, its cricket and soccer development programmes are aimed at benefiting the local communities which is in contrast with its marketing sponsorship of professional cricket teams like the Border Bears for example. Carmichael and Drummond (1989:49) categorize DCSA's involvement in these two sports development programmes as a demonstration of its commitment to the local community, whereas its sponsorship of professional cricket does not fall under corporate social responsibility.

Tourism

DCSA's tourism initiative focuses on job creation and encouraging entrepreneurship within the local community. Rather than just giving donations to tourism projects, the company aims to develop entrepreneurship programmes that will involve the local communities in providing job opportunities for themselves. At this stage the company had not identified grass roots partners to work with in its tourism entrepreneurial projects. However, the company is strongly involved in promoting East London and the Border-Kei area as a tourism and investment destination to overseas markets.

The company believes that as a world class manufacturing facility producing a world-class car, it is important that East London City where the company is situated should also be elevated to world-class status (*Hi-Lite*, September 2000). The company produced the East London promotional video in conjunction with Tourism East London which has been distributed nationally and internationally to showcase the City of East London and its environs.

Safety and Security

The objective of the company in its involvement in this initiative is to join hands with other partners to fight crime in the community. DCSA is a partner and a major sponsor of Business Against Crime (BAC), a nationwide private–public partnership between business and the government aimed at eradicating crime in South Africa. DCSA's involvement with BAC here in the Eastern Cape is aimed at reducing congestion in the prisons by speeding up the judicial process especially when it comes to young offenders, as well as providing technological assistance to the police force to fight crime.

5.3.3 The Duration of DCSA's CSI Programmes

A company can engage in short or long-term corporate social responsibility programmes. Strategic corporate social investment programmes are preferred because they are long-term in nature and use substantial resources of the company and commit the company for a longer period of time. These activities are not just *ad hoc*, short-term, feel-good marketing experiences but are rather long-term and are incorporated into the long-term decision-making process and culture of the organization (see Beesley and Evans, 1978; O'Brien, 2000 and Waddock and Boyle, 1999).

DCSA has both long-term and short term projects depending on the social need. The short-term commitments arise from time to time whereby the company quickly responds to requests from the public by making donations whenever a need arises. Such social causes for example the snow disaster that hit the province in 2002 normally entail once-off donations. The company's HR Board Member recalling that incident of the snow disaster had this to say:

You know a company like Daimler Chrysler with such a high political profile and public image; it is often inundated by requests from the public to make some contributions. For instance the recent snow that they experienced in Queenstown area, we have donated and it's a small donation of R20 000 into this Disaster Fund and that is a short-term issue; it is just a specific need that just came about.

However, the main focus of DCSA's CSI programmes is on long-term commitments that focus on specific areas that need attention in the community. These long-term commitments, as we saw earlier, are in the areas of education, health, sports development, arts and culture, tourism and job creation. The company representatives said that it was part of their company strategy in corporate social investment to engage in long-term activities in the community. The respondents from the community and the company all agreed that company's corporate social responsibility programmes need to be long-term. According to Hess et al (2002:113), long-lasting community involvement programmes are more likely to improve the image of the corporation than

after-profit cash contributions. This move towards long-term community development projects is also a reflection of the basic sentiment that people need help in solving their problems, not just money. The need for community development in South Africa has resulted in the bias of corporate social investments (CSI) towards upliftment and giving citizens the basic tools with which to work (*Financial Mail*, 9 October 2002).

DCSA's PR Officer said that DCSA conducted long-term corporate social investment projects:

Our corporate social responsibility programmes are long-term investment, it has got to be long-term. The relationships we have built up with the community stretch for the last 5-6 yrs.

The stakeholders in the community also saw long-term investment in the community as a strategic and important way of conducting CSR activities. One of them had this to say:

I think everything should be long-term. That is my view about things and you will find that is the view of most progressive companies. Whatever you do in this particular regard has to be long-term because that is how you earn the status that you eventually get. It is not by a once-off flash-in-the-pan kind-of thing. Long-term sustainable programmes are what companies should strive towards.

5.3.4 The Reasons why DCSA undertakes CSI Programmes in the region.

The respondents were then asked specifically why they think DCSA is involved in corporate social investment projects in the local community of the Border-Kei region and the Eastern Cape as a whole. DaimlerChrysler AG is a multinational corporation with its headquarters in Germany and one may even argue that their local community is not here but in their home country where their headquarters are situated. Both respondents from the community and the company expressed strong and clear views why they think the company has a social responsibility to the people of the Border-Kei region and the Eastern Cape as a whole.

The respondents argued that even though DCSA was owned by a multinational corporation, it is situated here in South Africa and it is operating in a particular local community; therefore, it has a social responsibility to this local community. Waddock and Boyle (1999:129) argue that the globalization of many companies' operations means that the communities to which companies relate can no longer be narrowly defined as the community immediately surrounding the corporate headquarters. Rather, Waddock and Boyle argue that "community" has rapidly been redefined as those locales in which a company has significant activities. The East London manufacturing plant is fully integrated into DaimlerChrysler's AG global network and there is no doubt that it is a significant operation of the group. As such, the local community of this region also expect the multinational company to show a social concern for their welfare.

The respondent's responses why they think the company conducts CSI programmes in the region were as follows:

Use of labour force from the Eastern Cape

One respondent, citing the company's use of the labour force from the local communities, had this to say:

They use the labour forces which are people from the Eastern Cape and they all work very hard and they are committed towards building Daimler Chrysler not just in the Eastern Cape, but in the whole of South Africa. I actually think you should look after the people who work for you in more than paying their salaries.

Another respondent from the community felt that the company's labour force are very committed to DaimlerChrysler and that these workers in the East London plant have done a wonderful job in producing the company's C-class cars. He thought therefore that the company felt obliged to give something back to their workforce by taking active steps to make social investment in the communities where these workers come from. He said that:

I am told our workers here have done a wonderful job for the manufacturing of the C-class and that even in Japan the car has been

praised. So this is not just a good deed that DaimlerChrysler is doing, they have seen value for their money. So, I think through the training and the money they have invested here, they have also seen a good product coming off the lines.

Creating a better community

Some respondent's suggested that because DCSA has invested in this local community and conducts its business operations here, the company should invest in the upliftment of the community to create a better society. One respondent expressed this view as follows:

The company that has invested in a certain particular community, it is also supposed to be responsible for the upliftment of that community.

Achieving economic democracy

From the company's side, the management board member for HR felt that as a company, undertaking CSI in the community is important because it is an investment in the social upliftment of the region. He believes this is their part in playing their role in the democratization process of the country in order to bring about economic liberation to the majority of the citizens in the province. He had this to say:

It is an investment to the on-going democratization of this country to ultimately achieve economic democracy.

Mbigi (2002:16) supports the company's view above of the need for economic liberation in South Africa by arguing that:

There is no recorded case in history where a society has been able to make a sustainable transition to democracy without a business revolution; democracy thrives on economic progress, a highly informed and literate population as well as an enterprising population.

Mbigi believes that after the attainment of political democracy in South Africa, there needs to be an economic revolution to bring about positive socio-economic change to many disadvantaged communities. This economic revolution can only happen if the business sector is actively involved in social

investment programmes in the local communities where the majority of disadvantaged communities live.

To create a better environment for their expatriates

The Business Editor of the *Daily Dispatch* felt that the company invested in social responsibility programmes in the Border-Kei region because the company has brought many German families into the area, so he felt that the company owed the city some social responsibility by taking active steps to create a better environment for these expatriate German families. He observed that:

There are of course many German families now living in East London so I think as it goes with big companies, DaimlerChrysler felt that they have a certain amount of corporate responsibility to the city because so many of their families are living here.

To make employees feel proud of their company

One of the employees responded that DCSA should invest in the community where he comes from so that he can feel proud of the company. It has been suggested that when workers see that the company is interested in their welfare and committed to certain values such as corporate social responsibility, it motivates the workers and they have a deep sense of pride and belonging to that company because they know that the company really cares about their welfare and not just in maximizing profits. The Shop Steward had this to say:

The company is supposed to be responsible to make sure the upliftment of where I reside is taken up so that I can be in a position to be proud of the company. That is one of the reasons why Daimler Chrysler must not be looking on the profits only of its products.

Another employee agreed with the above view and felt the company should invest in the community and in the employees so that the workers can be

happy when they associate the quality of their lives with that of a Mercedes – Benz car.

You want your workers to be happy because the standard of the product we are making is high and of the right quality, so you want to bring them as close as possible towards the level of your product. That is why Daimler Chrysler must take plight of their employees and also develop their children so that everybody can stand up and say they are proud of our cars. It is no good to put a guy who is down in the gutters and you associate him with building a Mercedes–Benz!

According to Barrett (1998:3) successful companies are those that are less focused on their self interest and more focused on the common good. He adds that if the organizations leadership “walks the talk” of corporate social responsibility values, it makes the employees of such an organization become proud of their company.

To match DCSA to its socio- economic environment

Another reason why DCSA was undertaking corporate social responsibility programmes in the Border–Kei region was to match the company to its external environment. This is out of a realization that if the company is to prosper, it is important for them to invest in the local community. The Border–Kei region where the company is situated is deprived and the majority of its inhabitants live in abject poverty. Therefore, the prosperity of the company also hinges on the prosperity of the external environment. They realized that they had to take active steps to ameliorate the problems in society because they can only build a prosperous company in a prosperous community. By doing this, they will be matching the community to the company by making the community a better place to resemble the successful company that is located in their midst. The Human resources Board member expressed this view as follows:

As a company, our sole existence is to make money and create investor value. But we also realise that without investment in the communities, without involvement, we would not ensure the long-term

viability of our investment. That is why we have got to invest in the local communities and it is also our own strategy to do so.

The PR Officer agreed with the HR Management Board Member's view that you cannot build a company here, if the environment is not stable, by saying that:

You know, if you have a dysfunctional community within which you operate, you will have a dysfunctional workforce. So, in order to make sure that we have a happy and secure workforce, we need to be part of the community in which they live. If you want a stable work force, you need a stable community.

DCSA's CSI Manager also agreed with the above views and said that creating a healthy and prosperous society within which DCSA operates was important, as the company cannot operate in an underdeveloped community and hope to succeed. His view was as follows:

A company cannot survive in an environment that is shred to pieces. To succeed, the environment has to be healthy... The local community must be stable because you cannot attract customers and investment to an area that is unhealthy. Therefore, the living conditions of the community and the employees must continue to improve.

Beesley and Evans (1978:187) argue that social responsibility is a matter of how far a company deals with its external environment by incorporating external concerns into its decision-making process. In their view, the more a company is closely related to its external environment (that is the society in which it operates) the more it is thought to be moving towards more responsibility. In their view, from a strategic level, a company should incorporate external concerns as concerns of the company. This involves an active search for responses to those concerns rather than merely regarding them as constraints on its commercial activity.

To create a win-win situation for the company and the community

Enlightened companies of the future are learning to find win-win situations whereby they invest in CSI programmes that benefit communities while at the

same time promoting the interests of their own business. In fact, for many organizations, this is one of the most important reasons why they conduct corporate social responsibility activities. For DCSA, creating a win-win situation for the company and the community was recognized as an important reason why they conduct CSI activities in the region. The company believes that by identifying social causes that are aligned with their business interests and tackling these issues, they are also meeting their business needs by achieving stability in the plant, making employees loyal to the company and improving the performance of workers in the plant. The HR Management Board Member had this to say:

It is here! You can see it that we are still viable, that we have remained viable and many of the obstacles that could have prevented us have been rolled away as a result of our commitment to this region and the fact that we have created a good corporate image that underlies social and economic responsibility in the minds of the people in the local community.

Businesses that create a win-win situation by investing in social causes which need attention in the community while at the same time aligning these issues with their long-term business interest end up benefiting as well. DCSA's key CSI focus areas have been in education and training, crime prevention, tourism, healthcare with the focus on HIV/AIDS and primary health care, sports development and stimulating arts and culture. This strategy of dovetailing social causes with business interests is strong and the middle managers and top management in their responses both concurred on the use of this strategy. The PR Officer observed that:

Our responsibility is to offer a joint commitment not only to our business but also to our community within which we operate. Therefore, it is a commitment to the upliftment of the community but the benefit is also to us because when we have a better-educated people, we can employ them. Then we have a lower crime, it lowers the crime rate in the area but it also draws further investment to this area in the form of suppliers, which will then lead to the support of our business.

Smith (1994:105) writes that increasingly, companies are identifying social causes in communities where the company can use its resources to help while

at the same time meeting its own business interests, thus creating a win-win situation for both parties involved. He believes that by using such a strategy, companies are backing CSI programmes with real corporate muscle, because they have a stake in these programmes. Smith continues that this idea of a company serving its business interest, while at the same time backing community needs, entails becoming “Janus-faced”- having one face serving the community, the other serving the business’s interest. Kanter (1999:124) agrees with Smith’s observations above and argues that when companies approach social problems as if they have a stake in the problems, they treat the effort as they would treat any other project central to the company’s operations. She continues that this makes companies use their best people and their core skills.

5.3.5 Formation of Public-Private Partnerships

Another important feature of CSR programmes is the greater cooperation that is taking place between the community and the company which has led to the formation of public-private partnerships in certain areas where the two parties are working together to bring about socio-economic change in the region. DCSA has entered into private-public partnerships with the Municipality where they collaborate on certain projects in the region, especially in the delivery of services.

For example, through its Siyakha Housing Project, DCSA built over 900 houses in the area close to the company. This was actually the first RDP project to take off in the Eastern Cape. The Municipality collaborated with the company by providing infrastructure like roads, electricity, water, and drainage and sewage facilities to this housing project.

Recalling their collaboration with DCSA, the Buffalo City Municipality’s Special Adviser to the Mayor said:

We believe that we cannot solve the problems of the City alone. We need partnerships with us to be able to deliver. We need some assistance around on just basic infrastructure development. If it were left to the Municipality alone, it would take more than a lifetime to catch up. However, in the partnership with business, we will be able to erode the imbalances in a much shorter time and business, besides having the financial interest and muscle, perhaps in helping us to provide and eradicate those imbalances; they also have a responsibility to do that as well.

Another public-private initiative that DCSA is involved in is as a partner and major sponsor of the Business Against Crime (BAC) where the company works together with the Justice Department and the police in the Eastern Cape to speed up the judicial process, in order to reduce backlogs in the courts, especially for juvenile offenders. Spicer (2002:48), commenting on the cooperation between the business sector and the government to create partnerships such as the BAC organization, argues that these partnerships work because businesses bring to the table management experience and business-minded efficiencies, along with rigorous focus. He continues that the formation of public-private partnerships reinforces the view that social problems cannot be solved by government, the local authority or the community working alone. Rather, social objectives will best be secured when business, local government and community groups work together in partnerships.

5.3.6 The Support-Relationship between DCSA and the Local Community

For corporate social investments to work, it is important that the company and the local community have a good relationship. It was therefore important to know how DCSA interacted with the local community and also how the community views DCSA. The company said it has a “powerful” relationship with the community, that they can count on the community to support them in times of crisis. In the HR Management Board Member’s view, they could count on the “massive goodwill” they have established in the local community as a result of their corporate social responsibility activities. He had this incident to relate regarding this support:

The nine-week strike that we had, we could not resolve that strike without the community and without the political leadership and ultimately the community and the political leaders said to the workers: “go back to work”!, they told them that in one meeting in Mdantsane. “You go back to work because if you do not go that plant will be closed down”.

The Staff Representative who also comes from the community described the support of the community to DaimlerChrysler and its CSI programmes as follows:

Excellent! I can tell you, from our Mayor right down to the person on the street, they support DaimlerChrysler in whatever intervention they take. The support from the community is unbelievable, I don't know how to describe it to you ...from everybody and the government in the Eastern Cape, the support to Daimler Chrysler is great.

The respondents from the community likewise said that they have a good relationship with the company. They described it in various terms as “a good working relationship”, “collaborative”, “supportive”. One respondent felt the company was “120% behind the community and the workers” in the way the company supports CSI programmes in the local community. According to the *Daily Dispatch* Business Editor, the socio-economic situation in the Eastern Cape can be depressing at times and he felt that as the only daily English newspaper in the region, they have a “social responsibility” to spread the good news of what DCSA is doing in the Border-Kei region to the local community. From these responses, one can even see that it is almost like there is no distinction or boundary between DCSA and its surrounding community, they collaborate with each other and they have a very symbiotic and supportive relationship.

A good working relationship between a company and the local community builds trust and trust enhances cooperation and development between the parties. Trahar (2002:30) emphasizes that getting relations right between an operation and its local communities is amongst the most important of management responsibilities. He adds that companies must continue to work

to maximize the benefits that they can create for the communities associated with their operations and must ensure that they consider stakeholder concerns.

5.3.7 Perception of DCSA's CSI Programmes in the Local Community

Sagawa and Segal (2000:117) contend that the sincerity or lack of it, demonstrated by a business in supporting a cause is often evident to its partners, employees, and the public at large. As corporate social investment programmes are activities that are conducted within the community, it was therefore important to ask the community stakeholders what they thought about DCSA's CSI programmes, that is, to know their perception regarding how the company is performing this activity. It was also important to get views from the company to know what they think of their performance and compare the two sides.

Generally, the respondents from the community as well as the employees in the company were satisfied with the company's performance. However, one respondent felt that the company should be involved more in the crime prevention programmes. Some of the responses from the community were as follows:

Stable Labour Relations

The Mayor's Special Advisor thought Daimler Chrysler was doing an excellent job as they were encouraged by the stable labour relations in the plant.

Yes, the measurement for us is their labour-industrial relationship...we admire the stability of the labour relations within DaimlerChrysler. It then follows that what we are admiring has to be the result of good relationship between management and the workers. That relationship would not be, if DaimlerChrysler only had social responsibility as a rhetorical marketing tool.

A Caring Company

According to the Eastern Cape Coordinator for the Read Trust, the company was going a good job with its CSI programmes. She thought that DCSA is a company that really cares and that apart from giving their resources, it is their interest and involvement in these issues that really goes out to show their commitment to CSI issues. She had this to say:

We think that they are contributing a great amount, not just in terms of money but also in terms of compassion, and in terms of interest and in terms of being involved. I don't think it is just to be seen as a company who cares, I think it is because they really care!

Proactive in responding to community needs

The company is also known for its swift and proactive response to assist the community when emergencies occur even before it is requested to do so. The Buffalo City municipality were particularly heartened by this spirit of goodwill and the Mayor's Strategic Advisor had this to say about DCSA:

Daimler Chrysler has never at any stage refused to come to our assistance. We had a serious fire in the poverty stricken area of Duncan village and even before we requested for assistance from the private sector, Daimler Chrysler came forward to help the more than 200 families that were affected by the fire. I call that spontaneous reaction to the well-being of the people in the community who aren't necessarily their workers but who form part of the community where they operate.

Actions speak louder than words

An organization is judged a lot by outsiders from the way that it acts, even before they read that company's mission and vision statements. By acting in a socially responsible manner, outsiders perceive DCSA to be having CSI values in its corporate document. According to the Executive Director of the Border-Kei Chamber of Business, he felt that, from the actions of the company in the community, one does not need to read the company's mission and vision statements to know that it is a socially-responsible company. In other

words, the company's good actions in the local community speak louder than words. This was his view:

I must confess I have not read their mission but one does not need to. I simply know without reading it, without looking at it, that apart from making the best motorcar in the world, they are a corporate socially-responsible company. I know that! ... So, I have no doubt that it is built into their mission and vision statements and it is built into their objectives and so on.

In this game of corporate image, perception is reality and a company must uphold the values it claims to hold by actually "walking the talk" because the public judge a company from its actions first (*Sunday Times*, 29 September 2002).

High Expectations

There was also a sense of high expectation regarding what the community wanted from DCSA. There are those who see the company as their only "saviour" by looking at what the company has done in the local communities. As a result, the community continues to expect a lot from DCSA to the point that some respondents thought DCSA is now the government in the Eastern Cape which can bring about the socio-economic prosperity that the area so desperately needs. One respondent expressed this perspective as follows:

There are so many things expected from the company. The communities expect the company to now shoulder the responsibilities of what, it is like it has taken a government role, you understand, which is impossible. DaimlerChrysler is only a business but what they have done in the communities, it has changed their social life that now they think the company is the government in the Eastern Cape.

O'Brien (2000) and Hess et al (2002) note the comparative advantage of private firms over governments or non-profit organizations to provide assistance in solving certain social problems. This comparative advantage they write is readily seen in the developing world where big private companies are seen as having more resources than governments to provide social relief

to poor communities. It is not surprising that these local communities are having ever increasing greater expectations of private businesses to help them solve their socio-economic problems. These private firms then assume a “*de facto*” government status in some local communities as the case with DCSA in the Eastern Cape.

Areas of Excellence

The respondents felt that there are certain CSI programmes that DCSA has excelled in that they would like other companies in the region and even nationally to emulate. The major programme mentioned was its HIV/AIDS policy, followed by its investment in education in the community, as well as the literacy project in the plant for its employees. Overall, the response from the community was that all companies in the region need to have CSI programmes that emulate the DCSA example.

The company on the other hand when interviewed about how they perceived themselves to be conducting their corporate social investment programmes in the community, they were very conservative about their performance. They mentioned that “they still wanted to do more” and that their CSI programmes were “undergoing a continuous improvement process” to make them more effective. Their response was surprising in that, while the community was in full praise of the company, the company was conservative in the way they perceived their own activities. Actually, this response is not bad. It would have been a problem, if the company were praising itself while the community felt otherwise.

5.3.8 Creating a Sustainable Business first before creating a Sustainable Society

The company acknowledged that even though social investment is a business imperative for any value-based company, social investment can be done only if the business remains sustainable. In DCSA HR Management Board

Members' view, it is imperative that the DCSA remains globally competitive first; then it will be in a better position to address the local socio-economic development challenges facing the region. He had this to say:

If the company cannot remain viable in the long-term, there is no way that CSI programmes can survive. There is mutual independence between the two. If the company does not make money, where will the money for CSI come from? You must be a sustainable business to make a social investment but if you make social investment in the community, it contributes to sustainable business.

For this reason, the company has built corporate social responsibility values into the workers performance agreement, known as the "Siyapambili Agreement". With the Siyapambili Agreement, if the workers exceed their performance targets, the company contributes something extra over and above its initial contribution into the Plant's Corporate Social Responsibility Fund. In this way, the workers can see that when they work hard, their efforts not only contribute to the profitability of the plant but that they are also directly impacting on the development of their local communities. Therefore, at DCSA, CSI is closely tied with the sustainability of the plant. By making the workers also responsible for how much goes into the development in the local communities, the company is making a statement that corporate social responsibility is everyone's responsibility, not just the company's.

One of the respondents from the community, the Business Editor of the *Daily Dispatch* felt that the DCSA must make profits first then it will be in a position to use those profits to assist the community. He expressed his views as follows:

Despite the big investment that Stuttgart has in South Africa, if shareholders do not get a return on their money, they will move. So, as I said, it is not just a presence here of a Good Samaritan, DCSA is in the business of making and selling cars and making profits. Companies are supposed to make big profits and based on those profits look into what they can do.

Bickham (2002: 34) writes that, “ultimately, companies stand or fall through their ability to generate profits, unviable businesses can do no good”. In Bickham’s opinion, foremost, companies must remain profitable and competitive. That is, after securing their long-term survival, then companies will be in a position to assist the community for the long-term too. However, the dominant view is that companies should carry both, or rather balance their shareholder’s and stakeholders interest’s simultaneously (see Roodt, 2002:10). Waddock and Smith (2000:75) call this idea of balancing a company’s survival and its social investment as “doing well (financially) and doing good (socially)”.

5.3.9 The Importance and Commitment of DCSA to the Local Community

DaimlerChrysler is the largest employer in the Border-Kei region. Apart from the massive job opportunities the company has created in the region through the expansion and investment in their East London plant, the company has also managed to attract many of its component suppliers to the region. These suppliers have in addition provided more job opportunities to the local population.

DCSA places much faith in its East London operations and its confidence in the region was strengthened when the parent company in Stuttgart awarded the local plant the contract to manufacture right-hand Mercedes-Benz cars for the worldwide export market. DCSA had to upgrade its production facilities at the East London plant. In September 2000; this new R1.4billion plant was officially opened by President Thabo Mbeki in the presence of DaimlerChrysler AG global Chairman Mr J?rgen Schrempp (*Daily Dispatch*, September 20, 2000). Speaking at this ceremony, Mr Schrempp emphasized that the city of East London was part of the group’s global strategy and he gave the assurance that DaimlerChrysler intended to remain and grow in the country (*Daily Dispatch*, September 20, 2000).

Therefore, looking at the wages the company pays to the local workforce and the revenue it generates to the Local Municipality in the form of rates and taxes, as well as its close association with local business bodies like the Chamber of Business, it is no wonder that the company holds a key position in the socio-economic development of the Border-Kei region. All the respondents noted this fact. The Executive Director of the Border-Kei Chamber of Business for example had this to say regarding the importance of DCSA to the local economy:

You know it is good for us to have DCSA. Certainly, it is good for the Chamber. You know we always have a slogan that says: "If East London is good enough for DaimlerChrysler, it is good enough for anybody". So, as a Chamber we use that as a marketing tool to attract more investors to the region.

The Business Editor of the *Daily Dispatch* also felt that DCSA was very important to the socio-economic prosperity of this region and, without that company, there would be very little economic activity in the region.

I think when one looks specifically at DaimlerChrysler and the role that the company has played, it struck me when I came here that I was told that if Daimler Chrysler leaves East London, the lights would go out. Everybody told me that. Really the centre of East London's activities is DaimlerChrysler.

DCSA as a multinational corporation recognize this important position of responsibility that has been placed on their doorstep and they are aware of the huge socio-economic challenges of operating in South Africa and in the Eastern Cape in particular. The company has not looked at the constraints in its operating environment as drawbacks, rather; they have adopted a proactive approach to overcome these problems through their corporate social investment programmes. When asked about these socio-economic challenges of operating in a poor province like the Eastern Cape, the Management Board Member did not want to focus on the drawbacks. Instead; he was optimistic about the positive aspects of conducting their operations from the region. He believes that the company enjoys enormous benefits by operating from East London; for example by being close to the harbour, they can serve their key

customers in international markets much faster. He ended on a patriotic note by saying that:

I think there is a unique element of being South African that we should exploit and this is how the world views our renaissance. For example, there is lots of goodwill towards South Africa and we must exploit it.

5.4 Conclusion

DCSA is involved in many corporate social initiatives within the local community. The company has set for itself focus areas to concentrate on each year in its corporate social responsibility programmes. The idea of focusing on a few issues at a time as a corporate social investment strategy is not new, as many companies are realizing that they cannot do everything at the same time; the need is just too great. This need to focus on a few areas at a time also leads to greater effectiveness. According to Shevel (2001:10), today corporate giving by the most proactive donors has become much more sophisticated, calculated, focused, and strategic. In addition, education heads the list of corporate social investment initiatives that DCSA is involved in. This is also in line with the trend in corporate social investment in South Africa as a whole. The biggest slice of the corporate social investment cake goes to education and training. In fact in 2001, of the R2.04bn spent on CSI by corporate donors in South Africa; R99m went to education and training (*Finance Week*, 9 October 2002:39). This is because education is seen as a major issue in South Africa today; as it is believed that the future growth of any country depends on the education of its people.

DCSA's approach to CSI can also be analysed from the perspective of a company taking a strategic decision to respond to challenges in the external environment. With the huge socio-economic challenges facing the Eastern Cape, the company scanned the external environment and took a strategic decision to respond to these challenges in a long-term manner in order to turn these challenges into opportunities. For example, by developing the skills base of the local population, the company is turning a social challenge into a

future business opportunity. The company has adopted strategies that can enable it to overcome the challenges in its external environment rather than exiting. The company realized that its competitiveness and long-term viability could not be guaranteed, if the external environment in which it was operating was disintegrating. According to Pearce and Robinson (1997:7), a major determinant of a firm's success is the extent to which the firm can relate functionally to its external environment. For DCSA, they recognized that there were certain constraints in their local environment and the company responded by developing corporate social investment programmes aimed at solving these social problems.

Since these social problems also threaten the very survival of companies, they see a need to identify themselves with their environment. Therefore, by being a responsible company, DCSA, in pursuing its primary objective, saw the need to respond to the socio-economic problems in its operating environment. Trahar (2002:27) advocates balancing a company's primary profit-making objective and other sustainability issues by suggesting that:

Companies must continue to regard their primary responsibility as being to secure a return to investors. Nevertheless, I am sure that no company which pursues the shareholder interest blind to the context in which it operates will prosper in the medium term. The motivation and development of employees, the priorities of national and local government, the needs and perspectives of local communities are all part of the framework within which a responsible company must operate.

Companies have the resources to assist government in bringing about and maintaining a cohesive positive society that can produce the best possible conditions for human existence and business growth. Nowhere is this need more urgent than in South Africa as a whole and in the Eastern Cape in particular.

CHAPTER SIX: CONCLUSION AND RECOMMENDATIONS

6.0 Introduction

Corporate social responsibility has become widely accepted as a business imperative and companies can no longer retreat into shareholder value alone as the only role of business in society. Having accepted that businesses need to be seen to be socially responsible, the levels at which companies are becoming involved in corporate social responsibility issues in society is also going through tremendous change. While for a long time companies have been involved with the community on a philanthropic basis, today more and more companies are designing corporate social investment programmes that are strategic in nature. Being involved at a strategic level entails designing corporate social responsibility programmes that are tied to a company's core values and incorporated into their mission and vision statements. Therefore, CSR is moving away from being an *ad hoc*, short-term philanthropic activity to a more astute business model that is part of the company's corporate culture and conduct.

The overarching theme for this study is that CSI strategizing and planning should be integrated into a company's strategic planning process and through that integrated into corporate strategy. For this reason, this study began with a theoretical framework of strategic CSI as proposed by Hess et al (2002) which outlines the indicators that companies must have, if they are conducting corporate social responsibility from a strategic level. The aim of the study therefore, was to find out how DCSA's corporate social investment programmes compare with this theoretical model, that is, if they have these strategic indicators. Many people assume that "strategic" CSI activities mean that the company benefits from these activities, that is, because a company derives or fulfils its self-interest while performing CSI activities, these activities are therefore strategic. Hess et al (2002) however go further and argue that CSI activities must be embedded in the company's corporate culture and strategic decision-making and planning process to make them strategic. In

other words, business benefit alone does not make corporate social responsibility activities strategic. At best, such corporate giving activities remain at the corporate philanthropy level.

6.1 Matching DCSA's CSI Programmes against the Strategic Indicators

DCSA's performance was evaluated against Hess et al's (2002) strategic indicators (see page 61 above) that must be present in order for a company to be said to be conducting CSI from a strategic level. In summary, the findings of the research revealed that:

- The company's mission, vision and value statements contained CSI values
- There was support and involvement of the company's top management in corporate social responsibility activities
- The company applied its core competencies in carrying out its corporate social investment programmes
- The company conducted social audits of its corporate social investment programmes by setting clear goals and means of measurement
- There was consultation and involvement of the local community by the company in the design and formulation of corporate social responsibility activities. However, this was the weakest indicator that the company had and this is an area that they need to strengthen and improve on.

Hess et al (2002:118) write that a firm's core values are reflected in its mission and vision statements and those values are important because they form the basis of an organization's corporate culture. Therefore, any activity that is of strategic importance to the company is normally incorporated into its mission, vision and value statements, so that it becomes part of the company's long-term strategic planning process and objectives. To begin with, DCSA incorporates CSI values in its mission and vision statements and the company is guided by the vision of "we are moving forward together". However, the company's mission statement did not state explicitly that the company is

responsible to the local communities it operates in; it just stated vaguely that the company is committed to its “external environments”.

Even though DCSA has got a corporate motto that explains its support for the local communities such as “*we don’t just build cars, we build communities*”, it is a company’s mission statement that states categorically how the company wants to be perceived by its internal stakeholders and especially the public, who may not be aware of any other documents other than a mission and vision statement. In this regard, DCSA mission statement did not state explicitly the company’s responsibility towards the local community. Other corporate statements especially its value statement, were more explicit and cited categorically the company’s corporate social responsibility obligations. According to Hess et al (2002:118) a company should incorporate corporate social responsibility values in its mission, vision and value statements so that there is consistency in corporate social investment decision-making processes. Above all, they argue that it links such initiatives with the firm’s values, thereby demonstrating the firm’s long-term commitment to such initiatives, which improves its credibility with the firm’s stakeholders.

The idea of having strong core corporate values is supported by Collins and Porras (1997:116-117) who studied eighteen “visionary” companies and found that what set these organizations apart was not charismatic leadership or great ideas, but the ability to “preserve the core” while at the same time stimulating change. They found at the core of these visionary companies is an ideology that was made up of two values: firstly, the organisations enduring tenets and purpose and secondly, the organizations’ fundamental reasons for existence that went beyond just making money. For this reason, there is a fundamental need for companies to state in their corporate statements what their mission, vision and values are, including the responsibility to care for such issues such as corporate social responsibility activities.

Secondly, the study also found out that DCSA’s top management were actively involved in CSI programmes, from initiation to implementation and

that they involved their workers in CSI decision-making, so that CSI has become a company-wide activity, not just top-management's responsibility.

Thirdly, the company also applied its core competencies in approaching its CSI initiatives and looked at areas where it could use its resources to have a greater impact on the local communities. The study established that the company utilized its physical resources (off-road vehicles), human capital (industrial engineers and accountants) and organizational efficiencies (quick customer service) to respond to CSI initiatives.

Fourthly, the study found that the company conducted internal social audits of its CSI programmes to measure their performance. The audits were conducted at the regional offices and finally at the corporate level where the results of the company's performance in CSI activities were communicated to the corporate board. While there was a lot of emphasis on internal evaluation, the study found out that there was little external audit especially in knowing the perception of the local community stakeholders of the company's CSI initiatives. Lastly, DCSA's consultation and involvement of the local communities especially at grassroots level in the formulation of CSI programmes are not strong and need to be strengthened. They cited that they consulted the local communities whenever they needed to launch a big project; however, the difficulties experienced after the handover of its school project in the local community in Chalumna reveals that there is a need for more co-operation between the company and the local community, especially in the rural areas, as well as with other partners involved, such as the Department of Education. The company should take active steps to involve the local community fully to ensure the sustainability of projects once handed over to the community. Overall, the research results revealed that DCSA's CSI programmes were to a large extent strategic.

Therefore, DCSA's response to CSI programmes in the Border-Kei region can be said to be strategically executed according to the model of Hess at al. (2002). The company is not conducting corporate social responsibility from a

corporate philanthropy level but has moved to the strategic level of corporate social responsibility in the way it runs its CSI activities.

However, this said, it is also vital to note that the company emphasized that, despite their strong commitment to continue operating in the Eastern Cape and their assistance in the socio-economic development of the region, it is crucial that the company remains sustainable, in terms of being viable and globally competitive. They believe that it is only after they have realized their economic goals, that the company will be in a position to have a more positive impact on the local communities around it. As a result, DCSA continues to have a strong working relationship with the government, the local communities and its employees in the Eastern Cape to ensure the long-term viability of the East London plant as well to reduce the socio-economic challenges in the region.

This study has made the argument that corporate social responsibility is basically a matter of how far a company responds to the socio-economic challenges in its external environment by incorporating these concerns into its decision-making process and into how a company interacts with its external environment. Looking at the relationship between DCSA and the local community, one can say that DCSA is aware of the huge socio-economic challenges in its external environment and has taken corporate social responsibility activities to alleviate some of these problems. The socio-economic problems facing the Eastern Cape arising from poverty, employment, HIV/AIDS and lack of job creation initiatives mean that a lot needs to be done in this province to bring about socio-economic change.

DCSA rather than looking at these socio-economic problems as constraints in its commercial activity, has taken proactive steps to alleviate some of them through its corporate social investment programmes. However, as the largest employer in the province and a successful global corporation, arguably although it has done much already, the company it still needs to do more. It is not a matter of comparing DCSA with other companies in the Province; rather, considering the wealth and resources of the company, its actions should be

commensurate with the wealth, power and influence it has in the socio-economic well-being of the province. Khumalo (2000:57) challenges companies such as DCSA to show more concern for their external environment by arguing that: “Our responsibility to society increases with the power we have”.

DCSA's resources are huge compared to those of the local government and its impact on the socio-economic progress of the Border-Kei region is enormous. With the relative shift from government to companies as the sources of socio-economic welfare, the role of business in society has never been so important. The old belief where the government was widely seen as the proper and indeed the only legitimate source for handling social welfare does not hold anymore. Beesley and Evans (1978:203) argue that this presumes too much on government's capacity and sees the development of corporate responsibility as one important aspect of effective decentralization in the interest of maintaining and promoting a pluralist society.

With the changing of people's attitudes towards corporate social responsibility and the greater need for corporations, especially global corporations, to be socially responsible in their international locations, companies' response to corporate social responsibility is seen by many as a response to moral pressures in society. These moral pressures come from stakeholders such as the government, employees, local communities, investors and the public at large who are demanding that companies' impact on society be positive. Hess et al (2002:119) argue that being responsive to these expectations is a key factor to the success of any corporate social initiatives. To this end, companies including DCSA are taking up social responsibility initiatives in a bid to preserve their corporate reputations and to be seen as good corporate citizens in the communities where they operate.

As a result, the local community of the Border-Kei region will continue to look up to DCSA to improve their lives. As the importance of corporate response to the socio-economic conditions in society increases, Thorne and Smith

(2000:22) argue that in the future, organizational purpose will be more than just increasing profit or market share; it will also reflect an on-going commitment to adding value to the wider community where an organization operates. Companies have the resources to assist government in bringing about and maintaining a cohesive positive society that can produce the best possible conditions for human existence and business growth. Nowhere is this need more urgent than in South Africa as a whole and the Eastern Cape in particular.

6.2 Limitations of the study

It is the researcher's opinion that the goals of the research have been adequately realized. The limitation of the research was that the researcher did not get to interview people in the rural areas of the Border-Kei region where the company conducts some of its corporate social investment activities. However, interviews with the other stakeholders and especially the head of the NGO that operates in these areas as well as the Mayor's representative captured some of their views and needs.

6.3 Recommendations for Further Research

The researcher would like to recommend new avenues for further research in this area. Recommendations for further research are that a study in corporate social responsibility should be conducted that would focus specifically on the perceptions of the rural community leaders in order to get their perceptions on how they regard the activities of corporations in their communities and how they can improve these relations. It would also be interesting to conduct this study from a human resources point of view and study the effect of CSI programmes on the employee's morale and motivation in the workplace. Also, the study can be approached from a consumer behaviour perspective to determine the impact of corporate social responsibility on buying behaviour. Lastly, with the greater cooperation that is taking place between government and business corporations, it would be interesting to find out how public-

private partnerships can be avenues for effective community development especially in South Africa.

6.4 Recommendations to the Company

The study also recommends that DCSA institute more stakeholder dialogue with the local community leaders in a bid to come up with joint decision-making strategies regarding problems affecting the region. This stakeholder dialogue is also important in order to improve the sustainability of CSI programmes after they have been handed over to the local community. There is also a need to have more public-private partnerships between the company and the local and provincial government departments. Also, the company should identify more non-governmental organizations at grass-roots level in the region to work with who can assist them in identifying projects that need assistance in the community.

In summary, **the company should:**

1. Review what it states in its mission statement regarding its responsibilities to the local communities.
2. Carry out a perception survey to know the opinions of the local community regarding the way it conducts its corporate social investment activities in the local community. DCSA should use market research techniques such as surveys to explore these stakeholder perceptions.
3. Develop relationships with key influencers like local leaders within the local community particularly in the rural areas while maintaining its good relations with the urban stakeholders.
4. Strive to obtain the input of rural community leaders, especially in initiatives and particularly in the formulation stages, in order to ensure smooth implementation of community projects.

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8.0 APPENDICES

8.1 Research Cover Letter

29th July 2002

To XXXX

Dear Mr /Ms

Re: Research on Corporate Social Responsibility

Alice Mak'Ochieng is currently studying towards her Masters degree in Commerce in the Dept of Management here at Rhodes University, Grahamstown. In fulfilment of this degree, she has undertaken to do research into corporate social responsibility in South Africa. Despite its growing importance very little research has been done on the subject particularly when it comes to evaluating the extent to which South African companies have integrated their corporate social responsibility programmes into their business strategic planning process.

She has selected to conduct an in-depth case study of Daimler Chrysler South Africa's (DCSA) corporate social responsibility programmes in the Border-Kei region. This study is very important because of the unique position DCSA has in the socio-economic development of this region. As part of the study she would like to interview important stakeholders in the Border –Kei region regarding their perceptions on the subject. She would like to come and conduct a brief interview with you in your office in early August 2002 at a suitably arranged time.

All information obtained from the interview will be treated confidentially. Your co-operation in the success of this research is highly appreciated. Alice will telephone you in due course to request an interview. Thank you for your valuable time.

Yours Faithfully,

Dr. Philip Court
HOD: DEPT OF MANAGEMENT AND STUDY SUPERVISOR

8.2 Interview Guide (For the Local Community Participants)

Opening:

This interview will take less than 1 hour of your time. The information obtained from this interview will be treated confidentially and will not be used for any other purpose other than in writing the research thesis for academic purposes only. Your co-operation to participate in this interview is greatly appreciated.

I would like to tape-record this interview. However, if at any stage you would like to say something off the record, please feel free to request that the tape recorder be switched off. First, I would like to clarify what I mean by the term Corporate Social Responsibility. This term refers to those activities or programmes that a company undertakes freely at its own discretion and which are aimed at solving social problems in the community it operates in.

THE QUESTIONS:

1. What are the biggest socio-economic challenges facing the people of the Eastern Cape in general and the Border-Kei region in particular?
2. Do you think some of these problems can be tackled by business through corporate social responsibility programmes?
3. Do you think business and DCSA in particular have a duty to be socially responsible to the community of the Border-Kei region?

4. Can you mention any corporate social investment programmes you are aware of that DCSA is involved with for the benefit of the people in the Border-Kei region?
5. Do you have any partnerships or collaboration initiatives with DCSA with regard to running some of these projects? Do you get consulted before some of these projects are initiated?
6. How do you think DCSA as a company embraces corporate social responsibility values in its corporate objectives? Please elaborate.
7. Do you think a company such as DCSA should embrace corporate social responsibility programmes as part of its long-term corporate goals?
8. How long in your view should a company be involved with such projects?
9. How do you think DCSA is performing its corporate social responsibility role in the Border-Kei region?
10. To what extent do you see a gap between what DCSA say it stands for and the reality of its actual performance?

11. Do you think companies should carry out social audits of their social investment activities?

12. What can you say about DCSA corporate social responsibility programmes in terms of their performance?

13. In what ways as an organisation do you support DCSA in its corporate social responsibility activities in the Border-Kei region?

THE END

Thank you in advance

Alice A. Mak'Ochieng

8.3 Interview Guide (For the Company)

Opening:

This interview will take less than 1 hour of your time. The information obtained from this interview will be treated confidentially and will not be used for any other purpose other than in writing the research thesis for academic purposes only. Your co-operation to participate in this interview is greatly appreciated.

I would like to tape- record this interview. However, if at any stage you would like to say something off the record, please feel free to request that the tape recorder be switched off. First, I would like to clarify what I mean by the term Corporate Social Responsibility. This term refers to those activities or programmes that a company undertakes freely at its own discretion and which are aimed at solving social problems in the community it operates in.

SUMMARY OF OBJECTIVES:

1. DCSA's mission, vision and values with regard to CSR values
2. Sectors of social problems tackled.
3. Duration of their CSR programmes, whether short-term or long-term and why.
4. How the programmes are initiated, does the company consult and involve local community stakeholders/leaders.
5. Accountability for CSR by conducting social audits.
6. How the company's CSR programmes are perceived by the community
7. The support and involvement of the company's top management in CSR initiatives
8. Use of the company's core competencies in CSR projects.

THE QUESTIONS:

1. What are the biggest socio-economic challenges facing the people of the Eastern Cape in general and the Border-Kei region in particular?
2. What role do you think DCSA can play especially with regard to alleviating some of these problems?
3. What are some of the reasons that motivate DCSA to carry out corporate social responsibility programmes in the Border-Kei region?
4. Can you mention any corporate social investment programmes you are aware of that DCSA is involved with for the benefit of the people in the Border-Kei region?
5. How do you involve the local community before initiating some of these projects?
6. Do you have any partnerships or collaboration with local bodies in running some of the CSR programmes in the region?
7. Do you think DCSA as a company embraces corporate social responsibility values in its corporate objectives? Please elaborate.
8. How long do you involve yourself with a CSR programme?. Are your programmes of a short-term or long-term nature and why?
9. Do you think a company such as DCSA should embrace corporate social responsibility programmes as part of its long-term corporate goals? How long should the company be involved with such projects?
10. How do you perceive DCSA to be performing its corporate social responsibility role in the Border-Kei region?

11. To what extent do you see a gap between what DCSA say it stands for and the reality of its actual performance? Do you think companies should carry out social audits of their social investment activities?
12. How do you account for your CSR spending? Do you conduct regular social audits of your CSR activities to measure and monitor your performance?
13. In what areas of your CSR programmes do you think you have performed well in and which areas do you want to improve?
14. Are DCSA's CSR activities connected to its corporate strategy and long-term corporate goals? Please elaborate.
15. The King II report on corporate governance in South Africa calls companies to put social investment issues on their boardroom agenda's. What is DCSA's view on this?
16. How and in what ways do you think the CSR function has changed over the last few years?
17. Are DCSA's top management's involved and supportive of the company's CSR activities?
18. Do you involve your employees in CSR activities and do they get consulted about CSR projects to be run in the community?
19. What is the relationship between the company and the local community? Do the local community stakeholders support you in your CSR initiatives in the Border-Kei region?

THE END

Thank you in advance