Corporate Social Responsibility as a means of gaining competitiveness in the South African banking industry

Clarence Manuhwa

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ABSTRACT

Over time, the concept of corporate social responsibility has gained momentum. The main reason for this is that companies are now embracing the fact that their operations, either directly and/or indirectly, affect the communities and environments in which they operate. As a result, companies, particularly those in the South African banking industry, are increasing their spending on social and environmental developments. Interestingly, it is unclear if such exuberant spending, particularly by the South African banking industry, is providing a win-win situation for both the banking industry and society.

Against this backdrop, the purpose of this study was to analyse the extent to which CSR was utilised to enhance competitiveness in the South African banking industry. A qualitative content analysis was conducted on publicly available CSR secondary data on the big four banks, namely FirstRand, Standard Bank, Barclays Africa and Nedbank. Interviews as a source of primary data were not carried out because the banks had reservations about sharing information in interviews. The banks' sustainability and annual reports were the main sources of information.

The literature on CSR and competiveness clearly underlines the importance of integrating CSR into the core business operations of a company if CSR is to yield a win-win situation for both business and society. This win-win situation is what enhances competitiveness in the form of attraction and retention of exceptional employees, innovative social products and services, and improvement in reputation within society. The research findings do show that all four banks were involved in varied CSR activities, however, Nedbank and Standard Bank performed better than FirstRand and Barclays Africa in terms of the enhancement of competitiveness through their CSR activities. This was achieved through the efficient alignment of their CSR strategy with their core business operations. Therefore, the key message is that companies need to strive to align their CSR strategy with their core business operations if they are to enhance their competiveness through their CSR initiatives.

DECLARATION

I, Clarence Manuhwa, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Clarence Manuhwa

Signed at Park town, Johannesburg

On the 14th day of August 2015

DEDICATION

To my late Dad, Marko Manuhwa.

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CHAPTER 1. INTRODUCTION

1.1 Purpose of the study

The purpose of this study was to analyse the extent to which corporate social responsibility (CSR) was utilised to enhance competitiveness in the South African banking industry. In an effort to achieve this purpose, a qualitative research methodology was adopted due to the exploratory nature of the study (Creswell, 2014).

1.2 Context of the study

This study was conducted in the South African banking fraternity, specifically focusing on the *'big four banks'*, which include Nedbank group, Standard Bank group, FirstRand group and Barclays Africa group (PricewaterhouseCoopers, 2013). The study evaluated, at the group level, CSR activities as opposed to activities of the business units because it was more practical and more feasible to compare the initiatives at the group level of the various banks in relation to their competitiveness.

Banking was chosen because research on CSR initiatives and banks is very limited (Carnevale, Mazzuca, & Venturini, 2012). The banking industry is becoming one of the most proactive investors in CSR initiatives worldwide (Truscott, Bartlett, & Tywoniak, 2009) and, according to Scholtens (2009), banks act as financial intermediaries in our society as they have the financial resources available to positively impact on society. This study sought to first, contribute to the existing but limited body of knowledge and research on the banking industry and second, determine whether banks' CSR activities are enhancing their competitiveness.

For several decades, the concept of CSR has evolved in importance and significance (Carroll & Shabana, 2010) because corporations have realised that they cannot operate in isolation to society (Araoz, 2011). Stakeholders are demanding more than just the traditional observation of international codes of conduct and strategic philanthropy (O'Brien, 2001). Additionally, governments and activists have become strategic in holding companies accountable for the social consequences of their business activities (Porter & Kramer, 2006). CSR goes beyond a cosmetic approach of seeking a good reputation (Vilanova, Lozano, & Arenas, 2009). It is a notion whereby companies integrate and embed social and environmental concerns in their business operations, values and strategy (European Commission, 2001; Marín, Rubio, & Maya, 2012; Porter & Kramer, 2006), which in turn generates innovative practices and competitiveness (Vilanova et al., 2009). Competitiveness is when a company produces goods or services of a superior quality and/or decreased costs than its rivals (European Commission, 2008) using labour, capital and natural resources (Porter & Kramer, 2002).

Competitiveness can be an outcome of CSR, but only when CSR activities are integrated into a company's corporate and business level strategies (Marín et al., 2012). Smith (2007) argues that businesses achieve competitiveness or competitive advantage only by successfully fitting outside stakeholders into an effective combination of business processes. Falck and Heblich (2007) further elaborate that these stakeholders must be 'key' stakeholders whose claims on social responsibility have direct or indirect effects on the company.

Burke and Logsdon (1996) argue that the increasing competitive and societal pressures have caused executives to re-evaluate their CSR activities because investors need to see a return on their companies' investments in CSR activities (O'Brien, 2001). Societies are turning more to the business sector for assistance in solving acute social problems and, therefore, *'strategic CSR'* is the answer (Burke & Logsdon, 1996). By addressing social concerns, both the society and companies benefit (Falck & Heblich, 2007; O'Brien, 2001; Porter & Kramer, 2002, 2006). However, it is also important to clarify that not all CSR activities are expected to bring benefits for both society and business. Businesses should prioritise CSR activities with benefits for both society and business for them to enhance their competitiveness (Porter & Kramer, 2002).

The 2013 financial year saw a significant increase in the big four banks' spending (total of R433.7 million) on their corporate social investments (CSI) activities alone, of which CSI forms part of CSR activities (Trialogue, 2014). As CSR spending continues to trend upwards, it is important to analyse and determine whether such exuberant sums of money are aligned with the business operations of the big four banks and are indeed bringing about competitiveness (a win-win situation). This alignment is important because beyond accruing competitiveness for a company, it is also one of the most effective ways of addressing societal concerns (O'Brien, 2001; Porter & Kramer, 2002).

From a South African perspective, CSR is not only a frequent topic of conversation but also a tangible effort by many companies. The democratic dispensation that has governed South Africa since 1994 has made significant strides in combating the social imbalances brought about by Apartheid (Araoz, 2011). From the inception of social programs to the introduction of new legislation, such as Broad-Based Black Economic Empowerment (BBBEE) Codes of Good Practice, these different charters now require that companies channel at least one percent of their net profit after tax (NPAT) to social development activities (Republic of South Africa, 2007). The South African government, in an effort to have individualised sector codes based on the BBBEE Codes of Good Practice for the different sectors of the economy, published the Financial Sector Code (FSC) at the end of 2012 (Republic of South Africa, 2012). The FSC stipulates that relevant financial institutions should essentially spend at least 0.7 percent of their NPAT on social economic development initiatives (Republic of South Africa, 2012).

The country has also adopted voluntary codes such as the King III reports in promoting and developing CSR in South Africa to the point that the Johannesburg Stock Exchange (JSE) prescribes compliance with King III to their listed companies (Southern African German Chamber of Commerce and Industry, 2010). In a survey conducted by Globe Scan Incorporated, South Africans regard financial institutions to be the most socially responsible among the 12 of the economic sectors (to mention just a few manufacturing, agriculture and tourism) (Araoz, 2011).

The big four banks in South Africa make up approximately 84 percent of the total banking sector assets (The World Bank, 2013). Capitec Bank Holdings, which was formed in 2001, is quickly growing and is not far behind the big four banks with a market capitalisation of roughly R66 billion (Bloomberg, 2015). The section below gives a synopsis of each of the big four banks.

[1] *FirstRand group* was founded in 1998 and it has grown exponentially to the point of being the largest bank in South Africa by market capitalisation of about R323 billion (Bloomberg, 2015). FirstRand franchises offer investment, banking, and insurance products and services, to corporate, retail, commercial and public sector clients in a number of African countries, but mainly in South Africa. FirstRand has in excess of R1 billion invested in CSI activities since its inception (FirstRand group, 2015).

[2] *Standard Bank group* was founded in 1862 in the Eastern Cape, has more than 48 000 employees, and operates in 20 African countries. Standard Bank is a universal bank offering banking, lending, insurance, investment, savings, borrowings, advisory and risk management services (Standard Bank group, 2015). It is the second largest bank in South Africa by market capitalisation of about R284 billion (Bloomberg, 2015).

[3] *Barclays Africa group,* which is owned by Barclays Bank PLC, was formed In July 2013 through combining the Absa group and Barclays African operations. The group is a diversified financial services provider that offers products and services across corporate and investment banking, personal and business banking, credit cards, wealth and investment management, and insurance (Barclays Africa, 2015). It is the third largest bank in South Africa by market capitalisation of about R161 billion (Bloomberg, 2015).

[4] *Nedbank group* was formed in 1973 from the merger of Syfrets South Africa and Union Acceptances and Nedbank. Nedbank has its roots dating back to 1831 when it was known as the Cape of Good Hope bank. Nedbank has five franchises namely, Nedbank retail, Nedbank business banking, Nedbank capital, Nedbank wealth, and Nedbank corporate. It is the fourth largest bank in South Africa by market capitalisation of about R124 billion (Nedbank group, 2015).

1.3 Problem statement

1.3.1 Main problem

The research problem was to analyse CSR in the South African banking industry to determine to what extent has CSR, been utilised to gain competitiveness and achieve a win-win situation between society and business.

1.4 Significance of the study

Marín et al. (2012) and Vilanova et al. (2009) argue that there is very limited research on CSR effects on dimensions of corporate strategy such as competitiveness. Galbreath (2009) and Burke and Logsdon (1996) state that much of the current research focuses predominately on conceptual and empirical tests of firm performance and CSR. Unfortunately, this leaves a gap between CSR and competitiveness. Porter and Kramer (2006) argue that CSR activities are usually described in volunteer hours or money spent but seldom in terms of the actual impact of CSR and that research on CSR activities and banking is still very limited (Carnevale et al., 2012; Fatma, Rahman, & Khan, 2014). The justifications listed above are indicative of the importance of this study. It is clear that the CSR activities carried out in the South African banking industry require further evaluation, particularly to determine if such activities are in fact an efficient and sustainable means of gaining competitiveness. This research undoubtedly added to the body of knowledge and even more so from an African context, and addressed part of the gap in literature on CSR in the banking sector and developing countries (Fatma et al., 2014).

The study may have provided new guidance and benefit directly to senior management in the banking industry and indirectly to senior management in other industries, particularly those where societal contributions are expected. The study may also have assisted other industry executives and senior managers in assessing and prioritising their CSR activities with regard to alignment with strategy and their impact on society and business (competitiveness) rather than just describing and reporting on CSR activities as cited by Porter and Kramer (2006).

1.5 Delimitations of the study

- The concept of shared value by Porter and Kramer (2011), which involves creating economic value in a way that also creates value for the society by addressing their pressing issues was not explored in this study but was occasionally cited when explaining certain key points.
- The concept of social enterprise, which speaks to an organisation using commercial strategies to enhance social and environmental well-being, was not explored in this study.
- Analysed South Africa banking Industry and only focused on the big four banks; FirstRand group, Standard Bank group, Nedbank group and Barclays Africa group.
- The study considered only group level CSR interventions or activities.
- The study adopted a cross-sectional design where it only looked at the 2013 financial year CSR activities of the big four banks.
- Qualitative methodology was based on publicly available information.
- Economic performance indicators were not included as part of this study.

1.6 Definition of terms

- *Corporate social responsibility (CSR):* When a company voluntarily integrates social and environmental concerns into their business operations and their interactions with stakeholders (European Commission, 2001).
- *Competitiveness:* When a company can produce goods or services of a superior quality and/or decreased costs than its rivals or develop a better and more innovative product (European Commission, 2008) using labour, capital and natural resources (Porter & Kramer, 2002).

- *Competitive advantage:* A *"concept of the value chain, a general framework for thinking strategically about the activities involved in any business and assessing their relative cost and role in differentiation"* (Porter, 2008, p. xv).
- *Corporate social Investment (CSI*): These are monetary or non-monetary contributions, which bring benefits over and above those directly associated with a company's core business.
- *Sustainability:* When needs of the present generation are met without compromising on the ability of the future generations to also meet their needs (Brundtland, 1987).

1.7 Assumptions

The research was conducted based on the following assumptions:

- The available and accessible information was fully correct and a true reflection of the CSR activities of the four banks.
- The information contained in the four banks' annual reports, websites, and sustainability reports was the only substantive means of information sharing that banks can publicly report their CSR activities.
- When a bank did not report on its involvement on certain social issues/indicators, it was assumed that no CSR activities were being done.
- The limited information and/or reporting on the bank's CSR activities could have affected the analysis of the information, and reduced the credibility of the study and its results.

CHAPTER 2. LITERATURE REVIEW

2.1 Introduction

This chapter contains the literature review on the key themes of CSR and its link to competitiveness. First, this chapter introduces the concept of CSR and competitiveness and then moves on to the next section providing the background discussion. This section is followed by a discussion and explanation of the definitions of CSR and the specific definition that was adopted for this study. Justifications and benefits of CSR and the business case for CSR, which ultimately leads to competitiveness follows. The discussion on how CSR can lead to competitiveness through integration is highlighted prior to the concluding remarks and research question.

Companies in the 21st century are facing tremendous pressure and constant scrutiny by activists, governments, and the media who hold companies accountable for the social consequences of their business activities (Kolk & Van Tulder, 2010; Porter & Kramer, 2002). This has led to executives of companies, as described by Pearce and Doh (2005), facing conflicting pressures to contribute to CSR while simultaneously honouring their duties to maximise shareholder wealth. Contrarily, an increase of competitive pressures (for example, globalisation) has caused executives to scrutinise the nature and extent of their CSR activities (Burke & Logsdon, 1996). Ultimately, investors want to see returns from their companies' investments in CSR activities (O'Brien, 2001).

The notion promulgated by Friedman (1970) that the social responsibility of business is to increase its profits is currently no longer applicable, where the mutual dependence, as highlighted by Porter and Kramer (2011), of corporations and society is becoming more pronounced. The question then is how can there be a win-win for both society and companies. A number of studies argue that there is need for integrating a social perspective into core business operations and strategy (European Commission, 2008; Husted & de Jesus Salazar, 2006; Porter & Kramer, 2002, 2006), which could lead to what Hopkins (2004) terms *'responsible competitiveness'*. Hence, the objective of the research was to analyse whether CSR has been used as a means of gaining competitiveness in the South African banking industry.

2.2 Background discussion

Besides the banking industry, being one of the biggest investors in CSR, it is also one of the more proactive investors in CSR initiatives worldwide (Truscott et al., 2009). Apart from banks maximising profit for its shareholders, they have to comply with regulators, contribute to development of the economy, meet depositors demand and be seen as good corporate citizens (Nwankwo, 1991). The complexity of the banks having to deal with both these different stakeholders and globalisation has made banks and the existence of CSR inseparable and unavoidable (Achua, 2008). In developing countries such as South Africa where various societal and economic challenges exist, Dorasamy (2013) argues that banks have a vital role to play through their CSR initiatives. This role is further exacerbated by the greater responsibility on banks to guard against their financial systems having a negative impact on society as a result of the global crisis. In fulfilling their CSR function, banks in developing countries must contribute to the economic growth and alleviation of poverty (Prior & Argandoña, 2009).

The next sections provide the definitions used for this research report.

2.2.1 Definition of corporate social responsibility

A fundamental problem in the field of business and society is that no universal definition of CSR, providing a framework for the systematic analysis of data, exists (Clarkson, 1995). Academics, consultants and corporate executives have debated and proposed an array of definitions for CSR and have been left with more questions than answers (van Marrewijk, 2003). This confusion is partly because CSR is approached from different perspectives such as business ethics, stakeholder management, corporate citizenship and social performance; each bringing a bias towards specific interests (Vilanova et al., 2009).

Dahlsrud's (2008) study of 37 CSR definitions using content analysis found environmental, social, economic, stakeholder, and volunteerism dimensions to be the most frequent measurements of CSR. Using frequency counts via Google search to analyse how often these dimensions are used, the analysis saw that the existing definitions to a large degree are similar, indicating that the confusion is not about how CSR is defined but rather how CSR is constructed in specific contexts (Dahlsrud, 2008). This also explains why a theme such as sustainability is viewed to be an integral part of all CSR discussions (Carroll & Shabana, 2010) because its three aspects of economic, social and environment (van Marrewijk, 2003) are important dimensions of CSR. Sustainability refers to the integration of economic, social and environmental issues in an organisation or company (Kuhlman & Farrington, 2010).

Carroll's (1991) pyramid definition of CSR is one of the well-known CSR frameworks (Calabrese, Costa, Menichini, Rosati, & Sanfelice, 2013; Saeidi, Sofian, Saeidi, Saeidi, & Saaeidi, 2015). Carroll (1991) defined CSR as the concurrent fulfilment of a company's legal, economic, philanthropic and ethical responsibilities. However, Dahlsrud (2008) discovered that the definition provided by the European Commission (2001) had the highest frequency counts on Google. The European Commission (2001, p. 8) defines CSR as *"a concept whereby companies integrate social and environmental concerns into their business operations and in their interaction with their stakeholders on a voluntary basis."*

This study adopted the above definition for the following reasons. First, CSR is the integration of environmental and social concerns within business processes which means that CSR is not simply philanthropy (Du, Bhattacharya, & Sen, 2007; European Commission, 2008; Vilanova et al., 2009). Second, interaction with stakeholders is very important in CSR (European Commission, 2008; Falck & Heblich, 2007), and third, by describing CSR as voluntary, the inference suggests that this action is above what is required by law (European Commission, 2008; Juščius & Snieška, 2008; Sprinkle & Maines, 2010)

This European Commission (2001) definition does show that CSR is a widespread theory, which is often divided into four main areas:

[1] *Community related CSR:* involves active contribution to the community well-being and the relations the company has with the communities it serves and its citizens. Employee volunteering schemes are included in this area of CSR (European Commission, 2008).

[2] *Workplace CSR:* incorporates how an organisation cares for its workforce. It revolves around topics such as employee diversity, health and safety, work environment and performance appraisals (European Commission, 2008).

[3] *Environment related CSR:* depicts the development of company solutions to abate the negative effects of the business on the environment. It also involves creating goods and services, which further improve the environment (European Commission, 2008).

[4] *Marketplace related CSR:* describes the way in which a company operates in relation to its competitors, suppliers and customers. It covers issues such as responsible lending when looking at banks as an example, and forcing social and environmental requirements on suppliers (European Commission, 2008).

2.2.2 Definition of competitiveness

Competitiveness is a multidimensional concept that can be applied at firm, industry, and country level. This explains why there are many definitions and frameworks on competitiveness (Ajitabh & Momaya, 2004). Competitiveness has progressed from mainly focusing on productivity, which usually took the form of tangible measures such as performance to include intangible sources of competitiveness such as relationships and reputation (Vilanova et al., 2009). A definition by D'Cruz and Rugman (1992) defines competitiveness as the ability of a company to design and or market products superior to those offered by considering the price and non-price qualities, which shows both the intangible and tangible sources of competitiveness. Competitiveness has progressed from just producing products and services at lower costs and superior quality, to including product innovation as an important component (European Commission, 2008). Competitiveness is contingent upon the productivity with which a company makes use of capital, natural resources and labour to produce high quality products (Porter & Kramer, 2002).

This research study adopted the five dimensions of competitiveness identified by Vilanova et al. (2009), which include performance; ability to satisfy client expectations; quality of products and services; productivity, innovation and, image as in corporate branding in terms of building trust; and reputation in the relationship with stakeholders. This study aimed to determine whether any of these five dimensions are enhanced through the banks' CSR activities.

2.3 Justifications for CSR and benefits of CSR

There are four justifications in favour of why companies should adopt CSR (Carroll & Shabana, 2010; Porter & Kramer, 2006) and these are:

[1] *License to operate:* Companies need unequivocal approval from communities, governments and other stakeholders in order to exist. This permission comes from engaging in CSR activities that proactively deal with future government interventions, which address the *'real'* social issues of importance to communities, as well as CSR activities that address social issues that are of great concern to key stakeholders of a company (Carroll & Shabana, 2010; Porter & Kramer, 2006).

[2] *Sustainability:* CSR brings about the integration of environmental, social and economic issues in a business operation with its stakeholders. This justification holds that if a company is to have a conducive environment in which to operate in the future, it must take action today that will guarantee its viability in the long-term. A company that does business at the expense of the society and environment in which it operates will find its success to be short-lived (Carroll & Shabana, 2010; Porter & Kramer, 2006).

[3] *Moral obligation:* Businesses have resources which enable them to be good corporate citizens by doing good while also achieving profits in ways

that respect communities (that sustain their businesses with their purchases), protect the environment, and honour ethical values. Businesses should use their managerial and functional expertise and capital to solve social and environmental problems, in particular, the ones caused by the operations of their businesses (Carroll & Shabana, 2010; Porter & Kramer, 2006).

[4] *Reputation:* CSR activities will improve a company's image, strengthen company brand, and increase the value of its shares (Porter & Kramer, 2006).

However, Porter and Kramer (2006) argue that these justifications do not offer satisfactory guidance to company executives to best identify, prioritise and address social issues where they can make the most impact while simultaneously bringing in substantial benefits to the business.

Weber (2008) on the other hand, argues that there are five key areas of CSR business related benefits. These include positive effects on employee recruitment, motivation and retention; positive impact on company reputation and image; increases on revenue, reduction of risk related to CSR, and cost savings. The benefits described by Weber (2008) do show that CSR is good in its own right but, the competitiveness that comes from strategic CSR activities is more valuable because it is more long-term rather than short-term (Falck & Heblich, 2007). Many authors (Carroll & Shabana, 2010; European Commission, 2008; Sousa Filho, Wanderley, Gómez, & Farache, 2010) have said that the competitiveness that stems from CSR activities aligned to core business strategy (strategic CSR) attract and retain exceptional staff, improve the reputation and image, strengthen economic performance, and promote innovative products and projects. Sousa Filho et al. (2010) go further to say that such benefits are not easily imitable, and are valuable and rare. The section below briefly discusses these benefits.

2.3.1 Improvement in reputation

Reputation builds upon personal experiences and characteristics that include a value judgement by a company's stakeholders. Reputation is never static but ever evolving, influenced by consistent communication and performance over the years (Weber, 2008). It is one of the key drivers of the competitiveness effects of CSR (European Commission, 2008). CSR can improve a company's reputation among regulators, potential and existing employees and customers provided that it is embedded deeply in the operations and values of a company (European Commission, 2008), as opposed to a simple publication reporting on the money spent on CSR activities as a means of fostering an image or commitment of caring (Porter & Kramer, 2002). The reputations of banking institutions are highly dependent on their CSR programs (Poolthong & Mandhachitara, 2009). These CSR programs serve as a foundation for banks' *'reputational capital'*, which enables them to win over the public's trust, attract and retain high performing employees, negotiate better deals, attract investors and expand their clientele base (Achua, 2008).

2.3.2 Attracting, motivating and retaining exceptional staff

Attracting, motivating and retaining exceptional staff can be the result of a company's enhanced reputation (Weber, 2008). This reputation is realised when a company behaves in a socially responsible manner through CSR activities (Achua, 2008) embedded in the core operations of the business (Galbreath, 2009; Marín et al., 2012; Vilanova et al., 2009). Big companies are realising the importance and/or necessity to illustrate strong CSR credentials to draw good talent (European Commission, 2008). Such CSR credentials can take the form of a better working environment (Weber, 2008), employee volunteerism or opportunities for employees participation in projects or programs that uplift the communities they serve during company time (European Commission, 2008; Sprinkle & Maines, 2010). Further credentials include employee welfare issues such as provision of health support benefits, wellness classes or stress management (European Commission, 2008; Sprinkle & Maines, 2010). As much as attracting good talent to a company is important, CSR activities that result in retention of exceptional staff cannot be underestimated because they bring with them huge financial benefits, to the extent that simply retaining one highly skilled employee earning US$100 000 per annum translates to US$400 000 loss if the employee leaves (Sprinkle & Maines, 2010).

2.3.3 Innovative social products, services and systems

Organisations should view social and environmental challenges as opportunities for developing creative and innovative solutions that address these challenges (European Commission, 2008). Pioneering value chain innovations that address social constraints to competitiveness leading to a benefit for both society and business are at the heart of this success (Porter & Kramer, 2006). This occurs when CSR is embedded in the core of a company's processes, thereby generating innovative practices that lead to competitiveness, as CSR is indistinguishable from day-to-day business operations of a company (Vilanova et al., 2009). The *'bottom of the pyramid'* is an example of radical innovation that challenged companies to look at poorer communities as valuable potential markets and seek to supply them with products and services appropriate to them (Prahalad, 2012). Innovation leads to customer satisfaction by giving them exactly what they want. Innovative social products and services that are in line with a company's competitive context have also brought about cost savings (European Commission, 2008). A conducive working environment that promotes innovation in employees can result in increased production and reduction of employee turnover (European Commission, 2008) ultimately, translating into huge cost savings (Sprinkle & Maines, 2010).

Examples of innovations that came as a need to address social and environmental challenges but at the same time addressing the competitiveness of a company include Toyota's Prius. This hybrid vehicle is both an electric and fuel-efficient car that reduces pollutants and emissions in the environment while also benefiting the company with first mover advantages given it was first in a series of innovative cars (Porter & Kramer, 2006). Another example is when Fleet Boston Financial Corporation created products to reach marginalised groups of low-income areas that were neglected by consumer banking. This resulted in the bank successfully adding new clients into its system and increasing its deposits significantly while simultaneously making a major social development impact in those communities (Husted & de Jesus Salazar, 2006).

2.3.4 Better economic performance

Despite the mixed arguments surrounding the direct relationship between CSR and a company's economic performance, the prevailing theme continues to indicate that there is a positive association between CSR and a company's economic performance (Saeidi et al., 2015). Not only is there a positive relationship between CSR and a company's economic performance, but also this relationship is mediated by intangible assets such as reputation, competitive advantage and customer satisfaction (Saeidi et al., 2015). In other words, when CSR integrates fully into the core business operations or strategy of a company it creates assets of competitiveness, customer satisfaction and reputation, which then ultimately leads to a positive company financial performance (Saeidi et al., 2015).

The financial or economic gains are enhanced by the simultaneous meeting of the social and economic interests of a company, where there is no pulling in opposite directions involved in the CSR strategy and business strategy (Porter & Kramer, 2002). CSR may also lead to better access to investors particularly with the growth in socially responsible investment (SRI) index where investors are consciously identifying companies better equipped to handle essential societal and environmental challenges (European Commission, 2008). Companies with integrated CSR strategies will gain a competitive advantage in accessing finance on the international markets (European Commission, 2008).

2.4 Business case for CSR and competitiveness

Geva (2008) argues that decades of debate over CSR have resulted in a substantial body of literature offering a number of theories that, despite real and relevant differences among their theoretical assumptions, express a consensus over the fundamental idea that business corporations have an obligation to contribute to social betterment. However, this does not mean that every company should be expected to be involved in every aspect of social development (Hopkins, 2003). What is important is defining the *'how'* and *'when'* a company must be involved in giving back to society and not merely how much is given to society (Pearce & Doh, 2005). The pressure of globalisation is requiring businesses to be even more competitive (Vives & Peinado-Vara, 2003), resulting in company executives questioning whether or not there is a return on investment in CSR given that they have to account for the bottom line (Carroll & Shabana, 2010). There is need for CSR to provide a win-win situation for both society and business (Porter & Kramer, 2006). Many authors suggest that the answer to this mutual benefit between society and business is when CSR is strategic in its integration into the core business operations or strategy of the business, ultimately leading to competitiveness (Burke & Logsdon, 1996; Husted & de Jesus Salazar, 2006; Marín et al., 2012; Vilanova et al., 2009).

CSR is only strategic when it yields substantial business related benefits to the company, particularly by supporting core business activities and thus contributing to the company's competitiveness (Burke & Logsdon, 1996). These substantial benefits can come in the form of new products and markets, better reputation and image in the market or industry, and highly productive motivated workers (European Commission, 2008; Sousa Filho et al., 2010). Husted and de Jesus Salazar (2006) argue that the greatest overall social output will be achieved by a strategic approach to CSR because of the superior benefits to both business and society. Strategic CSR takes place when shared value is unlocked by investing in social aspects of context that strengthen company competitiveness (Porter & Kramer, 2006). Figure 1, adapted from Porter and Kramer (2002) depicts the convergence of CSR and shareholder interests, which is when most of a company's CSR expenditure produces simultaneous social and economic gains.

The *'convergence of interests'* is the most effective way of addressing many societal and environmental challenges while concurrently serving the profit maximisation interest of the business (Husted & de Jesus Salazar, 2006; O'Brien, 2001; Porter & Kramer, 2002). This convergence of interests leads to outcomes of enhanced reputation, customer satisfaction for a company, which ultimately results in the company's competitiveness more superior than its rivals (Saeidi et al., 2015).

Convergence of interests makes CSR sustainable rather than a series of sporadic uncoordinated programs that are misaligned with the core fabric of the business (Porter & Kramer, 2002). Convergence of interests facilitates the meeting of social development and profit goals ceases to be the focus because the fulfilment of the profit maximisation goal by managers results in an increase in social and environmental development (Calabrese et al., 2013).

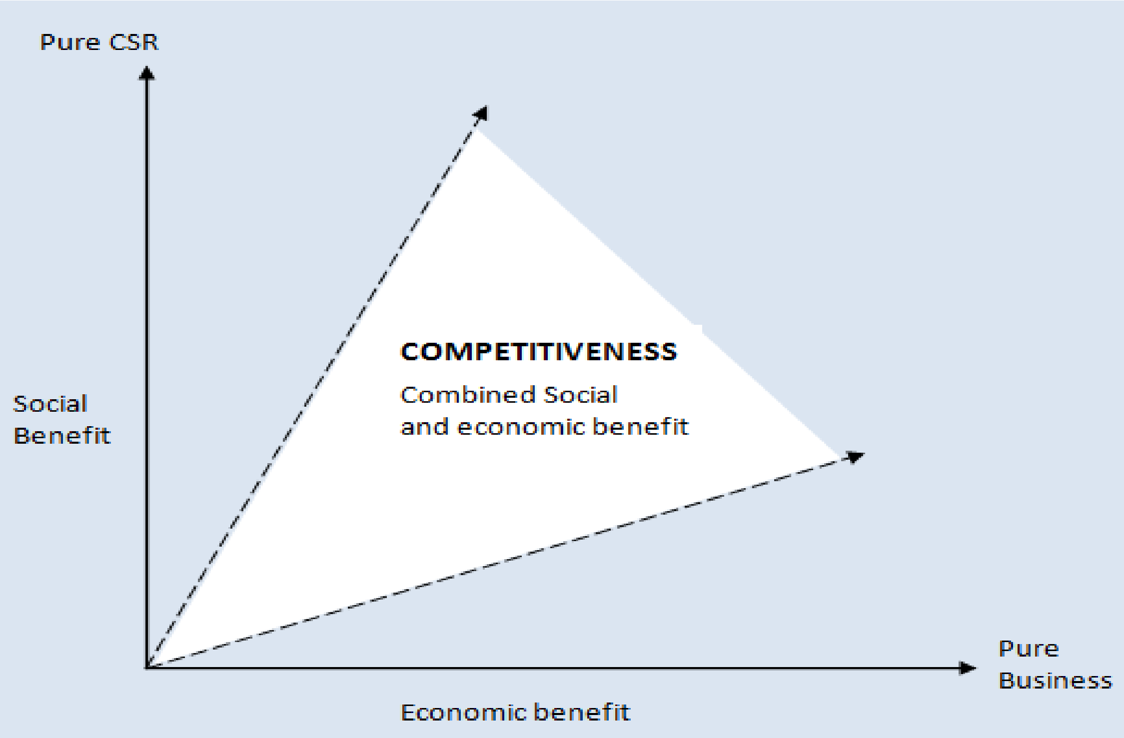

Figure 1: Convergence of interests

(Porter & Kramer, 2002)

Trialogue (2014) developed a positioning matrix, depicted in Figure 2, to show the different types of CSR or social activities and their impact on both social development and corporate benefit. The matrix was born from the concept of shared value, which simplistically refers to the enhanced competitiveness of a company while social conditions in which it operates are simultaneously improved (Porter & Kramer, 2011). Strategic CSR refers to CSR integrated into the core fabric of a company (Marín et al., 2012). It is not always possible for all corporate expenditure or CSR expenditure to produce benefits for both society and business (Porter & Kramer, 2002). It is of importance, however, that companies focus on the *'strategic quadrant'* that benefits both society and business (Trialogue, 2014). A company has limited resources and should therefore focus on CSR activities closely related to its line of business, carrying out these activities through its core business operations (Juščius & Snieška, 2008).

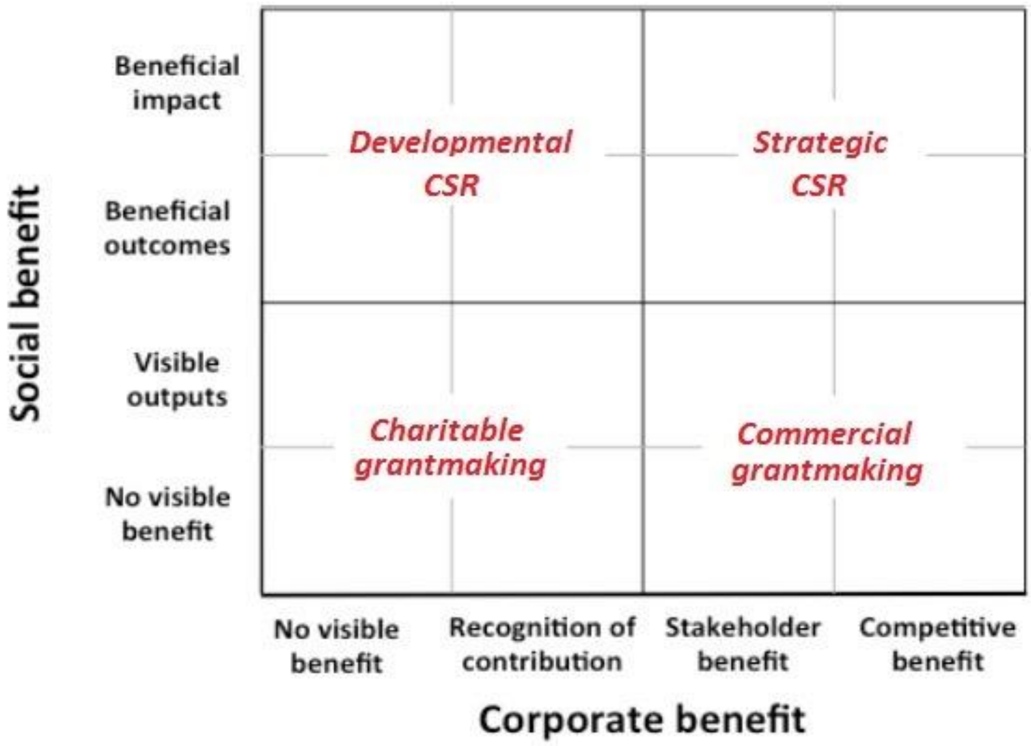

Figure 2: CSI positioning matrix

(Trialogue, 2014)

Trialogue (2014) describes the social benefit and corporate benefit as follows:

- *Visible outputs:* short-term results that are immediate, visible and concrete.
- *Beneficial outcomes:* specific changes in behaviour, knowledge, skills or wellbeing. Medium-term developmental results that are the consequence of achieving a specified combination of short-term outputs.

- *Beneficial Impact:* broader long-term consequences of the project. Community, society or system-level changes that are the logical consequence of a series of medium and short-term results.
- *Recognition of contribution:* recognition of the project or program that improves the company's reputation.
- *Stakeholder benefit:* meaningful engagement with a key stakeholder group in the project funding, design or management that improves the company's relationship with that stakeholder group.
- *Competitive benefit:* project benefits that enhance the competitiveness of the business.

Figures 1 and 2 clearly depict the notion that a company's priority should be CSR that is strategic and yields substantial benefits for both society and business while enhancing a company's competitiveness (Burke & Logsdon, 1996).

O'Brien (2001) provides two reasons for why traditional CSR has failed to be strategic and competitive (yielding minimal social and economic benefits) in the majority of companies. First, CSR is linked to a fixed budget and funds are allocated to a wide range of community-based charities, which allow the company contributions to be divided into many pieces, spreading the goodwill among many beneficiaries. Second, the allocation of company's CSR activities is to social projects, without reflecting how social projects could directly support business objectives. O'Brien (2001) goes further to say that with such allocation of company's scarce resources; strengths that make a company competitive in its industry are not leveraged in a way to benefit both society and business. The following section discusses how CSR can be integrated into or aligned with the core business operations and strategy in order for it to make significant social impact while simultaneously enhancing a company's competitiveness (O'Brien, 2001; Sousa Filho et al., 2010).

2.5 Alignment of business and CSR strategies

The integration or alignment of CSR to the core business operations and strategy require CSR leveraging on the company's core competencies (O'Brien, 2001), commitment from top leadership or corporate executives (Galbreath, 2009), addressing the company's key stakeholder demands (Falck & Heblich, 2007) building social dimension into the value proposition of the company (Galbreath, 2009; Porter & Kramer, 2006), mainly addressing social issues that are strategic to the company (Juščius & Snieška, 2008), and comprehensive CSR reporting or awareness (Du et al., 2007).

2.5.1 CSR leveraging company's core competencies

O'Brien (2001) argues that a company should align its CSR strategy with its core competencies representing what the company does best and what gives it enduring competitiveness. Core competencies are made up of experiences, sets of skills, and abilities that represent a company's collective learning which make them difficult to imitate and unique to a company (O'Brien, 2001). Therefore, a company's CSR activities need to have a close fit to its objectives (Burke & Logsdon, 1996) and it is this close fit that makes CSR not a focus but rather a company maximising profit through social development (Calabrese et al., 2013). A company can only maximise profits and social development by leveraging on core capabilities and producing products and services based on expertise used in their normal business operations. This makes CSR not an additional cost or burden but rather an opportunity for a company (Pearce & Doh, 2005).

2.5.2 Address key stakeholders

For CSR to be competitive or strategic, organisations must see stakeholder demands as opportunities (Carroll & Shabana, 2010). However, it is not simply about meeting the demands of all stakeholders but the demands of those who are strategic to the company, meaning those who have a direct connection to the company and can have an impact on the company's current and expected cash flow (Falck & Heblich, 2007). Figure 3 shows the three stakeholders and why a company should focus on the key stakeholders.

Porter and Kramer (2006) argue that the forcefulness of a stakeholder group does not automatically imply the importance of a matter. Much CSR behaviour has been regarded as non-strategic, regardless of how valuable it is for stakeholders (Burke & Logsdon, 1996). The benefit to stakeholders or the forcefulness of a stakeholder alone cannot determine whether a company can follow that stakeholder (Porter & Kramer, 2006). The key is determining how strategic the stakeholder is to the company (Juščius & Snieška, 2008), as depicted in Figure 3. Organisation should aim their CSR activities at addressing and improving key stakeholder relations thereby securing future profits (Weber, 2008). What is important is that CSR activities should not only target key stakeholders but more importantly the company's actions when addressing the social and environmental concerns of the key stakeholders. There should be no room for competitors to benefit, meaning the company should profit from first mover advantage (Falck & Heblich, 2007).

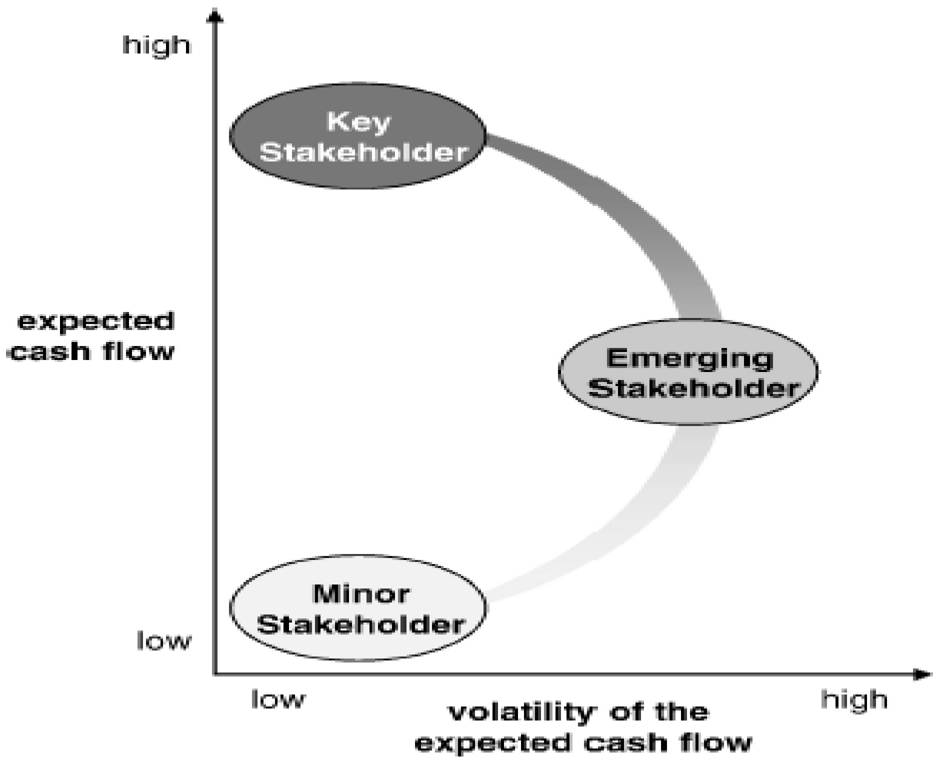

Figure 3: Management target priority

(Falck & Heblich, 2007)

2.5.3 Addressing strategic social issues

Companies should not expect to be involved in every aspect of social development (Hopkins, 2004); a company's resources are limited and specific social work has special significance for different companies in diverse markets (Juščius & Snieška, 2008). The guiding principle is not whether a cause is worthy but if it presents an opportunity for a meaningful benefit for both society and business (O'Brien, 2001; Porter & Kramer, 2006). The CSR activity should create tangible and reliable outcomes for humanity (Sousa Filho et al., 2010), but more importantly, useful for competitive ability increase (Juščius & Snieška, 2008). A company needs to make sure that its social issues are in line with its strategic issues in the sense that its CSR activities should be strategised in the context of what a company is trying to achieve (Galbreath, 2009). A company should not seek to solve generic social issues, no matter how important they seem to society, because of their insignificant impact on a company’s operations; but rather those social issues that significantly affect a company’s underlying drivers of competitiveness if it wants to enhance competitiveness through its CSR activities (Porter & Kramer, 2006).

2.5.4 Creating a social dimension to the value proposition

Burke and Logsdon (1996) say that there should be closeness of fit between a CSR programme and the company’s mission and objectives for CSR to be strategic or competitive. What better way of doing this than when a company adds a social dimension to its value proposition, making the social impact integral to the overall strategy (Porter & Kramer, 2006). It is not about building the entire value proposition around social issues but rather the adding of a social dimension to the value proposition (Porter & Kramer, 2006). A company that is serious about integrating CSR into its core business operations to enhance its competitiveness should reflect its CSR strategy in either its mission, vision, value system or culture (Juščius & Snieška, 2008). There is need for caution or a balance otherwise, a single-minded devotion to CSR may have a negative impact on a business rather than positive (Pearce & Doh, 2005).

2.5.5 Commitment of top leadership

Senior executives in corporate organisations need to take the lead role in developing and integrating CSR into the organisations’ strategy, while encouraging a culture that is in harmony with the social issues that might have a bearing on the organisation (Galbreath, 2009). The success of CSR initiatives is dependent on the support of the chief executive officer (CEO) and other senior executives (O'Brien, 2001), because they ultimately answer to all stakeholders about decisions made and strategies taken (Galbreath, 2009). This means that getting buy in from top management is an essential ingredient for integrating CSR practices into a company’s core business operations and ensuring access to resources (Truscott et al., 2009).

2.5.6 *Comprehensive CSR reporting*

CSR awareness or the lack thereof, is a key stumbling block for companies looking to reap strategic benefits from their CSR initiatives. Companies are not effectively communicating their CSR activities (Du et al., 2007). Annual reports on sustainability, or CSR reports, help to give stakeholders greater disclosure about the actual condition of a company (Carnevale et al., 2012). There is need for an increase and comprehensive reporting on CSR awareness if companies are to benefit from their strategic efforts (Du et al., 2007). The CSR report is deemed the most important and comprehensive document through which a company shows its commitment to CSR (Carnevale et al., 2012).

2.6 Conclusion

In conclusion, the key aspects on the definition of CSR and the reasons for adopting the European Commission's (2001) definition for this study showed that CSR is an integration of social and environmental issues within a company's business operations. The definition of competitiveness shows its relationship with CSR. Justifications and benefits of CSR highlighted why companies engage in CSR activities. However, the literature review also shows that there are CSR activities that accrue long-term benefits and more importantly, address or enhance the competitive context of a company. The business case for CSR that enhances a company's competitiveness was covered, highlighting the importance of *'strategic CSR'*, which is the convergence of shareholders and society interests.

The reasons why traditional CSR has failed to be strategic and competitive were discussed as well as what needs to be done for CSR to be fully integrated into the core business operations of a company. It is this integration of CSR and business strategy, which according to the literature review accrues substantial benefits for both business and society, thereby enhancing the competitiveness of a company through enhanced reputation, recruiting and retention of exceptional employees and customer satisfaction, and these are the dimensions of competitiveness (Vilanova et al., 2009).

2.6.1 Research question

To what extent were CSR activities utilised in enhancing competitiveness in the South African banking industry?

CHAPTER 3. RESEARCH METHODOLOGY

In this chapter, the research methodology is discussed, summarising how the research was conducted using a qualitative methodology in an attempt to answer the research problem statement. First, the focus is on the research method and research design indicating the type of research approach adopted and the motivation for this selection. Second, the focus is on the population and sampling method chosen, and the reasons for choosing the purposive sampling method. This is followed by the measurement tool; explaining why qualitative content analysis of the publicly available information such as annual reports and sustainability reports was the convenient and appropriate way to answer the research problem statement. Third, the focus is on the limitations anticipated in collecting the data. A discussion on the validity and reliability of the study concludes the chapter.

The objective of the research was to analyse CSR in the South African banking industry to determine to what extent it has been used to gain competitiveness.

3.1 Research methodology

This study adopted a qualitative research approach because the study was exploratory in nature (Creswell, 2014). As the research focused on the extent to which CSR had been used in the banking industry to gain competitiveness, a qualitative approach was seen as most appropriate. This approach is concerned with multiple intricacies of a particular condition or concept, which is attuned to exploring and interpreting (Leedy & Ormrod, 2010) and places emphasis on words rather than numbers (Bryman, 2012).

According to Leedy and Ormrod (2010), qualitative research studies typically serve the following purposes:

[1] Evaluate the effectiveness of certain concepts, policies, innovations and practices;

[2] Look intricately at characteristics or qualities that cannot easily be reduced to numerical values;
[3] Explore and interpret as opposed to confirming and validating;
[4] Examine the many complexities of a particular phenomenon or situation; and
[5] Reveal the characteristics of processes, settings, systems, situations and even the relationships of people.

However, it is important to note that qualitative research methodology does have its challenges, including working with small samples (Leedy & Ormrod, 2010) or a particular context, which limits the generalisation of results. Sometimes it has no structure or the analysis is subjective and potentially biased because of unclear data analysis measurements (Bryman, 2012; Leedy & Ormrod, 2010).

3.2 Research design

A research design is a framework or plan for data collection and its analysis (Ghauri & Gronhaung, 2010). This research study used a cross-sectional design known as a survey design, which employs different methods of study to gather information such as structured observations, interviews and government statistics (Bryman, 2012). In the cross-sectional design, the methodological approach adopted was the use of secondary data from documentary sources consisting mainly of sustainability reports and annual reports of the big four banks. Qualitative content analysis was used in the analysis of the data and is explained further in section 3.6.

The cross-sectional design beyond looking at the four banks at a single point in time simultaneously for comparative purposes since competitiveness, as said by Ajitabh and Momaya (2004), is a relative or comparative concept. It provided a view of the CSR activities of the banks, in some instances the banks' breakdown on CSI spending, the value propositions of the banks and their link to CSR. This made it possible to distinguish the banks' CSR activities in relation to competitiveness. The documents collected as sources of data consisted of data that address CSR in the big four banks. These documents included sustainability reports, annual reports, South Africa CSR handbooks, and Johannesburg stock exchange (JSE) socially responsible investment (SRI) index ratings. This design was utilised in a study, which looked at providing a framework to assess CSR within international banks, where secondary data of publicly available information was the main source of information (Scholtens, 2009).

The advantage of documents as sources of data is that they are non-reactive, because they are not put together specifically for the purposes of social research and they limit the possibility of a reactive effect (Bryman, 2012). The other advantage of secondary data is that it offers a prospect of having access to relevant data for a small fraction of the cost and time involved in carrying out primary data. Lastly, it allows more time for data analysis or even re-analysis (Bryman, 2012).

The disadvantages of secondary data, such as private documents of a company like internal minutes and reports, is that the data can be complex making it difficult to analyse. Since there is no control over the data quality it can be poor or not credible (Bryman, 2012). The other disadvantage is that secondary data may not completely fit the research problem or area of study (Ghauri & Gronhaung, 2010). All these limitations were taken into consideration and efforts were made to minimise them; for example, a pre-assessment of the fit between the data and the research problem of this study was undertaken.

3.3 Population and sample

3.3.1 Population

The population of the study is the South Africa banking industry, which consists of 16 locally and foreign controlled banks (South African Reserve Bank, 2015).

3.3.2 Sample and sampling method

Qualitative research sampling is intentionally non-random and purposeful (Leedy & Ormrod, 2010). The research questions indicate what units (organisations, documents and/or people) will be sampled or looked at (Bryman, 2012). Leedy and Ormrod (2010) go further to say that qualitative research selects those organisations or people that yield the most information about the area of the research study.

For the reasons stated above, a purposive sampling method was adopted for this research study and the sample comprised the big four banks, which included, Standard Bank group, FirstRand group, Nedbank group and Barclays Africa group (PricewaterhouseCoopers, 2013). According to The World Bank (2013), these selected banks make up 84 percent of the total South Africa banking industry assets. Capitec Bank holdings, founded in 2001, was excluded because it is still far behind the 'big four' with a market capitalisation of about R66 billion (Bloomberg, 2015), almost half of Nedbank group's market capitalisation (the lowest of the four banks).

Purposive sampling, however, comes with its pitfalls; the most apparent one is researcher bias when compared to probability sampling, because the researchers use their judgement when selecting the units (Laerd Dissertation, 2012). This bias was reduced as the big four banks made up 84 percent of the total South Africa banking industry assets in 2013 (The World Bank, 2013), and were very established banks.

3.4 The research Instrument

The research instrument used for this research study was the World Wide Web and printed materials such as books on CSR, newspapers and business magazines all in the public domain. Research began with an examination on the World Wide Web of sustainability reports and annual reports of the four banks, followed by other forms of data on the JSE. The relationship between CSR activities carried out by each bank and their link to each of the banks' core business operations were scrutinised. The motivations behind companies getting involved in CSR activities were considered, and an attempt was made to ascertain if accolades were in line with CSR done by the four banks. The ratings of SRI and surveys taken on the CSR activities of the banks were looked at to evaluate their impact and reputation in the banking industry. Inferences and meanings from the secondary data were drawn and documented.

3.5 Procedure for data collection

The data was collected by browsing the four banks' websites and specifically analysing their sustainability reports and annual reports, in addition to scrutinising their CSR initiatives. Data was also collected by browsing public domain websites such as the JSE and looking at CSR indicators such as SRI ratings of the four banks comparatively. The official South Africa government websites were used when looking for legislation codes or acts of parliament dealing with social and environmental issues of companies, more specifically the banking sector. Data was further collected from additional resources such as handbooks on CSI in South Africa by Trialogue (2014). The study used a cross-sectional design, which looks at a single point in time (Bryman, 2012); therefore, data for the 2013 financial year of the banks was collected for analysis.

3.6 Data analysis and interpretation

The data analysis technique employed was qualitative content analysis, which according to Bryman (2012), is a common approach to qualitative analysis of documents in search of underlying themes in data being scrutinised. Qualitative content analysis is *"an approach to documents that emphasises the role of the investigator in the construction of the meaning of and in texts. There is an emphasis of allowing categories to emerge out of data …"* (Bryman, 2012, p. 714). Qualitative content analysis was done on the collected data on CSR. This data was examined in detail in an effort to find recurring themes and better examine competitiveness in relation to CSR. This enabled an interpretation of the results and the development of a broad and deep understanding of the research study on CSR and competitiveness. No quantitative analysis was conducted, instead, the data was analysed and interpreted with due reference to the literature review.

3.7 Limitations of the study

This research study faced the following limitations:

- The exploratory nature of the research limited the number of organisations analysed by adopting purposive sampling as it reduced the objectivity of the research thus making it challenging to generalise the findings (Laerd Dissertation, 2012).
- The information collected from the banks could have been biased due to self-reporting (Scholtens, 2009). Efforts were made to collect information from other external sources in order to reduce this bias.
- The cross-sectional design only looked at the 2013 financial year for the collection of data and analysis, which limited the amount of data collected.

3.8 Validity and reliability

The validity of a measurement instrument is the extent to which the instrument measures what it is supposed to measure (Leedy & Ormrod, 2010). Leedy and Ormrod (2010) go further to say that reliability is also important and the reliability of a measurement instrument can only be enhanced by ensuring that the instrument is administered in a consistent fashion. Standardisation ought to be in place during the use of the instruments from one situation or person to the next. Having the internet and published data as the instrument facilitated the consistent administering of this instrument. It was important to be diligent in collecting and gathering data on CSR that was relevant to the research problem of this study and to consider data published only in 2013 or CSR data that pertained only to the 2013 financial year.

3.8.1 External validity

Ghauri and Gronhaung (2010) state that external validity refers to the extent to which the findings of a study can be generalised to other particular settings and times. Bryman (2012) argues that in a cross-sectional design, when non-random methods of sampling are employed, external validity becomes questionable, and since this research study employed purposive sampling, unfortunately it makes it difficult to generalise findings. However, the findings of this study could be of value and applicable to other companies in South Africa that want to gain competitiveness out of their CSR activities or initiatives. These companies could look at the conclusions of this study based on analysis of findings and discussion that links back to the literature review.

3.8.2 Internal validity

Internal validity refers to the extent to which there can be inference that a causal relationship exists between two or more variables (Ghauri & Gronhaung, 2010). Internal validity is typically weak for a cross-sectional design because it is difficult to establish causal links from the findings (Bryman, 2012). This typically makes the internal validity of this research study questionable and in an attempt to address this problem, triangulation was considered by making use of multiple sources and methods with the hope of obtaining corroborating evidence (Creswell, 2014). Unfortunately, different sources of data collection such as interviews could not be carried out due to the banks' reservations about sharing information through interviews. Internal validity issues were therefore addressed by looking at other sources of available printed materials in addition to what the banks reported about themselves.

3.8.3 Reliability

Reliability refers to the extent to which a measurement of a concept is stable (Bryman, 2012). According to Leedy and Ormrod (2010), a researcher can enhance the reliability of a measurement instrument by ensuring that the instrument can be administered in a consistent fashion, as there should be standardisation in the use of the instrument from one situation or person to the next. There could be no variation in the browsing of the internet, which meant that this research study was not affected by a low or questionable reliability.

CHAPTER 4. PRESENTATION AND ANALYSIS OF RESULTS

4.1 Introduction

This chapter looks at both the presentation and analysis of the results thus making the study sounder, rather than disjointed. In presenting and identifying whether or not there is an alignment between CSR activities and the core business operations of the big four banks, CSR's impact on a company's competitiveness could be evaluated. The chapter starts with an overview of the performance of the four banks. Thereafter, it follows a narrative format with sections 4.3 to 4.6 being synopses of the varied CSR activities of the four banks. Comparative analysis of the four banks' CSR activities and linking them to literature are contained in sections 4.7 and 4.8.

4.2 Overview of the performance of the four banks

The big four banks namely, Standard Bank group, Nedbank group, FirstRand group, and Barclays Africa group were assessed. Capitec holdings was excluded as it only has a market capitalisation of about R66 billion (Bloomberg, 2015), approximately half the market capitalisation of Nedbank (the lowest of the four banks). Table 1 summarises the results of the big four banks in the 2013 financial year, except for the market capitalisation, which is for 2015.

Table 1: Summary of financial results of the big four banks

Bank	2015 Market capitalization	2013 Net profit after tax (NPAT)	2013 0.7% FSC code requirement	2013 CSI spend
FirstRand	R323 billion	R15.678 billion	R110 million	R115 million
Standard Bank	R284 billion	R20 billion	R140 million	R103.8 million
Barclays Africa	R161 billion	R12.874 billion	R90 million	R103.9 million
Nedbank	R124 billion	R8.957 billion	R63 million	R111 million

Table 1 shows that FirstRand is the biggest bank with a market capitalisation of about R323 billion followed by Standard Bank, Barclays Africa and then lastly Nedbank (Bloomberg, 2015). Furthermore, FirstRand CSI spend of R115 million was the highest of the four banks followed by Nedbank which had a CSI spend of R111 million. Barclays Africa and Standard Bank each had a CSI spend of approximately R104 million (Trialogue, 2014).

The predominant theme in the CSI spend of FirstRand and Barclays Africa is that their CSI spend is more aligned to the Financial Services Code (FSC), which requires financial institutions to spend at least 0.7 percent of their NPAT on social economic development (SED) initiatives (Republic of South Africa, 2012). This study took the NPAT of the four banks and calculated the 0.7 percent FSC requirement to come up with the FSC values in Table 1 for each of the four banks. The difference between FirstRand's and Barclays Africa's CSI spend and the FSC 0.7 percent is within R14 million, which was not so significant when compared to Nedbank's difference of about R48 million and that of Standard Bank which was about R36 million. Standard Bank's and Nedbank's spend on CSI initiatives were not aligned to the FSC Code, the only difference being Nedbank gave more than what was required and Standard Bank gave less.

FirstRand and Barclays Africa CSI budgets were aligned with sector regulatory requirements; however, Nedbank and Standard Bank were not aligned. The FSC requirement, from another perspective, could be perceived as a fixed budget, given it is determined with a fixed percentage of 0.7 percent with only the amount changing because of the NPAT. In reviewing the literature, O'Brien (2001) mentions that having a fixed budget and funds allocated to a wide range of community-based charities is one of the reasons why CSR has failed to be strategic and competitive in the majority of companies. It could be argued that the literature only refers to CSR and not CSI but it is important to mention that CSI, which also deals with socio-economic development, forms part of CSR. This is why it was appropriate to ascertain how the big four banks arrive at their CSI spend.

FirstRand and Barclays Africa appear not to be handling their CSI budgets from an integration perspective, but rather they are spending because it is an FSC legal requirement that must be followed for them to gain the points under the BBBEE Act, Codes of Good Practice. This, according to literature, is done to gain the *'licence to operate'* from the government (Carroll & Shabana, 2010), as government will not interfere with a company that fulfils their regulatory requirements. Standard Bank, on the other hand, was below the FSC requirement thereby putting itself at loggerheads with the South African government.

However, it is important to note that the type of spending, as in the case of Nedbank, does not necessarily enhance its competitiveness over the other four banks. Nedbank's CSI spend was not necessarily fixed and linked to regulatory requirements, which is indicative that Nedbank was going beyond regulatory requirements in addressing social and environmental issues. The literature review points out that the essence of CSR is when a company voluntarily goes beyond regulatory requirements in addressing social and environmental issues and doing so in an integrated manner aligned with the core business operations (European Commission, 2008; Marín et al., 2012; Porter & Kramer, 2006). This was what Nedbank appeared to be doing.

However, it is equally important to mention that it is not really about the amount spent on CSR activities, as Porter and Kramer (2006) put across, but about the impact on both society and business, that enhances the competitiveness of a company. According to the 2013 survey of 103 corporate companies, of which the majority were financial institutions, and 208 non-profit organisations (NPOs), both

NPOs and corporate companies perceived Nedbank and Anglo American as having the greatest developmental impact (Trialogue, 2014). Nedbank, in going beyond financial contributions of the FSC requirement, had the greatest social development impact compared with the other three banks. Standard Bank was also ranked in the top ten in terms of its development impact from a CSI perspective (Trialogue, 2014).

This is testimony that Nedbank benefited from reputational benefits in 2013 in comparison to the other banks, considering its endorsement from both corporate companies and NPOs. According to literature, such reputation is what enables a bank to win public trust, attract and retain exceptional employees and attract investors (Achua, 2008) thereby enhancing a banks' competitiveness.

Sections 4.3 to 4.6 describe the CSR activities carried out by the big four banks in the 2013 financial year.

4.3 Nedbank CSR activities

Michael Brown, the CEO of Nedbank said, *"….our commitment to sustainability is realised through our passion for being a world class financial organisation and serves as an example of what can be achieved with sustainability at the core of the business"* (Nedbank group, 2013b, p. 2). This statement by Brown was testimony that Nedbank has a more integrated approach to sustainability. Nedbank used a three pronged tactic, enabling sustainability through their products and services (which is the best way to approach CSR if it is to be competitive (O'Brien, 2001)), managing and enhancing their impact, and leading through partnership and collaboration (Nedbank group, 2013b).

4.3.1 CSR through Nedbank's products and services

One of Nedbank's material concerns was increased competition especially for transactional clients, which required banks to be more creative in their product development, and assertive in their pricing to remain competitive. Nedbank embraced the responsibility of nurturing a green economy and seized the opportunity to get involved in environmental and community investment, and creative product development (Nedbank group, 2013b). In doing this, the bank addressed one of the main areas of CSR, the environment, by creating goods that improve the environment (European Commission, 2008). The integration of sustainability through its product and service offerings generated innovative practices (Vilanova et al., 2009), which assists in the development of green products, ultimately resulting in a win-win situation for Nedbank and society. Embedding CSR in this manner created fertile ground for Nedbank to generate the following environmentally friendly innovative products (Nedbank group, 2013b).

[1] *Investing in South Africa's renewable industry:* Nedbank investment bank developed several creative finance solutions to privately owned power suppliers in South Africa. A total of 1 478 MW, which equates to 38 percent of the entire sustainable energy capacity assigned by the Renewable Energy Independent Power Producer Procurement (REIPPP) programme, was funded by Nedbank.

[2] *Nedbank green savings bond:* This is a fixed term bond ranging from 18 months to five years and is particularly for the backing of sustainable energy assignments in South Africa. In 2013 alone, an amount of R2.7 billion flowed into the account.

[3] *Nedbank green affinity:* This innovation applies to transactional clients, the customer group hard fought for by the banks. Clients have the opportunity to take part in environmental causes by investing in an affinity account, which allows Nedbank to donate cash to their green trust account on behalf of their clients at no extra charge. In 2013, about fifty thousand clients were added to this programme.

[4] *BBBEE transaction financing:* This financing is geared towards supporting and encouraging participation of previously disadvantaged individuals and black organisations through credit extension. One notable deal Nedbank processed in 2013 was a transaction of R1.8 billion.

[5] *Banking for all:* Nedbank embraced the notion of supporting socio-economic development through providing finance for all individuals. Where there is lack of infrastructure the bank collaborates with chain stores, the

likes of Boxer Superstores and Pick ‘n Pay to offer their services in retailer facilities. This approach has led to an intensification of its focus on rural areas with poor infrastructure. Through Nedbank’s product, *Ke Yona*, they have tapped into the previously unbanked population allowing them to not only transact and borrow but more importantly to save and obtain reasonably priced insurance. Nedbank also saw an increase of 9.8 percent in the total number of clients that bank with them, raising the 6.2 million in 2012 to 6.7 million in 2013. Nedbank accelerated innovations in 2013 brought about new solutions, which include the enhancement of the *Approve-it* internet security feature when purchasing online and *PocketPOS*, a first in South Africa, which enables clients to transact anywhere and anytime using their mobile phones.

[6] *Targeted investments:* Nedbank targeted investments are those meant to assist in narrowing the gaps in the economic development of South Africa and reduce unemployment. These investments take the form of supporting black famers and SMEs with affordable financing products, and infrastructure financing solutions. During 2013, the bank came up with new a new funding solution that sought to create affordable and quality accommodation for the low income earning population who fail to demonstrate affordability to purchase houses. This product innovation saw Nedbank disbursing in excess of R1 billion in 2013 alone, with about 12 000 new house opportunities for low-income earners.

4.3.2 CSR through collaboration and partnership

By offering their customers the opportunities and resources to realise their business or private monetary objectives, Nedbank consistently stresses the importance of caring for the communities in which they operate by making proper use of their skills (managing risk, facilitating trade and deployment of capital into the economy) to impact the society positively (Nedbank group, 2013b). They direct their socio economic development (SED) towards seven interlinked areas: education, protection of minors, community and skills development, culture development, health, the environment, and sports (Nedbank group, 2013b).

Nedbank's CSI spend is in accordance with the financial sector code which requires companies to spend at least 0.7 percent of their NPAT on SED initiatives. Nedbank's 2013 spend was R111 million, exponentially higher than the 0.7 percent of NPAT requirement stipulated by the Financial Sector Code (Nedbank group, 2013a). Nedbank regards SED as both a moral and business imperative (Trialogue, 2014). Figure 4 is a depiction of the distribution of Nedbank's 2013 CSI spend.

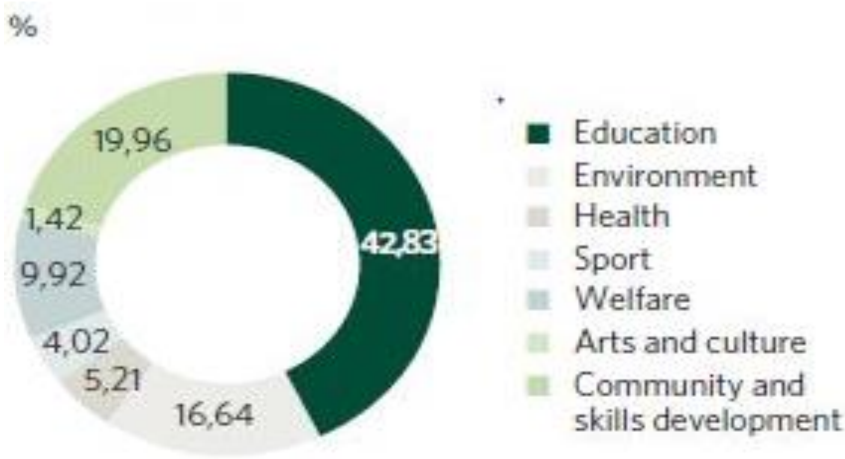

Figure 4: Nedbank socioeconomic development spend 2013

(Nedbank group, 2013b, p. 27)

Most of Nedbank's CSI is disbursed through the Nedbank Foundation and most of the investment, as depicted in Figure 4, is allocated to education. Some of the projects under SED benefit the society more than they benefit Nedbank and Porter and Kramer (2002) say that not all of a company's CSR activities can be beneficial to the company. Below are SED initiatives that benefit both Nedbank and society.

[1] *Nedbank external bursary programme:* Nedbank funds leaners who lack financial resources to enrol for a full time degree programme through universities in South Africa. In 2013, Nedbank awarded 161 bursaries to students. Bursaries fall under educational grants meaning students are not required to pay anything back. This programme, beyond being imperative for talent pipeline development, also helps to attract and retain talent.

[2] *Enactus SA:* Nedbank has invested in Enactus South Africa, which is an organisation that provides real-world understanding of economics to tertiary leaners and at the same time develop moral business values in the leaners. This organisation has also been a source of high quality students into Nedbank's graduate programme (Nedbank group, 2013b).

[3] *Nedbank Affinity Programme:* Nedbank has four affinities, which donate money to various organisations on behalf of their customers. In this programme, Nedbank distributed nearly R28 million in 2013 (Nedbank group, 2013b).

[4] *Employee volunteerism:* Michael Brown, CEO of Nedbank group, said *"volunteerism is one of Nedbank's corporate social responsibility focus areas and through it we are tackling the social, economic, and environmental issues in South Africa"* (Trialogue, 2014, p. 28). His statement explains why staff volunteerism is intrinsic to Nedbank. Affording employees the opportunity to be involved in community initiatives during company time improves their morale and helps them to cultivate and gain new skills (European Commission, 2008). Nedbank sees their employees as very important to their competitive advantage and continues to enhance individual and team efficiency through initiatives such as volunteerism and Nedbank's green programmes. Scarce skills is one of the key *'material matters'* of Nedbank and they are using CSR as a tool to keep their staff motivated while doing well for the society. In 2013 alone, 1 521 staff members participated in the leading for green programme. Nedbank has various volunteerism activities for its employees and these include Mandela day, team and local hero challenge and the communities programme (Nedbank group, 2013b).

[5] *Employee wellbeing:* Nedbank also has a programme that caters for the wellbeing of its employees. This programme is there to assist with problems such as drug abuse, stress, financial matters, violence, and HIV/AIDS. In 2013, the overall engagement rate for this wellbeing programme was 42 percent. Nedbank also attained a 20.3 percent in the usage of their individual advisory and counselling services, which was considerably above

the accepted standard of such services in the South African financial industry (Nedbank group, 2013b).

[6] *Nedbank staff development:* Nedbank believes in developing the skills and competencies of its employees hence the reason why it invests a lot in training its employees. In 2013, the bank invested R396 million in training employees. It runs six academies, which focus on different areas such as scarce skills development to act as a feeder of talent into scarce and critical roles in Nedbank. Staff members' belief in Nedbank is evident in this quote, *"I believe in Nedbank, they take care of their own staff. They encourage staff to get involved in community projects and care about the environment, and they make you feel that you are part of something truly exceptional"* (Nedbank group, 2013b, p. 8).

4.4 Barclays Bank group CSR activities

Barclays Africa believes that *"becoming the 'Go to bank' means facilitating greater, more inclusive prosperity for current and future generations"* (Barclays Africa Group Limited, 2013a, p. 2). This ambition is at the core of Barclays, which believes in long-term decision-making that positively influences its employees, shareholders, clients, and communities that the bank serves. Citizenship, which involves focusing on employee conduct, uplifting communities, assisting business start-ups, and managing social and environmental effects, is one of the major material matters for Barclays Africa (Barclays Africa Group Limited, 2013a). Barclays Africa has developed a *'citizenship lens'* tool to help it ensure that interests of clients, customers, shareholders and communities are integrated into their core decision-making processes (Barclays Africa Group Limited, 2013a)

Barclays Africa has a three-pronged approach to address the concerns of its different stakeholders, which includes the *'way we do business'*, supporting communities, and contributing to growth. These three different approaches have a variety of activities, which are discussed in the sections that follow.

4.4.1 The way we do business

Barclays Africa will be looking at ensuring that decisions take account of stakeholders needs in the short and long-term (Barclays Africa Group Limited, 2013a).

[1] *Reviewing of transactions in accordance with equator principles:* Barclays Africa's environmental credit risk team screened 18 transactions in line with equator principles and more than half of the projects were based in renewable energy. Barclays also takes into consideration the staff working in the credit risk team by training them on environmental risks to enhance the staff members' awareness of environmental and social risks as well as their importance in sustainable finance. The main aim of assessing projects against equator principles is for Barclays to make certain that projects funded by them are adequately managed for their impact on the surrounding communities and environment (Barclays Africa Group Limited, 2013a). This, according to the literature review, is marketplace related CSR, which looks at responsible lending (European Commission, 2008).

[2] *Supplier diversity:* Barclays aims to boost their procurement budget with qualifying SMEs and suppliers owned by black people or black women in line with the BBBEE Act, Codes of Good Practice. In 2013, Barclays had a preferential score of 14.92 out of a total of 16 points. This preferential procurement is all in an effort to transform existing BBBEE suppliers (Barclays Africa Group Limited, 2013a).

[3] *Energy:* Barclays Africa focuses on energy management, as it is the most significant contributor to their carbon footprint. In 2013, it established a commercial agreement with Eskom to assist the country during hours of peak electricity usage by utilising natural gas as an energy source to power head office operations and the equivalent power sent to 5 200 households (Barclays Africa Group Limited, 2013a). Barclays was involved in a Northern Cape solar power renewable energy project with a value of R5 billion and this resulted in the bank receiving the African renewable energy

deal of the year from Project finance international magazine (Barclays Africa Group Limited, 2013a).

4.4.2 Contribution to growth

Barclays Africa focuses on delivering product and service solutions to help people and society progress sustainably. Barclays Africa looks to driving new solutions that deliver a net positive benefit to society while still generating business sense. Barclays has carried out the following initiatives to achieve this (Barclays Africa Group Limited, 2013a).

[1] *Generating value for households and businesses:* Barclays Africa offers affordable housing for people earning below R17 600 per month, and in 2013 more than R1.6 billion was provided to finance affordable housing. Barclays Africa also looks at financing renewable energy and environmental projects. It developed products such as CashSend, which enables customers to send money using cell phones even to someone without an account; R1.3 billion was transferred using this application. This product caters for everyone including the unbanked or poorer communities but more importantly, it is done through the core business operations of Barclays Africa, thereby making CSR strategic according to the literature review (Burke & Logsdon, 1996; Husted & de Jesus Salazar, 2006; Marín et al., 2012) in the sense of bringing benefits to both society and Barclays. Barclays Africa won the deal of the year 2013 for the deal they led in the alleviation of South Africa’s electricity problems (Barclays Africa Group Limited, 2013a).

[2] *Supporting SMEs with seminars and training:* In 2013, Barclays Africa supported 35 576 small to medium enterprises through seminars, tools and training. Barclays Africa was involved in programmes such as the SABMiller taverner development programme which provided support to 1 200 unbanked and underbanked taverns and the Tshepo 10 000 programme which was a partnership with the City of Tshwane to develop the skills of 10 000 young residents of the city. Barclays Africa created centres of

entrepreneurship to support SMEs and in 2013; the centre hosted 124 training sessions and helped 690 entrepreneurs to register their business (Barclays Africa Group Limited, 2013a).

[3] *Youth employability:* Barclays Africa tackles this through learnerships, bursaries and graduate programme. The bank spent R25 million on bursaries in 2013 to develop much needed scarce and critical skills; it also spent R18 million on the graduate programme attracting, recruiting and developing high potential post graduates into scarce and critical skills roles (Barclays Africa Group Limited, 2013a).

4.4.3 Supporting communities

Barclays focusses on supporting young people with poor backgrounds in developing the necessary skills they would require to reach their full potential. It does this through the SED activities and Figure 5 highlights the key performance indicators (Barclays Africa Group Limited, 2013a).

	2013	2012
Total socio-economic development spend (R millions)	**126,1**	104,7
South African socio-economic development spend (R millions)	**103,9**	91,5
Financial literacy initiatives – numbers of consumers reached ('000)[1]	**116**	123,8
Total employees supported across volunteering programmes	**14 064**	12 342
Number of work hours to support volunteering	**44 395**	59 532
Number of personal hours to support volunteering	**52 426**	34 978

Figure 5: Barclays Africa SED key performance indicators

(Barclays Africa Group Limited, 2013a, p. 21)

Barclays Africa focuses mainly on financial literacy and employee volunteerism. Figure 5 shows the number of consumers reached under financial literacy and the number of employees who volunteered their work and personal hours to support the communities in which they serve (Barclays Africa Group Limited, 2013a).

4.5 FirstRand CSR activities

FirstRand's approach to CSR is done through investing in their customers through innovations, investing in communities through FirstRand Foundation, which is a vehicle for FirstRand's CSI activities, and investing in people (FirstRand group, 2013a).

4.5.1 Investing in communities

The FirstRand Foundation is the main avenue used in carrying out the bank's CSI initiatives. The Foundation works hard to be at the forefront of making social investments that ultimately contribute to a better standard of living in South Africa. FirstRand's CEO Sizwe Nxasana believes that CSI is not a competitive space. Rather the collaboration between all stakeholders on key social issues threatening society and humanity is the way of moving forward. FirstRand sees CSI from a quality and impact perspective rather than from a rand spent perspective (Trialogue, 2014). This moves their CSI activities from strategic or exclusive to collective, which, according to the literature review, is a structural action of CSR that does not give a competitive edge (Falck & Heblich, 2007). FirstRand spent a total of R115 million in the 2013 financial year on CSI activities. FirstRand Foundation has the following programmes:

[1] *First National Bank (FNB) hospice programme:* FirstRand, through FNB, provides excellent home-based support services to sick people. In 2013, about R8 million was invested in this programme (FirstRand group, 2013b).

[2] *Bursaries and scholarships:* FirstRand, through FNB, funds full and partial bursaries to students in South Africa. In addition, FirstRand Foundation through its Dippenaar scholarships programmes offers funding to brilliant young undergraduates to further their studies in various postgraduate degrees (FirstRand group, 2013b).

[3] *Early childhood development (ECD):* The FirstRand foundation invested about R8 million in 2013 in support of ECD initiatives (FirstRand group, 2013b).

[4] *Arts, culture and heritage:* FirstRand, through their subsidiary RMB, seeks to create transformation that is of high quality in the arts and culture industry through activities in drama, music and visual arts (FirstRand group, 2013b).

[5] *Environment Programme:* This programme focuses on creating environmentally friendly jobs, caring for endangered animals, limiting environmental degradation, pollution and deforestation (FirstRand group, 2013b).

[6] *Food security and agricultural livelihoods programme:* Through this programme, Nedbank's goal is to encourage and enable communities by imparting the necessary competency on how to grow organic food in their individual and community gardens (FirstRand group, 2013b).

[7] *Maths leadership development:* This programme centres on supporting both the learning and teaching of science and mathematics subjects in high schools throughout South Africa (FirstRand group, 2013b).

[8] *Employee volunteers:* The FirstRand Foundation funds employee volunteer activities regularly (FirstRand group, 2013b).

4.5.2 Investing in supply chains

FirstRand believes that through supplier relationships, they have an instrumental role to play in building the successful enterprises that are essential to creating jobs and prosperity. This has led to FirstRand ensuring integration of black economic empowerment (BEE) strategies into its core practices at both the business unit and franchise level. FirstRand seeks to move BEE strategy from compliance towards entrenchment into the everyday operations of the group (FirstRand group, 2013a). Figure 6 shows the BEE spend of FirstRand in their 2013 financial year.

R million	2013
BEE procurement spend	10 074
Other procurement spend	1 937
Total discretionary procurement spend	12 011
BEE as % of total measured procurement	84

Figure 6: FirstRand BEE procurement spend

(FirstRand group, 2013a, p. 79)

Indeed, this assists the small to medium enterprises while also opening a pool of suppliers FirstRand can choose from and work with.

4.5.3 Investing in human capital

FirstRand believes in investing in its employees especially the previously disadvantaged groups of Africans, coloureds and Indians (ACI). Figure 7 shows the seriousness of FirstRand to develop the skills of the ACI groups by the 85 percent invested in ACI in comparison to the total skills development. Roughly, 71 percent of FirstRand in 2013 was comprised of the ACI groups as much as the representation on senior levels was very low (FirstRand group, 2013a).

R million	2013
ACI skills development investment	345
Other skills development investment	60
Total skills development investment	405
ACI skills development investment as % of total skills	85

Figure 7: FirstRand skills development investment

(FirstRand group, 2013a, p. 78)

4.5.4 Investing in customers

FirstRand believes that innovation is one of their key differentiators, which can also be achieved through responsible lending whereby the bank not only looks at affordable banking models but a combination of good quality products at low costs. FirstRand offers debt remediation where it offers over-indebted clients solutions on how to manage their finances sustainably and get out of debt. It also offers financing in renewable energy and sustainable finance products. RMB invested more than R12 billion in solar and wind projects (FirstRand group, 2013a).

4.6 Standard Bank group CSR activities

Standard Bank believes that their social compact underpins their long-term sustainability hence the reason they understand the importance of proactively entrenching sustainable business practices and sustainability thinking at every level of their organisation (Standard Bank group, 2013a). Standard Bank believes their contribution to sustainable development should be achieved when they operate as an effective, efficient and profitable group. Standard Bank believes they can add value and sustainably to the communities they serve by doing the following (Standard Bank group, 2013a):

[1] Financing infrastructure projects that improve basic living conditions for communities;
[2] Banking of marginalised communities;
[3] Lending responsibly;
[4] Crafting new funding solutions for SMEs, who in turn contribute to reducing unemployment and increasing SED initiatives;
[5] Applying equator principles in assessing projects they finance so as to force customers to look at the social and environmental risks associated with their projects;
[6] Developing programmes for employees that enhance their skills and knowledge in preparation for when they move to other job prospects after retrenchment or retirement; and
[7] Assisting the government in efficiently managing their finances.

Figure 8 illustrates the 2013 CSI breakdown of Standard Bank, which is the same year that Standard Bank decided to focus more on projects that enhanced educational outcomes. Standard Bank spent R103.8 million in the 2013 financial year on CSI (Standard Bank group, 2013a).

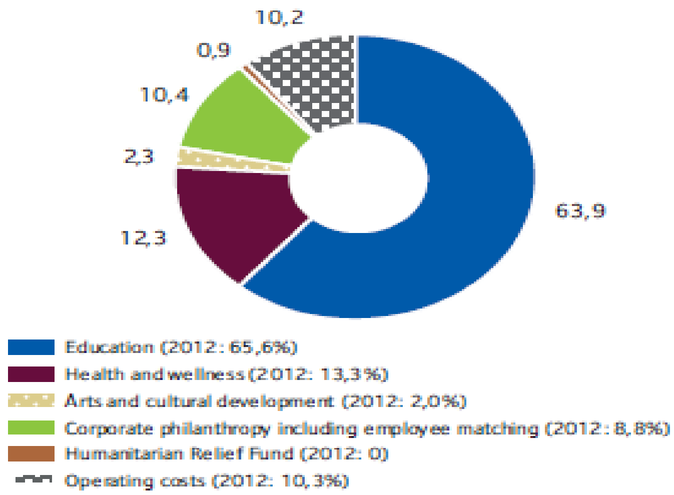

Figure 8: Standard Bank CSI spend breakdown

(Standard Bank group, 2013a, p. 42)

4.6.1 Supporting education

Standard Bank supports education through programmes such as "*Standard Bank 'adopt a school' scholarship programme and the St Stithian's Thand'ulwazi maths and science academy*" (Standard Bank group, 2013a, p. 40). Standard Bank recruits some of the university students it funds once they graduate. Standard bank also provides investment and lending solutions to tertiary institutions and has 11 South African universities on its books. Standard Bank, beyond being a banker to the universities, encourages employees from Standard Bank to volunteer their services in the form of lecturing and sitting on university board debates (Standard Bank group, 2013a).

4.6.2 Empowerment financing

Standard Bank uses empowerment financing to address the economic development gaps in South Africa. This type of financing includes debt and equity financing to private and public sector infrastructure projects that support social and economic activities in historically underserviced areas. In 2013, Standard Bank's infrastructure lending amounted to R1.1 billion. Standard Bank also funded a total of R1.2 billion in the REIPPP programme (Standard Bank group, 2013a).

4.6.3 Inclusive banking – acquiring marginalised and normal customers

Standard Bank sought to understand the needs and requirements of the unbanked population, which made up 33 percent in the beginning of 2013 (FinScope SA, 2013). Standard Bank realised that affordability was a key requirement, which needed innovative banking models to make it possible to offer products and services to this unbanked market at very low costs. Standard Bank's strategy was to come up with inexpensive, less complicated, transparent and pragmatic banking products and services appropriate for individuals earning R8 000 and below per month. Standard Bank created the AccessBanking suite, which caters to the unbanked market. The suite includes transactional, savings, loan and insurance products. Figure 9 shows Standard Bank's various AccessBanking accounts in 2013 (Standard Bank group, 2013a).

Inclusive Banking products	
Number of AccessAccounts	6 765 706[3]
Number of AccessSave accounts	582 198
Number of AccessLoan accounts	377 989
Number of funeral plan policies	1 145 204
Number of debt protection plan policies	369 547
Number of affordable housing accounts	94 152
Number of pension-backed lending accounts	12 325

Figure 9: Standard Bank inclusive banking products

(Standard Bank group, 2013a, p. 33)

This AccessBanking initiative also led to the employment of 100 AccessBanking agents who sold the inclusive banking products and services in the communities they resided in because Standard Bank hired these agents from within their local communities. These access agents received a rating of 9.48 out of 10 in 2013 from a survey done by an independent external service provider, measuring customer's satisfaction of the service provided by the AccessBanking agents (Standard Bank group, 2013a). It takes simply 10 minutes to open an AccessBanking account and all that is required from the customer is an identity document and a photo. Customer information is sent to the South African Department of Home Affairs for immediate verification through a barcode reader machine used by the agents to read the identity documents of customers. In 2013, Standard Bank opened approximately 1.2 million AccessBanking accounts constituting 71 percent of the bank's South African personal banking accounts. Access loans in 2013 amounted to R1.6 billion (Standard Bank group, 2013a).

Standard Bank also developed a creative tablet solution that made it possible to open accounts for clients both remotely and in branches. In 2013, this solution made up 45 percent of all branch sales. This solution was augmented by Standard Bank's provision of physical access to the underbanked/marginalised communities through what they call AccessBanking centres, of which the bank had 106 AccessBanking centres in 2013 (Standard Bank group, 2013a). Standard Bank also introduced what they call AccessPoint centres; made up of small retailers in the poor communities who make it possible for customers to do banking transactions, such as depositing and withdrawing money. In December 2013, Standard Bank had 3 913 AccessPoints across South Africa, around 37 percent were owned by small retailers owned by women who transacted more than R5.3 million through their businesses (Standard Bank group, 2013a). AccessPoint facilitates the circulation of money within these poor communities and extra income to the service providers that are mostly composed of small dealer stores. Standard Bank's AccessBanking product offering saw the bank being awarded an innovation accolade by the BAI-Finacle for pioneering an unconventional and affordable business model that took banking services to the marginalised communities in South Africa (Standard Bank group, 2013a).

Standard Bank also offers housing at reasonable prices for people with salaries that range from R5 500 to R18 000 per month. The bank has a 35 percent share in the affordable housing market and had a loan book value of R17.9 billion at the end of the 2013 financial year. Additionally, it financed R4 billion rand affordable housing loans in the same year. Of this amount, 81 percent was disbursed to first-time homebuyers. Before financing new property projects, Standard Bank screens for environmental risks and encourages new property developers to consider environmentally friendly options such as solar powered geysers (Standard Bank group, 2013a).

4.6.4 Supporting small to medium enterprises

Standard Bank understands that SMEs are important for economic growth and the creation of employment opportunities, particularly given that they contribute close to half to the gross domestic product (GDP) of South Africa (Standard Bank group, 2013a). Standard Bank works tirelessly to provide the SMEs with access to affordable credit. The bank's enterprise unit disbursed over R5.4 billion to SMEs start-ups. Standard Bank provided its staff members with training to ensure that they make intuitive lending decisions. Standard Bank offers SMEs start-up credit through its BizLaunch account that, besides offering credit, assists with business skills on how to run a business efficiently and on how to keep proper financial records (Standard Bank group, 2013a). Standard Bank spent R27 million in 2013 on enterprise development, which caters for SMEs access to markets, finance and long-term business development. Standard Bank, besides offering financial assistance to SMEs, offers non-monetary assistance, of which 94 percent of the 277 SMEs who received this non-monetary support in 2013 were black owned SMEs. (Standard Bank group, 2013a). In 2013, Standard Bank supported the following programmes targeting SMEs:

- *Market access development programmes*: 125 farmers participated:
- *Micro enterprise business development:* 91 participated; and
- *Mutale agribusiness development support:* 50 farmers participated.

Working closely with the SMEs black farmers' improved Standard Banks' understanding of this marginalised population, thereby enabling the bank to tailor make products and services that best suited this marginalised black population while simultaneously lowering the risk of financing this population (Standard Bank group, 2013a).

4.6.5 Secure banking

Standard Bank group offers secured lending to its customers by strengthening security systems that thwart robberies, automated teller machines attacks and branch burglaries. In 2013, the bank prevented 56 percent of such crime efforts in South Africa (Standard Bank group, 2013a).

4.6.6 Responsible lending

Standard Bank ensures that when appraising applications from its corporate and investment department, social and environmental risks are clearly identified. This the bank does to ascertain whether a client has the capacity to deal with the social and environmental concerns of their application transaction. The bank uses Equator principles in processing the clients' applications. In 2013, Standard Bank did not fail any application at the assessment stage of the application process, which was indicative of the bank's efforts to help their clients identify the social and environmental risks and how to mitigate them. The bank works closely with their clients in developing action plans that are legally binding when they have projects that require further social and environmental arrangements. Figure 10 shows the key steps in the application process (Standard Bank group, 2013a).

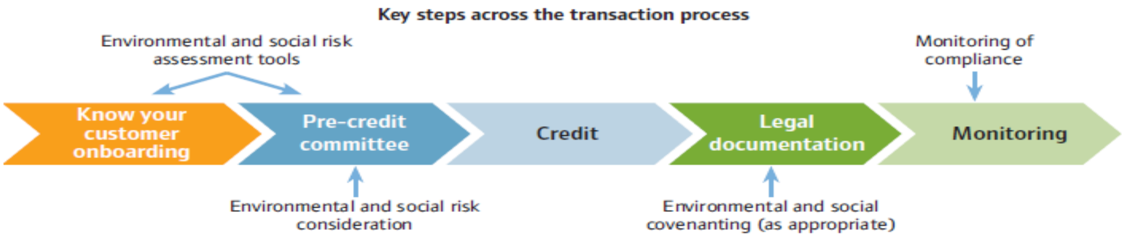

Figure 10: Standard Bank responsible lending process

(Standard Bank group, 2013a, p. 66)

The bank also takes into consideration the safety and health of the public or community as part of its due diligence in the application process. The REIPPP programme is also part of Standard Bank's responsible lending (Standard Bank group, 2013a). Responsible lending is what literature refers to as market place related CSR (European Commission, 2008); Standard Bank is effectively providing such finance. Though this is their core business, they do it in a manner that is friendly to both society and environment by forcing their customers to mitigate environmental and social risks in their projects. This, according to the literature review, is when CSR is strategic (Burke & Logsdon, 1996; Marín et al., 2012) and ultimately leads to competitiveness (Vilanova et al., 2009).

4.6.7 Employee engagement

Standard Bank believes that for an organisation to enjoy positive results such as better client satisfaction, better retention of talented employees, and enhanced economic performance, an organisation needs to engage with its employees consistently. Standard Bank offers leadership development programmes, graduate development programmes (launched a new Ops graduate programme in 2013), bursaries, scholarships and learnership programmes. In an effort to build a winning target-driven culture throughout the organisation, the bank implemented an employee value proposition programme in 2013 (Standard Bank group, 2013a).

Further, the bank undertook employee appraisals throughout the organisation from the executive management down to junior level management. As part of skills development, Standard Bank South Africa spent R424 million in 2013 on training, of this amount R331 million was directed to training of black employees. The bank also supported 660 of its employees through bursaries, which amounted to R10 million and provided 150 bursaries and scholarships (Standard Bank group, 2013a). Of the 479 learnership participants who graduated, the bank offered permanent employment to 309 participants. The graduate programmes assisted in proactively developing the essential technical abilities. These graduate programmes were also key for the banks' pipeline of upcoming leaders (Standard Bank group, 2013a). Standard Bank actively identifies their exceptional employees and ensures that their fears and problems are addressed to minimise the chances of them leaving the bank. As part of encouraging exceptional employees, Standard Bank recognises and competitively rewards those employees and teams who make a consistent, sustainable and balanced input to their clients, shareholders and employees through its Beyond Excellence Recognition programme (Standard Bank group, 2013a).

Standard bank offers programmes that are aimed at enhancing the mental, social and physical health of their employees. For instance, it offers independent counselling and advisory services (ICAS) free to all staff, their partners, and immediate families. ICAS handles a variety of issues such as alcohol abuse, legal matters, HIV/AIDS, managing stress, and managing diversity. ICAS goes further to offer solutions on how to get out of debt and how to create wealth using proper financial management fundamentals (Standard Bank group, 2013a).

4.6.8 Green buildings

Standard Bank built a R2.7 billion office structure. This structure, finished in 2013, is located in Rosebank and can accommodate up to 4 500 employees. Standard Bank modelled this development taking into consideration the amount of water and energy the building structure should consume; accessibility of its users concerning transportation; and inside environmental quality. Once complete the building structure was rated 'five-star' according to the Green Star rating. Standard Bank believes that beyond the environmental benefits that come with this office structure, as a financial institution competing for scarce skills in South Africa, it also helps in creating an atmosphere conducive to working that not only attracts exceptional individuals but retains them as well. The bank expects the building to produce spin-offs for restaurants, retailers and transport services in the area (Standard Bank group, 2013a).

4.6.9 Climate financing

Standard Bank's renewable energy projects currently represent a significant part of their project finance energy portfolio, which includes wind, photovoltaic, hydro and geothermal power stations. In 2013, Standard Bank contributed R6.4 billion towards renewable wind and solar projects. These projects fell under the second stage of the REIPPP programme. Standard Bank also formulated products for their general customers encouraging them to install solar water heaters by extending finance to them through house loan services (Standard Bank group, 2013a).

4.7 Analysis of the bank's CSR activities in relation to gaining/enhancing competitiveness

The literature review showed that embedding CSR into a company's business operations generates innovative practices that eventually lead to competitiveness (Vilanova et al., 2009). For a company to achieve this competitiveness through CSR a close fit between its CSR activities and its core objectives or operations ought to be in place. The analysis begins by discussing this and then looks at the various CSR activities of banks to determine if they are in fact enhancing their competitiveness.

4.7.1 Value propositions of banks

As part of integrating CSR into the main stream of the business to gain competitiveness, the literature review highlighted the importance of having a social dimension added to the value proposition of a company, as described in the vision, mission or objectives (Burke & Logsdon, 1996; Porter & Kramer, 2006).

Starting with Nedbank, its vision is *"to be Africa's most admired bank by our staff, clients, shareholders, regulators and communities supported by our values of accountability, integrity, respect, pushing beyond boundaries and being people centred"* (Nedbank group, 2013a, p. 10). Nedbank's CEO Michael Brown supports their vision by stating that integrated sustainability is at the core of their business to deliver lasting benefits for all Nedbank's stakeholders (Nedbank group, 2013b).

Barclays Africa goal or vision is *"to be the Go to bank in Africa"* (Barclays Africa Group Limited, 2013b, p. 2). Barclays Africa go further to say that they are uniquely positioned as a fully global, fully regional and fully local bank who seeks to combine their global product and knowledge with regional expertise and their extensive and well established local presence in Africa to serve their customers and clients (Barclays Africa Group Limited, 2013b).

FirstRand's vision is *"to be the African financial services group of choice, creating long-term franchise value and delivering superior and sustainable economic returns to shareholders, within acceptable levels of volatility"* (FirstRand group, 2013a, p. 3).

Lastly Standard Bank's vision is to build a leading Africa focused financial institution that delivers superior returns to all its stakeholders including its customers, staff, and shareholders, as well as the communities in which the group operates (Standard Bank group, 2013b). In the joint statement from the group chairperson and group CEOs, they argued that sustainable viability and social relevance are inseparable, hence the reason why the bank proactively embeds sustainability business practices and thinking at each level of their business (Standard Bank group, 2013a).

The main theme emerging from the vision statements of FirstRand and Barclays Africa is aligned to maximising shareholder value but other stakeholders such as society are not explicitly mentioned in their vision statements. Nedbank and Standard Bank are different, however, because their vision statements not only encompass a social dimension by including communities and staff members but also make mention of other stakeholders such as regulators. This brings about centrality, which is the closeness of fit between CSR policies and a company's mission and objectives, thereby achieving competitiveness through CSR, because CSR would be strategic to the business (Burke & Logsdon, 1996). FirstRand and Barclays Africa do not have clearly defined value propositions or vision statements with a social dimension and this, according to the literature review, makes it difficult to embed CSR into the core fabric of the business (Burke & Logsdon, 1996; Juščius & Snieška, 2008), thus making CSR non-strategic or non-competitive because the social projects will fail to be aligned with the business objectives of a company (O'Brien, 2001).

Furthermore, the senior executives of Nedbank and Standard Bank unlike those of Barclays Africa and FirstRand as highlighted above, emphasise the notion of embedding sustainability in their core business operations. The senior executives of these two banks are definitely taking the lead role in integrating CSR into their strategy. This is aligned with the literature review, which says that getting buy in from the top management of a company is an essential ingredient for integrating CSR activities into the core business operations of a company (Truscott et al., 2009). This integration is important for developing a culture attuned to the social factors that might have an impact on the company (Galbreath, 2009) making it simple or natural for a company to develop visions, values and missions with a social dimension.

4.7.2 Addressing key stakeholders

Michael Brown, the CEO of Nedbank group, leads by saying that *"our vision, to be Africa's most admired bank is underpinned by delivery to all stakeholders"* (Nedbank group, 2013a, p. 64). He goes further to say that *"integrated sustainability means bringing together every aspect of who we are, what we do and how we do it to deliver lasting benefits for all stakeholders"* (Nedbank group, 2013a, p. 64). Nedbank chairperson, Dr Khoza, echoed the same sentiments when he said, *"We are making significant contributions to all stakeholders, thereby making South Africa a better place to live in"* (Nedbank group, 2013a, p. 49). Nedbank comprehensively engages with its stakeholders as business partners, sharing ideas where mutual benefit can be realised. This mutual benefit is what Porter and Kramer (2006) term a win-win between business and society. Nedbank views stakeholders as individuals or organisations that partake in or are affected by Nedbank's activities. Nedbank prioritises stakeholders according to their level of influence on their business operations, which resulted in the prioritisation of key stakeholders, staff, shareholders, clients, communities and regulators (Nedbank group, 2013b).

To ensure that business units are consistently collaborating with key stakeholders of the bank, Nedbank decentralised the stakeholder engagement process to the business units. This not only helps the business units to have a better understanding of the stakeholder's expectations, needs and wants but also more importantly provides access to immediate feedback, which empowers Nedbank to be more responsive and accurate in leveraging potential opportunities (Nedbank group, 2013b).

The chairperson of Barclays Africa, Wendy Bull, believes that the primary role of the board is to deliver sustainable value to both shareholders and stakeholders. Various issues raised through stakeholders' engagement, which arise from their operating environment, are weighed up against the bank's strategic ambitions and business model for prioritisation purposes (Barclays Africa Group Limited, 2013b). The bank also established key stakeholders, which include customers, regulators, non-profit organisations, charities, suppliers, shareholders and colleagues (Barclays Africa Group Limited, 2013b). The stakeholder engagement is not as elaborate as Nedbank's and its emphasis is on its shareholders, followed by its stakeholders.

FirstRand group, on the other hand, defines stakeholders as individuals or organisations with the capacity to influence its goals and strategies and are also impacted by the group's undertakings. Its stakeholders include government, customers, employees, shareholders, suppliers, civil society and the communities that the group serves. Figure 11 shows the economic impact of FirstRand's stakeholders. It is clear that financial providers are deemed to have the greatest economic impact (FirstRand group, 2013a).

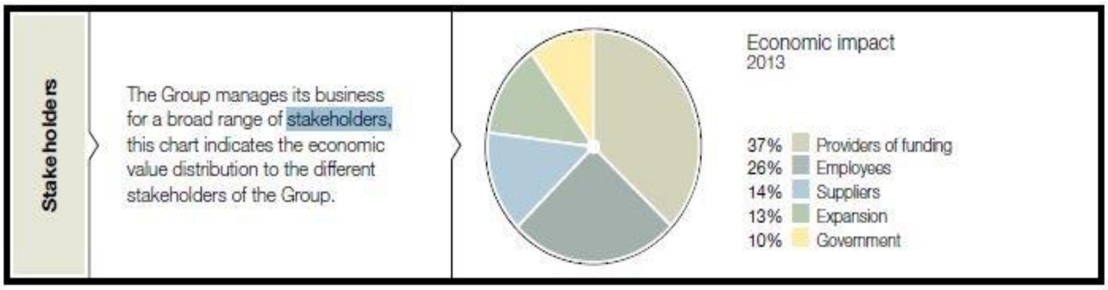

Figure 11: FirstRand group stakeholders' economic impact, 2013

(FirstRand group, 2013a, p. 4)

Standard Bank proactively engages with its stakeholders to inform them of their business strategy and operations, manage and respond to social expectations, and minimise their reputational risk. Standard Bank varies in terms of its interaction with stakeholders, which depends greatly on the impact the stakeholder has on the bank (Standard Bank group, 2013b). Standard Bank actively strives to align its actions with those of its stakeholders to avoid conflicts and misalignments. Standard Bank's key stakeholders include employees, customers, shareholders, government, communities, business organisations and suppliers (Standard Bank group, 2013b).

In reviewing literature, Falck and Heblich (2007) stress that a company should select only those key stakeholders who have a direct connection to the company and can have a negative or positive effect on the company's cash flow. The reoccurring theme found in all four banks is that they all show an appreciation for the importance of managing key stakeholders. Falck and Heblich (2007) go further to argue that after identifying key stakeholders, a company needs to find a social trend of importance and significance to these key stakeholders and ensure that these trends are proactively addressed.

In the case of Nedbank, not only is its vision aligned with its stakeholders needs but it also promotes embedding environmental and social issues within the business processes, which in turn generates innovative practices and competitiveness (Vilanova et al., 2009). Nedbank collaborates closely with its stakeholders to leverage potential opportunities accurately as Nedbank sees stakeholder demands from a social and environmental perspective as opportunities to be exploited in order to gain competitiveness through CSR (Carroll & Shabana, 2010).

Standard Bank also has a comprehensive decentralised stakeholder engagement, which focuses on managing and responding to social expectations that promote the embedding of social concerns in the business operations. Standard Bank, similar to Nedbank, proactively embeds sustainability into its messaging, business mantra and overall business operations in order to address the economic, social and environment aspects affecting its key stakeholders. The head of sustainability from Standard Bank states that if the bank is to make significant contributions towards building viable communities, it can only do this through its main business operations or activities (Standard Bank group, 2013a). The statement above by Standard Bank's head of sustainability is line with the literature review, which says the greatest social impact is achieved when a company does this through its business operations (Husted & de Jesus Salazar, 2006; O'Brien, 2001; Porter & Kramer, 2002).

FirstRand and Barclays Africa bank manage their key stakeholders but their alignment seems to be more toward that of the shareholders, which leads to losing out on opportunities arising from both societal and environmental challenges. Their stakeholder management is not as explicit as Nedbank or Standard Bank that seeks to meet all stakeholder concerns particularly in addressing social and environmental issues.

It is clear that Nedbank and Standard Bank are more efficient in terms of their alignment of CSR with their core business operations compared with FirstRand and Barclays Africa. A social dimension is evident in their vision statements, they closely manage key stakeholders to leverage accurately on potential (societal and environmental) opportunities, and they have very senior executives supporting CSR policies by incorporating sustainability into their core business operations. The literature review highlights the importance of aligning CSR to the core business operations of a company (Husted & de Jesus Salazar, 2006; O'Brien, 2001; Vilanova et al., 2009) if it is to gain competitiveness from CSR.

The purpose of this study, however, was to analyse to what extent CSR had been utilised to gain or enhance competitiveness in the South African banking industry by looking at the CSR activities of the four banks, discussed in the next sections.

4.7.3 Innovative CSR products

One of Nedbank's material concerns was increased competition, in particular the transactional clients; this requires a bank to innovate more rapidly and price more competitively (Nedbank group, 2013b). In the beginning of 2013, about 33 percent of the adult population in South Africa were unbanked (FinScope SA, 2013). This percentage was significant and required innovative models and product development. Nedbank and Standard Bank saw this as an opportunity to broaden their customer base while simultaneously benefiting this marginalised population. By leveraging their core competencies, they were able to gain competitiveness (O'Brien, 2001; Pearce & Doh, 2005). In addressing this marginalised population, Nedbank and Standard Bank incorporated CSR into their core operations, as already highlighted in sections 4.7.1 and 4.7.2, and generated innovative practices that better positioned them to seize the opportunity of reaching the unbanked transactional customers (Vilanova et al., 2009). Table 2 is a clear depiction of the innovative products Nedbank and Standard Bank developed in order to enhance their competitiveness in the battle for new customers via their CSR product offerings.

Table 2: Innovative CSR products and services

Nedbank	Standard Bank	Barclays Africa	FirstRand
- Ke Yona (banking for all) for the unbanked population - Nedbank Affinity accounts - Nedbank green savings bond - Nedbank affordable housing accounts (for low incomes earners)	- Access banking account for the unbanked population - Access Save account - Access Loan account - Access funeral account - Affordable housing accounts - BizLaunch account for SMEs start-ups	- Affordable housing account - CashSend application, enables customers to send money through cell phones	- Nothing reported

Nedbank and Standard Bank not only addressed their key stakeholders, in particular the community, but also a strategic social issue with an increase in competitive ability, which resulted in a mutually meaningful benefit for the banks and society/communities (Porter & Kramer, 2006; Sousa Filho et al., 2010). Barclays Africa also offered affordable loans to the low-income earners and created the CashSend application, which saw Barclays Africa transacting

R1.3 billion through this application. However, not fully integrating CSR into its core business operations resulted in Barclays Africa not capitalising on the unbanked and transactional market in the same capacity that Nedbank and Standard Bank did. Furthermore, Standard Bank came up with innovative products for SMEs such as BizLaunch, which tapped into the unbanked SMEs black farmers market by understanding the needs of this market and meeting these needs with finance models that reduced the risk exposure to Standard Bank (Standard Bank group, 2013a). By not addressing the needs of the unbanked and transactional market through innovative CSR activities, Barclays Africa and FirstRand missed this opportunistic customer base.

Sections 4.3.1, 4.6.3 and 4.6.4 clearly show the innovativeness of Nedbank and Standard Bank in yielding substantial benefits for both the communities and their business simultaneously, which when CSR is strategic is the ultimate end point (Husted & de Jesus Salazar, 2006; Marín et al., 2012; Vilanova et al., 2009), particularly when there is a *'convergence of interests'* (Porter & Kramer, 2002). This innovativeness strengthened the reputations of both Nedbank and Standard Bank; indicative of how important it is to balance banking institutions' core business operations and their CSR programs (Poolthong & Mandhachitara, 2009). This balance enables banks to win over the public's trust and attract additional clientele (Achua, 2008). Nedbank and Standard Bank's innovative CSR products provided them the platform to differentiate themselves from other banks where competing for the unbanked transactional customers was concerned. According to literature, such differentiation through CSR activities leads to enhanced competitiveness of a company (Porter & Kramer, 2006). Standard Bank even went further to establish AccessBanking centres and distribution channels, which created entrepreneurial jobs for the communities.

4.7.4 Employee engagement and well being

All banks understand the importance of their employees' engagement and wellbeing within their organisations as demonstrated in what FirstRand, Nedbank and Standard Bank spent on training their employees. The main question is what they are doing from a CSR perspective to attract, motivate and retain their exceptional staff. Nedbank and Standard Banks' successful integration of CSR activities into their core business operations guides them in the development of programmes that enhance the attraction and retention of exceptional employees. Under sections 4.3.2, 4.6.7 and 4.6.8, Nedbank and Standard Banks' CSR initiatives, such as employee volunteerism, bursaries for employees, upskilling and addressing the concerns of talented or exceptional employees, wellbeing programs, performance recognition programmes and green buildings with a healthy conducive working environment have been shown to attract and retain employees, particularly the talented and exceptional employees and employees with scarce skills.

In the South African banking industry, there is high competition for scarce skills (Standard Bank group, 2013a), and attracting and competing for these scarce skills is best done through CSR activities that will simultaneously benefit business and society. These CSR activities give Nedbank and Standard Bank a competitive edge, which attracts and retains exceptional employees (European Commission, 2008). All four banks are involved in employee volunteerism that requires employees' participation in programs that uplift the communities they serve (Sprinkle & Maines, 2010). Nedbank and Standard Bank go beyond employee volunteerism; they use CSR activities to enhance their competitiveness in attracting and retaining the scarce skills in the banking sector. FirstRand and Barclays Africa, however, are less invested in attracting and retaining talented and exceptional employees through their CSR activities, as stated in their reporting.

4.7.5 Renewable energy financing

The government of South Africa launched REIPPP programme whose goal was to significantly increase the country's energy supply; but more importantly to achieve this through private owned renewable energy sources (Nedbank group, 2013b). All four banks were involved in renewable energy projects, but Nedbank took this as an opportunity to promote both their business and environmental interests to the point of delivering several pioneering finance products to support private owned organisations who wanted to be energy suppliers in South Africa. This speaks to environmental CSR, which is about introducing products that are good for the environment and business (European Commission, 2008). Nedbank's significant contribution of about 38 percent towards the total capacity allocated by the REIPPP programme makes them a key player in the country's green future. This benefits Nedbank's substantially from a business perspective, and according to the literature review, it is this mutual benefit that makes CSR strategic, thereby resulting in an enhanced reputation and customer satisfaction (Saeidi et al., 2015).

4.7.6 Other CSR activities

All four banks are involved in supporting education. Sections 4.3.2, 4.4.2, 4.5.1, and 4.6.1 show the different interventions provided by the four banks, including bursaries, scholarship programmes, graduate programmes, and maths development programmes. All banks mention employing some of the talented students they provide bursaries to once these students have qualified, which is beneficial to both society and the future of the banking system. Some of these programmes are positioned to assist the banks in competing for good talent and developing a pipeline of scarce skills, which is a benefit for both business and society (O'Brien, 2001; Porter & Kramer, 2006). Some of the programmes intend to benefit solely society resulting in little or no substantial benefit to the company. This is aligned with the notion that not all CSR activities can benefit both business and society (Porter & Kramer, 2002). Such programmes include FirstRand's maths leadership development programme (FirstRand group, 2013b), Nedbank's Fundisa maths and science programme (Nedbank group, 2013b), and Standard Bank's "St Stithian's Thand'ulwazi maths and science academy" (Standard Bank group, 2013a, p. 40). These programmes exist to assist students in maths and science while in high school through the provision of books and/or any material that can enhance the student's chances of passing these supposedly difficult subjects. This, according to the literature review are CSR activities that are justified under moral obligation where companies are expected to be good corporate citizens in solving social issues within the communities they serve (Carroll & Shabana, 2010; Porter & Kramer, 2006).

Standard Bank seems to take it further by offering innovative financing solutions to universities thereby becoming the banker of these universities. It also cements this relationship by allowing employees to engage in volunteerism activities such as being involved in university board debates and part time lecturing (Standard Bank group, 2013a). This further enhances its competitiveness and reputation with these universities, compared to its other three rivals, because its staff members are motivated through volunteering their services. Additionally, the bank gets preferential treatment given these universities will be clients to Standard Bank. This mutual benefit is what enhances its competitiveness through their innovative banking solutions and employee volunteerism (Juščius & Snieška, 2008; Porter & Kramer, 2002, 2006; Vilanova et al., 2009). This, according to the literature review, is when CSR is strategic by yielding substantial benefits by supporting the core business activities of a company (Burke & Logsdon, 1996; Marín et al., 2012).

When it comes to small and medium enterprises (SMEs), all four banks support SMEs by increasing their procurement spend with black owned and qualifying SMEs in line with the BBBEE Act, Codes of Good Practice. This requires channelling a certain percentage of the procurement spend to black suppliers and providing seminars and training to SMEs. Meeting the requirements of the BBBEE Act is mandatory and banks are essentially obligated to comply with such an Act to the extent that they justify their licence to operate to the government. According to the literature review, licence to operate is a justification for CSR that does not address the competitive context in which a company operates (Porter & Kramer, 2006).

Going beyond statutory compliance and adopting voluntary actions such as those carried out by Standard Bank and discussed in section 4.6.4 is one way of working with SMEs by collaborating closely with black farmers to understand their needs followed by tailoring products that suit them. Ultimately, this enabled Standard Bank to reach the previously unbanked segment of the agricultural market, therefore, leading to competitive or strategic CSR (European Commission, 2008). Standard Bank engages with previously disadvantaged small black farmers in order to increase its transactional customer base. Barclays Africa, similar to

Standard Bank, developed programmes to provide support to the unbanked and underbanked taverns as well as offering training sessions to help entrepreneurs register their own businesses. Such initiatives benefit both the SMEs and business by creating opportunities to widen its customer base when new accounts are opened by the SMEs they have assisted.

4.7.7 Awards and recognition for CSR initiatives

It is important to highlight the awards and recognition of the four banks in the 2013 financial year for their CSR initiatives in order to compare what third parties thought of the CSR initiatives of the big four banks. Table 3 shows the awards and recognition that the four banks received for their CSR efforts in 2013.

Table 3: Awards and recognition for banks CSR activities

Nedbank	Standard Bank	Barclays Africa	FirstRand
- *Socially responsible bank award*: Africa banker awards - *'CSI leadership award*: Sunday times top 100 companies' - *'Skills@work award in the large company category:* BANKSETA' - *'South African banker of the year:* The Banker magazine' - *Transformation champion of the year:* Black business quarterly awards - *Second in the Finance Sector Category award:* 2013 Nkonki integrated reporting awards - *Best performer in Socially Responsible Investment (SRI):* JSE SRI 2013	- *'Banking innovation award for innovation in societal and community impact:* BAI Finacle Global' - *Africa's greenest bank:* Emerging markets index 2013 Dow Jones - *'Sustainable bank of the year for the Africa/Middle East region:* FT/IFC sustainable finance awards' - *Best performer in Socially Responsible Investment (SRI):* JSE SRI 2013 - *Afrisam Innovation award for sustainable construction*: New Rosebank building	- *'African renewable energy deal of the year:* Project finance International magazine'	- nothing reported

Table 3 clearly shows that Nedbank and Standard Bank received the most awards and recognition for their CSR activities. This builds on their reputation because it is clear that their CSR activities are being noticed. Nedbank and Standard Bank were listed as the top performers in 2013 in the Johannesburg stock exchange (JSE) SRI index ratings (Johannesburg Stock Exchange, 2015). The SRI measurement is conducted against a holistic set of social, environmental, governance and related sustainability concerns (Johannesburg Stock Exchange, 2015). The SRI analysis is based on public information companies' provide, and Nedbank's and Standard Bank's sustainability reporting is comprehensive to the point of having separate detailed sustainability reports outside of the annual report. Barclays has a citizenship report but it not as thorough as Nedbank and Standard Bank. FirstRand's society report mainly report on CSI activities in very few pages.

The literature review emphasises the importance of comprehensive reporting on CSR activities if a company is to both benefit from its strategic efforts (Du et al., 2007) and show its commitment to CSR (Carnevale et al., 2012). Nedbank and Standard Bank, by making CSR part of their core business, made it easier for them to achieve their objectives through CSR activities facilitating any reporting on CSR in a more comprehensive manner since these activities have become a crucial and/or normal piece in their businesses.

4.8 Adapted Trialogue positioning matrix

Figure 12 depicts a modified Trialogue positioning matrix that represents where some of the CSR activities of the four banks belong, based on the discussions of this chapter.

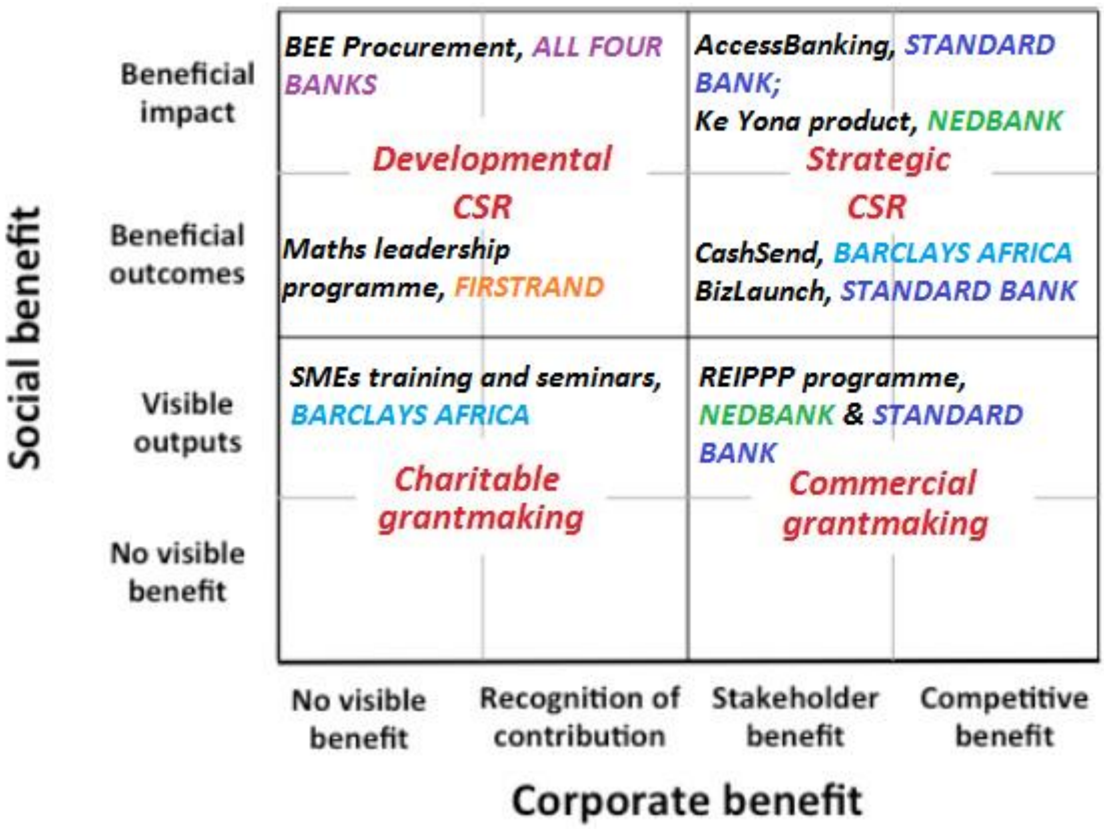

Figure 12: CSI positioning matrix

(Trialogue, 2014)

4.9 Conclusion

The research question for the study was:

- To what extent were CSR activities utilised in enhancing competitiveness in the South African banking industry?

In response to the research question, the results of this study showed that all four banks are involved in various CSR activities, which include innovative banking products that targeted the unbanked marginalised population, CSI investments in education, health and sport, employee volunteering, supporting SMEs through funding and training, and funding renewable energy projects. However, banks that reported on embedding CSR activities into their core business frameworks were the ones that best enhanced their competitiveness in the banking fraternity as was illustrated in section 4.7. The literature review put forward the notion that only when CSR is fully integrated into core business operations is when it is strategic, ultimately resulting in enhanced competitiveness (Achua, 2008; Burke & Logsdon, 1996; Husted & de Jesus Salazar, 2006; Marín et al., 2012). Nedbank and Standard Bank provide the most evidence highlighting this integration. Looking at the banks' vision statements, it is clear that they regard sustainability as an integral part of how they operate their businesses. Furthermore, the overwhelming support from the senior executives of Nedbank and Standard Bank show that integrating sustainability into their core operations and not limiting their operations to only maximising shareholder wealth is a trend that shows the humanity within the banking system.

The literature review goes on to say that, strategic CSR brings about shared value, which is unlocked by investing in social aspects that strengthen company competitiveness (Porter & Kramer, 2006). The findings showed that transactional clients are sought after in the banking fraternity and that the banks strive to attract and retain scarce and exceptional employees. Nedbank and Standard Bank came up with products such as Ke Yona and AccessBanking respectively, in order to increase transactional clientele while simultaneously addressing the needs of the marginalised unbanked population. Nedbank and Standard Bank created the employee development programmes and bursaries as a way to attract and retain talented individuals. Nedbank and Standard Bank achieved what Porter and Kramer (2006) refer to as a win-win situation for both society and business; the point of '*convergence of interests'*. These products that address banks competitive context, confirm that they greatly enhanced the competitiveness of Nedbank and Standard Bank in their endeavour to increase transactional clients and compete for talented individuals in the banking fraternity.

Barclays Africa and FirstRand do not necessarily report CSR as an integral part of their core business. Instead, their focus is on maximising shareholder value causing them to miss the opportunity of enhancing their competitiveness through CSR initiatives. Their CSR activities are aligned with developmental and charitable grant making CSR (Trialogue, 2014), when looking at Trialogue's positioning matrix as a measurement (Trialogue, 2014). Findings show that competitiveness that stems from strategic CSR such as improvement in reputation, innovative CSR products and projects, and attracting and retaining talented employees, are extensively reported on in both Nedbank and Standard Bank's reports, JSE and Trialogue CSI handbook. This is indicative of how both have successfully integrated CSR into their core business operations or into their normal way of doing business (Calabrese et al., 2013).

Nedbank's and Standard Bank's CSR activities are being noticed, as indicated by the numerous accolades and recognition from various organisations, which enhance the bank's reputation enabling them to win over the public's trust, attract and retain exceptional employees, attract investors and expand their clientele (Achua, 2008). FirstRand and Barclays Africa, by failing to integrate CSR fully into their core frameworks, have missed opportunities of enhancing their competitiveness through their CSR activities.

CHAPTER 5. CONCLUSIONS & RECOMMENDATIONS

5.1 Introduction

In the previous chapter, the findings of the study were discussed and analysed in relation to the literature review. This chapter summarises the main research findings and goes further to provide recommendations and suggestions that could facilitate further research around this CSR topic.

The research aimed to analyse the extent to which CSR was utilised to enhance competitiveness in the South African banking industry.

The big four banks, FirstRand, Standard Bank, Barclays Africa and Nedbank were analysed using mainly their integrated annual reports and sustainability reports. The literature review argues that in order for an organisation to enhance or gain competitiveness through CSR, it must integrate its CSR into its core business operations or strategy (Marín et al., 2012; Vilanova et al., 2009) and through this integration, it yields substantial business related benefits. The findings presented found that only two banks (Nedbank and Standard Bank) out of the four analysed made their CSR strategic by linking it to their core business operations and thereby greatly enhancing their competitiveness.

5.2 Conclusions of the study

Organisations understand that they do not operate in vacuums but rather in communities where there are real people affected by their operations in one way or the other. As a result, communities have set expectations for organisations to contribute positively to society. Findings from Chapter 4 pointed out that all the big four banks understood this notion of *'giving back'* to society, which resonated in their various CSR activities. In the end, giving back is not measured by how much was given financially, as put across by Pearce and Doh (2005); the essence of giving back to society lies in giving back in such a way that simultaneously benefits both society and the business. Businesses should strive for this balance given the pressure to maximise shareholder wealth. Organisations ought to make contributions that are more meaningful to society beyond making uncoordinated philanthropic donations as put across by Porter and Kramer (2002). The literature review in Chapter 2 has shown that sustainable meaningful contributions to society and the environment are achieved by a strategic approach to CSR because of the superior benefits to both society and business (Husted & de Jesus Salazar, 2006; Porter & Kramer, 2002).

The literature review further justifies this case by arguing that strategic CSR only functions effectively when it is fully integrated into the core business operations of an organisation; to the degree, that CSR ceases to be a focus because the profit maximisation goal increases social and environmental development (Calabrese et al., 2013). CSR then becomes competitive or enhances the competitive context of an organisation, as highlighted in Chapter 2 and in turn yields benefits such as improved reputation, innovative products that satisfy customers and better economic performance, which are the dimensions of competitiveness (Vilanova et al., 2009).

The aim of this research study was to analyse the extent to which CSR was utilised to enhance competitiveness in the South African banking industry by looking at the big four banks. The first port of call was to examine if the banks were aligning their CSR to their core business operations and if the support of their senior executives in driving CSR throughout their business units was taking place. Findings show that Nedbank and Standard Bank had performed significantly much better compared with FirstRand and Barclays Africa in terms of integrating CSR into their core business operations. This led to them developing innovative product offerings as depicted in Table 2. This is in line with the literature that states that embedding CSR into the core of a company’s processes generates innovative practices (Vilanova et al., 2009). Nedbank and Standard Bank effectively used CSR as a way to enhance their competitiveness in competing for unbanked transactional clients, attracting and retaining scarce and exceptionally skilled employees, and building a good reputation in the banking sector.

Nedbank and Standard Bank were not only leveraging on their core competencies, they also successfully created a social dimension to their value proposition and product offerings while addressing strategic social issues in the communities they serve. Findings also showed a clear drive by the senior executives of Nedbank and Standard Bank to integrate CSR into their main business operations and processes. FirstRand and Barclays Africa regard CSR not only as a moral obligation of good citizens, but also as a license to operate, which is based on the fact that their CSR activities are not aligned with their core business operations. Nedbank and Standard Bank have designed their CSR activities strategically to enhance their competitive context by yielding substantial business, society and environmental benefits. Standard Bank, despite investing less than the required FSC 0.7 percent in CSI, still manages to achieve better results compared with FirstRand and Barclays Africa. By enhancing their competitiveness through CSR, their strategy focusses more on how to spend efficiently on CSR activities versus setting a target to justify their corporate citizenship. Ultimately, Standard Bank and Nedbank achieved a win-win situation for both the business and society, which is in support of the literature review.

Nedbank and Standard Banks' strategic CSR efforts have not gone unnoticed, given the accolades and recognition they received in the 2013 financial year as depicted in Table 3. FirstRand and Barclays lag behind Nedbank and Standard Bank in this area as well.

It can be concluded that in order for a company to enhance its competitiveness through CSR, it needs to incorporate CSR strategically into its core framework or business operations so that social and environmental development is achieved through innovative solutions, specific to the company. Nedbank and Standard Bank accomplished this and accrued substantial benefits to their organisations. Indeed, evidence has shown that CSR is being used largely to enhance competitiveness in the South African banking sector. Determining the extent to which it is being utilised in percentage terms is difficult to confirm since this study was only limited to qualitative analysis. However, based on the evidence presented in Chapter 4, both Nedbank and Standard Bank are using CSR to their advantage as a way to enhance their competitiveness within the banking sector. Barclays Africa does show evidence of sometimes using CSR to enhance its competitiveness but needs to improve to be on par with Nedbank and Standard Bank. FirstRand does not show much specific evidence of using CSR for enhancing its competitiveness.

5.3 Recommendations

The literature review in Chapter 2 has clearly shown that for a company to enhance its competitiveness through CSR, it must fully embrace and integrate its CSR into its core business operations or strategy. This integration is critical because it maximises benefits for both business and society (Husted & de Jesus Salazar, 2006). It is recommended that companies, particularly those in the banking sector that, according to Achua (2008), depend heavily on the CSR programs to build up their reputational capital, regard CSR as something pivotal to the success of their businesses.

Companies should move away from regarding CSR as a *‘box ticking’* exercise to appease stakeholders such as government and other active groups (Oppenheimer, 2011). Instead, companies should view CSR as an opportunity to benefit both their businesses and society. This shift in mind-set is important for companies to channel their limited resources appropriately to causes that they are best suited to handle and more importantly, on a sustainable basis.

CSR managers in banking institutions and other industries need to consider their key stakeholders and examine the social and environmental issues that affect them the most. The CSR managers should prioritise challenges that enhance their competitive context and begin to develop creative and innovative solutions to tackle these challenges through their normal business operations, leveraging on their core competencies. This prioritisation can be done using Trialogue’s (2014) positioning matrix depicted in Figure 2 to determine where the CSR activities best fit within the four boxes. Companies need to strive fit projects within the strategic quadrant in order to enhance their competitiveness and overall positive impact on society and the environment.

Senior executives should own their roles as leaders by entrenching CSR into the core of their business operations and employees need to understand the seriousness and importance of CSR from senior executives. This creates a value system where CSR becomes part of the status quo and normal business thus creating a culture of innovative practices, according to Vilanova et al. (2009) that benefit both business and society.

If companies are to benefit from their CSR efforts, more comprehensive reporting on their CSR programs and activities is needed. Their CSR report should be separate from the traditional annual reports, highlighting a company's CSR activities, their impact on society and the business. The report should move beyond creating an awareness of the company's CSR efforts; instead, it should build up the integrity of a company. Companies should be encouraged to look continually for opportunities that benefit both business and society if they are to enhance their competitiveness through CSR and reach their maximum potential as strong and reputable private entities.

5.4 Suggestions for further research

CSR is a very broad topic with various controversies and inconclusive results on research such as the impact of CSR on a company's financial performance. This research study was conducted in order to evaluate if CSR has been used effectively to enhance competitiveness in the South African banking sector. The following areas are suggested for further research:

- To explore the impact of CSR initiatives on a banks' market value particularly looking at the banking industry in a developing country like South Africa.

  Possible research question: What is the impact of CSR on the market value of a banking institution in South Africa?

- To explore whether and to what extent a banks' investments in CSR initiatives leads to better or greater financial performance.

Possible research question: What is the impact of enhanced competitiveness derived from CSR on the profitability of a company in a developing country like South Africa, particularly looking at the banking industry?

- To undertake a longitudinal study that tracks the development of CSR in different sectors of the South African economy.

  Possible research question: What impact has the development of CSR in the last decade had on the different sectors of the South African economy?

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APPENDIX A

Consistency matrix

Research problem: CSR as a means of gaining competitiveness in the South African banking industry

Main problem	Literature review	Research question	Source of data	Type of data	Analysis
Analyse CSR in the South African banking industry to determine to what extent CSR, has been utilised to gain competitiveness and achieve a win-win situation between society and business.	(Porter & Kramer, 2002, 2006), (O'Brien, 2001), (Trialogue, 2014), (Burke & Logsdon, 1996), (European Commission, 2008), (Falck & Heblich, 2007), (European Commission, 2001), (Galbreath, 2009), (Husted & de Jesus Salazar, 2006), (Juščius & Snieška, 2008), (Marín et al., 2012), (Pearce & Doh, 2005), (Sprinkle & Maines, 2010), (Vilanova et al., 2009), (Sousa Filho et al., 2010)	To what extent were CSR activities utilised in enhancing competitiveness in the South African banking industry?	**Publicly available information:** Banks' Annual, sustainability and CSI reports. Trialogue CSI handbooks Johannesburg stock exchange (JSE) socially responsible investment (SRI) index	Secondary qualitative data	Content analysis