

# **The influence of manager turnover and tenure on the institutionalisation of CSR in large South African firms**

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## ABSTRACT

This qualitative study undertakes an explanatory comparative analysis of the internal barriers to the institutionalisation of corporate social responsibility (CSR) in five large South African firms. Specifically, the research aims to determine whether staff turnover at the middle management level and length of tenure at the senior executive level create firm-level impediments to advancing with CSR objectives. The study utilises Mirvis and Googins' (2006) five-stage Corporate Citizenship Model to determine the extent to which CSR has been embedded in Gold Fields, Eskom, Sasol, Nedbank and Woolworths. Semi-structured interviews with middle and senior managers associated with CSR in each firm, together with a comprehensive review of secondary data, are used to ascertain the impact of turnover and tenure.

The results of the study agree with the core theoretical and empirical findings reflected in the literature on *how* to institutionalise CSR in organisations. Institutionalisation is a complex, multifaceted process requiring time, structural changes and a commitment from all staff, particularly managers, for its long-term success. The research findings suggest that the impact of middle manager turnover and senior manager tenure is more of an outcome of a much earlier strategic decision by top management to integrate economic, social and environmental sustainability into all aspects of their business, planning and culture, than the actions of a specific individual. By seeking to understand employees' intrinsic desires and expectations and aligning them with the extrinsic values and policies of the organisation, the right people are attracted and appointed into management positions. Such measures directly strengthen the psychological bond between managers and their organisations resulting in higher job satisfaction and commitment levels, in turn contributing to lower rates of turnover and more productive tenures. Proactively identifying and addressing internal barriers to the institutionalisation of CSR also provides organisations with the resilience needed to manage their external barriers. It also creates opportunities to leverage internal capabilities to influence consumer product preferences and supplier behaviours, thus effecting broader societal change.

## DECLARATION

I, Marian Ingrid Lydall, 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 in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

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Marian Ingrid Lydall

Signed at .....

On the ..... day of ..... 2014

## **DEDICATION**

This research report is dedicated in loving memory to my grandparents, Dr ARP Walker and Mrs BF Walker, who not only taught me what true humility is, but gave me an appreciation for the continuous pursuit of knowledge and a passion for research. I miss you dearly.

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# **1. CHAPTER 1: INTRODUCTION**

## **1.1 Purpose of the study**

This study undertakes an explanatory comparative analysis of the internal barriers to the institutionalisation of corporate social responsibility (CSR) in five large South African firms. Specifically, the research aims to determine whether staff turnover at the middle management level and length of tenure at the senior executive level create firm-level impediments to advancing with CSR objectives. The study utilises Mirvis and Googins' (2006) five-stage Corporate Citizenship Model to determine the extent to which CSR had been embedded in organisations and semi-structured interviews at the middle and senior management level to ascertain the impact of tenure and turnover.

## **1.2 Context of the study**

Although markets operate without depending on the virtue of the business people who trade in them, in practice ethical behaviour is admired and increasingly sought after by the business community and society in general (Kotkin, Hall & Beaulier, 2010; Hartman & DesJardins, 2011). In the past, many companies overlooked the negative externalities arising from their operational activities in an effort to keep costs down. This was premised on the notion that the 'business of business is business' – to maximise short-term shareholder profits to the exclusion of all else (Friedman, 1970). However, in today's globalised marketplace, acting unethically can result in significant reputational, social, legal and financial costs (Saunders, 2009; Kotkin et al., 2010). Achieving the 'greatest good for the greatest numbers' increasingly requires that businesses take cognisance of all social and environmental impacts arising from economic decision-making (Epstein, 2008; Laszlo, 2008). Thus, as a concept, 'corporate social responsibility' (CSR) has evolved into a much broader and strategic management response, encompassing aspects of ethical behaviour, sustainability, social responsibility, corporate citizenship and the creation of shared value (Elkington, 1997; McElhaney, 2009; Kanter, 2011;

Porter & Kramer, 2011). A combination of external and internal forces has combined to create this heightened need for a shift from a 'results-based' to 'responsibility-based' orientation in companies, particularly in South Africa (Gadenne, Kennedy & McKeiver, 2009; Florez-Aroaz, 2011).

Externally, the internet and other low-cost media platforms have facilitated greater public awareness of the legacy impacts of industrialisation (Davis, Lukomnik & Pitt-Watson, 2006). Given the increasing strength and influence of public opinion on investor sentiment towards large corporations, companies have had to adopt a more proactive and visible approach to issues such as human rights, climate change and sustainability (Laszlo, 2008; Castello & Lozano, 2009). Corporate scandals internationally, and more recently the community uprisings in the South African mining and agricultural sectors, have further fuelled stakeholder activism for greater transparency, accountability and disclosure around how profits are made (Waddock & Graves, 1997; Basu & Palazzo, 2008; Business Report, 2012; Marinovich & Lekgowa, 2013). In addition, the intensification of globalisation has resulted in a shift the locus of power away from individuals into the hands of multinationals (Altman & Vidaver-Cohen, 2000). Prior to 1994, the national government was responsible for social development in South Africa. However, the severity of the socio-economic challenges facing the country and lack of necessary resources and capabilities within government with which to address them has necessitated a more direct and involved role for business in South Africa's growth and development. In addition to fulfilling their economic obligations, the private sector is expected to engage in stakeholder partnerships that facilitate equitable and sustainable social transformation (Kapelus, 2002; Hamann, 2003; Hamann & Acutt, 2003; Hamann, 2008; Florez-Aroaz, 2011).

A plethora of global best practice guidelines and voluntary codes (notably, the United Nations Global Compact [UNGC] and Global Reporting Guidelines [GRI]), market-based mechanisms (such as the Dow Jones Sustainability Index [DJSI] and the JSE Socially Responsible Investment [SRI] Index), and national legislation prescribing and regulating how companies should conduct their business has emerged as a result of these pressures. In South Africa, the

Constitution, the Companies Act (72 of 2008), King III Report, and the Broad-based Black Economic Empowerment Act (53 of 2003) have been critical to formalising and centralising CSR in business decision-making (RSA, 1996; Hamann, 2003; Dekker & Esser, 2008; Flores-Aroaz, 2011; Fasset, 2012).

At the firm-level, factors such as nature of business, size, reputation, scope of operations, and underlying values and motives have a determining influence on the responses of firms to CSR (Mitchell, Agle & Wood, 1997; Kapelus, 2002; Vogel, 2005). In retail and food, customer 'green' perceptions have prompted a fundamental rethinking of environmental and social practices, the type of products offered and how supply chains are managed (Laszlo, 2008; Kanter, 2011). In the extractives industry, international listing has necessitated internal changes to organisational structures and policies in order to conform to global best practice. There is also considerable peer pressure from established majors for smaller operations to move beyond basic compliance and philanthropy to more legitimate forms of engagement (Hamann, 2003; Jenkins, 2004; Slack, 2012).

While some companies (such as Eskom, Gold Fields, Woolworths, Nedbank and Sasol) have responded positively to the call for increased CSR and emerged as world leaders in various aspects of reporting and types of projects undertaken, the majority of companies have yet to develop a coherent response (Kapelus, 2002; Hamann, 2003; Flores-Aroaz, 2011; NBI, 2013). Indeed, in a recent survey of 52 South African chief executive officers (CEO) the majority regard CSR as integral to their business activities. However, only 13 percent plan to significantly introduce methods to reduce their environmental footprints and 5 percent planned to invest significantly in philanthropy and social enterprise development over the next 12 months (PwC, 2013). Theoretical research suggests that corporate responses to CSR and the degree to which it has been internalised as a core aspect of strategy, can be depicted along a continuum with apathy, compliance and defensiveness on the one end and proactivity, transformative leadership and pursuit of shared value on the other (Garriga & Melé, 2004; Mirvis & Googins, 2006; Herremans, Herschovis & Bertels, 2009). Pedersen (2006) attributes the gap between corporate rhetoric

and actual practice to difficulties in making it operational. Advancing along the continuum is “a complex and multifaceted phenomenon that will be influenced by both corporate contextual factors and employee perceptions” (Collier & Esteban, 2007, p. 20). Institutionalising CSR requires the direct involvement and commitment of managers for its long-term success as well as fundamental changes to organisational structure, policies and procedures (Wood, 1991; Finkelstein & Hambrick, 1990; Laszlo, 2008; Smart & Cohen, 2010). Internal barriers such as the lack of financial and human resources, insufficient awareness of CSR amongst employees, inadequate leadership, high staff turnover, and limited tenure of top management teams, can have a determining impact on CSR outcomes (Finkelstein & Hambrick, 1990; Thomas & Simerly, 1995; Waldman, Siegal & Javidan, 2006; Hong & Minor, 2012; Bice, 2012; Chin, Hambrick & Treviño, 2013). When a company experiences high turnover and short tenure spans, particularly at the middle and senior management levels, efforts to cascade new values and priorities throughout the organisation are compromised. Sustaining momentum on corporate strategies requires identifying new managers that embody the same set of values and levels of passion, and appointing and integrating them into the existing organisational culture.

One of the biggest challenges facing South African organisations is the high rate of turnover amongst middle managers, largely as a consequence of job-hopping (Malinga, 2011; Muteswa & Ortlepp, 2011; Nzukuma & Bussin, 2011). At the same time, manager remuneration packages (stock options and bonuses) remain structured around meeting short-term economic performance objectives. Senior managers, particularly those with fixed tenures or approaching retirement, may therefore see greater value in pursuing ‘quick win’ projects over longer-term CSR ventures, with less defined and individually attributable outputs (Grigoriadis & Bussin, 2007). Examining the influence of tenure and turnover on CSR commitments and the internal factors that influence the process is therefore an important research question and pertinent to organisations across South Africa.

## **1.3 Problem statement**

### ***1.3.1 Main problem***

Appraise the progress made by large South African firms to institutionalise CSR in their organisations and establish whether middle management turnover and senior executive tenure create internal barriers to the institutionalisation process.

### ***1.3.2 Sub-problems***

Firstly, to appraise the progress made by large South African firms to institutionalise CSR in their organisations.

Secondly, to establish whether middle management turnover creates an internal barrier to the institutionalisation process.

Thirdly, to establish whether senior executive tenure creates an internal barrier to the institutionalisation process.

## **1.4 Significance of the study**

From a theoretical perspective, this study aims to fill a gap in current discussions on *how* to institutionalise CSR in organisations. Much of the existing CSR literature has focused on normative analyses of *why* companies embark on CSR. Specifically, how external influences (such as the institutional environment, market dynamics, stakeholder activism and national culture) shape organisational outcomes such as financial performance (Bansal & Roth, 2000; Aguilera, Rupp, Williams & Ganapathi, 2007; Matten & Moon, 2008; Fairfield, Harmon & Behson, 2011). Appreciably less attention has been on the “underlying mechanisms linking CSR with outcomes” (Aguinis & Glavas, 2012, p. 1), particularly internal barriers arising from middle and senior management actions (Finkelstein & Hambrick, 1990; Hong & Minor, 2012; Bice, 2013). Moreover, many studies emphasise CSR as a cause rather than an outcome of

a management decision to integrate and align sustainability objectives with the broader corporate strategy (Gond, El-Akreimi, Igalens & Swaen, 2010).

From an empirical point of view, the majority of studies have been quantitative in nature, focusing on the experience of European and American firms and specifically the role of CEOs in driving the CSR agenda (Waldman et al., 2006; Manner, 2010; Melo, 2012; Chin et al., 2013). Only recently have investigations been undertaken reviewing firm responsiveness to CSR in South Africa; most of which have been concentrated in the mining and petrochemical sector (Hamann 2003; Hamann & Acutt, 2003; Hamann, 2008; Buys, Oberholzer & Andrikopoulos, 2011; Malinga, 2011). Adopting a qualitative methodology, drawing on the Mirvis and Googins' (2006) Corporate Citizenship Model to ascertain the level of responsiveness within large firms, and looking at the experiences of firms in other sectors (food, banking and energy) in addition to mining and petrochemicals, will therefore add to local research findings.

According to Freeman, York & Stewart (2008), successful business models are needed that inspire the broader business community. From a management point of view, this study aims to provide practical insight as to how South African firms have embraced CSR, sought to integrate it into the corporate strategy, and are dealing with internal barriers related to its institutionalisation. Through a series of interviews with senior and middle staff members attention will be drawn to the determining role that managers have in the process and the critical firm-level strategies and structures needed to guide companies in the right direction and ensure long-term buy-in and commitment of all staff.

## **1.5 Delimitations of the study**

The focus of this study is on large South African firms with an established history of CSR engagement. All are signatories to the UNGC and have received international and/or local recognition for being a leader in a specific aspect of sustainability. Excluded from the analysis are small, medium and micro enterprises (SMMEs). Further, while most firms have global and national subsidiaries and operations, the research will be restricted to the management

experience in South African offices. While the sample includes reference to a parastatal, no attempt will be made to contrast and evaluate the differences between public and private firm CSR practices.

The study adopts a qualitative methodology drawing on semi-structured interviews with middle and senior managers associated with CSR, sustainability and governance and who are committed to the furtherance of their company's strategic focus, values and CSR commitments. Interviews will not be made with managers in other functional areas and employees at other levels.

While it is acknowledged that the contraction of the South African economy since 2008 may have influenced the type and number of external job opportunities available to middle managers, and hence rates of turnover, the focus of the study is limited to unpacking the specific internal factors influencing manager 'intent to stay' motivations.

The study does not provide an evaluation of the effectiveness of the various CSR programmes undertaken, nor interrogates the ethical motivations behind the CSR positions adopted by the companies investigated, nor proposes remedial interventions. The emphasis is on how companies have embraced the idea and made it a core feature of the company. Moreover, CSR is reviewed in its entirety rather than on emphasising a particular environmental or a social angle or project.

## **1.6 Definition of terms**

**Corporate social responsibility** – This study adopted the strategic view of CSR provided by McElhaney (2009, p. 31). CSR is defined as “a business strategy that is integrated with core business objectives and core competencies of the firm, and from the outset is designed to create business value and positive social change, and is embedded in day-to-day business culture and operations”.

**Corporate citizenship** – Refers to businesses putting corporate social responsibility into practice (Mirvis & Googins, 2006). Epstein (2008, p. 1)

defines corporate citizenship as “the way the company integrates sustainability principles with everyday business operations and policies and then translates all of this into bottom-line results”.

**Sustainability** – Defined as “development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs” (Brundtland Commission, 1987, p. 37).

**Institutionalisation** – The process by which an organisation’s code of conduct, mission, policies, vision, and strategic plans are translated into action guidelines applicable to the daily activities of managers and other employees. It aims at integrating fundamental values and objectives into the organisation’s culture and structure (Scott, 1987; Selznick, 1996; Krygier, 2012).

**Middle manager** – A professional specialist at an intermediate level of management in an organisation’s hierarchy, being subordinate to the senior managers but above the supervisory or junior management level. In South Africa, middle managers are considered to be those employees at the Paterson D-Band level (Grigoriadis & Bussin, 2007, p. 45).

**Senior manager** – An individual at the highest level of organisational management holding specific executive powers conferred onto them with and by authority of the board of directors and/or the shareholders. In South Africa, senior managers are considered to be those employees at the Paterson E-Band level (Grigoriadis & Bussin, 2007, p. 45).

## 1.7 Assumptions

The following assumptions were made regarding the firms used in study:

- They had all gone through a formal process of defining CSR objectives and realigning the corporate vision and mission to embrace sustainability. There was a demonstrable attempt to proactively embed CSR in systems, procedures and policies and to view it as a form of competitiveness. Such

companies were therefore able to identify internal barriers to institutionalising CSR.

- The sample of managers interviewed was available and willing to participate in the study. Further, they had the required information and were willing to share it due to their seniority, tenure and familiarity with the organisation's values, culture and CSR obligations.
- The feedback received from the various interviewees was honest, factual and unbiased and if a respondent did not wish to disclose certain information, they informed the interviewer that this was the case.

## **2. CHAPTER 2: LITERATURE REVIEW**

### **2.1 Introduction**

As globalisation increases and society and the economy become more competitive, the pressure on South African businesses to improve returns on investment, cost efficiencies and ensure job creation is intensifying. At the same time, external pressures such as legislation and best practice compliance are forcing companies to realign and refocus corporate strategies to address the triple bottom line obligations of 'people, planet and profit'. At the interface between these competing concerns are the managers responsible for implementing and fulfilling corporate social responsibilities (CSR). Middle managers are under extreme pressure to deliver outputs on time and on budget. Consequently, CSR is often treated as an unnecessary 'add-on'. Job satisfaction and commitment is influenced by desires for a balanced lifestyle, appropriate rewards and career advancement. Unsatisfied middle managers resign, creating gaps in the organisational hierarchy and hiatuses in projects. Senior managers, on the other hand, have fiduciary obligations as well as personal post-tenure expectations that may compromise CSR buy-in and the embedding of sustainability values in firms.

The objective of this literature review is to explore these issues in more detail. The chapter commences with an analysis of the concept of CSR and the business case for moving beyond compliance to the creation of shared value and corporate citizenship. Each of the research sub-problems is then explored, drawing on theoretical and empirical evidence to identify the research propositions. First, the process of institutionalising CSR in organisations is appraised. The main features of the Corporate Citizenship Model are discussed and key internal barriers highlighted. Second, the influence of middle manager turnover on the institutionalisation of CSR is reviewed. The critical extrinsic and intrinsic variables are discussed. Lastly, the influence of senior manager tenure on the institutionalisation process is analysed. The chapter concludes with a summation of the three research propositions.

## **2.2 Definition of corporate social responsibility**

Corporate social responsibility principles have been a part of enlightened business practice since the 1920s and there is a vast and growing body of literature on the topic (Carroll, 1999; Lockett, Moon, & Visser, 2006; Pedersen, 2006; Aguilera et al., 2007; Cochran, 2007; Matten & Moon, 2008). However, CSR is not a concept that is amenable to simple definition and universal application. Moon, Crane and Matten (2005, p. 433) maintain that CSR is an “essentially contested concept”. CSR means different things to different people (Lantos, 2001; Fasset, 2012) and organisations tend to interpret what CSR means to them based on their own particular business requirements, size of their organisations and stage in the value chain (Dahlsrud, 2008; Carroll & Shabana, 2010). Another complication is that the concept is continually evolving in response to increased information and priority shifts in society (Aguilera et al., 2007). Heightening the complexity is the fact that CSR is not just a matter for individual firms to pronounce upon (Moon et al., 2005). Increasingly, governments, business associations, business consultants, non-government organisations (NGOs), shareholders, employees and consumers have shown a propensity to attempt to define CSR as they seek to endorse, encourage or criticise it. Moreover, since CSR focuses on the relationship between business and society, it is often used interchangeably with other terms such as sustainability (Bruntland Commission, 1987), socially responsible behaviour (Burke & Logsdon, 1996), the triple bottom line (Elkington, 1997), corporate shareholder responsibility (Freeman, Velamuri & Moriarty, 2006) and corporate citizenship (Altman & Vidaver-Cohen, 2000; Garriga & Melé, 2004; Epstein, 2008; McElhaney, 2009; Carroll & Shabana, 2010; Fairfield et al., 2011).

According to the World Business Council for Sustainability Development (WBCSD, 2001, p. 3), CSR is “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”. For Slabbert, Prinsloo, Swanepoel and Backer (1998, p. 16-4), CSR encompasses an “intelligent and objective concern for the welfare of society that restrains individual and corporate behaviour from the

ultimate destructive activities, no matter how immediately profitable, and leads in the direction of positive contributions to human betterment". Waldman, Kenett and Zilberg (2010, p. 2) state that CSR is "a management approach that takes into consideration an integrated set of indicators that map the firm's impact and reciprocal effects within the realm of its economic, societal and environmental existence". Adopting a within-firm perspective, Fasset (2012, p. 4) states that "CSR is a corporate culture where businesses or companies decide voluntarily to contribute to a better society and a cleaner environment". McElhaney (2009, p. 31) adopts a much more strategic view of CSR defining it as "a business strategy that is integrated with core business objectives and core competencies of the firm, and from the outset is designed to create business value and positive social change, and is embedded in day-to-day business culture and operations".

These definitions reflect the multiplicity of interpretations and perceptions of what CSR encompasses and means to businesses. Overall, they reflect a much broader and more inclusive role for modern businesses in society and a greater need for accountability and justification for the decisions made and actions taken at the firm-level. Underlying all of them is the principle that companies must not only be concerned about profits and economic performance, but non-economic criteria as well, notably its ethical, legal and philanthropic contributions (Carroll, 1979; 1999; 2000; Lantos, 2001; Dahlsrud, 2008; Fasset, 2012). More importantly, it implies a specific management response that is more involved, strategic, committed and continuous in nature. Guiding such views is an institutional logic that if a company's value encompasses more than generating revenue, it should create the conditions and put in place the structures and mechanisms to sustain its performance over time and create an enduring institution (Laszlo, 2008; Fairfield et al., 2011; Fasset, 2012).

### ***2.2.1 Theoretical analysis of the benefits of CSR***

Business benefits derived from CSR activities have been analysed in theoretical as well as empirical research, suggesting a clearly defined business case for CSR (Weber, 2008). Garriga and Melé (2004) maintain that there are three

overriding business motivations for pursuing CSR – moral obligation; legitimacy; and competitiveness/business sustainability. These can be analysed using several well-established theoretical perspectives (Fairfield et al., 2011; Porter & Kramer, 2011).

### **CSR as a moral obligation**

In some cases, purely ethical reasons drive CSR agendas. Driving such a proactive approach towards sustainability is the motivation that it is ‘the right thing to do’ and that ‘ethics pays’ (Paine, 2000; Payne & Raiborn, 2001). According to stewardship theory, the emphasis is on maximising benefits for all stakeholders, regardless of the impact on profitability (Donaldson & Davis, 1991; Davis, Schoorman & Donaldson, 1997; McWilliams et al., 2006).

### **CSR as a form of legitimacy**

The dominant research perspective on why companies engage in CSR is legitimacy theory. CSR is viewed as a means by which to protect and improve reputations and reduce investor risk by creating the perception of being a ‘good corporate citizen’ (Weber, 2008). According to Jenkins (2004), legitimacy theory relies upon the notion of a social contract between company and community, and on the assumption that companies will adopt strategies that demonstrate that the organisation is attempting to comply with institutional requirements. Scott (1995, p. 33) defines institutions as “cognitive, normative, and regulative structures and activities that provide stability and meaning to social behaviour”. Conformance to sustainability-oriented normative social rules and belief systems is one of the most tangible manifestations of a company’s attempt to create legitimacy amongst its external stakeholders (Scott, 2008; Gadenne et al., 2009). This is particularly evident in contentious industries such as extractives, which are seeking to dispel their negative reputations for being ‘dirty’, unethical and destructive (Wheeler, Fabig & Boele, 2002). Indeed, mining, oil and gas companies rank amongst the highest signatories to the UNGC, GRI, DJSI and the AA1000 Stakeholder Engagement Standard and the annual disclosure of sustainability impacts globally (Hamann, 2003; Jenkins & Yakoleva, 2006; Slack, 2012). For such firms, obtaining a ‘social license to

operate' is critical for long-term economic sustainability and the continued viability of operations. DiMaggio and Powell (1983) also suggest that over time, peer pressure ('isomorphism') encourages organisations to adopt uniformity in their responses to CSR for reasons of legitimacy. Although empirical research by Schwaiger (2004) suggests that CSR can influence corporate reputations in a positive way, achieving legitimacy remains a critical challenge for most companies (Schaltegger & Burritt, 2005).

### **CSR as a source of business sustainability and competitive advantage**

From a sustainability point of view, in order to be profitable over the long-term, corporations need to be able to manage and address the different needs and requirements of their diverse stakeholders. According to Freeman (1984, p. 46) stakeholders encompass "any group or individual who can affect or is affected by the achievement of the organisation's objectives". Stakeholder theory maintains that fostering constructive relationships with those directly affected by its activities – customers, investors, suppliers, government, NGOs, activist groups and employees – can significantly enhance a firm's reputation and economic prospects (Burke & Logsdon, 1996; Waddock & Graves, 1997; McWilliams & Siegel, 2000; Aguilera et al. 2007; Brønn & Vidaver-Cohen, 2007). It is argued that by engaging with stakeholders in an open and trustful manner firms can secure longer-lasting and more productive alliances, with associated benefits in terms of reduced operating costs, higher sales, and lower regulatory oversight (Weber, 2008; Manner, 2010). A number of studies have examined the relationship between CSR, stakeholder relationships and firm outcomes, particularly in terms of financial performance. Margolis, Elfenbein and Walsh's (2007) meta-analysis concluded that the overall effect is positive but small. In a quantitative study of firms on the Johannesburg Stock Exchange (JSE), Buys et al. (2011) confirmed that there is indeed a positive relationship between stakeholder relationships and CSR and financial performance. However, McWilliams and Siegel (2000)'s study of CEOs across 3,000 American firms concluded that the relationship remains inconclusive.

Some companies regard CSR as an opportunity for pursuing and developing new sources of competitive advantages. In such instances, sustainability is

treated as a valuable, rare and hard to imitate resource or capability that requires targeted investment and support to grow and expand (Prahalad & Hamel, 1990; Russo & Fouts, 1997; Aragon-Correa & Sharma, 2003; Branco & Rodrigues, 2006). From a resource-based view of the firm, resources encompass “all assets, capabilities, organisational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness” (Barney, 1991, p. 101). Various authors point out the benefits that can accrue to a firm by adopting such a supply-side approach to CSR. These include improved market positioning and product development (Porter & Van der Linde, 1998; Porter & Kramer, 2011), greater corporate reputation, stronger customer relationships and loyalty (Vogel, 2005), and improved employee attraction, motivation, morale, job satisfaction, retention, and team cohesion (Wilkinson, Hill, & Gollan, 2001; Zappalà, 2004; Branco & Rodrigues, 2006; Weber, 2008; Strandberg, 2009; Gond et al., 2010). However, Weber (2008) points out that one of the challenges associated with CSR is that it is often difficult to extricate benefits arising from CSR from other internal corporate activities such as marketing and knowledge acquisition.

### **2.3 The process of institutionalising CSR in organisations**

Broadly, institutionalisation is “the process by which an organisation develops a distinctive character structure” (Scott, 1987, p. 66) and something that happens to an organisation over time (Selznick, 1996). In the context of CSR, it can be understood as the process by which the organisation’s code of conduct, mission, policies, vision, and strategic plans related to sustainability are translated into action guidelines applicable to the daily activities of managers and other employees. The ultimate goal is to integrate CSR values and objectives into the organisation’s culture and structure (Scott, 1987; Selznick, 1996; Krygier, 2012).

Extensive studies have been undertaken seeking to understand and describe how firms react to social and environmental issues and adapt internal processes and systems to meet CSR priorities (see for example Carroll, 1979;

Wood, 1991; Bansal & Roth, 2000; Davis & Nelson, 2003; Zadek, 2004; Basu & Palazzo, 2008). Empirical evidence highlights considerably heterogeneity in the responses of organisations (Hamann & Acutt, 2003; Smith, 2003; Moan, Lindgreen & Swaen, 2009). Typically, these are described in terms of a succession of stages through which companies evolve and can be depicted as lying on a continuum; ranging from apathy, obligation and compliance on the one end, to proactive, fully committed, and transformational engagement on the other (Mirvis & Googins, 2006; Moan et al., 2009). Spitzeck (2010, p. 2-3) categorises these different theoretical interpretations of the institutionalisation process according to five perspectives – historical, performance oriented structural, cognitive, and moral-cognitive.

For the purposes of this study, the Corporate Citizenship Model, proposed by Mirvis and Googins (2006), is used to understand how CSR is institutionalised in firms. The authors adopt a structural perspective of the evolutionary process, emphasising the impact and influence of the underlying structures, processes and resources that change through each sequential stage in the developmental process. Further, the indicators used are qualitative and align with the concept of the resource-based view of the firm. Large firms in South Africa are perceived to be motivated to adopt and institutionalise CSR to advance their competitive market positions and maintain business sustainability.

### ***2.3.1 The Corporate Citizenship Model***

Mirvis and Googins (2006) define an organisation's CSR evolution and institutionalisation progress in terms of five-stages: elementary, engaged, innovative, integrated and transformative. Stages are measured along seven dimensions: citizenship concept, strategic intent, leadership support, structure, issues management, stakeholder relationships, and transparency. The authors draw attention to the fact that when a company is going through the different stages, action requirements become increasingly more demanding and organisational structures, process and systems used to manage CSR more elaborate and comprehensive (Mirvis & Googins, 2006). The model is particularly useful for this study as it provides insight as to how informed top

leaders are about citizenship, how much leadership they demonstrate, and to what extent they ‘walk the talk’. According to the model, leading-edge firms make the link between business and society in their strategies, plans, and value chains from sourcing through to products and services. Such firms look ‘outside-in’ to define the issues that are ‘material’ to both the firm and society and ‘inside-out’ as to how to address them authentically and distinctly (Googins, Mirvis & Rochlin, 2007). Figure 1 captures the main elements of the Corporate Citizenship model and a more detailed description of each stage and underlying dimensions is provided in Appendix A.

	Stage 1: Elementary	Stage 2: Engaged	Stage 3: Innovative	Stage 4: Integrated	Stage 5: Transforming
Citizenship Concept	Jobs, Profits & Taxes	Philanthropy, Environmental Protection	Stakeholder Management	Sustainability or Triple Bottom Line	Change the Game
Strategic Intent	Legal Compliance	License to Operate	Business Case	Value Proposition	Market Creation or Social Change
Leadership	Lip Service, Out of Touch	Supporter, In the Loop	Steward, On Top of it	Champion, In Front of It	Visionary, Ahead of the Game
Structure	Marginal, Staff Driven	Functional Ownership	Cross-Functional Coordination	Organisational Alignment	Mainstream, Business Driven
Issues Management	Defensive	Reactive, Policies	Responsive, Programmes	Proactive, Systems	Defining
Stakeholder Relationships	Unilateral	Interactive	Mutual Influence	Partnership, Alliance	Multi-Organisation
Transparency	Flank Protection	Public Relations	Public Reporting	Assurance	Full Disclosure

**Figure 1: The corporate citizenship model (Mirvis & Googins, 2006, p. 3)**

In terms of its previous application, Timonen and Luoma-aho (2010) used the Corporate Citizenship Model in a narrative analysis of three internationally operating corporations headquartered in Finland. Although an effective model, the authors concluded that for maximum benefit, one should give cognisance to sector and business type when considering citizenship. The model has also been used by Hallbäck (2011) in her study of Wärtsilä, Finland, and more broadly by Zappalà and Adams (2010) in their review of 52 companies in Australia and New Zealand. Basu and Palazzo (2008), argue that while the model assists in understanding the change in CSR postures in firms, it neglects

consideration of factors shaping the specific trajectories within firms. In a later study, Morgan, Ryu and Mirvis (2009) acknowledge that social forces, industry dynamics, cross-sector influences, leadership and company culture might also shape how CSR develops in a specific firm. Based on their analysis of 350 major US and foreign companies, the authors conclude that most businesses show a differentiated response across the various stages and dimensions (Morgan et al., 2009).

### ***2.3.2 Criteria for successfully institutionalising CSR***

From the analysis above, and a supplementary review of the literature, it is evident that corporations evolve to higher stages based on three triggers: the internal credibility and capacity to support citizenship activities; the coherence of those activities; and, the commitment to incorporate citizenship in the corporate culture (Collier & Esteban, 2007; Googins et al., 2007; Epstein, 2008; Laszlo, 2008; Morgan et al., 2009; Melo, 2012). Successful CSR institutionalisation requires that the tone be set by top management in consultation with the board, that CSR be treated and managed as a core business strategy reporting to a top-level leader in the company, be supported by CSR 'champions' across business units, and have clear quantifiable and detailed targets set in all staff performance agreements that are regularly monitored and updated (Dunphy, Benn & Griffiths, 2003; Strandberg, 2009; Smart & Cohen, 2010; Fairfield et al., 2011). Staff participation and buy-in is also critical to embedding a culture of sustainability (Gond et al., 2010). This requires continuous engagement, active leadership and support in the form of training, mentoring and appropriate incentives/rewards (Redington, 2005; Collier & Esteban, 2007; Googins et al., 2007). At the same time, various in-house technical and action-learning opportunities can substantially enhance employee awareness of, and commitment to, sustainability objectives (Haugh & Talwar, 2010). Bhattacharya, Sen and Korschun (2012) emphasise that CSR is most effective when employees are the actual enactors, with the company acting as an enabler.

### **2.3.3 Barriers to the institutionalisation process**

Businesses' role in creating shared value for all stakeholders remains infinite (Laszlo, 2008; Mirvis, Googins & Kinnicutt, 2010; Kanter, 2011). Nevertheless, while all business enterprises have the potential to make a tangible impact on society and are guided by CEOs with good intentions, hampering the process is the fact that "companies are left with little guidance when they try to translate the abstract concept of CSR into practice" (Pedersen, 2006, p. 138). Due to difficulties in operationalising CSR, an inevitable chasm arises between CSR rhetoric and actual practice on the ground (Grayson & Hodges, 2004; Maon et al., 2009). Prior research has demonstrated that external and internal barriers affect the institutionalisation process (Post & Altman 1994; Murillo-Luna, Garcés-Ayerbe & Rivera-Torres, 2007; Stocchetti, 2013). External barriers, which exist outside the firm, include factors like uncertainty about international and national legislation, organisational size, level of diversification, degree of research and development spend, depth of advertising, consumer income, labour market conditions, and stage in the industry life cycle (McWilliams & Siegal, 2001; Aragón-Correa & Sharma, 2003). Internal barriers originate within organisation and include factors such as poorly defined values, insufficient communication of policies, inadequate allocation of financial and human resources, a restrictive organisational culture, high staff turnover and limited tenures of top management teams (Finkelstein & Hambrick, 1990; Russo & Fouts, 1997; Bansal & Roth, 2000; Murillo-Luna et al. 2007; Chin et al., 2013).

According to Post and Altman (1994), internal barriers have a greater negative impact on the development of proactive strategies than external barriers. Unlike external barriers, management has considerable control and influence over internal barriers. Delgado-Ceballos et al. (2012) assert that if an organisation is able to overcome its internal barriers, it is more likely to be able to overcome the external barriers. Mirvis and Googins (2006) maintain that managers are the catalyst for implementing CSR in organisations. This is echoed by Treviño and Brown (2005) and Duarte (2010) and who assert that since managers are responsible for the formulation, implementation and obtaining firm-level buy-in to the process, their decisions, values and actions have a determining impact as

to whether policy outcomes are positive or negative in nature. For this reason, this study focuses on understanding two antecedents to the successful institutionalisation of CSR in South African companies, turnover at the middle management level, and tenure at the senior management level.

### ***2.3.4 Research proposition 1***

A company's progress towards the institutionalisation of CSR can be represented along a continuum of five stages – elementary, engaged, innovative, integrated and transforming. A company's position will depend on the internal credibility and capacity to support citizenship activities, the coherence of those activities, and the commitment to incorporate citizenship in the corporate culture. Managers play a key role in the institutionalisation process.

## **2.4 The influence of middle management turnover on CSR outcomes**

### ***2.4.1 Rising competition for skilled resources***

Both South African and global organisations are experiencing intense competition for skilled staff, particularly at the management level. Stovel and Bontis (2002) claim that employees switch organisations every four to six years. Globally, turnover rates have increased significantly over the past decade, with rates varying according to sector, industry and employee demographics. Turnover is highest in the private sector and in retail, IT and professional service companies and within the 25-29 year old age group (Catalyst, 2012). Large South African multinationals reflect similar trends in turnover, with rates of about 15 percent for middle management and 10 percent for senior management in 2011. In a recent study of 56 CEO perspectives on sustainability in South Africa, PwC (2012) concluded that high-potential middle and senior managers are the hardest to recruit and retain. Compounding the 'war for talent' in South Africa is the emigration of skilled people, the relative scarcity of specialist and managerial employees, and a national drive to address

employment equity within designated groups, which drives demand in niche areas, particularly management (Kotzé & Roodt, 2005; Nzukuma & Bussin, 2011). According to a study by Accenture (Lacy, Cooper, Hayward & Neuberger, 2010), most sustainability programmes depend on a single key leader for their effective roll-out and on-going management, which causes problems in the event of resignations.

#### ***2.4.2 Organisational implications of high turnover rates***

As highlighted earlier, middle managers play an important role in organisations, effectively bridging the gap between executive management and operational staff. In addition, they are responsible for putting into effect the direction established by top management by making sure that resources are allocated and controlled appropriately, monitoring performance and behaviour of staff, and where necessary, explaining the strategy to those reporting to them (Johnson, Scholes & Whittington, 2008). Samuel and Chipinza (2009) maintain that excessive staff turnover, particularly at management levels, is not only costly to organisations but also destructive to the progression of policies. Research suggests that replacement costs can be as high as 50 to 60 percent of an employee's annual salary with total costs associated with turnover ranging from 90 and 200 percent of their annual salary (Catalyst, 2012). At the same time, high turnover has been shown to result in adverse impacts on customer satisfaction, productivity, and profitability levels as well as internal team cohesion, morale and the embedding of values (Hausknecht & Trevor, 2011; Catalyst, 2012). Roll-out of programmes is particularly compromised when key incumbents with the knowledge and insights leave and there are no internal succession plan in place to ensure the seamless continuation of programmes and individuals with the same values and passion cannot be identified and recruited from outside of the firm (Carmeli & Weisberg, 2006; Strandberg, 2009).

### **2.4.3 Factors influencing manager turnover**

Staff turnover can be understood as the voluntary and permanent withdrawal of an individual from an organisation (Samuel & Chipinza, 2009). Price (2001) identifies two types of turnover – involuntary and voluntary. The former arises as a consequence of a corporate decision regarding the continued viability of the position and often results in an individual being dismissed or retrenched. Voluntary turnover, by contrast, is individually motivated and can either be functional and dysfunctional in nature (Price, 2001; BlessingWhite, 2013). Functional turnover involves the resignation of poor performers and is regarded as being beneficial to an organisation as it permits the appointment of more competent employees to a position. Conversely, dysfunctional turnover is destructive to organisations as it leads to the resignation of employees with valuable skills and thus incurs high replacement costs (Price, 2001; Carmeli & Weisberg, 2006; BlessingWhite, 2013). Empirical evidence supports a strong correlation between an individual's 'intent to stay' motivations and voluntary turnover rates (Lambert, Hogan & Barton, 2001; Strandberg, 2009). Voluntary turnover is shaped by a combination of intrinsic and extrinsic firm-related variables and demographic factors (Capelli, 2000; Malinga, 2011; Mahdi, Zin, Nor, Sakat, & Naim, 2012).

#### **Intrinsic variables**

Intrinsic variables relate to an individual's sense of purpose and the personal value derived from allocated work and the nature of tasks undertaken (Basset-Jones & Lloyd, 2005, p. 9). Factors such as a sense of achievement, recognition, job scope, responsibility, and advancement and growth options, influence the psychological bond between individuals and their organisations. The stronger the bond the greater the probability that managers will decide to continue membership in the organisation; the weaker the bond the greater the likelihood that employees will seek alternative positions either inside or outside of the firm (Mahdi et al., 2012; BlessingWhite, 2013).

Quantitative research undertaken around the world reviewing various aspects of organisational development and staff turnover suggest that an individual's

'intent to stay' is positively correlated with two factors – job satisfaction and commitment (Buchanan II, 1974; Khatri, Budhwar & Fern, 1999; Price, 2001, Stawiski, Deal & Gentry, 2010; BlessingWhite, 2013). According to Becker, Randall and Riegel (1995) commitment entails a strong desire to remain a member of a particular organisation, a willingness to exert high levels of effort on behalf of the organisation, and a defined belief in and acceptability of the values and goals of the organisation. Intrinsic factors that have been shown to have determining influence middle management turnover intentions are discussed below.

*The richness of the job, alignment and sense autonomy*

In a quantitative online survey-based analysis of 80 CSR managers from 14 countries in Asia, Stawiski et al. (2010) found that job satisfaction was strongly influenced by the existence of a clear job specification that stipulated the areas of responsibility and what the company expected as value for the position. Lack of alignment between the activities of the CSR manager and core business objectives compromised their ability to deliver on outputs and expected value resulting in increased dissatisfaction. Similar findings were found by Muteswa and Ortlepp (2011) in their empirical investigation of 208 South African managers. Their study revealed that the nature of the work itself is a common reason why managers leave their organisations. Insufficient scope for change, unrealistic workloads, work stress, and work-to-family conflicts result in higher levels of frustration, disillusionment and lower satisfaction levels. Managers have highlighted that being empowered to work with others in the business to assess key priority areas, and being given discretion to manage risks and identify new sustainable business opportunities, can increase overall job satisfaction levels (Shen & Cho, 2005; Nzukuma & Bussin, 2011).

The link between responsibility and job satisfaction and commitment is further highlighted in the findings of a study by the UNGC and the Wharton School of the University of Pennsylvania exploring the process of CSR ownership in 400 companies (cited in Bhattacharya et al., 2012). The study revealed that in 71 percent of the companies' CSR policies and practices were developed and managed at the CEO level, 57 percent at the board of directors level and 56

percent at the senior management level. Middle management involvement was negligible. The top-down nature of the process and middle management exclusion in the CSR process directly contributed to lower overall satisfaction levels and a higher propensity for resignation (Bhattacharya et al., 2012).

Laszlo (2008) maintains that in companies that are 'doing well by doing good', managers' roles are continuously being revised and enriched through mentoring and training and being afforded greater ownership and autonomy in CSR initiatives. CSR objectives, moreover, are incorporated into job profiles and monitored and rewarded regularly.

#### *Achievement, recognition and career advancement*

In a study of 52 firms in Australia and New Zealand, Zappalà and Adams (2010) concluded that a strong CSR programme is less likely to result in an improved retention rate than are initiatives that directly improve individual employee job satisfaction, such as career advancement and recognition programmes. An inverse relationship between career development, appreciation and recognition, and the degree of coaching and mentoring and job satisfaction was also found by Strandberg (2009) and Nzukuma and Bussin (2011). Human resource practices such as competency development and career planning have also been shown to have a positive impact on the embedding of CSR values and organisational commitment levels (Redington, 2005).

#### **Extrinsic variables**

Extrinsic variables are the external benefits provided to the staff member by an organisation and relate to the context in which a job takes place (Mahdi et al., 2012). Research confirms that individual perceptions of company policies, salary levels, worker relationships, and supervisory styles directly influence decisions as to whether to stay or to leave (Basset-Jones & Lloyd, 2005; Catalyst, 2012). Empirical studies also support the fact that organisational structures, policies and procedures that are aligned to meeting employee needs will have the greatest influence on job satisfaction and commitment levels (Maon et al., 2009). Extrinsic factors that have determining influence middle management turnover intentions are discussed below.

### *Performance management and incentivisation*

In a study of 1,385 workers representing a variety of occupations, Mottaz (1988) highlighted that work rewards have a strong, positive effect on managers' commitment levels and intent to stay motivations. More recently, Restorick (2012) pointed out that job satisfaction, commitment and being able to deliver on CSR objectives is dependent on how well corporate values are integrated into manager performance contracts and appropriately incentivised. He notes that middle managers are often faced with conflicting responsibilities; delivering strategic economic objectives, which are integrated into and managed by performance contracts, and delivering on broader CSR objectives, which are not. Consequently, while their organisations are very committed to CSR, "it is clear that not rocking the boat on green or social issues is the default position" in most instances (Restorick, 2012, p. 1). Strandberg (2009) maintains that retaining key talent requires that companies relook levers associated with developing and strengthening CSR organisational capabilities, including succession planning, salary dispersion and rewards policies, and performance management systems.

### *Organisational culture, fairness and employee engagement*

According to Cochran (2007), firms develop a competitive advantage by being perceived as great places to work. Various factors contribute to this process, most notably a conducive open organisational culture oriented around a common set of values, fairness and transparency in the manner in which business transactions and interactions are conducted, and consultative and inclusive engagement with employees (Mirvis & Googins, 2006; Laszlo, 2008)

Brammer, Millington and Rayton (2007) argue that employees who consider their company to be fair and just and champion CSR values across all levels will exhibit lower absence rates, lower employee turnover, higher productivity, and even demand lower wages. Similarly, Aguilera et al. (2007) claim that the perceived fairness of the working environment has been shown to affect both employee well-being (such as job satisfaction, stress, health, emotion) and organisationally relevant outcomes, such as employee commitment, turnover,

absenteeism, job performance, citizenship behaviour, and counter-productivity. Stawiski et al. (2010) point out that there is evidence to suggest that the higher an employee rates an organisation on its commitment to good corporate citizenship, the more committed the employee is likely to be to the organisation. From the perspective of the CSR institutionalisation process, employees will seek to work for, and remain in, organisations to which they can relate, derive elements of their own identity from being members of, and the degree to which they can commit to the organisation's values and goals (Collier & Esteban, 2007).

Staff retention requires continuous communication between top management and managers about the objectives, goals and desires of CSR programmes and initiatives (McElhaney, 2009; Stawiski et al, 2010). In particular, securing manager buy-in requires that managers understand the context, reasons, relevance and implications for the adoption of CSR (Laszlo, 2008). According to Cochran (2007, p. 453), "firms that have good employee relations are likely to have significantly lower turnover rates and a substantially more enthusiastic workforce". However, Stawiski et al. (2010) maintain that while perceptions of organisational corporate citizenship matter to employees, other key factors such as job design and supervisor's leadership style are considered more important.

### **Demographic factors**

According to Brammer et al. (2007), past studies suggest that the age of the respondent, length of employment in the organisation, and the seniority of the respondent will be positively related to affirmative commitment and intent to stay motivations. Ng and Feldman (2009) reported a negative relationship between turnover intention and age, tenure and income level. Stawiski et al. (2010) found that the relationship between CSR and commitment is stronger for women than it is for men and that the amount of education was positively associated with turnover suggesting that the more educated the employee, the higher the propensity to leave.

#### **2.4.4 Research proposition 2**

The greater the alignment between individual intrinsic desires and expectations and the extrinsic policies, values and structures of the organisation, the more committed and satisfied an employee will be. Greater commitment will manifest itself in lower rates of staff turnover and the wider penetration/institutionalisation of CSR through the organisation's hierarchy and supply chains.

### **2.5 The influence of senior management tenure on CSR outcomes**

#### **2.5.1 The role of senior managers in the institutionalisation process**

A critical requirement for successful CSR institutionalisation is top management involvement and engagement throughout the development process (Thomas & Simerly, 1994; Laszlo, 2008; McElhaney, 2009; Melo, 2012). It also requires the development of a vision that reflects the core values of the firm and that is fully integrated and aligned with the existing corporate strategy of the company (Googins et al., 2010). Hambrick and Mason (1984, p. 193) state that, "organisational outcomes – both strategies and effectiveness – are viewed as reflections of the values and cognitive bases of powerful actors in the organisation". Further, leaders play a key role in maintaining the "integrity and continuity of the system itself" (Scott, 1987, p. 65). By instilling value and changing underlying assumptions through a combination of top-down and bottom-up initiatives, managers can create a sense of intrinsic worth, stability and persistence in their organisations over time (Scott, 1987; Finkelstein & Hambrick, 1990; Chin et al., 2013).

#### **2.5.2 Factors influencing the effectiveness of senior management tenure**

Empirical and theoretical studies suggest that senior management tenure can be used as an indicator of the strength and pervasiveness of organisational

values and culture (Pfeffer, 1991; Finkelstein & Hambrick, 1990; Thomas & Simerly, 1994; Manner, 2010; Hong & Minor, 2012). From the literature it is evident that there are three key determinants of whether executive tenure engenders a positive or negative outcome for an organisation in terms of CSR – duration (length of tenure and functional experience), age and education of the executive, and degree of management discretion. Each of these will be discussed below.

### **Tenure duration**

According to Zappe (2009) there is no optimum tenure duration for an executive in an organisation as it varies by industry, designation and focus area, and corporate specifications; however, executive tenures on average appear to be shortening. A global study by ExecuNet (2009) reports that the average tenure of executives in a single job has reduced to 2.3 years, 2.8 years in the same company, and 4 years in the same industry. This is complicated by the fact that it can take approximately three years of deep entrenchment in a job to for an individual to reach peak performance (ExecuNet, 2009). Gupta (1986, p. 216) suggests that “the longer an individual has worked for an organisation, the more familiar he/she is likely to be with its products, markets and technologies, but also with its people, standard operating procedures and culture”. Empirical studies confirm that excessively short tenures and frequent management changes disrupt organisational continuity and negatively affect firm performance (Boeker, 1997; Schwenk, 1993; Ng & Feldman, 2010; Melo, 2012).

Likewise, excessively long-tenures, particularly in the same job role, can create conditions of organisational inertia with resultant decreases in overall firm-level performances (Miller, 1991). Pfeffer (1991) points out that executives with tenures in excess of fifteen years and particularly those that have been progressed internally in the firm have much more invested – psychologically and tangibly – in maintaining the status quo than adopting new strategies and policies. In a similar vein, Finkelstein and Hambrick (1990) state that firms led by long-tenured executives in the same functional position will be characterised by persistent, unchanging strategies, strategies that conform closely to industry averages, and performance that conforms to industry averages.

However, senior managers that have experienced considerable variation in their functional positions and management roles will have a greater positive impact on firm performance and strategic outcomes (Finkelstein & Hambrick, 1990). Indeed, in 350 empirical studies with a collective sample size of 249,841 managers, Ng and Feldman (2010) concluded that long-tenured employees who had moved within the industry generally had a greater in-role performance impact on citizenship behaviours in their respective organisations than those who came from other industries. Thomas and Simerly (1994) maintain that long-tenured executives promoted through the ranks in a particular industry have a better understanding of stakeholder requirements and a superior knowledge of industry needs and capabilities. Such knowledge is advantageous when selecting higher-impact projects. However, this is challenged by Hambrick, Geletkanycz and Fredrickson (1993) who argue that in-depth industry familiarity can also be a disadvantage as too much industry familiarity may restrict an executive's vision and consideration of alternatives that require deviation from accepted industry norms.

### **Age and education of senior managers**

In a five year longitudinal empirical investigation of highest paid executives across 1,500 firms and firm-level CSR practices, Hong and Minor (2012) found that older generations of managers, on average, tended to be financially more conservative than younger managers. Younger managers tended to be more open to alternative strategies and propositions and thus would demonstrate greater propensity to champion new CSR policies. The authors' study also concluded that gender (female) and level of education (possession of an MBA) also played a role in whether a manager would adopt a more proactive response to CSR during their tenure as senior executives or not.

Hambrick and Mason (1984) argue that older executives may have less physical and mental stamina to grasp new idea and learn new behaviours, and may tend to be more psychologically committed to the status quo than their younger counterparts. In this case, fiduciary obligations would overrule pursuit of long-term, more risky programmes. Alternatively, older top managers may be more inclined to over-invest in CSR to secure higher bonuses and retirement

benefits if their tenures are of a fixed duration and to preserve their positions if retrenchments are imminent (Barnea & Rubin, 2010). Younger executives, by contrast, may be more motivated to engage in CSR activities to build their own personal reputation as good global citizens, engage with stakeholders to pursue alternative, future career paths outside of the firm, strengthen the competitive advantage of the company, and because 'it's the right thing to do' (Finkelstein & Hambrick, 1990; Cespa & Cestone, 2007; Kang, 2010).

### **Manager discretion**

Finkelstein and Hambrick (1990) maintain that tenure effectiveness is also strongly dependent on the level of managerial discretion. Where discretion is low, the role of the top-management team is limited. Where discretion is high, managers can significantly shape the organisation, and managerial characteristics will be reflected in organisational outcomes. Managers will implement CSR initiatives when these align with their instrumental interests of enhancing shareholder value and increasing firm competitiveness and profitability in compliance with fiduciary obligations. At the same time, however, this will incur other benefits, notably firm survival and compensation packages, which are generally tied to profitability (Hong & Minor, 2012). Although current research has demonstrated that firms' proactivity towards CSR leads to higher profitability (Orlitzky, Siegel & Waldman, 2011), the short-term versus long-term benefits are often in conflict. Aguilera et al. (2007) maintain that executives will incorporate CSR in their organisational strategies only when doing so is clearly associated with greater economic opportunities. Further, unless CSR objectives are incorporated in performance agreements with incentive based outcomes, managers are more likely to succumb to short-termism – the pursuit of short-term projects with demonstrable economic outcomes – than long-term, more risky projects related to more abstract outputs such as societal improvement (Laszlo, 2008; Beale & Fernando, 2009). Nevertheless, Hong and Minor (2012, p. 2) caution that strategy is a "more complex phenomenon than a single managerial decision, the special mechanisms that govern the relationship between a manager's decisions across different organisational outcomes remain poorly understood".

### **2.5.3 *Research proposition 3***

The longer the length of tenure, the higher the level of discretion and the older the senior manager, the more stable the organisational outcomes will be. The younger, more educated and more varied the level of functional experience of senior managers, the greater the chance the status quo will be abandoned in favour of riskier and more competitive policies.

## **2.6 Conclusion of literature review**

In summary, the heterogeneity of corporate CSR responses can be attributed to how far and how successfully it has been institutionalised across all aspects of a company's activities. The most tangible manifestation of its embodiment is the degree to which organisational priorities have changed; strategies, structures and processes realigned; stakeholder and employee engagement and communication levels increased; and, measures and responsibilities redefined across all levels.

### **2.6.1 *Research proposition 1***

A company's progress towards the institutionalisation of CSR can be represented along a continuum of five stages – elementary, engaged, innovative, integrated and transforming. A company's position will depend on the internal credibility and capacity to support citizenship activities, the coherence of those activities, and, the commitment to incorporate citizenship in the corporate culture. Managers play a key role in the institutionalisation process.

However, for CSR initiatives to be truly sustainable, they have to manifest themselves intangibly, through a change in employee values and behaviours. In order to enable those tasked with implementing corporate strategies, particularly middle and senior managers, cognisance has to be afforded to those factors that directly impact on their psychological and economic motivations for staying in an organisation and committing to the pursuit of new objectives.

### **2.6.2 *Research proposition 2***

The greater the alignment between individual intrinsic desires and expectations and the extrinsic policies, values and structures of the organisation, the more committed and satisfied an employee will be. Greater commitment will manifest itself in lower rates of staff turnover and the wider penetration/institutionalisation of CSR through the organisation's hierarchy and supply chains.

### **2.6.3 *Research proposition 3***

The longer the length of tenure, the higher the level of discretion and the older the senior manager, the more stable the organisational outcomes will be. The younger, more educated and more varied the level of functional experience of senior managers, the greater the chance the status quo will be abandoned in favour of riskier and more competitive policies.

### **3. CHAPTER 3: RESEARCH METHODOLOGY**

This chapter outlines the research methodology used to address the propositions put forward in the literature review. Following an identification of the choice of research paradigm and design, the population and sample of respondents is described and discussed. The research instrument, procedure for data collection and the methods that were employed in analysing and interpreting results is then presented. Notable limitations are also identified. The chapter concludes with a consideration of issues pertaining to validity and reliability.

#### **3.1 Research methodology /paradigm**

This study adopted a qualitative research methodology to address the three propositions raised in Chapter 2. Bryman (2012, p. 36) defines qualitative research as “a research strategy that usually emphasises words rather than quantification in the collection and analysis of data”. Such a research paradigm is distinguished from a quantitative methodology in that it involves a deductive view of the relationship between theory and findings, focuses on the description of interactions amongst participants and researchers in natural settings with few boundaries, and requires that the researcher make interpretations of the meaning of the data (Harwell, 2011; Bryman, 2012; Creswell, 2013). Creswell (2013) maintains that qualitative researchers do not believe there is necessarily a single, ultimate truth to be discovered. Instead, there may be multiple perspectives held by different individuals, each perspective having equal validity. Gaining meaningful representation of phenomenon requires exploring them from various angles and using various data sources (Harwell, 2011; Bryman, 2012). The advantage of a qualitative paradigm is that it provides greater flexibility and opportunities to obtain clear insights and broad knowledge on specific social research questions (Bryman, 2012).

According to Merriam (1995), qualitative research is ideal for determining the history of a situation, understanding how participants perceive their roles or tasks in an organisation, and building theory, hypotheses or generalisations. For

Harwell (2011), qualitative research provides a researcher with a means by which they can judge the effectiveness of a particular policy, intervention or innovation. Since the objective of this study was to gain a deeper understanding of the evolution and institutionalisation of CSR in companies and manager perspectives on the internal barriers to its progress, a qualitative paradigm was considered most appropriate. Qualitative methods have been used in a number of CSR-related studies (see for instance Timonen & Luoma-aho, 2010; Hallbäck, 2011).

### **3.2 Research design**

There are different types of research designs that can be used to provide a framework for the collection and analysis of data. Bryman (2012, p. 45) identifies five prominent research designs – experimental, cross-sectional, longitudinal, case study and comparative. Choice depends on the particular research question, the control the researcher has over actual behavioural events, and whether the focus is on contemporary as opposed to historical phenomena (Creswell, 2013). Since the object of this study was on contemporary phenomenon, and that direct interaction with managers would reveal particular opinions and issues relating to the institutionalisation of CSR, longitudinal and cross-sectional designs were not considered applicable. Experimental design was also not deemed applicable as the researcher had no control over company behaviours in terms of CSR. According to Yin (2012, p. 5), case study is the preferred strategy when the research question is explanatory or descriptive in nature, when the investigator has little control over events, when in-depth analysis is required of a single or few situations, and when the boundaries between phenomenon and context are not clearly evident. The objective of this study was to understand how companies are institutionalising CSR, thus a case study was considered a useful choice of design. However, given that the companies reviewed are in different industry sectors, a comparative design employing multiple cases was the more preferable choice.

According to Bryman (2012, p. 72), a comparative design entails studying two or more contrasting cases using more or less identical methods. The advantage of such a design is that it can help to improve theory building – the researcher will be in a much better position to establish circumstances in which a theory will or will not hold, and provide an opportunity to examine the operation of generative causal mechanisms in contrasting or similar contexts (Bryman, 2012, p. 74). The biggest limitation is that the researcher can land up paying less attention to the specific context and more to the ways in which the cases can be contrasted (Baxter & Jack, 2008). Critics also question the advantages of developing an explicit focus at the outset of the research process, in favour of a more open-ended approach (Bryman, 2012). Nevertheless, comparative designs using multiple-cases has been used by a number of authors in their qualitative investigations of different aspects of CSR (see Mostardeiro, 2007; Maon et al., 2009; Khan & Beddewela, 2008; Richter, 2011; Zhang & Zhu, 2012).

### **3.3 Population and sample**

#### **3.3.1 Case sites**

The population was large firms in South Africa, with the unit of analysis defined as firms that have an established reputation for implementing CSR throughout their organisations, are signatories to the UNGC South Africa, have won awards for environmental and social responsibility, employ more than 500 people, and are home-grown South African firms. Contrasting types of firms based on industry type were selected deliberately in order to obtain a more in-depth and diverse understanding of their CSR practices, experiences and challenges.

#### **Eskom Holdings SOC Limited**

Established in 1923, Eskom is a public, limited liability company, wholly owned by the South African government. In 2012, the company had an employment base of 46,624 people (Eskom, 2013). Eskom is engaged in the generation, distribution and transmission of electricity in provides approximately 95 percent

of the electricity used in South Africa and 45 percent of that used in Africa. The parastatal is one of the oldest signatories to the UNGC in South Africa, joining in 2002. Eskom has won numerous awards for its sustainability endeavours, including being ranked as one of the Top Five companies in the Ernst and Young Excellence in Sustainability Reporting for the past five years (Eskom, 2013).

### **Gold Fields Limited**

Gold Fields has nine operating mines in Ghana, Mali, Australia and Peru and South Africa and a portfolio of projects around the globe. Gold Fields became a mid-tier producer in February 2013 following the unbundling of three of its South African mines into a separate company, Sibanye Gold. Prior to unbundling, Gold Fields employed 48,120 people. Production guidance for 2013 is estimated at around 2 million ounces of gold, placing the company among the top ten gold miners in terms of gold production (Gold Fields, 2014). Gold Fields' primary listing is on the Johannesburg Stock Exchange and the company subscribes to a number of international voluntary organisations including the UNGC, GRI and the International Council on Mining and Metals (ICMM). In 2012, Gold Fields won the Ernst & Young Excellence in Integrated Reporting award, was ranked second on the Carbon Disclosure Leadership Index and first in the Climate Change Leadership Award in the Energy, Minerals and Industrial category (Gold Fields, 2012). The company was one of just five South African companies listed on the DJSI for 2013 (Gold Fields, 2013b) as well as the PwC's Building Public Trust Awards in the 'Overseas Award: Towards Integrated Reporting' (Gold Fields, 2013a).

### **Woolworths Holdings Limited**

Woolworths is a JSE-listed South African chain of retail stores and one of the largest in the country. In South Africa, the group trades through Woolworths (Proprietary) Limited, offering clothing, food, homeware, beauty and financial services under its own brand name. Woolworths' vision is to be recognised as leaders in the retail industry for its continuing sustainability journey. Woolworths subscribes to the UNGC, GRI and JSE SRI Index. Woolworths is the only South

African retailer to be placed on the DJSI for which it has been featured for past three consecutive years. In 2012, Woolworths was named one of 16 sustainability champions in the developing world by the World Economic Forum and was a joint winner (with Marks & Spencer) of the World Retail Congress's Responsible Retailer of the Year award. It also ranked sixth out of the top 100 companies in South Africa on the Climate Change Disclosure Leadership Index, and second in the Sunday Times Top Brands Survey in the category 'brand that has done the most to promote green'. In 2012, Woolworths employed a total of 22,462 employees in South Africa (Woolworths, 2012).

### **Nedbank Group**

Nedbank Group is South Africa's fourth largest banking group, headquartered in Sandton, Johannesburg, with operations distributed across the country and broader southern African region. Nedbank Group had a market capitalisation of R95,4 billion as of 31 December 2012 and employed 28,494 people. Nedbank's vision is "building Africa's most admired bank by our staff, clients, shareholders, regulators and communities". Nedbank is a member of the UNGC and in 2010 won the Financial Times Emerging Markets Sustainable Bank of the Year Award for Middle East and Africa (Nedbank, 2012). Nedbank has been a member of the DJSI for eight years and in 2012 was included as one of only 25 banks worldwide and five companies in South Africa on the Index. It has also been a member of the JSE SRI Index since 2004 and is a participant in the Carbon Disclosure Project Index. In 2012, Nedbank was the third highest ranked South African company in the Global 1000 Sustainable Performance Leaders Index and was awarded the title of the Financial Time's 'Emerging Markets Sustainable Bank of the Year for Middle East & Africa (Nedbank, 2012).

### **Sasol Limited**

Sasol is an integrated energy and chemicals company based in South Africa with an employment base of 33,294 people in 2012. The company produces liquid fuels, fuel components and chemicals from coal mines in South Africa and gas and oil in Mozambique and Gabon, respectively. Its chemical manufacturing

and marketing operations span the globe. The company is also engaged in technology development and oil and gas exploration and production (Sasol, 2013). Sasol has been a signatory to the UNGC since 2001, reports to the GRI and is only one of three South African-based firms to become a member of the WBCSD. The company became a member of the JSE SRI Index in November 2013. Sasol won the Top 40 category of the Institute of Chartered Secretaries / JSE Annual Report Award in 2009 and was a joint winner (with Gold Fields) of the 2012 ACCA Sustainability Reporting Awards in the category of Best Sustainability Reporting: Resources (Sasol, 2013).

### **3.3.2 *Sample and sampling method***

Purposive sampling was used to select the five firms as the case study sample. Purposive sampling is preferred when the objective of the study is not to generalise to a population, but to obtain insights into a phenomenon, individuals or events (Patton, 2003; Bryman, 2012). Onwuegbuzie and Leech (2007, p. 242) point out that in qualitative research, sample sizes should not be too large that it is difficult to extract thick, rich data, or too small that it is difficult to achieve data saturation, theoretical saturation or informational redundancy. The sample was restricted to five companies on the basis of time limitations.

A total of twelve interviews were conducted – ten comprised the study sample, and two were used to pilot the questionnaire. A minimum of two respondents were drawn from each organisation representing each management level (senior and middle). This was done to ensure objectivity in the data obtained. Such a method of interviewing two sets of managers in organisations was used by Khan and Beddewela (2008). Purposive sampling was also used to select respondents within the target firms (Patton, 2003; Bryman, 2012). Two criteria were used in selecting potential respondents. First, all respondents were directly or closely associated with the implementation of CSR, sustainability or governance practices in their respective firms. Secondly, they would have been employed at the middle manager level for longer than one year, and senior manager level for more than two years. This would ensure they were sufficiently

familiar with the organisation’s CSR values, policies and procedures and be able to provide meaningful input.

Participation of the ten primary respondents was secured via telephonic introduction or electronic mail (email) outlining the objectives of the study and a request for a one hour interview to discuss issues further. A follow-up email was sent confirming the date and time of the interview. A formal letter requesting use of information gathered and ensuring confidentiality in the process, a copy of the interview guide and the panel report was attached in the email. Respondents who were not able to participate in the study were requested to nominate an alternative respondent. Table 1 provides a list of the respondents.

**Table 1: Profile of respondents**

Description of Respondent	Number to be sampled
Senior Manager: Gold Fields	1
Middle Manager: Gold Fields	1
Senior Manager: Eskom	1
Middle Manager: Eskom	1
Senior Manager: Sasol	1
Middle Manager: Sasol	1
Senior Manager: Nedbank	1
Middle Manager: Nedbank	1
Senior Manager: Woolworths	1
Middle Manager: Woolworths	1
Environmental Specialist, Metago (pilot interview)	1
Independent Sustainability Consultant (pilot interview)	1

### **3.4 The research instrument**

A semi-structured interview guide comprised the main research instrument used in the study. According to Bryman (2012), the advantage of this type of instrument is that it gives the interviewer scope to probe and investigate respondent thoughts that may be indirectly related to the research topic, which may not be revealed if a structured questionnaire is used. Respondents can also answer on their own terms. More importantly, it allows for unusual responses and opinions to be derived. The disadvantage of not using a purely

structured interview is that it can be more time-consuming minimising variation in responses and challenges associated with capturing data (Bryman, 2012).

Since there were two antecedents to the institutionalisation process being explored, two separate questionnaires were compiled. The questions varied slightly depending on whether it was a middle manager or senior manager being interviewed. The process used to structure the questions was to first review the literature for key themes and issues and then relate them back to the research question and specifically the propositions. The seven dimensions of the Corporate Citizenship Model (Mirvis & Googins, 2006) were also used, particularly in formulating questions to guide the answering of the first proposition. The questions were designed to cover as much of the topic as possible as well as leave scope for interviewees' personal opinions and comments. The first few questions aimed to establish the demographic profile of the respondent, their interpretations of the concept of CSR and sustainability, and the general institutionalisation process being employed in their organisation. Subsequent questions focused specifically on ascertaining respondent views and perceptions of factors influencing tenure and turnover in their respective organisations. A copy of the questionnaires and the covering letter sent to the respondents is provided in Appendix B and C, respectively

### **3.5 Procedure for data collection**

The study relied on two procedures for data collection: primary data and secondary data. Primary data was obtained by means of semi-structured interviews using the research instrument. Pilot interviews were conducted at the outset of the research process with two respondents familiar with broad sustainability issues, but independent and unrelated to the five selected case sites. This was done to ensure that the questions asked would answer the research propositions and whether the secondary data obtained would ensure triangulation and verification. During the pilot interviews it became evident that the broader and strategic conceptualisation of 'CSR' adopted in this study would need to be explained at the outset of the interview process. Most companies regard 'sustainability' as a business activity and 'CSR' as a separate

philanthropic function. As such, the question requesting respondents define the term most used to define 'CSR' in their firm, was rephrased to include the word 'sustainability' and 'in the broadest sense of the words' in parentheses after the word CSR. Subsequent questions that referred to 'CSR' were also followed by the word 'sustainability' to prevent confusion. An additional question relating to age of the respondent was included in both questionnaires. In total, each questionnaire consisted of 18 questions.

Of the ten interviews that were conducted with senior and middle managers, six were personal interviews, two were telephonic and two elected to complete the questionnaire via email. The two that completed the questionnaire electronically were both middle managers. The two telephonic interviews were conducted as the respondents were based outside of Johannesburg (Cape Town) or were unable to meet face-to-face due to end-of-year work commitments. The personal interviews were conducted at the organisations' corporate offices and lasted between 60 and 90 minutes each. Follow up correspondence was used in two instances to clarify issues that were unclear and to verify factual accuracy in the case study write-ups. All primary data collected was captured and transcribed soon after the interviews and the completed questionnaires were received. Secondary data consisted of company sustainability presentations, videos, podcasts, annual reports and information derived off corporate websites relating to the CSR/sustainability management framework, organisational structure, and staff tenure and turnover statistics. In three instances, respondents provided the researcher with additional secondary material.

### **3.6 Data analysis and interpretation**

Raw data obtained during the data collection stage was analysed and interpreted using thematic content analysis. Qualitative content analysis is a systematic and replicable process of condensing documents and texts into categories or themes based on valid inference, comparison and interpretation (Patton, 2003; Bryman, 2012). When coding is thematic, Bryman (2012, p. 297) maintains a more interpretive approach is required to identify both manifest and latent content. The advantages of content analysis is that it is transparent and

the coding scheme and sampling procedures can be carefully set out so that replication and follow-up studies can be undertaken. The disadvantages are that it requires using authentic, credible and representative documents from which to analyse (Bryman, 2012). Thematic content analysis has been used in various CSR-related studies (see for example Tate, Ellram & Kirchoff, 2010; Bice, 2011; Metaxas & Tsavdaridou, 2011).

Each data item was coded according to main themes identified in the literature review and interview guide and was captured into a word-based document for each company to facilitate analysis and interpretation. In order to minimise disadvantages, coding commenced soon after the interviews were undertaken and only reliable corporate documentation was used in the secondary data analysis. The main codes and themes used in the content analysis are provided in Appendix D. This study adopted two approaches during the interpretation step: a within-case analysis for each study organisation, and cross-case synthesis that looked specifically at the highlighting the broad areas of commonality and differences across the organisations. This provided a foundation against which to propose further possible areas of research. Such an approach was used by Khan and Beddewela (2008) and Zhang and Zhu (2012).

### **3.7 Limitations of the study**

There were three limitations to this study. Firstly, due to time and space constraints it was not possible to do an extensive analysis of each company using the Corporate Citizenship Model. The intention was to use secondary data, verified with data from the interviews, to establish the general position of each company on each of the seven dimensions against which the internal barriers to the institutionalisation process could be understood.

Secondly, by its nature, qualitative research requires the use of deductive logic and a degree of interpretation on the part of the researcher. Although cognisance was taken to ensure that personal experiences, perceptions, and biases did not intrude during the interview process, the findings of this study could not be totally objective.

Thirdly, in adopting a comparative multiple-case methodology, differences that are observed between the contrasting cases may not be due exclusively to distinguishing features of the cases and specific CSR-related corporate actions. Caution was taken in capturing and reporting differences.

### **3.8 Validity and reliability**

According to Bryman (2012, p. 46), there are two critical criteria that require consideration when conducting social research – validity and reliability.

#### ***3.8.1 External validity***

External validity relates to the extent to which findings can be generalised or applied to other situations beyond the specific research context (Merriam, 1995; Bryman, 2012; Yin, 2012). Qualitative research, by its nature, involves seeking to understand a particular issue in depth and the richness of the experience rather than finding out what is generally true of many (Merriam, 1995, p. 57). Given the fact that each company's institutionalisation process is unique and strongly determined by firm-specific internal and external contextual factors, generalisability will not be claimed in this study.

#### ***3.8.2 Internal validity***

Merriam (1995, p. 54) points out that qualitative research assumes that reality is multidimensional, ever-changing and constructed. Research results thus represent the interpretation of someone's interpretations of reality. Internal validity relates to the strength of the qualitative research and whether the interpretation of reality being presented is as true to the phenomenon as possible (Merriam, 1995, p. 55). A number of strategies can be employed to improve a qualitative study's internal reliability (Merriam, 1995). In this study, internal validity was handled via triangulation – by conducting multiple iterations and follow-ups throughout the analyses as well as using multiple sources of data (interviews at two levels in the organisation and secondary data). With regard to secondary data, cognisance was given to using credible sources such

as corporate sustainability documentation and financial reports as well as scientific and peer-reviewed articles in reputable journals.

### **3.8.3 Reliability**

Reliability addresses the question of whether the results of a particular study are repeatable and if similar results will be found (Merriam, 1995; Bryman, 2012). Reliability is particularly problematic in qualitative research as people and human behaviour are not static and consequently measurements and observations of different people's perspectives can be repeatedly wrong (Merriam, 1995, p. 55). In qualitative research the emphasis is more on ensuring consistency and dependability in the manner in which data is collected. This can be achieved through triangulation, peer review and keeping a thorough audit trail (Merriam, 1995). In this study, the problem of reliability was addressed by means of triangulation, by using the same research instrument across each organisation, and following the required documentation and transcription standards in the data analysis and interpretation stage.

## **3.9 Summary**

This chapter outlined the choice of research methodology, design, sample, method of data collection and analysis used in this study, and how issues relating to validity and reliability were addressed. Since the research focused on understanding how CSR is being institutionalised in five different companies, a qualitative methodology and explanatory comparative analysis design was considered most appropriate. The study relied on the collection of both primary data (via semi-structured interviews with managers at the middle and senior level) and secondary information sources. Data analysis and interpretation was addressed by means of thematic content analysis. While the study was bound by resource and time constraints, the various research mechanisms employed provided several opportunities to understand the specific phenomenon of CSR institutionalisation in greater detail. The following chapter presents the results of the research.

## **4. CHAPTER 4: PRESENTATION OF RESULTS**

### **4.1 Introduction**

This chapter presents the results from the interview and secondary data content analysis process. The chapter commences with an identification of the details of the ten respondents and the interview schedule used to obtain the primary data. The findings from the within-case study assessment of the progress made to institutionalise CSR across the five case sites – Gold Fields, Eskom, Sasol, Nedbank and Woolworths – and notable internal barriers to the process are presented first. This is followed by a documentation of middle and senior manager feedback relating to the two antecedents, the impact of manager turnover and tenure, respectively, on advancing on corporate CSR objectives. The chapter concludes with a summary of the key findings relating to each of the three research propositions.

### **4.2 Profile of respondents**

Table 2 presents the list of respondents from each of the five companies consulted as part of the study. In total, five middle managers and five senior managers were interviewed. The initial intention was to complete the interviews over a three month period (October to December 2013), however, due to tight schedules and respondent unavailability, the process only started in November. Three interviews had to be postponed into early January 2014. Respondents were selected based on their positions in their organisations. Contact details were obtained from corporate websites, through personal connections or via LinkedIn. Eight interviewees responded positively and immediately to the request for an interview, while two were approached on the recommendation of others. A number of attempts were made to secure an interview with both the current manager of sustainability and head of corporate social investment at Sasol. The senior manager in the governance and risk department was suggested as an alternative participant. Despite being in the position for less than two years, the respondent was willing to participate and sufficiently

knowledgeable of the organisation's structures and sustainability activities to be able to provide meaningful input into the study. Some difficulty was also experienced in obtaining an interview at the senior level at Gold Fields given the current restructuring of the company. While an interview was secured with the Vice-President Group Sustainability, he had only been in the position for six months. The decision was taken to keep him in as a respondent despite not meeting the minimum requirements for participation. This was based on the fact that he has been employed in Gold Fields for more than 2 years and had been the lead auditor of Gold Fields for ten years while employed at KPMG. Concerns were further minimised by the fact that he was joined in the interview by the Senior Vice-President Group Sustainability who has been at Gold Fields for 3 years and previously headed up the sustainability department at De Beers for more than 20 years. He was thus well-versed in the material issues affecting the gold mining business and Gold Field's particular approach to sustainability.

**Table 2: Profile of senior and middle management respondents**

Company	Respondent Name	Title	Date of Interview/ Consultation
<b>Senior Managers</b>			
<b>Gold Fields</b>	Mr. D Stevens	Vice President: Group Sustainable Development (and Mr N Chocan: Senior Vice President)	8 January 2014
<b>Sasol</b>	Ms. K Moloko	Senior Manager: Governance Risk Advisory & Secretary	15 November 2013
<b>Eskom</b>	Mr. D Lucas	Corporate Specialist: Environmental Management	19 December 2013
<b>Nedbank</b>	Dr. M Lotz	Sustainability Carbon Specialist	18 December 2013
<b>Woolworths</b>	Mr. J Smith	Head: Sustainability, Good Business Journey	10 November 2013
<b>Middle Managers</b>			
<b>Gold Fields</b>	Mr. P Ramphisa	Unit Manager: Sustainability	7 January 2014
<b>Eskom</b>	Dr. K Langerman	Senior Consultant: Air Quality	8 January 2014
<b>Sasol</b>	Mr. L Mabolloane	Investment Analyst, Sasol Synfuels International	19 November 2013
<b>Nedbank</b>	Ms. K Savin	Manager: Stakeholder Relations	20 November 2013
<b>Woolworths</b>	Mr. D Van Staden	Foods Manager Cresta	19 November 2013

During the interviews the respondents stated that they did not mind their names being mentioned as part of the research. However, from this point onwards respondents will be referred to as either Senior or Middle Manager followed by the name of their organisation to facilitate ease of reading. Personal Communication (Pers. Com.) will be used to reference particular quotes.

### **4.3 Results pertaining to Proposition 1**

The objective of the first sub-problem was to appraise the progress made by large South African firms to institutionalise CSR in their organisations. To achieve this, each of the five case sites was individually evaluated in a two-step process using the Corporate Citizenship Model. In the first step, each company was assessed according to the seven horizontal dimensions on the Model – citizenship concept, strategic intent, leadership, issues management, structure, stakeholder relationships and transparency. Using this information, the positioning of each company on the continuum of five stages – elementary, engaged, innovative, integrated and transforming – was then established. The significance of internal barriers, and particularly the role of managers in the institutionalisation process, was also determined for all the firms.

#### ***4.3.1 The institutionalisation of CSR in large South African firms***

Extensive use was made of corporate documentation to obtain the requisite information needed to complete the within-case study analyses. The interview guide also included five questions aligned to specific dimensions on the Corporate Citizenship Model. Not only did this enable a more personal perspective to be gained on key issues, but also assisted in validating the findings of the secondary data collection process. Specifically, middle and senior managers were asked to comment on their company's definition of CSR/sustainability (*addressing the Corporate Citizenship dimension*); their company's sustainability journey (*addressing the Issues Management dimension*); how their company strives to balance economic, social and environmental obligations (*addressing the Strategic Intent, Transparency and Stakeholder Relationship dimensions*); who is responsible for achieving

sustainability objectives (*addressing the Leadership dimension*); and how sustainability issues are managed, reported and communicated (*addressing the Structure and Transparency dimensions*). The results of the application of the Corporate Citizenship Model to each of the five companies are documented below.

## **The progress made to institutionalise CSR in Gold Fields**

### *Citizenship concept*

Gold Fields' vision is "to be the global leader in sustainable gold mining" and the preferred mining company of choice for investors, employees, communities and host governments in all areas in which it operates (Gold Fields, 2012). Sustainability is treated holistically – "sustainability is part of our overall strategy; involving the integration of economic growth, social equity and environmental management into all aspects of business" (Pers. Com., 2014). The company's sustainability objectives are underpinned by six core values – safety, honesty, respect, responsibility, innovation and delivery (Gold Fields, 2012).

### *Strategic intent*

Although remaining sustainable has been a key objective for Gold Fields throughout its 125-year history, it was only in 2010 that the decision was taken to strategically integrate it into all aspects of business. In consultation with FSG (a global social impact consulting company led by Harvard professors Mark Kramer and Michael Porter) Gold Fields developed its own concept of CSR – 'shared value' – and sought to implement it across all of its operations. For Gold Fields, shared value "is policies and practices that enhance business value and the competitiveness of a company, while simultaneously advancing the economic and social conditions in which it operates. It is about creating economic and financial value by creating societal value, instead of sharing out the value that has already been created" (Gold Fields, 2013c, p. 7). Not only is the shift to shared value a means by which to 'legitimise business again', but it is regarded as a prerequisite for maintaining the company's social license to operate, differentiating itself, and remaining and attractive to investors. The

Senior Manager maintained that “investor awareness of ESG [ethics, sustainability and governance] issues in the mining industry has increased significantly over the past few years. Investors won’t hesitate to pull their shares if they perceive you to be unethical and if there are disclosure irregularities”.

### *Leadership*

Strong leadership and commitment from the CEO, Board and Executive Management have been crucial in Gold Fields’ sustainability, climate change and integrated reporting journey. According to the Senior Manager, “we are very fortunate to have a committed CEO who is behind all aspects of sustainability and stands by our [sustainability department’s] decisions, a visionary Senior Vice-President with considerable experience in sustainability and material issues facing the business, a Board who understands ESG issues and strong sustainable development representation on all committees”. While the CEO actively champions the shift to a ‘shared value’ approach to sustainability, the Middle Manager maintained that he and other unit managers play more of a stewardship role in the process at present (Pers. Com., 2014).

### *Structure*

Gold Fields’ sustainable development policy, compiled in 2010, provides the overall strategy for the business and is underpinned by eight interlinked frameworks. Each framework has its own set of best-practice guidelines that articulate and define each aspect of the sustainable development policy and provide the management system through which it operates. All policies are externally reviewed and benchmarked every three years. The company’s Sustainability Department, based in Sandton, South Africa, comprises three individuals. It sees itself as an integration agent and facilitator of compliance, strategy and sustainable development practices across the organisation, rather than as a stand-alone independent function. Over the past few years there has been considerable emphasis in Gold Fields to realign processes, systems and structures to facilitate a more agile and responsive organisation and to mainstream sustainability. Regular consultation between executive management, the sustainability department and more than 30 technical and

business representatives across the organisation have been integral to this process (Pers. Com., 2014). While management is responsible for formulating strategy, middle managers are responsible for its roll-out at the business unit level. The balanced scorecard and incentives are used to measure all staff and reward performance against objectives. According to the Senior Manager, the shift to integrated reporting and the provision of leadership programmes to all staff has facilitated greater integration of staff and broadened sustainability thinking across business units (Pers. Com., 2014).

### *Issues management*

Gold Fields acknowledges that its shared value contributions are highly sensitive to external market factors, particularly increased input costs, more stringent regulations, and greater public awareness and demands for accountability, governance and transparency (Pers. Com., 2014). Prior to 1997, Gold Fields' approach to sustainability was largely reactive and treated as an obligatory compliance requirement. The company entered a more responsive phase in the early-2000s becoming a signatory to numerous international agreements, programmes and indexes, and commencing performance monitoring and reporting. Since 2009, greater emphasis has been placed on ensuring certification and accreditation of all operations, establishing group aggregate environmental targets, improving its approach to risk management, and promoting the shared value proposition to all stakeholders (Snyman, 2013). Gold Fields has also shifted its attention to addressing industry-wide issues. It is championing research initiatives related to acid mine drainage, tailings disposal, carbon emissions and the development of a conflict free gold standard. The company's proactivity with regard to issues is most evident in the recent recalibration of its business model that commenced in 2012. Operations have been downsized, project portfolios cut back and a new focus on remaining competitive through sustainable cash generation (rather than focusing on 'ounces for ounces sake') adopted (Holland, 2013; Pers. Com., 2014).

### *Stakeholder relationships*

Stakeholder dialogue and formation of deep mutually-beneficial partnerships

over the life-time of projects is a core part of Gold Fields’ decision-making process. Gold Fields’ multi-organisational approach to stakeholders is informed by the company’s Indigenous People’s Policy and the AA1000 Stakeholder Engagement Standard, which requires the establishment of regular and formalised engagement platforms with all stakeholders (Gold Fields, 2012).

### *Transparency*

Gold Fields has achieved a position of ‘reasonable assurance’ with regards to its sustainability reporting and level of disclosure (Pers. Com., 2014). Progress with regards to its social, environmental and carbon emission targets are reported in the Integrated Annual Report and on the company’s website. Separate statements are submitted to the UNGC, ICMM and the Carbon Disclosure Index, which ensures the reliability of data, integrity of reporting and efficiency of the sustainability process. Gold Fields strives to provide “coherence between disclosure and reality” and admits that “while we cannot claim to be skilful at transparency, we have a much greater insight into what to do and how to define and measure the impacts that matter most to our various stakeholders” (Pers. Com., 2014).

	Stage 1: Elementary	Stage 2: Engaged	Stage 3: Innovative	Stage 4: Integrated	Stage 5: Transforming	
Dimensions	Citizenship Concept	Jobs, Profits & Taxes	Philanthropy, Environmental Protection	Stakeholder Management	Sustainability or Triple Bottom Line	Change the Game
	Strategic Intent	Legal Compliance	License to Operate	Business Case	→ Value Proposition	Market Creation or Social Change
	Leadership	Lip Service, Out of Touch	Supporter, In the Loop	Steward, On Top of it	→ Champion, In Front of It	Visionary, Ahead of the Game
	Structure	Marginal, Staff Driven	Functional Ownership	Cross-Functional Coordination	Organisational Alignment	→Mainstream, Business Driven
	Issues Management	Defensive	Reactive, Policies	Responsive, Programmes	Proactive, Systems	Defining
	Stakeholder Relationships	Unilateral	Interactive	Mutual Influence	Partnership, Alliance	Multi-Organisation
	Transparency	Flank Protection	Public Relations	Public Reporting	Assurance	Full Disclosure

→ Indicates that the company is in the process of transitioning from one stage to another

**Figure 2: Application of the Corporate Citizenship Model to Gold Fields**

The within-case study of Gold Fields reveals that it is approaching the Integrated Stage on the Corporate Citizenship Model (Figure 2). The company has extensive and deep relationships with a wide range of stakeholders, demonstrates proactivity with regards to the management of issues, and aspires to mainstream sustainability across business activities. However, while the top leaders are actively championing and driving the embedding process, lower levels of management are still at the stewardship stage.

### **The progress made to institutionalise CSR in Eskom**

#### *Citizenship concept*

Due to the nature of the business, context and focus of its main stakeholder (government), Eskom adopts a long-term perspective with regards to sustainability. Sustainability is defined in terms of economic (must be profitable), environmental (preserve the environment through a reduction in carbon emissions), social (expand affordable access) and technical considerations (plant performance, product stewardship, health, safety and quality, and research and development) (Pers. Com., 2014).

#### *Strategic intent*

Both the Senior and Middle Manager highlighted that Eskom's strategic intent is governed by a combination of moral, legitimacy and business sustainability motivations. The company's values are integrity, customer satisfaction, excellence and innovation. Eskom's mandate is to act as a catalyst for social-economic development and change in South Africa via the provision of electricity (Eskom, 2013). As a state-owned enterprise, there is considerable pressure to be seen as a responsible and ethical organisation. As such, there has been a drive to change behaviour both within – through proactive programme development and strategy alignment – and outside the organisation (through initiatives such as the 49M campaign, subsidisation of solar geysers, and discussions with potential independent power producers for alternative green energy solutions) to visibly demonstrate its responsibility and commitment to all aspects of sustainability (Eskom, 2013; Pers. Com., 2013).

### *Leadership*

The tone for compliance on sustainability issues is set at the top by the Board of Directors. The board is supposed to be exemplary in their leadership role as far as the manner in which a state-owned enterprise (SOE) is directed and controlled, provide strategic direction, fulfil social developmental responsibilities on behalf of the government, and balance the conflicting demands facing Eskom by understanding both the macro and micro environmental issues facing the enterprise. However, the government and broader investor community also play an important role, defining the overall mandate and specifying the type of projects undertaken. The executive management committee guides the implementation of Eskom's sustainability strategy including environmental management and climate change development issues and occupational health and safety matters. It also reviews sustainability strategies for consideration by the Board (Eskom, 20123 Pers. Com., 2013). However, the Middle Manager pointed out that while the Group Executive for Sustainability has ultimate internal accountability, "it is the responsibility of each employee to ensure Eskom achieves its sustainability objectives in whichever facet of the business they are in". Both respondents alluded to the role that particular personalities have had in the institutionalisation process. Steve Lennon, Group Executive Director, in particular, has influenced the process significantly through his long tenure, strong research background, and ability to adopt a holistic approach to sustainability and integrate it strategically across functional units in the organisation (Pers. Com., 2013; 2014).

### *Structure*

Eskom has a formalised Sustainability Department comprising 600 people (one of the smallest in the organisation). Its responsibilities are to co-ordinate and manage sustainability efforts across the organisation. Sustainability is treated as a central and defining function in Eskom with all staff and managers held accountable to annually determined financial, social, environmental and technical targets. The Senior Manager pointed out that the establishment of a sustainability committee involving all members of the executive committee (Exco) has helped to ensure that sustainability is treated as a mainstream

activity rather than a separate line function (Pers. Com., 2013). Other structural factors that have aided the process include cross-functional interaction between business units, a team-based performance management system linking individual key performance indicators (KPIs) to the four areas of sustainability, a human resources sustainability index monitoring employee satisfaction, competence and health and wellness levels, and regular communication with staff with competitions and prizes for participating in sustainability initiatives (Pers. Com., 2013; 2014).

### *Issues management*

Eskom subscribes to the principle of integrated decision-making and conducts comparative evaluations to manage the many trade-offs it encounters in generating, transmitting and distributing electricity (Eskom, 2013). The company's proactive approach to sustainability has evolved over the course of its 90-year history (Pers. Com., 2013). Eskom's initial focus was on environmental issues and in 1994 it was one of the first organisations in South Africa to publish a separate environmental report. In 2002, following the World Summit in Johannesburg, Eskom combined its sustainable issues into one report – an Integrated Annual Report. Between 2002 and 2004, Eskom formulated its sustainable development strategy; aligning the organisation's values and KPIs with international best practice and local and national developmental challenges. All divisions were involved in the identification and prioritisation of key technical, social, environmental and financial performance indicators. These were consolidated and elevated upwards through management, Exco and the Board for approval. The Senior Manager asserted that obtaining the necessary buy-in and commitment from staff within Eskom to sustainability was significantly advanced by adopting such a bottom-up inclusive approach to the development of its strategy (Pers. Com., 2013).

### *Stakeholder relationships*

Eskom's multi-organisational stakeholder approach draws on the UNGC, King III Code and the AA1000 Stakeholder Engagement Standard and emphasises inclusivity, materiality and responsiveness. Eskom participates in various

international programmes and engages on a wide range of technical, air quality, water and procurement issues with government departments, NGOs, investor groups and suppliers. The objective is to deepen, strengthen and broaden such relationships over the long term (Pers. Com., 2013).

### Transparency

Eskom is committed to the disclosure of its progress against its broader mandate and sustainability targets. Various external and internal assurance processes are used to validate its integrated reporting process. Eskom has evaluated itself against the DJSI and JSE SRI Index since 2010 and has used its internally-developed sustainability index to evaluate its performance against 20 technical, social, environmental and economic KPIs since 2002.

	Stage 1: Elementary	Stage 2: Engaged	Stage 3: Innovative	Stage 4: Integrated	Stage 5: Transforming	
Dimensions	Citizenship Concept	Jobs, Profits & Taxes	Philanthropy, Environmental Protection	Stakeholder Management	Sustainability or Triple Bottom Line	Change the Game
	Strategic Intent	Legal Compliance	License to Operate	Business Case	Value Proposition	Market Creation or Social Change
	Leadership	Lip Service, Out of Touch	Supporter, In the Loop	Steward, On Top of it	Champion, In Front of It	Visionary, Ahead of the Game
	Structure	Marginal, Staff Driven	Functional Ownership	Cross-Functional Coordination	Organisational Alignment	→Mainstream, Business Driven
	Issues Management	Defensive	Reactive, Policies	Responsive, Programmes	Proactive, Systems	Defining
	Stakeholder Relationships	Unilateral	Interactive	Mutual Influence	Partnership, Alliance	Multi-Organisation
	Transparency	Flank Protection	Public Relations	Public Reporting	Assurance	Full Disclosure

→ Indicates that the company is in the process of transitioning from one stage to another

**Figure 3: Application of the Corporate Citizenship Model to Eskom**

In summary, Eskom reflects a company currently in transition from the Innovative to Integrated Stage on the Corporate Citizenship Model (Figure 3). Given the nature of the company and its role as a parastatal, Eskom's strategic intent remains business case focused, with leadership assuming a strong

stewardship position. Over the past few years, Eskom's stakeholder management and internal structures have become more transforming in nature.

## **The progress made to institutionalise CSR in Sasol**

### *Citizenship concept*

Sasol adopts the Brundtland Commission's definition of sustainable development – “to meet the needs of today's generation without compromising the ability of future generations to do the same” (Pers. Com., 2013). The Senior Manager pointed out that to Sasol, building a sustainable business requires considering performance in the light of economic development, environmental stewardship and social responsibility (Sasol, 2013). This is driven by meaningful targets across the whole organisation (Pers. Com., 2013).

### *Strategic intent*

Both the Senior and Middle Manager drew attention to the strong causal link between promoting sustainable development and achieving the company's strategic growth objectives (Pers. Com., 2013). At its most fundamental level, a business performs best in a stable and prosperous society. Moreover, it is considered a competitive advantage for a business to have a reputation for integrity and a strong ethical culture (Sasol, 2013). The Senior Manager pointed out that the question is no longer about ‘corporate social responsibility’ per se – “no serious business leader would consider acting in anything but a socially responsible manner” – but about how far management is prepared to go in setting new standards in ethical corporate citizenry and embrace sustainability as a whole, taking cognisance of both internal and external material drivers. Sasol's values are safety, people, integrity, accountability, stakeholder focus and operational excellence (Sasol, 2013). Embedding sustainability into all activities is seen as imperative to managing risk, strengthening its license to operate, promoting eco-efficiency, harnessing new product and market opportunities, facilitating greater access to financial markets, improving its market share, and increasing staff motivation and retention (Sasol, 2013).

## *Leadership*

The CEO and Group Executive Committee are responsible for defining and driving the sustainability agenda across the Sasol Group and leaders are considered well-informed about the uniqueness of the company's activities and sustainability trade-offs (Pers. Com., 2013). Sasol is an active participant in the global chemical industry's Responsible Care® initiatives, the European Chemical Industries' Council working groups, the South African Chemical and Allied Industries' Association, and is considering endorsing the Global Product Strategy initiative of the International Council of Chemical Associations (Sasol, 2013).

## *Structure*

Sasol's commitment to sustainable development is co-ordinated at the group level and implemented at the business level, with ultimate responsibility residing with the Board of Directors (Sasol, 2013). At a functional level, the Sasol Safety, Health and Environmental (SH&E) Centre, based in the Johannesburg head office, is responsible for global SH&E, setting the sustainable development direction, policy, review and governance framework, and providing expert services to business units. Networking and the sharing of experience is encouraged through communities of practice (COPs). Primarily an informal network, a COP comprises a group of people – often including technical specialists from Sasol's global operations – who share a common interest on a particular theme. COPs have been established to address a range of sustainability-related issues, including process safety, greenhouse gas emissions, product stewardship, public participation, air quality, legal reform and groundwater remediation. Interaction is largely electronic to facilitate representative participation across the Sasol group (Sasol, 2013). In 2008, Sasol introduced a Functional Excellence Programme to promote greater alignment between the company's enabling functions (Human Resources, Supply Chain Management, SHE, Information Management and Finance) as a complement to these structures. According to the Middle Manager, the standardisation of policies, capabilities, processes and technology across the

Group has improved operational efficiency and created greater internal awareness around sustainability issues (Pers. Com., 2013).

### *Issues management*

Sasol's group executive committee formally adopted sustainable development as a group-wide strategic business objective in 2000. However, its proactivity with regard to the management of sustainability issues can be traced back to 1996 when it produced its first externally-assured Environmental Report. Since then steps have been taken to actively embed sustainable development principles into all business activities (Sasol, 2013). A sustainable development management framework provides the overarching structure against which policies, governance structures, targets and reporting systems have been developed and are managed. Regular communication through various channels (site visits, brochures, intranet-based reports and quarterly newsletters from the Chief Financial Officer) is used to broaden internal and external awareness of sustainability issues and progress achieved against targets. Sasol is also committed to the development of an inclusive high-performance, engaged, energised and accountable employee base and regards the attraction of key talent as a source of competitive advantage. The employee review process includes feedback on the implementation of values and ethics and achievement of SH&E targets, while the Barrett survey is used to assess employee engagement, commitment and involvement levels (Pers. Com, 2013).

### *Stakeholder relationships*

Sasol's stakeholder approach is influenced by the UNGC Principles and AA1000 Stakeholder Standards. According to the Senior Manager, "given the uniqueness of Sasol's activities, a proactive approach to stakeholder management is required in order to navigate the complexities of often-competing sustainability drivers". Such an approach requires "mutual co-operation, understanding and engagement with both direct and indirect stakeholders including governments, customers, suppliers, business partners, employees, unions, providers of capital, and communities" (Pers. Com., 2013).

## Transparency

Sasol subscribes to the UNGC, GRI, the UN CEO Water Mandate, the WBCSD and King III Code. Sasol has published separate sustainability reports, in addition to an integrated Annual Report, since 2005. ISO 140001 and OHSAS 180001 certification audits, regulatory compliance audits and third party Responsible Care® audits are used to externally verify the sustainable development reporting process (Sasol, 2013). According to the Senior Manager, the assurance process has assisted in improving the company's internal management and reporting systems, facilitated greater cross-functional interaction, enabled more challenging and interactive dialogue with stakeholders, helped to inform strategy, and enhanced the integrity and accuracy of non-financial data (Pers. Com., 2013).

	Stage 1: Elementary	Stage 2: Engaged	Stage 3: Innovative	Stage 4: Integrated	Stage 5: Transforming	
Dimensions	Citizenship Concept	Jobs, Profits & Taxes	Philanthropy, Environmental Protection	Stakeholder Management	Sustainability or Triple Bottom Line	Change the Game
	Strategic Intent	Legal Compliance	License to Operate	Business Case	→ Value Proposition	Market Creation or Social Change
	Leadership	Lip Service, Out of Touch	Supporter, In the Loop	Steward, On Top of it	→ Champion, In Front of It	Visionary, Ahead of the Game
	Structure	Marginal, Staff Driven	Functional Ownership	Cross-Functional Coordination	Organisational Alignment	Mainstream, Business Driven
	Issues Management	Defensive	Reactive, Policies	Responsive, Programmes	Proactive, Systems	Defining
	Stakeholder Relationships	Unilateral	Interactive	Mutual Influence	Partnership, Alliance	Multi-Organisation
	Transparency	Flank Protection	Public Relations	Public Reporting	Assurance	Full Disclosure

→ Indicates that the company is in the process of transitioning from one stage to another

**Figure 4: Application of the Corporate Citizenship Model to Sasol**

As evident in Figure 4, Sasol is currently positioned in the Integrated stage of the Corporate Citizenship Model. Sustainability is being actively incorporated into the organisation's activities, systems, structures and stakeholder relationships. There is also an effort to create a new value proposition for the

company as a good company to work for and a supplier of green processing solutions, with top management leading the process.

## **The progress made to institutionalise CSR in Nedbank**

### *Citizenship concept*

According to the Senior Manager, “sustainability rests on a simple premise: the interconnectedness of all things” (Pers. Com., 2013). In Nedbank, sustainability is defined in terms of four integrated dimensions – economic, social, environment and cultural – and informs all thinking, behaviour and future business planning at the bank. Nedbank has positioned itself strategically as a ‘green’ bank and is committed to ‘change the game’. This requires managing its own impact first, then leading through collaboration, and finally facilitating change through the provision of finance and innovative products (Burnett, 2012; Nedbank, 2013).

### *Strategic intent*

For Nedbank, sustainability is not just a series of actions, but a state to aspire to (Nedbank, 2012). According to Brigitte Burnett, Head of Nedbank’s sustainability initiative, “sustainability is about relooking and rethinking the capitalist model and how it works ... it is about moving away from what is good for me right now to providing products and services that are good for the collective in the long run” (cited in Hermanus, 2011, p. 59). Nedbank values are integrity, respect, accountability, pushing beyond boundaries and people-centred (Nedbank, 2012). Both a moral obligation and business case drive Nedbank’s strategic intent. According to the CEO, “sustainability is the only morally acceptable path for any organisation today ... being a sustainable bank simply makes perfect business sense” (Nedbank, 2012, p. 58). According to the Middle Manager, sustainability has been a key brand and product differentiator and source of competitive advantage for the bank. Not only has it assisted in improving relations with stakeholders, but also facilitated access to new financing often at preferential rates, enhanced operating efficiencies and cost savings, and positioned the group for greater long-term market resilience (Pers. Com., 2013).

## *Leadership*

For Nedbank, a leader in the field of sustainability is defined as someone that can take an ideological approach; someone with a strategic mind-set who sees the bigger picture and the benefits beyond profit (Hermanus, 2011, p. 59). According to the Senior Manager, the current CEO, Mike Brown, has been instrumental in continuing the turnaround of Nedbank's strategy, which commenced in 2008. In addition to strengthening and positioning Nedbank as one of South Africa's premier financial service providers, he has also championed the shift to the bank becoming one of its most empowered and environmentally-friendly local organisations. Both managers credit other personalities (notably Thomas Boardman – non-executive director and former CEO, Justin Smith – previous Head: Sustainability, and Brigitte Burnett, the current sustainability manager) in establishing the requisite structures, programmes and systems, and providing the visible active leadership needed to create the internal change needed to deliver on strategic objectives.

## *Structure*

Nedbank operates a decentralised business model. Sustainability is championed from the top and managed and coordinated by the Board and Executive Committee together with various risk management committees. As a sub-committee of the Nedbank Group board, the Group Transformation, Social and Ethics Committee (GTSEC) assumes ultimate responsibility for monitoring and refining all social, environmental, ethical and human-capital related policies and ensuring that they are integrated into the Nedbank Group philosophy and practices. The Group Sustainability Committee (GSC) reports into GTSEC, and is supported by a dedicated sustainability team as well as various cluster sustainability forums with representation from all group businesses. A Social and Environmental Management System (SEMS), which is ISO 14001-based and aligned with International Finance Corporation (IFC), Equator Principles and latest regulation requirements, is used to manage and evaluate all environmental and social activities, targets and impacts both internally and externally of the company (Nedbank, 2012). For the Middle Manager, having robust sustainability governance structures, systems and policies in place has

enabled Nedbank to be able to identify and respond to risks and opportunities as they arise and facilitated better communication, synergy and reporting on progress across business units (Pers. Com., 2013).

### *Issues management*

Nedbank's sustainability journey commenced in the 1990s with the establishment of the Green Trust (in partnership with the World Wildlife Fund) and the Nedbank Foundation to manage the bank's environmental and social obligations, respectively. During the 2000s, there was a gradual shift from being engaged to integrating sustainability into processes and systems. The major turning point occurred in 2008 when a complete holistic reassessment and reorientation of Nedbank's strategic objectives, value proposition and organisational structure took place. The Group Environmental Forum was established to broaden environmental sustainability thinking across the business. In 2010, the forum was reconstituted as the Group Sustainability Committee with increased executive management representation across the business (Pers. Com., 2013). Over the past five years, Nedbank's proactive approach to sustainability issues has increasingly moved towards the defining stage. Indeed, in 2010 Nedbank was the first bank in Africa to achieve carbon neutrality following a 'reduce before off-setting' approach. According to the Senior Manager, sustainability initiatives that were initially considered revolutionary to the organisation have evolved to become 'business as usual' and part of the overall operational process at Nedbank. Integral to the effective management of issues has been the use of external consultants (specifically the University of Cambridge Programme for Sustainability Leadership), flexible and short reporting structures, performance management tools, climate surveys and incentives to strengthen the organisational culture, and empowering staff to identify and champion in-house sustainability initiatives themselves (Pers. Com., 2013).

### *Stakeholder relationships*

The Senior Manager maintained that "true sustainability cannot be achieved in isolation". As such, a key aspect of Nedbank's strategy is developing long-term

mutually beneficial partnerships and leveraging its position to influence a change amongst investors, suppliers, NGOs, communities, development agencies, private sector clients, consumers, industry bodies, government departments and employees (Pers. Com., 2013).

### Transparency

Nedbank's strategy is guided by the Code of Banking Practice, King III Code, GRI, UNGC, Equator Principles, AA1000 and various sector guidelines. Benchmarks are determined by local and internal specialists, while studies are commissioned to continuously assess progress on its journey. Nedbank is committed to transparency and is moving beyond external and internal assurance to full disclosure of all information in its reports and on its website.

	Stage 1: Elementary	Stage 2: Engaged	Stage 3: Innovative	Stage 4: Integrated	Stage 5: Transforming	
Dimensions	Citizenship Concept	Jobs, Profits & Taxes	Philanthropy, Environmental Protection	Stakeholder Management	Sustainability or Triple Bottom Line	→ Change the Game
	Strategic Intent	Legal Compliance	License to Operate	Business Case	Value Proposition	→ Market Creation or Social Change
	Leadership	Lip Service, Out of Touch	Supporter, In the Loop	Steward, On Top of it	Champion, In Front of It	Visionary, Ahead of the Game
	Structure	Marginal, Staff Driven	Functional Ownership	Cross-Functional Coordination	Organisational Alignment	Mainstream, Business Driven
	Issues Management	Defensive	Reactive, Policies	Responsive, Programmes	Proactive, Systems	→ Defining
	Stakeholder Relationships	Unilateral	Interactive	Mutual Influence	Partnership, Alliance	Multi-Organisation
	Transparency	Flank Protection	Public Relations	Public Reporting	Assurance	→ Full Disclosure

→ Indicates that the company is in the process of transitioning from one stage to another

**Figure 5: Application of the Corporate Citizenship Model to Nedbank**

It is clear from the analysis of Nedbank's activities that sustainability is a defining feature of its activities and can be considered fully embedded with regards to the management of stakeholders, leadership and organisational structure. The company is increasingly moving from the Integrated to the Transforming stage in its conceptualisation of citizenship, strategic intent,

management of issues, and transparency (Figure 5).

## **The progress made to institutionalise CSR in Woolworths**

### *Citizenship concept*

Woolworths adopts an integrated, systems view of sustainability – sustainability is not only dependent on a company's own continued good performance, but that of society and the environment as well (Woolworths, 2013). According to the Senior Manager, true citizenship arises when all elements of governance, economic growth, transformation, social development and environmental stewardship are aligned and embedded in an organisation (Pers. Com., 2013). Sustainability is one of seven values underpinning activities in Woolworths and one of the key pillars of the company's overall strategy (Woolworths, 2013).

### *Strategic intent*

Woolworth's sustainability focus is structured around the following key issues – energy, sustainable farming, water, waste, social development and transformation (Woolworths, 2013). The company adopts an 'outside-in' approach to determining the material issues that matter most to society and uses this to determine how to position itself to strategically address them (Pers. Com., 2013). Woolworths focuses on managing the total lifecycle of products, delivering financial performance through innovative product development, and building lifetime relationships with customers. The company's sustainability philosophy is underpinned by a very strong moral obligation to 'do the right thing' as well as clear business case drivers (Smith, 2013; Woolworths, 2013). It recognises that its target audience is concerned around the well-being of the planet, the preservation of resources and the desire for environmentally-friendly products and sustainable business practices. It has used this as an opportunity to innovate, enhance its brand, differentiate itself, achieve operational efficiencies and cost savings, attract and retain employees, and strengthen commitment from investors and institutions (Pers. Com., 2013).

### *Leadership*

Both the senior and middle manager attribute Woolworths' success in changing staff and customer perceptions around sustainability to strong, visionary executive leadership and active champions across the company. The company's former CEO, Simon Susman, was deeply committed to environmental sustainability and played a key role in prioritising sustainability in the company's strategy and way of doing business. This has been carried forward and extended by the current Exco in collaboration with store managers (Pers. Com., 2013).

### *Structure*

Woolworths does not follow a franchise model and all operations are managed centrally from the head office in Cape Town. The Head of Sustainability works closely with the specific business units and the board of directors. His coordination and bridging role ensures that sustainability objectives are realised at all levels and that problems are dealt with swiftly. Top management leadership is complemented by sustainability champions in mid-management. A core group of individuals from the sustainability unit, the produce section, and technological management have been critical to shaping Woolworths' sustainability approach. Organisational alignment has been facilitated by the standardisation of systems and processes across branch offices, regular communication, and an open staff engagement model (Luiz, Bowen & Beswick, 2011; Woolworths, 2012). The Good Business Journey Champ programme has been launched recently in certain stores to facilitate greater bottom-up awareness of the company's values and sustainability commitments (Pers. Com., 2013).

### *Issues management*

Although the importance of sustainability has always been a feature of Woolworths' activities, in 2007 the strategic decision was taken to fundamentally change the way the company operated. Drawing on the experience of retailers such as Wal-Mart and Marks & Spencer, a comprehensive five-year plan – the Good Business Journey – was launched

focusing on accelerating transformation, driving social development, protecting the environment, and addressing climate change. The plan was revisited in 2011 with new targets set to 2015 (Woolworths, 2013). Woolworths' management of issues has increasingly moved from proactivity to one that is more defining in nature. In addition to continuously experimenting with new technologies to reduce its in-store carbon footprint and maximise eco-efficiency in its distribution and logistics chain, it is leveraging its internal capabilities and competencies to address broader societal issues. Woolworths is the first major South African retailer to offer a range of clothing with organically grown cotton, while the Farming for the Future programme is geared to promoting a shift to more organic and other sustainable practices amongst suppliers. External certification and special labelling is used to increase consumer awareness of the sustainable methods used in the sourcing of packaging and clothing. Woolworths has also entered into a strategic partnership with Engen and Nampak to encourage the recycling of electronic waste (Luis et al., 2011; Woolworths, 2013). To reinforce the business case for sustainability, it is integrated into the strategic planning cycle and costs and benefits are rigorously measured. Each business unit is rated on key performance indicators using a balance scorecard twice a year, with the results linked to compensation (Pers. Com., 2013). According to the Senior Manager, sustainability is treated in the same way as other essential parts of the business. The company has adopted a People Strategy focused on entrenching a culture of high performance, transformation, commitment to corporate values, and innovation. Staff are encouraged to propose new ideas and initiatives that can improve any aspect of sustainability within the company's sphere of influence and are rewarded if proved implementable (Pers. Com., 2013).

### *Stakeholder relationships*

The Senior Manager pointed out that in order to affect real change, true sustainability needs to be about partnerships and continuous stakeholder engagement. For Woolworths, one of its greatest strengths is its direct relationships with its business partners, NGOs, customers and suppliers. The development of a supplier code of practice, hosting of regular

conferences/forums, and preferential procurement and enterprise engagement in the context of transformation has enabled Woolworths to take sustainability into the core of its business (Pers. Com., 2013).

### *Transparency*

Maintaining and growing credibility amongst shareholders and the broader investment community is a key objective in Woolworths. The company is committed to regular and transparent reporting of its sustainability progress and challenges. The Woolworths Sustainability Index, established in 2006, is used to track internal progress against targets, while participation in the DJSI, JSE SRI Index, Carbon Disclosure Project and GRI provides a framework for external verification. Various channels are used to disseminate information.

	Stage 1: Elementary	Stage 2: Engaged	Stage 3: Innovative	Stage 4: Integrated	Stage 5: Transforming	
Dimensions	Citizenship Concept	Jobs, Profits & Taxes	Philanthropy, Environmental Protection	Stakeholder Management	Sustainability or Triple Bottom Line	→ Change the Game
	Strategic Intent	Legal Compliance	License to Operate	Business Case	Value Proposition	→ Market Creation or Social Change
	Leadership	Lip Service, Out of Touch	Supporter, In the Loop	Steward, On Top of it	Champion, In Front of It	Visionary, Ahead of the Game
	Structure	Marginal, Staff Driven	Functional Ownership	Cross-Functional Coordination	Organisational Alignment	Mainstream, Business Driven
	Issues Management	Defensive	Reactive, Policies	Responsive, Programmes	Proactive, Systems	→ Defining
	Stakeholder Relationships	Unilateral	Interactive	Mutual Influence	Partnership, Alliance	Multi-Organisation
	Transparency	Flank Protection	Public Relations	Public Reporting	Assurance	→ Full Disclosure

→ Indicates that the company is in the process of transitioning from one stage to another

### **Figure 6: Application of the Corporate Citizenship Model to Woolworths**

In summary, it is evident that Woolworths is currently in transition from the Integrated to Transforming Stage on the Corporate Citizenship Model (Figure 6). Considerable effort has gone into developing the systems, structures and reporting framework needed to ensure sustainability is business driven and a

mainstream corporate activity. Woolworths' visionary approach is evident in the way it considers its strategic intent to 'change the game' with regards to retailing; specifically with regard to the management of its supply chain and engendering social change through new market and product development.

#### ***4.3.2 Barriers to the institutionalisation process***

In order to ascertain the significance of internal barriers in the institutionalisation of CSR as well as specific factors currently impeding the process, both senior and middle managers were asked to comment on what they believed were the biggest obstacles to their companies achieving their CSR/sustainability objectives.

All five companies are quite far advanced with regards to institutionalising CSR. However, respondents acknowledged that there are a number of specific constraints that can affect the efficient roll-out of projects and programmes if not appropriately addressed. There was general agreement that the size, structure, choice of business strategy and the type of organisational culture adopted can have a determining impact on the effectiveness and extent to which CSR values are practiced and embedded in an organisation. For two middle managers, insufficient financial resources and lack of appropriately skilled environmental managers have impacted on the scale and rate of project delivery at the community and plant level, respectively. Three senior managers highlighted that they are experiencing a challenge in meeting their equity and transformation requirements, particularly at the managerial level, due to a general shortage of skilled executive and senior managers in South Africa. One respondent highlighted the challenge associated with ensuring sustainability is consistently incorporated into individual scorecards, regularly monitored and appropriately incentivised. Two companies highlighted challenges associated with operating in different geographical locations and the time taken to build relationships with stakeholders. Other potential internal barriers include the lack of mentors for junior staff, organisational bureaucracy and poor communication of expectations.

Six respondents alluded to the challenges that could arise if there was no clearly defined vision, strategy and leadership for sustainability. Staff will not commit to a strategy or programme if they believe the CEO, Exco and managers are not authentic in their support and leadership of it. While manager commitment is an imperative in the early stages of the institutionalisation process, respondents pointed out that every staff member must commit to the values of the organisation and incorporate sustainability into their everyday activities to reach a truly embedded state. A poorly defined employee strategy and restrictive organisational culture can inhibit such a process.

Respondents from Gold Fields, Sasol and Woolworths pointed out that for them external factors – notably fluctuations in input prices and investor requirements – play a much greater role in determining sustainability outcomes and delivery on targets than internal factors. However, having effective internal structures and processes in place and dispersing the sustainability function across different levels and business units has helped to manage the impact of such factors. It has also provided them with the flexibility and agility to manage and respond to external change. Table 3 highlights some of the managers' comments regarding the significance of internal barriers in the institutionalisation of CSR.

**Table 3: Manager comments regarding internal barriers to the institutionalisation process**

Respondent	Comment
<b>Senior Manager: Gold Fields</b>	<p>“Gold mining is a cyclical business and only for the tough. We are highly susceptible to external market factors. I would say that the effect of such forces far outweigh internal factors that may arise. We have sound structures and processes in place that have been developed over the years that provide us with the flexibility and agility to manage external change. The biggest barrier to fully realising ‘shared value’ I believe is overcoming differences in culture, geography and the time taken to build trust and mutually-beneficial relationships within the communities in which we are active”.</p>

Respondent	Comment
<b>Middle Manager: Eskom</b>	<p>“I would say that the biggest internal barriers to Eskom’s sustainability efforts are funding uncertainty (which delays projects and decision-making) and the inherent bureaucracy and challenges associated with being a parastatal (government decisions, new legislation, the state of the economy), that make long-term planning very difficult”.</p>
<b>Senior Manager: Sasol</b>	<p>“A big challenge is the nature of the business in which we are in. External market dynamics and shareholders expectations have a determining impact on our strategic approach and this has a knock-on effect across the whole organisation. Internal barriers include the geographical spread of our operations, time taken to get approval on new ideas, poorly communicated expectations at plants, and inadequate role models or mentors at the lower levels”.</p>
<b>Senior Manager: Nedbank</b>	<p>“To be truly embedded, sustainability cannot be seen as a function reserved only for senior management; all staff have to see treat it as a normal function/component of a task, not something distinct and separate. Sustainability also starts and ends with the strategy and culture being adopted by an organisation. We have recognised this and are continuously monitoring our organisational culture in order to optimise employee satisfaction levels to minimise internal barriers”.</p>
<b>Woolworths, Senior Manager</b>	<p>“I would say that we have achieved significant internal buy-in to our sustainability strategy and convincing staff is no longer such an issue for us. Our biggest internal challenge relates to promoting greater transformation at the executive level and we are putting in place strategies to achieve that. Our most critical challenges are really external. These include pressure on international cotton prices, competitive pressures in the local clothing industry, and gaining investor buy-in, as most investors remain focused on profits. We have put ourselves in the public eye by promising a lot. What we really need now is for other retailers to change their approach and make it a sectoral rather than corporate sustainability challenge”.</p>

Respondent	Comment
Woolworths, Middle Manager	“Consistent integration into enough people’s scorecards at a level that makes their impact on remuneration material – this has been pretty much been the same over the years. Sustainability targets are incorporated in staff KPIs – but not consistently enough”.

### 4.3.3 Conclusion

The application of Mirvis and Googins’ (2006) Corporate Citizenship Model to appraising the progress made to institutionalise CSR in Gold Fields, Eskom, Sasol, Nedbank and Woolworths confirms and supports Proposition 1. A company’s progress towards embedding CSR can indeed be represented along a continuum of five stages – elementary, engaged, innovative, integrated and transforming. Three firms are currently positioned in the Integrated stage, while two are moving into the Transforming stage. Underpinning the institutionalisation process has been a strong internal commitment to adopting a more holistic and long-term approach to sustainability, realigning and reassessing supporting structures, policies and systems to capacitate CSR activities, and driving organisational values into the corporate culture. Managers have played a key role in the sustainability journey of each firm.

## 4.4 Results pertaining to Proposition 2

The objective of the second sub-problem was to establish whether middle manager turnover creates an internal barrier to the institutionalisation process. Interviews were conducted with five middle managers to obtain their perspectives on the implications of high turnover rates, their contribution to the institutionalisation process, and specific intrinsic and extrinsic factors influencing manager ‘intent to stay’ motivations. Secondary sources were used to obtain information relating to the rate of staff and manager turnover across each organisation and to validate and supplement information relating to the role of extrinsic factors.

#### 4.4.1 Organisational implications of high turnover rates

Assessing the organisational implications of high turnover rates required asking both middle managers and senior managers whether they believed the fulfilment of strategic objectives in their company had been affected by the ‘war for talent’ in South Africa, particularly at the middle management level, and in what way. Secondary data was used to determine the current rates of staff turnover and to provide the context for the primary data findings. Table 4 presents the most recent turnover statistics for each company.

**Table 4: Turnover rates across the five case sites, 2012**

	Gold Fields	Eskom	Sasol	Nedbank	Woolworths
Employee Turnover	7.89% (10.72% in 2011; 13.41% in 2010)	3.7% (3.6% in 2011; 3.5% in 2010)	6.3% (South African operations, 6.3% in 2011; 5,05% in 2010)	8.2% (7.6% in 2011; 8.3% in 2010)	~22% (in-store, 25% in 2011, 26% 2010)
Manager Turnover	26.7% (21.3% in 2011, 23% in 2010)	Low	Low	Low	9%, (7% in 2011, 13% in 2010)

Note: Figures reflect those for permanent employees. Turnover encompasses resignations, deaths, dismissals, retirements, emigrations and disabilities. Values for Gold Fields reflect those prior to the unbundling process.

From Table 6 it is evident that there is considerable variation in overall employee turnover across the five organisations – ranging from 3.7 percent at Eskom and 25 percent across Woolworths’ stores (Eskom, 2013; Woolworths, 2012). The other three case sites have a much similar rate of staff turnover with 6.3 percent at Sasol, 7.89 percent at Gold Fields, and 8.2 percent at Nedbank (Gold Fields, 2012; Nedbank, 2012; Sasol, 2013). A closer analysis of the statistics within each company over the past three years, however, reflects much greater consistency in rates of employee turnover, with Woolworths and Gold Fields actually achieving a decrease in turnover rates (Gold Fields, 2012; Woolworths, 2012).

Currently only Gold Fields and Woolworths disaggregate turnover statistics by functional level. Managers at the other three companies were therefore asked to provide an approximation of middle manager turnover rates during the

interview. Although respondents were unable to provide actual turnover figures, they did indicate that rates of voluntary turnover have generally been low. Five respondents gave feedback on the length of service of middle managers in theirs and affiliated units. The shortest tenure currently is fifteen months and the longest 10 years. One respondent commented that, “in our company, if you haven’t left by the time you are 35 [years old], it is unlikely that you will ever leave”. Another manager stated that “manager turnover is not such a big issue for us. Most of the sustainability team has been with the organisation for 3 years, some in excess of 10 years” (Pers. Com., 2013). Interestingly, while overall staff turnover is very high at Woolworths, the rate of manager turnover is much less (9 percent). The opposite hold true for Gold Fields – for the past three years manager turnover has been in excess of 20 percent. The Senior Manager cautioned that turnover rates have to be viewed holistically and take into account the size and nature of business and the influence of external market factors. While their levels of voluntary turnover have remained constant and fairly low over the past few years, involuntary turnover rates have increased significantly due to the fluctuations of the gold mining industry and resultant pressures to downsize operations and retrench staff (Pers. Com., 2014).

During the interviews two respondents alluded to the fact that competition for skilled resources is not only an industry or sector specific issue, but a national and global challenge as well. Four respondents highlighted that the biggest challenge they currently face is in attracting, developing and retaining managers aligned with their transformation and equity commitments. There was general ambivalence, however, as to whether turnover (both voluntary and involuntary) affected the overall roll-out of corporate strategy and the institutionalisation of CSR in particular. In some instances, employees that have resigned voluntarily have been brought back in as consultants. In other cases, temporary management positions have been created and employees in the leadership pipeline have been moved into them. According to one respondent, “while our attrition rate is fairly low, there are sufficiently skilled experts across the organisation to ensure continuation of programmes and projects in the event of a resignation”. Three respondents highlighted that the retirement of older staff presents a much greater medium-term business risk, particularly at the plant

level, than voluntary turnover does. In Eskom, for example, the Senior Manager pointed out that maintaining an average turnover of 6.2 percent per annum over the last two decades has meant that costs associated with separation and replacement have been low. However, 27 percent of staff are currently 50 years and older which could affect policy rollout and business continuity in the future. In Nedbank, despite low attrition rates, voluntary turnover is higher amongst males than females (57:43) and greatest in the 55+ (36 percent), 26-35 (18 percent) and 36-45 (15 percent) year old age groups. In Sasol's South African operations, a similar scenario exists with voluntary turnover higher amongst men than women and highest in the 31-40 year old age group (Sasol, 2013).

#### ***4.4.2 Role of middle managers in institutionalisation process***

Establishing the significance of middle managers in the institutionalisation process required asking each respondent to comment, firstly, on their role in fulfilling their company's sustainability objectives and, secondly, how this is achieved.

All respondents were in agreement that as middle managers they play an important intermediary function in their respective organisations; bridging the divide between senior management and executives and the rest of staff. Adjectives such as "complex", "fulfilling", "rigorous" and "demanding" were used to define the nature of their tasks and the level of responsibility required of them. Three respondents alluded to the stressful nature of their jobs, specifically the challenge of meeting financial targets and delivering on projects within tight deadlines. All five of the respondents believe that they bring unique expertise to their jobs, and that their sustainability-related functions are critical to fulfilling their company's broader vision and business objectives. However, four respondents pointed out that the institutionalisation process should be viewed as a "collective effort", requiring "the input and commitment of all external stakeholders, internal business functions in addition to the sustainability department (such as communications, executive management, human resources and finance), and staff, to be successful" (Pers. Com., 2013). Overall, as middle managers they believe that they act as the "indirect agents" of the

institutionalisation process by enforcing team KPIs, managing projects/operations, securing new business, and engaging directly with stakeholders, including communities (Pers. Com., 2014).

One respondent attributed the success in embedding sustainability thinking in their organisation to the unique capabilities and qualities of middle managers – “middle managers have the leadership capabilities and expertise required to embrace change, promote innovation, and influence subordinates in coping within demanding situations, instituting policies and identifying opportunities” (Pers. Com., 2013). Another highlighted the role of personal values in the process – “I believe my commitment and ability to deliver on agreed targets ethically and timeously contributes to the achievement of my company’s broader business objectives and hence the sustainability of the overall business” (Pers. Com., 2013). All the middle managers confirmed that their companies use the balance scorecard, bi-annual assessment of KPIs and various reward and incentivisation mechanisms to achieve organisational objectives and targets. The respondent from Woolworths, for example, stated that, “one of our business values is driving sustainability through all aspects of our business. We as store managers have a responsibility to deliver on this and are closely measured, monitored and held accountable on all aspects of the Good Business Journey” (Pers. Com., 2013).

#### ***4.4.3 Factors influencing manager turnover***

##### **Intrinsic variables**

To ascertain the impact of intrinsic factors on a manager’s intent to stay motivations, middle managers were asked three related questions. Firstly, they were requested to describe their organisation’s culture and to elaborate on the key factors that they believed contributed to shaping such a culture. Secondly, they were asked to comment on the factors that they believed had the greatest influence on a manager’s decision to stay, specifically in their own organisations. Thirdly, at the end of the interview, managers were asked to reflect on their current employment experience and indicate on a 5-point Likert scale – with 5 indicating extremely satisfied and 1 being extremely dissatisfied –

their opinion on nine criteria most likely to influence their 'intent to stay' motivations. These were drawn from the literature and related to perceptions of job fulfilment, richness of the position, career alignment with organisational goals, level of engagement with decision-makers and independence to make decisions, rewards and recognition, work and professional life balance, and the company's ethical behaviour and level of fairness expressed.

All respondents agreed that the organisational culture has contributed to their decisions to stay in their companies. Three respondents believe that their organisations are "great places to work", particularly for professionals. However, as large organisations with extensive geographical footprints, two respondents highlighted that the culture at the corporate offices often differs from that at project sites or branch offices. Managing diversity and promoting a culture of openness, trust and accountability is a common challenge for all five firms.

From the analysis of the feedback received, four factors stand out as contributing to the creation of a "generally amicable working environment": job fulfilment/satisfaction, career/personal development opportunities, challenging job/tasks, and remuneration. The Gold Fields respondent maintained that "we are encouraged to be innovative and share ideas on how we can improve the way we work. Job fulfilment and job security are the biggest determinants for a manager to stay in a company" (Pers. Com., 2014). Two respondents identified the uniqueness of their organisations' activities as a determinant in their 'intent to stay' motivations. The middle manager from Eskom noted that, "a major attraction to staying within Eskom is the opportunity to participate in solving technically challenging issues and to influence national policy and strategic outcomes" (Pers. Com., 2014). Similarly, the respondent from Sasol stated, "We operate in a niche and specialised sector. This motivates people to stay within the organisation particularly the higher one moves up. Aside from interesting work, there is recognition and reward for jobs well done, scope for promotion, good working conditions and opportunities to move within the company both locally and internationally" (Pers. Com., 2013). Other factors that respondents highlighted as important to building an attractive organisational environment include the company's history and brand, top leadership commitment to the

vision and values of the company, supportive relationships between middle and senior managers, good team dynamics, and a personal interest of supervisors in the career objectives of subordinates.

The results to the final question are presented in Table 5. It is evident that middle managers are satisfied enough to remain within their respective companies, supporting the findings in the narrative discussion.

**Table 5: Middle manager perspectives of current work experience and ‘intent to stay’ motivations**

Criterion	Gold Fields	Eskom	Sasol	Nedbank	Woolworths
Individual recognition and acknowledgement received	3	4	3	4	4
Scope and nature of job	4	4	4	5	4
Own career development goals aligned to company goals	5	4	4	5	4
Job satisfaction	5	4	3	5	4
Level of engagement with decision-makers	3	4	3	4	4
Satisfaction with own remuneration package	5	5	4	4	3
Work and professional life balance	5	4	2	3	3
Left alone to make decisions	4	3	3	4	3
Company behaving ethically and fairly	5	4	3	5	4

Scale: 5 = extremely satisfied, 4 = satisfied, 3 = neutral, 2 = unsatisfied, 1 = extremely unsatisfied

Respondents appear most satisfied with the alignment of their career development goals with those of the company, followed by the scope and nature of their job, job satisfaction, and satisfaction with own remuneration package. The most variation in responses was around work and professional life balance, with one respondent indicating that they are ‘extremely satisfied’, one is ‘satisfied’, two are ‘neutral’, and one is ‘unsatisfied’ with their current situation. Three respondents are ‘extremely satisfied’ with the way in which their company behaves, both ethically and fairly, one is ‘satisfied’ and one indicated

'neutral' and commented that this was due to the nature of the company's activities which they believe are inherently unsustainable. Middle managers are 'highly satisfied' with regards to the level of individual recognition and acknowledgement received, but appear ambivalent regarding the amount of independence they are given to make decisions. Only two respondents indicated that they are 'satisfied' in this category.

### **Extrinsic variables**

Both primary and secondary data sources were used to ascertain the significance of extrinsic variables across the five case sites. Middle and senior managers were asked whether they were aware of any policy changes/interventions that had been implemented in their companies to address the issue of staff retention, particularly at the middle management level. This was followed by a review of corporate information relating to remuneration, training, employee engagement and organisational structure.

From the corporate reports reviewed it is apparent that all five companies are committed to the recruitment, development, and retention of a skilled, engaged and accountable staff base and acknowledge the strategic importance of doing so. The CEO of Gold Fields states that, "the company that best succeeds in addressing employees perceptions will ultimately win the war for talent" (Holland, 2013, p. 36). The CEO of Sasol (Sasol, 2013, p. 29) maintains that, "as we drive towards a high-performance culture, it is clear that we need to have the right talent, in the right roles, at the right time, delivering business results. Success lies in our people, the values we live and the culture we instil". Woolworths' aspiration is to be the "employer of choice" in the retail industry (Woolworths, 2013, p. 27). Eskom was the winner of the Sunday Times' Top Brands 2013 'Most desired company to work for' (Pers. Com., 2014). In Nedbank, the benefits of aligning people strategies with corporate strategies to embed core values are well-acknowledged and championed from the top. The company states that, "empowering employees to perform optimally also enables higher engagement levels and increases the ability of staff members to push beyond boundaries, both for their own benefit and that of the organisation" (Nedbank, 2012, p. 72).

During the interviews, all the respondents confirmed that they were aware of programmes and policies in their companies designed specifically to improve employee engagement and manage talent. They also noted that internal awareness of them had increased over the past few years. Three respondents mentioned that their companies had introduced new and revised 'employee value propositions' over the past year as part of a general move to position their companies as 'great places to work'. Four respondents indicated that their company's objective is to develop a 'high performance culture' – ensuring employees perform at the peak, realise their personal goals and contribute to the achievement of business and sustainability objectives. Various methods of incentivisation are used to achieve this. One respondent mentioned that in an effort to retain and attract the best employees in their company, all staff received an across-the-board salary increase a few years ago. Another company has adopted a 'total reward approach' linking employee pay, growth opportunities and benefits to the attainment of financial and non-financial KPIs. In the case of Woolworths, a scorecard measurement – LTO (Labour Turnover) – has been introduced at the branch manager level tying manager salary increases to staff turnover rates. Other initiatives introduced to improve manager satisfaction and enhance retention levels include the provision of leadership training, coaching and mentoring, succession planning, and family/wellness programmes. In three companies, regular surveys are conducted amongst employees to monitor and evaluate the level of organisational culture and engagement. Through this iterative process, gaps and concerns are identified and new initiatives planned and implemented to address them.

### **Demographic factors**

At the outset of the interview process, respondents were asked to provide a brief overview of their function and position in the organisational structure, involvement in sustainability activities, length of time spent in their current role, the company and the industry as a whole, and qualifications obtained. Gender was determined through observation, while age was ascertained by providing respondents with a series of age groupings (in five year intervals) and asking

them to indicate which was most applicable to them. Table 6 presents a summary of the demographic features of the five middle managers interviewed.

**Table 6: Demographic features of the five middle manager respondents**

	Gold Fields	Eskom	Sasol	Nedbank	Woolworths
Length of time in current position	1 year, 7 months	8 years, 4 months	1 year, 6 months	4 years	4 years
Length of time in current organisation	7 years	8 years, 4 months	8 years	9 years	4 years
Length of time in industry	10 years	14 years	9 years	19 years	8 years
Qualifications	MSc Environmental Sciences, MBA	PhD, Atmospheric Sciences	BSc Eng, MBA	BA Communications	BCom
Age group	30-35 years	35-40 years	30-35 years	40-45 years	35-40 years
Gender	Male	Female	Male	Female	Male

The sample of respondents comprised of three male and two female middle managers. Two respondents fell within the 30-35 year age group, two within the 35-40 year age group, and one in the 40-45 year age group. All respondents had been employed in their current positions for more than 1.5 years, with the maximum length of service being just over 8 years. Two respondents had occupied the same position since joining the organisation, while three had progressed internally (from a junior to middle management position) since joining the company. All respondents had been employees in their respective firms for more than 4 years. The maximum length of service across all case sites was 9 years. All respondents had been previously employed elsewhere before joining their current company, with the maximum length of overall experience being 19 years. For three respondents, the highest qualification received is a bachelor's degree. Overall, the highest level of qualification received amongst the respondents is a PhD. Two respondents are currently completing a MBA. The former respondent is female, falling within the 35-40 year age group, has been employed at Eskom for just over 8 years and has more than 14 years accumulated industry experience. The latter two respondents are male and fall within the youngest age grouping (30-35 years).

Both have spent more than seven years in their respective firms and have occupied various positions prior to becoming a manager.

#### **4.4.4 Conclusion**

The research findings suggest that manager turnover does influence the institutionalisation of CSR, albeit indirectly, thus supporting Proposition 2. All five companies reviewed are positioned within the Integrated and Transforming stages of the Corporate Citizenship Model, suggesting that CSR has widely penetrated the organisations' hierarchies. In two firms it has been extended to customers and supply chains. Further, there has been a proactive attempt on the part of top management to align individual intrinsic desires and expectations with the extrinsic policies, values and structures of the organisation. Middle managers' willingness to commit, work hard, exceed expectations and stay in their respective organisations is thus a consequence of high levels of job satisfaction. It is also an outcome of a working environment that is fair and encourages cross-functional interaction, team cohesion, high performance and individual recognition.

### **4.5 Results pertaining to Proposition 3**

The third sub-problem aimed to establish whether senior manager tenure creates an internal barrier to the institutionalisation process. Interviews were used to establish the length of tenure of respondents (in their current positions, within the organisations as a whole, and the industry in general), perspectives on the role of senior managers in the institutionalisation process, the relevance of demographic factors (age, qualification and gender) and variables such as manager discretion. Results are discussed below.

#### **4.5.1 *The role of senior managers in the institutionalisation process***

To determine the significance of senior managers in the institutionalisation of CSR across the five case sites, respondents were asked two questions. Firstly,

to comment on their role in the process and, secondly, what impact they believe they have had on their company’s sustainability journey.

Participants agreed that their individual roles are very specific and influenced by external market factors, investor and stakeholder expectations, and company-specific values, mandates and objectives. Responsibilities encompass the design, implementation, delivery and monitoring of the whole, or specific aspects, of the corporate sustainability strategy. Three respondents alluded to the role that sustainability champions, strong internal relationships, and alliances with external stakeholders have had in enabling them to fulfil their responsibilities. Four respondents agreed with the assertion that the manner in which a company’s ethics and values are practiced by staff is a good reflection of the company’s overall organisational culture and how embedded CSR/sustainability issues really are. Specific comments made by respondents are captured in Table 7.

**Table 7: Senior manager perspectives on their role in the institutionalisation process**

Respondent	Comment
<b>Gold Fields, Senior Manager</b>	“I’m responsible for identifying top group sustainability priorities, ensuring corporate and regional sustainability principles are integrated into the business, and developing group performance standards that pre-empt formal confrontation and action. The role involves considerable interaction and engagement with stakeholders and business unit managers to achieve both operational and financial sustainability”.
<b>Eskom, Senior Manager</b>	“I report directly to the Group Executive Director, Exco and Board. The function requires the setting of policy, direction and is required to constantly question and evaluate the status quo – although the emphasis is on adopting a long-term perspective to issues”.
<b>Sasol, Senior Manager</b>	“As a senior manager, I report to the line director, and attend the board

Respondent	Comment
	meetings of the major divisions. I'm responsible for implementing strategic change and developing the structures, procedures and appointing the right personnel to fulfil such objectives".
<b>Nedbank, Senior Manager</b>	"I was appointed specifically as a 'thought-leader' to challenge the status quo and to put in place measures for embedding sustainability across the organisation".
<b>Woolworths, Senior Manager</b>	"As Head of the Good Business Journey I'm responsible for the strategy, structure and integration across the whole company. There are more than 200 targets relating to transformation, social development, environmental issues and climate change that need to be managed".

#### ***4.5.2 Factors influencing the effectiveness of senior management tenure***

##### **Tenure duration**

The first question in the interview guide sought to ascertain how long the respondent had been employed in a senior management position, in their company before being promoted, and in the industry in general. Results are captured in Table 8.

With the exception of the respondent from Gold Fields, all the senior managers interviewed have been employed in their current position for more than 2 years. There is considerable variation in the length of tenure amongst the respondents, with lengths varying from 6 months to 25 years. Four of the respondents were appointed from outside the company into the senior manager position. Only in Gold Fields was there evidence of an internal progression. Four respondents indicated that they were employed in business sectors unrelated to those they are currently in prior to joining their current organisations. However, with one exception (risk management and auditing), all were involved in the same area of

speciality (sustainability, governance, carbon/environmental management) as they are currently in. The length of tenure in previous, but related, employment ranges from 13 to 30 years. Overall, the senior manager from Eskom has the longest length of tenure in the current position, the organisation as a whole, and the most prior industry experience.

**Table 8: Tenure duration of senior manager respondents**

	Gold Fields	Eskom	Sasol	Nedbank	Woolworths
Length of time in current position	6 months	25 years, 1 month	2.6 months years	3 years	5 years, 9 months
Length of time in current organisation	3 years	25 years, 1 month	2.6 years	3 years	5 years, 9 months
Length of time in related industry	15 years	30 years	10 years	15 years	13 years

During the interviews respondents raised a number of interesting points with regard to the possible implications that long or short tenures could have on the roll-out of strategy and the institutionalisation of CSR in particular. First, the Nedbank respondent indicated that one of the key personalities in the company's sustainability journey is currently the Head of Sustainability at Woolworths. In the five years that he was Head of Governance and Sustainability at Nedbank he exerted a substantial influence on the manner in which sustainability was strategically conceived and implemented across the organisation. This suggests that skills movement across companies, even if in different industry sectors, can have a beneficial impact on the institutionalisation of CSR at both the organisational and broader societal level.

Second, while the Woolworths respondent was unable to provide an exact indication of the average length of senior management tenure in the company, he did mention that there were a lot of people who have worked for the organisation for more than 30 years, including a number of the executive team. He did not consider length of tenure to be a determinant of successful institutionalisation. Rather, other factors such as personal vision, awareness and adaptability to external and internal factors, a willingness to explore alternative options, and a personal commitment to contribute to the organisation being the best retailer, are much more important. A similar explanation was

provided by the Eskom respondent who maintained that his decision to stay in company for so long has been influenced by the dynamic nature of the job, the scale of the technical, social and environmental challenges facing the organisation and “the opportunity to make a difference” (Pers. Com., 2013). The respondent from Sasol argued, however, that there is a danger in retaining senior management for excessive lengths of time as it can lead to complacency. She stated that “senior staff tenure is very high in our organisation, particularly at the plant level due to the specialised nature of activities, competitive salaries and few employment opportunities elsewhere in the industry. Such people are generally reluctant to change established ways of doing things and will only do so if they have to – if it is part of their KPIs, for instance” (Pers. Com., 2013).

Third, the respondent from Gold Fields mentioned that prior to joining the company the Senior Vice President was involved in sustainability issues at De Beers for more than 20 years. His experience and visionary leadership have fundamentally changed the company, which was previously quite conservative and committed to the status quo. He maintained that “prior industry experience, awareness of the external material issues facing a company, adopting a long-term perspective, and being a visionary leader is more important than the length of tenure per se” (Pers. Com., 2014). The respondent also mentioned that the negative aspects of short-termism, such as senior managers pursuing agendas contrary to those of the broader company, are managed and tightly controlled through the ethics committee, corporate governance policy and the Board (Pers. Com., 2014).

### **Age and education of senior managers**

At the outset of the interview process, following a brief overview of the project and objectives of the interview process, senior managers were asked to indicate their age on a series of age groupings (at five-year intervals) and their highest level of qualification obtained. Gender was established visually. Table 9 summarises key demographic features of the five senior manager respondents.

Four of the respondents were male and all were over 35 years of age. Two respondents were in the 35-40 year age group, one in the 40-45 year age

group, and one in the 50-55 year age group. All the male respondents have a Masters degree, albeit in different subject areas (commerce, law, engineering, and environmental management). The female respondent was the youngest in the sample (30-35 year age group), is an engineer by profession and is currently completing her MBA. Two respondents have graduated cum laude for various degrees and all respondents consider themselves to be high-potential, experienced and committed employees.

**Table 9: Age, education and gender of senior manager respondents**

	Gold Fields	Eskom	Sasol	Nedbank	Woolworths
Age group	40-45 years	50-55 years	30-35 years	35-40 years	35-40 years
Gender	Male	Male	Female	Male	Male
Qualifications	MCom	MSc, Environmental Management	BSc, MBA	PhD, MBA	BCom Law, LLM

### **Manager discretion**

The final question in the senior manager interview guide addressed the issue of manager discretion. Respondents were asked to comment, firstly, on the level of discretion they have as a senior manager and, secondly, to what extent they believe this has contributed to their efforts in institutionalising sustainability/CSR. During the discussion on discretion, respondents were also asked to reflect on their current employment experience and indicate on a 5-point Likert scale – with 5 indicating extremely satisfied and 1 being extremely dissatisfied – their opinion on seven criteria most likely to influence their ‘intent to stay’ motivations. These were drawn from the literature and focused on individual recognition and acknowledgment received, scope and nature of job, career alignment with organisational goals, job satisfaction, satisfaction with remuneration package, work and professional life balance, and the company’s ethical behaviour and level of fairness expressed.

The feedback received revealed a number of common features amongst respondents with regard to manager discretion. Firstly, all respondents emphasised that they are given significant discretion to propose new ideas and to challenge existing ways of doing things. New ideas, however, have to be well

thought out, well-presented and substantiated, and make a meaningful impact on business performance, policies, systems, procedures and/or reputation. Discretion is considered an imperative to doing their job well and to furthering the institutionalisation process.

Secondly, respondents highlighted that their effectiveness in their appointed roles has been aided by relatively flat reporting structures and the quick dissemination and transfer of information between top decision-makers (CEO, Board, and executive management), themselves, unit managers and other stakeholders. This contributes to feelings of legitimacy (company is behaving ethically and fairly) and role relevance. The small number of strategic players at the corporate level, supported by a wider network of technical experts, sustainability champions and divisional representatives facilitates an open and consultative corporate culture. The freedom to engage in bottom-up, cross-functional and regional strategic discussions not only assists in ensuring buy-in from all staff, but has also been instrumental in enhancing senior manager satisfaction levels.

Thirdly, in addition to the level of discretion provided, respondents identified four other factors that can have a determining impact on the length of manager tenure. These include the respect and trust that executive management (and in three cases, the CEO) have in their capabilities and capacity to provide input into strategic debates and issues, the scope and nature of the job, recognition and acknowledgement received, and remuneration. All five respondents confirmed that their roles are clearly defined, regularly monitored and that rewards, promotions and incentives are linked to their performance. One respondent emphasised that “the issue is not about length of tenure; it is about why a person is in the particular position, what the person is doing and what the company is doing to ensure he/she is most able to commit and share the journey with them at the top” (Pers. Com, 2013).

The respondent from Gold Fields mentioned that his loyalty and commitment to the company has been influenced by the mentorship and support he has received from the Senior Vice President since taking over the position and the emphasis on balancing work-life commitments. The respondent from Nedbank

alluded to the fact he has the flexibility to pursue research interests outside of his work commitments. This, together with the fact that his role has been purposefully established as a non-profit function (ensuring he is measured on outputs rather than inputs), has had a positive impact on his approach to his job and commitment to the organisation. Further, by eliminating fiduciary obligations from his KPIs to focus on advancing the bank’s sustainability mandate, pressures associated with ‘short-termism’ and having to compromise between short- and long-term stakeholder requirements are eliminated. The respondent stated that, “I am passionate about my role in furthering carbon neutrality and creating greater awareness of its relevance both within and outside the company. I feel a great deal of loyalty to Nedbank and am committed wholeheartedly to the ethos and objectives the company stands for”.

These findings support the ratings provided against the seven criteria relating to job satisfaction, commitment and intent to stay motivations captured in Table 10).

**Table 10: Senior manager perspectives of current work experience and ‘intent to stay’ motivations**

Criterion	Gold Fields	Eskom	Sasol	Nedbank	Woolworths
Individual recognition and acknowledgement received	5	5	4	5	5
Scope and nature of job	5	5	4	4	5
Own career development goals aligned to company goals	4	5	4	5	5
Job satisfaction	5	5	4	5	5
Satisfaction with own remuneration package	5	5	4	4	5
Work and professional life balance	4	2	3	1	3
Company behaving ethically and fairly	4	4	4	5	5

Scale: 5 = extremely satisfied, 4 = satisfied, 3 = neutral, 2 = unsatisfied, 1 = extremely unsatisfied

Overall, the five senior managers rate their current working experience very highly. Scores of “4” and “5” were used to indicate respondent satisfaction levels with regard to the nature and scope of the job, alignment of career objectives with company goals, remuneration, and company fairness and ethical behaviour. The only criterion in which dissatisfaction is expressed is in managing the work and professional life balance. However, the two respondents that indicated a “highly dissatisfied” and “dissatisfied” score added the caveat that this a personal decision rather than the result of an enforced work policy.

### **4.5.3 Conclusion**

The findings from the above analysis suggest agreement with Proposition 3. Eskom’s experience attests to the fact that the long tenure lengths, high rates of discretion and age can result in stable organisational outcomes. Similarly, based on the feedback from respondents in Sasol, Nedbank, Woolworths and Gold Fields, it can be conjectured that younger, more educated and more varied the level of functional experience amongst senior managers, the greater the probability that the status quo will be abandoned in favour of riskier and more competitive policies. Respondents cautioned, however, that the institutionalisation of CSR is less a function an individual senior manager’s length of tenure, age, education and past functional experience, than an earlier strategic decision by the CEO, Board and Executive team to redefine the citizenship concept, strategic intent, leadership focus and supporting structures. Tenure effectiveness increases when these purposive actions, together with high levels of discretion, result in higher levels of satisfaction amongst senior managers. Higher satisfaction, in turn, fosters a greater sense of commitment resulting in a gradual merging of individual aspirations with those of the organisation over time.

## **4.6 Summary of the results**

This chapter presented the results from the primary and secondary data analysis process. The research results support all three research propositions.

In Proposition 1, the Mirvis and Googins (2006) Corporate Citizenship Model was applied to five large South African firms to assess the extent to which CSR has been successfully institutionalised across aspects of the company's activities. In all five case sites, organisational priorities have evolved over time, strategies, structures and processes realigned, stakeholder and employee engagement and communications levels increased, and measures and responsibilities redefined across all levels. Managers have played a key role in the sustainability journey of each firm.

In Proposition 2, the research findings suggest that manager turnover does influence the institutionalisation of CSR, albeit indirectly. CSR is well-established in the five organisations' hierarchies and in some instances, in their supply chains as well. This has been aided by a proactive approach on the part of top management to align individual intrinsic desires and expectations with the extrinsic policies, values and structures of the organisation. Middle managers' willingness to commit, work hard, exceed expectations and stay in their respective organisations is thus a consequence of high levels of job satisfaction and a working environment that is fair and encourages cross-functional interaction, team cohesion, high performance and individual recognition.

Likewise in Proposition 3, the research results suggest that senior manager tenure can influence the institutionalisation of CSR, albeit indirectly. In some instances, long tenure lengths, high rates of discretion and age can indeed lead to stable organisational outcomes. In other companies, riskier and more competitive policies are being pursued by senior managers that are young, highly educated and have more varied prior functional experience. Overall, however, the results suggest that the institutionalisation of CSR is less a function of tenure per se, than an earlier strategic decision by management to redefine the strategic intent, leadership focus and supporting structures in their organisations. Tenure effectiveness increases when these purposive actions, together with high levels of discretion, result in higher levels of satisfaction amongst senior managers. Higher satisfaction, in turn, fosters a greater sense of commitment. In firms where CSR is well established this has resulted in a merging of individual aspirations with those of those of the organisation.

## **5. CHAPTER 5: DISCUSSION OF THE RESULTS**

### **5.1 Introduction**

This chapter provides a discussion of the research findings presented in Chapter 4 with reference to the literature review covered in Chapter 2. Each of the three research propositions is discussed separately. Similarities, differences and alternatives arising between the study's findings and those of previous investigations are highlighted and assessed. The chapter concludes with a summation of the overall findings.

### **5.2 Discussion pertaining to Proposition 1**

#### ***5.2.1 The institutionalisation of CSR in large South African firms***

According to Phillip Selznick, the founder of institutional theory, the objective of institutionalisation is "to infuse with value beyond the technical requirements of the task at hand" (Selznick, 1957, p. 16-17). He maintained that there are two distinct, but interrelated sorts of 'infusion'. Firstly, institutionalisation is a process; something that evolves within an organisation over a period time. In addition to reflecting their own distinctive histories and how they have adapted to the external environment, organisations come to embody the vested interests and values of the people who have been in it (Selznick, 1957; Krygier, 2012, p. 76). Secondly, it is also a practice, something that is actively driven by leaders who infuse it with the values they consider appropriate and which reflect the organisation's history, character and unique competencies (Selznick, 1957; Krygier, 2012, p. 78). For Selznick, organisations become 'institutionalised' when individuals cease to treat them as mere means but become attached in various ways to them, value them, and connect their goals with them. Where institutionalisation is well-established, distinctive outlooks and commitments give organisations a competitive edge. Over time, such firms start to function as social integration agents operating independently of formal coordination and control (Selznick, 1957; Krygier, 2012).

Mirvis and Googins (2006) maintain that the process and practice of institutionalising CSR requires firms to look 'outside-in' to define the issues that are material to both the firm and society and 'inside-out' as to how to address them authentically and distinctly. Action requirements become more demanding and organisational structures, processes and systems used to manage CSR more elaborate and comprehensive the more embedded the institutionalisation process becomes (Googins et al., 2007). According to the authors, corporate responses to CSR can be depicted along a continuum of responsiveness – from elementary and compliant on the one end to proactive and transformational on the other (Mirvis & Googins, 2006). The literature review highlighted that progression across the continuum occurs in response to three triggers: the internal credibility and capacity to support citizenship activities; the coherence of those activities; and the commitment to incorporate citizenship in the corporate culture (Collier & Esteban, 2007; Googins et al., 2007; Epstein, 2008; Laszlo, 2008; Morgan et al., 2009; Melo, 2012). The findings from the within-case study assessments of how CSR has been institutionalised in Gold Fields, Eskom, Sasol, Nedbank and Woolworths lend credence to both Selznick's and Mirvis and Googins' (2006) assertions regarding the practice and process of institutionalisation.

Morgan et al. (2009) maintain that most firms show a differentiated response in their progress towards institutionalising CSR. While this is likely to be true for South African firms in general (see Hamann, 2004; PwC, 2012), the five companies reviewed as part of the study are currently positioned within the Integrated and Transforming stages of the Corporate Citizenships Model. Their progress to institutionalise CSR can be considered well-advanced. Such homogeneity in responses, however, can largely be attributed to the purposive sampling technique used to select the case sites. Firms were selected on the basis of their CSR achievements, size and membership to the UNGC. They were assumed to have gone through a formal process of defining CSR objectives and realigning the corporate vision and mission to embrace it. Further, as leading South African firms they would have the resources and capabilities to invest in the requisite systems, procedures and policies needed to achieve their sustainability objectives and to leverage it as a form of

competitiveness. There was much greater heterogeneity in where firms are positioned along each of the seven dimensions of the Model. This can be attributed to differences in industry sector, scope of operations, organisational design, structures, leadership and culture, and length of the sustainability journey. This confirms the findings of Mitchell et al. (1997), Vogel (2005), Morgan et al. (2009) and Timonen and Luoma-aho (2010) suggesting that social forces, business type, industry dynamics, cross-sector influences, leadership and company culture may have a determining impact on how CSR develops and evolves in a particular firm. While respondents emphasised that there is no 'one size fits all' approach to the institutionalisation process, a number of common features and lessons can be distilled from their experiences adding to the literature on *how* to manage and execute the institutionalisation process.

First, successfully institutionalising CSR requires a complete mind-set change regarding how sustainability is defined, conceptualised and valued in an organisation. Within all five firms, there has been a distinct move to develop an internal definition of what sustainability means to them in the context of continuous external and internal change. In general, 'corporate social responsibility' (CSR) is perceived as a non-core business activity and something that is philanthropic in nature. 'Sustainability', by contrast, encapsulates actions that are more strategic, inclusive, progressive and authentic in nature. Firms have adopted terms such as "integrated sustainability" and "shared value" to signify their more proactive response to managing the trade-offs between their social, environmental and financial sustainability objectives. Echoing Epstein (2006) and McElhaney's (2009) strategic conceptualisations of CSR, the five firms regard sustainability a key feature of their business strategies and have sought to integrate it within their day-to-day activities and core competencies. Senior managers confirmed that a basic prerequisite is that sustainability must translate into bottom-line results before it can catalyse change elsewhere.

Respondents pointed out the business-related benefits that have accrued to them as a result of adopting a more holistic approach to sustainability. These

include greater investor confidence, market resilience, brand positioning, operational efficiencies, access to finance, differentiation, and new product development opportunities. These findings support the business case and competitive advantage benefits to championing CSR identified in the literature (see Russo & Fouts, 1997; Porter & Van der Linde, 1998; Aragon-Correa & Sharma, 2003; Vogel, 2005; Branco & Rodrigues, 2006; Weber, 2008; Manner, 2010). Two companies also regard sustainability as moral obligation, while three companies see it as necessary for securing their 'license to operate'. These motivations support both the ethical and legitimacy benefits associated with pursuing CSR (see Paine, 2000; McWilliams et al., 2006; Weber, 2008). For all firms, embedding CSR into the culture and structure of the organisation is a 'journey'. This confirms Scott (1987) and Selznick's (1996) conclusions that institutionalisation is a process requiring time, resources, action guidelines and the involvement of managers to be effective.

Second, to be authentic and long-lasting sustainability has to be initiated and driven from the top. Respondents alluded to the important role played by visionary CEOs, executive committees, an informed and committed Board, and various personalities within sustainability departments, in their CSR journeys. Coherence and support from the upper echelons regarding the vision and strategic intent of the organisation provided a critical base from which to catalyse change both within the organisation and amongst outside stakeholders. Respondents also highlighted the role played by external consultants in ensuring internal policies and strategies are aligned with international best practice. The support of 'communities of practice' and technical experts was also identified as being key to disseminating information within and across functional units. Managers complement these activities by providing additional leadership support and delivering on organisational mandates. These findings are consistent with those identified in the literature regarding the role of top management, managers and sustainability 'champions' in the institutionalisation process (see Epstein, 2008; Strandberg, 2009; Smart & Cohen, 2010; Fairfield et al., 2011).

Third, making the transition to the Integrated and Transforming stages of the

Corporate Citizenship Model requires firms adopting a much more strategic role with regard to their sustainability departments. Each of the companies reviewed have designated departments and personnel responsible for defining and coordinating their sustainability agendas. Departments tend to be much smaller than other business units – in Gold Fields for instance, the corporate sustainability office consists of only three people. They are also increasingly being regarded as “integration agents” and “facilitators” of compliance, strategy formulation and implementation, and less as standalone, independent business functions. Three respondents pointed out that they had been headhunted or specifically appointed to address/lead a particular aspect of sustainability and governance in their organisations. Functional effectiveness has been enabled by flat reporting structures and open channels of communication. The result has been the creation of a sustainability function that is able to respond timeously and strategically to external forces through a combination of top-down and bottom-up initiatives.

Fourth, maintaining a balance between short-term fiduciary obligations and long-term sustainability objectives requires having clear quantifiable and detailed targets set in all staff performance agreements which are regularly monitored and updated (Dunphy et al., 2003; Epstein, 2008). The strategic importance of linking individual KPIs to the attainment of organisational economic, social and environmental objectives was acknowledged by all of the respondents. These are measured bi-annually through the performance management system and incentivised. Various costing, capital investment and risk management systems have also been introduced to enhance the reporting, measurement and feedback process.

Fifth, respondents highlighted the importance of stakeholder relationships, maintaining good governance standards and the regular disclosure of information in the institutionalisation process (Epstein, 2006). One respondent pointed out that “true sustainability cannot be achieved in isolation”. All five firms are well-advanced in terms of their approach to stakeholders. They regard the development of long-term, mutually-beneficial partnerships with shareholders, communities, government departments and NGOs as a source of

competitive advantage as well as a conduit for influencing external perceptions and behaviour around sustainability. During the interviews, respondents confirmed that legislative developments, increased investor awareness of ESG issues, and consumer pressures for more environmentally-friendly products have influenced their approach to corporate governance and the disclosure of information. These findings correspond with those of Hamann (2003), Laszlo (2008), Kanter (2011) and Slack (2012). Integrated annual reporting, the use of various internal and external verification processes, and the regular dissemination of corporate information are helping to ensure greater coherence between sustainability rhetoric and reality. In agreement with Laszlo (2006) and Epstein (2008), firms make use of analyst meetings, press conferences, formal documents, podcasts and corporate Web sites to increase awareness of their sustainability activities, challenges and achievements. Senior managers are of the opinion that the shift to integrated reporting has been of considerable value in facilitating greater cross-functional interaction and embedding sustainability thinking in their organisations.

Last, staff participation and buy-in is critical to embedding a culture of sustainability in organisations (Redington, 2005; Collier & Esteban, 2007; Googins et al., 2007; Gond et al., 2010; Haugh & Talwar, 2010). In support of this, respondents pointed out that to be effective, CSR cannot just be seen as something that top management or the sustainability department pronounce on, but something that all employees have to commit to and deliver upon to be effective and meaningful. The research findings confirmed that there has been a conscious effort by management across the five firms to strengthen the organisational culture, to engage directly with staff on sustainability issues, and to encourage their active participation in in-house initiatives. The provision of mentoring, incentives and technical and action-learning opportunities to staff has also contributed to enhancing employee awareness of, and commitment to, sustainability objectives. Bhattacharya et al. (2012) emphasise that CSR is most effective when employees are the actual enactors, with the company acting as an enabler. Currently three companies are providing incentives to staff to initiate and run their own sustainability-related programmes aligned to and in support of

the company's broader initiatives. Most of these projects are based in the employees' home communities.

### ***5.2.2 Barriers to the institutionalisation process***

Consistent with previous studies (see Laszlo, 2008; Mirvis, Googins & Kinnicutt, 2010; Kanter, 2011), respondents acknowledged that their organisations' size, history and nature of business provide them with the opportunity to make a meaningful impact on society. They also attested to fact that there are both internal and external barriers that can influence the process, thus confirming the empirical results of Post and Altman (1994), Murillo-Luna et al. (2007), Delgado-Ceballos et al. (2012) and Stocchetti (2013). The biggest internal barriers identified relate to attracting and retaining managers with specific skills (such as environmental management) and aligned to equity and transformation requirements, accessing appropriate financial resources to execute projects (particularly at the plant and community level), and poorly communicated expectations. Regular communication and access to financial and human resources have been identified as potential barriers in other empirical studies (see Russo & Fouts, 1997; Bansal & Roth, 2000 Murillo-Luna et al. 2007; Chin et al., 2013). Respondents also noted the adverse impact of bureaucratic organisational structures, inconsistent integration of sustainability in KPIs, poor team relationships, insufficient coaching and mentoring of younger managers, and cultural differences arising from operating in different countries. In contrast to the findings of Finkelstein and Hambrick (1990), Bansal and Roth (2000) and Chin et al. (2012), no respondent highlighted manager tenure and turnover as a current barrier to the institutionalisation process.

For three respondents, the greatest barriers to the further institutionalisation of CSR in their companies are external and a consequence of broader market dynamics and stakeholder expectations. One respondent pointed out that external influences and trends can create a complex and volatile leadership context that can directly impact on an organisation's mission and strategy, leadership and culture and resultant structure, systems, management practices and climate. Respondents acknowledged, however, that their ability to manage

and adjust to external forces has been aided by the centralisation of processes, realignment of the structures, and the development of a favourable organisational culture. This confirms Delgado-Ceballos et al. (2012) conclusions that if an organisation is able to overcome its internal barriers, it is more likely to be able to overcome the external barriers.

### **5.2.3 Conclusion to Proposition 1**

The above discussion supports an alignment between the results of this study and those identified in the literature review. Proposition 1 can therefore be accepted. The study demonstrates that a company's progress with regard to institutionalising CSR can be assessed using the 5-stage Corporate Citizenship Model. While there may be homogeneity in where groups of firms are positioned along the continuum of responsiveness, there is likely to be much greater heterogeneity around how companies define CSR and manage strategic issues due to different contextual factors. Managers are acknowledged as playing a key role in initiating, implementing and overseeing the institutionalisation process. However, in firms that have reached the Transforming stage, all staff are held accountable for fulfilling KPI objectives and 'living the values' of the organisation. In such firms, the locus of influence has also moved beyond that of the firm to influencing the behaviours of key stakeholders, notably consumers and suppliers. A key finding of the research is that both internal and external barriers affect the institutionalisation process, albeit in different ways. Internal barriers tend to have a greater impact on middle manager performance than they do for senior managers. Senior managers, however, consider external factors to be a much greater determinant of the overall institutionalisation process than do middle managers.

## **5.3 Discussion pertaining to Proposition 2**

### **5.3.1 Organisational implications of high turnover rates**

There was general consensus amongst respondents that South African organisations are indeed experiencing a 'war for talent', and that this is not just

an industry or sector specific issue, but a national and global challenge as well. However, it was noted that the shortage of skills tends to be concentrated in specific job categories. The attainment of sustainability objectives could be compromised if scarce skills are not appropriately addressed through targeted recruitment, succession planning and in-house training programmes. This is a key priority in all five companies reviewed. Respondents emphasised that the biggest challenge they currently face is in attracting and retaining high potential managers to fulfil equity and transformation requirements. They attribute this to a general case of high demand and low supply across South Africa. This aligns with Kotze and Roodt's (2005) and Nzukuma and Bussin's (2011) conclusions that the emigration of skilled people, the relative scarcity of specialist and managerial employees, and a national drive to address employment equity within designated groups, has driven up demand for particular skills, particularly in management.

The research revealed that despite considerable variation in turnover rates between firms, there is general consistency in year-on-year turnover rates within each company. A respondent did caution that a holistic view should be adopted when reviewing turnover rates, taking cognisance of the size of the company, nature of business and the influence of external market factors. Such factors can have a determining impact on business performance and the specific type of turnover experienced – whether involuntary or voluntary in nature. While most corporate reports do not disaggregate turnover according to functional level, feedback during the interviews revealed that voluntary turnover rates amongst middle managers tend to track those of overall staff turnover (between 8 and 10 percent). Involuntary turnover rates have been much higher in Gold Fields than in other companies and can largely be attributed to the restructuring process that commenced in 2012.

Various authors attest to the negative impacts that can arise from excessive staff turnover, particularly at the management level. These include high replacement costs, delayed progress on policies, and lower team morale and productivity (Price, 2001; Carmeli & Weisberg, 2006; Samuel & Chipinza, 2009; Hausknecht & Trevor, 2011; BlessingWhite, 2013). In this study, respondents

did not view voluntary turnover rates at the middle manager level as a major inhibitor to the institutionalisation process. In some cases, individual workloads have increased as a result of the departure of a staff member and projects have had to be replanned. For the most part, however, each company has policies and procedures in place to minimise disruptions in the event of a resignation. Three respondents emphasised that their organisations are likely to face a much greater business risk in the medium-term from the retirement of skilled staff than excessive voluntary turnover at the middle management level.

### ***5.3.2 Role of middle managers in the institutionalisation process***

According to Johnson et al. (2008) middle managers are responsible for putting into effect the direction established by top management. This requires making sure that resources are allocated and controlled appropriately, monitoring performance and behaviour of staff, and where necessary, explaining the strategy to those reporting to them (Johnson et al., 2008). The value of such an intermediary function was confirmed by respondents during the interview process. Respondents emphasised, however, that their actual contribution in the institutionalisation process is more of a function of their leadership capabilities, personal values, relationships with stakeholders and specialist expertise than anything else. Respondents also alluded to the high levels of accountability, responsibility and pressure on them to meet deliverables. While short-term financial goals tend to be prioritised at the unit level, longer term organisational sustainability objectives are incorporated into their KPIs. Both are assessed bi-annually. This process ensures that equal attention is afforded to both short- and long-term goals, minimising the incidence of 'short termism'.

### ***5.3.3 Factors influencing manager turnover***

Empirical evidence supports a strong correlation between voluntary turnover rates and an individual's decision to stay in a particular organisation (Lambert, Hogan & Barton, 2001; Strandberg, 2009). Further, various intrinsic and extrinsic firm-related variables and demographic factors have been shown to influence the rate of voluntary turnover (Capelli, 2000; Malinga, 2011; Mahdi et

al., 2012). The research findings confirmed the contribution of both intrinsic and extrinsic factors in middle manager 'intent to stay' motivations.

### **Intrinsic factors**

Basset-Jones and Lloyd (2005) maintain that the psychological bond between individuals and their organisations is influenced by an individual's sense of purpose, the personal value derived from allocated work, and the nature of tasks undertaken. The stronger the bond the greater the probability that managers will decide to continue membership in the organisation; the weaker the bond the greater the likelihood that employees will seek alternative positions either inside or outside of the firm (Mahdi et al., 2012; BlessingWhite, 2013). Various empirical studies confirm that there is a correlation between high levels of employee job satisfaction and commitment and lower rates of voluntary turnover (Buchanan II, 1974; Khatri et al., 1999; Price, 2001, Stawiski et al., 2010). Factors such as the richness of the job, alignment and sense autonomy, achievement, recognition, and career advancement are considered to have the greatest impact on middle manager turnover intentions (see Shen & Cho, 2005; Strandberg, 2009; Zappalà & Adams, 2010; Muteswa & Ortlepp, 2011; Nzukuma & Bussin, 2011).

The research undertaken in this study supports and confirms these findings. Alignment of own career goals to company goals, scope and challenging nature of the job, and remuneration are the three factors that have the greatest bearing on middle managers' current job satisfaction and commitment levels. Respondents appear most dissatisfied with their current work-life balance and amount of freedom to propose new ideas and make independent decisions. Respondents' commitment to their respective organisations is borne out by the fact that they have all been employed in their respective firms for more than 4 years and in the same industry for more than 8 years. Respondents also indicated that the opportunity to move/rotate internally is a major incentive to remaining within their companies rather than seeking alternative employment elsewhere.

## **Extrinsic factors**

The literature review highlighted that an individual's perception of the external benefits provided by the organisation directly influence their decision as to whether to stay or to leave (Basset-Jones & Lloyd, 2005; Catalyst, 2012; Mahdi et al., 2012). Extrinsic variables that have been shown to have the greatest bearing on job satisfaction and commitment levels include organisational culture, fairness, employee engagement, performance management and incentivisation (Aguilera et al., 2007; Brammer et al., 2007; Maon et al., 2009; McElhaney, 2009; Stawiski et al., 2010). Respondents acknowledged the favourable working environment within their organisations and maintained that this could be a reason why their voluntary turnover rates have been constant and low over the past three years. Factors that have contributed to creating such a culture include an emphasis from the top to position their companies as great places to work and putting in place the requisite strategies and processes to attract and retain skilled, willing and adaptable employees. Respondents also alluded to the influence of the company's history, brand and internal and external relationships in the development of such a culture. These research findings confirm Collier and Esteban's (2007) assertion that employees will seek to work for, and remain in, organisations to which they can relate, derive elements of their own identity from being members of, and the degree to which they can commit to the organisation's values and goals.

According to Mottaz (1988), work rewards have a strong, positive effect on managers' commitment levels and intent to stay motivations. Respondents acknowledged the impact that regularly updated career plans, performance management contracts, mentoring programmes and incentive strategies have had in keeping them motivated and committed to their organisations. Four respondents noted that there has been an increase in the number of initiatives implemented by their companies over the past few years to enhance their 'employee value proposition' and to position themselves as 'great places to work'. These include revisions to the pay structure, provision of leadership training, introduction of family/wellness programmes, and annual surveys of culture and employee engagement levels. Cochran's (2007, p. 453) assertion

that “firms that have good employee relations are likely to have significantly lower turnover rates and a substantially more enthusiastic workforce” is thus supported through the findings of this research.

### **Demographic factors**

Brammer et al. (2007) suggest that the age of the respondent, length of employment in the organisation, and the seniority of the respondent will be positively related to affirmative commitment and intent to stay motivations. Four of the respondents are less than 40 years of age, all have received tertiary education and all have been employed in their various organisations for more than 4 years. These findings support those identified by Ng and Feldman (2009). The respondent with the highest level of qualification (PhD) and longest tenure (more than 8 years) is female. Her decision to stay within the organisation has been influenced by the specialised and challenging nature of her job, team dynamics and the level of remuneration and rewards received. This experience contrasts with the findings of Stawiski et al. (2010) suggesting that the amount of education received is positively associated with turnover and that the more educated the employee, the higher their propensity to leave. Overall, however, given the small sample of respondents and the fact that they were selected purposively, it is not possible to draw any conclusive findings regarding the role of demographic factors in middle manager ‘intent to stay’ motivations.

### ***5.3.4 Conclusion to Proposition 2***

From the discussion above it is evident that the research findings relating to the influence of middle manager turnover on the institutionalisation of CSR are supported by the literature review. There has been a conscious effort on the part of top management in Gold Fields, Eskom, Sasol, Nedbank and Woolworths to understand their employees’ intrinsic desires and expectations and to align them with their organisational objectives and strategies. This has led to high levels of job satisfaction amongst middle managers and a strong psychological bond emerging between them and their organisations. Given the fact that the institutionalisation of CSR is well advanced in all five firms it can be

concluded that the low rates of voluntary turnover have indeed contributed positively to the institutionalisation process. The small sample size, however, precludes any conclusions being drawn regarding the influence of demographic factors on middle manager turnover intentions. Proposition 2 can be accepted based on these conclusions.

## **5.4 Discussion pertaining to Proposition 3**

### ***5.4.1 The role of senior managers in the institutionalisation process***

Various empirical studies identified in the literature review attest to the important and defining role that senior managers play in the institutionalisation of CSR (see Thomas & Simerly, 1994; Laszlo, 2008; McElhaney, 2009; Googins et al., 2010; Melo, 2012). Through a combination of top-down and bottom-up initiatives, senior managers can change underlying perceptions and instil a sense of intrinsic worth, stability and persistence in their organisations over time (Scott, 1987; Finkelstein & Hambrick, 1990; Chin et al., 2013). The importance of top management involvement and engagement in the institutionalisation process was confirmed in the within-case study analyses of Gold Fields, Eskom, Sasol, Nedbank and Woolworths. All five senior managers interviewed expressed a strong commitment to the vision, ethos and long-term sustainability objectives of their companies. All agreed that their individual roles have a direct impact on the roll-out of strategy and hence the institutionalisation of CSR. They also noted that their functions are influenced and shaped to a large extent by external material issues, investor and stakeholder expectations, and company-specific values, mandates and objectives. More importantly, respondents drew attention to the fact their success is dependent on the continuous engagement, input and support of technical experts, sustainability champions, regional managers and business unit leaders across all levels of the company.

#### ***5.4.2 Factors influencing the effectiveness of senior manager tenure***

##### **Tenure duration**

Empirical and theoretical studies suggest that senior management tenure can be used as an indicator of the strength and pervasiveness of organisational values and culture (Pfeffer, 1991; Finkelstein & Hambrick, 1990; Thomas & Simerly, 1994; Manner, 2010; Hong & Minor, 2012). The research revealed considerable variation in the length of tenure in the current position, in the organisation in general, and industry as a whole for the different respondents. Overall, however, the results contrast with those of ExecuNet (2009) that suggest that the average tenure of executives in a single job has reduced to 2.3 years, 2.8 years in the same company, and 4 years in the same industry. With the exception of Gold Fields, all senior managers have been employed in their current position and organisation for more than 2.6 years, and in the same industry for more than 10 years.

There was general agreement amongst respondents that familiarity with issues and company policies increases with time spent in the organisation. Further, senior managers highlighted the fact that excessively short tenures and frequent management changes can indeed disrupt organisational continuity and negatively affect firm performance, thus supporting the findings of Gupta (1986), Boeker (1997), Schwenk (1993), Ng and Feldman (2010) and Melo (2012). However, the experience of Nedbank, Woolworths and Gold Fields also shows that tenures of between three and five years are sufficient to engender internal change to the status quo.

There was much more debate as to whether excessively long tenures have an adverse effect on the institutionalisation of CSR. One respondent pointed out that the excessively long lengths of tenure of some staff in their company have ensured constancy in outputs; however, it can also lead to complacency and reluctance to implement new policies and procedures. Another respondent drew attention to the fact that some senior executives have been with their firm for more than 30 years. Despite this, their company has reached the Transforming

stage in the Corporate Citizenship Model.

Zappe (2009) maintains that there is no optimum tenure duration for an executive in an organisation given differences in industry, designation and focus areas, and corporate specifications. While the findings of this research support this assertion, it is also evident that length of tenure is perhaps not the most appropriate determinant of successful institutionalisation. Rather, other factors such as personal vision, ability to look outwards and into the future, awareness and adaptability to external and internal factors, a willingness to explore alternative options, the challenging nature of the work, and a personal commitment to contribute to the organisation being the best it can be, are much more important.

### **Age and education of senior managers**

Various empirical studies have highlighted the role that the age and education of senior managers can have on the institutionalisation process. The propensity to champion new CSR policies is considered to be higher amongst younger generations of managers, female senior executives and those with tertiary qualifications, including MBAs (Hambrick & Mason, 1984; Hong & Minor, 2012). Barnea and Rubin (2010) argue that older top managers may be more inclined to over-invest in CSR to secure higher bonuses and retirement benefits if their tenures are of a fixed duration and to preserve their positions if retrenchments are imminent. Younger executives, by contrast, may be more motivated to engage in CSR activities to build their own personal reputation as good global citizens, engage with stakeholders to pursue alternative, future career paths outside of the firm, strengthen the competitive advantage of the company, and because 'it's the right thing to do' (Finkelstein & Hambrick, 1990; Cespa & Cestone, 2007; Kang, 2010).

All respondents interviewed as part of the study fall within the 30-55 year age band, are permanent employees, highly educated, and considered experts in their fields. None of the respondents is approaching retirement so the assertion that top managers may be motivated to pursue CSR to secure higher bonuses and retirement benefits could not be tested. Further, given the small size of the

sample and purposive sampling technique used to identify respondents it was not possible to assess the impact of gender. Different results may have been found if the sample of firms reviewed was much broader in scope and included companies in the earlier stages of the Corporate Citizenship Model. From the interviews it is apparent that respondents are passionate about their jobs and their companies' success. The desire to simultaneously further their own career objectives and those of the company by championing CSR is not considered to be a disadvantage and an inhibitor to the institutionalisation process.

### **Manager discretion**

Finkelstein and Hambrick (1990) maintain that the level of managerial discretion can have a determining impact on tenure effectiveness. Where discretion is high managers can significantly influence organisational outcomes. The research findings attest to the importance of senior managerial discretion in challenging the status quo, creating momentum on projects, and securing buy-in from internal and external stakeholders to the CSR objectives of the firm.

All respondents emphasised that they are given significant discretion to propose new ideas and to challenge existing ways of doing things. New ideas, however, have to be well thought out, well-presented and substantiated, and make a meaningful impact on business performance, policies, systems, procedures and/or reputation. Effectiveness in their appointed roles has been aided by relatively flat reporting structures and the quick dissemination and transfer of information between top decision-makers (CEO, Board and executive management), themselves and the rest of the organisation. This contributes to feelings of legitimacy (company is behaving ethically and fairly), role relevance, satisfaction, commitment and loyalty to the organisation.

Aguilera et al. (2007) maintain that executives will incorporate CSR in their organisational strategies only when doing so is clearly associated with greater economic opportunities. All five respondents, however, pointed out that their roles are clearly defined, regularly monitored and that rewards, promotions and incentives are linked to their performance. The negative aspects of short-termism, such as senior managers pursuing agendas contrary to those of the

broader company, are managed and tightly controlled through ethics committees, corporate governance policies and oversight provided by the Board of Directors. Other company specific interventions, such as establishing stand-alone, non-profit-based, 'thought leadership' positions have helped to centralise sustainability as well as balance short-term fiduciary obligations with longer-term sustainability objectives.

### **5.4.3 Conclusion to Proposition 3**

It can be concluded from the discussion above that senior manager tenure can indeed be used as an indicator of the effectiveness of the institutionalisation of CSR, suggesting acceptance of Proposition 3. The within-case assessments suggest that the longer the length of tenure, the higher the level of discretion and the older the senior manager, the more stable the organisational outcomes will be. At the same time, more riskier and more competitive policies are likely to be introduced by younger, highly educated senior managers with more varied levels of functional experience. However, the small sample size limits any definite conclusions being drawn around the effect of demographic variables on tenure effectiveness. A key finding of the research is that the impact of a senior manager's tenure is less about the length of time spent in a particular position, company, or industry, than about the unique attributes, qualities and motivations of the individual concerned. The ability to look outwards and into the future, an awareness of and adaptability to external and internal factors, a willingness to explore alternative options, and a personal commitment to contribute to the organisation being the best it can be, are considered to be much more important and more long-lasting. Minimising the negative aspects of tenure, particularly short-termism, requires considerable proactivity on the part of top management to ensure that structures, policies and systems are conducive to the attainment of both individual and organisational objectives. Specifically, senior managers need to be granted sufficient discretion to be able to propose and implement new ideas and engage directly with key stakeholders around critical sustainability issues.

## **5.5 Conclusion**

This chapter provided an interpretation of the results from the research process in relation to the literature review. All three Propositions were confirmed in the research process and were found to be consistent with previous empirical and theoretical studies exploring the institutionalisation of CSR and the particular role of managers in the process. Proposition 1 was supported outright. A key finding was that both internal and external barriers affect the institutionalisation process and that the perception of the impact varies according to management level. The two antecedents explored in Proposition 2 and 3 while supported, were found to be an indirect consequence of other organisational factors. A conscious effort on the part of top management to create an organisational culture and structure conducive to meeting managers' intrinsic desires and expectations was found to be the most significant determinant in influencing manager commitment and buy-in. Greater job satisfaction and commitment has manifested itself in lower rates of staff turnover and longer and more productive tenures. The organisational impact has been the wider penetration of CSR through the hierarchy of all five firms. In those firms that have reached the Transforming stage the impact has been much broader, influencing the behaviour of both supply chains and general consumers.

## **6. CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS**

### **6.1 Introduction**

This chapter presents a summary of the main research findings and conclusions reached in this study. Specific recommendations for the main stakeholders identified in the introductory sections of the report are also provided. The chapter concludes with an identification of possible areas for future research.

### **6.2 Conclusions of the study**

In the face of rising societal challenges (notably climate change and social inequality), increasingly stringent legislation, and growing public discontent around the ethics of large corporations, organisations around the world have had to re-evaluate their conduct and approach to doing business. There has been considerable heterogeneity in company responses to balancing the attainment of short-term goals (of direct benefit to the firm and shareholders), with those that are more indirect, longer-term in nature and to the benefit of society as a whole. According to Mirvis and Googins (2006), corporate responses to managing their triple bottom line obligations of social, environmental and financial sustainability can be captured along a continuum of five stages – elementary, engaged, innovative, integrated and transforming. Advancing along the continuum is complex process that is influenced by both corporate contextual factors and employee perceptions (Collier & Esteban, 2007). Institutionalising CSR requires the direct involvement and commitment of managers for its long-term success as well as fundamental changes to organisational structure, policies and procedures (Wood, 1991; Finkelstein & Hambrick, 1990; Selznick, 1996; Epstein, 2006; Laszlo, 2008; Smart & Cohen, 2010). The lack of financial and human resources, insufficient awareness of CSR amongst employees, inadequate leadership, high staff turnover, and limited tenure of top management teams, have been shown to have a

determining impact on CSR outcomes (Finkelstein & Hambrick, 1990; Thomas & Simerly, 1995; Waldman, Siegal & Javidan, 2006; Hong & Minor, 2012; Bice, 2012; Chin, Hambrink & Treviño, 2013).

Given the fact that the majority of South African companies have yet to develop a coherent response to CSR (Kapelus, 2002; Hamann, 2003; Flores-Aroaz, 2011; NBI, 2013), it was postulated whether this could be attributed to the particular actions of managers. Middle manager turnover rates, largely due to job hopping, are considered to be high in South Africa (Malinga, 2011; Muteswa & Ortlepp, 2011; Nzukuma & Bussin, 2011). Excessive voluntary turnover can lead to the loss of critical skills, escalated recruitment costs, low team morale and the delayed roll-out of strategies and programmes, including those related to CSR. At the same time, manager remuneration packages (stock options and bonuses) remain structured around meeting short-term economic performance objectives. Senior managers, particularly those with fixed tenures or approaching retirement, may therefore see greater value in pursuing 'quick win' projects over longer-term CSR ventures, with less defined and individually attributable outputs (Grigoriadis & Bussin, 2007). The cumulative impact of such internal barriers is a lack in the progression of the institutionalisation of CSR.

Against this background, the objective of this research project was to appraise the progress made by large South African firms to institutionalise CSR in their organisations and to establish whether middle management turnover and senior executive tenure create internal barriers to the institutionalisation process. A qualitative research design and comparative case study approach was adopted to assess the three research propositions. Interviews were conducted with five senior managers and five middle managers in five large South African companies with an established reputation for embedding CSR into all their activities. This was supplemented with a review of secondary corporate data.

Overall, the results of the within-case study assessments of Gold Fields, Eskom, Sasol, Nedbank and Woolworths demonstrate that a company's progress with regard to institutionalising CSR can be assessed using Mirvis and Googins' (2006) 5-stage Corporate Citizenship Model. Further, in support of Proposition 1, it was confirmed that corporations evolve to higher stages of

corporate citizenship based on the internal credibility and capacity to support citizenship activities, the coherence of those activities, and the commitment to incorporate citizenship in the corporate culture. While there may be homogeneity in where groups of firms are positioned along the continuum of stages, there is likely to be much greater heterogeneity around each of the seven dimensions of the Model due to different contextual factors. Managers play an important role in initiating, implementing and overseeing the institutionalisation process. However, in firms that have reached the Transforming stage, all staff are held responsible and accountable for delivering on the sustainability objectives and 'living the values' of the organisation. In addition, the locus of influence in such firms has moved beyond that of the firm to influencing the behaviours of key stakeholders, notably consumers and suppliers. A key finding from the research related to Proposition 1 is that both internal and external barriers affect the institutionalisation process and in different ways. Advancing on current empirical studies on how CSR is institutionalised in organisations, the study found that internal barriers have a greater impact on middle manager performance and ability to execute projects than they do for senior managers. Senior managers, however, consider external factors to be a greater determinant of the institutionalisation process than do middle managers. In agreement with available literature, the study found that having effective internal structures and processes in place and dispersing the sustainability function across different levels and business units can help to manage the impact of such factors.

The research findings relating to the influence of middle manager turnover on the institutionalisation of CSR were generally supported by the literature review, leading to an acceptance of Proposition 2. There has been a conscious effort on the part of top management across the five case sites to understand their employees' intrinsic desires and expectations and to align them with organisational objectives and strategies. This has led to high levels of job satisfaction amongst middle managers and a strong psychological bond emerging between them and their organisations. Given the fact that the institutionalisation of CSR is well advanced in Gold Fields, Eskom, Sasol, Nedbank and Woolworths it can be concluded that the low rates of voluntary

turnover have indeed contributed positively to the institutionalisation process. The small sample size, however, precluded any definitive conclusions being drawn regarding the influence of demographic factors on middle manager turnover intentions.

Concurring with existing theoretical and empirical studies, the study also highlighted that senior manager tenure can indeed influence the institutionalisation of CSR, albeit indirectly. Eskom's experience supports the first part of Proposition 3 that suggests that the longer the length of tenure, the higher the level of discretion and the older the senior manager, the more stable the organisational outcomes will be. The experiences of Gold Fields, Nedbank and Woolworths, support the second part of Proposition 3. The senior managers are relatively young, highly educated and have varied functional experience. They are enthusiastic, committed and willing to challenge the status quo through the adoption of riskier and more competitive policies. As in Proposition 2, the small sample size limited the extent to which the influence of demographic variables on tenure effectiveness could be assessed.

A notable overall finding of the study is that senior manager effectiveness is less about the time spent in a particular position, company or industry, than about the unique attributes, qualities and motivations of the individual concerned. The ability to look outwards and into the future, an awareness of and adaptability to external and internal factors, a willingness to explore alternative options, and a personal commitment to contribute to the organisation being the best it can be, are considered to be much more important and more influential. While none of the respondents were approaching retirement or on short-term contracts, the interviews highlighted that minimising the negative aspects of tenure, particularly short-termism, requires considerable proactivity on the part of top management. Firstly, structures, policies and systems need to be conducive to fostering a team-based, interactive, high-performance and open organisational culture. Secondly, senior managers need to be granted sufficient discretion to be able to propose and implement new ideas and engage directly with key stakeholders around critical sustainability issues. Lastly, there needs to be alignment between manager's intrinsic desires and the

extrinsic values and objectives of the organisation to be successful and sustainable over the long-term. .

### **6.3 Recommendations**

From a theoretical perspective, this study aimed to fill a gap in current discussions on *how* to institutionalise CSR in organisations as much of the existing CSR literature has focused on normative analyses of *why* companies embark on CSR. From a management point of view, the objective was to provide practical insight as to how South African firms have embraced CSR, sought to integrate it into the corporate strategy, and are dealing with internal barriers related to its institutionalisation. Respondents cautioned that there is 'no one size fits all' approach to the institutionalisation of CSR and that the process and practice of institutionalisation is influenced by an array of contextual and firm-specific factors. Nevertheless, a number of recommendations can be drawn from the study which could be of value to those companies wishing to commence or further advance their sustainability efforts:

- Institutionalisation is both a process and a practice – it requires time, resources, action guidelines and the involvement of managers to be effective.
- Successfully institutionalising CSR requires a complete mind-set change as to how sustainability is defined, conceptualised and valued in an organisation. 'Sustainability' must be viewed as something strategic, inclusive, continuous and business-oriented in nature to deliver societal value and translate into bottom-line results.
- There are business-related benefits to adopting a more holistic approach to sustainability. These include greater investor confidence, market resilience, brand positioning, operational efficiency, access to finance, differentiation through market expansion, new product development opportunities, and local and international competitiveness.
- To be authentic and long-lasting sustainability has to be initiated and driven

from the top. Coherence and support from the upper echelons regarding the vision and strategic intent of the organisation provides an important base from which to catalyse subsequent change in the organisational hierarchy and within supply chains.

- Making the transition to the Integrated and Transforming stages of the Corporate Citizenship Model requires firms adopting a much more strategic role for their sustainability departments. Departments should be viewed as 'integration agents' and 'facilitators' of compliance, strategy formulation and implementation, rather than as standalone, independent business units. Functional effectiveness can be enabled through flat reporting structures, open channels of communication, and harnessing the input of technical experts and 'champions' from across the organisation.
- Maintaining a balance between short-term fiduciary obligations and long-term sustainability objectives requires having clear quantifiable and detailed targets set in all staff performance agreements that are regularly monitored and updated and incentivised.
- Stakeholder relationships, maintaining good governance standards and the regular disclosure of information are imperative in the institutionalisation process. The development of long-term, mutually-beneficial partnerships with shareholders, communities, government departments and NGOs should be viewed as a source of competitive advantage as well as a conduit for influencing perceptions and behaviour around sustainability. Integrated annual reporting, the use of various internal and external verification processes, and the regular dissemination of corporate information can help to ensure coherence between sustainability rhetoric and reality.
- Staff participation and buy-in is critical to embedding a culture of sustainability in organisations. To be effective, CSR cannot just be seen as something that top management or the sustainability department pronounce on, but something that all employees have to commit to and deliver upon. The provision of mentoring, leadership programmes and technical and action-learning opportunities to staff can contribute to enhancing employee

awareness of, and commitment to, sustainability objectives. CSR is most effective, however, when employees are the actual enactors, with the company acting as an enabler.

## **6.4 Suggestions for further research**

Given the dearth of empirical investigations evaluating how CSR is embedded in companies, specifically in South Africa, there is sufficient scope to expand this study going forward. Four possibilities are proposed.

Firstly, the focus of this study was on large South African firms with an established history of CSR engagement. All are signatories to the UNGC and have received international and/or local recognition for being a leader in a specific aspect of sustainability. Such parameters ensured that the results received were favourable and supportive of the three research propositions. There would be merit, therefore, in undertaking a replication study exploring the impact of middle manager turnover and senior manager tenure in firms that are committed to institutionalising CSR, but are still in the early stages of their journeys. The sample of firms could be restricted to a particular industry sector (such as food or mining) or business type (such as extractive, retail or industrial firms), or expanded to look at the experiences of the top 10 companies on the JSE, black economic empowered (BEE) companies, or small, medium and micro enterprises (SMMEs). The key objective would be to ensure that the firms selected are heterogeneous enough to test the impact of the two antecedents on the institutionalisation process.

Secondly, the sincerity of the ethical pursuit of CSR was not questioned for the five firms reviewed in this study and was assumed to be positive based on their commitment to the UNGC and broader industry recognition and acknowledgement received regarding their sustainability activities. A more controversial research possibility would be to evaluate why large South African companies are pursuing CSR and how aligned the rhetoric espoused in their corporate documentation is with reality, given the specific nature of their business activities. Such an investigation would require detailed secondary data

analysis as well as face-to-face interviews with members from different levels within the company as well as with various independent external representatives and organisations.

Thirdly, one of the biggest limitations in the study was the small sample size. The sample of respondents was limited to two bands of managers across five companies. Respondents were also selected on the basis of their involvement in and familiarity with their company's CSR activities. As such, they were aware of policies, strategies and programmes to further its institutionalisation. Such purposive sampling precluded conclusions being drawn regarding the influence of demographic factors on middle manager turnover intentions and senior manager tenure effectiveness. There would be considerable merit, therefore, in undertaking a future study that compared the perspectives of senior and middle managers in sustainability departments with those in other business units.

Lastly, while the sample used in this study included reference to a parastatal, no attempt was made to contrast and evaluate the differences between public and private firm CSR practices. The study also highlighted the influence of both external and internal barriers on the institutionalisation process and the fact that their relevance varies across companies and between management levels. Future studies could look at the influence of external barriers, including broader market conditions, on the institutionalisation of CSR, and compare the experiences between public and private firms. Alternatively, an analysis could be undertaken exploring the influence of both intrinsic and extrinsic factors on the organisational culture and the embedding of CSR values. In this instance, it may be preferable to adopt a single case study approach, with the sample of respondents drawn from across all levels of the organisation. Select face-to-face interviews would be needed to establish the general position of the firm with regards to its sustainability journey, business objectives, and initiatives adopted to embed its values. However, the main research instrument would need to be an (online) quantitative survey to ensure that the sample of respondents was sufficiently large and representative enough to establish how pervasive and embedded CSR/sustainability really is in the firm.

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# APPENDIX A

## Description of the Corporate Citizenship Model

*The five evolutionary stages of the model (Mirvis & Googins, 2006):*

**Stage 1: Elementary** – In this base stage, CSR activity is episodic and programmes are undeveloped. This is due to limited awareness of what corporate citizenship entails, an uninterested or indifferent top management, and limited or one-way defensive interactions with external stakeholders, particularly in the social and environmental sectors. The sharing of information is limited. The mindset in these companies, reflected in policies and practices, often centres narrowly on compliance with laws and industry standards. In addition, the company perceives its primary responsibility as a provider of jobs, making profit and paying taxes (Mirvis & Googins, 2006, p. 5).

**Stage 2: Engaged** – In this stage, top management becomes increasingly aware of society's increasing expectations and begins to adopt a new outlook on the company's role and responsibilities. While companies often adopt a policy-based approach to mitigate the likelihood of litigation and risks to reputation, they are increasingly reactive to emerging social and environmental issues. The guiding strategic objective is one of 'license to operate'. Throughout this stage, many companies undertake more extended, two-way communication with stakeholders and employees may gain insight on company practices overall through more supportive leadership and integration of strategy and structure. The biggest challenge in this stage is building the capacity for change by, for example, educating staff to handle issues concerning CSR (Mirvis & Googins, 2006, p. 6-7).

**Stage 3: Innovative** – During this stage, a company starts to broaden its agenda by embracing a more comprehensive concept of citizenship and deepening its involvement as a top leader and assuming more of a stewardship role. High levels of innovation and learning characterise this stage, achieved through increased stakeholder consultations and participation in forums and conferences. Managers grapple with creating the business case for citizenship

and a myriad of CSR programmes are planned, funded, and launched to reflect a more programmatic and strategic logic. Such projects are usually at the functional level and with the support of senior management. Greater communication occurs with key stakeholders and companies begin to increase transparency by monitoring community involvement and issuing public reports. Greater accountability is afforded to leaders and systems and structures become more integrated and focused on the accumulation of know-how and expertise (Mirvis & Googins, 2006, p. 8-9).

**Stage 4: Integrated** – At this stage, company management is the ‘champion’ for CSR and establishes processes, systems, and right people to ensure values flow from the top to bottom of the business. The biggest challenge is to move from coordination to collaboration in driving citizenship efforts. Indeed, citizenship efforts are premised less on a specific business case and more on embedding core corporate values. Boards of directors increasingly set standards and monitor corporate performance in areas such as risk management, stakeholder consultation, sustainability training for managers and employees and issues management. Citizenship is reinforced and integrated at all levels of a company and monitored and evaluated through target setting, key performance indicators, and the use of measures such as the balanced scorecard. This effectively ‘drives citizenship into their lines of business’ (Mirvis & Googins, 2006, p. 10-11).

**Stage 5: Transformative** – At this stage, companies are trying to influence the nature of business by creating “new markets by fusing their citizenship and business agenda”. In other words, these companies go as far as trying to make society better in some way through marketing and selling their products, since they are motivated by a higher purpose of social responsibility and want to make the world a better place. Some companies have emerged as global spokespeople for industry in specific aspects of sustainability. Companies at this stage usually have transformative and visionary leaders, extensive cooperation with other organisations, businesses and stakeholders to solve problems and issues, and full disclosure of impacts arising from their business activities. Such attributes comprise the citizenship-DNA that guides corporations

on their path towards more responsible behaviour (Mirvis & Googins, 2006, p. 11-12).

*The seven dimensions of the model (Mirvis & Googins, 2006, p. 4):*

**Citizen concept** – Refers to the manner in which the company defines corporate citizenship and the comprehensiveness of the definition.

**Strategic intent** – Refers to the company's underlying motivations, purposes and goals for embarking on CSR.

**Leadership** – Relates to the level of management involvement. The greater the level of awareness amongst top leader as to the importance and significance of CSR, the more invested and embedded CSR is expected to be.

**Structure** – Refers to the extent to which CSR commitments are integrated into existing corporate strategies, processes and organisational culture of the company.

**Issues management** – Evaluates a company's responsiveness to issues pertaining to CSR and corporate citizenship and new opportunities and programmes.

**Stakeholder relationships** – Capture the degree of openness between a company and its stakeholders. This includes shareholders, community participants, suppliers, government and NGOs.

**Transparency** – This reflects the degree of openness and disclosure with regard to a company's financial, social, and environmental performance.

## APPENDIX B

### Actual research instrument

#### Interview Guide: Middle Manager



## The Influence of Manager Tenure and Turnover on the Institutionalisation of CSR in Large South African Organisations

*MBA Research Project, Wits Business School*

### Questionnaire Guide for *Name of Company*

**Interviewer:** Marian Lydall

**Date of interview:**

1. Name? (You may remain anonymous if you prefer)
2. What is your title?
3. How long have you worked at *Name of Company*?
4. How long have you been in this role?
5. How long have you worked in this industry?
6. Can you please indicate your highest level of qualification received?

7. Please could you indicate which of the following age groupings is most applicable to you?

30-35 years    35-40 years    40-45 years    45-50 years    50-55 years  
<55 years

8. How does *Name of Company* define the concept of 'CSR' (or 'sustainability' in the broadest sense of the word)?

9. Who do you believe is ultimately responsible for achieving *Name of Company's* CSR/sustainability objectives?

10. Please comment/discuss on the role of senior managers, middle managers and employees in this process?

11. Could you please comment on how awareness is created around corporate social responsibility in *Name of Company*?

12. What do you believe are the internal biggest obstacles to *Name of Company* achieving its CSR/sustainability objectives?

13. How would you describe *Name of Company's* organisational culture?

14. What factors do you think play a shaping such a culture?

15. Do you believe the fulfilment of strategic objectives in *Name of Company* has been affected by the current 'war for talent' and high rate of turnover of skilled staff in South Africa? If so, in what way?

16. What factors do you believe have the greatest influence on a manager's decision to stay in a company? and specifically in *Name of Company*?

17. Are you aware of any policy changes/interventions that have been implemented in *Name of Company* to address the issue of staff retention?

18. In closing, in your opinion on a scale of 1 to 5 (with 5 being extremely satisfied and 1 being extremely dissatisfied) how would you rank the following:

- a. Individual recognition and acknowledgement received
- b. Scope and nature of job
- c. Own career goals aligned to company goals
- d. Job satisfaction
- e. Level of engagement with decision-makers
- f. Satisfaction with own remuneration package
- g. Work and professional life balance
- h. Left alone to make decisions
- i. Company behaving ethically and fair

## Interview Guide: Senior Manager



# The Influence of Manager Tenure and Turnover on the Institutionalisation of CSR in Large South African Organisations

*MBA Research Project, Wits Business School*

## Questionnaire Guide for *Name of Company*

**Interviewer:** Marian Lydall

**Date of interview:**

1. Name? (Please indicate if you prefer to remain anonymous)
2. What is your title?
3. How long have you worked at *Name of Company*?
4. How long have you been in this role?
5. How long have you worked in this industry?
6. Can you please indicate your highest level of qualification received?
7. Please could you indicate which of the following age groupings is most applicable to you?

30-35 years    35-40 years    40-45 years    45-50 years    50-55 years  
<55 years

8. How does *Name of Company* define the concept of 'CSR' (or 'sustainability' in the broadest sense of the word)?
9. Please could you tell me a bit about *Name of Company's* sustainability journey?
10. How does a company such as *Name of Company* ensure an optimum balance between its economic, social and environmental obligations?
11. Who is ultimately responsible for achieving *Name of Company* sustainability objectives?
12. What role do managers and employees have in this process? And how is this achieved?
13. What do you believe are the biggest internal obstacles to *Name of Company* achieving its CSR/sustainability objectives?
14. What level of discretion do you have as a manager to influence corporate strategy at *Name of Company*?
15. Please could you comment on whether the fulfilment of strategic objectives in *Name of Company* has been affected by the high rate of turnover of skilled staff in South Africa? If so, in what way?
16. In your opinion, what factors do you believe have the greatest influence on a manager's decision to stay in a company?
17. Could you comment on whether any policy changes/interventions have been implemented in *Name of Company* to address the issue of staff retention, particularly at the management level?
18. In closing, in your opinion on a scale of 1 to 5 (with 5 being extremely satisfied and 1 being extremely dissatisfied) how would you rank the following:
  - a. Individual recognition and acknowledgement received
  - b. Scope and nature of job

- c. Own career goals aligned to company goals
- d. Job satisfaction
- e. Satisfaction with own remuneration package
- f. Work and professional life balance
- g. Company behaving ethically and fairly

## **APPENDIX C**

### **Covering letter sent to respondents with questionnaire guide**

Name of Respondent

Organisation

Address

Dear Name,

#### **Research on the Institutionalisation of CSR in South African Organisations**

Thank you for expressing interest in participating in the above research. I am currently in process of completing my MBA at Wits Business School (WBS), Johannesburg. As part of the course requirements we have to undertake a research project that deals with a specific management problem, preferably in the context of South African business. My study explores the issue of how corporate social responsibility (CSR) – in the broadest sense of the word – has been institutionalised in large South African businesses. It is widely acknowledged that there are numerous internal and external factors that affect the process of translating goals into action and tangible outputs. I am particularly interested in the internal barriers and the role that managers have in the process.

Your company's success in managing to balance economic, social and environmental expectations is well acknowledged. It is believed that by understanding your company's sustainability journey and how you have managed internal barriers to the process will be of invaluable assistance to other smaller and new companies currently implementing a CSR agenda. I would like to request a one-hour interview with you at your offices to discuss

these issues further with you. I have attached a questionnaire guide indicating the direction that my discussion will take.

This study has been approved by the WBS Academic Review Board. Participation in this research is completely voluntary and you may refuse to participate without consequence. Further, if you believe that you are not the right person to be consulted in this research I would appreciate it if you could nominate an alternative respondent. With your consent, the interview will be recorded. Anonymity and confidentiality of information disclosed will be ensured throughout the process and responses to the questions will be reported in aggregate form.

Thank you for your consideration. Your assistance in this research project is greatly appreciated.

Yours truly,

Dr. Marian Lydall

Student Number: 9603413x

MBA Weekday Part-time Class of 2014, Wits Business School, JHB

## APPENDIX D

### Themes and codes used for content analysis

The qualitative data collected from the interviews and secondary sources were analysed by means of content analysis. Statements were coded according to five themes. Four of the themes aligned with three research sub-problems. Where statements were applicable to more than one theme they were placed under both themes. Statements that were more general in nature were captured under a fifth theme – Miscellaneous. This data was then collated into separate assessments for each of the five case sites to answer Proposition 1. Findings were also combined together to meet the cross-case evaluation requirements for Propositions 2 and 3.

#### Research sub-problem 1:

##### *Theme 1: The process of institutionalising CSR in large organisations*

- Code 1a – Citizenship concept
- Code 1b – Strategic intent
- Code 1c – Leadership
- Code 1d – Structure
- Code 1e – Issues management
- Code 1f – Stakeholder relationships
- Code 1g – Transparency

##### *Theme 2: Barriers to the institutionalisation process*

- Code 2a – Internal barriers

- Code 2b – External barriers

### **Research sub-problem 2:**

*Theme 3: The influence of middle management turnover on CSR outcomes*

- Code 3a – Rising competition for skilled resources
- Code 3b – Organisational implications of high turnover rates
- Code 3c – Role of middle managers in the institutionalisation process
- Code 3d – Turnover statistics
- Code 3e – Intrinsic variables
- Code 3f – Extrinsic variables
- Code 3g – Demographic factors

### **Research sub-problem 3:**

*Theme 4: The influence of senior manager tenure on CSR outcomes*

- Code 4a – Role of senior managers in the institutionalisation process
- Code 4b – Tenure duration
- Code 4c – Demographic factors (age, education, gender)
- Code 4d – Manager discretion

### **Miscellaneous**

*Theme 5*

## **APPENDIX E**

### **Consistency matrix**

<b>Appraise the progress made by large South African firms to institutionalise CSR in their organisations and establish whether middle management turnover and senior executive tenure create internal barriers to the institutionalisation process.</b>					
<b>Sub-problem</b>	<b>Literature Review</b>	<b>Hypotheses or Propositions or Research questions</b>	<b>Source of data</b>	<b>Type of data</b>	<b>Analysis</b>
<p>Firstly, to appraise the progress made by large South African firms to institutionalise CSR in their organisations.</p>	<p>Bansal &amp; Roth, 2000; Basu &amp; Palazzo, 2008; Bhattacharya et al. 2012; Chin et al. 2013; Collier &amp; Esteban, 2007; Duarte, 2010; Dunphy et al. 2003; Fairfield et al., 2011; Gond et al. 2010; Googins et al., 2007; Hallbäck, 2011; Laszlo, 2008; Melo, 2012; Mirvis &amp; Googins, 2006; Mirvis et al., 2010; Morgan et al., 2009; Murillo-Luna et al., 2007; Redington, 2005; Russo &amp; Fouts, 1997; Smart &amp; Cohen, 2010; Strandberg, 2009; Timonen &amp; Luoma-aho, 2010; Zappalà &amp; Adams, 2010</p>	<p><i>Research proposition 1:</i> A company's progress towards the institutionalisation of CSR can be represented along a continuum of five stages – compliant, engaged, innovative, integrated and transforming. A company's position will depend on the internal credibility and capacity to support citizenship activities, the coherence of those activities, and, the commitment to incorporate citizenship in the corporate culture. Managers play a key role in the institutionalisation process</p>	<p>Interview Guide: Middle Manager Questions: 8, 9, 10, 11</p> <p>Interview Guide: Senior Manager Questions: 8, 9, 10, 11, 12</p> <p>Secondary Data: Corporate sustainability &amp; financial reports, corporate data available from website, external media commentary</p>	<p>Primary data: The main source of data will be middle and senior managers from the respective companies. Please refer to Table 1 for a list of the respondents. Secondary data: Documents &amp; text</p>	<p>Thematic content and comparative analysis</p>

<b>Appraise the progress made by large South African firms to institutionalise CSR in their organisations and establish whether middle management turnover and senior executive tenure create internal barriers to the institutionalisation process.</b>					
<b>Sub-problem</b>	<b>Literature Review</b>	<b>Hypotheses or Propositions or Research questions</b>	<b>Source of data</b>	<b>Type of data</b>	<b>Analysis</b>
Second, to establish whether middle management turnover creates an internal barrier to the institutionalisation process.	Aguilera et al., 2007; Basset-Jones & Lloyd, 2005; Becker, et al., 1995; Bhattacharya et al., 2012; BlessingWhite, 2013; Brammer et al., 2007; Buchanan II, 1974; Carmeli & Weisberg, 2006; Catalyst, 2012; Cochran, 2007; Collier & Esteban, 2007; Hausknecht & Trevor, 2011; Khatri et al., 1999; Mahdi et al., 2012; Maon et al., 2009; McElhaney, 2009; Mottaz, 1988; Muteswa & Ortlepp, 2011; Nzukuma & Bussin, 2011; Price, 1991; Redington, 2005; Restorick, 2012; Samuel & Chipinza, 2009; Shen & Cho, 2005; Stawiski et al., 2010; Strandberg, 2009; Zappalà & Adams, 2010	<i>Research proposition 2:</i> The greater the alignment between individual intrinsic desires and expectations and the extrinsic policies, values and structures of the organisation, the more committed and satisfied an employee will be. Greater commitment will manifest itself in lower rates of staff turnover and the wider penetration/institutionalisation of CSR through the organisation's organisational hierarchy and supply chains.	Interview Guide: Middle Manager  Questions: 3, 4, 5, 6, 7, 9, 10, 11,12, 13, 14, 15, 16, 17, 18  Secondary Data: Corporate turnover statistics and documentation	Primary data: The main source of data will be interview transcripts with middle managers from the respective companies. Please refer to Table 1 for a list of the respondents.  Secondary data: Documents & text	Thematic content and comparative analysis

<b>Appraise the progress made by large South African firms to institutionalise CSR in their organisations and establish whether middle management turnover and senior executive tenure create internal barriers to the institutionalisation process.</b>					
<b>Sub-problem</b>	<b>Literature Review</b>	<b>Hypotheses or Propositions or Research questions</b>	<b>Source of data</b>	<b>Type of data</b>	<b>Analysis</b>
Third, to establish whether senior executive tenure creates an internal barrier to the institutionalisation process.	Aguilera et al., 2007; Barnea & Rubin, 2010; Beale & Fernando, 2009; Boeker, 1997; Cespa & Cestone, 2007; Chin et al., 2013; ExecuNet, 2009; Finkelstein & Hambrick, 1990; Googins et al., 2010; Hambrick & Mason, 1984; Hambrick et al., 1993; Hong & Minor, 2012; Kang, 2010; Laszlo, 2008; Manner, 2010; McElhaney, 2009; Melo, 2012; Ng & Feldman, 2010; Orlitzky et al., 2011; Pfeffer, 1991; Schwenk, 1993; Scott, 1987; Thomas & Simerly, 1994; Zappe, 2009	<i>Research proposition 3:</i> The longer the length of tenure, the higher the level of discretion and the older the senior manager, the more stable the organisational outcomes will be. The younger, more educated and more varied the level of functional experience of senior managers, the greater the chance the status quo will be abandoned in favour of riskier and more competitive policies.	Interview Guide: Senior Manager.  Questions: 3, 4, 5, 6, 7, 10, 11,12, 13, 14, 15, 16, 17, 18  Secondary Data: Corporate turnover & tenure statistics and documentation	Primary data: The main source of data will be interview transcripts with senior managers from the respective companies. Please refer to Table 1 for a list of the respondents.  Secondary data: Documents & text	Thematic content and comparative analysis

