CORPORATE SOCIAL RESPONSIBILITY, RISKS AND OPPORTUNITIES FOR BUSINESS

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DECLARATION

I declare that this research report is my own, unaided work. It is submitted in partial fulfilment of the requirements for the degree of Masters of Management in the field of Public and Development Management in the University of the Witwatersrand, Johannesburg, South Africa. It has not been submitted before for any degree or examination here or in any other university.

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To those who are going to read this paper out of interest, academic or general enquiry, I thank you. The knowledge that this will one day become useful to you has constantly been a source of inspiration, may it answer your questions or trigger further questions to be pursued in our never ending search for knowledge.

LIST OF ABBREVIATIONS

ADR	American Depository Receipt
BEE	Black Economic Empowerment
BSR	Business for Social Responsibility
CEP	Council on Economic Priorities
CERES	Coalition of Environmentally Responsible Enterprises
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
FASA	Franchise Association of South Africa
ISEA	Institute for Social and Ethical Accountability
JSE	Johannesburg Stock Exchange
LBG	London Benchmarking Group
NGO	Non Governmental Organisation
SAI	Social Accountability Institute
SCC	Sasol Convenience Centre
SETA	Sector Education and Training Authority
SHARP	Sasol HIV/AIDS Response Programme
SHE	Safety, Health and Environment
SRI	Socially Responsible Index
UN	United Nations
WBCSD	World Business Council for Sustainable Development
WSSD	World Summit on Sustainable Development
WTO	World Trade Organisation

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CHAPTER 1: INTRODUCTION

1.1 Background and Context

There is a growing acknowledgement by companies, globally that they need to address a broad scope of Corporate Social Responsibility (CSR) issues in their quest to be successful and sustainable. These issues span from conducting business responsibly by respecting and preserving the environment, strengthening corporate accountability, empowering and investing in the communities in which they operate, respecting the interests and values of all stakeholders and not just of the shareholders and taking the issue of human rights more seriously through better treatment of workers.

Faced with a reality that by not addressing these issues, a company's continued existence is severely threatened, many companies have had to integrate CSR with their business strategy and operations.

This paradigm shift is adequately captured by Hugh Porteous, quote, "We put it quite bluntly, that unless our processes and products are generally judged as useful and in balance contributing to long term sustainability, we certainly won't be in the market five years from now" (Echo, The Communications Research Group, 2001-2002,p.15).

The issues around CSR have also been brought to the fore by growing public outcry and pressure groups on the irresponsible behaviour of some corporates, and growing coverage by the media.

The following events have elevated the importance of CSR to the top of business agenda and have put corporations under more scrutiny than never before:

- Anti globalisation demonstrations at a World Trade Organisation's (WTO) meeting in Seattle in November 1999,
- A Business Week publication on the 11th September 2000 that received world wide coverage on "Too much corporate power" based on a research in America where Americans expressed concern that corporations have excessive influence over their lives,
- Bad corporate governance which led to the demise of Enron in December 2001, which was once America's 7th largest corporation and six-time winner of Fortune Magazine's most innovative company in America (Stuart and Martin, 2002, August 26, p. 1).
- And, the United Nation's World Summit on Sustainable Development (WSSD) held in Johannesburg between the 26th August and 4th September 2002 which also raised concerns about corporations which continue to behave irresponsibly and undermining sustainability considerations.

Concerns about irresponsible corporations who in their quest to maximise profits, destroy the environment, deplete natural resources, violate human rights, have led to an outcry by environmentalists and other concerned groups that companies should start being good corporate citizens and conduct their operations in a way that promotes sustainable development. This concern has resulted in a new paradigm shift where companies are encouraged to move away from just concentrating on ensuring profit for the shareholders, single bottom line, to embracing the economic, environmental and social aspects of a company's activities, triple bottom line.

An emerging view is that companies have a moral obligation to report how their operations have affected the environment, how they plan to operate in a sustainable and responsible manner, how they have ploughed back into the communities from where they derive their profits, and how they have contributed to the general well being of the country's economy.

Bringing the debate closer to home, South African companies are not immune to the mentioned CSR issues. In fact, CSR has never been this crucial for South African companies and multinationals in the country due to the unique nature of problems facing the country such as fundamental social problems e.g. poverty and HIV/Aids, shortage of skills as well as Black Economic Empowerment (BEE). Paul Edwards, the CEO of M-Cell South Africa summarised this reality by saying, "*There is a lot of pressure on CSR in South Africa as there is a clear need for redistribution of wealth from the advantaged to the disadvantaged. We have a lot of people at or below the poverty line and the discrepancies between the haves and the have-nots are very visible – unlike in Europe. It is a social issue her, those that have enjoyed advantages must be seen to take a role*" (Echo, The Communications Research Group, 2001-2002, p. 17).

A South African report on good corporate governance, The King report, is recognised internationally as one of the best guiding frameworks for companies to be more responsible in their operations, thereby putting South African companies on the spotlight to take the lead. This report was the first of its kind in challenging corporations to be more socially responsible whilst simultaneously applying principles such as good corporate governance (institute of Directors in Southern Africa, 2002, p. 2).

The last few years have seen the emergence of international organisations calling for companies to be more responsible in their operations and even putting forward reporting frameworks to be used by companies in their triple bottom line reporting. These

organisations have also extended their influence to South Africa. They have urged South African companies and multinationals to subscribe to principles of sustainable development when conducting their operations and in addition to disclosing their economic performance to the broader public, to disclose both their environmental and social performance.
Major contributors on this initiative in South Africa at the moment are:

- The Global Reporting initiative (GRI)
- African Institute of Corporate Citizenship
- World Business Council for Sustainable Development
- Accountability Institute of South Africa.

A number of South African companies have as a result started compiling sustainability reports and have also re-engineered their Corporate Social Investment (CSI) initiatives, to deal with a wider span of the mentioned issues in CSR.

A departure from investment to responsibility is that, CSI was in most cases not part of a core business operation. Most corporates used CSI as a marketing tool and if a business would experience financial difficulties, the CSI initiatives were the first ones to be scaled down or terminated.
The growing complexity of issues that could threaten a company's survival have now meant that companies have to view CSR as a business imperative and incorporate it into their core business strategy.

It should also be stated that there are still perceptions that the new CSR initiative is also still about marketing and reputation management and that many companies are only embarking on it due to its growing popularity and pressure.
The dynamism of these issues and the mentioned growing importance of CSR globally and some persistent negative perceptions on CSR, as the one stated above, have sparked the

writers' interest in finding out what are the benefits, risks and opportunities for business in implementing CSR and whether is it a business imperative or another marketing tool.

In analysing business challenges, risks and opportunities in implementing CSR, the report will commence with reviewing CSR literature. This exercise would be undertaken in order to give us a clear understanding of the concept by unpacking its different perceptions and definitions , lessons of experience and best practices, its origin and evolvement as well as shedding some light on the prevalent theory and academic debates on the research topic.

A research problem and question would also be presented in contributing towards asking questions that would be relevant in reaching the research objectives.

Following, the above, the paper would further present the best method that was utilised in collating the necessary data.

The findings derived from using the preferred data collation method would be presented. This would be followed by a thorough and careful analysis of this data .The information from this exercise will serve as a basis in providing answers and information on our research objective of presenting business risks, benefits and opportunities in embarking on CSR.

The paper would end by making certain recommendations which the writer believes would be very beneficial in addressing some constraints related to the topic as unearthed from conducting the research.

1.2 Problem Statement

As the importance of CSR has increased over the years resulting in increased expectations for companies to have some kind of a CSR programme at the least, there are also some challenges and risks that the companies face as a result of their different experiences.

These diverse expectations tend to ignore important considerations such as the size of the companies, their skills and capacity to implement such a programme as well as the extent of resources at their disposal to do so. Secondly, companies are expected to conform to many diverse CSR and sustainability reporting frameworks that in some cases stretch the capacity of the smaller businesses and create some confusion on which framework is appropriate. With the above stated expectations on companies, a problem statement is therefore that, as much as CSR is a good initiative that provides opportunities and positive spin offs to businesses, it also poses some challenges and risks to some of them. At the centre of this statement is affordability and capacity to implement CSR and a blanket expectation by CSR proponents for businesses to embark on it without due consideration of some of the company constraints such as budget, size and capacity.

1.3 Research Objectives

As a result of CSR becoming increasingly important over the years, the writer became interested in finding out what do companies stand to benefit from being more socially responsible in their operations by embracing CSR and whether does CSR create new opportunities which are beneficial to the success of a business as well as unearthing some of the challenges or possible risks that they face in implementing this programme. Consequently, the key issues that the study will seek to consider include:

- The nature of the problem confronting the environment, communities, company workers, and all those affected by company operations before the issue of CSR came to the fore
- Justifications for corporates to be more responsible in their operations and hence, an emphasis on CSR
- Level of buy in, commitment and support of CSR by corporates themselves
- Company reasons for embarking on CSR initiatives, if they have any of such initiatives
- The benefits, risks and the opportunities presented by CSR to some companies that have already embarked on it and gathering lessons of experience from them
- Diverse frameworks on triple bottom line or sustainability reporting and the frameworks companies are expected to adopt
- The capacity of different sizes of business, small, medium and big, to implement CSR programmes
- Relevant and appropriate CSR considerations for South African corporates and how business and government have responded.

1.4 Research Question

From the above considerations, a question that the study wishes to address is therefore the following: what are the challenges, risks and opportunities presented by CSR for business? The presented CSR drivers (chapter 2), have shown that the role of business in society is acknowledged as a major component of the overall socio-economic and political development of nations. The research findings have showed that there are benefits for businesses to be more socially responsible, but these are without certain risks and challenges that the business has to be aware of from the onset. Faced with the above stated reality, the document would then seek to determine whether the risks and challenges involved are more than the benefits that could be derived by business to necessitate businesses to be less committed to CSR.

1.5 Research Methodology

In an endeavour to yield useful information on the opportunities, risks and challenges faced by companies as a result of active implementation of CSR programmes, one company, Sasol Limited, was selected and its CSR programmes studied in detail. Sasol is one of South Africa's biggest petrochemical companies whose operations entail mining coal and converting it into synthetic fuels and chemicals. This particular company was selected for the following reasons:

- It is one of the first South African companies to embark on CSI/CSR programmes, hence the writer felt it would be easier to draw lessons of experience in terms of the challenges, risks and opportunities that the programme has presented.
- The company is also one of the top companies on the Johannesburg Stock Exchange (JSE) and has a huge market capitalisation and hence, the writer felt that as it is a well known company and in the public eye, hence it would be easier to collate information on its operations, CSR programmes as well as the views of the communities around where it operates.
- The company was also selected as it is one of the biggest petrochemical companies in the world and the activities of such companies, especially regarding the environment and sustainable development, are constantly scrutinised.

The lessons learned from this company are that, despite there being inherent risks and challenges for companies embarking on CSR initiatives, there are huge benefits that can actually outstrip the risks involved.

A qualitative case study approach was used in studying Sasol Limited's CSR programme. In other words, Sasol was used as a case study in attempting to present the opportunities, risks and challenges faced by a company as a result of active implementation of CSR programmes.

The writer chose a case study method or approach as it is particularly appropriate for individual researchers because it gives an opportunity for one aspect of a problem to be studied in some depth within a limited time scale (Bell, 1999, p. 10).

Key personnel responsible for Sasol's CSR programmes were interviewed. The interview and data collation process entailed sending questionnaires that were filled and faxed back, a sample questionnaire is attached as appendix 1. This was followed by conducting of face to face structured interviews where the questions at hand were interrogated in detail.
Structured interviews were also conducted with some members of the communities around where the company's core operational activities are i.e. Secunda. Individuals and some households were randomly selected and interviewed in the town of Secunda, Kinross and Embalenhle. This exercise was made easier by the fact that the writer was conducting a pre-feasibility study in the area for a development project which required visiting households and conducting some interviews with potential beneficiaries around the Secunda area. The writer then used this opportunity as a cost and time saving strategy and covered the research questions and collated the necessary research data as well.

In analysing, presenting and drawing recommendations and conclusions from the collated data, qualitative presentation of Sasol's experiences would be used .This would also be critical in drawing co-relations between CSR and possible risks, challenges benefits and opportunities.
The other critical issue is triple bottom line reporting, as there are growing calls for companies to also report their non financial performance such as environmental and social performance in addition to the traditional financial performance. Hence, Sasol's views and practices in conforming to triple bottom line reporting were also studied.

1.6 Research Limitations

As CSR is still a relatively new concept in South Africa, most companies have not yet embarked on any CSR programmes or triple bottom line reporting, and for the few that have, their programmes have not run long enough to give us a conclusive understanding of its tangible benefits, risks, and opportunities. However, it is hoped that at least some indication of these would have started to come to the fore.

The selected company to be used as a case study was sensitive of some confidential operational issues that might be disclosed in its provision of information on its CSR programme as it is highly intertwined with its core operational business strategy. The fear was that this critical information could end up with its competitors.

The other challenge is that there is not enough literature material both internationally and locally on CSR as it is relatively a new concept. There is limited academic literature on the concept and most of the material on CSR was in the form of newspapers and internet websites. However, the writer strived to strike a right balance between limited academic literature and newspaper and website information.

CHAPTER 2: LITERATURE REVIEW

This section of the research will review a wide range of literature on the CSR concept including its historical origins and how the concept has evolved over the years. Literature review is used first and foremost in the contextualisation of a study to argue a case, identify a niche to be occupied by the research (Henning, Van Rensburg and Smit, 2004, p. 27). In doing this, the paper will peruse both methodological and topic literature. Topic literature entails providing definitions, questions and a scope on a topic whilst methodological literature provides assumptions, arguments and debates (Hart, 2001, p.3). In the context of this study, topic literature would therefore entail analysing the origin of the CSR concept, its definitions, and its evolvement over the years.
Methodological literature will present different perceptions as well as some academic debates and arguments pertaining to the concept. These debates would present brief arguments on the benefits of CSR as well as some critical arguments against the concept. This exercise would be useful in facilitating a very good understanding of the concept as well as its different theoretical interpretations.
Finally, an overview of the South Africa experience and perspective of CSR in terms of its evolvement and government interventions would be presented.

2.1 Historical Origins of CSR

It is widely argued that CSR is not a new concept as present undertakings in CSR are following the path laid out more than a century ago by Andrew Carnegie, John D. Rockefeller and other nineteenth –century businessmen-philanthropists, to “do well by doing good” (History Associates Incorporated, 2004, p. 2).

The early twentieth century was characterised by companies being run by rich titans, but from the 1930’s onwards, professional managers came to the fore in running most of the companies. Adolf A Berle Jr and Gardiner Means of Columbia University ascribe this move to growing public stock ownership and sheer business growth which had separated business owners from business control (History Associates Incorporated, 2003, p.1). The new emerging crop of professionals felt no special responsibility for the social effects of their decisions. This led to proposals for government oversight which came in the form of minimum wage scales, collective bargaining and workman's disability compensation. As a result, once the personal decisions of a wealthy individual, corporate responsibility was evolving into a corporate social duty.

The Second World War helped restore public trust in corporations, and Americans enjoyed two post war decades of prosperity. But the 1960's brought a new wave of mistrust. Businesses were thrown hard on the defensive over issues like pollution, product safety and employment discrimination. (Nader, 1972, p. 34) argues that the term "corporate accountability" reflected the confrontational tenure of the times. Many corporates agreed, albeit reluctantly, that they ought to be responsible for social goals broader than just returning profits to shareholders. In 1971 David Rockefeller imagined the day when, "in addition to the annual financial statement certified by independent accountants, corporations may be required to publish a 'social audit', similarly certified" (Rockerfeller, 1971, pp. 5-6).

Not everyone supported this line of thinking. There were still some scholars who supported the idea that companies should just concentrate on their core operations and try and maximise their profits as much as possible. One of the prominent supporters of this view was Milton Friedman.

He argued that, corporations best meet their moral obligations by obeying the law and by concentrating on profitability. He further argued that amorphous social improvement programmes diverted valuable resources from research, expansion, and product improvements that created jobs and raised living standards (Friedman, 1962, p. 3).

During the 1980's, Friedman's thesis of a dominant CSR approach was challenged by "contractarian" ideas of the corporate–society relationship. In this view, corporations and society were not at odds but instead "contracted" with one another to achieve mutually useful results. Bratton argues that according to this approach, if business did not perform satisfactorily, consumers and shareholders could withdraw their support. Market forces would ensure that the contract worked (Bratton, April 1, 2001, p. 737).

In the 1980's, the critiques of globalisation had business on the defensive again over issues like worker's rights and climate change. Many corporations responded by boosting new, often dramatic, CSR programmes. Henderson states that, others were still worried that the proven engine of free enterprise would sputter and stall if sidetracked into solving the world's daunting social problems (Henderson, 2001, pg.6).

However, many have argued that despite the standard dogmas propagated by different scholars in different eras, there is no blanket approach for corporates on how to approach CSR. Schlesinger states that, historical perspectives of CSR offer knowledge, produces not dogmatic certitude but diagnostic skill, not clairvoyance but insight. It can help individual companies make decisions about CSR that fit their own values and goals, their own history, rather than going with what seems to be the current flow (Schlesinger, 1969, p. 523).

The above presentation on the origin of CSR reflects that CSR is not necessarily a new concept. It dates back to the nineteenth century when business men such as Andrew Carnegie argued for the need of businesses to be socially responsible by doing good. This approach on how businesses should operate was also met with criticism as some scholars argued that businesses should concentrate on what they were meant for, which is making profit and looking after the shareholders' interests. The twentieth century has also experienced a continuation of these different views and more writers emerged and formulated their views on the subject. Evident from this development is the fact that there was no uniform approach of definition of CSR and how it should be applied. The subsection below will unpack different definitions of the concept and attempt to find common elements among them. This is important as it gives the report an informed background perspective in choosing the interpretation of CSR that is relevant for the purposes of this exercise going forward.

2.2 Unpacking the Concept of CSR

Having presented a brief background on where the CSI concept emanates from as well as divergent views on the concept, it is only proper to now unpack its definition and analyse the different perspectives in detail. This is important in gaining a good understanding of the concept and how it has evolved over the years. This exercise would also entail identifying the main CSR drivers that have contributed in its evolution as well as to its growing significance.

There is no single, commonly accepted definition of CSR and the concept is usually used interchangeably with other terms such as corporate citizenship, social investment/involvement, community involvement or investment, accountability, giving, sustainability and social philanthropy. Furthermore, CSR definitions vary in different national settings. In the United States for example, CSR has traditionally been defined in more of a philanthropic way. Under the American model, companies make profit and donate a certain share of these profits to charitable causes. Gaining organisational

benefit from such donations is seen as tainting the act of giving (www.mallenbaker.net/csr/CSRfiles/definition).
By comparison, the European model is much more focussed on operating the core business in a way that is regarded as socially responsible, and which is complemented by investing in communities in ways that simultaneously yield business benefit.

According to the World Business Council for Sustainable Development (WBCSD), CSR is "the continuing commitment by business to behave ethically and to 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" ('Corporate Social Responsibility: Making Good Business Sense').

Business for Social Responsibility (BSR) suggests that the idea of CSR relates to business decision-making linked to ethical values, compliance with legal requirements and respect for people, communities and the environment, in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of businesses (www.bsr.org).

The European Commission's Green Paper on CSR similarly stresses the operational implications of the concept, describing it as a situation in which 'companies integrate social and environmental concerns in their daily business operations and in their interaction with stakeholders on a voluntary basis' (CEC: *Green Paper for Promoting a European Framework for Corporate Social Responsibility*: COM [2001] 366 fund, Brussels, p. 6).
Under these, and most other definitions, CSR is essentially about what organisations do, how they do it and the impact of their behaviour on the wider society. It focuses on a variety of issues ranging from actions in the workplace and marketplace to

questions such as community investment, environmental impact, business ethics and human rights.

Zenisek refers to CSR as one of the issues in the area of the relationship between business and its social environment. The term has different meanings for different people. To some, it is limited to legal responsibility, to others it means charity. It can also be equated to ethical behaviour or to the very legitimacy of the business system (Zenisek, 1979, pp. 359-368).

The above definition reflects a trend towards a greater integration between business and its environment as developments, actions and values in both sectors have an influence on each other.

(Rossouw, 1994, pp. 33-36) has defined and followed CSR developments in terms of the three approaches. The neo hidden approach which spells that business has to comply with the demands of society, for socially responsible behaviour and that the responsibility for identifying the areas of social responsibility as well as the cost of, is shifted to society. He further adds that social philanthropy approach differs from the first one in that business itself has to take the initiative in deciding on the areas of responsibility and secondly, it should also contribute some of its profits to fund the costs of such socially responsible actions. In the social responsiveness approach to corporate responsibility, the involvement of corporation in society is neither reactionary nor a second – order voluntary involvement, but an essential part of the total business strategy of the corporation. Social involvement is no longer catered for only after profits have been established, but is taken into account along with all other factors that need to be considered in planning a business strategy.

(Logan, 1998, pp. 65 -66) views CSR in terms of corporate citizenship, which is being redefined as a result of stakeholders having different expectations of companies in a globalising world. Society is prepared to grant business greater power and influence on an international basis, but demands a more responsible and accountable business response. With many multinationals wielding greater powers than most governments and operating in countries around the world, it has become necessary to consider the implications of accountability. An intrinsic feeling that the increasing power and influence of business must be balanced by the recognition of new responsibilities motivates much of the current focus on corporate citizenship.

The above stated diverse viewpoints on the definition of CSR one can conclude that its definition is influenced by unique experiences and social and economic contexts in different nationalities as indicated by the American versus the European viewpoints. These views on CSR are also further influenced by different historical periods.

Hence, CSR can mean different things to different nationalities and different generations. But from these diverse historical and national settings and resultant theoretical positions presented above, the writer has identified the following important element.

There is a general agreement and a common denominator across all definitions and perspectives that, in a global economy, businesses should play a greater role beyond job and wealth creation and contribute more to sustainable development. Consequently, corporate behaviour must not only ensure returns to shareholders, wages to employees and products and services to consumers, but they must respond to societal and environmental concerns and values. The notion of CSR is a holistic concept and it is an evolutionary process emerging in many different directions. This holistic approach, it could be argued, must provide mutual benefits to society as a whole as well as business and corporations need to manage CSR as any other part of their business strategy. Therefore, one can further agree with assertions raised earlier in the report that irrespective of what one's view on CSR is, corporations are now faced with a triple bottom line responsibility, to advance economically, as well as being environmentally and socially responsible.

2.3 CSR Drivers

This part of the report presents an array of factors that have contributed in increased calls for companies to embark on CSR programmes and be good corporate citizens. These factors have been classified into two categories. The paper refers to these factors as both external and internal CSR drivers. The external CSR drivers are those that emanate from outside of the company in the form of expectations by the society and other stakeholders, expectations in the market place as well as the changing environment within which businesses as a result of globilisation.Whilst the internal CSR drivers arose as a result of largely as a response to the external pressures and inevitable realities that were exrted on companies from outside. As a result, some factors emerged from inside the business and exerted some pressure on the operational operations and internal processes of the company to be reviewed and adapted if they were to remain profitable. This section will therefore, interrogate the above mentioned CSR drivers to highlight how this concept rose to prominence.

2.3.1 External CSR Drivers

- **Re-defined Role of Business**

There is a global trend to redefine the role of business in society and debates around what the role and responsibilities of business should now be. The corporate citizenship framework has emerged as one of the leading approaches to shape and understand the broader role of business (Corporate Citizenship Company, 1999; Corporate Citizenship Unit, 1998; Logan, Roy & Regelbrugge, 1997). Corporate citizenship is a strategic business response to changes in society and the market place. This approach is based on a comprehensive understanding of the aggregate corporate impact on society. Companies are increasingly recognised as legal entities with rights, duties and responsibilities, in effect, citizens of the countries within which they do business. This new conception of the role of business in society is even more important in a global world (Corporate Citizenship Unit, 1998; Logan, 1998). Parallels can be identified between the rights and responsibilities of an individual citizen and those of a company. Although a company may consist of many people, it often acts as if it was an individual (McIntosh, Leipziger, Jones & Coleman, 1998).

The above presented views on the role of business bring a new dimension of equating business to a citizen. Citizens have certain rights, responsibilities they are expected to shoulder as well as societal values and principles that they should observe. On the same token, companies are viewed as not just having the responsibility of ensuring profits, but now have expanded responsibilities of ensuring that they operate in a socially and environmentally responsible manner. The extent to which they undertake the expanded responsibilities would determine whether they are referred to as good or bad corporate citizens

In further confirming a move towards a redefined role of business in society, an inquiry into the global competitiveness of British business concluded that sustainable competitive success in the future will depend less on financial performance alone, but will include key stakeholder relationships and a broader conception about purpose and performance. A key finding was that business increasingly has to earn a "licence to operate" in order to maintain public confidence (McIntosh et al, 1998).The findings further reflect that the success of a business in terms of the amount of its profits does not automatically guarantee future sustainability and being held in high esteem as it was the case before. Its long term operational sustainability and the respect it will command from its customers and society as whole as a good brand is now more reliant on how good a corporate citizen it has been.

- **The Increasing Power of Business**

The recognition of an increase in the relative power of the private sector leads to a growing recognition of the impact of corporations on the standard of living and quality of life. With major multinationals employing millions of people and generating a turnover larger than the GDP of most nation states, the power and influence of business is clear to see. According to McIntosh et al. (1998), the largest 100 corporations in the world all generate revenue exceeding the GDP of 50 % of states. The world's 500 largest corporations control 25% of world economic output, yet employ only 0.05% of the world's population (Business in the Community, 1999).
It is evident from the above statistics that businesses have gained more power, freedom, wealth and global reach than never before. In some instances their power even surpasses the ones of the states in which they operate and hence, issues such as accountability, responsible operations in relation to the environment, its employees etc could easily be ignored and undermined. In addition to this, there have been growing concerns that some of the big

corporations abuse their power and act irresponsibly as they know that some of the states in which they operate do not have enough financial muscle to challenge them. In fact some of the states' survival and employment opportunities for its citizens depend on the presence of these multinationals, and hence it is difficult for them to challenge any of their irresponsible behaviour. This potential danger as a result of this increased power of business became one of the reasons which resulted into an emergence of social organisations and pressure groups in helping the weaker states to challenge some of the big businesses' operations and subject them to more scrutiny.

- **The Growing Sophistication and Power of Civil Society**

The growing importance for companies to be more socially responsible has also been coupled with the growth of power and influence of civil society groups. Some of these groups have mobilised support in other countries as well and they are well resourced. Nelson has made an observation on the above and argues that, there is a stronger social consciousness and ability to mobilise for action on national and international levels, based on expectations that business should help manage the downsides of global economic competition such as layoffs by companies in a bid to become and stay globally competitive. This is facilitated by the development of more open and participatory political systems (Nelson, 1996, p.8). Some of the new pressure groups have become as influential as well as established as global companies (McIntosh et al, 1998). Similar to a change in the competitor landscape, the new power of global NGO's is a strategic factor to consider regarding future corporate actions.

One of the major organisations that has demonstrated the characteristics discussed above is Green Peace. Green Peace was formed in the decade between 1969 and 1979 when a loosely knit protest group consisting of ecologists, journalists and visionaries transformed itself from an effective, but decidedly underground

international heckler into a mobilised global "eco navy" (Weyler, September 2004, p. 2).
The role of international organisations that were gradually gaining power, such as the Green Peace, meant that many companies were forced to recognise this shift in power and influence.
Indeed, Shell's president has acknowledged that his company miscalculated the new authority of environmental groups, without realising the loss of power by those groups they were used to dealing with i.e. government and industry associations (Marsden & Andrioff, 1998).
The above section indicates that the emergence of civil society groups with international influence also contributed in promoting calls for companies to be more responsible. Companies had to recognise this shift in power as they were no longer only answerable to institutions such as government, but they had to take into account the new gained power and rising consciousness by important groups such as environmental organisations, NGO's etc. who also had their own expectations. When conducting their operations, they now had to deal with a wider array of scrutiny other than just the government and a few industry bodies which they traditionally had to deal with.

- **New and Increased Stakeholder Expectations**

A departure from important stakeholders for companies to just make money and provide jobs, to them being more socially responsible also contributed as one of the drivers of CSR
The changing expectations in society were seen in a survey to understand public attitudes and perceptions regarding corporate social responsibilities. Important findings were that customers use CSR criteria such as labour practices, ethics, environmental impact and overall impact on society to develop impressions of companies, with a clear shift towards new expectations regarding social and environmental performance. More than half the people surveyed

had increased their observation of the social behaviour of companies, while many have used or considered using their perception of corporate social performance to inform purchase decisions (Community Affairs Briefing, 1999; Millennium Poll on Corporate Social Responsibility, 1999).
Palazzi & Starcher add to the above survey by stating that investment decisions by both individuals and institutions are also increasingly based on corporate responsibility, with some individuals and investor funds even explicitly only investing in social and environmentally responsible corporations (Palazzi & Starcher, 1997).

The above findings also present a radical departure from traditional perception on the role of business by stakeholders and the broader society. As a result of this change in thinking, the concept of CSR has become more important for companies as it is evident that customers and investors no longer base their decisions to purchase from the company or invest in it solely on the basis of how well it is doing or how good its service or products are, but also on how the image of the company is in terms of its social and environmental performance. This means that companies are now faced with a challenge to adapt their operational strategies to accommodate the fact that that the management of key relations with customers, shareholders, the community and suppliers is vital for sustainable business success in a hostile global environment.

- **Globalisation and the Information Economy**

Globalisation and technological advancements have also contributed as drivers for CSR. The challenge on companies as a result of globalisation meant that they now had to service markets which are beyond national borders and these markets could have different preferences and expectations. They also have to compete in the local market with outside companies who do not necessarily

have a physical presence in the country but could be selling their services over the internet.
Global competition often results in parity of price and quality, with environmental, social and cultural dimensions used by customers to distinguish companies and products (Logan et al., 1997). Rapid technological changes and the speed of punishment by global markets for mistakes in social, financial or environmental performance in the entire value chain require companies to take a new risk management approach in a global world particularly with the growth of global communications systems and technology. Global television networks and the internet are part of the proliferation of information sources, with communication spreading faster than companies can ever hope to control (McIntosh et al., 1998).
The above discussed challenges as a result of globalisation and the information economy imply that the globalisation of markets, financial flows, supply chains and customer preferences have important implications for corporate strategy. The global reach and broad access to communications has exposed company actions to unprecedented levels of scrutiny compelling companies to redesign their operations to be in line with both national and international public expectations. This new development has as a result, compelled companies to further embrace the principles of CSR.

- **Growing Environmental Pressures**

Environmental challenges such as pollution, population growth, natural resource depletion, and loss of biodiversity, industrialisation and urbanisation are key drivers in the redefinition of relationships between business and society. Increased social pressure and tougher legislation have ensured that environmental responsibility is one of the major pillars of CSR. Public pressure and outcry has led bans or restrictions on DDT, asbestos, irresponsible waste dumping as well as the reduction of CO^2 and other greenhouse gasses.

In the CSR sense McIntosh et al expands on the above by stating that companies must internalise the externalities of environmental impact and take responsibility for total environmental impact i.e., from raw material extraction and processing to disposal at the end of product life (McIntosh et al, 1998, p.6)

The above section has presented critical external factors that have acted as CSR drivers for companies to be more socially responsible. These external CSR drivers have given rise to an automatic reaction within the companies as well as in their supply chain to embark on certain internal organisational adjustments and corporate strategy adaptations.
These external CSR drivers for instance, have indicated a growing changing perception of what the role of business with increased power ought to be, from a civil society that is equally growing in sophistication and influence. The sole traditional role and view of business in the past as a profit driver with limited responsibilities has made was for a new plethora of responsibilities. The focus has gradually shifted towards how business makes its profits, how its operations affect society as well as how it responds to changes in the market place. In addition to ensuring a positive bottom line, businesses should ensure that the social and the environmental context within which it operates is not negatively affected, for instance by factors such as pollution, environmental degradation etc. Further more in creating jobs, businesses have to ensure that employees are not exploited or mistreated but their rights should be respected and their efforts be properly rewarded. Businesses are now faced with a reality that in crafting their core operational strategies, key considerations on how they will satisfy other market and societal expectations beyond good quality products or services should be provided for.
A new reality is that coupled with making profits, a good brand image and a healthy relationship with all its stakeholders as well as being a good citizen would safeguard its continued sustainability

and success. The realisation of these new developments in the external environment of business has facilitated various internal responses which have further elevated CSR to the fore. These are internal CRS drivers are discussed next.

2.3.2 Internal CSR Drivers

As a result of some of the external pressures that were exerted on companies to become more socially responsible an observation was made that, there was a clear attempt by companies to align their social efforts with the core business and company strategy (Corporate Social Investment and Development Handbook, 1999).The new approach to company operations as a result of CSR requires the social efforts to be increasingly integrated to serve the strategic business purpose, align social efforts and environmental challenges to core business and competitive advantages, while also exposing the companies to additional degrees of measurement and accountability.
Nelson, 1996, p.4 provides a useful summary of internal CSR drivers that have emerged as a result of changes in the external environment .He classified these as reputation management, relationship management, becoming responsive and enhancing resource efficiency.

- **Brand Reputation**

The globalisation of markets and information requires brand image and corporate reputation as part of the essence of business strategy. A global brand must develop and maintain its integrity in all the markets it operates, which can be challenging in a more transparent world where a wide range of stakeholders are demanding complex accountabilities. Companies therefore, have to be able to monitor the entire supply chain to be able to understand and monitor the CSR compliance of suppliers, partners, contractors etc.

The key value driver to CSR at the heart of company strategy is the provision of reliable information to managers about the company's total impact, to be used in protecting company image and brand reputation. This will contribute to coherent, integrated and consistent corporate strategy with integrity as well as ensuring a sound risk management approach (Marsden & Andriof, 1998). Reputation management is built on key but intangible attributes such as trust, responsibility, credibility and quality and must therefore be managed from a strategic perspective. A fragmented or selective approach to social and environmental responsibility will not generate the required trust and credibility. According to Hollins and Delfgaauw (1998) reputation is not only a function of the company's behaviour or communication, but equally of the value systems of stakeholders.
The CSR driver discussed above introduces a new approach in planning corporate strategies, which is integrated planning. It gives due consideration on the importance of the brand image. In the strategic planning exercises of companies, critical issues such as trust, credibility, integrity, good governance have to be internalised to form part of the organisational culture. As presented earlier in this exercise, the new generation's purchasing decisions and association with a certain brand are more guided by how reputable a company is in terms of these values. Hence, companies now spend most of their time and resources in making sure that these values are internalised throughout the supply chain and that good practices are communicated internally and externally for more awareness on how well a company is doing in this regard.

- **Relationship Management**.

The ability to manage key relationships is recognised as a foundation of companies that last (Kay, 1993, McIntosh et al., 1998).Relationship management is becoming more complex as more stakeholders are being recognised. Society is prepared to grant business greater power and influence on an international basis, but demands a more responsible and accountable business response. In this context, the natural and physical environments are increasingly recognised as new stakeholders, while new demands are placed on companies regarding human rights and social conditions present in the countries, communities and suppliers they engage with. World wide there appears to be a shift in the rights and responsibilities of corporations as societies develop higher expectations. The role of business in society is thus being redefined as a result of stakeholders having different expectations of companies in a globalising world.
One could further interpret relationship management as another internal CSR driver as a clear departure from only focusing on having a good relationship with the shareholders. There is a clear recognition of the emergence of the other unconventional stakeholders in the broader operational context of a business whose interests have to be addressed. This has resulted in more companies having strategies on how they communicate and interact with environmental groups, labour unions, government, non governmental organisations (NGOs), civic associations etc. This interaction is meant at exchanging of views and ideas, as well as positive criticism on how the company strategy could be improved and further encouraging transparency.

- **Employee Benefits**

Based on the image of staff of the company, human resource management gains such as the attraction of high calibre recruits, higher retention and attendance rates are the key motivators for CSR (Marsden & Andrioff, 1988, Brimm, 1997).Employee benefits and human resource gains are acknowledged as key outcomes of a CSR approach, in particular in assisting managers and employees in making decisions in decentralised organisations. On the negative side, companies are also facing litigation for discrimination if they do not take the issue seriously. For example, Texaco paid $176 million in an out of court settlement about the lack of integration of ethnic minorities within the firm (Elkington, 1998).
This new CSR challenge reflects that in addition to companies being more obliged to create good working conditions for its employees and reward good performance, high calibre employees are also increasingly basing their decisions on whether to join a particular company or not, on its image. An additional benefit of building a brand with a good reputation on employment is that most employees in the company are more likely to stay which is positive to retaining and developing skill.

- **Responsiveness**

The ability to understand and respond to changes in the environment, often linked to stakeholder needs, is a vital need for corporations. This ability is important for competitiveness and contributes to business competence through managing people, diversity, and complexity. As a result of increased expectation for companies to be more socially responsible, modern era companies should be more flexible. They should be able to adapt and refresh their strategies as the expectations of society, their market and other external stakeholders change. Relationship management approach discussed above with a critical element of continuous communication and interaction with all the stakeholders further provides a tool of an early detection of changing expectations to necessitate timeous adaptation of company strategy.

- **Improved Business Environment**

A better business environment in the form of good social and physical infrastructure, better educated workforce, less crime, reliable transport system and social cohesion are recognised benefits of CSR activities. (Marsden & Andrioff, 1998). It is clearly in the business interest to support good governance to reduce corruption and civil war, as well as to improve participation, transport, education, housing, and healthcare in societies. For example, Rio Tinto, the world's largest mining company, builds its CSR considerations on the understanding that exploration and mining requires long-term investments of 30 - 40 years. It is therefore imperative to have the support of government and communities and a conducive business environment in the areas the firm operates (Court & Visconti, 1998).
The above observations further reflect how a stable environmental context in which a business operates is important. CSR arguments demonstrate how a company's existence could be undermined in the long term if it ignores happenings in its surroundings. Companies have to assist governments in responding to social challenges such as crime, housing, water and sanitation etc so that the areas where they operate are good to live in. This would ensure that residents do not relocate to safer and better serviced areas and that new residents are attracted. A consequence of this is that business would have a wide pool of skills to choose from and have low employee turnover as they would not be looking at joining other companies which are in better environments. Companies also have to ensure that they look after the physical environment they operate in as irresponsible operations such as degrading the environment, would

not only give rise to tensions with governments and societal groups, but would also undermine their long term sustainability.

- **Ethics**

Doing the right thing and ethical motivations are often important drivers of CSR behaviour, and have long underpinned corporate actions .Although it is widely recognised as a weak pillar on which to build CSR as cultural relativism and corporate diversity make it difficult to define in precise terms or to enforce. However, the importance of individual business leaders and firms wanting to do the right thing cannot be ignored.

The above section on the external and internal drivers of CSR attempted to provide a detailed demonstration of the main elements that have propelled the concept of CSR in modern era companies to the fore. In the process it also attempted to provide a clear understanding of the concept. Empirical evidence in the form of examples, quotes and observations from some company executives and writers on the subject was provided to demonstrate how the changes in perceptions on the role of business, compression of time and space as a result of globalisation as well as modernisation have encouraged companies to transform their corporate strategies and operations. Lessons and best practices on how this has been the case were also highlighted. This critical background information in terms of providing this literature on the rise of CSR as a concept is going to be helpful towards addressing the objectives of this report to identify challenges, risks and opportunities for business. It has already indicated some of the challenges that companies had to face in terms of responding to the internal and external drivers and the potential opportunities that these presented if they respond to them.
Coupled with the attempts by companies to respond to the CSR drivers, there was a need to report in a formal manner on social and

environmental progress. This form of reporting called sustainability reporting was introduced as a measuring tool on how well companies are doing in addressing social and environmental expectations. This further served as a means for measuring and recording companies on the things they have actually done further to their bare statements of being committed to CSR and its principles. The need for sustainability reporting gave rise to a number of organisations that proposed different reporting frameworks and these approaches are presented below.

2.4 CSR Reporting

With the rise of CSR to prominence, as a result of its presented drivers from outside and inside companies, there also came an insistence from pressure groups and other stakeholders that companies should move beyond just reporting on financial performance, but also report their environmental and social performance. This gave rise to the terms such as triple bottom line reporting and sustainability reporting.

There were also calls for companies to expand evaluating themselves and reporting their financial performances to include outside stakeholders and implement a balanced score card. A balance score card moves beyond financial measures only, but recognises the critical importance of customer satisfaction, internal business processes and learning and growth of the key elements of the company management system (Kaplan and Norton, 1996)

On environmental sustainability, a new understanding of the pressures of business on the environment, increased social concern and tougher legislation on a world-wide basis have ensured that environmental responsibility is one of the major pillars of CSR. Such concerns underpinned the public processes to ban or restrict DDT, CFCs, asbestos and the reduction of green house gases.

Environmental impact assessments have become legal requirements around the world and environmental auditing is now being adopted by leading companies (Ireton, 1998).Some of the key CSR issues are the prevention of pollution, adhering to environmental laws, biodiversity and protection of the biosphere, wise use of energy, safe production of goods and services, environmental management training, supporting NGO's, environmental education, urban conservation, support for national reserves and parks, environmental research, community based conservation and integrated catchment management.
The CSR concern goes broader than mere compliance with environmental legislation and regulations, and is based on an appreciation of the environmental risks of doing business and the cost of environmental impacts (accidental or normal business impact) restoration and penalties, as well as the loss of reputation.

With the rising need to move beyond mere financial reporting to a more multidisciplinary approach to report on the social and environmental progress, a lot of advocacy organisations came to the fore to further emphasise the need for this new approach of reporting and provided some frameworks on how such reporting should be recorded and presented. These frameworks stipulate indicators, indexes and principles on which the companies would be evaluated. Most of the major organisations are highlighted below:

- **The Institute For Social and Ethical Accountability (ISEA)**

ISEA, also known as AccountAbility, is an international membership organisation, based in the UK. It exists to encourage ethical behaviour in business and non-profit organisations.
It introduced an AA1000 framework as a standard for the measuring and reporting of ethical behaviour in business. It provides a framework that organisations can use to understand and improve

their ethical performance and a means for others to judge the validity of claims to be ethical (AccountAbility, 2005, p.22).Amongst the various principles of CSR, this framework places more emphasis on the ethical behaviour of business. Central to this perspective are values such as integrity, good corporate governance and management. The reporting on how companies have managed to implement the se principles and performance towards addressing promoting these principles would be of importance to the Institute

- **The Committee of Enquiry**

The Committee of Enquiry was convened by Forum for the Future, Business in the Community and the New Academy of Business.
The main purpose of the Enquiry was to produce a set of public policy recommendations for the UK Government to promote CSR. These were organised under eight headings covering policy options, consumers, employees, shareholders, supply chain alliances, communities, environmental sustainability, values, ethics and accountability (Mallenbaker.net, 2006, p.1). According to this framework, companies were expected to implement policies and report on progress on the issues such as how they treat their employees, operate in a way that is not endangering the environment, promote good governance as well as how they are encouraging these principles across the supply chain
For this organisation, the above CSR principles would form a core of their reporting framework.

- **Ethical Trading Initiative**

The Ethical Trading Initiative describes itself as an alliance of companies, non-governmental organisations and trade union organisations committed to working together to identify and promote good practice in the implementation of codes of labour practice. It is supported by the UK Government's Department for

International Development and by the Department for Trade and Industry (DTI).
It seeks to make substantial improvements in the lives of poor working people around the world by developing, and encouraging the use of, a set of standards in trade (Ethical Trading Initiative, April 2005, p.2).This framework puts more emphasis on companies to implement good labour practices and report on progress on how they have been able to do this. Of prime importance for this framework is employee wellbeing and welfare.

- **United Nations Global Impact**

During the World Economic Forum held in Davos, Switzerland on the 31st January 1999, the UN Secretary-General, Kofi Annan, challenged world business leaders to embrace and enact the United Nations Global Compact. The Compact seeks support for ten principles in human rights, labour and environmental sustainability as they apply to business practices and public policy. Business is encouraged to foster human rights by supporting and respecting the protection of international human rights within their sphere of influence and by making sure that their own corporations are not complicit in human rights abuses.
Business should also, according to the Compact, support labour standards by ensuring freedom of association and the right to collective bargaining. There should be the abolition of any form of forced or compulsory labour, and child labour.
This framework puts more emphasis on the principles that companies have to apply in promoting human rights, good labour practices and environmental sustainability. Companies would therefore be expected to reflect these principles on their sustainability reports

- **Global Reporting Initiative**

The Global Reporting Initiative was initially convened by the Coalition for Environmentally Responsible Economies (CERES), a non-profit coalition of over 50 investor, environmental, religious, labour and social justice groups. The GRI was established in 1997 with a mission to elevate sustainability reporting to equivalency with financial reporting. It has recently been established as an organisation in its own right.
The GRI has developed a set of core metrics intended to be applicable to all business enterprises, sets of sector-specific metrics for specific types of enterprises and a uniform format for reporting information integral to a company's sustainability performance (GRI, 2002, p.1).This organisation has also developed its own set of metrics aimed at helping companies to report their sustainability performance. This set of metrics is expected to be applicable to all enterprises as a universal format of reporting

- **Global Sullivan Principles**

In 1977, the Reverend Leon Sullivan launched the original Sullivan Principles, which were designed to help persuade US companies with investments in South Africa to treat their African employees the same as they would their American counterparts. These principles were then re-launched in 1999 as the Global Sullivan Principles for Corporate Social Responsibility.
The Reverend Sullivan described the objectives of the Global Sullivan Principles at their launch as being to "encourage companies to support economic, social and political justice wherever they do business" (Sullivan, 2005, p.2). An underlying factor in promoting these principles is the notion of justice. As a result, companies are expected to report on how they have contributed in supporting actions towards promoting economic, social and political justice in the environment in which they operate.

- **London Benchmarking Group**

The London Benchmarking Group was formed in September 1994. It comprises senior community affairs managers from leading UK headquartered companies. It was established to meet the need for accurate and comparable information about how different companies define, fund and manage their community involvement activities.

The LBG produced the London Benchmarking Group Model in 1997 which was then tested by a group of 18 companies across different industry sectors (Logan and Tuffrey, 2002, p. 3).

An important CSR principle for this London based organisation is community involvement. The main intension is to encourage companies to promote community involvement activities and later report on how well they had progressed in doing so.

- **Social Accountability international**

Social Accountability International (SAI), known until recently as the Council on Economic Priorities Accreditation Agency, developed Social Accountability 8000 (SA8000) as its sustainability reporting framework (Social Accountability International,20February 2006, pg.1). SA8000 is promoted as a voluntary, universal standard for companies interested in auditing and certifying labour practices in their facilities and those of their suppliers and vendors. It is designed for independent third party certification.

SA8000 is based on the principles of international human rights norms as described in International Labour Organisation conventions, the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights. It measures the performance of companies in eight key areas: child labour, forced labour, health and safety, free association and collective bargaining, discrimination, disciplinary practices, working hours and compensation. SA8000 also provides for a social accountability

management system to demonstrate ongoing conformance with universal labour standards.
For this framework as well, the most important element is the one on good labour practices.

- **World Business Council for Sustainable Development**

The World Business Council for Sustainable Development is a coalition of 130 international companies with a shared commitment to sustainable development. Its members are drawn from 30 countries and more than 20 major industrial sectors.
In broad terms, the WBCSD aims to develop closer co-operation between business, government and all other organisations concerned with the environment and sustainable development as well as encouraging higher standards of corporate environmental management.
In January 2000 the WBCSD published *Corporate Social Responsibility: Making Good Business Sense*. This report included a matrix with key CSR issues on one axis and key stakeholder groups on the other. A number of indicators are identified for each key issue appropriate to each stakeholder group.
The identified key CSR issues are: values and governance, regulations and controls, business operations, accountability and disclosure, human rights, employee rights and working conditions, business context, product impact, social impact and investment and impact on other species and on the environment (WBCSD, 20 February, 2006, p.3). The council's main area of focus in promoting CSR and reporting is on sustainable development. Principles such as good governance, controls and regulations should be measured against how they have been implemented to promote sustainable development.

This section has gone into some depth in presenting an array of organisations that promote sustainability reporting on certain CSR

principles that are in their best interest or that they mostly value. They provide different frameworks that the sustainability reporting of companies should be based on. For instance, others highlight the importance of good corporate governance, proper and efficient use of funds. Others emphasise better treatment of workers and observation of human rights, while others put more emphasis on responsible operations that would not harm the environment.
It is evident that as a result of these prescribed divergent frameworks, that ultimately for companies to be able to conform to all the different requirements, they have to attempt to report on a wider span of CSR principles that are relevant to all the parties. An attempt to do so by companies might result in building its capacity in skills and finances to be able to do so. In some instances an appointment of full time, highly trained and highly paid specialists and or the formation of specialised departments staffed with several such individuals to ensure proper compliance and generation of the required reports might be necessary.

Faced with this eventuality, the question that arises is therefore that, with many variables that the companies are expected to report on and consequently be evaluated upon, irrespective of their sizes and budgets, does business have the necessary in-house capacity and expertise to do so and if not, do they have the necessary financial resources to bring in highly skilled individuals who would be highly remunerated or initiate specialised units or departments to deal with CSR and triple bottom line reporting.
By posing these questions, one can already observe that critical challenges posed by CSR on companies, which this study wished to unearth, are coming to the fore.

2.5 CSR Benefits and Opportunities

As the practices of initiating and implementing CSR programmes as well as non financial accounting, auditing and reporting evolved and developed, there was also an increasing need to analyse the benefits, opportunities and challenges that this pose on companies. This analysis was important as being CSR compliant required the investment of time and resources and the results would help companies in realising whether there were returns on the investment they have made or their actions were simply fruitless. After careful analyses of the works of different writes and organisations on this subject, the writer felt that Radley Yelder's work on the ten benefits of CSR were more appealing and supported by concrete evidence and hence they are very relevant for the purpose of this paper. The ten CSR benefits studied were the following: increased profit, access to capital, reduced operating costs/increased operational efficiency, enhanced brand image and reputation, increased sales and customer loyalty, increased productivity and quality, increased ability to attract and retain employees, potentially reduced regulatory oversight, reducing risk and increased risk management, keeping up' with competitors and where the market Is, (Radley Yelder, www.csrnetwork.com). These benefits are discussed in detail below:

- **Increased Profit**

Radley Yelder argues that several academic studies have shown a direct correlation between socially responsible business practices and positive financial performance. For instance, a 1997 DePaul University study found that companies with a defined corporate commitment to ethical principles do better financially (based on annual sales/revenues) than companies that don't. Another study conducted by the Harvard University found that "stakeholder-balanced" companies showed four times the growth rate and eight times the employment growth when compared to companies that are shareholder-only focused. Supported by the above findings, one can then argue that the companies' bottom line could benefit from it CSR practices as the companies studied seemed to have growing profits as a direct benefit of CSR.

- **Access to Capital**

Radley Yelder further made a finding that companies that are committed to CSR often have access to capital that would not otherwise be available, due to the increase in Socially Responsible Investment (SRI). He further found out that, a study conducted in 2001on American companies showed that 12% of total investment in the USA was of a socially responsible nature. Likewise, there were 313 green, social and ethical funds operating in Europe in June 2003, showing a 12% increase in the last eighteen months proceeding that period.
Another finding by Radley Yelder is that , the Dow Jones group sustainability index, the FTSE4Good index, Morley Fund management sustainability Index, BitC corporate responsibility index (and others) all analyse companies' CSR activities and these indices are increasingly looked at by investors who want to determine a company's level of CSR engagement. This observation confirms a new paradigm shift where potential investors do not necessarily look at the companies' profits alone to inform their investment decisions, increasingly, non financial indicators play a critical role in this regard. Increased investment will enable the companies to access funds in their expansions and access more investors who could bring value to the company.

- **Reduced Operating Costs/Increased Operational Efficiency**

Radley Yelder further made a finding that, contrary to widely-held opinion, improved environmental management systems do not automatically result in greater cost. Over time, they improve operational efficiency by reducing waste production and water usage, increasing energy efficiency and in some cases, selling recycled materials. The statement is supported by the results of company specific ways of reducing operating costs e.g. Dow Chemical Company has set themselves a target of reducing production of 26 toxic chemicals which will save them 5.4 million Euros per year – 2.3 million Euros more than was spent on the initial investment to do so.
He further states that, by considering impacts, a company's actions can result in environmental, social and economic benefits. Construction firms, for example, re-using products on-site: reduces landfill, reduces community and noise disturbance of additional trucks bringing material to the site, reduces the environmental impact of damage caused by heavy truck wheels and reduces cost for the client of buying new material.
It is therefore evident from the above that by internalising CSR as part of the operational strategy, companies could save themselves a lot of money in unnecessary costs and inefficiencies which would have had a negative impact on profits.

- **Enhanced Brand Image and Reputation**

A good reputation is often very hard to build and yet can be destroyed in less than a day. Therefore Radley Yelder argues that, much of a company's reputation results from 'trust' by stakeholders. A strong reputation in environmental and social responsibility can help a company build this trust. However, it needs to result from real practices and policies and integrity towards the companies responsibilities. Stakeholders are not stupid and can see through ‘fluff’. Non Government Organisations (NGOs) and local communities are far more willing to not take action as a result of an environmentally-damaging incident if it is evident that the company has genuinely worked hard to prevent it happening in the first place, and has in place solid management practices for rectifying the situation – quickly – and for learning and improving to prevent an repeat occurrence. This finding supports the importance of the principles that are encouraged by CSR in organisational management. Good corporate governance underpinned by CSR values of integrity and honesty in doing business and in interacting with all the stakeholders has a positive influence on the image and the way a company is perceived.

- **Increased Sales and Customer Loyalty**

Radley Yelder further observed that, research has shown that consumers not only want good and safe products, but they also want to know that what they buy was produced in a socially and environmentally responsible way. A CSR Europe/MORI study in 2000 is cited as having found out that 70% of European consumers say that a company’s commitment to CSR is important when buying a product and 1 in 5 would be willing to pay more for products that are socially and environmentally responsible. Conversely, 1 in 6 shoppers frequently boycott (or buy) products because of the manufacturer’s reputation.
The above finding is supported by Dr Richard Steckel and Robin Simons that CSR can lead to new markets and product lines. In their study they found out that, In 1984 when F. Schumacher & Co, a New York based company that produces high quality fabrics, wall coverings and carpets which are sold through interior designers to residential and commercial customers, wanted a new product line, it went to the National Trust for Historic Preservation. The trust licensed Schumacher to reproduce fabric patters and artefacts found on its buildings. As a result of this arrangement, Schumacher’s

sales increased tremendously as it attracted new customers who were supporting the Trust's work. "Our company benefits because we are able to replicate the fine designs of past artists and we are permitted to create new designs based on traditional elements," said Robert Herring, vice-president of designer relations. The National Trust benefits by receiving operating income from the royalties" (Steckler and Simons, 1992, p.15). The above observations reflect that, customers are increasingly making informed decisions when they have to buy goods and services. By forming working business relationships with some charity organisations, trusts etc companies can be able to access new markets while simultaneously helping advance the objectives of such organisations in addressing certain challenges in society.

- **Increased Productivity and Quality**

Business for Social Responsibility is a membership organisation based in San Francisco that helps companies improve their CSR learning, management and activities. They say "company efforts to improve working conditions, lessen environmental impacts or increase employee involvement in decision-making often lead to increased productivity and reduced error rate. For example, companies that improve working conditions and labour practices among their suppliers often experience a decrease in merchandise that is defective or can't be sold" (www.bsr.org). This statement supports a notion that if business supports a key CSR principle of creating a conducive working environment for its workers, there are benefits that are positive to its bottom line as workers enjoy their work and there are fewer interruptions to production to attend grievances etc.

- **Increased Ability to Attract and Retain Employees**

A company's dedication to CSR can help to attract and retain employees. People want to work for a company that is in accordance with their own values and beliefs. Employees are not just worried about promotion and salary any more. In their study, the Cherenson Group found out that since Novo Nordisk, a health care company based in Denmark, launched their Values in Action programme which aligns their business objectives with sustainable development, they have seen a 5% drop in staff turnover. They further found that 78% of employees would rather work for an ethical and reputable company than receive a higher salary" (The Cherenson Group in www.csreurope.org).

- **Potentially, Reduced Regulatory Oversight**

Radley Yelder again discovered that the more a company shows it is committed to CSR by complying with and going beyond legislation, the more lenient governments and regulators may be with the company. They may be given preferential treatment when applying for permits or permission to do something, and if an accident occurs, will be regarded more favourably if they have been transparent and socially responsible in the period running up the accident/incident.

The observation of this tendency is crucial as fines relating to non compliance to health safety and environmental requirements could threaten a company's existence. As some incidents beyond a company's control occur, if a company is known for its good track record in adhering to all the requirements, the relevant authorities may not be that harsh towards that company.

- **Reducing Risk, and Increased Risk Management**

The more a company is committed to CSR, the less it is exposing itself to business risk.
This could be reputation risk following bad press, e.g. the highly publicised "Nike sweatshops", financial risk, or environmental risk. Fund Management companies are becoming more vocal and assertive about their own expectations regarding a company's evidence of responsibility in order to reduce risk. Morley Fund Management, for example, has produced environmental reporting guidelines, outlining the type of information it expects companies to include in their reports.

- **'Keeping Up' With Competitors and Where the Market Is.**

It has been argued that this is where business is heading: the world over, regardless of the regional culture. The UK, Denmark, France, and other areas in Europe; the USA, Canada, India, South Africa, China are the countries that come to mind immediately when discussing whether and how companies are embracing the concepts of CSR. There are others. For all, the starting points are often different, some are driven by regulations and legislation, and others are driven by self-regulation.
Governments, investors, local communities and suppliers are all putting pressure on companies to live up to their expectations of a company in society and in the environment.
For enlightened companies, embracing CSR makes good business sense.
Those that get 'left behind' are missing business opportunities, competitor advantage and improved management opportunities. By NOT engaging in CSR, companies are not only under-managing their impact on society and the environment, they are under-managing their own economic self-interest.

The above section has presented benefits and new opportunities that arise as a result of a company's implementation of CSR programmes. Evidence through studies conducted and consequent findings reflect that by investing in CSR programmes, companies could realise positive returns which far outstrip the resources and time spent in doing so. Benefits such as an increased positive brand image, could lead to new opportunities that could raise company profits, improve operational efficiency, and enable access to new markets. These benefits and resulting new opportunities could be very critical to business long term sustainability.

From the presented evidence, one could then conclude that it could be beneficial for business whilst putting together their company strategic and operational plans to strategise on how they are going to deal with a spectrum of CSR principles from good business ethics, governance and accountability, to good labour practices, environmental and community investment to come up with a coherent integrated corporate strategy.

2.6 CSR Critique, Challenges and Risks

As much as there are researched benefits of CSR for business as presented in the section above, some challenges and threats that it poses on companies have also been studies. Some of them are discussed below:

- **CSR, An Impediment to Company Focus**

Most proponents of this school of thought derive their arguments from Morgan Friedman's sentiments that the social responsibility of business is to maximise profits and satisfy shareholders. It views amorphous social improvement programmes, as diverting valuable resources from research, expansion, and product improvements that create jobs and raise living standards.

According to this argument, the company's focus, resources and energy is diverted away from its core operations and this might impact the company and threaten its existence as constant product development and innovation is required as well as resources that go with this process to survive in the market and outperform the competition. Competitors might take advantage of this diverted focus, to the detriment of the company.

Nick Nichols is such a writer who subscribes to the statement by arguing that, "I subscribe to Milton Friedman's view that the responsibility of business is simply to maximise the rate of return to the general shareholders, consistent with the law. Anything that sidetracks corporate management from that responsibility spells big trouble. The bottom line for me is that millions, if not billions of corporate dollars are being diverted away from investors and redistributed elsewhere, not by duly constituted governments, but as a result of the power of extortion wielded by wealthy activist groups who are accountable to no one but themselves"(Nick Nichols, 2005, pg. 15).

The arguments presented above vehemently deny the benefits associated with CSR and raise a concern that a company's focus in product development and innovation to access more markets and raise profits is diluted by divided energies in getting involved in CSR and wasting billions of shareholders. According to this view, CSR views such as considering wide construing expectations from government, NGO's, trade unions etc, the need to devise and maintain more elaborate accounting and reporting systems, time consuming consultation, negotiation and review processes with a range of outside stakeholders are fruitless and wasteful. Companies should go back to focussing on their core operations.

- **Blanket Expectation for CSR and Triple Bottom Line Reporting**

One of the expectations from pressure groups and other stakeholders is that further to reporting on financial performance, companies must also report on their social, economic and environmental performance. This expectation also brought about the emergence of many organisations, some of whom have been discussed in the previous section, to draw up reporting frameworks that they expect companies to conform to and utilise.
A major problem with these reporting frameworks is that they specify variables that they view to be the most important for companies to report on. A consequence of this is that these multiple compliance and reporting tools lead to confusion as companies start to wonder which model to use.

Another constraint is that triple bottom line, worse with the confusion stated above, is time consuming, costly and requires a certain level of expertise.
This process requires huge financial resources and this sometimes poses a problem for smaller companies with limited budgets who are still expected to conform equally to big companies who in most

cases, their CSR budgets could equal and even surpass the smaller businesses' operating capital.
Henderson summarises the above views by stating that while the issues that CSR addresses are general, its architects and advocates within the business community typically come from large multinational enterprises, whose interests are international or even world-wide. There is a question as to how far its precepts, even if they may hold good for these companies, are applicable to small and medium sized firms whose public profile is lower and whose concerns are more local. He further adds that even for the leading corporations that have subscribed to the doctrine there may be, in some cases at any rate, room for doubt as to whether much more is really involved than well publicised window dressing (David Henderson, 2001, p.5.).
The presented argument against CSR therefore, cautions government, CSR proponents, activist groups etc to refrain from treating and viewing business as homogeneous by expecting them to implement CSR programmes across the board and move towards triple bottom line reporting. Size, capacity and the reserves of business have a bearing on how far they can go in implementing CSR. Blanket expectations and pressure on smaller and emerging businesses to embark on full-scale CSR might threaten their existence even before its positive benefits are realised.

- **CSR, a Public Relations "Gimmick"**

One of the proponents of this argument is Nick Nichols who argues that CSR is nothing more than a public relations gimmick that companies buy into for the sake of appeasing leftist activist groups He cites an example that Nike contributes $ 7.7 million dollars to the International Youth Foundation to fund the Global Alliance for workers and communities, a group whose primary purpose is to investigate Nike labour practices (Nick Nichols, 2005, p.1). This argument conveys a statement that some companies are only

getting involved in CSR activities simply to appease the activist groups and not because they view it as a business imperative. The irony of this is that these groups are being funded and aided by the companies they are pressurising to be CSR compliant.
At the core of the above arguments is that companies use CSR as a public relations tool and that activist organisations embark on money extorting activities from these companies disguised as activities to encourage and force companies to be good corporate citizens. A conclusion drawn from this argument is therefore that CSR itself should not be taken seriously as for most companies and the activist organisations advocating it, it is merely used as a means to some selfish end that appeases their self interests.

- **CSR Undermines the Market Economy**

David Henderson is a constructer of the above notion. He argues that in embracing CSR, some corporations and business organisations have accepted, or even endorsed, the views and demands of anti-business activist groups which are hostile to the market economy. They have treated these views and demands as embodying society's expectations. He concludes that, CSR has the potential to do real harm. Its adoption by business generally, with the acquiescence or support of government, would reduce community well being and undermine the market economy (Henderson, 2001, p. viii).The argument slams activist groups and government as using CSR as an excuse to intervene in the market economy and distort market forces. It cautions that self interested actions of individual economic agents in the market economy under false notions of CSR might undermine good economic principles of fair competition. Therefore CSR is undesirable as it distorts markets.

The above section has highlighted some of the CSR challenges and critiques. There are still prevalent views that CSR diverts company resources away from where they are needed the most in product development and innovation. As a result companies become unfocussed and shareholders money wasted. According to proponents of this argument, this has a real potential of undermining company existence and sustainability. For them CSR is not a genuine exercise by companies and pressure groups. They use CSR to further their own selfish interests as companies use it as a public relations tool to appease some critiques of their actions, while the pressure groups use it for their financial gain.

In further satisfying the objectives of this exercise and making the findings more relevant to our context, the writer felt that the new gained knowledge as a result of the work done in analysing the defininition, the evolvement and benefits and challenges internationally should be analysed on how they compare to our South African experiences. As it could be possible that different special experiences of the concept might yield more understanding of our own context and relevant CSR benefits opportunities, challenges to us. This exercised is commenced below.

2.7 CSR and the South African Context

Fig argues that, CSR in the South African context was raised for the first time in the 1970's but gained momentum during the sanctions campaign against apartheid. Corporates responded by setting up voluntary initiatives. A prominent effort by especially American multinationals was the introduction of a code of conduct that became known as the Sullivan Principles (Fig, 2002, p. 81).

He further argues that, the 1976 Soweto uprisings led to the establishment of the Urban Foundation as a private sector initiative to address critical urban development issues in volatile townships nation wide. This initiative was led by the late Harry Oppenheimer of Anglo American Corporation and Anton Rupert of Rembrant. Fig Further states that, from the 1970s to the mid 1980s more companies followed suit by setting up charitable trusts, partly to accommodate expanded community investments, but also for tax purposes (Fig, 2002, p. 81).

It is evident from the findings presented above that the emergence and consequent ascendance of CSR in the South African context took a different path from the one in America and Europe. Different forms of corporate social investment and responsibility were fundamentally shaped by apartheid. Some forward thinking individuals and companies started to get involved in communities to create an environment of stability and initiated some community development programmes to improve the lives of the previously oppressed and marginalised communities in the rural areas and townships.

On calls for companies to start getting involved in other social and economic initiatives other than just concentrating on financial performance and reporting on these, the first bold move was first spearheaded by former High Court judge, Mervyn King through the 1994 King Report on Corporate Governance (King I) . Over and

above the financial and regulatory aspects of corporate governance, King I advocated an integrated approach to good governance in the interests of a wide range of stakeholders. Although ground breaking at the time, the evolving global economic environment together with recent legislative developments, have necessitated that King I be updated.
To this end, the King Committee on Corporate Governance developed the King Report on Corporate Governance for South Africa, 2002 (King II). King II encouraged a move away from the single bottom line (that is, profit for shareholders) to a triple bottom line, which embraces the economic, environmental and social aspects of a company's activities. In the words of the King Committee *"successful governance in the world in the 21st century requires companies to adopt an inclusive and not exclusive approach. The company must be open to institutional activism and there must be greater emphasis on the sustainable or non-financial aspects of its performance. Boards must apply the test of fairness, accountability, responsibility and transparency to all acts or omissions and be accountable to the company but also responsive and responsible towards the company's identified stakeholders. The correct balance between conformance with governance principles and performance in an entrepreneurial market economy must be found, but this will be specific to each company."* (King Report, 2002, p. 2).

The principles of the King Report were taken further by the Johannesburg Stock Exchange (JSE) in May 2004, when it launched the Social Responsibility Index (SRI)in South Africa , as a means to identify those companies listed on the JSE that integrate the principles of the triple bottom line into their business activities, and to facilitate investment in such companies.

The SRI Index has been structured to reflect the complex nature of social responsibility in South Africa and hence it has detailed criteria for each of the triple bottom lines. In addition, the SRI Index identifies criteria for corporate governance as the foundation on which each of the triple bottom lines rests as good corporate governance plays a major role in ensuring that sustainability issues are identified, managed and resolved.

> The Criteria identify the issues that companies must meet in order to show that they have integrated triple bottom line practices across their activities.
>
> Within the Index there are four areas in terms of which companies are assessed, namely -
>
> - environmental sustainability practices;
> - economic sustainability practices;
> - social sustainability practices; and
> - corporate governance practices.
>
> The Criteria for inclusion in the Index are thus structured along these four areas (JSE SRI Index, September 2002, p.2).

As a result of the presented initiatives, many companies began to increase their CSI/CSR spending and embarked on sustainability reporting. When one analyses this social investment by individual companies, it is clear that education receives the largest contribution of any sector, with more than 50% of social spending focussed in this area. More than 96% of companies involved in social investment support some type of education programme. Some of the main issues supported are tertiary education, maths and science, primary education, and early school development, secondary education, education quality support, bursaries for disadvantaged students, teacher development, adult basic education, entrepreneurial skills development, infrastructure, further education and training, work preparedness for school leavers and school governance (Corporate Social Investment & Development Handbook, 1998, NBI, 1999).

Further to the King Report's guidelines and the JSE index, government introduced some legislative frameworks that are in many ways meant to redress the imbalances of the past and promote participation of the previously disadvantaged groups to equally access economic opportunities. In implementing their CSR programmes, companies are also expected to conform to these guidelines and legislation.

The first major legislation is the Broad Based Black Economic Empowerment Act N0. 53 of 2003. The Act is directed at economically empowering all black people (Africans, Coloureds and Indians) including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to —

(a) increasing the number of black people that manage, own and control enterprises and productive assets;

(b) facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises;

(c) human resource and skills development;

(d) achieving equitable representation in all occupational categories and levels in the workforce;

(e) preferential procurement; and

(f) investment in enterprises that are owned or managed by black people;

The above six challenges which are central to the Act have also become crucial for company implementation of their CSR strategies

Further to the Broad-Based BEE Act, the Department of Trade and Industry drew up Codes of Good Practice to assist and advise both the public and private sectors in their implementation of the objectives of the Act. They further provide principles and guidelines that would facilitate and accelerate the implementation of broad-based BEE in a meaningful and sustainable manner. The codes are listed below:

The 10 codes deal with the different elements of BEE, how they are to be weighted and how BEE compliance is to be regulated. They are as follows:

- **Code 000** - A framework for the measurement of BEE. This includes the generic BEE scorecard, which gives a general weighting to companies' BEE status in terms of management, ownership, skills development and so on; guidelines for the development and gazetting of industry charters; and the approval, accreditation and regulation of BEE verification agencies.
- **Code 100** - Measuring the **ownership** element of the BEE scorecard, including the general BEE ownership scorecard.
- **Code 200** - Measuring the **management** and **control** element of the scorecard.
- **Code 300** - Measuring **employment equity**.
- **Code 400** - Measuring **skills development**.
- **Code 500** - Measuring **preferential procurement**.
- **Code 600** - Measuring **enterprise development**.
- **Code 700** - Measuring the **residual** element.
- **Code 800** - Industry sector charters.
- **Code 1000** - Measuring BEE in small enterprises.

The measurement of how well the codes are implemented across the various sectors of the economy and the BEE status of companies is measured by means of the DTI's generic scorecard provided in code 000, statement 000, giving a score out of 100.

The generic BEE score card is as follows:

THE GENERIC BEE SCORECARD		
CORE COMPONENT	**INDICATORS**	**SCORE**
Direct empowerment score		
Equity ownership	% share of economic benefits	20%
Management	% black persons in executive management and/or executive board and board committees	10%
Human development & employment equity score		
Employment equity	Weighted employment equity analysis	10%
Skills development	Skills development expenditure as a proportion of total payroll	20%
Indirect empowerment score		
Preferential procurement	Procurement from black-owned and empowered enterprises as a proportion of total procurement	20%
Enterprise development	Investment in black-owned and empowered enterprises as a proportion of total assets	10%
Residual	To be determined by sector or enterprise	10%
TOTAL SCORE		**100%**

The other piece of legislation which is central to CSR is the Skills Development Act No. 97 of 1998.The aim of the act is to provide an institutional framework to devise and implement national, sector and workplace strategies to develop and improve the skills of the South African workforce. The companies are also measured by the level of participation in Sector Education and Training Authorities' (SETAs) learner ship programmes to provide employees with the opportunities to acquire new skills and to provide opportunities for new entrants to the labour market to gain work experience.

The Employment Equity Act no.55 of 1998 is also a key legislation in the practise of CSR. The act aims to address the disparities in employment, occupation and income within the national labour market as a result of apartheid and other discriminatory laws and practices.

The Labour Relations Act No.66 of 1995 is another key legislation in the implementation of CSR by companies. The act aims to advance economic development, social justice, labour peace and the democratisation of the workplace through means such as recognising worker's rights to fair labour practices, the right to join labour unions and to strike for the purposes of collective bargaining.

From the above presented South African experiences, one can therefore conclude that the emergence of CSR was a direct result of apartheid. Apartheid had negative effects on the business environment and the black population in the rural and township areas. Sanctions restricted South African companies to be globally competitive and access international markets which could benefit their growth. Equally, international companies could not access local markets and transfer skills and new technology. The marginalised black population was could not access basic life services and lived in poverty and in squalor conditions. As a result of these challenges visionary leaders and companies who wanted to change the status quo adopted CSR as a strategic response by the new social and environmental challenges facing them in a global world. This new approach to conceptualise the role of business in society presented major challenges to formulating corporate strategy in the future. As corporate behaviour and reputation by the impact on society and the environment, many companies have started to adopt CSR.

CSR in the South African context faces more complex challenges as apposed to the American and European experiences. CSR has to deal with a wider span of issues such as redressing the legacies of apartheid through tools such as promoting broad based black economic empowerment and facilitate as well as promote access to opportunities by the formerly disadvantaged groups. CSR also moves beyond voluntary and discretionary approaches to the role of business in society, to conforming to direct intervention strategies in the form of the presented key codes of good practices, score cards and legislation. The unique economic and social contexts in

South Africa lead to a different perception, approach and definition of CSR from our counterparts abroad.

CHAPTER 3: PRESENTATION OF RESEARCH DATA/INFORMATION

In reaching the objectives of this report to unearthing the benefits and opportunities of CSR for companies as well as the risks and challenges it poses on them, Sasol limited was selected as a case study to analyse some of its experiences in implementing CSR which could yield useful information to in satisfying the objectives of the research paper. As mentioned earlier, Sasol Limited was selected as it is one of the leading companies in South Africa whose CSR programme has been running for a long period and the writer felt that it would have better lessons of experience on the benefits and opportunities that have resulted thus far as well as the challenges that the company has faced ever since embarking on the CSR programme. In doing so, Sasol's main CSI/CSR initiatives were studied and interviews held with Sasol's CSI manager, Masechaba Mape. Furthermore some interviews were held with some of the beneficiaries of Sasol's CSI initiatives in the Secunda area. Masechaba provided the following information on Sasol's main CSI/CSR initiatives:

Sasol's main focus areas are education, health and welfare, environment, job creation/capacity building and arts and culture. She adds that first and foremost Sasol cares deeply for communities close to its areas of operations and secondly about the sustainability of people and nature within the broader context of South Africa, the Southern Africa region, Africa and the world at large. For instance, more than R100 million was set aside for utilisation in the focus areas in the 2003-2004 financial year. This figure excludes R 22, 5 million that was set aside for student bursaries. Sasol's CSR programme now reaches into Southern Africa as a result of its natural gas project in Mozambique where US$5 million has been earmarked for community development. This money is designated for establishment and upgrading of health clinics and water reticulation systems to provide communities living alongside the natural gas pipeline in Northern Mozambique with clean water and medical services.

- **Education**

Sasol has already invested US$ 700 000 in the renovation of the Beira Industrial and Commercial School in Mozambique which was re-opened in 2002. The school acts as an important feeder of skilled human resources to the rest of Mozambique.

In South Africa, Sasol has founded the Osizweni Community Development Centre in Sasolburg to focus on educational and training courses for adults and children. Special attention is given to adult literacy training and learners are provided excellent resources in the field of Maths, Science, English, Technology and career guidance. Furthermore, more than R 11 million has been invested in the Credo Primary School in Sasolburg and Maphala Primary School in Secunda and these schools were officially opened by former President Nelson Mandela. Other initiatives that have been supported by Sasol include, providing the Alexandra Kopano Community Centre with an internet café to stimulate information technology literacy within the township community, renovation of the Khristopher Ryan Centre for mentally impaired adults at Leandra near Secunda where day care training and an environment of mental stimulation is provided for mentally impaired adults to assist them to become self sufficient. Mape adds that all these projects have been embarked upon departing from the premise that literacy is the first step towards empowerment.

In promoting the appreciation of science, Mape shares that while technikons, Universities and tertiary level education institutions, receive support for specific projects, including the provision of bursaries and the development and expansion of libraries, laboratories and computer centres, Sasol actively promotes a love

of science and maths among young children. Major draw cards are the annual Sasol SciFest, South Africa's National Festival of science, engineering, and technology at Grahamanstown, the Expo for young Scientists at Secunda and Sasol Techno X, the annual Science and Technology Exhibition at Sasolburg in which various industries and community organisations participate. This exhibition annually draws more than 45 000 visitors.
Sponsorship of the Discovery Mobile takes the world of science to some 50 000 learners at 225 schools country wide every year, while the donation of Sasol's science and technology resource books and CD ROMs supports the 102 schools project of the National Department of Education's drive to make a meaningful difference to the science and Mathematics grades of pupils through an intervention programme. The comprehensively equipped Sasol Techno lab at Rand Afrikaans University enhances community focused education programmes. Likewise, Sasol supports the Govan Mbeki Centre of the Faculty of science at the University of Port Elizabeth encouraging the study of pure and applied mathematics among children. Sasol said Mabe, has also teamed up with the University of the Free State and the South Cape College to help students from historically disadvantaged communities to bridge the gap between grade 12 and first year university or technikon studies.

- **Job creation and Capacity Building**

As far as job creation and capacity building is concerned, Sasol helps to create new jobs and grow prosperity in many ways ranging from the sponsorship of a vegetable farming initiative at Secunda to the training of bird watching guides and a host of other activities geared towards self employment. In partnership with local municipalities, since 1990, almost R50 million has been poured into the upgrading of taxi ranks throughout the country, some also have kiosks for hawkers and seating passengers. A R20 million-upgraded public road at Secunda funded by Sasol was recently handed over

to the Mpumalanga provincial government, providing greater access to the benefit of local communities, farmers, local industries and the larger public.
Capacity building is also sparked by the development of new, or expansion of existing Sasol production facilities. Recently, 325 people from Sasolburg communities were trained in a variety of skills at a cost of more that R2 million. Many of the trainees found meaningful employment with contractors working on these projects. An additional R2.2 million will be injected to train advanced instrument fitters, welders and valve fitters. Sasol also actively pursues empowerment of historically disadvantaged South African's through a comprehensive Black Empowerment Procurement initiative, which includes effective supplier development, and proactive identification of opportunities for BEE suppliers.

- **Health and Welfare**

Sasol is very active in poverty relief and does its best to prevent the devastating HIV/AIDS virus from crippling the communities in which it operates, said, Mape. Sanctuary is provided to Aids orphans by sponsoring the Topsy Foundation at Grootvlei in Mpumalanga where accommodation for 200 children is being established. A message of hope and understanding is spread by funding an Aids educational industrial theatre production "Live On, Live Long", which visits schools and communities. Another ongoing project is the sponsorship of a resource centre for the Study of Aids at the University of Pretoria, where students are trained to live with Aids professionally and personally.
An initial sum of R4 million has been invested in Sasol's initiative named SHARP, Sasol HIV/AIDS Response Programme that is geared towards finding solutions that will have real impact both in extending the life of those infected by the disease and in reducing the rate of infection.

- **Arts and Culture**

Sasol is also involved in Arts and Culture and keeps the music flowing through sponsorship of a variety of choral festivals and competitions, as well as youth symphony orchestras, and actively injects interest in the spheres of visual arts, theatre productions and other cultural events. The prestigious annual Sasol Choral Festival event has attracted the best choirs from South Africa and neighbouring countries since it was launched in 1984, and the annual Sasol Sowetan Choir Festival and Tirisano School choir are also growing in stature and delighting audiences. Sasol is the principal sponsor of visual arts at the Klein Karoo Nasionale Kunstefees, where established and emerging painters and sculptors jostle for the limelight with playwrights, poets, writers, actors, dancers and designers.

- **Sports and Recreation**

Sasol is a core sponsor of the South African Springbok national rugby team to the tune of R120 million. The six-year agreement includes sponsorship of the Springbok Sevens, South African U-21 and South African A teams.

Sasol is also a core sponsor of the SA under-23 soccer team, Amaglug-Glug, to the tune of R40 million, for four years. Sasol's association with the Amaglug-glug, began nine years ago, and has seen the company invest R75 million in the team and development soccer in South Africa.

Sasol also sponsors circuit motor racing, off road car racing and the Sasol Tigers aerobatic team and a number of air shows in South Africa. The combined sponsorship of these activities is over R 50 million.

- **Environment**

Sasol is at the forefront of nurturing a finer appreciation of our natural heritage and supports environmental conservation. Of note is the sponsorship of the Sasol Vulture study Group under the auspices of the Endangered Wildlife Trust to monitor and re-establish vulture populations in the Magaliesburg region of the North West. This initiative has already enabled 600 vultures to be reintroduced into the wild. Leisure and learning is encouraged by the funding of school level environmental education programmes and involvement in nature conservation at a community level. The latter resulted in the establishment of game conservancies adjacent the Sasol factories at Sasol and Secunda. Schools in Secunda and Sasolburg compete annually in a clean up project to ensure a litter free and healthy environment for communities and are rewarded with new classrooms, computer equipment and improved sporting facilities.

- **Sasol's Involvement Internationally**

In Germany, Sasol employees and the company combined efforts and donated 40 000 Euros to provide relief for victims of the 2002 floods that devastated large parts of Europe.
While Sasol Italy sponsors the annual Greek Tragedy performance held in the Syracuse Greek Theatre and a five a side football team in Augusta where the plant is located.

In concluding, Mape stated that in supporting all the above stated initiatives, stringent procedures have been instituted to ensure that Sasol's corporate social investment is allocated responsibly.

- **Sustainability Reporting**

Sasol has embarked on triple bottom line reporting on an annual basis through its series of sustainable development reports. The 2005 report was the sixth report on sustainability. The report is based on the Global Reporting Initiative (GRI) sustainable reporting guidelines, (Sasol Sustainable Development Report, 2005, p. 4). The responsibility of compiling this report and monitoring the safety, health and environmental performance of the company is entrusted with a specific unit, Safety, Health and Environment (SHE) Centre, headed by Dr Mike Rose with highly knowledgeable staff. In brief the report covers progress made by the company against targets it set for itself such as decreasing the accident rates, promoting more environmentally friendly operations, improved social involvement, economic performance and good corporate governance.

The above presented information on Sasol's CSR programme gives us an in-depth idea of the company's key focus areas in promoting the programme. The company's CSR programme is mostly geared towards social investment, in the areas of facilitating the previously disadvantaged groups to access good education by providing bursaries and upgrading of schools. The involvement of Sasol in partnering with government to provide some of the public amenities is witnessed through their involvement in the construction of roads and clinics as well. Furthermore, a lot of effort is directed at developing skills and talent in sports as well as in certain specialised fields such as Maths and Science so that in the future South Africa can have well developed and nurtured individuals with competitive skills in these critical areas that can help the company to be globally competitive. The other key CSR activity by Sasol is in the area of Local Economic Development and promoting BEE by virtue of the company doing a lot in improving the lives of the people who live in areas where they operate, facilitating access to procurement opportunities by the locals as well as implementing measures that will ensure that its operations are environmentally friendly to the benefit of future generations. The company further reflects compliance with expectations for companies to embark on triple bottom line reporting as it has adopted the GRI's framework and produces frequent sustainability reports. The large amounts of money and other resources invested by the company into the CSR programme, leaves one convinced about the sincerity and commitment the company has in contributing towards improving the lives of South Africans.

CHAPTER 4: DATA ANALYSIS AND INTERPRETATION

An elaborate construction of the Sasol's case study through an in-depth analysis of the company's CSR programme and consequent benefits and challenges as well as interacting with some of the beneficiaries of the company's programmes, has yielded useful information in making informed interpretations and observations beneficial to the objectives of this paper.

From analysing Sasol's CSR programme it is evident that it has promoted and implemented many of the CSR principles. The company has invested substantial amount of resources in the setting up of a CSR unit, staffing it and providing it with operational resources to achieve its mandate and objectives. It is also interesting to note that Sasol initiated the CSR initiative well before some pressure was exerted on companies to do so. For many decades the company has been investing heavily back into the community, especially around the areas where it has its main refineries i.e. Sasolburg and Secunda. Both towns have some of their key infrastructure in the form of athletics and soccer stadiums, clinics, and schools, built and continue to be supported by Sasol in one way or the other. Communities around these areas and some other parts of South Africa have also continued to benefit from the bursary scheme run by the company in the areas of engineering and commerce. The beneficiaries of this scheme, who are mostly from the formerly disadvantaged groups, other than getting the necessary financial assistance to acquire skills, have guaranteed internships followed by permanent job opportunities with the company upon completion of their studies.

The company is one of the first South African companies to realise that, more than just responding to external calls and pressure to embark on CSR initiatives, there were key social and economic imperatives that it needed to be involved in to contribute to improving the lives of the ordinary South Africans. Parallel to this realisation was another observation of reality that in its planning for the future, the company needed to incorporate CSR in its core operations and commit substantial resources to it.

Sasol was also one of the first companies to embark on sustainability reporting and adopted the GRI reporting framework. With its core business being refining and processing with a lot of fumes being released into the air and a lot of waste being generated, Sasol had to put in place mechanisms to deal with these externalities as prescribed by international conventions and the Departments of Minerals and Energy as well as the Environmental Affairs and Tourism. Further to its financial performance reporting, the company also embarked on reporting about progress reflecting how the operating externalities were handled as well as how the company has helped uplift the community.

In directly addressing the paper's objective of finding out the challenges, risks and opportunities for business in embarking on CSR, Sasol's experience has yielded the following information:

4.1 CSR Benefits and Opportunities

From a thorough analysis of Sasol's CSR experiences presented in this paper and general observation, one can conclude that there are many benefits and opportunities that were a direct result of this initiative. Out of the various CSR benefits that were presented by various observers earlier in the paper, the research exercise unearthed the following benefits which are applicable to our case study:

- **Enhanced Brand Image and Reputation**

Through interacting with the sampled respondents e.g. some of the beneficiaries from Sasol's CSR programmes and through the writer's own general observation and experiences, the writer found out that Sasol through its molecules logo, is one of the most recognised brands in South Africa. It was confirmed through this exercise that this recognition is not only a result of it being one of the major players in the petroleum industry, but also due to its history in community development, contributing immensely to the economic growth of South Africa, its sponsorship work in the rural areas and townships e.g. funding of schools, clinics, sports activities, health programme in HIV and AIDS. One can further support this statement by quoting that the company is now ranked in the top ten leading companies in South Africa on the Johannesburg Stock Exchange Social Responsibility Investment Index.

- **Increased Sales and Customer Loyalty**

A further finding of the study is that, one of the direct benefits from Sasol's CSR programmes is a consequent brand loyalty and popularity of the company especially in areas where the company has its refineries. In the towns of Secunda and Sasolburg, the company has invested heavily in infrastructure, i.e. partnering with the local municipalities in the building of roads, clinics, schools, sports stadiums, giving local children bursaries to further their studies, etc. For instance, the town of Secunda recently won an award for the cleanest town in South Africa. The Secunda cleanup campaign is fully funded by Sasol.
From evidence, one also realises that the emergence and the development of the two towns is a result of Sasol having its core operations in these areas. A majority of businesses in the two areas are directly dependent on Sasol as the majority of the population work at the company and hence buy their goods and services from the local businesses. Furthermore, Sasol procures most of its services from local business. Sasol's operations in the areas have therefore sparked critical forward and backward economic linkages.

As a result of the above interventions, there is extreme brand loyalty and support for the Sasol brand in the mentioned areas. A good example to this effect that the research came across is that , of all the filling stations in Secunda, the Sasol's new franchised filling station, Sasol Convenience Centre (SCC) is the most supported and busiest than the rest of the competitors in that town. The majority of people from this area feel morally obligated to support Sasol due to its track record of giving back to them. Most of the company's employees prefer to fill up and wash their cars at the SCC as opposed to other filling stations.

This phenomenon seems to be spreading nationally to other areas as most of the SCCs have tended to be the most supported. The resounding success of Sasol since entering the retail market in 2004 is reflected by a rapidly growing network which now boasts 154 franchise sites. This has resulted in Sasol winning an award for the best newcomer franchisee from the Franchise Association of South Africa (FASA) (Sasol Inflow, December 2005 pg. 1). A result of this support has been a realisation of major profits for the company in the last financial year, more than anticipated.

- **Increased Ability to Attract and Retain Employees**

As a result of its CSR work, coupled with its strong financial performance, Sasol has the ability to attract best qualified employees who would turn down offers from other companies in its favour. An interesting finding from the fieldwork conducted for this paper was that, 90% of children, who were randomly selected in Secunda, when asked where they would want to work when they are older, mentioned Sasol. This phenomenon in wanting to be associated with the company is further reflected through a low level of employee turn over. For instance, in some families, its members, up to a third generation have been Sasol employees. Sasol has some employees who have been working for it for over 25 years.

One of the explanations why most children would want to work for Sasol one day is probably that their grandparents and parents used to work and in some cases still work for the company. The writer came across an interesting finding where the whole family from husband, wife, daughter and son all work for Sasol at its Secunda plant. In finding the reason why this was the case, the son's response was that, according to him, Sasol is the best company to work for as from childhood he has seen how it has been involved in developing the town where he grew up as well as sponsoring a lot of community development projects and as a result he has pride working for such a company, he has five years working for the company and is not intending leaving anytime soon.
An advantage of this phenomenon for the company has been that it has the most experienced and skillfull people who have been trained over the years and have internalised company values. The company has no hesitation in embarking on long term development of its workers as it has no fear that they could leave very soon. As a result, the company is saving massively on recruitment costs and continual development and losing of employees.

- **Access to Capital**

In the last two years, Sasol has experienced a major increase in its share unit price .This according to the CSI manager interviewed, has not only been due to an increase in the cost of crude oil internationally that has benefited the company, but a lot of activity on the JSE and the New York Stock Exchange (NYSE) as far as buying Sasol shares is concerned. For instance, since listing on the NYSE in April 2003, the value of Sasol American depository receipt (ADR) has increased appreciably. At the end of trading on the day of its listing, its ADR closed at US$ 10, 73. During August 2004, Sasol's ADRs were trading at about US$ 17, a 60% increase since listing on the NYSE. Its foreign shareholding has since increased by 20% and the daily traded volumes on the NYSE have quadrupled (Annual Review, 2004, p.27).As a result of Sasol's growing reputation, its increased recognised involvement in CSR activities and growing exposure, many investors felt the need to be associated with such a morally responsible company. A consequence of this increased investment has led to the company having a pool of adequate capital from which to draw for more expansion, innovation and for its general growth.

- **Reduced Operating Costs/Increased Operational Efficiency**

In the publication of the results of the last financial year, Sasol cited reduced operating costs and increased operational efficiency as one of the reasons for the realisation of the huge profits (Sasol Annual Report, 2004/2005, p.2).
This was made possible by conducting its business, for instance, in an environmentally friendly way by avoiding penalties that could have affected their profits and image by the Environmental Affairs and Tourism Department as well as litigation from other bodies and affected communities and individuals. For instance, Sasol remains in the top quartile of the international Dow-Jones Sustainability index (DJSI).Shortly after the year end, Sasol was nominated as runner-up in South Africa's 2004 ACCA (Association of Certified and Corporate Accountants) Sustainability Reporting awards in recognition of the frank and insightful disclosures made in its previous biennial sustainable development report(Sasol Annual Review,2004,p.25).

- **Potentially, Reduced Regulatory Oversight**

A result of voluntarily embarking on sustainable and responsible operations and reporting through its sustainable development report, on issues around social investment, workplace safety, BEE, employment equity, the environment etc even before some legislation and measures such as the introduction of the JSE's

Socially Responsible Investment Index etc to coerce companies to report on the above, has resulted in Sasol being viewed as one of the good corporate citizens in the country. This proactivity and continual conformity to subsequent legislation has enabled Sasol to avoid stringent application of legislation and penalties in the case of work accidents for instance. Knowledge that the company always aspires to ensure safety and a conducive working environment for its workers were taken into account when investigations into a few fatalities in its Secunda plant in 2005 were carried out by the government, the Solidarity Worker's Union and other independent bodies. Had the company been known for its irresponsible behaviour and exposing its workers to risky and unhealthy working conditions, the government could have probably treated the incidents differently and blindly applied the relevant occupational health and safety legislation and its punitive specifications to Sasol, which could have affected its image and business in general.

From Sasol's experience of its CSR programme yielding positive benefits for the company more than posing threats and negative experiences, it is evident that CSR has important benefits for the general business. CSR has direct benefits to the core operational activities of a company in terms of contributing to increased profits, operational efficiency and good reputation, hence one could conclude that with this evidence, CSR itself needs to be part of the core operations of any business. However, from the experiences of our case study, the writer would like to point out some challenges and potential risks that could be posed by CSR on companies and these are discussed below.

4.2 CSR Challenges and Risks

From Sasol's experience, a finding that emerged is that planning and implementation of a CSR programme requires huge financial resources, an investment of time and expertise. For this to be possible, a company has to be generating a substantial amount of profit. For instance, most of the Sasol CSR projects are well known nationally due to the magnitude of their funding. As a result they have national coverage and also have national impact and people all over get to know what the company is doing.

One can therefore draw from the above finding that smaller companies with small budgets would have a constraint in embarking on a productive CSR programme that would yield positive returns for them. Most of them do not have adequate budgets and even if they could allocate some budget for CSR, this would not necessarily yield the CSR benefits as experienced by Sasol for instance. With a limited budget, their impact might not even be known or noticed by the consumers out there. As a result they might not get returns for their investment, in terms of the CSR benefits, and the risks could be that the company's existence and continued operation could end up being threatened.

Most CSR activist organisations are ignorant of the challenge that the smaller companies face as they demand a blanket CSR commitment by companies irrespective of their sizes and profits and the period of existence.

Related to the above budget constraint, smaller companies face a problem in recruiting CSR specialists who in most cases, their expertise play a critical role in the success of the company's CSR programme as proved by the Sasol's experience. The CSR specialists or practitioners tend to be attracted by bigger companies with lucrative offers and other benefits. Smaller companies with smaller budgets are therefore unable to compete with bigger ones and attract the required skill in their CSR programmes and as a result, in most cases, their CSR interventions are less successful. If the interventions are successful, a constraint is that their impact might not be noticed broadly as they do not have the necessary budget to profile this success, in the media etc.

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

The exercise set out on a journey to present a better understanding of CSR, its meaning, how it emerged as well as its evolvement over the years. An important finding of this exercise is that, as far as a definition of CSR is concerned, there is no universally accepted definition of the concept. Its definition tends to be influenced by the social context within which it is constructed. As a result, the Northern countries' view of the concept has tended to be different from their counterparts in the South, where for instance in the case of South Africa, issues around BEE, equity, redressing the ravages of poverty, conducive work conditions and labour market etc form the core of how CSR is viewed. This has resulted in the formulation of the presented different pieces of legislation to address these unique challenges.

But irrespective of divergent social and economic background between the North and South, it was discovered that there are common denominators to the two perspectives as issues such as sustainable development, triple bottom line focus in terms of economic, social and environmental responsibility and reporting thereof, have been central in both.

The evolving views on CSR impacted on business and gave rise to what the paper has coined, external and internal CSR drivers in terms of how business had to deal with the social, economic and environmental challenges.

Central to the objective of this exercise was an investigation of the benefits, opportunities as well as any risks and challenges as a result of a company's implementation of CSR. In achieving this objective, different perspectives and doctrines were investigated. Two divergent views emerged presenting a case for and against CSR. The first view which opposes CSR is the contractarian one which derives its premise from Milton Friedman. Central to this doctrine is an argument that the social responsibility of business is its moral obligation to obey the law and maximise profits for its shareholders to the benefit of society and the economy as a whole. Business involvement in CSR was viewed as diverting energy and resources away from where they are needed the most, in core operations. Some of the modern scholars such as David Henderson and Nick Nichols went on to support this view. The other view supporting the case for CSR owes its emergence from the nineteenth century philanthropists and expansionists such as Andrew Carnegie and John Rockefeller. It purports that the social responsibility of business is not only about maximising profits, but to be socially and environmentally responsible in terms of giving back to the community and operating its core business in a manner that is congruent to sustainable development. The recent arguments went further to advocate that as in the case of economic performance where targets are set and achievements reported on, the same should be done in social and environmental performances, triple bottom line reporting.

This argument led to the paper presenting different frameworks as proposed by different institutions both locally and abroad on the key CSR issues that the company should report on in triple bottom lone reporting. This exercise was undertaken to demonstrate diverse expectations from companies and what they should report on in their sustainability reports. These diverse expectations shed some light on the challenges posed on business due to the emerging shift for companies to have active CSR programmes that entail sustainability reporting.

The two contrasting schools of thought on CSR led to an in-depth investigation of the opportunities as well as the challenges and risks presented CSR on business.

Different observers stated various CSR benefits which include increased company profits, increased brand reputation, access to capital for expansion and other investments, improved operating efficiencies and the ability to retain and attract employees.

However, other observers presented challenges faced by companies in their endeavour to embark on CSR programmes, especially for small and medium enterprises. The challenges entailed a homogeneous treatment of business by the advocates of CSR disregarding a business size, and profitability, the capacity to implement CSR and its reporting requirements as well as the spread of its operations, whether local, national or international. A conclusion drawn from this view is that, if the above issues are not taken into consideration in implementing CSR, a business's life and existence might be negatively affected.

In further addressing the research objective of finding out the challenges, risks and opportunities for business in implementing CSR, the experiences of Sasol, a mining and petrochemical company, were analysed and captured as a case study.

Sasol's experiences indeed reflected some key benefits and new opportunities that presented themselves since the company started implementing the programme rigorously.

It was observed that an allocation of a sizable budget to CSR and initiating specific CSR departments or units and staffing them with skilled incumbents, a company's CSR programme might yield positive benefits in a short period. Some of the benefits supported by examples were an increased brand reputation and awareness, saving costs which could have arisen as a result punitive actions against the company had it been irresponsible, instilling a sense of pride among staff, attracting many share buyers, helping in low employee turn over and job satisfaction as well as keenness from outside people with expertise to join the company.

It was further found out that the benefits and new opportunities that arose, contributed to the profitability of the company and its growth in general, both as a national and global player.

However, its was deduced from Sasol's experience that its CSR success and the resultant benefits have been a result of its huge

budget allocated, the expertise acquired to implement this function, the national and global operation of the business with the CSR programme benefiting from this outreach, and the ability to profile its CSR programmes throughout its operating chain and beyond.
From Sasol's lessons the writer pointed out a critical challenge for companies to implement CSR, would be on smaller companies without a strong financial muscle and national and even global outreach .Another deduction from Sasol's experience is that as long as calls for companies to embrace the CSR concept are based on the present format of generalisation and viewing business as homogeneous and ignoring individual business characteristics, CSR might be negative to smaller and medium business as it might result in cash flow problems.

Aided by the lessons of experience derived from the case study exercise as well as the new knowledge acquired during an academic and practical exercise in achieving the research objectives, the paper puts forward certain recommendations on CSR.A critical recommendation is directed towards CSR activist groups, government as well as other CSR advocates. Most of the proponents of CSR within these groupings need to be properly equipped with knowledge of what CSR involves and what it takes for a company to fully implement it. They need to be aware of the challenges facing business across the size spectrum and be able to offer informed guidelines on how these businesses should embark on CSR. This would result in refraining by some of these groups from making general calls for CSR with some based on their selfish interests in the name of CSR. These activist groups should themselves be subject to accountability for their actions as in most cases they are accountable to no one but themselves. Armed with this knowledge and a transformed transparent and accountable way of operating, the activist groups would be in a better situation to make calls for CSR. Consequently, in making calls for business to embark on CSR activities, its capacity, profitability and size should be considered. Therefore, different CSR guidelines and reporting frameworks should be applied to large, medium and small businesses. The writer also highlights a need to guard against businesses that would use their size as an excuse not to be CSR compliant. The challenges facing our country in transforming the economy require business, government and other societal groupings to partner and harness resources and expertise in addressing them. Business needs to contribute according to its capacity and affordability to this course.

A key recommendation therefore is that, as CSR is increasingly becoming critical for business due to the mentioned drivers, there should be a specialised ministry or a directorate within the Trade and Industry ministry focussing on social responsibility.

This fully fledged ministry or directorate with capacity and expertise should be responsible for drawing and co-ordinating corporate and government social responsibility policies and guidelines as well as the implementation thereof. This should be accompanied by an advisory and supportive role to organisations in their quest to embark on CSR interventions. This entity should among other things, for instance, be tasked to formulate incentives for companies to be involved in CSR and rewards for such involvement in the form of reduced taxes, public awards on the best corporate citizen or top 10 or 20 corporate citizens etc to help further enhance their image as well as monitoring company progress, commitment etc in its implementation of CSR. The ministry or the directorate should also have punitive powers to deal with businesses which undermine the principles of CSR and these could be carried out with the department of Tourism and Environmental Affairs if it involves undermining the environment, the Departments of Trade and Industry as well as Justice if certain good corporate governance laws and general laws in conducting business are transgressed.

As much as the paper has raised some challenges posed by CSR on business, there has not been a reported case of a company that was liquidated as a result of its involvement in CSR activities. Companies, whether coerced or voluntarily have increased their CSR participation with a positive contribution to their profits and sizes and this has in most cases, yielded general fruitful results for the company. A key consideration for business and other CSR groupings here is participation in CSR proportional its growth and size. The paper therefore views CSR as a business imperative and it should take cognisance of the raised factors in its application.

However, the writer wants to bring to the fore the fact that further to conforming to CSR expectations, business still has to fulfil its legal obligations and hence, we should guard against overburdening it with unrealistic expectations that might eventually affect its performance and its core operations. In our calls for business to have a social conscience, to uplift society, to be environmentally responsible etc we should not forget the critical contribution of the core operations of business to society and the economy in terms of its contribution to job creation, a country's gross domestic product (GDP), government revenue in the form of taxes, as well as the forward and backward economic linkages.

Annexure1: Sample Questionnaire

- What is your understanding of Corporate Social Responsibility (CSR)?
- Does your company have a CSR Programme? Or any similar programme. If yes, what are its main focus areas?
- What are the reasons behind embarking on this programme?
- What are your programmes major achievements and set backs if any?
- What are the risks, challenges and constraints posed by CSR on your company?
- Has your CSR programme presented your company with benefits and new opportunities? If yes, please elaborate.
- Should triple bottom line reporting (environmental, social and economic performance) be part of CSR, if yes, what are the elements that should be reported on? If not, what are your reasons?
- Do you play any role in promoting CSR outside of your organization? If yes, what is that role?
- What is the role of NGOs, CBOs, labour and other stakeholders in your CSR programme?
- Are there any concluding lessons of experience that you want to share?

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