

Effectiveness of executing Corporate Social Investment (CSI) strategies in large firms in South Africa

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ABSTRACT

Since 1994, the new South African government has taken giant leaps on the path towards development, mainly focusing on correcting the disparities of the apartheid era and building a better future for all the people of South Africa. The most pressing problems facing South Africa today is the absence of sustained economic growth and job creation, and these are essential to reduce poverty and improve living conditions. The transition to a multi-racial democracy in 1994 posed difficult political, social, and economic challenges, and South Africa's noteworthy achievements in surmounting these challenges have been widely recognized. But the events of the last few years demonstrate clearly that the challenge(s) did not end with the transition of power to a new government. A daunting task still lies ahead for South Africa: promoting sustainable livelihoods, improving social conditions, and alleviating poverty

At the top of the government's agenda is Social Services, which includes Education, Welfare and Health, for those in the population who rely heavily on public services. These take up the largest part of the national budget – and this in itself is unmistakable proof that South Africa is making an effort to invest in its people. Education is the largest item on the budget, and the second item is Social Welfare. The government makes efforts and aspires for all South Africans to have:

- Freedom from poverty
- Freedom from need
- Freedom to exercise their talents and thrive as individuals
- Freedom to work together as communities, as organised social formations, as business enterprises, as a proud and forward-looking nations.

The private sector is required to participate in these efforts. It has become imperative for firms to demonstrate greater social participation and create valuable change in the communities in which they operate. Years back, firms used to be coerced into social responsibility and projects of such a nature. Historically, the

firms thought that social responsibility 'issues' were such that one could make them disappear by throwing money at the issues. More recently, firms have started to adopt a more strategic approach to these responsibilities, for the longevity of their investments, their businesses, as well as for the country. Increasingly, more firms are now viewing Corporate Social Investment (CSI) as a vehicle to drive both profits and meaningful social development. The South African legislation on Corporate Governance has, to a large extent, ensured that the firms recognize the need for CSI. Since 1994 there has been a plethora of new policies that have required that firms operating in South Africa reconsider their strategies. The environment has become such that corporate survival requires that businesses at the very least, appear to be concerned with community issues in areas in which they operate in.

However, the growing availability of corporate capital for social development has not necessarily resulted in these funds finding projects to effectively support the set CSI strategy(ies) being executed effectively. The main goal of this research is to investigate the factors influencing the effectiveness of executing corporate social investment (CSI) strategies in large firms in South Africa.

Employing qualitative methods, using interviews and relying on published annual sustainability reports, this research report investigated what South African firms understand as the differences between corporate social responsibility (CSR) and CSI. CSR is defined as overarching value-based framework, which encompasses all aspects of business operations to ensure that business is conducted in a socially responsible manner. CSI is defined a firm's financial and non-cash contributions (beyond the firm's commercial operations) to the disadvantaged communities and individuals for the purposes of social upliftment and welfare. The findings revealed that both CSR and CSI are well defined by the firms and that firms had similar understandings of the terms. CSI, in most cases, was the preferred term, rather than CSR - in terms of choice of words.

In order to interrogate the CSI strategies that the firms adopt, their CSI practices (in terms of CSI goals and objectives) were studied. The findings highlight that four main focus areas are preferred and the most popular focus area appears to be Education. The other three relate to projects related to Entrepreneurial

strategies, Environmental strategies, Primary Health Care and HIV&AIDS. The findings revealed that these participating firms faced challenges in executing their CSI strategies and a number of factors were identified for these challenges: setting too high expectations, lack of internal support, lack of understanding of the needs of the community, insufficient external communication, insufficient resources, and no collaboration within the firms.

The leading challenges of effective CSI strategy execution, were identified and there are a number of commonalities between the findings and the literature. Recommendations for the firms included, channelling expertise, constant strategy refinement, collaboration, and involvement of business schools.

For those who say that the bottom line in business is all that counts:

“Not everything that can be counted, counts; and not everything that counts, can be counted.” *Einstein*

DECLARATION

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

Mafriti Queen Mokulubete

Signed at _____

On the _____ day of _____ 2011

DEDICATION

This is for you Mom (Joyce Mokulubete), thank you for giving and never wanting anything in return. You are the greatest and I love you.

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LIST OF ABBREVIATIONS & ACRONYMS

BEE	Black Economic Empowerment
BBBEE	Broad Based Black Economic Empowerment
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
FDI	Foreign Direct Investments
GDP	Gross Domestic Product
HDSA	Historically Disadvantaged South African
IDC	International Development Corporation
IMF	International Monetary Fund
LED	Local Economic Development
MNC	Multinational Corporation
NPAT	Net Profit After Tax
NPO	Non-Profit Organisation
SA	South Africa
SED	Socio-Economic Development
SLP	Social Labour Plans
SME	Small and Medium Enterprise
US	United States

1 INTRODUCTION

1.1 Purpose of the study

South Africa - with a population of about 48.7 million, according to the World Bank World Development Indicators (2008) – is home to some of the world’s largest companies, and is considered the powerhouse of Africa. It is a country that has been characterised as having a dual economy – where the first and second economies are seen as operating side by side, with the second economy characterised by underdevelopment and contributing very little to gross domestic product (GDP). This is the economy that contains a big percentage of the South African population and incorporates the poorest of both the rural and urban population. This economy is said to be disconnected from both the first economy and the global economy and is “...incapable of self generated growth and development.” Thabo Mbeki (2003).

The needs of the majority of the 48.7 million people in South Africa, according to the World Bank World Development Indicators (2008), are still vast. This is one of the reasons that has led to a well-developed Non-Profit Organisation (NPO) and Corporate Social Investment (CSI) sector in the world. Fig (2005) agrees that in South Africa, the regulatory functions are relatively well developed, perhaps with the exception of aspects of environmental governance. Over the years this ‘CSI sector’ has evolved, as firms (both foreign and South African) comply with the South African legislation and respond to the expectations and the needs of society.

Some firms are doing better than others, but many still need to understand and come to terms with the ‘triple-bottom-line approach’ to business (Van Den Ende 2004:iii). Corporates face the unique challenge of transforming from within – in order to provide equal opportunity for all, to reflect the country’s demography and to renovate South Africa’s economic and societal landscape.

Gone are the days when firms were shaped solely by their primary objective to maximise profits for shareholders, with virtually unfettered powers to do so without taking responsibility for their impact on society and the environment (De Wet 2009). In fact,

business is no longer viewed as separate from society, but rather as an integral part of it: in its development, its wellbeing and its continuing stability and prosperity.

There is a need for firms to establish strategic thinking and planning of where they want to be. More than ten years after the onset of a democratic political system, the challenge to promote greater economic and social equity continues (Kuljian 2005). Malan (2005) states that post 1994, corporates in South Africa have steadily increased their investments in the country and more broadly on the continent. Unfortunately much of the funding has not achieved maximum impact because of the many challenges that exist. According to Rockey (2003), part of the reason is because firms have not integrated CSI activities with their core business or with other corporate transformation or corporate citizenship objectives.

While some firms have largely not seen their funds aid massive changes in society, other firms are achieving far greater impact by applying their expertise, becoming strategically involved in projects, and leveraging other skills through considered partnerships with CSI expert and consultants. Some firms are also aligning their CSI programmes with other parts of the business, thereby making CSI a more useful and comprehensive strategy for the organisation (Rockey 2003).

1.2 Aims of the study

This study aims to investigate CSI strategy execution within large firms in South Africa. It will look at the challenges faced by these firms as they execute their CSI strategies within their organisations. The main aims of the research study are as follows:

- To provide a description of CSI from a theoretical, firm and legislative perspective. This will describe the chosen firms' CSI activities in terms of their chosen focus areas and the driving force behind these choices.
- To articulate sound understanding, of the indicated challenges faced during CSI strategy execution.
- To offer insights and recommendations on CSI strategy executions that have been successful.

The study will look at:

- 12 firms in different sectors – Anglo American, Anglo Gold Ashanti, Anglo Platinum, ArcelorMittal, BHP Billiton, De Beers, Engen, Investec, Nampak, Old Mutual, Shanduka, Vodacom
- 3 Subject expert – Tshikululu (x2) and Wit Business School Professor
- 2 Government representatives – Deputy Director Generals in the department of Basic Education and the department of Tourism

1.3 Context of the study

The International Institute for Sustainable Development (2004), states that conceptions of social responsibility differ according to national social and economic priorities – which are themselves influenced by historical and cultural factors. With regard to South Africa, the government has been the lead actor and has, largely since the end of apartheid, made major inroads towards sustainable development. Here the focus has largely been on correcting the disparities of the apartheid era and building a better future for the majority of the population who still live in poverty and without access to resources.

According to Fig (2005), business in South Africa generally shuns the notion of ‘corporate social responsibility’, and instead prefers concepts of ‘corporate social investment’ and ‘corporate citizenship’: concepts that ask no questions about legacy, memory, history, justice, or moral and ethical responsibilities.

1.3.1 *Business Environment in South Africa*

South Africa’s wealth of mineral resources is well renowned throughout the world. It boasts an abundance of mineral resources and contributes a significant portion of the world’s mineral supply. This is one of the reasons that has made South Africa very desirable for foreign direct investment (FDI) by multinational corporations (MNCs). Unfortunately, because of past economic and political entanglements, the influx of the FDI into the country got stalled and impeded. South Africa has had to make significant improvements in order to foster an environment that will yet again attract investors. Since

1994, the South African economy undergone structural transformation, with the implementation of macro-economic policies aimed at promoting domestic competitiveness, growth and employment and increasing the economy's outward orientation.

South Africa also has a very diverse population that is made up of very many different races and ethnic groups. The population is divided into four major racial categories: Blacks, White, Coloured and Indian/Asian – and during the period of apartheid the rights of the majority 'non-white' race were curtailed and minority rule by the White race was maintained. Apartheid was based on a system of racial segregation, where the then ruling National party enforced a system of legal segregation, this system is perceived as an immoral, unethical, barbarous tenure that infringed upon black people's rights. The country struggled with apartheid during the period of 1948 and 1994.

At the peak of apartheid, sanctions, political isolation and legislative constraints made trade relations with and in South Africa nearly impossible. Still, several MNCs came to South Africa to setup businesses. In a post-apartheid dispensation, many more firms now operate in the country. The expansion of these companies into South Africa, come with the hope of meaningful and sustainable development of the country and the continent.

The South African business community has made important contributions to the historical transformation of the country. According to Barker (2008), CSI 'provides a significant amount of funding for non-profit organizations (NPOs) to do their programmes'. Programmes funded by corporate foundations and company giving programmes goes to fund education, social services, health care etc.

1.4 Problem statement

Corporate Social Investment has emerged as a vital issue in contemporary debate (Van den Ende 2004). Firms have awakened to the fact that doing business is no longer just about the financials, but now includes acting responsibly towards society and the broader environment. South Africa has a unique business context that offers unique challenges.

This research seeks to investigate and identify the challenges that firms come across when executing their CSI strategy relative to their South Africa context and strategy execution in general.

1.5 Significance of the study

While a number of studies have been done on CSI strategies, few comprehensive studies have taken place with regard to: CSI strategies, the execution thereof and the challenges faced by firms. This study is significant in that it contextualises CSI strategy execution challenges to the South African firms' context. The study will provide awareness and guidance for other firms operating in South Africa, including those foreign firms looking to enter the South African market. It will provide important insights of CSI strategies that have and are working for South African firms, and the challenges these firms have experienced in the process of executing a CSI strategy.

The expectation is that these insights will have a positive impact on other firms' funding decisions when it comes to CSI. In addition, this study aims to serve as a step further in contributing to studies on CSI and movement forward for firms for ultimately uplifting the economy of South Africa and making the country a better place.

1.6 Limitations of the study

- This study drew on CSI strategies and projects information on large firms (Anglo American, Anglo Gold Ashanti, Anglo Platinum, ArcelorMittal, BHP Billiton, De Beers, Engen, Investec , Nampak, Old Mutual, Shanduka, Vodacom) in South Africa operating in different sectors. A limitation of using a sampled number of firms is that I could not access information on all CSI strategies and projects happening in all sectors in the country
- The interviews with participating firms, subject experts and government representatives were conducted at head-office level of the firms in Gauteng, South Africa. South Africa has nine provinces with similar but different needs and I could only access one of these provinces

- The ability to generalise data is limited
- The study is reliant on availability of the interviewees
- Interviewees may choose to withhold pertinent information

1.7 Definition of terms

Corporate Social Responsibility – As defined by the International Institute of Sustainable Development (2004) is “... a balanced approach for organisations to address economic, social and environmental issues in a way that aims to benefit people, communities and society”. This definition does not include “corporate accountability”, as there is no direct reference to organisations taking responsibility for their impacts.

Corporate Social Investment – As defined by Fig (2005), CSI encompasses projects that are external to the business or outward looking projects undertaken for the purposes of uplifting communities in general and those that have a strong developmental approach. It also includes projects with a focus on social, developmental or community aspects where the investment is not primarily driven as a marketing initiative.

Good Corporate Citizen – As defined by Fig (2005), is a corporate that has comprehensive policies and practices in place throughout the business, that enable it to make decisions and conduct its operations ethically, meet legal requirements, and show consideration for society, communities and the environment

Sustainable Development – As defined by Van den Ende (2004), refers to economic development that “meets the needs of the present without compromising the ability of future generations to meet their own needs”. It contends that an organisation’s social, ethical and environment management practices provide a strong indication of its intent and ability to develop sustainability.

Triple-Bottom-Line – As defined by Van den Ende (2004), refers to an organisation achieving balanced and integrated economic, social and environmental performance; it implies that social and environmental issues should not be regarded as secondary to more conventional business imperatives.

1.8 Assumptions

- The total number of firms (12) interviewed will be sufficient to gain adequate data.
- Respondents will have enough knowledge to be able to clearly answer questions posed to them.
- Information required for this study during the interviews will not be too sensitive in nature and not impose on respondents and their firms so that they feel the need to be protective on their firms

1.9 Chapter Layout

Chapter one, the introduction and background of this research included the rationale, the aims and objectives, the research question, limitations of the research, definition of terms and the assumptions of the research.

Chapter two is the literature review section. Here, the differences between Corporate Social Responsibility (CSR) and Corporate Social Investment (CSI) are defined and discussed. In this section, the paper explores the impact of CSI and CSR locally and internationally; general strategies of CSI in South Africa, as well as the economic and social background in its relevance to CSI in this country.

Chapter three discusses the research methodology used for this dissertation. This section details the research design and instrument used, the procedure method of the data collection, and the analysis and interpretation of the data.

In Chapter four the research findings are presented, and these findings are subsequently elaborated on in the following chapter. The final chapter, six, concludes the research and offers recommendations based on the outcomes of the study.

2 LITERATURE REVIEW

2.1 Introduction

This literature review provides a background and context for this research study on the effectiveness of executing corporate social investment (CSI) strategies in large firms in South Africa. This discussion is divided into four sections, each framed by the literature in relation to the topic.

Section one discusses the literature review on the differences between CRS and CSI, and the meaning of social investment in business. These definitions are offered and clarifications made so as to introduce the broader concept of social responsibility.

Section two highlights both the global and the South African perspectives on CSI. This is done in order to indicate the current literature discourse on CSI.

Section three looks at the literature on general strategy execution of CSI projects. It discusses the challenges that firms face when implementing their adopted strategies. In addition, this section indicates the factors that allow for effective strategy execution. This discussion is then narrowed down to CSI strategy adoption and execution.

Finally section four looks at the literature on the business environment in South Africa, it focuses on the economic and social issues that are unique to South Africa. It discusses the role that firms play in the CSI sphere and some of the strategies that these firms adopt for CSI purposes.

2.2 Differences between CSR and CSI

According De Wet (2009:4), there is considerable confusion between the terms corporate social responsibility and corporate social investment. The two concepts are often conflated as CSR being a company's CSI activity and contribution. De Wet defines CSR as an overarching value-based framework. She writes that this framework includes all aspects of business operations, ensuring that how a company conducts business, and manufactures its products, is done in an ethical and socially responsible manner. De Wet

goes on to say that the CSR concept is based on the ethos that companies have considerable responsibilities to society beyond those to their shareholders and investors, and these extend to their employees, customers, society, governments and future generations – the view here is that CSR is the firms contribution to society's sustainable development goals.

Another view on CSR is that the entirety of CRS can be discerned from the three words contained within the title phrase 'corporate,' 'social,' and 'responsibility' (Carroll 1979). According to Carroll (1979), the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time. More specifically, CSR involves a business identifying its stakeholders groups and incorporating their needs and values within their strategy and day-to-day decision-making process. CSR thus alludes to the responsibilities that firms (or other for-profit organizations) have to the societies within which they are based and operate. The concept of a business 'society' suggests a particular area or community that the firm operates in. It further alludes to the stakeholders to which the firm has a 'responsibility'.

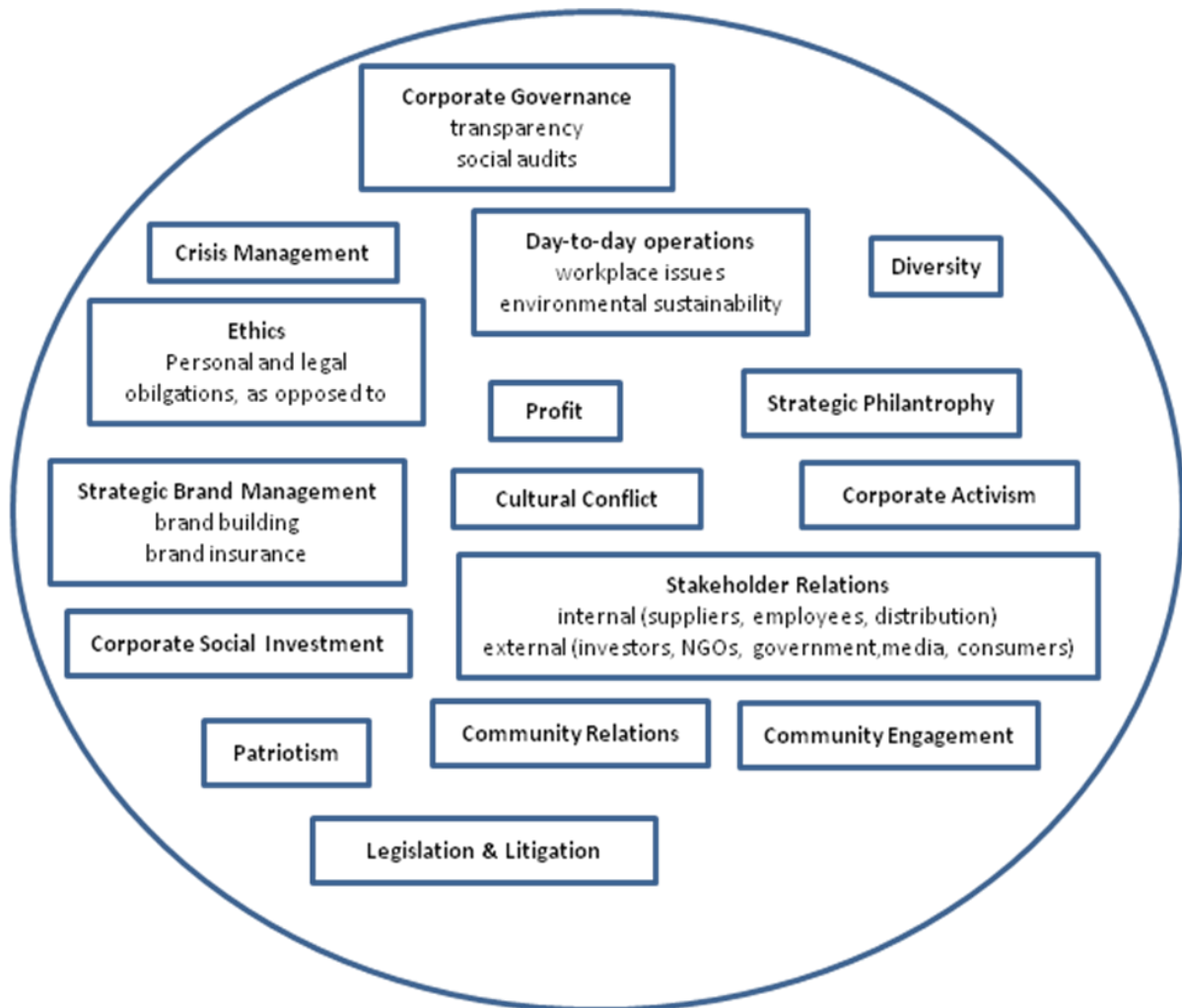
Van den Ende (2004) extends the CSR definition in saying that it refers to all of an organisation's impact on society and the need to deal responsibly with the impacts on each group of stakeholders – typically these are shareholders, customers, suppliers, employees and the community, both locally and globally. Van den Ende (2004) states also that it is a mistake to pose CSR and profitability as mutually exclusive, because the aim for organisations is to achieve both social responsibility and profits.

As shown in figure 1 (adopted from 'A Guide to Corporate Social Responsibility') CRS covers all aspects of a firm's operations and can be divided into the subsections as in the figure.

Carroll (1979) considers CSR a business strategy and therefore it represents actions that need to be positively selected, or avoided. It (CSR) is a holistic approach to business, which is designed to enhance corporate success because of its relevance, rather than represent something unconnected to an organization's core business. CSR advocates agree and believe that there is strategic advantage to a firm that makes these choices. They believe that in advanced economies, the purpose of business should extend

beyond the maximization of efficiency and profit. Increasingly, society expects businesses to have an obligation to the society in which they are located, to the people they employ, and their customers, beyond their traditional bottom-line and narrow shareholder concerns.

Figure 1: Corporate Social Responsibility Framework



King Report (2002:12) defines corporate social responsibility as “business decision-making linked to ethical values, compliance with legal requirements and respect for people, communities and the environment”. In the report it is added that corporate social responsibility is evidenced by a comprehensive set of management endorsed policies, practices and programmes which are integrated throughout business operations and decision-making processes.

Based on the above, it appears that the term changes in meaning for different firms: to some it is limited to legal responsibility, to others it means charity, for others it is equated to ethical behaviour in light of the corporation's mission(s) and for others, it is a way of further legitimising business.

In terms of CSR origins, according to Henriques (2003), the history of CSR is almost as long as that of companies. Concerns about the excesses of the East India Company were commonly expressed in the seventeenth century. There has been a tradition of benevolent capitalism in the UK for over 150 years. Quakers, such as Barclays and Cadbury, as well as socialists, such as Engels and Morris, experimented with socially responsible and values-based forms of business. And Victorian philanthropy could be said to be responsible for considerable portions of the urban landscape of older towns centers today.

The United Nations Innovations Brief (2007), has suggested that much of the business activity that has so far been labelled CSR has been driven by the concerns of investors, companies, campaign groups and consumers in the world's developed countries. National CSR agendas in middle and low-income countries have been less visible internationally, and have often not been labelled CSR. The result has been CSR practices that are largely framed in developed countries, then internationalized and transferred to other businesses and social settings through international trade, investment, and development assistance. One of the strategic challenges for developing country governments at national and local levels has then been how best to shape an agenda that has been largely market-driven and responsive to concerns of developed country stakeholders.

On the other hand, corporate social investment is external to the normal business activities of a company and is not primarily undertaken for purposes of increasing company profit, nor is it driven primarily as a marketing initiative, although it can help company develop a competitive advantage. Rather these projects aim to assist, benefit and empower marginalised individuals and communities. CSI is seen as having a strong developmental approach – it utilises company resources to the benefit of individuals and communities.

De Wet (2009) explains CSI as referring to a firm's financial and non-cash contributions (beyond the firm's commercial operations) to disadvantaged communities and individuals for the purposes of social upliftment and welfare – this happening within the overarching social responsibility framework. The CSI programmes do not occur in isolation from other CSR considerations, because CSI is just one way in which companies fulfil their social responsibility obligation and, as such, is only one element of the broader CSR agenda.

CSI solutions (2007) undertook a study to quantify CSI in South Africa. The study found that they could only calculate the transaction rather than the future revenues and benefits generated by CSI projects. Despite this, organisations cannot ignore the impact of social, ethical, and environmental issues on their businesses. The cost of neglecting these will be high (Van den Ende, 2004). Therefore firms are being more strategic in their thinking and application of corporate social investment. More and more companies are creating a structure that provides clear guidance on their operational activities, enabling consistent outcomes with their envisaged corporate social investment objectives, allowing the firm to build the internal competencies required for it to become a key contributor towards CSI.

2.3 CSR and CSI Globally

Cannon (1992), states that in North America, Europe, and Asia, the responsibilities of firms to their communities have been and are under intense scrutiny. This, he notes, is a reflection of the growing awareness of the impact of their actions on the environment and the disadvantaged communities in areas in which the firms operate. Elsewhere in the world, the discussion reflects widespread recognition of the changing relationship between firms and communities. Cannon (1992) suggests that new technologies, developments in markets and new ideas, are providing insights into influencers of firm actions and these actions' potential impact on issues which extend far beyond the conventional remit of firms and their managers. Firm leaders are seeking ways to express and define their role in these changing circumstances, and this shift places increased responsibilities on firms, entrepreneurs and managers.

On the other hand Rockey (2003), considers CSI as still a relatively new notion that is only now attracting management's attention, however there are other companies that are

familiar with the concept, and have over the years actively supported and refined their CSI activities. Globally, the forces of economic globalisation, political transition and technical innovation have created new opportunities for improving the living standards of millions of people (World Economic Forum, 2002). What has been evident through the World Economic Forum (2002), is that leaders from all countries, sectors and levels of society have started to work together to address challenges through CSI, by supporting sustainable human development and ensuring that the benefits of globalization are shared more widely. It is in the interests of business that these benefits continue both for companies and for others in society.

Castka, Bamber and Sharp (2004) state that globally, changes to society and the business environment at the beginning of the 21st century have brought CSR and CSI under the spotlight with ever-increasing levels of shareholder, public and governmental scrutiny. These two (CSR and CSI) are becoming watchwords for every boardroom, major investor and all other organizational stakeholders. They say that there is an emerging need to demonstrate that the organization is directed, managed and internally controlled with thorough consideration of stakeholders' expectations and of the impact of the organization on stakeholders – economically, environmentally and socially. There are pressures forcing organizations to re-examine their CSR, CSI, internal control and ethical practices. Accordingly, there is a growing consensus that when organizations are managed in a sustainable way, this way of managing is beneficial in the longer term, and hence CSR and CSI have benefits for the competitive edge of organizations.

Fig (2007) concurs that the pressures on business globally to behave responsibly have grown over recent years and that some of the forces behind this growth, comes from external or globalised processes. In addition to this, there are codes, charters, shareholder and consumer activism, media coverage and civil society campaigns, which he suggests are among the mechanisms which have persuaded businesses to take steps in this regard.

The codes of practice and legislation related to the CSR and CSI agenda differ from country to country. As Castka et al (2004) indicate, the overall aim is to improve legislation and ethical practices through re-examination of relevant national Company

Laws. Both the European Commission and the British Government, are currently focusing on the CSR agenda. The British Government, on the topic of.... states that:

The Government has an ambitious vision for corporate social responsibility: to see private, voluntary and public sector organization in the UK take account of their economic, social and environmental impacts, and take complementary actions to address key challenges based on their core competencies – locally, regionally, nationally and internationally

Each country's approach is different and there is still debate on how to address issues, but one aspect is clear, the CSR/CSI agenda is being focused on – the statement above shows the aspirations of the British Government.

2.4 CSI in South Africa

South Africa re-entered the global markets in the late 1994 after almost two decades of isolation due to the apartheid policies of the former government. Sanctions placed on South Africa during apartheid greatly impeded the ability of big business to develop in the country, although some countries did not find apartheid a necessary cause for not doing business. According to Malan (2005), the South African economy is by far the dominant economy on the African continent, and this is illustrated by the fact that, although the South African population constitutes only 5% of the African population, the country contributes 30% of the continent's combined Gross Domestic Products. Despite being the largest economy on the continent, South Africa is still a developing country and hence, priorities remain different to those of developed countries.

In South Africa, CSI has become an important part of the CSR agenda, and this is reflected in CSI's evolution over the last decade, from ad hoc philanthropic gestures to strategic business consideration. (De Wet, 2009:4). Increasingly, firms are embracing the business case for contributing positively to society, therefore CSI is being more strategically positioned. Firms are increasingly coming to understand that making positive social contributions will ultimately reflect in a stable bottom line.

According to De Villiers (2010), in South Africa, the primary purpose of CSI is redressing the inequalities stemming from the past (at least legislation points out that this should be

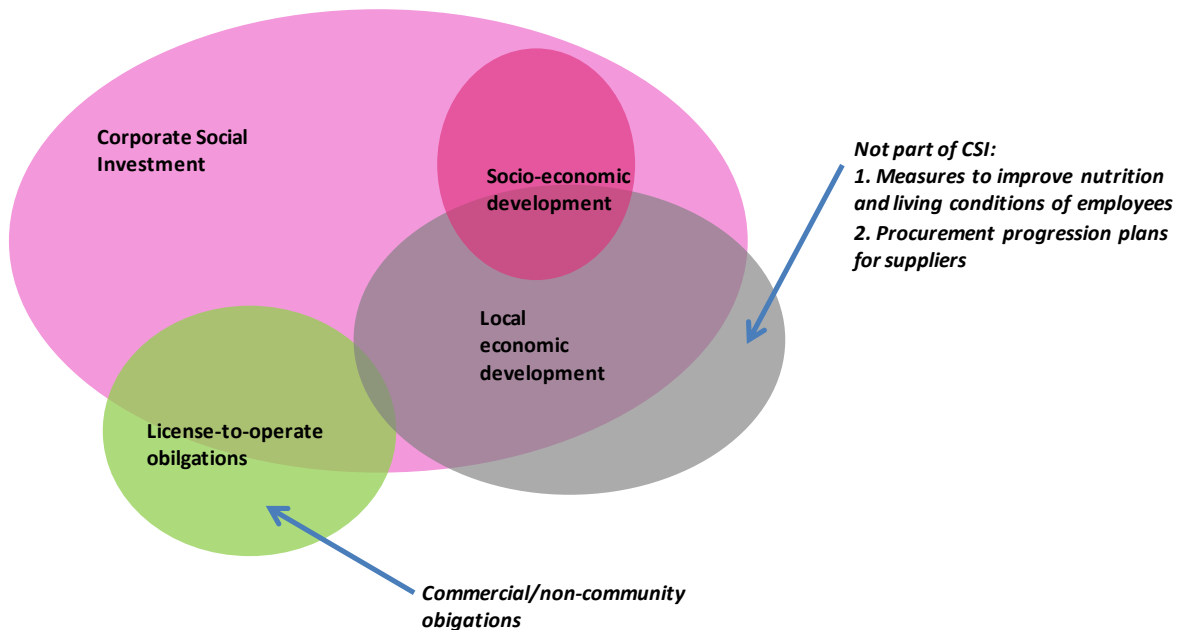
the case). The introduction of the Black Economic Empowerment (BEE) and Broad-Based Black Economic Empowerment (BBBEE) codes of 2003 and 2007 respectively were introduced so as to drive upward economic mobility for the Historically Disadvantaged South Africans (HDSAs). Several industry charters have come into effect, setting varying social spending targets as a license to operate requirement for these industry sectors, and these include:

- The Mining Charter
- The Petroleum and Liquid Fuels Charter
- The Financial Sector Charter
- The Construction Charter
- The ICT Charter

The charter process laid the groundwork for new laws and regulations which have served to entrench CSI as a formal part of the corporate sectors' contribution to broad-based transformation. Some new terminologies have come into effect, such as socio-economic development (SED) and local economic development (LED), and the way in which SED and LED articulate with CSI is explained in the Figure 2.

In terms of the BEE scorecard (Code 700), companies are required to spend 1% of net profit after tax (NPAT) on SED initiatives that facilitate sustainable economic inclusion for previously disadvantaged beneficiaries, 75% of who must be black.

Figure 2: Framework For Corporate Contributions To Society



De Villiers (2010) further points out that, by creating CSI funds that are strategy-focused, in light of government's aims and cognisant of the fact that internationally, 'sustainability' is decidedly green, South African companies stand a good chance of building long-lasting CSI programmes that have tangible and measurable impacts. In addition to this, they can cement mutually fulfilling relationships with both their customer base and with the government.

In South Africa, early CSI practitioners typically came from the banking, mining and oil industries (Rockey 2003). With time, firms have increasingly come to recognize CSI for its valuable role, and this has led to a discernable change to their approach in embracing social investment. Additionally, as mentioned, legislation and corporate governance in South Africa are ensuring companies recognize the need for CSI. The plethora of new policies since 1994 has required of firms operating in South Africa, to reconsider their strategies. The environment has become such that corporate survival requires that businesses be or appear to be concerned with community issues in areas they operate in.

Mjoli (1988) states that, regardless of whether their (firms) involvement is sincere or is merely a public relations exercise, it must be visible and acceptable to those forces in society who have a stake in the current and future role of the firms' business. Van den

Ende (2004) states that ever since the publication of the second King Report, firms in South Africa have sharpened their focus on their commitment to the 'triple-bottom-line'.

Triple-bottom-line is an expanded baseline for measuring a company's performance which includes, in addition to the traditional financial yardstick, an accounting of the impact of their activities on society and the environment. The King Report (2002) identifies CSR as one of the seven primary characteristics of good governance.

One of the trends currently being observed in the CSI sphere within large South African firms is a shift referred to as 'the death of corporate philanthropy'. The global recession of 2008/9 remains a main consideration in these trends. External legislative and consumer demand for reform in environmental and social sustainability policy, in ethical conduct and sound governance, companies must balance natural internal pressure from shareholders to produce positive financial results – no matter what the economy is doing. Because of this, some companies are cutting back on philanthropy and 2010 may well be the year in which it disappears, this according to De Villiers (2010).

De Villiers (2010) states that this shift - the death of corporate philanthropy - does not mean that companies are reducing or eliminating their CSI programmes. Rather the shift is from corporate giving being driven by the heart, to corporate giving being driven by the head, strictly aligned to company policy. According to her, an increasing number of South African CSI programmes are likely to talk strategy, and mean it. CSI spend is distributed in a way that supports several sectors, matched to both the company and the government's priorities.

Another trend being observed is that of 'consumer power'. De Villiers (2010) notes that the South African consumer is concerned about global and local developmental issues, and is prepared to invest money in that - this mirrors the observation being seen in consumer studies conducted worldwide. Further, numerous studies indicate that consumers, when selecting products and services, are influenced by company environmental and social policies now more than ever before. This trend means that South African consumers have the potential not only to influence corporate policy, but also to actively contribute to a better South African outcome.

Table 1 is the most recent release by the Sunday Times on CSI company recognition, indicating the top 15 companies in South African between the year 2007 and 2010. This table suggests that the public is very aware of what firms do in and for communities.

Table 1: Top 15 companies – CSI company recognition

Position	2007	2008	2009	2010	2010 Scores
1	Coca Cola	Coca Cola	Pick 'n Pay	Coca Cola	13.1
2	Vodacom	Vodacom	Coca Cola	Vodacom	7.1
3	Eskom	Eskom	Vodacom	Pick 'n Pay	6.7
4	Pick 'n Pay	SAB	Shoprite Checkers	Shoprite Checkers	5.3
5	Telkom	Pick 'n Pay	ABSA	MTN	4.5
6	SAB	MTN	Eskom	ABSA	4.1
7	ABSA	Telkom	Telkom	SAB	4.0
8	Sasol	ABSA	SAB	Telkom	4.0
9	Shoprite	Sasol	Clover	Eskom	2.6
10	MTN	Clover	MTN	FNB	2.1
11	Clover	Shoprite	Nedbank	Woolworths	2.1
12	Toyota	Standard Bank	Unilever	Nedbank	1.8
13	SABC	Toyota	Woolworths	Clover	1.7
14	Old Mutual	Nedbank	Sasol	Toyota	1.5
15	Spar	SABC	Lotto	KFC	1.2

2.5 Strategy execution in general

Barrows (2010:1), states that 'strategy execution is a hot topic in management today'. A survey done by the Conference Board on CEOs, revealed that chief executives are so concerned about strategy execution that they rated it as both their number one and number two most challenging issues. The survey estimates that more than 60% of strategies are not successfully implemented. In their study, Li, Guohui and Eppler (2008), also indicate that an Economist survey (of 276 senior operating executives in 2004) done, found that a discouraging 57% of firms were unsuccessful at executing strategic initiatives over the past three years (i.e 2002 – 2004). In addition the note that according to the White Paper of Strategy Implementation of Chinese Corporation in 2006, strategy implementation has become the most significant management challenge which all kinds of corporations face at the moment. The white paper indicates that 83% of the surveyed

companies failed to implement their strategy smoothly, and only 17% felt that they had a consistent strategy implementation process.

It is obvious that strategy execution is a key challenge for firms. There are many factors that influence the effectiveness and success of strategy execution, and these range from the actual strategies, to people who communicate or implement the strategies incorrectly, and also often allude to the systems or mechanisms that are in place for co-ordination and control of the strategies.

According to Barrows (2010), most managers do not really understand the meaning of strategy execution. This is not helpful in terms of understanding what needs to be done to actually drive business results. He mentions that when these managers are asked to define strategy execution, they respond with statements like:

- “It’s the successful implementation of a strategic plan”
- “It’s getting your strategy done”

Li, et al (2008) state that there is no universally accepted definition of strategy execution; however, three approaches to the term are as follows:

The first approach concentrates on a process perspective and takes strategy execution as a sequence of carefully planned consecutive steps.

- This is supported by the likes of Bossidy and Charan (2002) who make the case for strategy execution as a discipline or “systematic way of exposing reality and acting on it”. They explain that “the heart of execution lies in three core processes”: People, Strategy and Operations.
- Harrington (2006), defines strategy execution as an iterative process of implementing strategies, policies, programs and action plans that allows a firm to utilize its resources to take advantage of opportunities in the competitive environment.

The second approach treats strategy execution as a series of more or less concerted (but often parallel) actions and examines these actions from a behaviour perspective.

- Schaap (2006) defines strategy execution as operationally defined as those senior-level leadership behaviours and activities that will transform a working plan into a concrete reality.
- Dekluyver and Pearce (2003, cited in Schaap 2006) define execution as a hands-on operation and action-oriented human behavioural activity that calls for executive leadership and key managerial skills.

The third approach is what they call a hybrid perspective, which is a combination of the process and behaviour perspective.

- Singh (1998), defines strategy execution as a step-by-step implementation of the various activities that make up a formulated decision –making strategy. Strategy execution also can be treated as a cognitive process

Li, et al (2008:6) finally settle on this definition for strategy execution:

“...a dynamic, iterative and complex process, which is comprised of a series of decisions and activities by managers and employees - affected by a number of interrelated internal and external factors – to turn strategic plans into reality in order to achieve strategic objectives.”

The primary goal of strategic decisions is to enable organisations to adapt to changes in the environment in such a way that the success and long-term survival of the organisation is ensured (Lazenby and Ehlers 2004).Further, there is a need for sustainable long-term goals to be in place. These long-term goals need to be:

- Measurable
- Realistic, but challenging
- Understandable
- Congruent

With regard to the execution of these decisions, there should be a process in place that turns strategic plans into a series of action tasks, and ensures that these tasks are

executed in such a way that the objectives of the strategic plan are achieved. This means that strategy execution is the communication, interpretation, adoption and enactment of strategic plans (Lazenby and Ehlers 2004). The road to effective strategy execution can be exceptionally daunting for firms, hence many fail in initial attempts at the preferred strategies. Table 2 lists some of the reasons that Lazenby and Ehlers (2004) and Hrebiniak (2008) have stated as obstacles to effective strategy execution. This table does not compare, but merely lists the impediments as has been stated by the authors:

Table 2: Factors influencing the effectiveness of strategy execution

Hrebiniak (2008),	Lazenby and Ehlers (2004)
<ul style="list-style-type: none"> Inadequate coordination, poor or vague strategy, and not having guidelines or a model to shape execution activities and decisions 	<ul style="list-style-type: none"> Ineffective coordination of execution effort
<ul style="list-style-type: none"> Not involving managers across all hierarchical levels 	<ul style="list-style-type: none"> Inadequate leadership and direction provided by top and middle managers
<ul style="list-style-type: none"> Poor knowledge sharing among key functions or divisions 	<ul style="list-style-type: none"> Goals not defined well, and not well understood by employees
<ul style="list-style-type: none"> Not taking into account that planning and execution are interdependent 	<ul style="list-style-type: none"> Strategy formulators not being involved in the strategy execution
<ul style="list-style-type: none"> Unclear responsibility and accountability execution activities and decisions 	<ul style="list-style-type: none"> Key changes in responsibilities of employees have not been clearly defined
<ul style="list-style-type: none"> Not involving enough people during execution 	

Hrebiniak (2008),	Lazenby and Ehlers (2004)
<ul style="list-style-type: none"> • Ignoring or not being aware that execution takes time, in addition to not understanding or acknowledging that managing change is difficult 	
<ul style="list-style-type: none"> • Dysfunctional incentives 	

All these tabulated factors affect the effectiveness of strategy execution.

Govindarajan (1988), emphasizes that effectiveness of strategy implementation as, at least in part, affected by the quality of people involved in the process. Quality here refers to skills, attitudes, capabilities, experiences and other characteristics of people required to undertake a specific task or position. Gurowitz (2007) adds that the other reason is because the way business is being done has changed so much in the past 30 years, and organisations have not caught up to this. The importance for organisations is that in an environment that is characterised by change, the ability to implement strategies successfully can serve as a competitive advantage. De Sousa Filho, Wanderley, Gomez, and Farache (2010) agree that corporate social responsibility/investment and competitive advantage are important issues for the contemporary discussion on firms in society when taking into account social and environmental impacts.

Affirming the above, Viseras, Baines, and Sweeney (2005) indicate that strategy execution's success depends crucially on the human or people side of project management, and less on organization and systems related factors. Similarly, Harrington (2006) states that a higher level in total organizational involvement during strategy execution had positive effects on the level of implementation success, firm profits and overall firm success.

On the other hand, Hrebiniak (2005), sees the areas of opportunities to effective strategy execution as follows:

1. Developing a model to guide execution decisions or actions

2. Understanding how the creation of strategy affects the execution of strategy
3. Managing change effectively, including culture change
4. Understanding power or influence and using it for execution success
5. Developing organisational structures that foster information sharing, coordination, and clear accountability
6. Developing effective controls and feedback mechanisms
7. Knowing how to create an execution-supportive culture
8. Exercising execution-biased leadership

Brenes, Mena and Molina (2007) point out that there are five key dimensions of successful execution of business strategy, and that these are to be managed comprehensively to align them with the firm's strategic choices:

- Strategy Formulation Process
- Systematic Execution
- Implementation Control and Follow-up
- CEO's leadership and Suitable, Motivated management and Employees
- Corporate Governance (Board and Shareholders)

When it comes to CSI strategy, various strategy experts emphasise that in order to successfully execute strategies, the firms must achieve consensus both within and outside the organisation. If an organisation fails to take external stakeholders such as regulatory agencies, environmental groups and the community in to consideration, it could seriously jeopardise strategy implementation efforts if these groups have the power to block or delay key elements of the strategy.

2.6 South African economic and social background

According to Malan (2005), the South African economy is by far the dominant economy on the African continent, this illustrated by the fact that, although the South African population constitutes only 5% of the African population, the country contributes 30% of the continent's combined GDP.

When, 'in 1994, South Africa's first democratically elected government assumed office, it was faced with widespread poverty' (Seekings and Natrass, 2010:5). Whilst poverty was low by the standards of the rest of Africa, it was much higher than other-middle income countries. According to Seekings and Natrass (2010), the persistence of poverty, despite economic growth – both before and after 1994 was due to the highly unequal distribution of the benefits of growth. This inequality was highly racialised, in that apartheid ensured that white South Africans has skills, opportunities and high incomes, whilst, many black South Africans lacked skills, faced few opportunities, and remained in poverty.

According to Lewis (2001), the South African government is ensuring that education and training are in place to address the lack of skills. He states that education and training policies need to fill the growing "skills gap." The government and the private sector are making efforts to augment the skills base of the labor force, to improve their employability and productivity. Government, large and SMME firms identified skills shortages as among the most critical constraints to expansion.

Seekings and Natrass (2010) go on to state that apartheid produced an almost entirely white business. This white elite was and remains highly concentrated in spaces of corporate ownership and control. CSI is an important tool to aid in the re-shaping of the relationship between the public and business, and in so doing, creating a more equitable society.

South Africa is now the only country in the world where CSI has been codified. South African corporates are required to contribute to government's broad transformation agenda, including social upliftment. This occurred in lieu of the gazetting of the Department of Trade and Industry's Broad-based Black Economic Empowerment (BBBEE) Codes of Good Practice. The codes are aligned with other key pieces of

transformation legislation, including the Employment Equity Act, the Skills Development Act, the Preferential procurement Act and the Small Business Act.

According to Du Toit (2009), South African corporates spent an estimated R4.1 billion during the 2008/2009 financial year on CSI. In the 2006 World Competitiveness Yearbook, South Africa was ranked 6th out of the world's rank to 61 economies in the area of CSI.

It appears that with most corporates the social investment strategy for CSI falls into one or more of these categories and corporates look to identify opportunities that:

- Are in line with their company's goal and objectives
- Promise sustainability
- Show measurable results in the short, medium and long-term
- Create a win / win between the company and stakeholders
- Offer the greatest social impact

Van den Ende (2004) suggests that CSI is becoming more strategic and this has led to corporate South Africa slowly growing as a major distributor of social funds.

For Porter and Kramer (2002) and several other progressive corporate strategists, CSI is absolutely not about charity and "hand-outs". According to Du Toit (2009), in their experience of working with corporates on social investment programmes, the prevailing attitude of most business leaders is to treat CSR and CSI as components which are set apart from mainstream business activities, the benefits of which are often seen as public relations tasks rather than sustainable and competitive business practices. This approach has inevitable negative consequences for both the firm as well as the communities they try to aid. Du Toit (2009), states that in these cases the challenge is firstly to influence the mindset of business leadership, and secondly to encourage strategizing and management of CSI in a manner which ensures sustainable value for shareholders and stakeholders alike.

2.7 Conclusion

This literature review introduced critical literature on CSR and CSI initiatives. These concepts were each defined in relation to the social responsibilities of businesses that encompass the economic, legal, ethical, and discretionary expectations that society has of corporate organizations. CSR involves a business identifying its stakeholders groups and incorporating their needs and values within their strategy and day-to-day decision-making process. CSI practice takes place outside of the regular business activities of a company and is not primarily undertaken for purposes of increasing company profit, nor is it driven primarily as a marketing initiative, although it can help company develop a competitive advantage. The projects undertaken are projects that aim to assist, benefit and empower marginalised individuals and communities. CSI is seen as having a strong developmental approach as it utilises company resources to the benefit of individuals and communities.

CSI, from a South African perspective largely relates to purposefully redressing the inequalities stemming from the past – and this is affirmed through the country's legislation. The legislation and corporate governance in South Africa ensures that firms recognize the need for CSI. The environment has become such that corporate survival requires that businesses be or appear to be concerned with community issues in areas they operate in. Firms are encouraged to contribute to CSI and these firms are also encouraged to start viewing CSI in a manner that ensures sustainable value for shareholders and stakeholders.

Two trends were observed in CSI initiatives within large South African companies:

- A shift referred to as 'the death of corporate philanthropy', has been observed. Companies are seen as cutting back on philanthropy and focusing more on projects that balance natural internal pressure from shareholders to produce positive financial results. This is supported by several other progressive corporate strategists, suggesting that CSI is absolutely not about charity and hand-outs.
- Another trend observed is that of 'consumer power'. The South African consumer is concerned about global and local developmental issues, and is prepared to invest money in that - this mirrors the observation being seen in consumer studies

conducted worldwide. This trend means that South African consumers have the potential not only to influence corporate policy, but also to actively contribute to a better South African outcome.

Globally, it is evident that CSI is helping improve the lives of millions of people as the responsibilities of firms to their communities have been and are under intense scrutiny. This is a reflection of the growing awareness of the impact of their actions on the environment and the disadvantaged. There are world-wide discussions taking place to ensure a change in relationship between companies and the communities in which they operate.

New technologies, developments in markets and new ideas are providing insights into firms' actions and their potential impact on issues which extend far beyond the conventional remit of firms and their managers.

It is obvious that the ability for firms to execute strategies successfully can serve as a competitive advantage in an environment characterised by change. The five key dimensions that are evident throughout the literature are:

- Strategy Formulation Process
- Systematic Execution
- Implementation Control and Follow-up
- CEO's leadership and Suitable, Motivated management and Employees
- Corporate Governance (Board and Shareholders)

In addition, for effective CSI strategy execution, firms seem to be identifying opportunities for social investment located in one or more of the following characteristics:

- CSI attempts or aims that are in line with the company's goals and objectives
- The promise of sustainability
- The evidence of measurable results in the short, medium and long-term

- The creation of a win / win situation between the company and various stakeholders
- Offering the greatest social impact

There seems to be consensus in the evidenced literature, that for CSR and CSI strategies, there needs to be visible change in order to influence the mindset of business leadership, and secondly to encourage strategizing and management of CSI in a manner which ensures sustainable value for shareholders and stakeholders alike.

Research Question

What are the factors influencing the effectiveness of executing corporate social investment (CSI) strategies in large firms in South Africa?

3 RESEARCH METHODOLOGY

This chapter describes and presents the methodology used to carry out this research. The chapter discusses the philosophical assumptions underpinning this research, these assumptions are included in the research paradigm and research design discussions. The literature around qualitative research is discussed first, and is then followed by a review of the research design and research instrument used.

This section also highlights the process of data collection and analysis, and comments on the validity of this research in relation to the strengths, weaknesses and limitations of the data and the methodology employed.

3.1 Research Methodology

Stanage (1987) traces 'paradigm' back to its Greek (paradeigma) and Latin (paradigma) origins, with the meaning pattern, model or example. According to him, paradigm is an action of submitting to a view, and this statement is supported by Denzin and Lincoln (2000:157), who define research paradigm as "a basic set of beliefs that guide action", dealing with first principles, ultimates or the researcher's worldviews. Guba and Lincoln (1994:108) add to this with a definition that states, "research paradigms define for the researcher what it is they are about, what falls within and outside the limits of legitimate research". Voce (2004) goes on to say that the beliefs are basic in the sense that they must be accepted simply on faith (however well argued); and there is no way of establishing their ultimate truthfulness.

This research is qualitative in nature. According to De Vos et al (2002), this paradigm comes from an antipositivistic, interpretative approach, is idiographic and thus holistic in nature, and aims mainly to understand social life and the meaning that people attach to everyday life. Leedy and Ormrod (2010) further add that all qualitative approaches have two things in common:

- Firstly, the focus on the phenomena that occur in natural settings – that is, in the "real world",

- Secondly, they involved studying those phenomena in all their complexity.

The descriptive, explanatory and evaluative nature of a qualitative paradigm make it an appropriate approach for this study. It is understood that generally, qualitative studies do not allow the researcher to identify cause-and-effect relationship (Leedy and Ormrod 2010), which is not the intention of this study. A quantitative research seeks to empirically draw conclusions through quantifying results of the research. Creswell (2003), asserts that in a qualitative research approach, the researcher collects open-ended, emerging data with the intent of developing themes from the collected data.

3.2 Research Design

Research design is a logical task undertaken to ensure that the evidence collected enables the researcher to answer the research questions in an unambiguous way. Yin (1989:29), states that research design 'deals with a logical problem and not a logistical problem'. The research design for this study is in the form of a simple interpretive study (Creswell 2003). This format is considered the most efficient way of collecting both emotional and factual information.

This study is an exploratory research project that seeks to help firms to understand the challenges of CSI strategy adoption and implementation. Further, it seeks to offer insights into CSI strategies that have been successful.

Standardized, open-ended interviews were conducted. This method has been chosen and deemed to be appropriate for this study because according to Valenzuela and Shrivastava (2002), interviews have the following aspects:

- Interviews are a far more personal form of research than questionnaires
- The interviewer has the opportunity to probe or ask follow up questions, which is unlike other methods such as mail surveys
- In the interview, the interviewer works directly with the respondent
- The researcher can clarify and answer questions that the respondents might have

- In addition, interviews are better suited for open-ended questions (Kalof, Dan and Dietz 2008),
- Yin (1994) points out that open-ended interviews facilitate the communication of values and opinions. In addition the ability of the interviewee to suggest further knowledge also becomes a valued bonus.

According to Kalof et al (2008), the main disadvantage is that in-person interviews can be very time consuming and expensive. Interview appointments have to be scheduled and if the sample is geographically dispersed, travel expenses can become large or interviewers at multiple sites must be employed. In the case of this research study, this was not a problem as the interviews were concentrated in the Gauteng, Johannesburg and Pretoria area.

In addition to interviews, this research drew on secondary material in the form of annual reports from companies. The study looks at different corporate organisation’s CSI strategies. The firms that have been investigated are listed in Table 3 below.

Table 3: Entities to be interviewed for the study

1	Firms (x12)		
	Mining Sector	Financial Sector	Other Sectors
	Anglo American	Investec	Engen
	Anglo Gold Ashanti	Old Mutual	Nampak
	Anglo Platinum		Shanduka
	ArcelorMittal		Vodacom
	BHP Billiton		
	De Beers		
2	Government Representatives (x2)		
3	Subject Experts (x3)		

Sources of data were:

- Interviews with various firms in South Africa, from different sectors – the interviewees ranged from CSI Managers to CSI Heads and Executives. The interviews were done with 12 different firms.
- 3 Subject experts from CSI consulting firms and the Wits Business School.
- 2 Government representatives from the department of Basic Education and the Department of Tourism were interviewed. In both cases, the interviewees were the Deputy Directors General of the respective departments.
- Review of annual sustainability reports of various companies.

3.3 Research Instrument

In preparation for the interviews, a set of prepared questions in a form of a 'questionnaire' were used. This 'questionnaire' was filled in by the interviewer as the interviews progressed. These questions are provided in Appendix B. These questions were designed for a standardised, open-ended interview, which was semi-structured. The interviewees were asked the same open-ended questions and both the interviewer and the interviewees engaged in a formal interview. In addition to the questionnaire, an interview guide (Appendix B) was developed which contained additional information and probing questions for the interviewee.

Yin (1994) points out that open-ended interviews facilitate the communication of values and opinions.

The advantages of the approach of semi-structured interviews are considered to be reliable, and can easily be analysed and compared for the purposes of qualitative research. Semi-structured interviews also allow interviewees the freedom to express their views in their own terms, and for the researcher to explore interesting insights should they arise.

The disadvantage of this form of research data gathering is that there may be concerns regarding confidentiality by interviewees and there could be a reluctance to share sensitive company information with the intention to protect their workplaces.

3.4 Procedure for data collection

Personal interviews were scheduled and conducted, at the offices of the entities identified in table 1. All interviews took place in the vicinity of the greater Johannesburg region. The interviews were conducted with CSI managers. This was done in order to preserve the business environment and to maintain the language of business.

The interviews were recorded. Saunders, Lewis and Thornhill (2000), caution that human bias is a major threat to the interview method of collecting data. The threat of human bias has been minimised by ensuring:

- The preparedness, and excellent understating of the interview topic by the interviewer
- Listening carefully to the responses of interviewees

A database was created to collect all the data, and this was updated after every interview, for the purpose of record keeping.

3.5 Data analysis and interpretation

The way in which data is analysed is very important for any study. Yin (1994) states that every study should start with a general analytical strategy. Holmes and Solvang (1997) also add that an important phase in the interpretation of the collected data is to structure the data in a way that allows for the data from different sources that deals with the same issues or concerns to be positioned together. According to them, the reason for organising the data this way is to simplify the interpretation process and make it easier to communicate to the reader.

In this study, the strategy followed for data analysis was taken from the prescribed procedure by Miles and Huberman (1994). They state that the analysis of qualitative data can be organised into three stages, which are:

- Data reduction – This stage of the analysis helps to sharpen, sort, focus, discard, and organise that data in a way that allows for a final conclusions to be drawn and verified. The process that they recommend for the data to be reduced and transformed through means such as selection, summary, paraphrasing, or through being subsumed into a large pattern. In this report, the transcripts from the recorded interviews were condensed into data summaries for analysis.
- Data display – This stage involves the researcher taking the reduced data and displaying it in an organised, compressed way so that conclusions can more easily be drawn. The justification is that are not powerful processors of large amounts of information, and that the extended text can overload humans' information-processing capabilities. They further add that good displays are a major validation for qualitative analyses.
- Conclusion drawing and verification – This is the final stage in which the researcher assumes meaning. Meaning is created through the researcher noting regularities, patterns (both similarities and differences), explanations, possible configurations, causal flows, and propositions. Most importantly, the researcher needs to draw conclusions while bearing in mind the limitations and thus maintaining a degree of scepticism. In this study, meaning and conclusions were drawn through comparative strategies in relation to the data. In seeking verification of these conclusions, triangulation with alternative data sources (further interviews with government representatives and subject experts) took place. Triangulation was used for cross examination, according to Altrichter, Feldman, Posch and Somekh (2008:147), triangulation enhances research by giving a more detailed and balance picture of the situation.

3.6 Validity and reliability

According to Leedy and Ormond (2005), the validity of a research instrument refers to the extent to which it measures what it is supposed to measure. Reliability refers to the accuracy with which the research instrument produces consistent results. They also state that validity errors reflect biases of researchers themselves and are a relatively constant

source of error. Reliability errors in contrast, are errors occurring during the process of research and can vary unpredictability from one occasion to the next.

In his article on reliability and validity in the qualitative research paradigm, Golafshani (2003), states that although the term reliability is a concept used for testing or evaluating quantitative research, the idea is most often used in all kinds of research. He states that a good qualitative study can assist in understanding situations that would otherwise be enigmatic or confusing. This relates to the concept of good quality research when reliability is a concept to evaluate quality in a quantitative study with a “purpose of explaining”, while quality in qualitative study has the purpose of “generating understanding”.

3.6.1 *External validity*

External validity in qualitative research refers to transferability to another context or environment (Bineham 2006). The outcomes of this research can be transferred to other large firms in South Africa, as it refers to effectiveness of CSI strategy execution in firms in South Africa. It is important to note that while one of the goals of this research is to put forth an understanding of CSI strategy execution within the given context of large firms in South Africa, the research cannot create a platform upon which to generalise for all the firms operating in South Africa.

3.6.2 *Internal validity*

Internal validity in qualitative research refers to the credibility of the research, and it involves the process of finding out whether the results are credible or believable (Bineham 2006). Perry (2001) states that use of prior theory, probing questions during the interviews and good listening techniques, supports the issue of internal validity. Therefore for this study, the researcher used multiple sources (annual reports, government representatives and subject experts) of data to triangulate the data to confirm emerging findings and to support the theory.

It has been very important for the researcher to not let her assumptions, worldviews, biases and relationships to the study affect the investigation process.

3.6.3 Reliability

It is understood that any data collected as part of a research project, should, in completion, be able to answer the research question. Reliability is the measure by which the research instrument used is neutral in its effect and would measure the same effect on future occasions to ensure consistency (Bineham 2006). Trochim (2000) defines a reliable measure as one that shows consistency and repeatability in whatever it measures. One way of dealing with reliability is that of maintaining a procedure document so that other researchers are able to repeat the findings. An audit trail can be established so that other researchers are able to achieve the same results.

In the case of this dissertation, a clear procedure has been explained. The research is presented in such a way that the procedure for the data collection can be repeated. However, it is important to note that even though the researcher made attempts to ensure that errors and biases did not affect the outcome of the research, this research is subject to interpretation by the researcher and, similar research by an alternative researcher may not generate the same results.

3.7 Conclusion

This chapter describes the research methodology and processes employed in this research project. Semi-structured interviews were undertaken, with open-ended questions that were informed by from the literature review. Other sources of data such as annual company reports, interviews with government representatives and subject experts, were used. The combination of qualitative and quantitative methodologies means that this research relied heavily on methods of triangulation.

The results and interpretations of these are presented in the following chapters.

4 RESEARCH FINDINGS

This chapter presents the findings of this research study. These research findings relate inexplicably to the research question and aims posed in an earlier chapter. The question posed is “What are the factors influencing the effectiveness of executing corporate social investment (CSI) strategies in large firms in South Africa?” The aim of this research is primarily to establish and to offer insights as to what these factors are and in the last chapter to offer recommendations.

The main findings of the research have been categorised and will be discussed under the following themes:

- CSI spent (financial)

The first theme discussed is CSI spent by South African firms. This ‘spent’ is studied and categorised by sector – the top six big-spender sectors are: mining and quarrying, financial services, manufacturing, state-owned and public enterprises, retail and wholesale, and IT and telecommunications.

- Understanding of CSI and CSR

In this theme, the aim is to gain insight into the understanding of CSR and CSI by the participating firms. This theme has been included to offer a holistic understanding and a sense of contextual correctness. In addition, this insight would then be compared with what the literature indicated about the two concepts.

- Firms and their CSI practices

This theme considers CSI practices, in terms of goals and strategies that firms choose to undertake and adopt. The findings indicated that for firms there are a number of preferred focus areas for CSI projects. Though the focus areas were similar, the difference was that in each of these focus areas, the respondent firms chose activities that seemed to be more in line with their business objectives.

- CSI strategy execution

The execution of CSI strategies by the participating firms is articulated in this section. The focus is on capacity and organisational structure (including CSI department composition) of the CSI department as well as the processes of communicating the strategy (ies).

- Challenges to effective CSI strategy execution

This theme focuses on the challenges that the participating firms face when it comes to executing their chosen CSI strategies. This highlights the factors that influence the effectiveness of executing CSI strategy.

Another theme was added for the interviews with the subject experts and the government representatives:

- Recommendations for firms on how to improve their CSI strategy execution

The chapter concludes the discussion on findings. The chapter the follows provides an analysis of the findings.

4.1 CSI spent in South Africa

Approximately R5.1 billion was spent on CSI by firms in South Africa between 2008 and 2009. This amount is said to be 24% higher than the 2007/2008 years. Some of the reasons that were given for this were that the South African history is very different and the socio-economic status requires accelerated interventions. Further reasons relate to the fact that government has, in recent years, made a considerable effort to ensure that private companies plough energy and developmental strategies into communities as corporate citizens. On average, firms in South Africa currently allocate more than the regulatory 1% to their CSI budgets.

Some sectors of the economy invest significantly more in CSI than others. This was confirmed by the reported expenditure of the year 2008/2009, (De Wet 2009), in which the top-six industry sectors where evaluated. The sectors identified were: mining and quarrying, financial services, manufacturing, state-owned and public enterprise, retail

and wholesale, IT and telecommunications. The mining sector spent significantly more on CSI than other industry sectors. The mining sector is obliged by law to support local economic development in the communities in which they operate and from where they draw their labour, so its outpouring of resources in the form of CSI is logical. The year 2004, within the financial sector, saw an introduction of the Financial Sector Charter. This charter stipulated a 0.5% after-tax contribution to CSI, and this entrenched a strong tradition of social contribution from this sector. State-owned organisations have an obligation to support the government socio-economic agenda.

Table 4 shows the six sectors and their spending for the period 2008/2009, the first being the highest and the last being the least.

Table 4: CSI expenditure for 2008/2009 of Top-Six Industry Sectors

INDUSTRY SECTORS	CSI EXPENDITURE (million)
Mining and quarrying	R789
Financial services	R446
Manufacturing	R235
State-owned and public enterprises	R222
Retail and wholesale	R222
IT and telecommunications	R193

Source: CSI Handbook, 12th edition (2009)

4.2 Understanding of CSI and CSR

In order to gain insight into what the participating firms considered to be the differences between CSR and CSI, each of the interviewees was asked to define and explain the differences between the two terms.

Both of the respondents, who are considered experts on the topic, as well as the government representatives, suggested that CSR to a firm is about the triple-bottom-line: it is about the internal running of a firm, transparency, sustainability, the way in which the company operates, the customers, the suppliers, and this includes the CSI projects undertaken by the organisation. They suggest that CSI is seen as the investment that a firm makes in the community that it operates in, and that firms align their CSI strategy (ies) along with the business strategy to ensure the best results for the firm and the community. This essentially means that the relationship between the corporate and the community through its CSI practice is almost always mutually beneficial.

The respondents from the participating firms were of the view that CSR is an overarching process or concept that is inclusive of CSI. Some of the comments that reflect this opinion were that CSR is a guiding principle for doing business and relates to how a firm is run overall. They also suggest that CSR is about corporate legitimacy, meaning, in their opinion that there is an understanding that the firm has a licence to operate in the country and it cares for the environment and the community. Most of the firms considered and saw it as the way any firm conducts its business in a sustainable way.

Both Anglo Platinum and Anglo Gold Ashanti suggested that CSR encompasses some for the following: the environment, health and safety, economic performance of the firm, looking after their employees, and the communities the firm operates in. They stated that CSR is about good corporate citizenship.

Anglo Platinum added in their response on the understanding of CSR, that it is about the commitment the firms make in terms of being a partner of choice to their clients and customers and other stakeholders, and a good corporate citizen to the broad stakeholders, such as the community.

De Beers is of the view that their CSR strategies incorporate a zero-harm approach, ensuring that the business operates responsibly through taking care of the environment, the employees and the communities that De Beers operates in. CSR is about corporate legitimacy, that is to say that there is a level of understanding that the company has a license to be in the country, also to be seen as a company that cares for the environment and the community – corporate citizenship in the country.

It is interesting to note that of all the firm representatives who were interviewed, only one firm viewed both CSR and CSI as one concept.

According to respondents, CSI was generally considered as made up of two equally important components: firstly, the internal (the employees, the economic performance of the firm) and secondly, the external (involving all other stakeholders). The views of the respondents included the following:

Investec suggested that CSI is not about being seen as good, but is instead about return on investment for the firm. This return need not be direct, but can also be indirect. This view is shared by Engen, Nampak and ArcelorMittal. Engen extended this view by adding that CSI is a premium that a company pays to achieve its agenda, and this premium can be in a form of time, human or financial resources,

Most of the mining houses shared the same view that CSI is the element of giving, of ploughing back into the community the firm operates in. Anglo Gold Ashanti asserted that in their organisation, they do not have a definition of CSI, but that it is inherently understood as a South African term in that it is about volunteering, and doing sustainable community work such as building schools and equipping those schools with the necessary resources for underprivileged communities.

Both Old Mutual and Shanduka suggested CSI to be voluntary community-based work.

Only one respondent firm – Anglo Platinum – had a different stance towards CSI initiatives. Anglo Platinum does not use the term CSI but instead uses CED (Community Engagement and Development). In this firm's view, CED is the investment that the firm makes to the communities that are affected by their operations both directly and indirectly. The company would like to leave these communities better off during and after

operations have been concluded. They stated that, for their organisation, CED is not just about donations, but is also about CED projects aligning with the long-term company business strategy.

4.3 Firms and their CSI practices

For most of the participating firms, short-term goals for CSI are based on adding and creating value by building on skills-based development in South Africa, particularly in the areas of Engineering and Finance. The firms that are active in this area reported that they aim to make a positive impact in the lives of the people they interact with, and to achieve this through investing company resources whether it be time, human or financial resources.

A significant number of the sample firms reported that they sought to align their long-term goals with the government's national priorities. In terms of social development, all firms in the sample reported that they were compliant with what their sector charter stipulates. The respondents suggested that government's social and economic development plans guide the projects undertaken by their firms. These respondents stated that their overall goal is to create sustainable communities, which are self-sufficient, skilled and entrepreneurial. This sustainable work is to be done by developing a working class in the community through effective developmental programme goals. Most the respondent firms aim to address and eradicate poverty through providing the communities with employment opportunities. At the same time each firm wants to leave a positive legacy (what they call a positive stamp) in the community long after the firm has moved from the communities. This will allow for them to be seen as key contributors towards economic and social transformation in South Africa.

As the interviews progressed, it became increasingly more apparent that a significant portion of the participating firms had similar strategies regarding CSI, despite their sectoral differences. Each corporation had approximately three strategic focus areas, some which are highlighted below.

Education

This focus area included activities such as teacher development, sponsorship and bursary schemes- both for high school and tertiary education, provision of schooling infrastructure, and educational improvements such as quality, effectiveness, information and accessibility.

- The mining companies mostly reported to be offering bursaries in this area. These respondents suggested that the reason for their choice of education (offering bursaries) as a focus area is that this scheme allows them to continuously feed engineers and accountants into their project pipeline. The respondents visit high schools and tertiary institutions annually and choose learners and students on merit whose tuition, and maintenance grants they pay for throughout their studies.
- Some of the respondent firms in the banking sectors reported that they focus on teacher development to improve quality, effectiveness, information and accessibility in the schooling system. These respondents suggested the same reasons as the mining houses that they chose this focus area because it allows them to feed accountants into their pipeline. This ensures that the learners and students get a good quality education.

The rest of the respondent firms reported to be focusing on the provision of schooling infrastructure, indicating their attempts at building schools, computer laboratories and libraries. In this instance, ArcelorMittal mentioned that the infrastructural approach was a major positive effect for their company and the communities, as it allows them to 'advertise' their latest developments in the steelmaking business, as well as help to train staff. The school projects are managed by young, self starters who are in-house engineers.

Entrepreneurial

This focus area includes small business development, enterprise development, and poverty alleviation through creating and supporting small business for employment, portable skills training, and community training. Enterprise development is a major focus under this theme of CSI work.

- The respondents claimed that encouragement to entrepreneurship is done through outsourcing, procurement and subcontracting, giving emerging enterprises access to finance and resources. Shanduka Foundation, for example, indicated that it had identified supporting small enterprise as a key focus area because their organisation considered it an important mechanism to create new jobs and ultimately to achieve meaningful broad-based black economic empowerment. Therefore the Shanduka Black Umbrella was born, an intervention with the aim to help black entrepreneurs through the initial teething process of starting a business and sustaining it.
- Anglo American started the Anglo Zimele (Anglo's enterprise development and investment fund), which aims to create and develop commercially viable and sustainable small and medium enterprises (SMEs) by providing empowerment opportunities for previously disadvantaged South Africans. Anglo American claims that in this way it is able to assist in the development of small businesses, and that over the past few years, this initiative has become a catalyst for emerging black businesses. A positive resulting effect of this initiative has been sustainable job creation and socio-economic development in predominantly rural and peri-urban mining communities.

Environmental

In this focus area the key activities and goals are located around environmental awareness, educating the community and all other stakeholders about the environment, and the protection thereof.

- Nampak placed a lot of emphasis on environmental protection and indicated that they are currently spearheading many activities relating to recycling and awareness about environmental protection. The firm reported to support recycling initiatives such as the collect-a-can campaign. According to the Nampak respondent, this initiative has allowed ordinary people to start their own businesses by collecting material and being paid for this service. Nampak explained the process: they supply the bins and large containers at no cost to collectors, who are paid for a single waste-filled bin. Nampak recycles the contents of the bins.

▪ **Health and Safety**

Primary healthcare and HIV and AIDS pose overwhelming challenges in South Africa and on the continent. An estimated 5.5 million people are infected with HIV and Aids in South Africa, and about 1.2 million South African children have been orphaned because of parents who were affected by the pandemic De Wet (ed) 2009.

- Anglo Platinum reported to have built a fully equipped hospital that their employees have access to. In addition, the company claims to support hospitals in historically disadvantaged areas and funds the purchasing of much-needed equipment for these hospitals.
- AngloGold Ashanti stated that their organisation believes that stable families and communities equate a healthier, more productive society, and also more productive employees. It is for these reasons that one of their programmes aims to achieve this stability by intervention through prevention, treatment, care and support. This firm reported to be achieving this through educational campaigns – where they offer programmes that provide support and empowerment to the community to make healthy lifestyle choices.
- All of the mining houses, and some of respondents from other sectors reported that in the area of health and HIV and AIDS, they chose to readily provide anti-retroviral medication for their employees who have declared their positive HIV. In addition, these firms have offered support to the extended families of those infected with HIV. The respondents stated that they offered voluntary counselling and testing and encourage their employees to test for their HIV status.
- Anglo American has made donations to a ‘retired professionals’ society. This has created an opportunity for retired nurses to run a 26-bed hospice. Funds were also granted to cover the operational cost of a home-based care programme and the cost of a new vehicle.

4.4 CSI strategy execution

All of the firm representatives who were interviewed claim to possess a written CSI strategy that outlines tasks, responsible persons and clear deadlines. Having studied the annual reports of all the participating firms confirms the above.

They all reported that having a written strategy allows for a smoother and more effective execution of the CSI strategy. Also, having a written document ensures that guidelines for the support of projects and logistics around CSI initiatives are clear. All respondents claimed that they ensure that this CSI strategy is made available to all relevant stakeholders. Some of the avenues used as CSI strategy communication channels are:

- Meetings – through meetings, minutes and reports are produced. These are distributed throughout the organisation to all relevant stakeholders. A few of the respondents showed the interviewer their recent CSI strategy documents, which for confidentiality purposes could not be included in this dissertation.
- Company presentations – these presentations are considered an effective communication tool for everyone in the organization to become aware of CSI initiatives. Old Mutual and Investec supplied the interviewer with their CSI strategy presentations.
- Charts and posters posted in the offices in the organisations' buildings, summarise aspects of respective companies' CSI strategies.
- Road shows – this channel of communication was more prevalent among the bigger firms such as the mining houses that have a lot more business units. Often, these business units are geographically distant from each other.

All firms reported that an annual review of CSI strategies takes place. This is done to ensure that the CSI strategies are still effective and relevant to the broader business strategies of the respective companies. Some views from the respondent companies on the annual review process are that:

- The laws change and for the firm to stay current with its CSI strategy, the annual review is necessary so as to not miss certain requirements of government and/or the firm's legal obligations.
- In all cases, it is the firm's policy to have an annual strategic review for all the departments within the organisation.
- The annual review allows for the firm to adjust its chosen CSI strategy so as to adapt to the ever-changing business environment.
- Each of the firms (except for 7% of the respondents that chose to outsource the services of a consultant for their CSI programmes) stated that it has been important for them to build internal capacity for them to be able to implement their chosen CSI strategy successfully. This is another reason for the annual review - to close gaps where necessary, so as to have competent staff carrying out the projects.

The respondents considered the abovementioned process of communication as a tool that allowed for them to effectively execute a CSI strategy.

93% of the interviewees have a dedicated CSI department, which focuses on the CSI strategies and activities of the company. The department comprises of a head and a number of CSI practitioners who have to manage the different projects that the company chooses to undertake. To allow and ensure for alignment between the CSI strategy and the business strategy, the formulation of the strategy involves amongst others:

Executives in the company

Nampak is an example of a firm that reported to have ensured that the executives are involved in the CSI strategy formulation and integrating this with the business strategy. The Executive Director for the Group Human Resources oversees the CSI department. During the interview the respondent stated that he is very intimately involved with every CSI project undertaken by the business and that he is very passionate about CSI at Nampak. As he explained, he would also be involved in the development of the business strategy – he claimed that this kind of set up ensures proper integration, alignment of the CSI strategy with the business strategy and effective execution of this CSI strategy.

Head of CSI

At Investec, the head of CSI is part of the company strategy committee. He indicated that this allows him to communicate the CSI strategy to other department heads and at the same time have useful input on the business strategy with reference to the CSI strategy. In his view, this kind of set up, has assisted him with the resources he has needed for his CSI department, because when the other department heads are aware of the CSI projects within Investec, there is never an instance where help was not offered. This has provided the support needed for the CSI strategy to be executed with ease and also indicates comprehensive buy-in from other departments in the company.

CSI project managers, usually referred to as CSI practitioners

Engen and Old Mutual reported that they involve their practitioners in all of the strategy brainstorming sessions so that they can have input. In their view, these practitioners are the ones that understand the dynamics and community based needs because of the close contact they have with the projects they are involved in.

Community leaders

Community leaders are seen as integral to any of the projects done within the communities. All the mining firms confirmed to have learned over time, that community leaders play an important role in getting the right support and ensuring that the projects are a success. Involving the community leaders has sometimes helped to inform and refocus their business strategy.

Relevant government department

Alignment with government priorities allows for a business strategy that is relevant to the socio-political context of a particular region. Ensuring that clear links are drawn between private and public interest, confirms buy-in, support, and according to the respondents has direct impact on the effectiveness of the CSI strategy execution.

Employees

This model relies heavily on the support of employees at the corporation. This is a model that Shanduka uses. They suggest that this model works for them as it ensures

volunteerism and, positivity about the progress and impact of the company. This is in itself a form of camaraderie.

As the interviews progressed it became increasingly more apparent that a connection between the CSI strategy formulators and CSI strategy implementers is necessary. 93% of the respondents with a CSI department reported that the CSI practitioners form part of the CSI strategy formulation and going forward these CSI practitioners are the ones that execute the CSI strategy as well as evaluate and monitor CSI projects.

Two of the firms interviewed, stated that, they have opted to also have an auditing firm to evaluate their CSI projects. They claim that this process of auditing allows for an independent review of their CSI strategy and assists in steering them in the right direction.

The rest of the respondents (7%) have 'CSI departments' but they are rather small in comparison with the others. In such firms, the CSI department usually comprises of 2 people, while the rest of the work is implemented by a team of CSI consultants that run programmes on behalf of the firm. This 7% reported that one of the main reasons for the make-shift CSI department, is that CSI is not the core business. The logic is that it is best for such projects to be handled by experts as this allows for efficiency while the company maintains its focus on core business matters. They stress that this setup does not isolate CSI initiatives from the core business and insist that the projects are very much in line with the company's business strategy and government priorities.

All respondents reported that the integration of CSI strategy into the business strategy is very much linked the CSI projects that the company chooses to undertake. For instance, Investec stated that they recognise the skills shortages in the financial services sector and that the sector requires a significant and continuous injection of talented people who are proficient in Mathematics. As a specialist bank, they decided to focus their investment in education and this is appropriate to its skills and talent needs and consequently to the needs of the sector. Out of this, the Promaths programme was born, where well versed, qualified and experienced maths educators deliver extra maths lessons to high-potential learners from a cluster of schools within selected communities. Investec stresses that Promaths does not seek to replace the role of maths educators at schools, but rather to supplement their efforts.

4.5 Challenges to effective CSI strategy execution

Below is a list of the challenges to the effective execution of CSI strategies that are common among the respondent firms. The challenges are listed from most challenging to least.

Setting too high expectations

Firms often set goals too high and finding out during the execution stage that the set goals are unattainable and unrealistic – Nampak, Shanduka and ArcelorMittal shared their experiences and disappointments through all expecting to have high pass rates with bursary holders but instead students failed badly.

Lack of internal support

Internal support – CSI strategy not having unfettered support from the top. This often means that the department is not taken seriously because CSI is not core business and not well understood. It is instead seen as a branding exercise to be managed by the Marketing and Public Relations departments.

Lack of understanding the needs of the community

A lack of understanding of what the real issues and needs of a community are means that CSI strategies are not always relevant to the betterment of the chosen communities. Also, CSI strategies often do not address root causes of social problems and so seek to make changes without asking the necessary questions about a particular context first.

Insufficient external communication

External communication is communication that takes place with the community (the individuals and stakeholders who are being assisted through the CSI programme). Respondents from firms mentioned that there often seems to be resistance and unrealistic demands placed on them. They noted that it is only when they spend more time in communication with the communities that the communities display willingness to participate in their initiatives.

Insufficient resources

Firms indicated that often they do not have enough human and financial resources for their CSI projects. The recent global economic crisis has meant that budgets have been cut tremendously and one of the first to go in most cases when cost-cutting measures are being introduced is the CSI budget.

No collaboration

There is often no collaboration between the companies, even the ones that have a common interest, Investec indicated that as a firm they recognise that the challenges facing South Africa are too complex for one organisation to solve and their social investment is therefore underpinned by a strong belief in collaboration. Of all the companies that were interviewed they were the only representatives who mentioned this.

The following points are additional findings from the interviews with the subject experts and government representatives on the challenges to effective CSI strategy execution:

- CSI is not a core for the business and it therefore not taken seriously.
- Firms feel forced to do CSI, because it is required by the law, it therefore is not done with the intent to make good intent.
- There is no proper knowledge and understanding around the issues of CSI, so proper strategies are not in place. Processes of execution are usually not well thought through.
- There is no real commitment from the firms from a financial point of view.
- Firms view CSI as charity work.
- There is no proper evaluation and monitoring processes for CSI practices. – if and when measuring is done, it usually is done incorrectly.
- Firms set too high expectations and they do not manage expectations properly
- There is no proper government support for CSI initiatives of firms in South Africa.

4.6 Recommendations for the firms

The firms, subject experts and government representatives were generally of the opinion that firms can improve their CSI strategies in conceptualization and execution despite the challenges they face. The points below are their recommendations:

- Firms need to dedicate resources to building a competent CSI team/department.
- Firms, and to some extent the government need to fund programmes at business schools to ensure that a body of knowledge around the subject is built.
- Firms need to involve CSI consultants to assist in the CSI strategy formulation and CSI execution.
- Business Schools need to get more involved by ensuring that executives courses/diplomas are offered to teach practitioners more about CSI so that it becomes more professionalised. This means that the individuals (students) graduating who will be managing these firms understand the impact of proper CSI implementation.
- The government must get more involved in support initiatives for CSI projects.

4.7 Conclusion

This chapter presented the findings of the research conducted. The interviews were conducted with 12 firms, 3 subject experts and 2 government representatives.

The themes were highlighted and the findings presented. The understanding of CSR and CSI by the participants was indicated in this section to indicate whether all firms have the same understanding of the terms. This chapter also highlighted the CSI practices of selected firms (see table 3), CSI strategy execution practices, the challenges associated with these, and finally the recommendation for the firms on how to improve their CSI strategy execution. The analysis of these results is presented in following chapter where these findings are compared to what is evidenced in the literature.

5 ANALYSIS OF RESULTS

In this chapter, the results of this study will be evaluated and analysed, throughout the chapter, the findings are analysed with reference to the findings in the literature review.

In order to refocus the reader, the research question has been restated, including the themes introduced in the previous chapter:

Research Question:

What are the factors influencing the effectiveness of executing corporate social investment (CSI) strategies in large firms in South Africa?

In answering the research question, the analysis discussion will follow the following themes:

- CSI spent
- Understanding of CSI and CSR
- Firms' CSI practices
- CSI strategy execution
- Challenges to effective CSI strategy execution

5.1 Method used for analysis

This chapter (chapter five) analyses and interprets the results, which appears in chapter four. In gathering data, multiple sources were used (interviews with participating firms, subject experts, government representatives, and company annual reports – with the focus on their sustainability reports). The rationale for this is for the triangulation of evidence - This gives the researcher a way of converging data from various sources (Perry 2001). The benefits of triangulation are that each source complements the other, resulting in a stronger research design thus giving more valid and reliable findings. In

addition, the inadequacies of individual methods are minimised, and the threats to internal validity are realised and addressed.

For the purposes of analysis, the content follows in earlier patterns of discussion according to themes.

5.2 CSI spent (financial)

Literature (International Institute for Sustainable Development 2004) suggests that much of the CSI activity in South Africa is very focused (determined to achieve the goals of alleviating poverty empowering the poor and making a difference in society). This focus exists in relation to the current South African socio-economic climate and government's efforts to make sustainable change in various communities.

During the research interviews, it became clear that South African firms are consciously budgeting for CSI investments. Table 4 presented in Chapter four highlights the six South African industry sectors and their CSI financial spent for the period 2008/2009, and these sectors had an overall highest spent on CSI. At the top of the list is the mining and quarrying sector, spending around R789 million. This sector's major spending in the area of CSI practices is evidenced in the literature, as is the fact that the mining sector was among the first to start CSI initiatives in the country. The mining sector in South Africa has been a driving force behind the history and development of South Africa's advancement and economic growth – South Africa's wealth has been built on the country's vast resources. In terms of the BEE codes, the mining industry was among the first to have the Mining Charter enforced – transformation has been a key issue facing the country's mining sector (as is for South Africa as a whole), and included in that has been need for social transformation. The one area that the mining sector has had an opportunity to enforce this transformation has been and continues to be through CSI.

Second to the mining sector, is the financial sector, with an annual CSI expenditure of R446 million. This sector was also among the first CSI practitioners with a Financial Sector Charter.

Manufacturing follows on the financial sector, with an annual CSI expenditure of R235 million. This research initially assumed that CSI expenditure would be highest in these three sections and interviews have proven this to be true.

5.3 CSI and CSR

According to De Wet 2009, CSR is defined as an overarching value-based framework, which encompasses all aspects of business operations, ensuring that how a company conducts business, and how it manufactures its products, is done in an ethical and socially responsible manner. CSR is based on the ethos that companies have considerable responsibilities to society beyond those to their shareholders and investors, and these extend to their employees, customers, society, governments and future generations. The view here is that CSR is the firm's contribution to society's sustainable development goals. Similar thoughts to the one from the literature emerged from the data, were firms view CSR as a guiding principle of how a firm should be run overall. The following comments from the representatives of the firms indicate similar understandings and align with the literature about CSR. CSR includes the following:

- *It encompasses looking after the environment, health and safety, firm's economic performance, employees, and communities the firm operates in*
- *It is about good corporate citizenship*
- *It is about zero-harm approach in how firms operate*
- *It is about firms conducting their business in a sustainable way*
- *CSR is about the commitment the firms to be 'partners of choice'*

In the literature, the CSR definition is extended by Van den Ende (2004), by stating that CSR refers to all of an organisation's impact on society and the need to deal responsibly with the impacts on each group of stakeholders - these stakeholders typically being the shareholders, customers, suppliers, employees and the community. As can be noted with the first point of the comments summary from the research findings, the participating firms share a similar viewpoint of this extension of CSR.

In terms of CSI, it is clear the interviews that firms in South Africa speak the language of CSI more than they do CSR, as indicated in the literature with Fig (2009) Fig states that business South Africa generally eschews the notion of CSR, but instead prefers CSI. The research findings reported that as much as the respondents were able to articulate what CSR means to their firms, there was more passion and a lot more energy exuded when the response was towards CSI. The responses on what CSI means to the firms were very similar to the definitions of CSI from the literature. To sum up the literature's definition (according to CSI Solutions 2007, De Wet 2009, Van den Ende 2004 and Rockey 2003), CSI is a firm's financial and non-cash contributions (beyond the firm's commercial operations) to disadvantage communities and individuals for the purpose of social upliftment and welfare. CSI happens within the overarching social responsibility framework – it is just one manner in which companies fulfil their social responsibility obligation that is external to normal business activities, and is not primarily undertaken for purposes of increasing company profit. Similar understanding of CSI emerged from the interviews:

- *It is the element of giving, of ploughing back into the community the firm operates in*
- *It is an investment that a company makes to the community that are affected by their operations both directly and indirectly – the firm would like to leave the communities better off during and after the operations been concluded*
- *It is how a company shows that it cares about the community, and the environment it operates in*
- *It is a premium that a company pays (in a form of time, financial or human resources) for uplifting the community*

It seems therefore that the firms in South Africa have a similar understanding of what CSI and how it differs from CSR.

5.4 Firms' CSI practices

South African national government priorities seem to guide the long and short-term CSI goals of the firms operating in the country – this was indicated by most of the

respondents. It was expected that this would be the case, because CSI is one of the avenues (broad-based transformation) that the South Africa government is using to readdress the inequalities of the past, Fig (2005). The laws and regulations put in place (the charters) serve to entrench CSI as a formal corporate sectors' contribution to broad-based transformation (De Villiers 2010).

National priorities therefore guide the CSI practices of the firms, and these mostly address the socio-economic challenges in South Africa. In a way, it indicates that the CSI projects that firms are now embarking on, are more strategic and that the focus is to have the greatest impact where there are real needs. This allows these firms to be relevant and current with addressing the most pressing needs in the country. The most popular focus areas from the findings were the following:

Education

Education is a focus area for most of the firms, and this is mostly because it is at the top of the list of the government's national priorities. Lewis (2001) This priority is emphasized annually in government's public budget speech. In taking measures to ensure that South Africa's young people can look forward to decent work in productive, competitive enterprises, the government is strengthening social expenditure, enabling families to commit to participating in education.

The government and the private sector both need to ensure that they address the skills shortage in the country (Lewis 2001). Education also allows for the firms to focus on an area that is directly in line with their firm's goal and objectives. According to Lewis (2001), South African government is ensuring that education and training are in place to address the lack of skills. He states that education and training policies need to fill the growing "skills gap." The government and the private sector are making efforts to augment the skills base of the labour force, to improve their employability and productivity. Government, large and SMME firms identified skills shortages as among the most critical constraints to expansion.

South Africa has a serious skills shortage and a firm like Investec relies heavily on skilled graduates, hence a common goal is evident in a commitment to developing young people in Mathematics and Science education. Government identifies programmes to

address this, and Investec chooses to participate in this because the programmes are directly aligned with their firm's needs, their CSI strategy, and overall their business strategy.

What the different firms have been doing differs and depends mostly on what is most appealing to the firm. Some firms may be interested in building the infrastructure such as better classrooms or libraries while others may want to give to the community through bursary or scholarship incentives.

Entrepreneurial

South Africa's unemployment rate remains one of the highest in the world. (De Villiers 2010), with official measures putting the figure at around 25% of the productive workforce and other estimates suggesting even higher figures. The government has programmes in place for economic growth, to create a number of formal work opportunities. But entrepreneurship and enterprise are central to plans for creating sustainable jobs and so preventing a number of social problems that accompany unemployment. Therefore a lot of the firms offered corporate support in this area via projects that focus on giving the skills needed for success in entrepreneurship. These exist in the form of projects for small business development, enterprise development, poverty alleviation, portable skills training, and community training. Further, they also sometimes provide emerging enterprises with infrastructure and equipment, or by giving them access to facilities.

Environmental

Millions of people who live in poverty in South Africa are reliant on a healthy ecosystem for survival, especially in rural areas, it therefore is no surprise that South Africa's environmental health is intimately connected to the socio-economic wellbeing of its people. Firms therefore commit some of their CSI spending towards ensuring that the environment is protected (De Villiers 2010). Programmes in relation to the environment include the following:

- Awareness about?
- Water conservation

- Urban greening projects
- Recycling and waste management
- Funding of infrastructure, facilities and equipment

Health and Safety

Primary health and HIV and AIDS are very well supported by the firms in South Africa. This comes as no surprise considering the context of South Africa's Aids pandemic, the over-burdened and under-performing public health system – the challenges are urgent and complex. The interventions in this focus area were expected, and in terms of safety, most of the CSI spending went to awareness, both around the communities and for the employees at the firms.

5.5 CSI strategy execution

Porter and Kramer (2002), indicated that it is important for firms to integrate their CSI strategy with the business strategy for effective CSI strategy execution. Various strategy experts confirm that this integration is vital for business survival in South Africa and they emphasise that in order to successfully integrate and execute the chosen strategies (CSI and business), the firms must achieve consensus both within and outside the organization. These experts state that if firms fail to take external stakeholders such as regulatory agencies, environmental groups and the community into consideration, it could seriously jeopardise strategy implementation efforts, as some of these groups have the power to block or delay key elements of the strategy. An example of this has been seen with a project that was run by ArcelorMittal, to help build a library at one of the public schools in – indicate the region. The interviewee expressed how challenging carrying out the plan became because the company had excluded the Department of Education. Despite the positive impact of the project, the process excluded key stakeholders and thus the implementation was delayed. Involving the right people right from the inception of the project is paramount to achieving CSI strategy integration and alignment with the business strategy for the company. Hrebiniak (2008).

Having a capacitated, dedicated department for handling CSI initiatives and programmes of the firm was also highlighted as a vehicle for assisting the proper integration of CSI projects with the business strategy. This adds credibility to CSI projects.

Reviewing both the business and CSI strategies on a continuous basis was also highlighted as a contributing factor. This allows for firms to stay current and relevant to addressing pressing socio-economic issues in the country.

All the abovementioned are confirmed by the literature as influencing factors. The research findings are in line with what the literature suggests.

5.6 Challenges to effective CSI strategy execution

What can be seen is that in practice the same factors that have been highlighted in the literature (Hrebiniak 2008, Lazenby & Ehlers 2004, Harrington 2006 and Viseras, Baines & Sweeney 2005) as being obstacles to effective CSI strategy execution are very similar practical issues that the participating firms face. These issues were highlighted by the firms, the subject experts and the government representatives.

Setting too high expectations

Literature reveals that setting too high expectations could be because of a number of factors, including inadequate coordination, poor or vague strategy, inadequate stakeholder engagement – this leading to setting goals that are unattainable and unrealistic. This was the case with most of the firms and it means that firms are to still engage with the communities and government on a deeper level and on a more regular basis.

Lack of internal support

Poor knowledge sharing among key functions or divisions was what the literature suggested would lead to lack of support. The research finding indicates that there is a lack of support which comes from the CSI department not being taken seriously, because it is not a core for the business and not well understood by other sections of the firm. This leads to minimal internal support and the CSI strategy not being owned from

the top. This effect can allude to inadequate leadership and no direction provided by the top and middle managers.

Lack of understanding the community needs

According to literature when goals are not well defined and understood, the problems will not be well defined and the resultant solution will not be effective. Also, when there is not a clear enough understanding of the needs of a particular area, CSI initiatives are ineffective and this leads to ineffective outcomes.

Insufficient external communication

A form of external communication is community engagement (communication between the firms and the individuals and stakeholders who are being assisted through the CSI programme). Firms mentioned that there seemed to be resistance and unrealistic demands made on them, and that it is only when they spend more time in communication with the communities that these communities open up to the firms

Insufficient resources

Many firms indicated that especially because they have had a really tough period during the global economic crisis, budgets have been cut tremendously. One of the first to go in most cases when cost-cutting measures are being introduced is the CSI budget. This in literature was emphasised by Govindarajan (1988), referring also to the quality of people involved.

No collaboration

Literature views collaboration as one of the important factors for effective execution of any strategy. Collaboration, according to literature goes in tandem with knowing how to create an execution-supportive culture. The process of an execution-supportive culture starts internally before even being extended to external parties to collaborate with. The research findings revealed that within the participating firms, no firms were, at the time of the interviews, in collaboration with each other or other firms who were not participating in the interview process. As mentioned was the only firm to mention that as a firm they recognise that the challenges facing South Africa are too complex for one organisation to

solve and their social investment is therefore underpinned by a strong belief in collaboration.

There would be great value in collaboration among firms who have similar CSI interests. In industries such as mining, some are geographically close to each other, which essentially means that joint CSI plans could benefit the same communities through better schools, houses, or access to health care.

5.7 Conclusion

CSI in South Africa has come a long way. South African firms have sophisticated and well run CSI programmes and initiatives, which are generally well aligned with national goals towards sustainability and development. The scenarios presented here point to a few key trends identified:

- There is a willingness by firms to align their CSI programmes with the government priorities.
- The focus – by the firms - is on programmes that are consciously aligned to the core business.
- Firms are striving for a CSI environment that is adopting the key principles of business and investment environment.

These trends are largely driven by a change in attitude of firms towards CSI. Today, what many firms used to view as obstacles to progress has become an imperative for any firm wanting to stay in business for years to come (Van den Ende 2009). Challenges remain with regard to how firms can more effectively implement CSI strategies.

The next chapter presents the final conclusions and recommendations of this research.

6 CONCLUSIONS AND RECOMMENDATIONS

This chapter concludes this research and offers insights and recommendations to the challenges and concerns regarding CSI and CSR that have been identified in this dissertation. The analysis of the results in Chapter 5 revealed interesting factors that are in line with the literature on general strategy execution and the factors affecting the effectiveness thereof. The results found were expected based on what the literature stated and suggested and the research findings confirmed these literature statements and suggestions.

6.1 Conclusions

It has been established that among the most pressing problems facing South Africa today, the absence of sustained economic growth and job creation make top of the list, and these are essential to reduce poverty and improve living conditions (Lewis 2001). For South Africa, the transition to a multi-racial democracy in 1994 posed difficult political, social, and economic challenges, and South Africa's noteworthy achievements in surmounting these challenges have been widely recognized. But the events of the last few years demonstrate clearly that the challenge did not end with the transition of power to a new government. A daunting task still lies ahead in ensuring that South Africa's rich natural and human resources are employed for the benefit of all, promoting sustainable livelihoods, improving social conditions, and alleviating poverty.

It seems that the very needs (socio-economic needs) are the very reason for South Africa having a well-developed Non-Profit Organisation and Corporate Social Investment sector.

Corporate Social Investment activities in South Africa focus on creating sustainability through establishing social infrastructure and contributing to the social upliftment of communities through the transfer of technology, skills and education. What has been observed is that CSI is becoming ever more strategically focused, with firms aligning their CSI spending with their core business objectives and imperatives. A move like this

takes CSI away from the charitable sphere into one in which true long-term partnerships are born and the developments are sustainable, with benefits for all.

In gathering the data for this research, 12 of South African large firms, 3 subjects experts and 2 government representatives were interviewed.

The participating firms all chose to focus their CSI activities and investment in a combination of the following areas: Education, Entrepreneurship, Environment and Primary Health and HIV & AIDS. These focus areas are mostly based on the government's national priorities. With all firms, Education seemed to be the most popular and the reason for this phenomenon seems to be directly related with the government priorities.

According to Spicer (2010), there is no doubt that South African firms (both big and small) take CSI very seriously, ensuring both the development opportunity that good CSI practice entails as well as meeting the requirements of the Broad Based Black Economic Empowerment Codes of Best Practice – a similar view was noted from this research.

As has been indicated in the analysis chapter, the challenges to effectively execute the chosen CSI strategies are prevalent. The growing availability of corporate capital for social development has not necessarily resulted in funds finding effective homes or the set CSI strategy being executed effectively. These challenging factors were identified as:

- 1) *setting too high expectations* – firms setting too high expectations, and finding out during the execution stage that the set goals are unattainable and unrealistic.
- 2) *lack of internal support* – CSI strategy not being owned from the top leads to the CSI department 'not being taken seriously' and therefore there is lack of support.
- 3) *lack of understanding community needs* – not understanding what the true real issues and needs are and then moving forward to formulate a strategy to solve the symptoms and not the root cause, therefore never winning because of not dealing with the root problem.
- 4) *insufficient external communication* – external communication being community engagement (the individuals and stakeholders who are being assisted through the

CSI programme), firms of the opinion that there seems to be resistance and unrealistic demands made on them, purely because of not enough communication.

- 5) *insufficient resources* – not having enough human and financial resources, leading to a department that is not capacitated.
- 6) *no collaboration* - no collaboration between the companies, even the ones that have a common interest.

Additional factors that were raised by subject experts and government representatives highlighted the need for CSI to be done for the right reasons – not charity work, for firms to shift their view and see CSI as a necessary aspect in running a business and furthermore for firms to get a better understanding around the issues of CSI so that they can formulate strategies that deal with the problems and not the symptoms.

For firms to achieve a greater impact, these challenges have to be overcome (eliminated) or at most minimised. Many of these challenges are contextual to the South Africa environment. The literature highlighted challenges to general strategy execution, and the findings of this research reported on very similar challenges.

In offering recommendations, the South African context is taken into account, as well as insights gained from what has worked from a general strategy point of view.

6.2 Recommendations

Firms continue to follow and refine strategic approaches to CSI. There is an increase in the amount of firms that are aligning their CSI programmes with their core business strategies. This means that they are able to build strategic partnerships and legitimately assign CSI budgets. Still, the effectiveness of executing strategy is a challenge, and the following are recommended to improve this process:

- **Channel expertise** into a specific area is mutually beneficial for all stakeholders involved – this is effective because it targets the firms' CSI funds, as opposed to randomly throwing money at every problem and it also addresses the issue of lack of

understanding of the real issues that are at hand. In addition, channelling expertise does the following for the firms, it:

- focuses the strategy and firms are able to align their business objectives
 - it can birth partnerships that may last
 - it allows for the firm to dedicate resources
 - assists the firm to manage expectations well
- **Refine** the strategy constantly, and maintaining a degree of flexibility to the approach of execution
 - **Collaborate** - firms must look for collaboration, they should pool resources with other firms that work in the same field or geographical areas
 - **Educate** - in order to increase and impart knowledge around the CSI subject and to improve on the current strategies and the effectiveness of the execution of these strategies, the Business Schools should consider getting more involved in their course offerings around this sphere. This may help in getting the subject more professionalised and the individuals (students) graduating who will be running and managing donor firms know that CSI is more than visiting kids at a hospital for a day, or painting/building houses for the poor.

CSI is a business imperative that if properly executed, can allow for new levels of engagement with all stakeholders and my hope is that this study adds to the current knowledge of CSI and strategy execution issues in South Africa; that it will pave a way for further research on the subject. The CSI environment in South Africa is on the right track but it still has a long way to go. Firms, government and communities need to start working together in tackling the social issues at hand, one avenue of achieving this is, is for the three to continue talking to each other, share ideas and leverage on one another's capabilities in this way, the efforts put into CSI initiatives will have a greater impact.

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APPENDIX A

Appointment Request Letter

Wits Business School

P O Box 98

Wits

2050

Tel: +27 11 717 3580

qmokulubete@gmail.com

Date: X

Company X

Re: MBA Research: Effectiveness of executing Corporate Social Investment strategies in large firms in South Africa

Dear Mr/Ms

My name is Queen Mokulubete and I am completing an MBA at the Wits Business School, currently working on my thesis. My thesis topic is: Effectiveness of executing Corporate Social Investment (CSI) strategies in large firms in South Africa. This research aims to answer the following question: *What are the factors influencing the effectiveness of executing corporate social investment (CSI) strategies in large firms in South Africa?*

I am now in the process of gathering data on this subject, and would be grateful if I could arrange a one hour interview with you to understand you company's CSI strategy and processes of implementation.

Confidentiality will be observed throughout the thesis process and the final report will be for academic purposes only. You may contact me for the overall feedback about five months after the interviews.

I understand that you have a busy schedule, and your agreement to contribute to this research is greatly appreciated. Should you require any further information, please do not hesitate to contact me on the contact details below.

Yours sincerely,

Mafriti Queen Mokulubete

+27 82 796 6775

qmokulubete@gmail.com

APPENDIX B

Questionnaire Template: Firms

MBA RESEARCH: EFFECTIVENESS OF EXECUTING CORPORATE SOCIAL INVESTMENT STRATEGIES IN FIRMS IN SOUTH AFRICA

Researcher: Queen Mokulubete

Student No: 9704310P

Supervisor: Professor G. Marcelle

1. How does your firm define corporate social investment and corporate social responsibility?
2. What are the short-term and the long-term CSI goals in your organisation?
3. Kindly explain what your firm's CSI strategy is?
4. How was your CSI strategy formulated?
 - 4.1.1. Who was included in the formulation process?
 - 4.1.2. What is the connection between those who formulated the CSI strategy and those who implemented it?
 - 4.1.3. How involved were the managers during this process?
5. How did you implement your CSI strategy?
 - 5.1.1. How would you describe the way the implementation plan was coordinated?
6. Do you have a written implementation plan with responsibilities and deadlines? (Y/N)
7. How does your CSI strategy align with your business objectives?

8. How does your CSI strategy align with the socio economic status of South Africa?

9. What challenges did you face during the implementation phase of the strategy?
 - 9.1.1. How did you ensure that the strategy was well understood by all involved?
 - 9.1.2. Do you have any controls and feedback mechanism in place?
 - 9.1.3. What happened that was not expected?
 - 9.1.4. What didn't happen that was expected?
 - 9.1.5. In your opinion how effective was your CSI strategy implemented?
 - 9.1.6. What would you say was the most important factor that allowed for you to be effective / ineffective?

10. Is there anything else that you would like to share that I have not included?

Questionnaire Template: Subject Experts and Government Representative

MBA RESEARCH: EFFECTIVENESS OF EXECUTING CORPORATE SOCIAL INVESTMENT STRATEGIES IN FIRMS IN SOUTH AFRICA

Researcher: Queen Mokulubete

Student No: 9704310P

Supervisor: Professor G. Marcelle

1. How would you define corporate social investment (CSI) and corporate social responsibility (CSR)?
2. How involved are corporates in South Africa when it comes to CSI corporate social investment?
3. What do you believe are challenges that corporates experience in adopting and implementing CSI strategy?
4. Have you come across companies that failed dismally in implementing a CSI strategy
5. Have you come across companies that have done very well in implementing a CSI strategy?
6. What would you recommend corporates do to improve on their implementation strategies so as to have a greater impact when it come to CSI project? Please give examples.
7. Is there anything else that you would like to share that I have not included?