

The Practice of Corporate Social Responsibility among Small,
Micro and Medium Manufacturing Enterprises in the
Pietermaritzburg Area and how this Practice is Influenced by their
Stakeholders

by

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Declaration

I, Tor Håvard Andreassen, declare that:

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List of abbreviations

AICC	African Institute of Corporate Citizenship
ANC	African National Congress
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
BSR	Business for Social Responsibility
CBO	Community Based Organisation
CCMA	Commissions for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CEPPWAWU	Chemical, Energy, Paper, Printing, Wood and Allied Workers Union
CINDI	Children in Distress network
COSATU	Congress of South African Trade Unions
CSR	Corporate Social Responsibility
CSI	Corporate Social Investment
DOL	Department of Labour
DTI	Department of Trade and Industry
DUCT	Duzi Umgeni Conservation Trust
EEA	Employment Equity Act
EMF	Environmental Management Framework
EPI	Economic Performance Index
ESME	Exempted Small & Micro Enterprises
EU	European Union
FCS	Forest Stewardship Council
FEDUSA	Federation of Unions of South Africa
FICA	Financial Intelligence Centre act
GRI	Global Reporting Initiative
IDP	Integrated Development Plan
ILO	International Labour Organisation
ISO	International Standardization Organization
JSE	Johannesburg Securities Exchange
LBSC	Local Business Service Centre
MAC	Manufacturing Advice Centre
MIDI	The Msunduzi Innovation and Development Institute
NACTU	National Council of Trade Unions

NCBC	National Small Business Council
NEDLAC	National Economic Development and Labour Council
NGO	Non-Governmental Organisation
NUMSA	National Union of Metalworkers
OECD	Organisation for Economic Co-operation and Development
OHS	Occupational Health and Safety
PAIA	Promotion of Access to Information Act
PCB	Pietermaritzburg Chamber of Business
PEPUDA	Prevention of unfair Discrimination Act
PM	Process Manager
POCA	Prevention of Organized Crime Act
QSE	Qualifying Small Enterprise
RDP	Reconstruction and Development Programme
RSA	Republic of South Africa
SACCI	South African Chamber of Commerce & Industries
SAMWU	South African Municipal Workers Union
SANAS	South African National Accreditation System
SAVE	Save the Vaal Environment
SDF	Spatial Development Framework
SEDA	Small Enterprise Development Agency
SEM	Strategic Executive Manager
SETA	Sector Education and Training Authority
SMME	Small, Medium and Micro Enterprise
SR	Social Responsibility
SRI	Socially Responsible Investments
TAC	Treatment Action Campaign
TLC	Transitional Local Council
TNC	Trans National Company
UKZN	University of Kwa-Zulu Natal
UN	United Nations
UNEP	United Nations Environment Programme
UNIDO	United Nations Industrial Development Organization
UNISA	University of South Africa
WBCSD	World Business Council for Sustainable Development

Abstract

The operations of South African SMMEs have significant environmental and social implications, and the implementation of Corporate Social Responsibilities (CSR) practices in these companies is therefore of great value, both environmentally and socially. Implementation of practices of CSR is influenced by the stakeholders of a company and thus by the socio-economic and political context in which the company operates.

This study examines the practice of CSR in manufacturing SMMEs in the Pietermaritzburg area, and how this practice is influenced by their stakeholders. This is done through semi-structured interviews with representatives from key local stakeholders and a sample of eight local manufacturing SMMEs. The study shows that manufacturing SMMEs in the Pietermaritzburg area have implemented a wide variety of CSR practices and that they are managing and interacting with their stakeholders in a sophisticated manner.

The studied companies do in general have a limited understanding and narrow interpretation of CSR, and CSR is often confused with Corporate Social Investment (CSI) as it is described in the South African Broad Based Black Economic Empowerment (B-BBEE) scorecard. The companies do, however, practise CSR in a number of ways. The companies have implemented practices that address all of the CSR issues examined in this study: Labour issues, B-BBEE, HIV/AIDS, environmental issues and community outreach. The nature of, extent of, and motivation for these activities do, however, vary considerably.

The results of the study reveal that the motivation for undertaking practices of CSR generally can be attributed to influence from the stakeholders of the examined companies. In this study the stakeholders were identified on the basis of a contextual analysis, and the stakeholder model of Donaldson and Preston was grouped into: Civil society stakeholders and communities, Government stakeholders, Stakeholders affiliated with the companies, and Business stakeholders. All groups of stakeholders were found to be exerting a significant influence on the CSR practices undertaken by

the examined companies. The degree of influence varies amongst the different stakeholders and practices, and some of the CSR practices had been undertaken as a result of influence from several stakeholders.

A few of the CSR practices undertaken by the interviewed SMMEs can be attributed to influence from the local key stakeholders that were interviewed in this study. It is also possible to find examples of companies implementing CSR practices as a result of local stakeholders combining their efforts.

The study shows that SMMEs in the Pietermaritzburg area are responsive to their stakeholders and that the practice of CSR is greatly influenced by what the companies consider to be their stakeholders' concerns. The interviewed local stakeholders have, however, only a limited influence on the SMMEs. It is therefore likely that the stakeholders can deepen the practice of CSR in local SMMEs by co-operating and thus increasing one or more of their stakeholder attributes: power, legitimacy, and urgency.

The study has contributed to a greater understanding of the role of stakeholders in influencing CSR practice in South African SMMEs and has revealed important hints on how this influence can be strengthened and directed through government activities and other stakeholder alliances.

CHAPTER ONE: INTRODUCTION

An introduction to this study is given through presenting the background and general context for the study investigating the practice of Corporate Social Responsibility (CSR) among South African Small, Medium and Micro Enterprises (SMMEs). Then the problem statement of the study is described, and the research aim and objectives are presented. The chapter provides an outline of the structure of the dissertation and a chapter summary.

1.1 Background to the study

Business is the main source of value creation worldwide and has vast financial and human resources at its disposal. Business therefore has the potential to be an important part of the solution to the challenges facing the global community today. On the other hand, business is also the source of undesired effects such as environmental degradation and exploitation of workers (Welford, 1998).

These mixed impacts of business have been the source of a debate around which negative impacts society should accept in return for the value created by business. This debate can be traced centuries back, but it gained momentum from the 1960s and onwards. This has, amongst other things, resulted in national and international regulation on environmental issues as well as on the social dimension of how corporations operate. Central is the establishment of the United Nations Environment Programme (UNEP) in 1972 and the subsequent development of a wide number of international environmental treaties, as well as the 1977 International Labour Organisation (ILO) 'Tripartite Declaration concerning Multinational Enterprises and social policy'. A number of countries have also developed policies and legislation on environmental protection and occupational safety and health (ISO Advisory Group on Social Responsibility, 2004).

An important watershed in thinking around issues related to the environmental and social impacts of corporations came with the United Nations (UN) report 'Our Common Future' (World Commission on Environment and Development, 1987) and the following UN Earth Summit in Rio de Janeiro. These events introduced the term 'sustainable development', with its focus on development which at the same time is economically, environmentally, and socially sustainable (World Commission on Environment and Development, 1987).

Experience has shown that, even when operating within the limits of international and national regulations, business still can inflict negative impacts. In the last 20 years or so a radical change started in the place the private sector has in society, as a global process of deregulation, privatization, and redrawing of the roles of the state and the market started after the end of the cold war (Midttun et al., 2006; McIntosh, 2003). In this context, Corporate Social Responsibility has been introduced as business' contribution to sustainable development (Commission of the European Communities, 2001). There still are conflicting views of exactly what CSR entails; but CSR is generally seen as business' voluntary contribution to sustainable development, beyond regulatory requirements (Dahlsrud, 2009). While there are many available definitions of CSR, the definitions are congruent in the sense that they consistently refer to five dimensions: the social, economic, environmental, voluntariness, and stakeholder dimensions (Dahlsrud, 2008).

The field of CSR has traditionally been dominated by large companies, Trans National Companies (TNCs) in particular, based in developed countries. Recently there has, however, been a growing interest in the implementation of CSR in Small, Micro and Medium sized Enterprises (SMMEs) and in the role CSR can play in developing countries (Luetkenhorst, 2004). SMMEs make up over 90% of businesses worldwide, and account for more than 50% of total employment (Raynard & Forstater, 2002). SMMEs will, therefore, have a crucial role to play in securing economically, social, and environmentally sustainable development. Studies show that SMMEs are characterized by heavy turnover of new entrants, and many of them face intense daily pressures to survive. SMMEs do, therefore, in general often possess less resources and skills to undertake activities that are not a part of their core operations, activities like CSR (European Multi-stakeholder Forum on CSR, 2004).

CSR practices can be defined as practices that improve the social, economic, and environmental impacts of a business beyond regulatory requirements (Dahlsrud, 2009). Limited documentation exists on the implementation of CSR practices in South African SMMEs and on how the context in which these firms operate influence these practices, including whether government policies contribute to promoting CSR practices in SMMEs, especially in terms of the actual execution of these policies at a local level. Assessments of the status of CSR in South Africa have recognized that there is an information gap regarding the CSR performance of South African SMMEs (Fig, 2005, 2007).

There is therefore a need to examine the practice of CSR in SMMEs in South Africa and to see whether the context in which the companies operate is favourable to this implementation. There is furthermore a need to explore how these practices are influenced by the stakeholders of the SMMEs. Such a study can, amongst other things, give important hints on how CSR activities can be facilitated, especially through government activities.

1.2 Problem statement

The operations of South African SMMEs have significant environmental and social implications, and the implementation of CSR practices in these companies is therefore of great value, both environmentally and socially (Kapelus et al., 2004). Implementation of practices of CSR is generally influenced by the stakeholders of a company (Haigh & Jones, 2006) and thus by the socio-economic and political context in which the company operates. There is a lack of research on the practice of CSR in South African SMMEs and how this practice is influenced by their stakeholders (Fig, 2007). There is, therefore, a need to investigate how CSR is practised among South African SMMEs and how the practice of CSR is influenced by the stakeholders of the SMMEs. An exploration of this will lead to greater understanding of the role of stakeholders in influencing CSR practice in South African SMMEs and can give important hints on how this influence can be strengthened and directed through government activities and other initiatives.

1.3 Research aim and objectives

The aim and objectives of the study are described below. It should be noted that the second objective represents the bulk of the conducted research and the results obtained from the study.

1.3.1 Research aim

To explore the practice of CSR among manufacturing SMMEs in the Pietermaritzburg area and how this practice is influenced by their stakeholders.

1.3.2 Research objectives

- Assessing the socio-economic and political context for CSR in SMMEs in the Pietermaritzburg area, and identifying and describing key local stakeholders for manufacturing SMMEs operating in that area.
- Conducting key informant interviews with a representative sample of manufacturing SMMEs in the Pietermaritzburg area and the identified stakeholders in order to:

- Determine the knowledge about, and interpretation of, the term CSR
- Identify how CSR is practised among the SMMEs
- Map how the practice of CSR among the SMMEs is influenced by their stakeholders
- Explore the influence of the interviewed stakeholders on the practice of CSR among manufacturing SMMEs in the Pietermaritzburg area, and assess their stakeholder salience.

1.4 Structure of the dissertation

The background for the study, and the resulting aim and objectives for the study are described in Chapter one.

The theoretical foundation for the study is described in the literature review, Chapter two. The literature review contains a short summary of the historical background for CSR, then the stakeholder perspective in the field of CSR is described. This forms the basis for a description of the current understanding of CSR and an elaboration of what is considered to be the core subjects of CSR. The role of public policy in fostering CSR activities is then explored, before the characteristics of SMMEs and their CSR practices are examined. Finally the background, development, and status for CSR in South Africa are described and assessed.

Chapter three contains a description of the local context for the study and the key stakeholders included in the study. The description of the local context is mainly focused on the political and socio-economic context of the study, and less on the physical/environmental context. In Chapter four the methodological foundations, considerations, and choices of the study are described. This chapter includes a justification of the qualitative research approach and a presentation of key elements of qualitative research interviews. The methodological considerations around how sampling, preparation, conducting of interviews, transcription, analysis, and evaluation, are further described and discussed.

In Chapter five the main findings and results of the study are presented. Each section of Chapter five presents results that give answers to one of the bulleted sub-objectives to the second research objective presented in Section 1.3.2 above. Finally, in Chapter six the main findings of the study are used to discuss the research aim and objectives and the chosen methods, before a conclusion is put forward at the end of the chapter.

1.5 Summary

This chapter presented the background for the study by pointing to the mixed impacts business has had on society throughout the years and how international agreements and regulations have been put forward as a means of negotiating about unwanted impacts from business. CSR was put into this context as business' voluntary contribution to sustainable development. It was established that there is an information gap regarding the practice of CSR in South African SMMEs and how this practice is influenced by stakeholders of the SMMEs.

The aim of this study is to explore the practice of CSR among manufacturing SMMEs in the Pietermaritzburg area and how this practice is influenced by their stakeholders. To achieve this aim, the first step was to examine the relevant literature.

CHAPTER TWO: LITERATURE REVIEW

Literature that is relevant for the subject of this study is reviewed. In Section 2.1 an overview is given of the background, current understanding, and core subjects of CSR. The stakeholder approach of CSR is elaborated on; then in Section 2.3 the emerging acknowledgement of the role the public play in promoting CSR is given. In Section 2.4 it is then shown how the CSR agenda gradually is moving to include SMMEs in developing countries. Section 2.5 is devoted to CSR in the South African context. In these two sections, the background and current status for CSR practices in South African SMMEs are presented, and the findings of critical studies are considered to flesh out the theoretical framework of the study.

2.1 CSR: Background, current understanding, and core subjects

2.1.1 Historical background of CSR

Issues related to the social responsibility of corporations can be traced far back in time. An early example is that of the East India Company in the 1790s which started purchasing its sugar from 'slaveless' producers in Bengal, following a boycott from English consumers concerning sugar produced using Caribbean slave labour (ISO Advisory Group on Social Responsibility, 2004). Wages and working conditions did, furthermore, become prominent issues with the emergence of organized labour in the late 19th century (ISO Advisory Group on Social Responsibility, 2004).

There are also examples of early concerns around environmental degradation, pollution and smog was, for instance, a huge problem in 19th century London (Welford, 1998). From the 1960s there has been an ever growing concern in society around the implications that activities of private corporations have on the natural environment and this has, among other things, resulted in national and international regulation on pollution and other negative environmental impacts. The United Nations (UN) Conference on the Human Environment was convened in Stockholm in 1972, and resulted in the Stockholm Declaration on the Human Environment and the establishment of the UN Environment Programme (UNEP). These events led to the development of a wide number of international environmental treaties (Dupuy, 1990). In the 1970s, some significant developments occurred on issues concerning the social dimension of how corporations operate; the most significant was the 1977 International Labour Organisation (ILO) 'Tripartite Declaration concerning Multinational

Enterprises and Social Policy'. A number of countries have also developed policies and legislation on occupational safety and health (ISO Advisory Group on Social Responsibility, 2004).

The UN report 'Our Common Future' (World Commission on Environment and Development, 1987), and the following UN Earth Summit in Rio de Janeiro, introduced the term 'sustainable development', with its focus on development which is at the same time economically, environmentally, and socially sustainable. An important issue in the process leading up to the conference was the role of business in securing sustainable development and especially the question of whether business contribution should be voluntary or mandatory (Bruno, 1992).

The end of the cold war initiated a global process of deregulation, privatization, and redrawing of the roles of the state and the market, which has led to a radical change of the place the private sector has in society (Midttun et al., 2006). This is what is known as 'economic globalization', of which one of the most prominent consequences is a radical growth of the size and influence of international companies, Trans National Companies (TNCs). Hand in hand with this, there has been a growth of global civil society activism, with a focus on the responsibilities of business in society (Poncelet, 2003).

Since the Rio summit, a number of management and accounting tools that can help companies to manage the impacts of business activity have been developed (Ward & Fox, 2002). The debate around the corporate contribution to sustainable development was first dominated by the environmental and economic aspects, and the focus was mainly on eco-efficiency¹ and cleaner production. In the last 10 years or so, the focus has shifted to also include the social aspects of sustainable development, and terms like 'corporate citizenship', 'ethical business' and 'CSR' have become more dominant. The basic idea of this development is to understand business as part of society – not somehow separate from it (Poncelet, 2003).

In 2002, the UN World Summit on Sustainable Development (WSSD) was held in Johannesburg. One of the central themes of the summit was the role of the private sector in contributing to sustainable development. The Plan of Implementation from the summit called

¹ Eco-efficiency mainly focuses on producing more for less (material and energy) input.

for states to ‘enhance corporate environmental and social responsibility and accountability’ (UN, 2002:8). The plan states that an important way of doing this is to encourage industry to pursue ‘environmental management systems, codes of conduct, certification and public reporting on environmental and social issues’ (UN, 2002:8).

The attention around CSR has grown rapidly during the last ten years or so, and recent surveys indicate that this development is continuing (Riddleberger & Hittner, 2009; BSR, 2009; Business in the Community, 2010). The increased attention around corporate responsibility issues has led to the development of a number of standards for CSR, of which some of the most frequently used are the SA8000 and AA1000 standards (Gawel, 2006). The International Standardization Organization (ISO) is currently working on an International Standard providing guidelines for social responsibility (SR) and is planning to publish this standard as ‘ISO 26000’ before the end of 2010 (ISO, 2009). CSR is also receiving attention in the UN system: The UN Global Compact is bringing together companies and UN agencies to address CSR, and companies can sign up to nine general principles regarding their social responsibility (UN, 2008).

The CSR debate in the public policy sphere is growing. While CSR is characterized by a voluntary approach, the role of the public sector in facilitating CSR is increasingly acknowledged (Wolff & Barth, 2005). Examples of this are the European Union (EU) releasing a Green Paper on CSR in 2001 (Commission of the European Communities, 2001) and the World Bank doing research on public sector support for the implementation of CSR in global supply chains (Cramer et al., 2004).

There is considerable research being conducted in the field of CSR, both by public and private institutions. Lockett et al. (2006), for instance, identified 176 research articles on CSR issues that were published between 1992 and 2002 in six leading management journals. Research on CSR has also been conducted on behalf of organizations like the World Bank, the EU, the UN, the World Business Council for Sustainable Development (WBCSD) and the company network Business for Social Responsibility (BSR) (Jarvis, 2004; European Commission, 2008; UN, 2008; WBCSD, 2010; BSR, 2009).

Traditionally the field of CSR has been dominated by large companies, especially Trans National Companies based in developed countries. Recently there has, however, been a

growing interest in issues regarding the implementation of CSR in Small, Micro, and Medium sized Enterprises² (SMMEs) and the role CSR can play in developing countries. Examples of this are initiatives by the World Bank Institute (Jarvis, 2004), the EU, (Fox, 2005) and the United Nations Development Organization (Raynard & Forstater, 2002; Sachdeva & Panfil, 2008).

SMMEs are of crucial importance for developing countries, especially for developing a competitive private sector. SMMEs furthermore have significant environmental and social implications, as they make up over 90% of businesses worldwide (Raynard & Forstater, 2002). CSR is already affecting SMMEs in developing countries, especially through supply chain relationships and with TNCs etc. This means that some way of making SMMEs implement CSR practices will have significant value, both environmentally and socially (Raynard & Forstater, 2002).

2.1.2 Current understanding of CSR: the five dimensions of CSR

CSR as a field is still under development, and the term 'CSR' has a number of definitions. Added to this, CSR is used interchangeably with a number of terms, including 'Corporate Citizenship', 'Corporate Accountability', and 'Corporate Social Performance'. Examination of literature in the field does, however, suggest that 'CSR' is increasingly becoming the dominant term. An important exception is that the ISO is currently using the term 'Social Responsibility' in the draft edition of 'ISO 26000: Guidance on Social responsibility' (ISO, 2009). The term is used to make the guidance standard applicable to all organizations, not just those in the business world.

The Commission of the European Communities has made one of the best-known definitions of Corporate Social Responsibility. According to them, CSR can be defined as (Commission of the European Communities, 2001:6.):

'A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.'

A closer examination of available definitions of CSR shows significant similarities and that they consistently refer to five dimensions. These are the environmental, social, economic, stakeholders, and voluntariness dimensions (Dahlsrud, 2008). One might say that CSR is

² See section 2.4 for a description of what constitutes a SMME

based on the three dimensions of sustainable development, has a stakeholder approach, and refers to business' voluntary contributions beyond regulatory requirements. It is therefore clear that the current understanding of CSR that encompasses a number of topics such as occupational Health Safety and Environment (HSE), Corporate Environmental Management (CEM), and a number of social performance issues such as Ethical standards, worker empowerment, child labor, HIV/AIDS, contribution to local communities etc.

2.1.3 Core subjects of CSR

It has been established that CSR encompasses a number of topics, and one might argue that the challenge for business now is to identify and manage the numerous challenges within these topics (Dahlsrud, 2008). The ISO has in its draft version of the ISO 26000 standard identified seven core subjects of Social Responsibility³ (SR), each with a number of issues and practices attached to them. The draft standard has been developed in a multi-stakeholder process involving CSR experts from around 80 countries and all major stakeholder groups (ISO, 2009) and is therefore believed to give the most reliable picture of what are considered to be the core subjects and main issues of CSR currently. The standard advises organizations to identify and address which core subjects and issues are relevant for their activities (ISO, 2009), recognizing that the relevance of various CSR issues will vary between different organizations. The core subjects of SR are illustrated as follows in the standard:

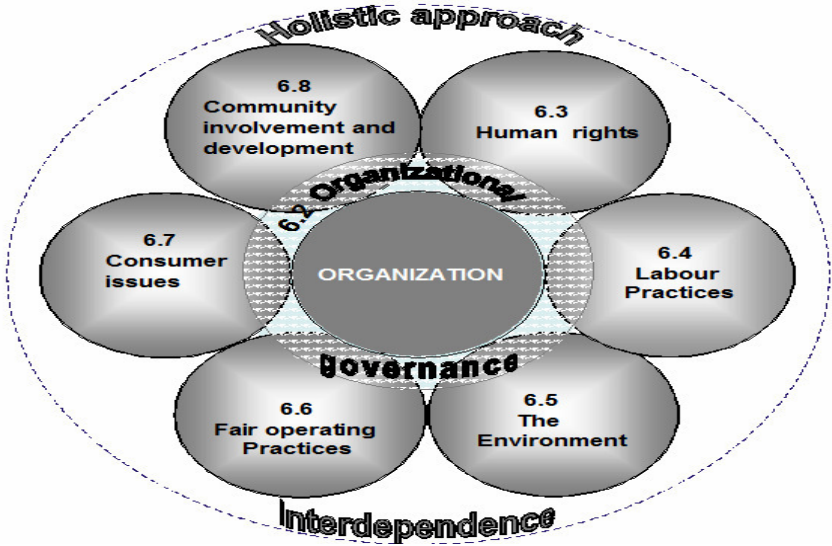


Figure 1: The core subjects of SR.

Source: ISO, 2009:20.

³ The draft standard uses the term 'SR' to accommodate all organizations, not just corporations.

Each of the core subjects includes a range of issues of social responsibility, some of which are presented in Table 1 below.

Table 1: Core subjects and important issues of SR

Core Subject	Important issues
Organizational governance	Incorporating principles and practices of SR into decision-making and implementation
Human rights	Due diligence Human rights risk situations Avoidance of complicity in human rights abuses Avoiding discrimination against vulnerable groups Resolving grievances Respecting civil and political rights Ensuring fundamental rights at work
Labour practices	Employment and employment relationships Conditions of work and social protection Social dialogue Health and safety at work Human development
The environment	Prevention of pollution Sustainable resource use Climate change mitigation and adaptation Protection and restoration of the natural environment
Fair operating practices	Anti-corruption Responsible political involvement Fair competition Promoting SR in the sphere of influence
Consumer issues	Fair marketing Protecting consumers' health and safety Sustainable consumption Consumer service Consumer privacy Access to services Education and awareness
Community involvement and development	Community involvement Social Investment Employment creation Technology development Wealth and income Education and culture Health Responsible investment

Source: Adapted from ISO, 2009: 24-67.

The table shows the wide range of issues that are relevant to an organization's social responsibility. The relevance of the issues will, however, be dependent on the specific organization and the context in which the organization operates.

2.2 The stakeholder approach in CSR

It was earlier established that the stakeholder approach is one of the five dimensions of CSR. Freeman (1984:46) defines a stakeholder as 'any group or individual who can or is affected by the achievement of the organization's objectives'.

The draft ISO 26000 standard states that identification of and engagement with stakeholders are fundamental practices of social responsibility, and the standard pinpoints respect and consideration of the interests of stakeholders as a main principle (ISO, 2009). The standard further gives guidelines on stakeholder identification and engagement. Donaldson and Preston (1995) offer four central theses related to stakeholder theory that may be summarized as follows (Donaldson & Preston, 1995:66,67.):

- 1) Stakeholder theory offers a model of what the corporation is, describing it as a constellation of co-operative and competitive interests. Stakeholder theory is therefore descriptive.
- 2) Stakeholder theory offers a framework for investigating the links between a firm's performance and the practice of stakeholder management, and is therefore instrumental.
- 3) Although Stakeholder theory is descriptive and instrumental, its fundamental basis is normative. Stakeholder theory involves acceptance of the idea that stakeholders are identified by their interest in the corporation and that all stakeholder interests are of intrinsic value.
- 4) Stakeholder theory is managerial and goes beyond describing existing situations and predicting cause-effect relationships. Stakeholder theory recommends attitudes, structures, and practices that, taken together, constitute stakeholder management. Stakeholder management requires that simultaneous attention be given to the interests of all legitimate stakeholders.

These theses form the basis for a stakeholder model of the corporation.

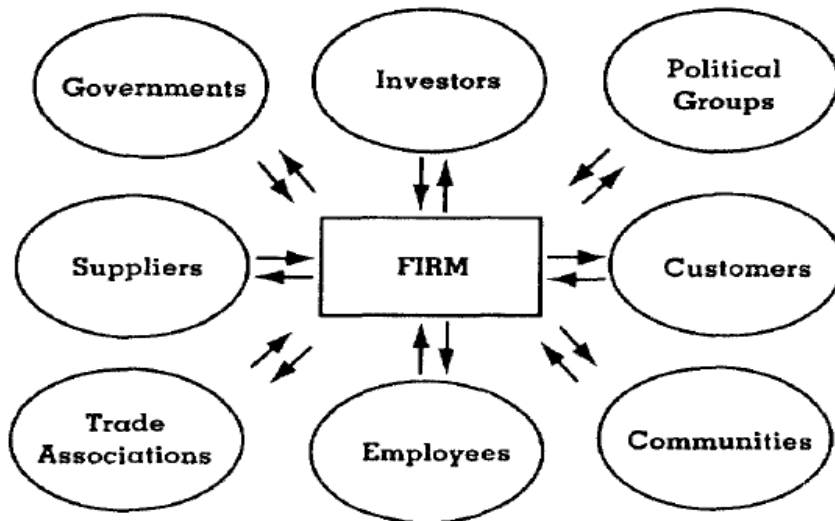


Figure 2: A stakeholder model of the corporation.

Source: Donaldson and Preston, 1995: 69.

Mitchell et al. (1997) contribute to a normative theory for stakeholder identification and a descriptive theory of stakeholder salience. It is argued that stakeholders possess one or more of three relationship attributes: power, legitimacy, and urgency. A typology of stakeholders is then generated by combining these stakeholder attributes to suggest their salience to managers of a firm. This typology results in the following classification of stakeholders:

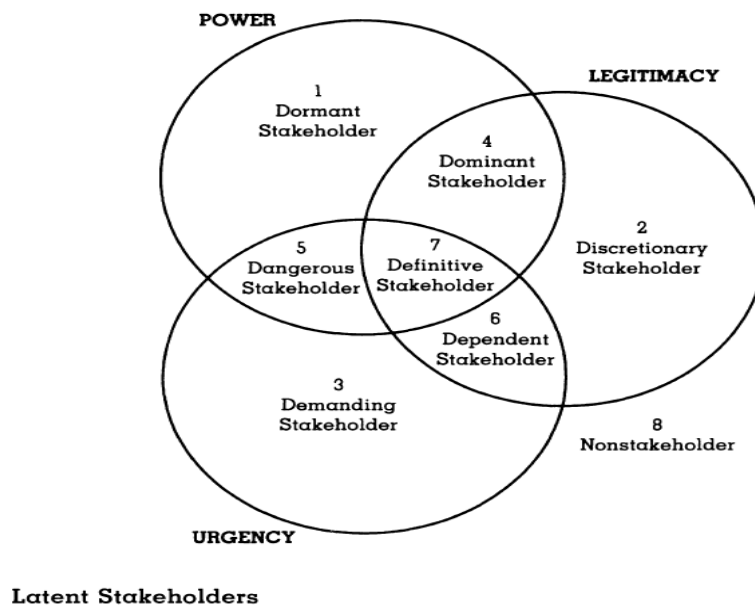


Figure 3: Stakeholder typology based on stakeholder attributes.

Source: Mitchell et al., 1997:872.

Mitchell et al. (1997) argue that stakeholder salience is related to the number of stakeholder attributes, as perceived by managers of companies. Stakeholders that possess only one attribute (areas 1, 2, and 3 in Figure 3) will be low salience stakeholders, called 'latent' stakeholders. Moderately salient stakeholders (areas 4, 5, and 6) possess two stakeholder attributes and are called 'expectant' stakeholders. Finally, area 7 indicates highly salient stakeholders, namely stakeholders possessing all three attributes.

Mitchell et al. (1997) further argue that stakeholders can move into new categories by acquiring (or losing) one or more attributes. This can be the result of actions by the stakeholder (for instance coalition building or political action) or shifts in society or manager perception. Stakeholders with different attributes can align with each other to add salience to a claim (Mitchell et al., 1997).

2.3 The role of public policy in promoting CSR

It is generally accepted that CSR is voluntary (Wolff & Barth, 2005), and voluntariness has also been identified as one of five dimensions of CSR. There is, however, an increasing recognition that there is a need to widen the focus to include how governments can contribute to creating more effective enabling environments for CSR (Cramer et al., 2004).

The role of the public sector in promoting CSR practices has been much debated. The business sector often stresses the voluntary nature of CSR, claiming that too much public intervention might stifle creativity and innovation among enterprises (European Multi-stakeholder Forum on CSR, 2004), while Non-Governmental Organizations (NGOs) often argue that CSR will have little effect unless corporations are held accountable for their performance on sustainability issues (Hamann et al., 2003)

Some important initiatives on determining what the most effective public policies are for promoting CSR have been conducted. The European Union (EU) has investigated agreeing on common policies on CSR, which in 2002 resulted in the Commission issuing a white paper⁴ on CSR. One of the main objects of this white paper was to launch a debate on the concept of CSR and to identify how to build a partnership for the development of a European framework for the promotion of CSR. The white paper identified principles and focus areas for the EU's

⁴ A White Paper by the European Commission is an official set of proposals on a particular topic that is used as a vehicle for development into law.

strategy for promoting CSR, in other words the backbone of a common Public Policy on CSR (European Commission, 2003).

After years of debate, public policy is today generally acknowledged to be of crucial importance in promoting CSR (Albareda et al., 2007). Fox et al. (2002) identify four main public sector roles in the promotion of CSR:

- **Mandating:** Government at different levels defines minimum standards for business performance within the legal framework
- **Facilitating:** Public sector agencies enable or provide incentives for companies to engage in CSR-related activities
- **Partnering:** Formation of public-private partnerships that can bring complementary skills from the public sector, the private sector, and civil society together in order to tackle issues related to CSR
- **Endorsing:** Political support and public sector endorsement of the concept of CSR and CSR-related initiatives

The mandating role of public policy is arguably inconsistent with the voluntary nature of CSR. Fox et al. (2002) do, however, argue that mandatory requirements are essential in forming a baseline for implementing CSR practices.

It should be noted that different countries have different political structures and that public policies and the execution of these vary around the world. As a consequence of this, countries will have different strategies, as well as different abilities and resources for promoting CSR. Most national legal frameworks do, however, accommodate a certain number of international standards and agreements. Some of the most central of these are (European Multi-stakeholder Forum on CSR, 2004:6):

- The UN *Declaration on Human Rights* of 1948, *International Convention on Civil and Political Rights* of 1966, and *International Convention on Economic, Social and Cultural Rights* of 1966.
- The International Labour Organization *Declaration on Fundamental Principles and Rights at Work*.
- The *Rio Declaration on Environment and Development* from 1992 and the accompanying *Agenda 21*.
- The *Johannesburg Declaration* and its *Action Plan for Implementation* (2002).

- The *United Nations guidelines on consumer protection* of 1999.

Public policy in developing countries and South Africa

The role of public policy will also vary among developing countries in line with what is described above. Developing countries do, however, share some characteristics that make it harder to achieve the goals using public policy. Most of these characteristics are linked to lack of competence and resources. The lack of competence and resources often results in shortcomings in the policy-enforcement system, due to patchy enforcement by governments (Cramer et al., 2004).

South Africa has, from 1994 and onwards, embarked on an ambitious law and public policy reform programme that has reshaped the whole society. This has had important implications for business and has contributed much to shaping the CSR landscape of South Africa (Kapelus et al., 2004).

2.4 Small, Medium, and Micro Enterprises (SMMEs) and CSR

Defining SMMEs

The terms ‘SMME’ and ‘SME’ are frequently used, yet seldom defined. The SMME sector is made up of a broad range of firms, from informal micro businesses to established businesses with 200 or more employees (Fox, 2005). The term SMME is widely used in South Africa, while the term SME is more common in the rest of the world. The European Commission (2005) uses a definition where SME means ‘micro, small and medium-sized enterprises’ (European Commission, 2005:5), while the abbreviation in most other sources means for ‘small and medium sized enterprises’. In the present report the term ‘SMME’ is used consistently to avoid confusion.

SMMEs are commonly defined by their annual turnover and the number of employees in the enterprise. The definition of business classes does, however, vary from country to country and sometimes even within countries. The table below compares how SMMEs are defined in different regions.

Table 2: Definition of SMMEs in different regions

	South Africa			European Union		
Category	Employees	Turnover in R	Gross asset value in R	Employees	Turnover in €	Gross asset value in €
Micro	Up to 5	0-0.2 million	0-0.1 million	Up to 10	Up to 2 million	Up to 2 million
Very Small	Up to 20	Up to 6 million	Up to 2 million	N/A	N/A	N/A
Small	Up to 50	Up to 32 million	Up to 6 million	Up to 50	Up to 10 million	Up to 10 million
Medium	Up to 200	5-64 million	5-23 million	Up to 250	Up to 50 million	Up to 43 million

Sources: RSA National Small Business Amendment Act, 2003:8,9.; European Commission, 2010, [Online] http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm

SMMEs in developing countries and South Africa

There is an emerging body of research on the contribution of SMMEs to development. The literature generally regards SMMEs as being essential for developing countries, because they are labour intensive and make significant contributions to productive employment opportunities, generation of income, and thus reduction of poverty (Raynard & Forstater, 2002).

Empirical evidence also shows that countries with a high share of small industrial enterprises have a more equitable income distribution and that SMMEs are crucial for entrepreneurship development and innovation, and they form the foundation of long-term growth and transition towards larger enterprises (Luetkenhorst, 2004). Research also shows that SMMEs contribute to the formation of economic systems in which small and large firms are interlinked. These systems are important for the attraction of foreign investment (Raynard & Forstater, 2002).

It is estimated that about 80% of the enterprises in the formal business sector, and 95% of the total sector in South Africa are SMMEs. The SMMEs are estimated to account for about 46% of total economic activity, 84% of private employment, and 97.5% of all newly registered businesses (Viviers & Soontiens, 1998).

CSR and SMMEs

With over 90% of businesses worldwide and more than 50% of total world employment, SMMEs are crucial for the world economy (Raynard & Forstater, 2002). The CSR agenda has, however, traditionally been focused on large enterprises, while mainly mentioning SMMEs as suppliers to larger enterprises or as beneficiaries of the philanthropic activities of larger companies (Fox, 2005).

SMMEs have, however, in the last couple of years taken a more prominent place on the CSR agenda. Examples of this include studies initiated by the European Commission in 2007 and 2008 and the World Bank Institute (Jarvis, 2004). One of the main conclusions from these studies is that SMMEs are characterized by heavy turnover of new entrants, and many of them face intense daily pressures to survive. SMMEs do, therefore, in general often possess relatively fewer resources and skills to undertake activities that are not a part of their core operations, activities like CSR (European Multi-stakeholder Forum on CSR, 2004).

Recent studies have, however, started to question some of the above conclusions. A study published in 2009 of 24 British SMMEs found them capable of developing innovative products and services and exploiting niche markets related to CSR (Jenkins, 2009). Similarly, a 2008 study by the International Institute for Sustainable Development – IISD, in co-operation with the Swiss State Secretariat for Economic Affairs – SECO, found SMMEs both in developed and developing countries engaging in many CSR activities (Perera, 2008). The activities were often driven by the values of owner-managers in the companies, by business networking, and by access to support and credit. It was reported in the study that SMMEs often fail to see the bigger picture by approaching each CSR issue as a discrete area of activity and that CSR practices in SMMEs often are limited due to financial constraints and lack of expertise (Perera, 2008).

CSR and SMMEs in developing countries

With the crucial importance that SMMEs are believed to have for developing countries, especially in terms of developing a competitive private sector, and the big proportion of companies that are SMMEs, it is a given that SMMEs have significant environmental and social implications. This means that increased implementation of CSR in SMMEs will have significant value, both environmentally and socially (Raynard & Forstater, 2002).

CSR is furthermore already affecting SMMEs in developing countries, especially through supply chain relationships. SMMEs are often categorized by a general lack of resources and knowledge, which is believed to be a constraint when it comes to implementing CSR. This is especially true in developing countries (Raynard & Forstater, 2002). Developing countries are also characterized by less stringent regulation of issues affecting CSR, such as environmental protection or workers' safety and health,; and/or less capability of the authorities to enforce the regulations (Fox et al., 2002).

The United Nations Industrial Development Organization (UNIDO) has done significant work on the CSR agenda for SMMEs in developing countries, which has resulted in reports stressing the importance of strong business linkages between export oriented SMMEs and TNCs (Sachdeva & Panfil, 2008; Forstater et al., 2006).

A study by the Inter-American Development Bank on CSR policy and practices towards CSR in eight different Latin American countries found that SMMEs often practise 'silent CSR'. This means that they are implementing social and environmental practices without categorizing them as CSR (Cici & Ranghieri, 2008). The role of different actors in fostering the adaptation of CSR practices in SMMEs was examined. Actors included were multilateral development institutions, national governments, local authorities, business associations, and civil society. One of the main conclusions of the study was a call for increased co-operation between the examined actors (Cici & Ranghieri, 2008).

Jeppesen (2009), in a literature study of CSR and SMEs in development, notices a limited though growing focus on CSR in SMMEs in developing countries. Jeppesen suggests some areas where there is a need for research. First he claims there is a need for studies focusing on Southern perspectives, in order to find out how SMEs in developing countries perceive and practise CSR. Jeppesen also points to the importance of context, i.e. acquiring in-depth local knowledge and using context-sensitive approaches in the research. Jeppesen points out that a common perception of SMMEs as being miniatures of large firms often results in research that focuses on the lack of formal management systems and dedicated positions addressing CSR issues in SMMEs, concluding that SMMEs are CSR laggards. Jeppesen, therefore, calls for CSR research focusing on SMMEs in their own right.

Jeppesen moreover points out that current knowledge on CSR and SMMEs in a development context is found in four areas: 1) environmental issues 2) labour safety and health 3) CSR, SMMEs, and clusters, and 4) linkages to global supply-chains through TNCs. Jeppesen points out a lack of research on the impact of SMMEs on local communities and donations or other types of support to the communities (Jeppesen, 2009).

2.5 CSR in South Africa

The emergence of CSR in South Africa is distinctly different from other regions, given the unique history of the country. The following discussion outlines the emergence of CSR in South Africa and the way CSR is practised today. It shows that CSR in South Africa has been influenced by the legacy of apartheid and the extensive programme of reform and transformation that was initiated after the transition to democracy. Some of the main drivers and aspects of the emergence of CSR in South Africa are then discussed, including drivers from the private sector and civil society and what role these drivers and aspects have played in encouraging SMMEs to engage in CSR-related matters.

2.5.1 Historical background and current developments

The emergence of CSR in South Africa must be seen in the context of its history, especially the legacy of colonialism and apartheid (Kapelus et al., 2004). South African business is to a certain degree built on a migrant labour system, workplace segregation, a racial division of labour, and racially discriminatory salaries. During apartheid, many firms were given licence to cause environmental damage, which often affected both the ecology and the health of workers and those who lived in areas surrounding industrial plants (Fig, 2005). These environmental challenges are also found in the new democratic South Africa.

Another aspect of the legacy of apartheid is that the national priorities during the apartheid area were the development of key industrial sectors, which led to a highly concentrated industrial sector in terms of ownership and firm size. As a result of this, SMMEs came to play a secondary role in the industrial sector (Jeppesen & Hansen, 2004).

While there is general agreement that South African business was associated with the apartheid regime and often also did benefit from its policies, there is also evidence of business engaging in activities promoting a more just society. An example of this is the Urban Foundation that was formed by a number of South African companies in the late 1970s. The Urban Foundation sought to make living conditions in black townships better, through

infrastructure development and political lobbying. Such collective business activities have remained important to this day, which may explain a strong emphasis on Corporate Social Investment (CSI) in South Africa (Kapelus et al., 2004).

‘CSI’ is a term that is used mainly in a South African context and has been described as being ‘a company’s contributions, cash and non-cash, to people, organizations or communities that are external to the company’ (Rossouw, 2006:12). The South African approach to CSR has been dominated by activities best described as being CSI (Hönke et al., 2008), and annual spending on CSI in South Africa for 2008 is estimated to have been around R4.1 billion (Dialogue, 2009). While such a considerable spending on CSI doubtlessly makes a significant contribution towards development and fighting poverty, CSI often is criticized for its add-on nature and does not necessarily have any influence on the core business of a company. Critics, especially those from civil society, often claim that the strong emphasis on CSI in South Africa is a product of a business sector that is built on an exploitive system and that still has not taken responsibility for past and present wrongdoings (Fig, 2005).

The dawn of democracy in South Africa marked the start of an ambitious law reform programme that has reshaped the whole society. This law reform has had important implications for business and has contributed a lot in shaping the country’s CSR landscape (Kapelus et al., 2004) The tone was set already in 1994 with the launch of the Reconstruction and Development Programme (RDP), in which issues such as poverty alleviation, environment, health, safety, workplace empowerment, affirmative action, and human rights were addressed in detail, all of which are issues that can be linked to CSR (Visser, 2005).

The ideas of the RDP were later confirmed in the 1996 Constitution and its Bill of Rights, which again has resulted in much legislation that has direct or indirect implications for the current status of CSR in South Africa, of which important aspects are discussed below.

2.5.2 South African public policy with relevance to CSR

While the term ‘CSR’ or similar terms seldom are explicitly mentioned in policy documents, there is still plenty of support for CSR in the existing policy framework. Important parts of the Reconstruction and Development Programme (RDP) White Paper can be linked to CSR. The introduction of the white paper sets the agenda, as it states that one of the objectives is to help the country in:

‘...creating a sustainable and environmentally friendly growth and development path’
 (Republic of South Africa (RSA), 1994:7)

Many of these policy intentions were later included in the Bill of Rights in the Constitution of the Republic of South Africa Act 108 of 1996. The Constitution further includes a chapter on environmental rights (Constitutional Assembly, 1996). The Bill of rights also includes chapters on the right to human dignity, equality, access to information, and freedom from forced labour. All of these rights can be linked to CSR.

A number of pieces of legislation enacted since 1994 can be connected to CSR. These acts are in different policy fields and can be grouped in a number of ways. One possible way of arranging some of the most notable legislation into three policy fields is (Visser, 2005):

Table 3: South African legislation that can be linked to CSR

Socio-economic development	Reconstruction and Development Fund Act 7 of 1994, Development Facilitation Act 67 of 1995, Broad-based Black Empowerment Act 53 of 2003
Environment, health and safety	Occupational Health and Safety Act, 85 of 1993, National Water Act 36 of 1998, National Environmental Management Act 107 of 1998
Labour, governance, and ethics	Employment Equity Act 97 of 1998, Promotion of Access to information Act 2 of 2000, Prevention and Combating of Corrupt Activities Act 12 of 2004

Source: Modified after Visser, 2005:31.

Socio-economic development, including transformation and Black Economic Empowerment

Economic transformation and Black Economic Empowerment (BEE) are policy strategies aimed at redressing past inequalities based on race, gender, religion, physical disability, language, or sexual orientation. The objective of these strategies is to create a more equitable distribution of wealth, skills, and resources (Kapelus et al., 2004). Many of these strategies are based on voluntary self-transformation through licensing, tender specifications, and procurement policies. These are backed by legislation that mainly is facilitating, but there is evidence of the public sector assuming all four roles that were identified in Section 2.3.2 as being central for the promotion of CSR: mandating, facilitating, partnering, and endorsing.

Some of the central legislative instruments in this policy field are the Promotion of Equality and Prevention of unfair Discrimination Act (PEPUDA) 4 of 2000, the Employment Equity Act (EEA) no 55 of 1998, the Preferential Procurement Policy Framework Act No 5 of 2000,

the Skills development Act, the Skills Development Levies Act No 9 of 1999, and the Broad-Based Black Economic Empowerment (B-BBEE) Act No53 of 2003. The EEA works alongside PEPUDA to eliminate unfair discrimination and to contribute to transformation in the workplace through affirmative hiring of ‘designated groups’ (Kapelus et al., 2004). This legislation is to a large degree giving the public sector the traditional **mandating** role.

Public policy in the field of skills and training tends to give the public sector a **partnering** role. The Skills development Act and the Skills Levy Act imply that companies are required to contribute a percentage of their payroll to the National Skills Fund, which is controlled by 25 Sector Education Training Authorities (SETAs). The SETAs make the funds available to companies in each sector for training purposes, and companies are entitled to claim back compensation from their respective SETAs for the incurred costs towards training and skills development of their employees (Lundall, 2003). The SETAs have experienced varied degrees of success, while the Bank-SETA has been successful other SETAs have not had many results at all (Lundall, 2003). A recent review does, however, suggest that the SETAs generally are on a positive trajectory, though challenges remain concerning, among other things, implementation, effectiveness and efficiency, and evaluation of the SETAs (Marock et al., 2008)

The South African government produced a strategy for Broad-Based Black Economic Empowerment (B-BBEE) in 2003, based on the assertion that transformation had taken too long. This strategy led to the enactment of the B-BBEE Act NO 53 of 2003. The B-BBEE Act was legislated to increase broad-based and effective participation of black people in the economy, as well as increase black ownership and representation in management structures of existing and new enterprises and thus promote a higher growth rate, increased employment, and more equitable income distribution in the country (Kapelus et al. , 2004). The B-BBEE Act seeks to promote empowerment through codes of good practice and provide for business sectors to set their own transformation agendas (charters) through strategies specific to their spheres of operations (Republic of South Africa, 2003).

The B-BBEE Act provides the legislative framework for BEE Codes of Good Practice, which were released by the Department of Trade and Industry (DTI) in Government Gazette No 29617 in February 2007. The codes are aimed at standardizing the definitions, targets, and weightings used for the purposes of B-BBEE through the establishment of a ‘Generic

Scorecard'. The scorecard is designed to provide clear and comprehensive criteria for the measurement of broad-based BEE, and this is done through assigning scores to seven elements of broad-based BEE. Through providing an incentive in the form of the scorecard, the South African public sector assumes a **facilitating** role. The seven elements and their respective weightings out of 100 are as follows (DTI, 2007):

Table 4: Main elements of the B-BBEE generic scorecard

<i>ELEMENT</i>	<i>POINTS</i>
<i>Ownership</i>	20
<i>Management Control</i>	10
<i>Employment Equity</i>	15
<i>Skills Development</i>	15
<i>Preferential Procurement</i>	20
<i>Enterprise Development</i>	15
<i>Socio-Economic Development</i>	5
TOTAL	100 POINTS

Source: Department of Trade and Industry, 2007:4.

Accredited verification agencies have been assigned the roles of assessing, verify and validating BEE information for decision-making and evaluate BEE transactions and scenarios (South African National Accreditation System (SANAS), 2007). Depending on the score obtained, companies are rewarded BEE status ranging from level one to level eight. Companies with a score lower than 30 are called non-compliant contributors (DTI, 2007). To prove their compliance with the Codes, companies have to be able to produce evidence that those they procure from, or engage with in any meaningful economic activity, have also complied with the codes (DTI, 2007). This is meant to have an effect where the Codes become enforced along the value chain as companies that wish to ensure a good BEE rating censure those who fail to do so. The effect will then create a 'chain of compliance' (Ponte et al., 2007).

The B-BBEE codes have special arrangements for SMMEs, in the form of a Qualifying Small Enterprise (QSE) scorecard. Qualifying Small Enterprises (QSE's) are defined by the Codes as being those companies with an annual total turnover of between R 5 million and R35 million (DTI, 2007). The QSE scorecard allocates an equal 25% weighting to each of the seven elements of B-BBEE, and QSEs have to elect only four of the elements (selected

elements of compliance total 100%). Exempted Small & Micro Enterprises (ESMEs) are defined by the codes as being those companies with an annual total turnover of R 5 million or less. ESMEs are automatically given the BEE recognition of a Level 4 contributor and those which are either 50% owned by black people, or 50% owned by black women, are promoted to a Level 3 contributor (DTI, 2007).

BEE is increasingly viewed as being an integral aspect of CSR in South Africa (Wolmarans & Sartorius, 2009), but studies have failed to find a significant correlation between BEE activities and other CSR activities. Studies also suggest that black-owned companies do not have a stronger CSR performance than others and that the opposite seems to be true when it comes to environmental performance (Southall & Sanchez, 2007).

The inclusion of a socio-economic element in the B-BBEE scorecard has direct implications for the practice of CSR in South African companies. The B-BBEE scorecard prescribes that companies spend 1% of their profit on CSI and industry initiatives to facilitate the inclusion of black people in the sector and industry (DTI, 2007). The inclusion of CSI on the BEE scorecard has contributed to the status of CSI in South Africa (Skinner & Mersham, 2008), but no studies quantifying this contribution have been found.

Environment, health and safety

The basis for labour and, occupational health and safety issues in South Africa is provided for in the Constitution and the Bill of Rights. On the basis of this, legislative prescriptions are given in the Labour Relations Act (No. 66 of 1995), the Basic Conditions of Employment Act (No. 75 of 1997), the Compensation for Occupational Injuries and Diseases Act (No. 130 of 1993), and the Occupational Health and Safety (OHS) Act (No. 85 of 1993). The mining section has, in addition, received special attention with the Mine Health and Safety Amendment Act (No. 74 of 2008) and the Occupational Diseases in Mines and Works Amendment Act (No. 60 of 2002).

This legislation is mainly mandatory and sets the precedent for minimum health and safety requirements, equitable workplace policy and practice, as well as employee engagement. There has also been a number of case laws and litigation arising from previous inadequate safety standards. The Department of Labour (DOL) plays an important role in enforcing this

legislation, and this is partly done through inspections and audits done by officers at their provincial offices and labour centres (DOL, 2010).

The right to an environment that is not harmful to the health of all citizens is founded in the Constitution and its Bill of rights. The National Environmental Management Act (NEMA), No. 107 of 1998 came into operation in January 1999. NEMA provides for co-operative environmental governance by establishing principles for decision-making on all matters affecting the environment. NEMA also establishes procedures and institutions for environmental management, and the aim is to promote public participation in environmental management (RSA, 1998a). The National Water Act 36 of 1998 regulates the use of water, and requires that all water users that don't receive their water from a bulk supplier have to register their water use (RSA, 1998c). Companies are required to reapply for new water licenses, which requires them to go through a procedure involving an Environmental Impact Assessment (EIA) (Hönke et al., 2008).

Due to limited enforcement capacity, the South African government has emphasis on voluntary agreements with industry. This is done through Environmental Co-operation Agreements, which are founded in NEMA. Because the environment is a complex, crosscutting area of responsibility, national, provincial, and local governments have concurrent legislative competence for its management, that is, all spheres are constitutionally responsible for it (Hönke et al., 2008).

Labour, governance, and ethics

Labour regulation has already been discussed in relation to B-BBEE, as well as in relation to legislation on occupational health and safety. There are a number of South African laws setting out how companies should be run and directors should conduct business. One of the most important pieces of legislation in this area is the Promotion of Access to Information Act (PAIA) No. 2 of 2000, which states that information about the operations of public and private entities must be available to the public (Kapelus et al., 2004).

Other regulation in this area includes the Prevention of Organized Crime Act (POCA) and the Financial Intelligence Centre Act (FICA) that together provide the legislation against money laundering in South Africa (Kapelus et al., 2004).

2.5.3 South African Public Policy on SMMEs

Promotion of SMMEs has been an important part of the government's economic policy in the post-apartheid area. The government's policy is based on the 'White paper on a National Strategy for the Development and promotion of Small Business on South Africa', which appeared in 1995. The white paper states the national key objective for SMME promotion is to create an enabling environment for SMME development in terms of national, regional, and local policy frameworks (RSA, 1995). Following the white paper, the government established an institutional infrastructure to support urban and rural SMMEs, consisting of four key actors (Jeppesen, 2004):

- The Ntsika Enterprise Promotion Agency which was an implementation agency for all non-financial entrepreneurial services to support SMMEs.
- The Khula Enterprise Finance was a funding facility for SMMEs, and it provided loans, grants, and guarantees through organizations such as banks and NGOs.
- The National Small Business Council (NCBC) was a body that comprised representatives of small business associations and business chambers. The Councils promoted the interests of the SMME sector by providing a sounding board for small business interests and concerns.
- A SMME desk was established in each of the nine provinces to co-ordinate different programmes and to provide communication and information to SMMEs.

In addition to this, a number of SMME initiatives were launched, the most prominent of these being a network of Local Business Service Centres (LBSCs) and Manufacturing Advice Centres (MACs). The LBSCs delivered non-financial business support and services to small and micro enterprises, while MACs were meant to be complementary to the LBSCs through delivering specialist support on technological and business services.

The experiences with this system were mixed. The NCBC did not fulfil its objectives and was closed in 1999, while the Ntsika and Khula institutions experienced major problems in setting up their activities and obtaining a satisfactory efficiency. The MAC and LBSC programmes did, however, generally work well (Jeppesen, 2004), with some of the MACs considered to be world-class (PCAS, 2003).

After a review of small business strategy, the ‘National Small Business Amendment Bill’ and the ‘National Small Business Amendment Act’ were gazetted in 2003 and 2004. One of the main changes was that the Small Enterprise Development Agency (SEDA) was established in December 2004 (SEDA, 2010).

2.5.4 Private sector drivers for CSR in South Africa

The law reform programme described above has doubtlessly been central in stimulating progress in the field of CSR in South Africa. But it is important not to underestimate the role of market-based drivers in the emergence of CSR in South Africa. Globalization has probably been the most important driver for increased activities in CSR-related activities in South Africa (Kapelus et al., 2004; Fig, 2007; Visser, 2005). The re-entry of South Africa into international affairs coincided with the end of the cold war and the period of dramatically increased economic globalization described in Section 1.1. This is also the period when the attention around CSR grew rapidly, and a number of CSR instruments were developed and used. The South African business community has increasingly become a part of these developments in terms of both committing to the use of CSR-instruments and also getting involved in various CSR-related initiatives. In the last couple of years there has been development of important uniquely South African market-based incentives of relevance for CSR in the form of the King II code, which refers to CSR and of the establishment of a Socially Responsible Investment (SRI) Index at the Johannesburg Securities Exchange (JSE).

Globalization

Globalization has affected the emergence of CSR in South Africa mainly through two mechanisms. First, a number of South African companies, like Anglo American, Old Mutual, and SABMiller, have expanded into new markets and therefore have listed internationally. Through becoming multi-nationals, these companies attracted a higher profile and became subject to more rigorous corporate requirements as a part of international stock market listings in London and New York (Visser, 2005).

Another main impact of globalization on South African companies has come as a consequence of TNCs investing in South Africa and demanding that the local companies should adapt to certain standards for CSR. Perhaps more important is international supply-chain linkages or customers, where the use of CSR instruments often has been a requirement or advantage for doing business. This has especially been important among manufacturing SMMEs (Kapelus et al., 2004)

CSR –instruments

South African companies are increasingly following the international trend of codification and standardization in the areas of environment, health safety, ethics and social accountability. There are examples of South African companies utilising a number of CSR instruments, but the ISO 14000 Guidelines and the GRI have had the biggest impact in South Africa (Bezuidenhout et al., 2007).

The ISO 14001 environmental management standard is commonly used in South Africa, and especially companies with international supply-chain linkages or where their customers have become ISO 14000 certified (Kapelus et al., 2004). The GRI guidelines have increasingly become popular among companies active in South Africa, as a common framework for sustainability reporting in general (Kapelus et al., 2004). The use of the GRI guidelines has also been facilitated because the King II Code on corporate governance required use of the GRI guidelines in for disclosing social and environmental performance.

Other CSR instruments worth mentioning are a number of sector-specific environmental certification systems or guidelines that have enjoyed prominence among South African companies. This is true for the Forest Stewardship Council (FCS) certification scheme and the chemical industry's Responsible Care programme (Bezuidenhout et al., 2007).

A few South African companies have committed themselves to aspirational principles and codes of practice, most notably the OECD Guidelines and the UN Global Compact. South Africa is not a signatory to the OECD Guidelines, but the Guidelines are important for formerly South African companies that have moved their domicile to a signatory country. The Global Compact has not played a significant role in South Africa, but a few large companies (such as Eskom for instance) are among the signatories (Kapelus et al., 2004). Other initiatives, like the SA 8000 standard and the AA1000 reporting framework have had little prominence in South Africa (Bezuidenhout et al., 2007).

In addition, the South African business community has over the years also been involved in CSR- related initiatives like the establishment of a regional chapter of the World Business Council for Sustainable Development (WBCSD), the United Nation's Environment Program's Cleaner Production activities, the Kimberly Process for diamond mining and the Johannesburg World Summit on Sustainable Development (Visser, 2005).

In the last couple of years, a few important market-based initiatives for developing CSR have emerged from the South African private sector. This includes the release of the King II report on corporate governance (Bezuidenhout et al., 2007), which includes a code that is adopted by the JSE Securities Exchange as a listing requirement. The report also includes a full chapter on Integrated Sustainability Reporting, which clearly states that every company should report at least annually on its policies and practices when it comes to issues like transformation, social investment, ethics, health and safety, as well as environmental management. A new King Report on Governance (King III) was released in September 2009, and came into effect in March 2010 (Institute of Directors South Africa, 2010). There has also been a trend of increased Socially Responsible Investment, and the JSE was in 2004 the first stock exchange in an emerging market to introduce its own tradable SRI Index (Visser, 2005).

The King II Codes were made a mandatory listing requirement at the JSE 2004. This has had a big impact on Sustainability reporting in South Africa. A survey of South African sustainability reports from 2008 found that, although the vast majority of companies described their sustainability activities in an aspirational, anecdotal, and episodic manner, most companies reported on their King II compliance (KPMG Advisory, UNEP, GRI, & Unit for Corporate Governance in Africa, 2010)

Some of the above developments are of bigger importance than others for South African SMMEs. Some developments are for bigger companies and will thus have smaller impact amongst SMMEs, for instance the Global Compact principles and the King II Report. The influence from global supply-chains are believed to be of importance, amongst other things through making ISO 14001 certification a prerequisite for obtaining contracts (Bezuidenhout et al., 2007). Some of the sector-specific initiatives will be of importance for SMMEs, for instance FSC certification in the wood and furniture industry, the Kimberly Process in mining, and the Responsible Care Principles in the chemical industry.

2.5.5 The role of civil society and research institutions in promoting CSR

South African NGOs and civil society

South Africa has a diverse and relatively strong civil sector, and by the end of June 2009 57 636 organizations were registered in a database of Non-profit organizations, the NPO

Database, run by the Department of Social Development (Department of Social Development, 2009).

South African NGOs have different viewpoints and ways of working. NGOs focusing on environmental conservation have a history of working together with corporations, with business often sponsoring nature conservation initiatives (Bezuidenhout et al., 2007). A number of NGOs focusing on social issues and community outreach also receive most of their funding from corporate donors, while others work closely with government or rely on international donors.

Other NGOs have a more activist stance and are often highly critical of corporations and their role in social and environmental issues. These include a number of issue-based movements emerging over issues like as landlessness, electricity and water cut-offs, lack of access to medicine, lack of access to education, pollution and environmental degradation, privatization and so on (Ballard, 2005). Well-known examples of such movements are the Anti-Privatisation Forum and the Treatment Action Campaign (TAC), the latter known for using both street pressure and a legal strategy to acquire anti-retroviral drugs for HIV-positive people. Most of these organizations prefer to be independent of any corporate support.

The Environmental Justice Movement is a group of NGOs which focus on environmental burdens borne by groups such as minorities, women, and residents of economically disadvantaged areas (Munnik, 2007). NGOs in the movement are generally sceptical about the voluntary nature of CSR, and is championing the idea of Corporate Accountability and of more stringent legislation in areas connected to CSR.

Though civil society in South Africa often lacks capacity and resources (Bond, 2008), in the last fifteen years or so there have been cases where communities have challenged companies on the social and environmental consequences of their operations. The following two cases can be mentioned as examples of this.

- In 1999, social activism from the Community Based Organization (CBO), Save the Vaal Environment (SAVE), led to the passing of a judgement that prevented the proceeding of a coal strip-mine in close proximity to the Vaal river. The judgement was based on lack of consultation with stakeholders prior to issuing the mining licence (Visser, 2005).

- In 2001, 37 former mineworkers made claims in the Johannesburg high court against Gencor for asbestos related health damages. This led to Gencor in 2003 agreeing to pay \$50 million to the victims and their families.

South African unions

During the apartheid era, South African unions succeeded in making employers negotiate with employees through their representative unions (SouthAfrica.info, 2002) South Africa's trade union movement has played an influential role in determining labour market-policies and industrial relations policies in the country. Currently in South Africa, unions remain active, addressing policy on formal labour practice, government employment practice of civil servants, as well as the labour practice of businesses (Ballard, 2005). Unions have also taken action on health, safety, and environmental matters, often motivated by death of workers in mining accidents or the exposure of workers to harmful substances like asbestos, uranium, and mercury (Bezuidenhout et al., 2007)

South African research institutions and universities

The most central South African research institution dealing with issues related to CSR has been the African Institute of Corporate Citizenship (AICC). The AICC is a non-governmental organization committed to promoting responsible growth and competitiveness in Africa by changing the way companies do business in Africa. The AICC has, among other things, produced a number of papers on CSR, arranged the African Convention on Corporate Citizenship three times, and contributed to the development of the upcoming ISO 26000 through being in liaison with ISO (AICC, 2006, 2010).

The University of South Africa (UNISA) in 2006 established an Institute of Corporate Citizenship. The Institute is linked to UNISA's College of Economic and Management Sciences, offers courses on Corporate Citizenship, and conducts research in three different areas: Business and Climate Change, Responsible Investment, and Collaborate Governance and Accountability (UNISA, 2010).

A number of South African business schools are presently offering courses on CSR and related issues, and some research is also conducted. Examples of this are the University of Cape Town, the Gordon Institute of Business Science at the University of Pretoria, and the University of Stellenbosch Business School. The University of Stellenbosch Business School was in 2009 ranked number 39 (out of 150) in a worldwide ranking of business schools that

integrate issues of social and environmental stewardship into curricula and research. The survey investigated the number of courses on offer that contain social, environmental or ethical content, the teaching hours, student enrollment in these courses, and the number of scholarly articles containing some degree of social and environmental or ethical content originating from university scholars and staff (Aspen CBE, 2009).

Another centre of research worth mentioning is the Sustainability Institute, linked to the School of Public Management and Planning at the University of Stellenbosch, which includes CSR-related courses in a Master of Art degree on sustainable development (The Sustainability Institute, 2010).

2.5.6 The practice of CSR in South African companies

A picture of the background and recent developments of importance for CSR in South Africa has been given. It seems clear from this picture that this area in South Africa today is dominated by CSI and B-BBEE, and that the understanding of what constitutes CSR often is limited to these areas. CSI activities of South African have increased significantly, and annual spending on CSI in South Africa was estimated at 4.1 billion in 2008 (Dialogue, 2009). The increase in CSI spending is believed to be closely connected to the inclusion of CSI in the Codes of practice on BEE and to CSI featuring on the B-BBEE scorecard (Skinner & Mersham, 2008). Studies have also found an increase in sustainability reporting in South Africa (Dawkins & Ngunjiri, 2008), and the JSE socially responsible investment index has also made some inroads with a reported 58 companies out of 62 applicants meeting the index criteria in 2006 (Skinner & Mersham, 2008). The pursuit among business to improve their B-BBEE scores is also believed to have increased business efforts on all the issues included in the scorecard, all of which have significant relevance to CSR in the South African setting (Skinner & Mersham, 2008).

Progress on issues related to environmental management seems less impressive, and the South African government has been criticized for limited enforcement capacity and too strong an emphasis on voluntary agreements with industry (Hönke et al., 2008). South African companies are, however, increasingly utilizing CSR instruments that are related to environmental issues. An increasing number of South African companies are obtaining ISO 14001 certifications and sector-specific environmental certification schemes and guidelines

like the FSC certification scheme and the Responsible Care programme are quite commonplace (Bezuidenhout et al., 2007).

It has been argued that South Africa is world class when it comes to CSR (Visser, 2005), and a study that compared CSR reporting in emerging and developed economies put forward South Africa as an emerging economy that performed well on CSR (Baskin, 2006).

The practice of CSR in South African SMMEs

There is limited research on CSR in South African SMMEs, but a few studies have started to emerge. A study by Viviers and Venter (2007) shows that South African SMME owners/managers generally view CSR as an important business practice, yet have limited knowledge about what CSR entails and how it can be implemented. Jeppesen (2004) investigated the environmental practices of manufacturing SMEs in South Africa and found that environmental practices had gained increasing attention among South African SMEs. Jeppesen found major differences among sectors, and major differences among micro, small, and medium sized firms, i.e. the medium sized firms had the highest number of practices and micro sized firms the lowest.

2.6 Summary

The available literature pertinent to the subject of the study has been reviewed in this chapter. It was established that the current understanding of CSR refers to five dimensions: the environmental, social, economic, stakeholder, and voluntariness dimensions and that a common understanding of what constitutes the core subjects of CSR is emerging. The stakeholder dimension of CSR was examined and then the role of public policy in promoting CSR was discussed. Four main public sector roles for the promotion of CSR were presented: mandating, facilitating, partnering, and endorsing. In Section 2.4, the focus was on SMMEs and the limited but increasing place SMMEs have taken in the CSR agenda. How CSR in SMMEs in developing countries is receiving increased interest was investigated.

In Section 2.5, the focus was on CSR in South Africa. This was done through giving a picture of the unique background and current context for CSR in South Africa, reviewing public policy with relevance to CSR and SMMEs and through looking into CSR-related initiatives in business and civil society. Finally research was reviewed on CSR activities in South African companies. Chapter three will now move on to assessing the specific context of the study.

CHAPTER THREE: CONTEXT AND LOCAL STAKEHOLDERS

Because the study is limited to SMMEs in the Pietermaritzburg area, it has a distinct regional focus. The influence of local stakeholders on how CSR is practised in the SMMEs is investigated. It is therefore important to assess the socio-economic and political context of the research and to identify the most important local stakeholders.

The research setting is presented in Section 3.1, then the socio-economic and political context of the study is described in the two following sections. The local political and socio-economic context forms the background for the identification and description of key local stakeholders in local manufacturing SMMEs, which is given in Section 3.4 and which is followed by a summary.

3.1 Research setting

The study took place within the Msunduzi Municipality, which is situated in the KwaZulu-Natal province in the east of the Republic of South Africa. The KwaZulu-Natal province stretches from Lesotho and the Eastern Cape province of South Africa in the south-west, up to the borders of Swaziland and Mozambique to the north-east, and borders the Mpumalanga province in the west. The Msunduzi Municipality is situated along the N3 highway at the junction of an industrial corridor from Durban to Pietermaritzburg and an agro-industrial corridor stretching from Pietermaritzburg to Estcourt. The Msunduzi Municipality is part of the Umgungundlovu District Municipality. The Municipality is dominated by Pietermaritzburg, which is the second largest city in KwaZulu-Natal and the capital city of the province. The manufacturing SMMEs that are included in the study are situated in two industrial areas within the Pietermaritzburg city area: the Willowton and Mkondeni industrial areas. The location of the study area is shown in the map below.

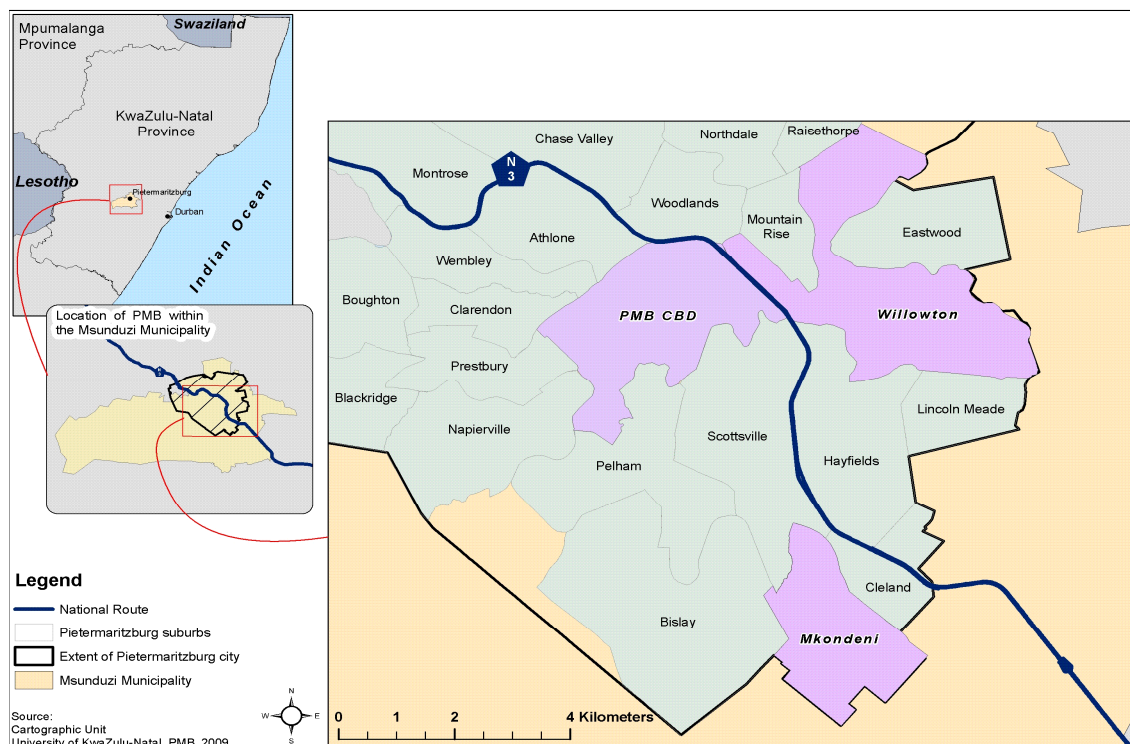


Figure 4: Location of the research area.

Source: University of KwaZulu-Natal (UKZN) Department of Geography.

3.2 Socio-economic context and physical environment for the study

3.2.1 Socio-economic context

The Msunduzi municipality covers an area of 649 square kilometres with a population of 616.730 (Msunduzi Municipality IDP Steering Committee, 2009), and the area consist of urban, peri-urban, and agricultural areas (Msunduzi Municipality IDP Coordinating Committee, 2007). The Msunduzi Municipality is the main economic hub within the Umgungundlovu District municipality, which is dominated by the City of Pietermaritzburg. The city has a diverse economy, with the most critical sectors being agriculture, manufacturing, wholesale/retail, business, and real estate, finance, and government (Msunduzi Municipality IDP Coordinating Committee, 2007). The table below shows the sector distribution of the economy in the municipality, expressed as the contribution to the total turnover generated in the local community. The left column shows the sector distribution for the Msunduzi Municipality in 2005, while the column to the right shows the sector contribution for 2008.

Table 5: Sector Distribution of the Economy in the uMgungundlovu District Municipality⁵

Sector	As a % of Total Turnover	As a % of Total Turnover
<i>Agriculture, Forestry, Hunting</i>	5.32	3.22
<i>Farming</i>	5.06	7.06
<i>Mining</i>	0.00	0.00
<i>Quarrying</i>	0.09	0.02
<i>Manufacturing</i>	35.14	30.14
<i>Electricity, Gas & Water</i>	0.92	0.53
<i>Construction</i>	1.21	3.56
<i>Educational Institutions</i>	0.17	0.10
<i>Catering & Accommodation</i>	3.14	4.14
<i>Wholesale & Retail</i>	23.49	27.84
<i>Transport, Storage & Communications</i>	2.04	2.97
<i>Banks</i>	2.20	1.28
<i>Real Estate & Business Service</i>	15.64	18.34
<i>Government</i>	2.72	1.18
<i>Social & Personal Services</i>	1.79	3.79

Source: Coetzee, 2008:10

The table shows that the manufacturing sector in 2008 was the biggest contributor to the total turnover of the local economy with 30.14%. The 2007 Integrated Development Plan (IDP) of the Msunduzi Municipality further shows that manufacturing is concentrated in the following sub-sectors (Msunduzi Municipality IDP Coordinating Committee, 2007):

Table 6: Sub-sectors with highest share of total manufacturing turnover in the Msunduzi Municipality

Sub-sector	Share of total turnover
Food and beverages	15.3 %
Metals, metal products, machinery and equipment	12.4 %
Paper, publishing and printing	10.7 %
Petroleum, chemicals, rubber and plastics	10.0 %
Motor vehicle parts, accessories, bodies and trailers	8.2 %
Wood and Furniture	7.2 %

Source: Msunduzi Municipality IDP Coordinating Committee, 2007:55.

The Pietermaritzburg economy experienced a remarkable growth between 2003 and 2007. Analysis of economic data shows that the city's economy more than doubled, insolvencies halved, and unemployment declined between 2003 and 2007 (Coetzee, 2008). Important factors in explaining this growth is the completion of the Midlands Mall in 2004, and the final decision to make Pietermaritzburg the capital city of the province in 2004, all this at the same

⁵ The source from which the table is taken does not state clearly whether the numbers are for the Msunduzi Municipality or the uMgungundlovu District Municipality.

time as the South African economy was experiencing a period of economic growth between 2003 and 2007.

In the period from 2003 to 2008, the ‘Quarterly Economic and Business Report for the Pietermaritzburg and Umgungundlovu District Economy’ was developed by Clive Coetzee of the UKZN School of Economics and Finance. In these reports an Economic Performance Index (EPI) for Pietermaritzburg and the Umgungundlovu District was formed. This index comprises a set of components selected from a wide range of key short-term indicators which were weighted according to their relative importance. The figure below shows that economic activity, according to the EPI, in the area increased by 110% from January 2003 to December 2006, and by 8.69% in 2007 (Coetzee, 2008). The figure further shows that the EPI is sensitive to seasonal and monthly fluctuations in economic activity. The blue kernel line has been developed in order to better display how the economic activity changed between 2003 and 2008 (Coetzee, 2008).

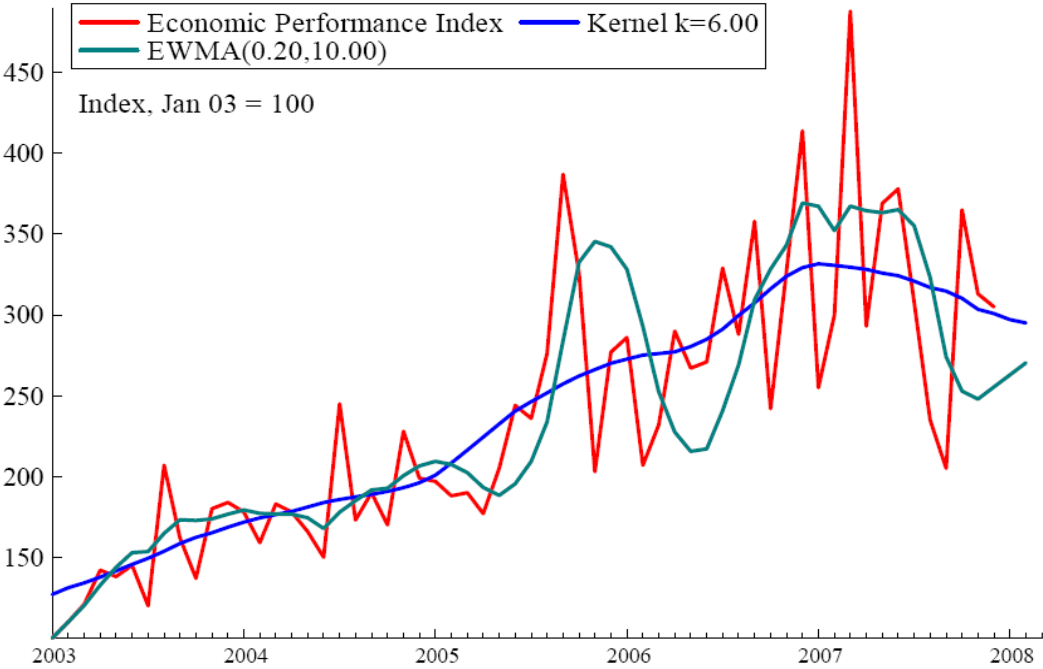


Figure 5: Economic Performance Index (EPI) for Pietermaritzburg and the Umgungundlovu district
 Source: Coetzee, 2008:52.

It should be noted that the graph of the economic performance index suggests that the local economy experienced a slowdown during 2007, a development that possibly has continued since because of the global economic slowdown after 2007. It has unfortunately not been possible to obtain an EPI graph for the last couple of years.

A lot of social challenges remain in the municipality, despite the strong economic growth. Wealth is very unevenly distributed, and affluence exists side by side with poverty. The municipality also acknowledges a significant backlog in municipal services, especially in the Edendale and Vulindlela areas (Msunduzi Municipality IDP Coordinating Committee, 2007).

South Africa is currently experiencing the consequences of the ongoing global economic slowdown. The manufacturing sector is vulnerable to fluctuations in the world economy, and this is especially true for exporting companies. A large share of the manufacturing SMMEs in the Pietermaritzburg area is export oriented, and there have been reports in the local media of problems in the automotive sub-sector and the metals sector (Harrilall, 2009). The interviews for this study were conducted from November 5th 2008 to January 28th 2009, and it seemed clear that some of the companies had started to feel the consequences of the economic slowdown.

3.2.2 Physical environment

The physical environment of the Msunduzi Municipality, together with industrial development in designated zones within the area, has resulted in specific environmental challenges. The Municipality is named for the uMsunduzi river, which flows east through Pietermaritzburg on its way to the Indian Ocean. The City of Pietermaritzburg, as well as several industrial zones, is situated in a roughly 8 km x 12 km x 300 m basin created by river erosion from the uMsunduzi River and its tributaries (McGee, 2009).

Water quality in the uMsunduzi River is acceptable or better until it reaches Pietermaritzburg, but becomes seriously degraded as it flows through the city. As it continues to the eastern edge of Pietermaritzburg, the river is joined by the Baynespruit, which according to the results of weekly monitoring by Umgeni Water, the regional bulk water supplier, is the most polluted stream in the uMsunduzi Catchment (Neysmith, 2008). The pollution originates from several sources, including sewage streams and solid waste from surrounding settlements and industrial effluents from the Willowton Industrial Area (Neysmith, 2008).

The local topography also contributes to certain challenges concerning air quality. During winter, air pollution often gets ‘trapped’ in the Pietermaritzburg basin due to temperature inversion (McGee, 2009) and air pollution has been a continuing source of concern. The challenges concerning air quality did, amongst other things, lead to the formation of the

Msunduzi Air Quality Forum, which included representatives from business, civil society, and authorities. The structure has now been taken over by the Pietermaritzburg Chamber of Business (PCB), and incorporated into the PCB Air Quality and Environment Forum (Layman, 2008b).

3.3 Political context of the study

Firstly, the role of local government in South Africa is described, particularly its role in development and environmental protection. Secondly, a brief description of the Msunduzi Municipality and some of its activities is given.

3.3.1 Local government in South Africa

The South African National Constitution (Constitutional Assembly, 1996) states that the South African government is founded on three spheres: the national, provincial, and local spheres of government. These spheres are described in the Constitution as ‘distinctive, interdependent, and interrelated’ (Constitutional Assembly, 1996:15). The Constitution thus allows local government considerable autonomy and gives it the responsibility to promote social and economic development (Frödin, 2009).

Local government in South Africa has been significantly transformed in the last fifteen years. From 1996 onwards, racially separate areas within contiguous urban areas were united to form Transitional Local Councils (TLCs). Then, in 2000, the TLCs were combined to constitute new, enlarged Local and Metropolitan Municipalities with enhanced municipal powers, including a new development mandate (Nel & Binns, 2001).

The local sphere consists of two tiers, the district and the local level, which further contributes to the multi-level character of the South African government system (Frödin, 2009). Municipalities are required to promote economic development in co-operation with the business sector, local community groups, and other government agencies. All local development initiatives are co-ordinated through Integrated Development Plans (IDPs). The IDPs are formulated and reviewed through participatory planning processes involving government representatives as well as interested non-government actors, and envisages complementary relations between the state, the market, and civil society (Frödin, 2009)

Local government has been mandated to implement social and economic development in their areas, and the South African Constitution (Constitutional Assembly, 1996) states that local

government is responsible for initiating and leading development, for acting as the primary link between central government and the country’s citizens, and for promoting a safe and healthy environment in the Municipality. The environmental provisions are based on a system of co-operative governance (Hönke et al., 2008), in which local governments have been given a role in, amongst other things, developing environmental management frameworks, conducting inspections and enforcing laws. Local government further has a constitutional mandate to conduct its business in a way that is consistent with sustainable development principles, as well as to integrate environmental issues into its planning processes (Department of Environmental Affairs and Tourism, 2010).

Local government has also been given the mandate of dealing with issues such as small business support, local procurement, public works programmes, providing infrastructure, alleviating poverty, and attracting industry (Nel & Binns, 2003). These are considered to be key strategies for economic development in the White Paper on Local Government (RSA, 1998b).

3.3.2 The Msunduzi Municipality

The Msunduzi Municipality was formed after the December 2000 elections according to the Municipal Demarcation Act of 1998, and it consists of five previous entities: Pietermaritzburg – Msunduzi TLC, Ashburton TLC, rural Vulindlela, Claridge and Bishopstowe (Msunduzi Municipality, 2002). The basic organizational structure of the Msunduzi Municipality can be depicted in the following figure 6.

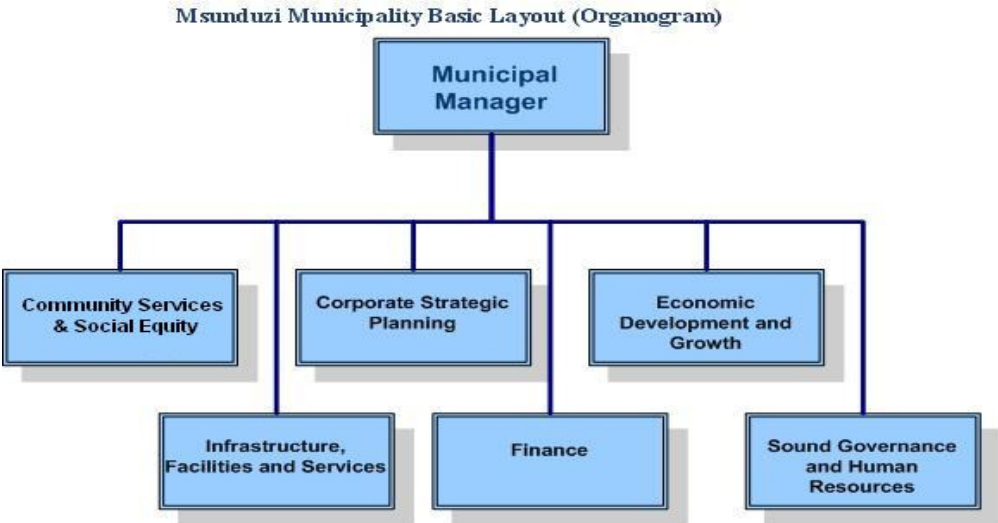


Figure 6: Basic organizational structure of the Msunduzi Municipality.

Source: Msunduzi Municipality, nd.

As shown in Figure 6, the Municipality consists of six strategic business units. Each of these units has a Strategic Executive Manager (SEM), and consists of several sub-units that each is headed by a Process Manager (PM).

The Msunduzi Municipality Integrated Development Plan (IDP)

The Msunduzi Municipality has released an Integrated Development Plan intended to provide solutions to the local spatial, institutional, social, economic, infrastructural, environmental and technological challenges facing the Municipality. The current 2006- 2011 IDP has identified the following priority areas (see table 7).

Table 7: Identified priority areas in the Msunduzi 2006-2011 IDP

Macro level	Micro level
Electricity maintenance, upgrade, and street lights	Overtime (balancing efficacy in maintenance and repairs and personnel costs management
Road maintenance	Maintenance of agreements/contractual obligations
Property rating Act implementation (July 2008)	Transformation costs
Weed killing and street cleaning	
Developing a Spatial Development Framework (SDF)	
Developing a City Development Strategy (CDS) that will underpin a development of some outstanding sectoral plans in the IDP so that the IDP will be an integration of prioritized plans, measured and developmental indicators.	

Source: Msunduzi Municipality IDP Coordinating Committee, 2007:15.

The Msunduzi Spatial Development Framework (SDF) and Environmental Management Framework (EMF)

A new Spatial Development Framework (SDF) has been constructed to guide urban development in the Municipality, and has replaced the SDF from 2002. The new SDF incorporates all the elements in an integrated fashion that determine development, including environmental issues (Msunduzi Municipality, 2009).

An Environmental Management Framework (EMF) is also currently being developed for the Msunduzi Municipality. The EMF will inform development planning in the Municipality and facilitate sustainable development within designated zones (Emanuel, 2009). The EMF will be

aligned with the IDP and the Spatial Development Framework, in order to demonstrate the Municipality's forward planning and integration of the environmental and developmental planning processes (Emanuel, 2009).

3.4 Key stakeholders of manufacturing SMMEs in the Pietermaritzburg area

Local stakeholders that may influence CSR practices in manufacturing SMMEs in the Pietermaritzburg area are described. For the purpose of this study, only stakeholders with a local presence are included. Attention has been given to identifying the stakeholders that are most likely to influence CSR practices in manufacturing SMMEs in the Pietermaritzburg area, i.e. the most salient stakeholders. The stakeholders were identified and assessed based on the information obtained through assessing the political and socio-economic context of the study and on early experiences made in the research process. A further description of how the stakeholders were identified, contacted, and interviewed can be found in Section 4.2.

3.4.1 The Msunduzi Municipality

In Section 3.3 it was described how local government is responsible for local development and that local government is required to work together with business and civil society in doing this. Further, it was pointed out that local government plays an important role in environmental planning and in enforcing environmental regulation. Both these tasks of local government mean that the Msunduzi Municipality, through its activities, has the potential to influence CSR activities in local businesses. Local government also deals with issues such as small business support, local procurement, public works programmes, providing infrastructure, alleviating poverty, and attracting industry (Nel & Binns, 2003), all of which are issues that can be connected to the themes of this study. It is therefore clear that the Municipality should be one of the local stakeholders that receive special attention in this study.

There are two strategic business units of the municipality that deal with issues that may influence SMMEs to undertake activities that are CSR-related. These are 1) the Economic Development and Growth business unit and 2) the Community Services and Social Equity business unit. The Economic Development and Growth business unit is central in deciding the broader economic policies and priorities of the Municipality, including BEE that will impact on CSR-related activities in local businesses (Msunduzi Municipality IDP Coordinating Committee, 2007). The Community Services and Social Equity business unit is active in

several areas that can have a potential impact on CSR-related activities in companies including different community development projects, HIV/AIDS-strategies and enforcement of environmental legislation through its Environmental Health Unit (Msunduzi Municipality IDP Coordinating Committee, 2007). The Msunduzi Municipality is the main agency with jurisdiction over water-related powers and functions, but most of the pollution monitoring and enforcement is done with the support of Umgeni Water (Neysmith, 2008).

3.4.2 The Department of Labour - Pietermaritzburg Labour Centre

The Pietermaritzburg Labour Centre, a branch of the Department of Labour (DOL), has frequent contact with local companies on issues related to labour and occupational safety and health, especially through conducting inspections and audits. The local Labour Centre of the DOL was, therefore, included as one of the local stakeholders that were more closely examined in this study.

The Department of Labour publishes legislation that regulates labour practices and activities, and develops policies and programmes in consultation with social partners. These programmes and policies focus on issues like improved economic efficiency and productivity, skills development and employment creation, sound labour relations, elimination of inequality and discrimination in the workplace and alleviation of poverty and unemployment (DOL, 2010).

Besides the publication and development of regulations, policies, and programmes, the DOL also plays an active role in enforcing the regulations, in assisting employees and employers in complying with key topics in labour legislation, and by contributing towards entities like SETAs and the Commissions for Conciliation, Mediation and Arbitration (CCMA) (DOL, 2007).

A number of Labour Centres render services in areas such as unemployment insurance, skills development, workers' compensation for injuries, and labour relations. Each Labour Centre has a number of labour inspectors connected to it, and the function of labour inspectors is to promote, monitor, and enforce compliance with employment laws. The Labour Centres advise employees and employers on which rights and obligations they have in terms of employment laws. Labour inspectors conduct inspections, and investigate complaints and thus secure compliance with employment law (Madlala, 2009).

Inspections and audits carried out by the DOL are focused mainly on compliance with the following three pieces of legislation: the Basic Conditions of Employment Act, the Employment Equity Act, and the Occupational Health and Safety (OHS) Act (DOL, 2010).

After audits, employers are asked to sign an undertaking to comply with identified areas where there are findings, if any, within a specific time (South African Labour Guide, 2001).

3.4.3 Pietermaritzburg Chamber of Business

The Pietermaritzburg Chamber of Business (PCB) is included for this study as one of the key local stakeholders, as being the voice of the local business community. Also, the business chamber has engaged in several issues that are linked to CSR, and it is therefore of interest for this study to evaluate whether this engagement has influenced local manufacturing SMMEs to implement practices of CSR.

The PCB is a voluntary association of business enterprises and represents the business community of Pietermaritzburg and districts. The PCB was established in 2002 as a result of the unification of the Pietermaritzburg Sakekamer, the Pietermaritzburg Chamber of Commerce and Industries, and the Midlands Black Business Chamber (Pietermaritzburg Chamber of Business, 2010). The process of incorporating the existing organizations into a new body is thought to be rare within the chamber movement of South Africa.

The PCB speaks to local, provincial, and national government, and contributes to the policy positions of the South African Chamber of Commerce and Industries (SACCI) (Pietermaritzburg Chamber of Business, 2010). Forum meetings, at which business issues of the day are discussed, provide members with the opportunity of participating in this advocacy process by expressing their views and thereby having input into the formulation of PCB policy. The PCB's focus is on local economic development and the growth and prosperity of business enterprises, which it views as being inextricably linked. The Chamber is focused on maintaining a strong and vibrant business network and promoting continued investment in businesses that are based in the Pietermaritzburg area. The Chamber has furthermore taken the stand that the development of local enterprises and local people, not foreign investment promotion, is the key to economic growth. The Chamber therefore points at B-BBEE, growth of SMMEs, and skills development as essential for Pietermaritzburg to achieve its economic potential (Layman, 2008a). All of these issues are linked to the topic of this study.

The PCB participates in a number of initiatives that may stimulate CSR activities in companies. They promote a HIV/AIDS helpline for small businesses and have established a Women Empowerment Desk in partnership with the bank ABSA. The Chamber facilitates a number of forums for the local business community (Pietermaritzburg Chamber of Business, 2010). Several of these forums have themes that are linked to CSR, and this is especially true for the BEE forum and the Air Quality and Environment forum.

3.4.4 Local NGOs

There are a number of Non-Governmental Organizations (NGOs) in the Pietermaritzburg area that are active in fields that are related to CSR. It is possible to make a rather simplified separation between NGOs that partner with business and/or government on one side, and organizations that take a more activist stance on the other. Partnering NGOs will often receive most of their funding from business and/or government, while activist organizations often receive funding from foreign donors: mainly other NGOs, private funders, and other ways of fundraising (campaigns etc).

Examples of NGOs that focus on partnerships with business in the Pietermaritzburg area are the Children in Distress (CINDI) network, the Duzi Umgeni Conservation Trust (DUCT) and School Trade. These NGOs have slightly different strategies in the way they operate. CINDI is an initiative where NGOs, Community Based Organizations (CBOs), government agencies and individuals work together. DUCT is sponsored both by individuals and businesses and at times co-operates with the Msunduzi Municipality Environmental Health Unit (DUCT, 2007).

The increased focus on Corporate Social Investment (CSI) and the inclusion of CSI as one of the criteria in the B-BBEE-scorecard have contributed to the emergence of a number of local organizations offering partnerships with business in community outreach projects. Questions do, however, arise about the level of commitment and professionalism of the organizations (Layman, 2008b). SchoolTrade was included in this study for closer examination, as an example of a professionally run NGO partnering with businesses on CSI issues. The NGO has formed partnerships with businesses and also co-operates with the Pietermaritzburg Chamber of Business. The concept of SchoolTrade is to link underprivileged schools with companies that sponsor schools to be part of the network and with well resourced schools that contribute their skills. In 2007 the network comprised 18 sponsored schools and 12 supporting businesses (SchoolTrade, 2007). In addition, SchoolTrade has organized a ‘Small Projects

Imbizo' in co-operation with the Pietermaritzburg Chamber of Business (PCB). This was done in order to secure business sponsors for smaller projects at selected schools. A number of schools made known their needs, and local businesses and private individuals were given the chance to help the schools to fulfil these needs (Layman, 2008b).

Groundwork is an example of an organisation that takes mainly an activist stance towards Business. Groundwork was included in this study as it is one of the most well-known NGOs operating from Pietermaritzburg, and its activity is extended over most of Southern Africa (Groundwork, 2010). Groundwork forms part of the global environmental justice movement, which focuses on environmental burdens borne by groups such as minorities, women, and residents of economically disadvantaged areas. Groundwork is generally sceptical about the voluntary nature of CSR, and is championing the term 'Corporate Accountability' and more stringent legislation in areas connected to CSR (Fig, 2007). Groundwork forms part of the international Friends of the Earth network, from which it receives some of its funding. The organization receives little or no funding from Business (Khanyile, 2009)

3.4.5 Local trade unions

Unions are central stakeholders when it comes to labour issues, especially wages and terms of employment. Unions also traditionally enjoy a strong standing in South Africa, and local trade unions were therefore included amongst the key local stakeholders of this study.

Trade unions in South Africa

South Africa's trade union movement has played an influential role in determining policies for the labour market and industrial relations in the country. During the apartheid era, it succeeded in making employers negotiate with employees through their representative unions (SouthAfrica.info, 2002). Today, almost all sectors of the economy have representative unions which engage employers over issues affecting their workforce, and trade union representation is an integral part of industrial practice. Industrial relations policy is regulated through labour legislation, and is negotiated at the statutory National Economic Development and Labour Council (NEDLAC). Trade union federations, employer bodies, the government, and civic organizations are represented in NEDLAC, which debates and tries to reach consensus on social and economic policy issues (Jauch, 2003).

The Labour Relations Act 66 of 1995 describes the role of shop stewards, who are employees elected by their unionized colleagues to represent them in dealings with management. The

shop steward structures on the factory floor serve two major purposes: they ensure that workers' interests are articulated and that agreements with employers are implemented.

There are three prominent trade union federations with affiliates operating in the different sectors of the economy: the Congress of South African Trade Unions (COSATU), the Federation of Unions of South Africa (FEDUSA), and the National Council of Trade Unions (NACTU) (SouthAfrica.info, 2002). COSATU is by far the most important federation, and it has formed an alliance with the African National Congress (ANC) and the South African Communist Party, referred to as the tripartite alliance. This alliance has been responsible for the South African government since democracy in 1994 (Jauch, 2003). COSATU has a number of affiliated trade unions, representing workers in different industry and business sectors, as well as in public service.

COSATU in Pietermaritzburg

COSATU has a local branch with offices in Pietermaritzburg. A number of unions are represented in these offices, including the National Union of Metalworkers of South Africa (NUMSA), the Chemical, Energy, Paper, Printing, Wood and Allied Workers Union (CEPPWAWU) and the South African Municipal Workers Union (SAMWU). The representative for CEPPWAWU acts as a local co-ordinator for COSATU. The unions base their work on different forms of contact with workers, shop stewards, and companies, concerning issues related mainly to conditions of employment, wage demands, and occupational safety and health. In certain cases, the union will make demands and go into negotiation with companies, and ultimately organize the workers to go on strike if some settlement cannot be reached (Dladla, 2008).

3.5 Summary

An assessment has been made of the socio-economic and political context of CSR in SMMEs in the Pietermaritzburg area and key local stakeholders for manufacturing SMMEs operating in the area have been identified and described. The contextual assessment described herein, together with the knowledge of the subject matter derived from the literature review was critical to informing the design of this particular research. The design and execution of the research is described in Chapter four; which focuses on the methodology used in this study to explore the practice of CSR among manufacturing SMMEs in the Pietermaritzburg area and how this practice is influenced by their stakeholders.

CHAPTER FOUR: RESEARCH METHODS

The methodological choices and considerations of the study are discussed in Chapter four. In Section 0, the research approach and design of the study are described, and the considerations leading to the choice of this approach and design are explained. In Section 4.2, the method of qualitative research interviews are explained and how the method was applied in this study is described, including which considerations and compromises were made. Finally, in Section 4.3, issues of validity, reliability, and generalization attributed to the study are examined, then a short summary is given in Section 4.4.

4.1 Research approach and design

The main aim of the study is to explore the practice of CSR among manufacturing SMMEs in the Pietermaritzburg area and how this practice is influenced by their stakeholders. This was done through applying various qualitative methods, using an exploratory approach with some descriptive elements. The main applied method was semi-structured qualitative research interviews, and the interviews were conducted in the period from November 5th 2008 to January 28th 2009.

Using qualitative methods was deemed to be the most suitable way of achieving the aim and objectives of the study. The main reasons for this are, firstly, that the field of CSR was assumed to be new and unknown for local SMMEs and their local stakeholders and, secondly, that CSR comprises a number of subjects that the examined companies and stakeholders may think of as belonging to different areas. It was therefore assumed that the companies visited would have a limited understanding of what CSR is and of which company activities are CSR-related. An interview makes it easier to get an overview of activities in the company related to CSR, which otherwise would go unnoticed in a questionnaire. Furthermore, in an interview setting, the researcher is able to gain a good picture of the motivation of the firms for undertaking CSR-related activities, through the use of techniques such as probing (Kvale, 2007). A semi-structured interview also helps the researcher to gain some insight into how the firm operates (ethics etc.) and the nature of the organizational culture in the firm. The use of survey questionnaires was avoided partly because they often are filled out in a hurried manner, which can compromise the quality of information obtained. Finally, there are a relatively few companies in the Pietermaritzburg area that satisfy the criteria of the study, namely manufacturing SMMEs. There was therefore a chance that, given a low response rate,

the number of respondents would be too low to yield statistically significant results. All these factors contributed towards the decision of using qualitative methods for this study.

Research approach

The different approaches to research are commonly characterized by what kind of goals the research has, as shown below in Table 8.

Table 8: Typical research goals for different approaches to research

Exploratory	Descriptive	Explanatory
Become familiar with the basic facts, setting, and concerns	Provide a detailed, highly accurate picture	Test a theory's predictions or principle
Create a general mental picture of conditions	Locate new data that contradict past data	Elaborate and enrich a theory's explanation
Formulate and focus questions for future research	Create a set of categories or classify steps	Extend a theory to new issues or topics
Generate new ideas, conjectures, or hypotheses	Clarify a sequence of steps or stages	Support or refute an explanation or prediction
Determine the feasibility of conducting research	Document a causal process or mechanism	Link issues or topics with a general principle
Develop techniques for measuring and locating future data	Report on the background or context of a situation	Determine which of several explanations is best

Source: Neuman, 2000:34.

The research approach of this study is exploratory with some descriptive elements. The literature review has established that, despite the rapid development of the field of CSR in recent years, there is still a lack of similar research to this study, i.e. research on the practice of CSR in SMMEs in developing countries (Jeppesen, 2009; Sachdeva & Panfil, 2008) and in South African SMMEs (Fig, 2007; Kapelus et al., 2004; Fox, 2005). The study further has a distinct regional focus, and emphasizes the role of local stakeholders in influencing the CSR practices of companies. This means that an area where little or no work has been done so far is investigated, and the study shares many of the goals of exploratory research: like becoming familiar with the basic facts, setting, and concerns, and providing a foundation for further research, if feasible. A mainly exploratory approach characterizes the study.

On the other hand, an ever growing body of knowledge on CSR exists, both internationally and in South Africa, and an increasing focus on SMMEs within the field of CSR suggests that

it would be natural to see the findings of this study in relation to existing knowledge. Comparing the results to existing knowledge adds descriptive aspects to the research approach. The study therefore shares some of the goals Neuman (2000) presented as being typical of descriptive research: like documenting causal mechanisms and reporting on the context of a situation. The overall research approach is therefore best described as exploratory, with some descriptive elements.

Research process

The research was carried out by first assessing the socio-economic and political context of CSR in SMMEs in the Pietermaritzburg area and identifying key local stakeholders of manufacturing SMMEs operating in that area. This was done by using the information obtained through the literature review, by using other sources of information, like the Msunduzi IDP and various websites, and through making initial contact with some of the stakeholders and companies.

The practises and role of the different stakeholders and companies were then examined more closely through conducting semi-structured interviews. This part of the research had two main focuses: the first focus was to explore how CSR is practised among a representative sample of SMMEs and how this practice is influenced by their stakeholders; the other focus of the research was to explore the role of local stakeholders in influencing CSR activities in the studied SMMEs and to look into the possibility of increasing this role. Attention was also paid to the knowledge about, and interpretation of, CSR, both amongst both the SMMEs and the stakeholders. The research process of this study can be described by dividing the methodological choices into seven steps, as suggested by Kvale (1996, 2007). This is described in detail in Section 4.2 below.

4.2 Research methodology and process

The main research tool used in this study was semi-structured interviews conducted with representatives from manufacturing SMMEs and key stakeholders from the Pietermaritzburg area. Kvale (1996, 2007) describes that the general purpose of a qualitative research interview is to gather descriptions of a person's real-life-world and to interpret their meaning. This is done through a conversation with a structure and a purpose between the researcher and the respondent. Interviews can be time-consuming and run the risk of introducing researcher bias in interpreting responses, but interviews offer great control and flexibility in gathering the

required information as well as an opportunity for social interaction with the interviewee (Barriball & While, 1994).

Kvale (1996, 2007) claims there are some standard methodological choices to be made when conducting qualitative research interviews and he suggests dividing these choices into the following seven steps: 1: Thematizing, 2: Designing, 3: Interviewing, 4: Transcribing, 5: Analysing, 6: Verifying, and 7: Reporting.

These seven steps are used to describe the research process of the study, including the methodological considerations for the study and how the research was carried out.

4.2.1 Thematizing

This step entails defining the subject matter, the purpose, and the method of the study. The subject matter and the purpose create an overall framework for the study, and some knowledge of the subject matter is required to define the purpose of the study. This knowledge is normally acquired through a literature study and/or an initial field study. The definition of the subject matter and purpose now make possible a proper evaluation of which method to use.

In this study, the knowledge of the subject matter is derived from the literature review (Chapter two) and the contextualization (Chapter three), and the purpose of the study is described in Chapter one. The definition of the subject matter and purpose of the study forms the basis of the methodological choices described in the previous section: Section 4.1.

4.2.2 Designing

This step means designing the study in more detail and should be begun by establishing a complete overview of the study in order to understand how the different steps are dependent on each other. Issues to address while designing the study include: determining the interview format (unstructured, semi-structured, or structured), selecting/sampling of the respondents, deciding the content and themes of the interview, and deciding how the data should be analysed (Kvale, 2007). Semi-structured interviews were deemed to be the most appropriate for this study, because they offer the opportunity of exploring knowledge and opinions of the interviewees while still offer a certain degree of standardization and comparability between the conducted interviews (Barriball & While, 1994). The process of selecting respondents for

this study was given thorough consideration, and setting up the interviews required some effort. This process is described in detail below.

Identifying and contacting key local stakeholders

The key local stakeholders, and the reason for including them in the study, are described in chapter 3. The stakeholders were selected on the basis of the contextual analysis and the understanding gained from the literature review, and the selection can thus be described as purposeful sampling. Attention was given to selecting the local stakeholders that would be most likely to influence CSR activities in local manufacturing SMMEs, i.e. the stakeholders with the highest salience.

Contact with the stakeholders was initiated and carried out in the following manner. The Msunduzi Municipality is both the most central and most complex of the stakeholders that were contacted, and it was therefore decided to conduct interviews with the representatives from three different offices of the municipality: the Strategic Executive Manager (SEM) of the Community Services and Social Equity Business Unit, the SEM of the Economic Development and Growth Business Unit, and finally the head of the Environmental Health Unit (part of the Community Services and Social Equity Business Unit).

The Chief Executive Officer (CEO) of the Pietermaritzburg Chamber of Business was contacted for interviews. The information obtained from that interview was considered to be sufficient to shed light on the role of the PCB, and earlier plans of conducting further interviews with representatives from the PCB were abandoned.

The degree of success in managing to set up interviews varied among the different stakeholders. All interviews went according to plan for most stakeholders, but some difficulties were experienced in organizing and conducting interviews with representatives from local unions and the local branch of the DOL. An interview with a representative from the local branch the Department of Labour was conducted, but another interview with an inspector had to be cancelled. Equally, problems were experienced in establishing contact with a representative from the local Unions. After a number of meeting cancellations, the information gathering had to be based on a number of informal conversations rather than on a formal interview. Other sources of information, like web-pages and strategy documents, were also used to close information gaps concerning these two stakeholders.

Selection of local manufacturing SMMEs

The case-study enterprises were selected in a manner that is in line with the following description of qualitative sampling:

(Qualitative researchers) 'focus less on a sample's representativeness or on detailed techniques for drawing on a probability sample. Instead, they focus on how the sample or small collection of cases, events or actions that can clarify and deepen understanding'.
(Neuman, 2000:195)

The manufacturing sector was chosen partly because of the importance it has for the economy of Pietermaritzburg, as shown in Table 5. Another reason for choosing the manufacturing sector is that companies in this sector are likely to have to deal with several CSR core subjects, like the environment and labour practices. A total of eight companies were chosen from various sub-sectors. The most important criteria for selecting companies was that they had to be locally based, in the manufacturing sector, and compliant with the South African SMME criteria, i.e. not exceed 200 employees and have a turnover of R 35 mill or less. For one company, the criteria were slightly altered, because it had 280 employees.

The sampling was purposeful to a certain degree. The companies were chosen in order to explore how companies with different characteristics would have different practices, motivation, and benefits connected to CSR-related activities. Hence, companies both with and without a membership in the Pietermaritzburg Chamber of Business were included in the study, as well as companies focusing both on export and domestic markets

The contact details of the companies were derived from several sources: the membership lists of the Pietermaritzburg Chamber of Business, internet based business directories, as well as the yellow pages of the Pietermaritzburg phone directory.

4.2.3 Interviewing

Conducting semi-structured interviews, as in this study, means developing an interview guide prior to the interview in order to facilitate the conversation (Kvale, 2007). The success or failure of the interview will to a large degree depend on the interview skills of the interviewer. Such skills include putting the interviewee at ease, formulating understandable interview

questions, and following up on interesting leads (Kvale, 2007). The preparation and conducting of the interviews in this study is described in detail below.

Preparing and conducting the interviews

The interviews were conducted using an interview guide. The same guide was used for all the companies, while some modifications were made in the guides for each of the different key stakeholders. The reason for this was that it was natural to focus on different themes with different stakeholders, due to their different activities and ways of working.

The guides, and thus the interviews, all followed a structure of four distinct stages. These stages are described in detail in textbox 1 below:

The organization of the interview guides: The stages of the interviews

Stage 1: Introduction: The objective of this stage was to give the interviewees some basic understanding of the study, to create a relaxed atmosphere, build trust, and create a good atmosphere for exchanging information. At this stage the interviewees were presented with an informed consent that gave an introduction to the aim and objectives of the study, presented the researcher and research institution, and gave the interviewees the opportunity to withdraw from the project if they wanted. No elaborate explanation of the term 'CSR' was given, in order to increase the value of the information obtained in stage two of the interview.

Stage 2: Understanding of 'CSR' and related terms and the interviewees' description of which of the activities of his/her organisation can be linked to CSR: This stage was used to explore the interviewees' understanding of CSR and how they perceived their role and activities when it comes to CSR. The interviewee was given the chance to talk about his understanding of the term CSR, and to elaborate about how the activities of his organization, according to him, could be linked to CSR. The technique of probing was used to a certain degree, but care was taken not to lead the interviewee in any particular direction.

Stage 3: Exploration of activities and practices that can be related to CSR: In stage three, the interviewer took a more active role in order to get a more detailed picture of activities addressing a number of pre-determined CSR issues. Only at this stage did the interviewer present the broader understanding of CSR used in this study to the interviewees. The interviews with representatives from local manufacturing SMMEs were focused on the following CSR issues:

- Environmental issues
- BEE
- Labour issues
- HIV/AIDS
- Community outreach/CSI

The themes for talking to other stakeholders were customized to a certain degree, but the questions were still designed to illuminate the above themes.

Stage 4: Co-operation with other stakeholders/subjects of this study: Stage four of the interview was used to enquire about how the interviewees viewed the other key stakeholders and what kind of contact and co-operation existed between the examined companies and key stakeholders.

Textbox 1: Organization of the Interview Guides.

The interviews for this study were conducted in the period from November 5th 2008 to January 28th 2009, and the interviews mainly went according to plan. A number of different interviewing techniques and questions were used, and these varied in the different stages of the interviews. In the first phase, the interviewer did most of the talking while the interviewee was given the chance to ask questions, which was done to a varying degree. In the second

phase, the interviewee was encouraged to share his understanding of CSR, and to state which CSR-related activities the organization was undertaking, according to his understanding. The interviewer started this stage by introductory questions, and then used mainly follow-up and probing questions. This was done in order to ensure that the interviewer didn't influence the interviewee at this stage.

The third phase was dominated by direct questions and structured questions, because the main objective of this phase was to get an overview of which activities the organization had initiated and what the motivation and benefits of these activities might be. Interpreting questions were used to a certain degree, but speculative questions were omitted. The interview guides are included in Appendices C to H.

Some consideration was given to determine which CSR issues were of biggest interest for this study. These considerations were based on which CSR issues apply to the manufacturing SMMEs in the South African context. The CSR issues address some of the core subjects of Social Responsibility given in the draft version ISO 26000 (see Section 2.1.3), but not all of them. The table below provides comments on the background for including each issue in the study and shows how the selected issues correspond to the core Social Responsibility subjects.

Table 9: CSR issues included in the study, background for including these, and corresponding core subject according to ISO 26000 (draft).

CSR issue	Background for including the issue in the study	Corresponding core subject in ISO 26000
Environmental issues	Manufacturing companies often produce significant environmental impacts	The environment
BEE	BEE legislation makes this relevant for all South African companies	Labour practices
Labour (including occupational safety and health)	Will apply to all companies. Safety and health challenges are also commonplace in manufacturing firms	Labour practices and human rights
HIV/AIDS	HIV/AIDS is a challenge for most South African companies	Labour practices and human rights
Community outreach/CSI	CSI has been found to be the dominating CSR issue in South Africa	Community involvement and development

4.2.4 Transcribing

Transcribing means converting the spoken conversation from the interviews to text, thus making it easier to analyse. An important issue here is how to convert spoken language into text and especially what to do with incomplete sentences, and thoughts that jump back and forward. The choice here will often depend on the purpose of the study (Kvale, 2007).

The interviews were transcribed into a written language, as opposed to spoken language. A written language was chosen because the content of the answers was deemed to be of more importance than the wording of them. The transcripts were, however, made to closely echo the way the questions and answers were phrased. Most of the transcripts were made by the researcher, while a few were made by a research assistant.

4.2.5 Analysing

The purpose of analysing is to reconstruct the information gathered through the interviews into a form that allows the researcher to present it to an audience. Kvale (2007) describes five general approaches to analysing interviews: condensation, categorization, narrative structuring, interpretation, and an ad hoc approach. Condensation means abridging the meanings expressed by the respondents into shorter formulations while preserving the original meaning. Categorization means that the interview is coded into categories, while narrative structuring entails an organization of the interviews to create a coherent story of what is told in an interview. Interpretation goes further than just structuring the immediate meanings of the interviews and is more or less speculative. The ad hoc approach means using a variety of commonsense approaches to the interview text and is normally developed as the analysis progresses. According to Kvale (2007), the most frequent form of interview analysis is the ad hoc approach. The ad hoc approach has the potential of bringing out connections and structures significant to the research project, even in interviews lacking an overall sense at the first reading (Kvale, 2007).

All of the interviews were coded and analysed by the researcher, and the risk was minimised of results being lost due to different styles of transcription. The interviews were first analysed by coding the transcripts according to themes, most of them echoed in the structure of Chapter five of this document. Some passages were given multiple codes. The information was then grouped, condensed, and analysed, according to the aim of exploring the practice of CSR in

manufacturing SMMEs in the Pietermaritzburg area and how this practice is influenced by their stakeholders.

4.2.6 Verifying

Verifying the results means looking into how generalizable, valid, and reliable they are. Generalizability refers to what extent the results are applicable outside the specific context in which they took place (Kvale, 2007). Validity refers to what extent the study investigated what it was intended to study, while reliability refers to consistency in the results, e.g. making sure transcriptions are independent of the person transcribing the interview. The verifying step of this study can be found in Section 4.3 of this paper.

4.2.7 Reporting

An interview study is concluded by reporting the results and use of method in a suitable format, which for this study is done in this report.

4.3 Validity, reliability, and generalization

Issues of validity, reliability, and generalization have been addressed throughout Chapter four. Some of the most central of these issues are highlighted, and the validity, reliability, and generalization of the findings obtained from the study are discussed.

Verification of knowledge is commonly discussed in relation to the concepts of reliability, validity, and generalizability (Kvale, 1996). The concepts originate from quantitative research, and the application of them in qualitative research has been a subject of debate. Some qualitative researchers reject the framework of validity, and argue that qualitative research should use different standards for judging the quality of research. Lincoln and Guba (1985) suggest that the concepts of credibility, dependability, and transferability should be used instead of validity, reliability, and generalization.

Other researchers suggest that a correct reading of the quantitative criteria would show that they are not limited to quantitative research alone and can be applied equally well to qualitative data. Kvale (1996, 2007) argues that, instead of rejecting the concepts of validity, reliability, and generalization; the best approach is to re-conceptualize the concepts in forms relevant to qualitative research. Kvale (1996, 2007) states that the quality of craftsmanship, along with communicative and pragmatic forms of validation is crucial to the verification of knowledge in interview studies. Quality of craftsmanship is, according to Kvale, ensured by

continually checking, questioning, and theoretically interpreting research findings. This involves activities like weighing of evidence, triangulation, and assessing the credibility and motivation of the interviewees. Communicative validity in interview studies rests on arguing for and against interpretations made from the interview material, while pragmatic forms of validity rest on observations and interpretations, with a commitment to act on the interpretations. Pragmatic validity is often of importance in action research (Reason, 1994).

Kvale (1996, 2007) further draws on experiences from case studies, which show that analytical generalization often is useful in qualitative research. Analytical generalization involves making reasoned judgments about whether the findings from one study can be used as a guide for what might occur in another situation. Kvale (1996) also highlights certain issues about the reliability of interview inquiries, including interviewer reliability in relation to leading questions, reliability in the categorization of the subjects' answers, and inter-subjective reliability when two or more different persons are typing the interview transcripts.

Issues of validity were considered during the sampling process regarding the sampling of local manufacturing firms for the study and the inclusion of key local stakeholders for encouraging CSR activities in SMMEs. It is important to remember that the bulk of SMMEs in the PMB area are micro sized and are often informal, companies. This study is, however, focused on companies operating in the formal economy, and these companies will probably have different characteristics from micro sized and/or informal companies. It is likely that a similar study focusing on informal companies that are not members of the PCB or listed in directories would have given a different picture.

The number of SMMEs included in the study is relatively small, which raises questions about the validity of the findings. In addition to this, all companies included belong to the formalized sphere of manufacturing SMMEs and no micro sized companies are included. The sample of companies does, however, include companies with diverse characteristics, from different sub-sectors, and with the number of employees ranging from 17 to 280. The sample is therefore deemed valid for the purpose of the study, which is to *explore* as opposed to *describe* or *explain* the practice of Corporate Social Responsibility in local manufacturing SMMEs. The research material is also used to make some analytical generalizations. The results of the study will, however, most likely be valid only for small and medium sized companies operating in the formalized part of the economy.

The study aims to include representatives from all key local stakeholders who encourage CSR activities in SMMEs, based on the contextual analysis conducted in Chapter three of this report. Despite the possibility of information gaps regarding unions and the Department of Labour, due to difficulties in setting up interviews, it is highly likely that the information obtained about the key local stakeholders is valid. The validity is further strengthened by the degree of triangulation obtained through analysing how the different companies and stakeholders described each other. This is what Patton (1999) refers to as 'triangulation of sources'.

A number of steps were taken in order to enhance the reliability and validity during the interviewing, transcription, and analysis phases of the study. This is what Kvale (1996: 235, 241.) refers to as 'quality of craftsmanship' and 'interviewer reliability'. An atmosphere of trust, through proper introduction and presentation of the informed consent, was built up during the interview process to avoid interviewees withholding key information. While notions of trust are subjective, it is the considered opinion of the researcher that the information given by respondents was sound, rather than the result of fabrication on the part of the interviewees. Developing such trust was made easier because the bulk of the information gathered is public and non-sensitive. Further, the interviewer tried to avoid leading questions, and rather allowed the interviewee to talk and the interviewer rather focused on probing on the basis of initial information offered, reinforced by follow-up questions. The interviews were also sequenced in a way that was supposed to enhance the reliability of the information obtained. The idea was to let the interviewee talk about his/her understanding of CSR and describe the activities of his organization that were linked to CSR, before the current understanding of the concept was presented to him/her.

In addition to the issues concerning transcription that are discussed in Section 4.2, the reliability of what is being transcribed is enhanced by the fact that much of the information obtained is factual and verifiable. There is, for instance, little need to read between the lines when transcribing the description of the CSR practices of the companies. The focus has been mainly on condensation and categorization of information, and less on interpretation. The researcher has done all of the coding, condensation, and categorization, so the reliability and validity have not been influenced by multiple interpreters. The subjectivity of the researcher must, on the other hand, be acknowledged.

A number of considerations affected the design of research methodology for this study. It should first be noted that the scope of the study is of necessity broad, considering that the work forms a small part of an academic programme. A number of compromises have been made because of this, especially concerning the depth of inquiry. The way the study currently is designed does, on the one hand, limit the chances of gaining insight into the organizational culture at the case-study enterprises and to expose hidden mechanisms that affect the way they deal with CSR-related issues. On the other hand, the limited number of enterprises limits the degree to which it is possible to make generalizations for specific sectors, for SMMEs in the Pietermaritzburg area in general, as well as to other geographical areas and South Africa in general.

The fact that only one or two interviews were conducted with each of the role-players and SMMEs implies that that one person may have given an inaccurate picture of what is going on in the subject of study. This is especially true for the Msunduzi Municipality, which is a fairly complex organization.

The goal of the study was not to obtain findings that can be generalized, but to explore the practice of CSR in manufacturing SMMEs in a specific local context. It has already been stated that that the findings are valid for small and medium sized (formal) manufacturing businesses in the Pietermaritzburg area, and the study is also deemed to give a fairly reliable and valid picture of the potential and actual role of local stakeholders in the Pietermaritzburg area. Some further analytical generalizations can therefore be made: the findings can possibly be generalized to shed some light on mechanisms that can be found in other regions of South Africa, including the role of local government, unions, NGOs, business chambers, as well as local branches of the Department of Labour. The study has also shed some light on how firms are reacting to national policies and legislation, especially when it comes to B-BBEE. These findings might have some validity for all South African SMMEs. Finally, the findings on how local firms relate to community issues are likely to be valid throughout South Africa.

4.4 Summary

A description of the research approach and design of the study was given in this chapter. Themes discussed were mainly methodological considerations for the study and how the

research was carried out, using a standard framework for qualitative interview studies. The research activities conducted can be summarized as shown in the table below.

Table 10: Summary of the conducted research activities

Research Step	Research activities conducted
Thematizing	<ul style="list-style-type: none"> • Conducting a literature study • Defining the research aim and objectives • Contextualizing the study
Designing	<ul style="list-style-type: none"> • Semi-structured interviews were chosen as format • Identifying key local stakeholders on the basis of the contextualization, and contacting them • Contacting local manufacturing SMMES
Interviewing	<ul style="list-style-type: none"> • Choosing themes for the interviews • Making interview guides • Conducting the interviews
Transcribing	<ul style="list-style-type: none"> • Transcribing the interviews into a written form
Analysing	<ul style="list-style-type: none"> • Coding the interviews • Grouping, condensing and analysing information
Verifying	<ul style="list-style-type: none"> • Assessing generalizability, validity and reliability of results
Reporting	<ul style="list-style-type: none"> • Writing this report

Some of the limitations and problems of the study were discussed in Section 4.3.

CHAPTER FIVE: RESULTS

5.1 Introduction

The background and problem statement as well as the research aim and objectives have been discussed in the introduction to this report. The aim and objectives are repeated in the textbox below, in which the objectives have been given a number in order to make it easier to refer to them in the text below:

Research aim

To explore the practice of CSR among manufacturing SMMEs in the Pietermaritzburg area, and how this practice is influenced by their stakeholders

Research objectives

1. Assessing the socio-economic and political context for CSR in SMMEs in the Pietermaritzburg area and identifying and describing key local stakeholders for manufacturing SMMEs operating in that area
2. Conducting key informant interviews with a representative sample of manufacturing SMMEs in the Pietermaritzburg area and the identified stakeholders in order to:
 - a. Determine the knowledge about, and interpretation of, the term ‘CSR’
 - b. Identify how CSR is practised among the SMMEs
 - c. Map how the practice of CSR among the SMMEs is influenced by their stakeholders
 - d. Explore the influence of the interviewed stakeholders on the practice of CSR among manufacturing SMMEs in the Pietermaritzburg area, and assess their stakeholder salience

Textbox 2: Research aim and objectives for the study.

In Chapter two of this report the necessary theoretical framework was provided to carry out research that will answer the research aim of the study. Chapter three answers research objective 1 by doing a contextual analysis focusing on factors that are relevant for CSR in

SMMEs in the Pietermaritzburg area and by identifying and describing key local stakeholders for manufacturing SMMEs operating in the area.

In Chapter four the necessary methodological considerations were provided for this study, both regarding research design and how the actual research was carried out. This is a unique study in the sense that it focuses on an area where little research has been done. Therefore, qualitative methods, along with an explorative approach, were chosen as the most appropriate for fulfilling the research aim.

The main results from the interviews that were conducted with the selected manufacturing SMMEs and key local stakeholders are presented in this chapter. Answers to research objective 2 are given, and the chapter is divided into four main sections, echoing research objectives 2 a) to d). In Section 5.2 research objective 2 a) is investigated by presenting the knowledge about, and interpretation of, the term ‘CSR’ among the companies and key stakeholders. In Section 5.3 the identified CSR practices in the interviewed companies, and their motivation for implementing these practises are presented, answering research objective 2 b). In Section 5.4 research objective 2 c) is answered by showing how the identified CSR practices are influenced by the stakeholders of the companies, which is done by giving an overview of how the CSR practices in the examined companies are influenced by different groups of stakeholders. In Section 5.5 the first half⁶ of research objective 2 d) is investigated by exploring the influence of the interviewed stakeholders on the practice of CSR among manufacturing SMMEs in the Pietermaritzburg area. Lastly, a short summary of the research findings is presented in section 5.6.

5.2 CSR knowledge and interpretation

All but one of the interviewed respondents from both the companies and key stakeholders claimed to be more or less familiar with the term ‘CSR’. When asked about their understanding of the term, most of the respondents displayed an understanding that was limited and different from the current understanding of CSR in academia, business, and government, as described in section 2.1.2. Knowledge and interpretation of CSR amongst the interviewees seems to be influenced or even dominated by Corporate Social Investment (CSI), with a focus on company handouts and community projects. It is safe to say that the majority of the respondents seem to see CSR and CSI as the same thing, and many refer to the element

⁶ The second half of research objective 2 d) is answered to in Chapter 6 of this report.

‘Socio-Economic Development’ on the B-BBEE scorecard when they describe what they view as CSR.

In Section 2.5 of this paper, CSI is described as a company’s contributions, cash and non-cash, to people, organizations, or communities that are external to the company. Six of the eight interviewed companies expressed an understanding of CSR that was similar to the way CSI is described above. The majority of the interviewed stakeholders also expressed an understanding of CSR that is closely linked to the above description of CSI. The interviewed representatives from the Pietermaritzburg Chamber of Business and the NGO SchoolTrade did in fact claim that ‘CSI’ was a better term than ‘CSR’:

‘I use the word investment a lot; I deliberately use the word investment because responsibility sounds like something you have to do while investment sounds like something that you get back and I know in my own work I try to take the line that what they are doing here is something that either they or the community as a whole is going to benefit from’ (Director, SchoolTrade)

There seems to be some differentiation within the respondents with an understanding of CSR that is closely linked to CSI. Some of the respondents seem to associate CSR with the Social-Development component in the B-BBEE generic scorecard and seem to think of CSR/CSI practices as a way of increasing the B-BBEE score of a company:

‘It is basically what a company can give back into the community to assist the community and the development objectives. And it is a very strong sort of under-theme or under-term relating to BEE, and obviously companies can accumulate BEE points by doing that’ (CEO, Company 6)

Other companies, as well as the two interviewed managers from the Municipality, seem to focus more on the moral duty of a company to uplift the community it operates in and to be a responsible corporate citizen:

‘...So the answer is yes, we can influence this kind of responsibility on developers to not just bring development into an area but also to see that the community actually benefits in some way. As I said; outside of the streamline job creation kind of thing there are other benefits

that the community can gain also in terms of skills development, training etc.’ (SEM Economic Development, Msunduzi Municipality)

The following quote can serve as an example of the responses from the companies expressing a view of CSR that is influenced by CSI, but taking wider societal considerations into account:

‘I think it is obvious that as a company operating in this environment, in this community, we have certain responsibilities towards the community, on issues like crime in the area infant homes in the area, schools in the area, and even the speed at which taxis drive up and down the roads in our area regards the safety of staff and visitors.’ (CEO, Company 4)

Two of the interviewed companies, as well as the NGO, Groundwork, have an understanding of CSR that includes both environmental issues in addition to social issues. Both of the companies seem to have some knowledge of the term ‘CSR’, but it is not a word they use in their daily operations. Of the companies citing environmental issues to be part of CSR, one is ISO 14001 certified but the other is not. The company without an ISO 14001 certification has the following understanding of CSR:

‘I have heard about it from time to time. It is obviously quite detailed from the different areas you would go into with regards to that; like employment, waste management and those types of things’ (Owner/CEO, Company 2)

The NGO Groundwork has for several years been focusing on CSR, advocating the notion of Corporate Accountability; see section 3.4.4 for further elaboration. Groundwork is also the only respondent that seems to have a firm grip on the term ‘CSR’, and an understanding that is in line with what is described in Section 2.2 of this report.

The responses of the interviewees concerning familiarity and understanding of the term ‘CSR’ can be grouped and summarized as presented in the following table.

Table 11: Understanding of the term CSR amongst the interviewees

Understanding of CSR	Number of Companies	Number of Stakeholders	Total number (n=13)
“Narrow” CSI	3	2	5
CSI: Taking broader societal considerations into account	3	1	4
Understanding including societal and environmental considerations	2	0	2
Showing real familiarity with the term	0	1	1
Not a theme of interview	0	1	1

In summary, the responses from this study show that CSR often is confused with CSI, most likely due to the domination that CSI has had in the CSR field in South Africa, as well as the attention given to ‘Socio-Economic Development’ in the B-BBEE scorecard. Neither the interviewed SMMEs nor the interviewed stakeholders seem to use the term ‘CSR’ in their daily operations. The only exception is the NGO, Groundwork, which has made serious investigations in the field of CSR.

5.3 Practice of CSR in the interviewed manufacturing SMMEs

It has been shown that the studied companies in general have a limited understanding and narrow interpretation of CSR. Further inquiries did, however, reveal that the companies practise CSR in a number of ways. When specifically asked about practices in specific areas, the respondents reported that the companies have implemented practices that address all of the CSR issues examined in this study. The nature, extent, and motivation for these activities do, however, vary considerably.

A summary will be given of the practices that the companies have undertaken to address each of the five CSR issues – labour, B-BBEE, HIV/AIDS, environment, and community outreach – that were given attention in this study, and what the motivation for undertaking the different CSR practices is.

Labour

All companies reported having put in place a programme or measures for skills development and internal promotion. Unsurprisingly, all companies reported that increasing the

productivity of their workers was part of the reason for implementing practices for skills development. It seems like most of these programmes and measures are developed or chosen for the specific needs of the companies and their employees. The companies seldom mentioned the SETA programmes as being central in their strategies for skills development:

'We train people internally here, whether it is computer training or other training. It is all work-related training; we don't give training outside of work. We are a smallish business and the money we spend on training is hopefully for the medium or long term benefit of the company' (CEO, Company 4)

When asked about the motivation and associated benefits from these programmes and practices, many companies cited the lack of appropriate skills in South Africa as a main reason for putting an effort into this area:

'It is very difficult to get skills in South Africa so we tend to do a lot of training here⁷.'
(Financial Manager, Company 5)

Several of the interviewees also said that, besides the obvious productivity gains from having a properly skilled workforce, the presence of a programme for skills development would further increase the productivity of their workforce by increasing their motivation. Some respondents also reported that they preferred to promote people from within their own company, because people from inside the company have extensive knowledge about the company culture and a higher degree of loyalty to the company; which ultimately makes them perform better in their new positions:

'I think that people here understand the culture of the company. When you employ someone who has been in the company for a year instead of taking someone from the outside, you will have someone who understands the culture and our product. By putting that person in an important position we will benefit because of what that person gives us. There is a return, a different level of contribution.' (HR manager, Company 3)

⁷ This company needs specialist skills, and provides training for their employees to make sure that the skills of their workforce fit their needs.

All of the companies reported that they are focusing on workers' safety and health by providing personal safety equipment and by making use of the equipment a requirement for their workers. Seven of the examined companies reported they have put in place more systematic safety and health measures in the form of safety procedures and training. These measures do not qualify as CSR practices, because they are made mandatory in the Occupational Health and Safety Act (85 of 1993)⁸. Two of the examined companies have, however, implemented CSR practices in the form of safety management programmes adhering to standards, OHSAS 18001⁹ and BS8800¹⁰ respectively, although neither of them had gone through the certification process by the time the interviews were conducted.

The companies reported a number of reasons for putting in place health and safety measures. The most common was to prevent injuries and to decrease absenteeism. Avoiding fines and audits from the DOL was also frequently mentioned as a motivation, as well as abiding by existing legislation. One company also reported additional benefits from implementing occupational health and safety (OHS) practices, as well as a commitment to the well-being of their workers:

'After implementing awareness training on safety, our accident rate has actually come down tremendously. The last thing we would like to do in this industry to injure people, and training is obstructing industrial incidents and accidents. Another benefit from the safety training is that I believe from my experience there is an increase in self discipline and productivity'
(Quality manager, Company 1)

Finally, most of the companies reported having been in negotiations with their union. Four of the companies reported that contact with the union resulted in them adjusting employee conditions, but it could not be established that these were practices exceeding existing Labour legislation. One company did, however, report that they were co-operating closely with the union, and this was registered as a CSR practice.

In conclusion, it has been shown that seven out of eight companies have initiated CSR practices for skills development, two companies have implemented safety and health

⁸ A CSR practice is voluntary and above legal requirements, see Section 2.2.

⁹ OHSAS 18000 is an international occupational health and safety management system specification, created via a concerted effort from a number of national standards bodies including the South African Bureau of Standards.

¹⁰ BS 88000 is a guide to occupational health and safety management systems developed by the British Standards Institution (BSI).

management systems, and one of the companies has proactive co-operation with their union that qualifies as a CSR practice.

BEE

A number of practices that can be linked to BEE have been identified. It should be noted that for the purpose of this study, practices linked to skills development have been grouped under labour issues, and CSR activities that can be linked to the socio-economic element in the B-BBEE generic scorecard are classified as community outreach activities. Both skills development and community outreach are normally regarded as BEE-related areas, and these are areas where most of the interviewed companies have undertaken CSR practices.

Even after leaving skills development and community outreach out, many of the companies have undertaken practices that can be linked to other areas of BEE. All companies were aware of the B-BBEE-scorecard, and showed interest in their score. Four companies have put in place practices of preferential procurement, and two companies have put in place measures to increase black management representation:

‘We don’t advertise affirmative action. Although we are trying to get our score up on the scorecard, we don’t use that route. We concentrate more on preferential procurement where actually most of our suppliers are either level four or up. So yes we have preferred suppliers. We also focus on (affirmative action in) management: I am myself female, and our senior management are all non-white.’ (HR manager, Company 2)

Interestingly, several companies did stress that obtaining B-BBEE points was not the motivation for certain measures to be put in place:

‘What one needs to understand is that we are not solely interested in BEE points. Our sole motivation for doing CSI would not purely be a question of accumulating BEE points. In fact, up until now we have done it out of the goodness of our hearts’ (CEO, Company 7)

In conclusion, it has been shown that most of the interviewed companies are focusing on B-BBEE and the generic scorecard. Even after leaving out skills development and community outreach practices, it was found that four companies are practising preferential procurement,

and two of the companies have increased black management representation in their companies.

HIV/AIDS

All but one of the interviewed companies have put in place measures to cope with the HIV/AIDS epidemic, but the extent, sophistication, and success of the measures vary among the firms. Some of the firms have had such initiatives running for five years or more, while one of the companies was only putting a proper HIV programme in place at the time of the interview. All companies cited that the main motivation for these measures is the devastating effect the epidemic has had on staff absenteeism and productivity. Some of the companies also expressed a concern for the well-being of their workers:

'I think it is all about training and making people aware. It is not something you can force onto people, because as an individual you have your own beliefs and rights. I think that as a company, it is our responsibility to make people aware of this and see if we can get things done.' (HR manager, Company 1)

It is possible to divide the HIV/AIDS practices into three different groups. The first is offering AIDS testing and counselling, which is done by all companies except one. The second type of practice is implementing mandatory HIV/AIDS training for all employees and management, and the third is establishing a clinic. Five of the companies have implemented mandatory HIV/AIDS training for their workers, while three companies have established their own clinic¹¹. The companies that have established a clinic are reporting very good results of decreased absenteeism and of a high degree of voluntary HIV testing among the employees. It should be noted that establishing an own clinic is costly for small companies. Two of the companies have started using their own employees as AIDS counsellors.

In conclusion, dealing with the effects of HIV/AIDS seems to be of high priority for all the companies that have been interviewed. There seems to be a correlation between the size of the company and the degree of success it has had dealing with HIV/AIDS. It also seems that most companies go through a period of trial and error before getting the desired results in HIV testing and ultimately decreased absenteeism.

¹¹ The companies have several reasons for establishing a clinic, including decreasing absenteeism from common diseases, but the issue of HIV/AIDS seems to be the most important motivation for doing this.

Environmental issues

The most frequent CSR practice regarding environmental issues is minimization of the use of raw materials, and six companies have undertaken such measures. It should, however, be noted that minimizing the use of raw materials generally was motivated by the desire of cutting costs, and some of the interviewees were even surprised when this was named as an environmental practice:

‘We try not to use unnecessary waste steam, because that would mean your boiler is working too hard and burning too much fuel which will cost you money at the end of the day. Again we have the same thing with electrical operated equipment, when it is lunch time or tea time the equipment goes off so that they are not left on consuming electricity.’ (CEO, Company 2)

A total three of the interviewed companies are ISO 14001 certified, and these companies have all undertaken systematic environmental measures. The motivation for becoming ISO 14001 certified was different for each of the three companies. One of the companies reported that customer requirements was the main reason for seeking certification, while another reported that ISO 14001 was a tool for them to keep up with emission requirements for effluents and improve their relations with authorities. The third company reported having become ISO 14001 certified for both these reasons.

Two of the companies that are not ISO 14001 certified have put in place waste management and recycling initiatives. One of the companies was focusing on it as a result of the active involvement of one of its owners, while the other had made waste management a part of the implementation of a quality and safety management system.

Community outreach

All companies have undertaken some kind of community outreach practice. The extent of these practices does, however, vary a lot. The least sophisticated way is to simply donate a lump sum to a chosen NGO or CBO, which is something that is being done by all of the companies:

‘What we do is contributing to the community chest, where once a month we send money to them and that is the only one that I am aware of’ (HR manager, Company 1)

Six of the interviewed companies have gone beyond simply donating money, to engage actively with an organization in some kind of partnership. Examples of this are throwing a Christmas party for orphans in co-operation with an NGO and providing food products to a local NGO for distribution. Several of these initiatives have been put in place after requests from employees.

Three of the companies have put their own community projects in place. Examples of this are using local entrepreneurs to assemble the products of the company and sponsoring a high-school in a community where many of the employees live:

‘What we have done is that we have adopted a school. We give them on an annual basis a certain amount of money, which goes into a bursary fund for study levy and clothing. The second thing we have done is that we have established a trust fund: Operational Commitment from the company to pay for the library, computers, security system etc. We have a project allocation and a bursary fund allocation.’ (CEO, Company 8)

Summary of CSR practices

The following practices of CSR, and motivation for undertaking the practices, were identified in the interviews, and are presented in table 12 below.

Table 12: Practices of CSR amongst the selected SMMEs and reported motivation for undertaking the practices

CSR issue	CSR practice undertaken by companies	No. of SMMEs (n=8)	Reported motivation for undertaking practice
Labour	Skills development and promotion programmes	7	Increasing worker satisfaction and productivity Loyalty to company and tailored skills for position
	Implementing a safety and health management system	2	Avoiding fines, inspections and audits from the Department of Labour Taking care of workers a duty
	Proactive co-operation with unions on employment issues	1	Avoiding conflicts with union and securing loyalty of workers
B-BBEE	Preferential procurement	4	Getting market advantage by increasing the score on the B-BBEE generic scorecard
	Increased black management control	2	
HIV /AIDS	Testing and counselling offered	7	Decreasing absenteeism and increase productivity Taking care of workers a duty
	Mandatory HIV/AIDS training	5	
	Establishing own clinic with nurse	3	
Environment	Minimizing use of raw materials	6	Economic gains
	ISO 14001 certification	3	Certification a customer requirement Meeting emission requirements
	Waste management and recycling initiative	2	Owner/manager committed to environmental protection
Community outreach	Donations to NGOs and CBOs	All 8	Moral imperative for contributing to society Getting market advantage by increasing the score on the B-BBEE generic scorecard Loyalty of workers
	Partnerships with NGOs and CBOs	6	
	Own community projects	3	

The table shows that the companies have undertaken a significant number of CSR practices and that they are addressing all CSR issues that this study focuses on. When comparing the number of practices addressing each of the issues, one can see that there is a relatively higher number of activities addressing labour, HIV/AIDS, and community outreach issues. The motivation reported by the companies for implementing skills development practices and measures addressing HIV/AIDS is linked mainly to the productivity of their workforce. The companies report a significant lack of appropriate skills and seem to prefer their own tailored training over training offered through SETAs.

The picture is different for Community Outreach practices, with most interviewees citing a moral imperative for supporting, mainly local, communities and organizations. This form of non-financial motivation is also reported for practices addressing other issues with managers and owners citing a duty of taking care of their workers as part of their motivation for implementing workers' safety and health practices and practices addressing HIV and AIDS. This is also seen for environmental CSR practices, where two companies reported that they have implemented waste management and recycling initiatives as a result of commitment to environmental protection among their owner and/or managers.

The low number of B-BBEE practices recorded in the table is slightly misleading, because acquiring B-BBEE points is part of the motivation for companies to engage in community outreach. It is debatable whether minimizing the use of raw materials qualifies as CSR practice, because most of the companies did not think of them as environmental practices and the sole motivation for initiating them seems to be economic gains.

5.4 Stakeholder influence on the practice of CSR in manufacturing SMMEs

It was shown previously which CSR practices the studied companies have undertaken, and their reported motivation for undertaking these practices. How these CSR practices are influenced by the stakeholders of the companies will be investigated, and an overview of how the CSR practices in the examined companies are influenced by different stakeholders is presented. For the purpose of this study, the stakeholders have been divided into four groups, and the mechanisms for them to exert influence in the companies are described. The grouping of the stakeholders is based on the contextual analysis in Chapter 4, and the stakeholder model of Donaldson and Preston (1995)¹². The four groups of stakeholders used in the rest of this section follow:

- **Civil society stakeholders and communities** – Meaning NGOs, CBOs, communities, and trade unions. Corresponds to 'political groups' and 'communities' in the stakeholder model of Donaldson and Preston
- **Government stakeholders** – Including all tiers of governments, various agencies, and policy makers. Corresponds to 'government' in the stakeholder model of Donaldson and Preston

¹² See Figure 2.

- **Stakeholders affiliated with the companies** – Refers to employees and owners of the companies. Corresponds to ‘Employees’ and partially to ‘investors’ (i.e. owners) in the stakeholder model of Donaldson and Preston
- **Business stakeholders** – Refers to suppliers, customers, and potential investors of the companies. Corresponds to ‘suppliers’, ‘customers’, and ‘investors’ in the stakeholder model of Donaldson and Preston

The influence of these different groups of stakeholders is described as follows:

Civil society stakeholders

The companies reported a large number of practices that have been undertaken as a result of influence from civil society stakeholders, and this is arguably the group of stakeholders that have influenced the most CSR practices. It is possible to identify three main mechanisms in which civil society stakeholders have influenced CSR practices in the studied companies: requests for partnerships, claims and demands, and indirect influence.

Requests for partnerships

All companies have implemented practices of CSR after being approached by NGOs and CBOs for donations and/or partnerships for community outreach projects. The nature and extent of these practices vary from simple donations to various forms of partnerships.

Claims and demands

Some of the civil society demands identified in this study came from trade unions. The interaction between the companies included in this study and trade unions is generally characterized by the unions making demands to companies on wage related issues (on a general level but also in bonuses etc.), or on employment conditions. The interaction between the unions and the companies is generally through negotiations, with strike action as an option if the negotiations fail. The interviews show that union demands have influenced wage or employment practices in four of the examined companies, both through strike action and negotiations. As noted in the previous section, it could not be established that these were CSR practices exceeding existing labour legislation. One company did, however, report that it was co-operating closely with the union, and this was registered as a CSR practice. Apart from demands by unions, there is one example of a company undertaking a CSR practice partly as a

result of its local community mobilizing to form an interest organization and make claims through that organization.

'We strive towards a good relation with our union. Our shop steward raises issues for negotiation on behalf of the workers, and we also invite the union for discussions on employee issues' (HR manager, Company 3)

Indirect influence

Several companies reported that they see a moral imperative for contributing towards local communities and taking care of their employees. They viewed this as part of their motivation for undertaking CSR practices. These are regarded as cases where civil society and communities have indirectly exerted influence on the studied companies.

Government stakeholders

A considerable number of CSR practices in the interviewed companies have been undertaken as a result of government influence. This has happened as a result of both mandating/enforcing and facilitating/negotiating.

The South African labour laws are dominated by a mandating and enforcing approach, and several companies report that inspections and audits from the Department of Labour have influenced them to undertake CSR practices linked to occupational health and safety. Two of the companies were subjected to restrictions on the content of toxins in their effluents, and subjected to inspections by water quality authorities¹³ in this regard.

'We are working on occupational health and safety, and obviously it is very important to do that in terms of the HSE act, because you end up in a situation where the manager or owner of the business is completely accountable to the act in the case of an injury.' (CEO, Company 7)

The BEE legislation is generally dominated by a facilitating approach through the implementation of the B-BBEE scorecard and the desire of increasing their score is reported as an influence for implementing CSR practices by four of the interviewed SMMEs. In

¹³ uMgeni Water performs this task on behalf of the Msunduzi Municipality.

addition to this, the Msunduzi Municipality through its Environmental Health unit played a significant role in negotiating between companies and local communities concerning the disposal of waste in the Willowton area. One of the examined companies reported that the Municipality played a role in influencing them to undertake practices of waste management.

Stakeholders affiliated with the companies

The employees of the examined companies have played a major role in influencing CSR practices. Measures to boost worker productivity have obviously been central in all of the interviewed SMMs.

'I think the motivation is to uplift them to increase production as well, because at the end of the day if you have got the right skills in place, then your production is going to increase.'

(Quality manager, Company 1)

Additionally, there are examples of companies undertaking CSR practices as a result of workers approaching management regarding contributions for and/or projects in their local area. There is also an example of a company initiating a CSR practice as a result of an initiative from one of its owners, who is committed to a certain cause (waste management).

Business stakeholders

Business stakeholders have influenced a number of CSR practices. Most notable, business stakeholders have played an important role in the companies that have acquired an ISO 14001 certification. Two of those companies reported that certification was a requirement from one or more of their customers.

The other main mechanism by which business stakeholders influence companies to implement CSR practices is through customers preferring suppliers with a high score on the B-BBEE scorecard. In most of the cases this is barely a stated preference, but it is expected that it will become a requirement for companies to qualify at a certain level of B-BBEE in order to be eligible for government tenders in the near future.

Summary of stakeholder influence on CSR practices

The influence from the different groups of stakeholders can be summarized as follows:

Table 13: Stakeholder influence on CSR practices in the examined companies

Group of stakeholders	Type of stakeholder influence	Background for the SMME to initiate a CSR practice	No. of SMMEs (n=8)
Civil society stakeholders (NGOs, CBOs, Unions etc.)	Requests for partnerships	Organizations approach companies for donations or partnerships for community outreach projects	8
		Local residents approach management regarding contributions and/or projects in their local area	2
	Claims and demands	Local residents campaign for a certain cause, directly and through engaging other stakeholders	1
		Negotiations with the union regarding its demands	1
	Indirect influence	Companies see a moral imperative for contributing towards local communities, and taking care of their employees	6
		Owner is committed to a certain cause	1
Government stakeholders	Requirements/Enforcements	Legislation is enforced through fines, inspections, and audits	3
	Facilitation/Negotiation	Local authorities negotiate and mediate between civil society and companies	1
		Companies are awarded points on their generic scorecard, depending on their B-BBEE performance	4
Stakeholders affiliated with the companies	Requests for partnerships	Workers approach management regarding contributions and/or projects in their local area	3
	Indirect influence	Worker satisfaction and productivity increase through skills development and (internal) promotion (programmes).	7
		Measures are needed to decrease absenteeism	8
	Claims and demands	Owner is committed to a certain cause	2
Free market stakeholders	Customer requirements	ISO 14001 certification a customer requirement	3
	Customer preference	Customers want a supplier with a high score on the B-BBEE scorecard	4
	Indirect influence	Steps are taken to minimize use of materials	4

The table shows that all groups of stakeholders exert a significant influence on the CSR practices undertaken by the examined companies. One should, however, bear in mind that the degree of influence will vary amongst the different stakeholders and practices and that some of the CSR practices have been undertaken as a result of influence from several stakeholders.

5.5 Influence of the studied stakeholders on CSR practices in local SMMEs

It has been discussed what kind of CSR practices the manufacturing SMMEs included in this study have implemented, what made the companies undertake these practices, and which role different groups of stakeholders played in influencing the CSR practices. The influence of the identified key stakeholders on CSR practices in local SMMEs will be examined in this section. This is done through first summarizing the influence the key stakeholders have had on the implementation of CSR practices in the SMMEs that were included in the sample of this study and then giving examples of how the key stakeholders have influenced local SMMEs outside the sample.

5.5.1 Influence on CSR practices in SMMEs included in the sample of this study

In Sections 5.3 and 5.4 it was shown that some of the SMMEs examined in this study have implemented CSR practices as a result of influence from the key local stakeholders included in the study. Audits, inspections, and issuing of fines by the local branch of the Department of Labor have influenced CSR practices in the form of health and safety management systems in two of the examined companies. Unions have also played a role in influencing one of the examined companies to implement CSR practices related to wage practices, employee conditions, and general co-operation with the employees and the union.

The Municipality has influenced the examined companies, in one instance, through negotiating between business and local residents concerning new terms for the use of a landfill site.

None of the other stakeholders was reported to have influenced the companies to undertake specific practices of CSR. The PCB was, however, reported by some of the companies to have played a small role. One of the companies reported that representatives from its management were participating at meetings at the PCB environmental forum, and, while not attributing networking through the PCB to having influenced its CSR practices, the interviewed managers still claimed that the meetings were a source of inspiration regarding environmental management. Some of the companies have also found information provided by the PCB on B-BBEE useful, especially for information concerning the B-BBEE scorecard.

None of the interviewed companies had knowledge of the NGO, SchoolTrade, while two of the companies had heard about Groundwork, but they reported that they had not had any significant contact with the NGO.

5.5.2 Influence reported by the stakeholders on the practice of CSR in SMMEs outside the sample of this study

The interviews with the stakeholders did reveal other accounts where the stakeholders had influenced local SMMEs to practice CSR. Although those SMMEs were not part of the sample interviewed in this study, the findings from the interviews still reveal ways in which the interviewed stakeholders are influencing CSR practice among SMMEs in the Pietermaritzburg area.

Air pollution has been a concern in Pietermaritzburg for many years, and several of the interviewed stakeholders have played a role in the continued attention that is given to air pollution in the Pietermaritzburg area. Air pollution measurements are, for instance, made by the Municipality Environmental Health Unit, the PCB, and Groundwork. In 1997 the Municipality was central in the establishment of the Msunduzi Air Quality Forum, which included representatives from business, civil society, and authorities. The responsibility for the Air Quality Forum was in 2006 transferred to PCB (Layman, 2008b). The interviewed stakeholders have different reasons for engaging in this issue and opinions on how successful the forum is.

'I honestly feel it hasn't worked particularly well because it didn't have a legal tender within it to operate. So it was just a gathering of people talking, and industries coming to defend their actions and present statistics supporting their positions.' (Campaign Manager, Groundwork).

Air quality measurements made by the Environmental Health Unit of the Municipality, as well as air quality measurements in the form of 'bucket brigades'¹⁴ (Groundwork), have however been used to vindicate claims of air pollution in the Pietermaritzburg area. There is at least one example of a local company undertaking measures as a result of continued attention around this issue.

¹⁴ 'Bucket brigades' refers to a simple air quality monitoring system owned and run by communities.

'It is a good indicator so what happens is that you go to a company and say - you know what? We have high levels of say lead coming from you company-. So we ask them when last they did their monitoring because industries as well do their own monitoring too which is quite pricey, sometimes twice a year and so there are mechanisms and places where we can engage with industries...We have done that with PG Bison in the past where they spent millions of rand, but sadly they have relocated now.' (Process Manager of Environmental Health Unit, Msunduzi Municipality).

The Environmental health unit of the Municipality takes a number of measurements and conducts inspections on air quality, water quality, land pollution, and noise and takes concerns to companies or other tiers of government:

'What happens is that, if there is a company that is generating waste that cannot be accepted in our land fill site then we contact the Department of Water Affairs and Environmental Affairs, and we go there and see how we can help them to come up with some sort of alternative to disposing of their waste....Yes, you need to be able to listen to them and share the problems as if there are our problems, I think it is a much better approach. So yes there have been a lot of success stories in this field' (Process Manager of Environmental Health Unit, Msunduzi Municipality)

The Municipality has engaged in some partnerships with local businesses, namely, projects to benefit the City and funds for municipal projects.

'We have this safe city project which is basically a partnership between ourselves and business...They came to us and said that they wanted to do something and fortunately it was also an area that we had been looking at too and so we came to a partnership agreement where we put in money and they put in money and we made it happen' (SEM Community Services and Social Equity, Msunduzi Municipality)

The operation of SchoolTrade is based on forming partnerships with companies, and their list of partners includes some SMMEs. So it is safe to say that the NGO has influenced the practice of CSR in local SMMEs.

5.5.3 Interaction among stakeholders

The different stakeholders have been in contact, and do co-operate to a certain degree. It is interesting that many of the identified cases where the studied stakeholders have influenced the practice of CSR in local companies came after there had been some kind of co-operation or contact between two or more different stakeholders. These cases include the role of Municipality Environmental Health Unit in finding a solution to concerns from Civil Society regarding the Municipality Dump, which in turn was reported by one of the interviewed manufacturing SMMEs as having influenced their waste management practices and environmental management system.

Another case is that PCB has had a role in facilitating contact between companies and SchoolTrade. The PCB took an active role in facilitating a meeting between SchoolTrade and some of its members that resulted in eight primary schools receiving funding for some of their most urgent needs.

'We held an "imbizo" between the 8 primary schools that we work with and the PCB... they were very generous, they provided the facility and they also helped us to use their mailing list to get the message out and they also did the catering on the day' (CEO, SchoolTrade)

The case of PG Bison implementing measures to limit stack emission has been mentioned previously. It should be noted that this happened after continued attention from not only the Municipality Environmental Health Unit but also civil society fronted by Groundwork and the Air Quality Forum.

There are some other examples of contact and co-operation among the studied stakeholders, and these might have the potential to foster CSR practices in local companies. These include the activities and research of the Msunduzi Innovation and Development Institute (MIDI), which is a joint initiative by the Pietermaritzburg-Msunduzi Municipality, the Pietermaritzburg Chamber of Business, and the University of KwaZulu-Natal. MIDI does, for instance, have an Environment and Sustainable Development task team (MIDI, 2010).

The PCB and the Msunduzi Municipality have been co-operating for years, though this co-operation had been difficult for a couple years by the time that the research for this study was conducted (Layman, 2008b). There has also been some contact between the local COSATU

branch and the PCB, but this contact has been infrequent and irregular, possibly due to capacity problems at the union (Layman, 2008b).

The above examples show that there is a lack of continuity in co-operation among the stakeholders. In addition to the above, Groundwork also states that co-operation with local government, especially councilors, is problematic because they too often are replaced by the time they are made aware of issues and a good working relationship has been established (Khanyile, 2009).

The PCB also cites change of political leadership and staff as a main reason for the lack of continuity in their co-operation with the Municipality. The union seems to have limited resources available, especially manpower, and this limits their ability to co-operate with other stakeholders.

'The reason that meetings between PCB and COSATU are not happening at the moment is because of their lack of administrative capacity...and when members invite them to attend our Forums and seminars they said that they would love to, but they don't have money to pay to attend.' (CEO, PCB)

Questions, though not articulated clearly, arise around whether the Municipality and the Unions gives priority to co-operation with the PCB. This might result from a view that local government and unions should not collude with business, but the research material is insufficient to draw any certain conclusions about this. The following quote gives some indication of how the Municipality views its relationship with the PCB:

'No, I think that one of the things that you should keep in mind is that we do not deal directly with the Chamber. The other units within the Municipality may do so but we normally deal with them when it comes to things that are related to how we can improve our services as the city' (SEM Community Services and Social Equity, Msunduzi Municipality)

5.6 Summary

The main findings from the study were presented in this chapter. Responses from the study show that CSR often is confused with CSI, and the studied companies do in general have a limited understanding and narrow interpretation of CSR. The companies do, however, practice CSR in a number of ways, and the respondents reported that the companies have

implemented practices that address all five CSR issues examined in this study – labour, B-BBEE, HIV/AIDS, the environment, and community outreach.

The practice of CSR in the companies is greatly influenced by their stakeholders. For the purpose of this study, the stakeholders have been divided into four groups, and the results of the study show that all groups of stakeholders have exerted influence on the practice of CSR in the examined manufacturing SMMEs.

Most of the CSR practices that were identified can be linked to influence from stakeholders, but only a limited number of the practices can be linked to the stakeholders that were examined in this study. Some of the SMMEs examined in this study have implemented CSR practices as a result of influence from the key local stakeholders included in the study, but the examined stakeholders can be said to have influenced the practice of CSR in the SMMEs only to a limited degree. The stakeholders with the biggest impact seem to be the local DOL branch and local union branches. The examined stakeholders have been in contact with one another and do co-operate to a certain degree, but the co-operation is limited and often fraught with difficulties.

The implications of the findings are discussed in the next chapter, conclusions are drawn, and areas for further research are indicated.

CHAPTER SIX: DISCUSSION, IMPLICATIONS AND CONCLUSIONS

The aim of the study is to explore the practice of CSR among manufacturing SMMEs in the Pietermaritzburg area, and how this practice is influenced by their stakeholders. This has been done through applying qualitative methods in assessing the socio-economic and political context of CSR in SMMEs in the Pietermaritzburg area, identifying key local stakeholders for the SMMEs, and conducting semi-structured interviews with a sample of manufacturing SMMEs and their identified stakeholders. The results of these interviews were presented in the Chapter five, and the current chapter sets out to critically reflect on the findings and to see how the study relates to similar studies and existing literature in the field.

The starting point for the discussion is assessing the stakeholder attributes of the interviewed key local stakeholders, based on the findings from the research. The following section then uses the assessment to investigate how the examined stakeholders in some cases have increased their salience through contact and co-operation. In Section 6.3 a discussion is presented of the main findings from the study. How the main findings relate to existing knowledge in the field will be discussed. The implications of the study, as discussed in Section 6.4, are discussed. Finally, the main conclusions from the study are drawn and possible areas for further research are pointed to.

6.1 Stakeholder salience for the interviewed key local stakeholders

The theory of stakeholder identification and salience of Mitchell et al. (1997), described in Section 2.2 of this report, is used to indicate the salience of each of the stakeholders regarding the CSR issues examined in the study concerning local manufacturing SMMEs in general. Each of the interviewed stakeholders is evaluated on whether they possess each of the three relationship attributes: power, legitimacy, and urgency. The attributes are then combined to indicate the salience of each stakeholder, using the typology presented by Mitchell et al. (1997). The assessment is based on the research findings, and it should be noted that the assessments set forth to indicate the salience each stakeholder has for a group of companies, for manufacturing SMMEs in the Pietermaritzburg area. It is generally problematic to determine the salience a stakeholder has for a group of companies, because stakeholder salience is determined by how a specific manager interprets a certain context, based on

(amongst other things) management values and industry culture (Fineman & Clarke, 1996). The study has, however, revealed some common trends that can be used to broadly indicate the salience of the stakeholders towards managers of manufacturing SMMEs in the Pietermaritzburg area.

Stakeholder salience of the Msunduzi Municipality:

The Msunduzi Municipality is a big and complex organization, and it is possible to find conflicting indications from the research results on whether the organization possess each of the stakeholder attributes. It is, however, possible to extract some common denominators from the research material, and these are described below.

Power: The power of the Municipality seems to vary for the different CSR issues examined in the study. The Municipality has power regarding Environmental issues, because its Environmental Health Unit conducts inspections and issues fines. The Municipality seems to have limited power concerning the other CSR issues examined, but it will have some power as local authority always possesses the power attribute to a certain degree. Examples of this are: the power to engage with companies concerning local economic development and community projects and a certain amount of power that lies with the Municipality in that it is free to use certain criteria in the awarding of tenders and procurement deals¹⁵.

Legitimacy: The interviews show that the Municipality, as a local authority, generally has some form of legitimacy amongst local SMMEs. The legitimacy does, however, seem to be restricted to the municipality as a provider of services like electricity and waste management. Only one example of the interviewed companies engaging with the municipality (or vice-versa) on CSR-related issues or any other issue was found, and this was regarding the Municipal Dump which is ultimately linked to the provision of services. It is therefore safe to conclude that the companies don't seem to think of the municipality as a credible partner on CSR issues. A typical response from the interviewed managers is:

'We co-operate with the municipality with regards to water, rates and taxes and also if there are power failures. From my point of view those are the areas where we co-operate, mainly on service delivery' (HR manager, Company 1)

¹⁵ After this study was conducted, it was revealed that elements in the municipality were misusing this power for their own benefit; it is however outside the scope of this report to look into these issues.

None of the interviewed managers questioned the basic legitimacy of the municipality as local authority and service provider.

Urgency: Urgency varies between different divisions and CSR issues, but generally seems to be low. This study has not identified any examples of the Municipality acting decisively to influence local companies to engage in CSR issues but found several cases where the Municipality acted after being approached by business or civil society. Examples of the above are when the Environmental Health Unit of the municipality got involved in the controversy surrounding a municipal landfill site (see Section 5.4) and a case where the municipality staff assisted SchoolTrade in designing a pedestrian bridge that one of the schools needed.

'There is a small division within the municipality called GEDI, the Greater Edendale Development Initiative, and there was an engineer there who was enormously helpful in helping to design a pedestrian bridge for this school' (CEO, SchoolTrade)

Overall assessment: The Municipality is a large organization with several units acting relatively independently and out of diverging interests, but using the typology of Mitchell et al. (1997), the Municipality is best described as a **Dominant** stakeholder, i.e. a stakeholder with power and legitimacy but without urgency.

Stakeholder salience of the PCB

Power: The research has shown that the PCB has limited power when it comes to influencing the practice of CSR in local SMMEs. The objective of the organization is to take care of the interest of business and of issues related to CSR. This is done mainly through networking and distribution of information, for example, through the different forums of PCB. While at least one of the examined companies attend the air quality and environmental forum of the PCB, these forums merely constitute a source of information and inspiration for the participating companies.

'We use the chamber meetings for networking, and for exchanging information on these issues' (HR manager, Company 1)

Legitimacy: The interviewed companies and stakeholders both talk about the PCB in positive terms, and the PCB is often described as being progressive on all CSR issues in this study.

The organization seems to enjoy a high legitimacy amongst the companies and stakeholders on CSR issues. The local co-ordinator from COSATU, for instance, described, in an informal interview, the PCB as progressive, a sentiment that was shared by some of the companies.

Urgency: The PCB is engaged in several issues that are linked to CSR, but these are not the core issues of the organization. The Chamber engages in these issues through networking and distribution of information, not through claims and appeals. The PCB does not possess the attribute of urgency for CSR issues.

Overall assessment: The above assessment has shown that the PCB possesses the attribute of legitimacy for CSR issues, but does not possess the attributes of power and urgency. According to the typology of Mitchell et al. (1997), the PCB is best described as a **Discretionary** stakeholder, i.e. a legitimate stakeholder without power and urgency.

Stakeholder salience of the Department of Labour (DOL) - Pietermaritzburg Labour Centre

It should be noted that the assessment of the Pietermaritzburg Labour Centre has been made regarding labour issues only. The DOL is considered to be a non-stakeholder on all the other issues examined in this study.

Power: The DOL possess power in the form of authority to carry out inspections and audits and to initiate a process to ensure that a company complies with existing regulation. The DOL therefore possesses the stakeholder attribute of power. This is made clear by the fact that all companies refer to the prospects of receiving fines if there are accidents, or being the subject of inspections from the DOL as the motivation for keeping their occupational safety and health standards at a satisfactory level.

'It can result in the Department of Labour coming in here and making a big wuha, so we are very responsive to that, and strictly adhere to the act itself' (CEO, Company 7, - on adhering to the OHAS Act)

Legitimacy: The DOL represents government and is given authority to enforce legislation, which makes the DOL a legitimate authority in on labour issues. The interviews with companies and stakeholders have also revealed that the judgement of representatives from the

DOL in general is respected. The Department of Labour - Pietermaritzburg Labour Centre therefore possesses the stakeholder attribute of legitimacy for labour issues.

Urgency: When the DOL conduct inspections and audits, or contacts companies on behalf of an employee, it will normally request the company to implement corrective measures within a certain time limit. This is described in detail in Section 3.4.2. The Department of Labour-Pietermaritzburg Labour Centre therefore possess the stakeholder attribute of urgency for labour issues.

Overall assessment: The assessment shows that, according to the typology of Mitchell et al. (1997), the DOL - Pietermaritzburg Labour Centre is best described as a **Definitive** stakeholder, i.e. a stakeholder with legitimacy, power, and urgency on labour matters. The DOL is considered to be a non-stakeholder for the other CSR issues examined in this study.

Stakeholder salience of Groundwork

Power: As an NGO, Groundwork is generally assumed to possess limited power. The organization is, however, capable of increasing its power through citizen mobilization and activism. The organization has contributed to the attention that air quality has been given in the Pietermaritzburg area. Although many of the interviewed companies know about the organization, none of them reports having had any contact with Groundwork.

Legitimacy: Groundwork seems to enjoy a limited legitimacy amongst the companies and stakeholders. Though generally being respected as a seriously run organization with good expertise on environmental issues, the organization seems to be regarded as conflict seeking and as not looking for mutual beneficial solutions.

'I think Groundwork are activists. We have not had any confrontations, but on the point of view of air quality, Groundwork will automatically blame Industry' (CEO, Pietermaritzburg Chamber of Business)

Urgency: Claims regarding environmental and social matters are of great importance to Groundwork, and the organization therefore possesses the attribute of urgency.

Overall assessment: For the purpose of this study, Groundwork is best described as a **Demanding** stakeholder, i.e. a stakeholder with urgency but with limited legitimacy and power.

Stakeholder salience of SchoolTrade

Power: SchoolTrade, as an NGO, does not possess the power attribute. SchoolTrade also works in partnership with business and does not use the strategy of increasing its power through mobilization and activism.

Legitimacy: SchoolTrade seems to enjoy a good reputation¹⁶, but none of the interviewed companies had heard of the organization. SchoolTrade therefore possess limited legitimacy amongst the companies and stakeholders, simply because very few of the interviewees have heard of the organization.

Urgency: Issues regarding education in disadvantaged schools are of great importance to SchoolTrade, and the organization therefore possesses the attribute of urgency.

Overall assessment: When using the typology of Mitchell et al. (1997) in the specific context of this study, SchoolTrade is best described as a **Demanding** stakeholder, i.e. a stakeholder with urgency but without legitimacy and power.

Stakeholder salience of local unions

As the case was with the Pietermaritzburg Labour Centre, the stakeholder assessment of local unions has been made regarding labour issues only.

Power: The research shows that local unions possess the attribute of power. The interviewed companies are all conscious that they need to co-operate with their union in order to avoid conflicts and strikes.

Legitimacy: Unions, as representatives of employees, seem to enjoy some legitimacy amongst the companies and stakeholders. Some of the companies complain that their union in some cases does not consider the (financial) situation of the company when making claims,

¹⁶ Based on the opinion of the PCB, available information on the internet, and sources in UKZN.

but the companies still seem to consider the union as a legitimate representative for their workers.

Urgency: The unions are generally believed to make claims that are important to them, and often the claims are time-sensitive as well. The unions therefore possess the attribute of urgency.

Overall assessment: For labour issues, local unions are best described as **Definitive** stakeholders, i.e. stakeholders with legitimacy, power, and urgency. This assessment is only true for labour issues. South African unions have also engaged in a number of issues that are related to CSR, such as BEE, HIV/AIDS, community outreach, and even environmental issues. It is, however, less likely that any local SMMEs consider unions as stakeholders on any of these issues, because there is no evidence of local unions engaging with companies on any of these issues.

The Figure 7 below shows the stakeholders placed in different groups according to the stakeholder model of Mitchell et al. (1997).

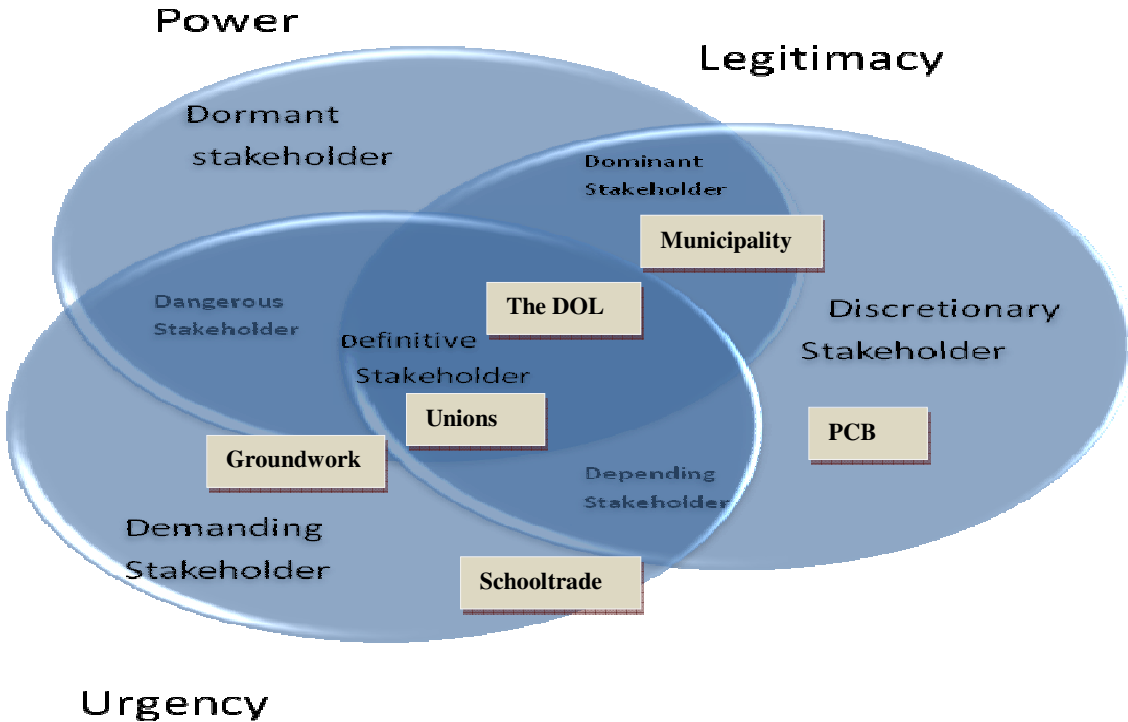


Figure 7: Stakeholder salience regarding CSR issues of the interviewed stakeholders.

The above figure shows the salience of the interviewed stakeholders. The assessment is in line with the results from the research, which showed that the DOL and unions are the only stakeholders that have exerted direct influence on the practice of CSR in the examined companies. Additionally, the research revealed some cases where local stakeholders have increased their salience through co-operating and thus exerted influence on CSR practices in SMMEs in the Pietermaritzburg area. This is further elaborated in the next section

6.2 Ways in which the stakeholders may contribute to deepen the practice of CSR in the SMMEs

The results show that the examined stakeholders have influenced the practice of CSR in the SMMEs only to a limited degree, and the stakeholders with the biggest impact seem to be the local DOL branch and local union branches. By applying the theory for stakeholder identification and salience developed by Mitchell et al. (1997), local Unions and the DOL were both identified as definitive stakeholders on labour issues in manufacturing SMMEs in the Pietermaritzburg area.

Besides the CSR practices influenced by the DOL and local unions, there is only one example of an SMME included in the study implementing a CSR practice as a result of influence from one of the examined stakeholders. This is, however, an interesting example of how combined claims from stakeholders can result in the implementation of CSR practices. The situation where local residents and a CBO engaged with the Municipality on the issue of management of a landfill site is described in section 5.5.1. Using the typology of Mitchell et al. (1997), this can be described as an example of demanding stakeholders finding support from a dominant stakeholder for a claim, and thus becoming definitive stakeholders for the concerned companies. This is illustrated in Figure 8 below.

The figure also illustrates another interesting example of co-operation between stakeholders, using the typology of Mitchell et al. (1997): SchoolTrade has secured co-operation from the PCB, and by that the organization is gaining legitimacy, moving into the depending stakeholder group. SchoolTrade is not likely to gain the attribute of power, but nevertheless some companies choose to co-operate with the NGO. It is likely that part of the motivation for the companies to do this is to increase their B-BBEE rating, but they choose SchoolTrade over other NGOs and CBOs. This is most likely done because managers and/or the owner(s)

exert their power and choose SchoolTrade as a partner. This is shown by the broken lines in Figure 8 below:

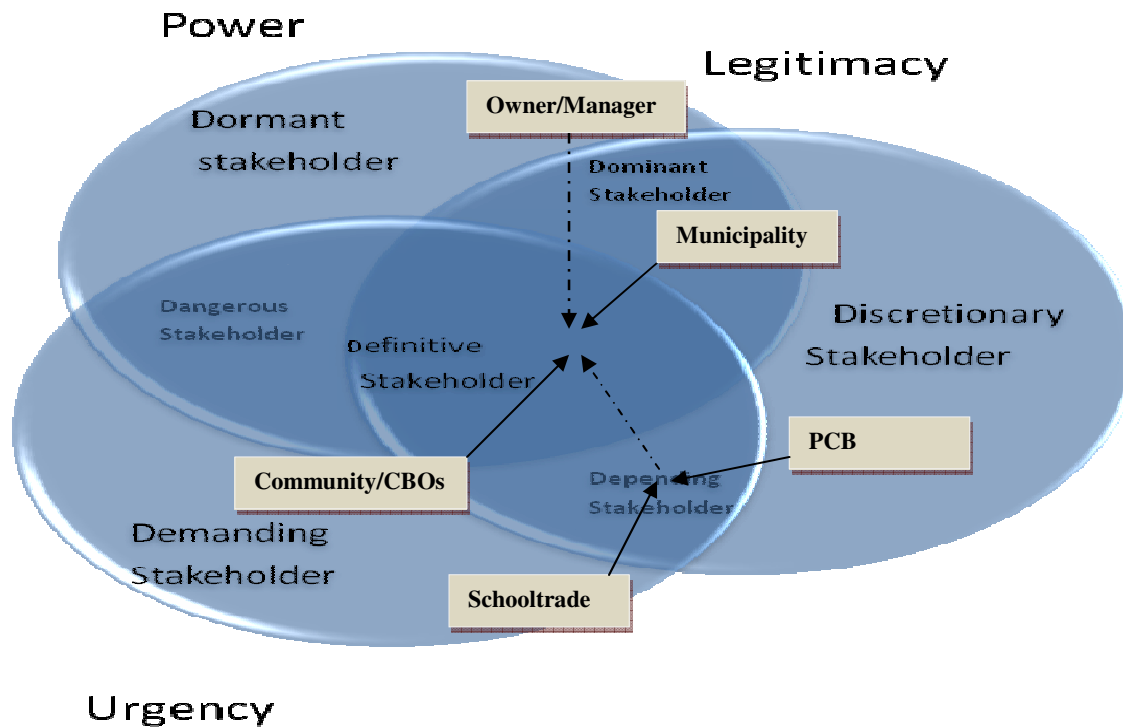


Figure 8: Increased stakeholder salience through contact and co-operation among stakeholders.

The mechanisms shown in the figure above confirm the claims by Mitchell et al. (1997) that stakeholders can increase their salience and move into new categories by coalition building. The figure illustrates how stakeholders have influenced local SMMEs to undertake CSR practices through co-operation, by adding salience to their concerns by combining one or more of their stakeholder attributes: power, legitimacy, and urgency. In section 5.5.3 it was shown that co-operation among the examined stakeholders is limited, and often fraught with difficulties, and, therefore, there seems to be an untapped potential in engaging with business on CSR issues. An example is that the interviews with the PCB and SchoolTrade indicate that there is interest among businesses to partner with the Municipality in development projects.

6.3 The practice of CSR in the studied SMMEs and how this practice is influenced by their stakeholders

The study shows that SMMEs in the Pietermaritzburg area are responsive to their stakeholders and that the practice of CSR is greatly influenced by what the companies consider to be their stakeholders' concerns. The results show that the companies have adopted a high number of

CSR practices and that these practices address all the CSR issues examined in the study. Furthermore, when dividing potential stakeholders into four groups – civil society stakeholders and communities, government stakeholders, stakeholders affiliated with the companies, and business stakeholders – the results show that there is considerable influence from all of the four groups. On the basis of these results, one can conclude that the examined SMMEs manage their stakeholders in a sophisticated manner. The high number of CSR practices adopted, the fact that all the examined CSR issues are addressed by the companies, and the sophisticated way the companies manage the stakeholders contradict the notion in CSR literature that SMMEs lack the capacity to engage in CSR activities (European Commission, 2007; Jarvis, 2004; European Multi-Stakeholder Forum on CSR, 2004).

The examined SMMEs do, however, only label practices directed towards community outreach and philanthropic activities as CSR. This can be explained by the fact that companies, along with the interviewed stakeholders, have a limited understanding of CSR and tend to look at the examined CSR issues as discretionary areas. Also, CSR is commonly confused with CSI and seen in conjunction with the socio-economic development element in the generic B-BBEE scorecard. This is in line with the findings of Perera (2008) and Cici and Ranghieri (2008) that SMMEs often fail to see the bigger picture and tend to look at CSR issues separately. Cici and Ranghieri (2008) label this ‘silent CSR’, and one can conclude that the manufacturing SMMEs included in this study are practicing ‘silent CSR’. The confusion in the meaning of CSR and CSI also confirms claims and findings in literature that CSR in South Africa is dominated by CSI (Kapelus et al., 2004; Fig, 2005, 2007, Hönke et al., 2008).

The motivation for undertaking the identified CSR practices can be attributed to both extrinsic and intrinsic factors. Extrinsic motivation, in the form of gaining some kind of benefit for the company, is the motivation for undertaking many of the identified CSR practices; either earning more money or avoiding loss of profit. Skills development is, for instance, motivated mainly by the achievement of increased worker productivity. CSR practices addressing HIV/AIDS in the workforce are aimed at decreasing workers absenteeism. B-BBEE measures are often aimed at gaining market advantage by increasing the company score on the B-BBEE generic scorecard. However, it is interesting that quite a number of the practices have been adopted as a result of more intrinsic and value based motivation factors. Several practices have been undertaken partly or mainly as a result of what the managers and/or owner(s) of the company think is the right thing to do. This trend is seen especially when it comes to

community outreach practices, practices that address HIV/AIDS in the workforce, and systematic safety and health measures. The conclusion to be drawn from this is that the managers and/or owner(s) of the examined companies have a sense of responsibility towards local communities and the well-being of their own workers and that this sense of responsibility is an important driver for initiating CSR practices. The same effect is seen to a lesser degree when it comes to CSR practices addressing environmental issues, where two companies have implemented waste management practices as a result of the commitment of owners and managers. This is in line with the findings of Perera (2008) that CSR activities in SMMEs often are driven by the values of their owner-managers.

Another interesting finding is that mandating public policy has contributed towards the implementation of practices that exceed the legal requirements, i.e. CSR practices, in some cases. This is true for the implementation of systematic health and safety measures, which in some companies was motivated by the prospect of fines, inspections, and audits from the DOL. This is also true for the ISO 14001 certification of one of the companies, which was motivated by the mandatory measurement of toxins in wastewater by uMgeni Water. This gives credibility to the claim by Fox et al. (2002) that mandating public policy contributes to CSR by providing a baseline for CSR performance.

Eight SMMEs were investigated for the study, so one should be careful about drawing conclusions from this study to SMMEs in general. There are, however, some trends that are interesting: Firstly, the way the companies practice CSR seems dependent on their markets and customers. This is particularly true for two of the CSR issues examined in the study, the environment and B-BBEE. Companies in export oriented sub-sectors and with TNCs as customers are more likely to obtain ISO 14001 certification, and all three of the interviewed companies that are ISO 14001 certified are export oriented. The main driver here seems to be that TNC customers request this type of certification, which is true for two of the companies that are ISO 14001 certified. The finding is in line with research and literature that points to TNCs as important drivers for the implementation of CSR practices in SMMEs in developing countries (Raynard & Forstater, 2002; Perera, 2008; Cici & Ranghieri, 2008).

Companies focusing on domestic markets, on the other hand, seem more focused on implementing CSR practices that address issues related to B-BBEE. This is made evident by the fact that the companies that have implemented preferential procurement and/or increased

black management control measures all have a big proportion of their business in domestic markets. Again, this is due mainly to market demands, as domestic customers increasingly request high scores on the B-BBEE generic scorecard.

The size of the companies seems to affect the extent and sophistication of CSR practices addressing HIV/AIDS issues. For instance, there are three companies that have established their own clinics, and all these companies have 100 employees or more. This tendency is also shown by the fact that the smallest company included in the study (19 employees) reported having great difficulties in implementing a successful HIV/AIDS strategy. Limited expertise and capacity seems to be the major constraint for the smaller companies when engaging in HIV/AIDS issues.

The Msunduzi Municipality shows limited interest in working with business and civil society on issues related to CSR, and one might, therefore, say that the municipality has failed to take the lead in securing economically, socially, and environmentally sustainable development in the Pietermaritzburg area.

6.4 Implications

6.4.1 Contributions of the research

The study was designed in a way that has contributed to the knowledge about the practice of CSR in SMMEs, in developing countries in general, in South Africa in particular, and in areas where a need for research has been identified. Jeppesen (2009), in his literature study of CSR and SMEs in development, mentions three areas where there is a need for research: studies focusing on Southern perspectives, studies using context-sensitive approaches in the research, and studies focusing on SMMEs in their own right. The study is designed in a way that addresses all the three areas: it has a southern focus, it is context-specific, and it investigates SMMEs in their own right. The study therefore adds valuable knowledge in terms of the practice of CSR in SMMEs in developing countries.

Further, the study established that the examined companies have a strong focus on community outreach and philanthropic activities, and that most companies are of the understanding that CSR is limited to these practices (and thus excluding environmental practices, labour practices, and so on from CSR). This is in line with the common observation that CSR is dominated by CSI in South Africa, but it is the first time that this has been established through actually examining CSR interpretation and practice among South African SMMEs and their

local stakeholders. The acquired knowledge contributes towards filling an information gap identified by Jeppesen (2009) concerning the contribution of SMMEs towards their local communities.

The study contributes to the South African context by assessing what the CSR practices of manufacturing SMMEs are and how these practices have been influenced by the stakeholders of the companies. It is the first South African study that includes several CSR issues and identifies how a number of SMMEs address each issue.

Also, the study is unique in terms that it focuses on the role of local stakeholders, including local authorities. The results show that this influence is relatively limited and that there is a potential for increased co-operation among the examined stakeholders. This is in line with the findings that Cici and Ranghieri (2008) reported in their study of the practice of CSR in SMMEs in eight Latin American countries. The findings of the present research are interesting regarding the developmental role of local government in South Africa. The study has provided insight into how local governments are handling their development mandates, including the task of securing sustainable development in co-operation with business and civil society.

Finally, the study has shown that the theory of stakeholder identification and salience and the accompanying typology based on stakeholders attributes, presented by Mitchell et al. (1997), can be a useful tool for analysing how certain stakeholders influence the practice of CSR in a group of companies in a specific context.

6.4.2 Is it feasible to use the term 'CSR' in the examined context?

The study was context-specific, focusing on manufacturing SMMEs in the Pietermaritzburg area and their key local stakeholders. While showing that manufacturing SMMEs in the Pietermaritzburg area have implemented a number of CSR practices and that they are responsive to their stakeholders regarding these issues, the study also found the field of CSR to be largely unknown among the examined SMMEs and interviewed stakeholders. The study showed that the terms 'CSR' and 'CSI' are used interchangeably, and that this is reinforced by the introduction of the generic B-BBEE scorecard. In Section 6.3 it was established that this is in line with existing literature that claims CSR in South Africa is dominated by CSI. The study also showed that the companies and most of the stakeholders think of the different

CSR issues examined in this study as separate issues and not as something that belongs under the same CSR umbrella.

The literature review, the contextualization, and the research have not given any indications that this situation will change. No supporting research or theory investigating the use of the term 'CSR' in South Africa has been found, but some observations have been made while working on this study. Firstly, it has not been possible to find any examples of South African government embracing the term 'CSR' in public policy or in any government initiatives, even after going through policy documents and doing extensive searches on the South Africa Government Online Portal - <http://www.gov.za/>. Another observation that has been made is that research literature originating from South Africa often uses terms other than 'CSR', and in several cases has an understanding of CSR that differs from the understanding outlined in Section 2.1 of this report – of CSR being based on the five dimensions: the environmental, social, economic, stakeholder, and voluntariness dimensions. Examples of the above are found in Fig ed. (2007), which is the most extensive compilation of research on CSR-related issues in South Africa and which consistently uses the term 'Corporate Social and Environmental Responsibility' (CSER). Skinner and Mersham (2008) in their study use the term 'CSR', while in reality they refer to activities that can be classified as CSI. The term 'Corporate Citizenship' is also widely used instead of CSR in research connected to the South African context, as seen in the research by AICC and Visser (2005). The term 'CSR' is not widely used by tertiary education institutions in South Africa; UNISA, for instance, calls their research centre 'Centre for Corporate Citizenship'. Some of the larger South African companies use the term 'CSR', but it seems that smaller companies have not started using the term. The only interview subject in this study that showed real familiarity with the term was Groundwork, which is sceptical about CSR at best. This is evident in their campaigns against the use of the term 'CSR' and for the use of the term 'Corporate Accountability' instead (Groundwork, n.d.).

The analysis above indicates an absence of proponents of CSR with the potential of having an impact on local SMMEs, and it is thus unlikely that CSR will become a widely used concept in SMMEs in the Pietermaritzburg area in the near future. Therefore, one might question the feasibility of using the term 'CSR' in the context that was examined in this study.

In the other hand, using the term 'CSR' has made it possible to connect this study to the existing literature on CSR. Perera (2008), for instance, reports some of the same findings as the present study, namely that SMMEs tend to look at CSR issues as discretionary areas. The understanding of CSERs and Corporate Citizenship is also very similar to the current understanding of CSR and easily comparable to the findings of this study.

6.5 Conclusions and Recommendations for Further Research

6.5.1 Conclusion

Manufacturing SMMEs in the Pietermaritzburg area are engaged in a number of CSR-related issues and are implementing CSR practices addressing each of these issues. The stakeholders of the companies are exerting a significant influence on how the companies are practicing CSR. The studied companies do, however, approach each CSR issue as a discrete area of activity, and companies and key local stakeholders have a limited understanding and narrow interpretation of CSR. Therefore, questions arise of whether it is feasible to apply the concept of CSR in this setting.

The studied companies are responsive to what they consider to be the concerns of their stakeholders, but the examined local key stakeholders were only to exert only a limited influence on the practice of CSR in the companies. The findings of the study suggest that there is a potential for increasing this influence, mainly through increased contact and co-operation between the studied stakeholders. The Msunduzi Municipality, particularly, has a potential for strengthening its co-operation with business and civil society, and thus for fulfilling the developmental role assigned to local government in South Africa. The PCB was also found to be interested in increased co-operation with local government and civil society on CSR-related issues.

6.5.2 Further research

There are good opportunities for further examination of the findings from the study, and this can be done by following different avenues. Firstly, it would be interesting to conduct a study that includes more companies. This will decrease the uncertainty of the findings and make comparisons between different groups of companies possible. Such comparisons might, for instance, be made in a study that includes non-manufacturing SMMEs in the study sample and/or micro sized companies. An increased sample size will also make it possible to further

explore whether there are differences between the practice of CSR in companies focusing on domestic and foreign markets and customers.

Secondly, the depth of the study can be increased through conducting more interviews at each of the examined companies and stakeholders. This will increase the understanding of the mechanisms and motivations for the companies to implement CSR practises and engage with stakeholders and add more perspective to the extent and effect of the CSR practices. It will also add to the understanding of the organizational culture both in the companies and the stakeholder organizations and contribute towards identification of drivers and barriers for increased stakeholder contact and co-operation.

Also, it would be interesting to expand the geographical area of the study and compare the practice of CSR in SMMEs operating in different local contexts. Such an expansion or area will make it possible to compare the role of key stakeholders in different areas and can add valuable insight into how the political and socio-economic context affects the practice of CSR in SMMEs. It would, for instance, be possible to evaluate and compare the effort of local government at different places and thus identify successful local government strategies and policies.

Another way to expand on the findings from this study is to further explore the feasibility of applying the term 'CSR' when investigating South African SMMEs in a local context. Would it, for instance, be helpful for SMMEs to look at the issues examined in this study in conjunction with CSR issues, instead of being regarded as discretionary areas? Will embracing the term 'CSR' lead to SMMEs implementing more and better practices of CSR and hence contribute to sustainable development?

Looking at each of the discrete CSR issues of this study, presents numerous avenues for research. Such research will, however, not be a natural continuation of the current study.

Finally, it is possible to build on the findings from this study and look into how public policy can contribute to promoting the practice of CSR in South African SMMEs. One might also research the question of whether public policies propagating CSR might contribute to sustainable development in South Africa. It is possible to conduct research into identifying

strategies for how local government alone and in co-operation with other stakeholders can influence the practice of CSR in local SMMEs.

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Appendix A: Interview subjects from the examined key stakeholders

Stakeholder	Interview subject	Date
Msunduzi Municipality	Strategic Executive Manager (SEM), Community Services & Social Equity Business Unit	Dec 11 th 2008
Msunduzi Municipality	Strategic Executive Manager (SEM), Economic Development and Growth Business Unit	Dec 12 th 2008
Msunduzi Municipality	Manager, Environmental Health Unit	Dec 12 th 2008
Pietermaritzburg Chamber of Business	Chief Executive Officer (CEO)	Nov 5 th 2008
Groundwork	Air Quality Campaigns Manager	Jan 27 th 2009
SchoolTrade	Project Manager and founder	Dec 1 st 2008 and Jan 13 th 2009
The Department of Labour - Pietermaritzburg Labour Centre	Senior Practitioner, General Support	Jan 28 th 2009
Unions/ COSATU	Local coordinator/ CEPPAWU	Nov 12 th 2009
Unions/ COSATU	Local representative, NUMSA	n.d.

Appendix B: List of manufacturing SMMEs included in the study, including interview subjects from the companies

Company	Sub-sector ¹	No. of employees	Turnover	Customers/Markets ²	Interview subjects ³	Date
1	Motor vehicles, parts and accessories	101	50-60 mill R/yr	TNCs , domestic and export	Human Resources (HR) manager (interview 1) Quality Manager (interview 2)	Nov 26 th 2008 and Dec 1 st 2008
2	Food	19	15-20 mill R/yr	Domestic and export	Owner/Chief executive officer (CEO)	Dec 3 rd 2008
3	Metal products excluding machinery	50	30-35 mill R/yr	Domestic and export	Human Resources (HR) manager(subject 1), and Designer/Community Investment Coordinator (Subject 2)	Dec 9 th 2008
4	Electrical machinery and apparatus	60	65-100 mill R/yr	Domestic and export	Chief executive officer (CEO)	Dec 11 th 2008
5	Metal products excluding machinery	280	70-100 mill R/yr	Domestic and export	Financial manager	Dec 11 th 2008
6	Wood and wood products	89	40-50 mill R/yr	Domestic and export	Chief executive officer (CEO)	Jan 16 th 2009
7	Wood and wood products	25-28	30-35 mill R/yr	Domestic and export	Chief executive officer (CEO)	Jan 20 th 2009
8	Motor vehicles, parts and accessories,	120	50-70 mill R/r	TNCs , domestic and export	Chief executive officer (CEO)	Jan 23 rd 2009

¹ The division into sub-sectors is done in accordance with:

Industrial Development Corporation, Department of Research and Information; 2009, *Trends in South African manufacturing production, employment and trade*, Industrial Development Corporation, Sandton

Available from: <http://www.idc.co.za/Research%20Reports/Manufacturing%20Trends%204th%20Quarter%202009.pdf>

Accessed: May 23rd 2010

² A simplified division of markets and customers into the three groups of domestic, export and TNCs is used. The most important market/customer group for the company is shown in bold. Companies 3-5 reported that domestic and export markets were of equal importance to them

³ Two interviews were conducted in company 1, and two subjects were present during the interview in company 3

Appendix C: Interview guide for representatives from selected companies

Introduction

- Presentation of the researcher and the research project
- Going through and signing the informed consent

Understanding of CSR, and own description of CSR practices

Are you familiar with the term 'Corporate Social Responsibility'?

What is your understanding of this term?

Does your company engage in activities related to CSR?

Tell me about those activities.

Exploration of practices addressing specific CSR issues, including motivation and benefits attributed to them

- The researcher presents the current understanding of what falls within the field of CSR

Does your company have any practices and/or policies that can be linked to BEE?

Does your company have any practices employment equity and affirmative action? Including balanced scorecards for B-BBEE

What was the reason that you established these practices and/or policies, and have they resulted in any benefits for your company?

Does your company have an Environmental Management System?

Does your company engage in activities related to protecting the environment and/or lowering the impact you have on it?

(E.g.:

- Minimizing use of raw materials
- Reducing water use
- Minimizing energy use (+greenhouse gases?)
- Pollution Prevention (Upgrading machines, process control etc.)
- Waste management)

What was the reason for you to establish this/these practice(s) and, and have they resulted in any effects and/or benefits for your company?

Has your company put any measures in place to ensure satisfactory occupational health and safety conditions for your workforce?

Does your company engage in different labor issues like skills development and women empowerment?

What was the reason that you established these practices and, and have they resulted in any effects and/or benefits for your company?

Has your company noticed any effects from the HIV/AIDS epidemic?

How do you deal with these effects?

What are your experiences from dealing with these effects?

How does your company engage with local communities (both close to premises and around the municipality)?

What was the motivation for this engagement, and has it resulted in any effects and/or benefits for your company?

Can you think of any requirements you would set for suppliers within any of the fields we have discussed?

Has any of your contractors put forward requirements in the same fields?

Are you aware of your company distributing communication on any CSR related issues? (Internal and external, newsletters, annual reports, information material, periodic reviews etc.).

Exploration of actual and potential role of other stakeholders for engaging in CSR activities:

How would you describe the relationship that your company has with:

- Local authorities
 - The Msunduzi Municipality
 - The Department of Labour – Pietermaritzburg Labour Centre
- Pietermaritzburg Chamber of Business
- Your union
- NGOs (Environmental, community organizations etc.)
 - groundwork

- SchoolTrade

Does your company benefit from the relationship that you have with any of the mentioned actors?

Have you had interrelation with any of these that can be linked to the activities that we are discussing now (CSR activities)?

Personal background

NAME:

AGE:

POSITION:

Information about company

SPECIFICATION OF PRODUCTS:

MARKETS (LOCAL, NATIONAL, EXPORTS):

MAIN CLIENTS:

TURNOVER:

HOW MANY PEOPLE EMPLOYED:

Appendix D: Interview Guide, CEO of Pietermaritzburg Chamber of Business

Introduction:

- Presentation of research, including changes in approach.
- Going through and signing the informed consent

Understanding of CSR, and how the PCB engages in CSR-related areas:

What is your understanding of the term ‘Corporate Social Responsibility’?

Can you tell me about how PCB is facilitating implementation of CSR practices in local companies through its various activities and initiatives?

What would you say are the most central CSR challenges that your members are facing?

Are you familiar with the term Corporate Social Investment?

What is your understanding of this term?

Exploration of the PCB’s activities related to core CSR subjects, including motivation and benefits arising from them:

- The interviewer presents the current understanding of what falls within the field of CSR

What is the view of the Chamber on current public policies that can be linked to BEE?

(Including employment equity, affirmative action and balanced scorecards for B-BBEE)

Do you have any views or experiences from your BEE forum?

What is the reason for the Chamber to be involved in this area?

What is your experience of how companies are getting engaged in this area?

What is the Chamber’s view on activities related to protecting the environment and/or lowering the impact companies have on it?

Do you have any views or experiences to share from your air quality and environmental forum?

What is the reason for the Chamber to be involved in this area?

What is your experience of how companies are getting engaged in this area?

What is the Chamber’s view on activities related to ensuring satisfactory occupational health and safety conditions for workers?

Does the PCB participate in any activities and/or initiatives that can be linked to this field?

What is the Chambers motivation for engaging in different labor issues like skills development and women empowerment?

What are the experiences from these initiatives?

Does the PCB have any activities or initiatives aimed at encouraging companies to engage with local communities?

What is your experience from how companies are getting engaged in this field?

How do your member companies notice the effects from the HIV/AIDS epidemic?

How do companies deal with these effects?

What are the experiences from the HIV/AIDS helpline?

Are you aware of incidents of contractors putting forward CSR requirements to local firms?

Are you aware of companies distributing communication on any CSR related issues? (Internal and external, newsletters, annual reports, information material, periodic reviews etc.).

Are there any examples of the PCB doing the same?

What is your experience of how companies are getting engaged in this field?

Exploration of how the PCB engages with other potential stakeholders for CSR activities in the PMB area:

How would you describe the relationship that PCB has with:

- Local authorities
- Unions
- NGOs (Environmental, community organizations etc.)

Does PCB benefit from the relationship that you have with any of the mentioned actors?

Have you had interaction with any of these that can be linked to the activities that we are discussing now (CSR activities)?

Have you ever heard of:

- ISO 9000 and 14000
- Proudly South African (relevant?)
- AA 1000 or SA 8000

- Global Compact
- The GRI guidelines
- The King II Code: Do you know if it refers to anything that can be linked to CSR?

Appendix E: Interview Guide, representatives from Msunduzi Municipality

Introduction:

- Presentation of researcher and my research project.
- Going through the informed consent together.

Understanding of CSR and related terms,

Are you familiar with the term ‘Corporate Social Responsibility’?

What is your understanding of this term?

How can the Municipality activities and policies be linked to CSR?

Are you familiar with the term Corporate Social Investment?

What is your understanding of this term?

Exploration practices related to core CSR issues

- The interviewer presents the current understanding of what falls within the field of CSR

Interface between Business and Government -> How can the Municipalities Policies and operations encourage business to operate in a responsible manner?

- (Mandate (Command and control)?
- Encourage (Incentives and Partnerships)?

Can you tell me about the development of a new Spatial Development Framework?

Which role do Environmental considerations have in this framework?

Does the Municipality engage in any activities that can be linked to the development of local SMME?

Does the municipality have any activities that may encourage business to engage in the following issues:

- Environment
- Worker Safety and Health and rights
- BEE
- Community Outreach
- HIV/AIDS

How does the municipality co-operate with Business Chamber and NGOs (+ Cosatu?)

- Examples of partnerships with business (Infrastructure, business development, community etc.)
- MIDI
- Promoting SMMEs (Also in wider terms + general economy)
- PCB
- NGOs
- Unions

Appendix F: Interview Guide, representatives from NGOs

Introduction:

- Presentation of researcher and research project.
- Going through the informed consent together.

Understanding of CSR and related terms, and how of the NGO describes its CSR activities:

Are you familiar with the term 'Corporate Social Responsibility'?

What is your understanding of this term?

Does your NGO engage in activities related to CSR? Tell me about those activities.

Are you familiar with the term Corporate Social Investment and Corporate Accountability?

What is your understanding of this term?

Exploration of the companies' practices related to core CSR subjects, including motivation and benefits arising from them:

- The interviewer presents the current understanding of what falls within the field of CSR

Tell me a little bit about your organization and how you work

What kind of interaction do you have with the business community?

Your experiences of how South African companies relate to issues of CSR, with special focus on local Small and Medium sized manufacturing firms.

Does your NGO have any practices and/or policies that can be linked to BEE, Employment equity and Affirmative action? (Including balanced scorecards for B-BBEE)

Does your NGO engage in different labor issues like occupational health and safety, skills development and women empowerment? Or HIV/AIDS?

How does your NGO engage with local communities (close to premises and around the municipality)?

What was the motivation for this engagement, and has it resulted in any effects and/or benefits for your company?

Your view on the South African policies that can be linked to the field of CSR (Environmental, Labour, BEE etc.), and how these are executed.

Your experiences from interacting with key stakeholders like:

- Provincial and national authorities (DEAT etc.)
- Local authorities/Msunduzi Municipality
- Other NGOs or community organizations, especially those that are active in the Pietermaritzburg area
- The PMB Chamber of Business
- Local manufacturing firms

Appendix G: Interview Guide, union representatives

Introduction:

- Presentation of researcher and research project.
- Going through the informed consent together.

The interviewee's understanding of CSR and related terms, and how of the company describes its CSR activities:

Are you familiar with the term 'Corporate Social Responsibility'?

What is your understanding of this term?

Exploration of Unions activities related to core CSR subjects

- The interviewer presents the current understanding of what falls within the field of CSR

Some information on how the Union operates on issues related to Labour and OHS

(If necessary check against:

- Conditions of Employment (Incl. Salary)
- Labor Relations
- Occupational Health and Safety
 - HS Comitees
 - Injuries and Diseases
- Employment Equity
- Other? In which areas are there often problems/controversy?)

Can you tell me a little bit about the relationship between the Union and the Department of Labor? (Does the Municipality undertake any activities when it comes to Labor and OHS?)

Does the Union encourage companies to participate in activities related to:

- Community outreach
- HIV/AIDS
- B-BBEE
- Environmental management and practices

Are a company's activities on Labor/CSR influenced by any of these factors:

- Sector and/or subsector
- Export orientation
- BEE profile
- Involvement in community projects/ties to community
- ISO certification
- Talk about 'My companies'

How does the Union co-operate with:

- NGOs
 - HIV/AIDS
 - Other?
 - Is GREEN and Sobantu Environmental Desk still operating?
- Pietermaritzburg Chamber of Business

Appendix H: Interview guide, Department of Labour

Can you tell me a little bit about the activities of the Department of Labour – Pietermaritzburg Labour Centre?

What kind of measures do you use in order to ensure good labour practices?

What kind of complaints do you get?

Which pieces of legislation are of biggest interest?

Do you normally get contacted by individual workers or Union representatives?

Tell me about the inspections you undertake, and how these are followed up.

Do you have an opinion on how labour practices are in different kind of firms?

- Manufacturing firms
 - Different sub-sectors
 - Exporters vs Domestic markets
- SMMEs versus bigger firms
- Firms with strong Union affiliation
- Other?

Tell me about your co-operation with the Unions.