

Corporate Social Responsibility Preferences in South Africa

Subjects: [Management](#)

Contributor: Colin Reddy ,

A firm's corporate social responsibility (CSR) approach can encompass a wide variety of activities. These may include philanthropy (donating to charities), volunteering by employees, ethical labor practices, and implementing environmentally friendly operations. Diverse stakeholders and nationalities may view certain social initiatives as less or more important than others. As a result, firms respond by prioritizing those CSR activities that stakeholders in their operating environment consider important. This leads to firms having CSR preferences for some social and environmental activities over others. Traditionally, CSR in South Africa was delivered through corporate social investment (CSI): a philanthropic effort with firms implementing their social responsibility through charitable donations targeted at the education and healthcare of a firm's surrounding communities.

corporate social responsibility

sustainability

preferences

industry

institution

South Africa

1. Introduction

A firm's corporate social responsibility (CSR) approach can encompass a wide variety of activities. These may include philanthropy (donating to charities), volunteering by employees, ethical labor practices, and implementing environmentally friendly operations ^[1]. Firms do not implement the entire range of CSR activities. To guide their choice of activities, firms look to the desires and requirements of different stakeholders and institutions in their respective countries of operation. Diverse stakeholders and nationalities may view certain social initiatives as less or more important than others ^{[2][3]}. As a result, firms respond by prioritizing those CSR activities that stakeholders in their operating environment consider important. This leads to firms having CSR preferences for some social and environmental activities over others.

One observes, for example, that while firms from Europe may prioritize climate change ^[4], firms from the Middle East and Africa regions pay attention to the social issues facing the surrounding communities ^[3]. While some regions allow for voluntary activities, others prescribe certain CSR activities. Firms in state-led market economies, such as France, are faced with regulated versions of CSR. In contrast, firms from liberal market economies, such as the U.S.A., are free to select CSR activities ^{[5][6][7]}.

CSR preferences may also align with subnational influences of industry norms and regulations ^{[8][9]}. For example, the food industry prioritizes consumers willing to pay for environmentally friendly products when firms select CSR

activities related to environmental responsibility [10]. Influential stakeholders, such as large customers, may also drive preferences [11][12][13].

As South Africa is a country of the Global South, burdened with socio-economic problems, researchers have yet to learn whether firms from South Africa possess different CSR preferences to firms of the other countries explored by researchers to date. Overall, the overarching driver of CSR preferences is a mix of institutional pressures often activated through stakeholders [14]. In South Africa, with BEE policy featuring an important institutional driver and a state-driven variant of CSR, it will be interesting to explore whether the topmost CSR activities also feature in the BEE codes of practice. Additionally, to capture any heterogeneity in management responses, researchers believe stakeholder pressures across industries become salient. Mining firms, for example, are located next door to local communities that serve as essential stakeholders, while service companies tend to be in cities full of middle-class consumers. With various CSR preferences across nations, this entry explores what leads firms in South Africa to select specific CSR initiatives over others.

2. CSR in South Africa

Earlier, Bowen [15] referred to CSR as the obligation of managers to act in the interest of society. Davis [16] suggested that these actions must be beyond the firm's direct economic interest. The components of CSR, proposed by Carroll [17], include legal, ethical, discretionary, philanthropic, and economic aspects. Notably, the economic component includes the principle of fairness, where businesses are obliged to sell their goods and services at a fair price to make a profit.

As various difficulties experienced by society have arisen, public expectations of corporate responsibility have also evolved. From the original focus on social issues, CSR scholars now argue that social issues include the "stewardship of the natural environment" where environmental issues are viewed "as trespasses against society" ([18] p. 107). This has led to viewing corporate performance as a triple bottom line: economic, social and environmental [19]. A helpful guide to the key performance indicators of each dimension of CSR can be found in the Directive 2014/95/EU [20].

As a result of the rigorous discussion about implementing corporate responsibility in Europe, CSR has been revised from its voluntary posture, originating in the U.S., to a hybrid of voluntary and regulated elements [7][19]. For example, in Europe, it has been proposed that "public authorities should play a supporting role through a smart mix of voluntary policy measures and, where necessary, complementary regulation" ([21] p. 7). It has been argued that the spirit of regulatory measures is not to reduce the discretion afforded to firms; instead, they should guide firms [22].

The South African environment presents private firms with abundant opportunities to help to address social ills. South Africa has the highest level of inequality globally, with a Gini index of 63 [23] and about a third of its population lives in poverty [24]. A significant reason for this inequality is the stubborn unemployment rate, now at 35% [25]. Many of the unemployed are less educated and unskilled, and the demand for them arising from, for

example, primary industries, such as agriculture and mining, has continued to decline. Structural changes in the economy have demanded more skilled labor. South Africa has been described as a land of “two nations” [26]: a rich, formal economy and a poor, informal economy. With low national skill and education levels, high crime rates, and poor access to clean drinking water and housing, the provision of social services, traditionally supported by charities and the government, is under severe strain [27]. In this case, the private sector’s social responsibility efforts, using private resources that can be used efficiently and effectively, become valuable to compensate for the inadequate social services delivered by the government.

Traditionally, CSR in South Africa was delivered through corporate social investment (CSI): a philanthropic effort with firms implementing their social responsibility through charitable donations targeted at the education and healthcare of a firm’s surrounding communities [28][29]. Education efforts, for example, included providing monies towards schooling infrastructure, teacher training, and equipment. Firms’ move to broader versions of CSR can be traced to their international activity and subject to corporate governance rules in London, for example, and the Global Reporting Initiative (GRI) abroad; the local King Code of corporate governance and formation of the Johannesburg Stock Exchange’s (JSE) socially responsible investment (SRI) index; and state legislation in terms of Mines Health and Safety Act of 1996 and Black Economic Empowerment (BEE) policy [23].

BEE has since become a “prominent local variant of the global CSR movement” ([29] p. 573). However, the BEE Codes of Good Practice “focus on one area of CSR, namely, social issues directed at direct and indirect empowerment of Black people” ([30] p. 677). Specifically, the Codes recognize the firm’s efforts towards introducing Black owners, executives, and other employees and managers, and the skills development of both internal and external beneficiaries (see **Table 1**). For example, external beneficiaries may be targeted for internships and bursaries, contributing to the nation’s attempts to increase its tertiary educated population. The Codes also encourage firms to develop new Black-owned enterprises and existing suppliers across the supply chain. This involves support through procurement as well as funding. Lastly, the Codes encourage firms to contribute at least one percent of net profit after tax to the nation’s socio-economic development initiatives. This might take the form of grants and pro bono services towards the development of local communities. Many of the CSI efforts of firms in the past fall within this socio-economic development element of the Codes, reflecting the breadth of the post-apartheid state’s CSR requirements compared to historical CSI efforts.

Table 1. BEE Codes of South Africa.

Element	Weighting
Black ownership	25
Management	15
Skills development	20
Enterprise and supplier development	40
Socio economic development	5

Notably, BEE policy has been designed to be implemented via state procurement and licensing. The SA state has

References

legislated BEE in the government sector allowing state departments and state-owned enterprises to procure goods

and services from the market based on two criteria: price and BEE. The state will also view the BEE status of

license applicants in certain industries, e.g., a license for mining rights and a license to provide telecommunication

services. Notably, when business is conducted between two private-sector firms, BEE compliance remains

voluntary. In practice, firms that wish to conduct business with the state must also demonstrate that they procure

goods and services from suppliers that comply with BEE regulations. In this way, BEE policy affects the entire

supply chain of firms that conduct business with the state. [\[31\]\[32\]](#)

3. Munho, V. Stateholder Preferences for Particular Corporate Social Responsibility (CSR) Activities

and Social Initiatives (SIs): CSR Initiatives to Assist Corporate Strategy in Emerging and Frontier

Markets. *J. Corp. Citizsh.* 2013, 31, 72–105.

Except for Black ownership and management control, the general upliftment of Black people through human

resource and skills development and socio-economic development, as a version of social responsibility, has been

uncontested. [\[33\]](#); However, ownership and management control may be considered as “special measures”

accommodated in international human rights law [\[34\]](#). In addition, Black ownership has a recursive relationship with

efforts to promote procurement and enterprise development type equity (compared to employment equity). These

efforts rely on the state, and established private firms view CSR as a concept that is not applicable to all sectors of

South African economy. Additionally, currently there is no separate Gov. mt. reserved for the South African economy.

4. Ciocirlan, C.; Pettersson, C. Does Workforce Diversity Matter in the Fight against Climate

Change? An Analysis of Fortune 500 Companies. *Corp. Soc. Responsib. Environ. Manag.* 2012,

19, 47–62.

5. Young, S.; Marais, M. A Multi-Level Perspective of CSR Reporting: The Implications of National

Institutions and Industry Risk Characteristics. *Corp. Gov. Int. Rev.* 2012, 20, 432–450.

6. Kang, N.; Moon, J. Institutional Complementarity between Corporate Governance and Corporate

Social Responsibility: A Comparative Institutional Analysis of Three Capitalisms. *Socio-Econ. Rev.*

2012, 10, 85–108.

The King Codes of Governance for South Africa is another influential regulation. Firms are required to report their

CSR performance and make those CSR disclosures to be independently assured. [\[35\]](#). Although these reports do

not oblige firms to engage in CSR projects, the Johannesburg Stock Exchange (JSE) has, since 2010, mandated

integrated reporting and requires all listed firms to comply with its principles. [\[36\]](#). Firms that are part of the

FTSE/JSE All Share Index are invited to participate in the Annual Assessment. *Acad. Manag. Rev.* 2008, 33, 404–424.

7. Matten, D.; Moon, J. Understanding of Corporate Social Responsibility. *Acad. Manag. Rev.* 2008, 33, 404–424.

8. O'Connor, A.; Gronewold, K.L. Black Gold, Green Earth: An Analysis of the Petroleum Industry's

initiatives, sustainability reporting is now commonplace in South Africa with the publication of spheres of the triple

CSR Environmental Sustainability Discourse. *Manag. Commun. Q.* 2013, 27, 210–236.

9. Lu, J.; Liang, M.; Zhang, C.; Rong, D.; Guan, H.; Mazeikaite, K.; Streimikis, J. Assessment of

Researchers' Attitudes to CSR Initiatives From the Perspective of the Suitability of the Global North

approach to social responsibility indices (SRI) for the Johannesburg Stock Exchange (JSE) (see, for example, Heese [\[39\]](#)).

Eventually, the JSE developed its version of a SRI by borrowing from, among others, the FTSE4Good Index, the

10. Loose, S.M.; Remaud, H. Impact of Corporate Social Responsibility Claims on Consumer Food

GRI, King Codes of Good Governance, and the Sullivan Principles. [\[39\]\[40\]\[41\]](#). Though the Index includes metrics

Choice: A Cross-Cultural Comparison. *Br. Food J.* 2013, 115, 142–166.

11. Stanon, M.; Lleras, M. Consumers' Preferences for and Perception of CSR Initiatives in the Wine

Sector. *Sustainability* 2020, 12, 5230.

12. Mehta, R.; Bhanja, N. Consumer Preferences for Wine Attributes in an Emerging Market. *Int. J.*

Retail Distrib. Manag. 2018, 46, 34–48.

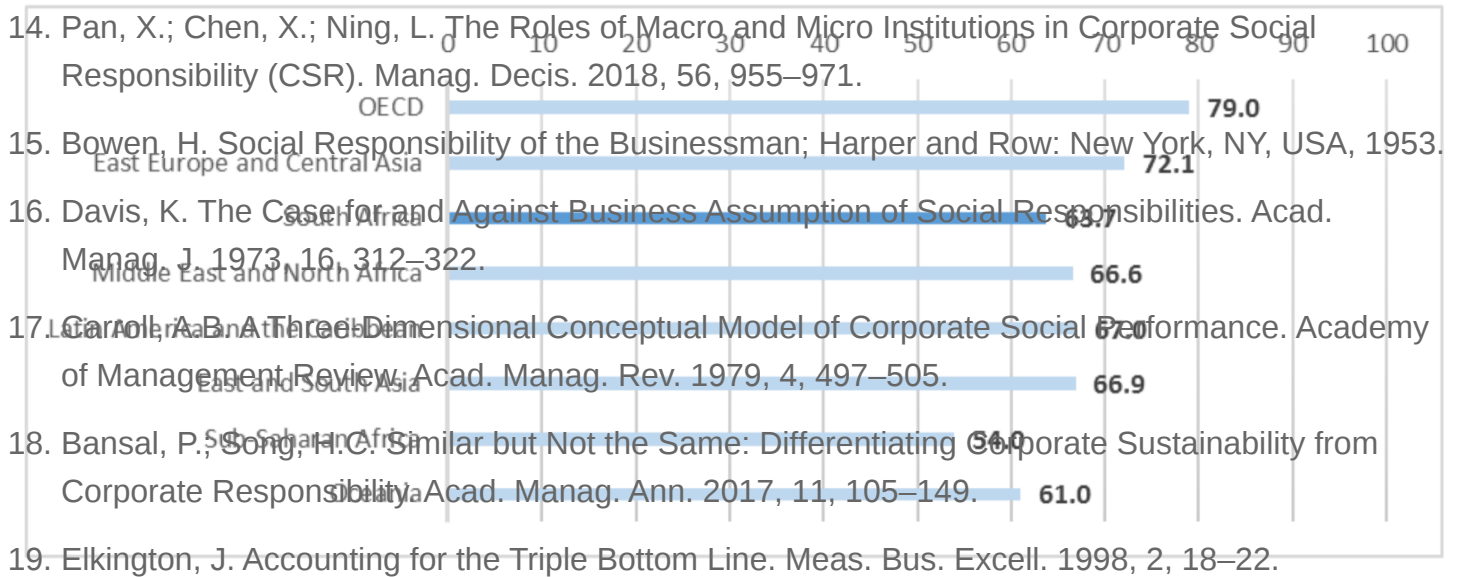
13. Lierné, M.; Vecchio, R.; Garascino, F.; Pascucci, S.; Cembalo, L. Consumer Heterogeneous

Preferences for Corporate Social Responsibility in the Food Industry. *Corp. Soc. Responsib.*

Environ. Manag. 2018, 25, 1050–1061.

SDG Environ. Manag. Index scores in 164 income countries have been attributed to putting less effort on

environmental aspects, ending extreme poverty, and providing access to essential services and infrastructure.



20. European Parliament and of the Council of the European Union. Directive 2014/95/EU of the European Parliament and of the Council of 22. Available online: <https://www.legislation.gov.uk/eudr/2014/95/adopted> (accessed on 4 March 2022).
21. European Commission. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: A Renewed EU Strategy 2011–14 for Corporate Social Responsibility. Brussels. 2011. Available online: <https://publications.europa.eu/en/publication-detail/-/publication/ae5ada03-0dc3-48f8-9a32-0460e65ba7ed/language-en> (accessed on 4 January 2021).
22. Mares, R. Global Corporate Social Responsibility, Human Rights and Law: An Interactive Regulatory Perspective on the Voluntary-Mandatory Dichotomy. *Transnatl. Leg. Theory* 2010, 1, 221–285.
23. IMF South Africa: 2019 Article IV Consultation-Press Release; and Staff Report; and Statement by the Executive Director for South Africa. Available online: <https://www.imf.org/en/Publications/CR/Issues/2020/01/29/South-Africa-2019-Article-IV-Consultation-Press-Release-and-Staff-Report-and-Statement-by-49003> (accessed on 4 March 2022).
24. CIA 2014—The World Factbook. Available online: <https://www.cia.gov/the-world-factbook/about/cover-gallery/2014-cover/> (accessed on 4 March 2022).
25. StatsSA Quarterly Labour Force Survey (QLFS)—Q3:2021|Statistics South Africa. Available online: <http://www.statssa.gov.za/?p=14957> (accessed on 4 January 2021).
26. Mbeki Statement of Deputy President Thabo Mbeki at the Opening of the Debate in the National Assembly, on Reconciliation and Nation Building, National Assembly Cape Town, 29 May 1998. Available online: <http://www.dirco.gov.za/docs/speeches/1998/mbek0529.htm> (accessed on 4 March 2022).

27. Patel, L. Social Welfare and Social Development (2nd Edition). *Soc. Work* 2016, 52, 301–302.
28. Rajak, D. The Gift of CSR: Power and the Pursuit of Responsibility in the Mining Industry. In *Corporate Citizenship in Africa*; Routledge: London, UK, 2017; pp. 190–200.
29. Hamann, R. Corporate Social Responsibility, Partnerships, and Institutional Change: The Case of Mining Companies in South Africa. *Nat. Resour. Forum* 2004, 28, 278–290.
30. Arya, B.; Bassi, B. Corporate Social Responsibility and Broad-Based Black Economic Empowerment Legislation in South Africa: Codes of Good Practice. *Bus. Soc.* 2011, 50, 674–695.
31. Shubane, K.; Reddy, C.D. *BEE 2007: Empowerment and Its Critics*; BusinessMap Foundation: Johannesburg, South Africa, 2007.
32. Shubane, K.; Reddy, C.D. *BEE 2005: Behind the Deals*; BusinessMap Foundation: Johannesburg, South Africa, 2005.
33. Reddy, C.D.; Hamann, R. Distance Makes the (Committed) Heart Grow Colder: MNEs' Responses to the State Logic in African Variants of CSR. *Bus. Soc.* 2018, 57.
34. de la Vega, C. The Special Measures Mandate of the International Convention on the Elimination of All Forms of Racial Discrimination: Lessons from the United States and South Africa. *J. Int. Comp. Law* 2009, 16, 627.
35. Ackers, B.; Eccles, N.S. Mandatory Corporate Social Responsibility Assurance Practices. *Account. Audit. Account. J.* 2015, 28, 515–550.
36. JSE FTSE/JSE Responsible Investment Index Series|Johannesburg Stock Exchange. Available online: <https://www.jse.co.za/services/indices/ftsejse-responsible-investment-index-series> (accessed on 19 January 2021).
37. Skinner, C.; Mersham, G. Corporate Social Responsibility in South Africa: Emerging Trends. *Soc. Bus. Rev.* 2008, 3, 239–255.
38. Da Piedade, L.; Thomas, A. The Case for Corporate Responsibility: Arguments from the Literature. *J. Hum. Resour. Manag.* 2006, 4, 57–64.
39. Heese, K. The Development of Socially Responsible Investment in South Africa: Experience and Evolution of SRI in Global Markets. *Dev. S. Afr.* 2005, 22, 729–739.
40. Sonnenberg, D.; Hamann, R. The JSE Socially Responsible Investment Index and the State of Sustainability Reporting in South Africa. *Dev. S. Afr.* 2006, 23, 305–320.
41. Maubane, P.; Prinsloo, A.; van Rooyen, N. Sustainability Reporting Patterns of Companies Listed on the Johannesburg Securities Exchange. *Public Relat. Rev.* 2014, 40, 153–160.
42. CSR Hub CSR Ratings by Region and Country. Available online: https://www.csrhub.com/CSR_ratings_by_region_and_country/ (accessed on 2 March 2022).

43. Sachs, J.; Kroll, C.; Lafortune, G.; Fuller, G.; Woelm, F. Sustainable Development Report 2021; Cambridge University Press: Cambridge, UK, 2021.

Retrieved from <https://encyclopedia.pub/entry/history/show/51945>