CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE: IMPLEMENTATION AND CHALLENGES FOR COMPANIES LISTED ON THE JOHANNESBURG SECURITIES EXCHANGE

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DECLARATION

I, Emem Otu Anwana, declare that the content of this thesis represents my own unaided work, and that the dissertation has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions, ideas and not necessarily those of the Durban University of Technology. I further declare that all the sources cited or quoted are indicated and acknowledged by means of a comprehensive list of reference.

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DEDICATION

This thesis is dedicated to my husband Mike, and my children Dora, Tima and Michael, for their support throughout the years of this study. I also dedicate this to the memories of my loving parents Mr and Mrs P.E. Akpan,
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I want to give all gratitude and glory to my heavenly Father, who made this achievement possible. I thank Him for His grace, mercies, and strength that He blessed me with throughout the period of this study.

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List of Acronyms

ANC: African National Congress
ASGISA: Accellerated and Shared Growth Initiatives for South Africa
BBBEE: Broad-Based Black Economic Empowerment
BEE: Black Economic Empowerment
BRICS: Brazil, Russia, India, China and South Africa
CEO: Chief Executive Officer
CFP: corporate financial performance
CG: corporate governance
COSATU: Congress of South African Trade Unions
CSI: corporate social investment
CSP: corporate social performance
CSR: corporate social responsibility
DTI: Department of Trade and Industry
EEA: Employment Equity Act
EPS: Earnings per share
ESG: environmental, social and governance
FTSE: Financial Times Stock Exchange
GDP: Gross Domestic Product
GEAR: Growth, Employment and Redistribution
GNP: Gesuiwerde Nasionale Party
HIV/AIDS: Human Immunodeficiency Virus/ Acquired Immunodeficiency Syndrome
ICAEW: Institute of Chartered Accountants in England and Wales
IFC: International Finance Corporation
IFRS: International Financial Reporting Standards
IMF: International Monetary Fund
IODSA: Institute of Directors Southern Africa
IOSCO: International Organization of Securities Commissions
IRR: Internal rate of return
JSE: Johannesburg Stock Exchange
LISREL: Linear Structural Relations
M&E: Measured and Evaluated
NACF: National Anti-Corruption Forum
NDP: National Development Plan
NGP: New Growth Path
NIE: New Institutional Economics
OECD: Organisation for Economic Co-operation and Development
RDP: Reconstruction and Development Programme
SACP: South African Communist Party
SEC: Social and Ethics Committee
SPSS: Statistical Package for the Social Sciences
SRI Index: Socially Responsible Investment Index
SROI: Social Return On Investment
SSA: Sub-Saharan Africa
TBL: Tripple bottom line
TI: Transparency International
UN: United Nations
WBCSD: World Business Council for sustainable Development
List of Cases

Da Silva and others v CH Chemicals (Pty) Ltd 2008 (6) SA SCA

Naidoo v Minister of Safety and Security and National Commissioner of the South African Police Service 2013 5 BLLR 490 (LC)

List of statutes

Broad-Based Black Economic Empowerment Amendment Act No. 46 2013

Companies Act No. 71 of 2008

Employment Equity Act No.55 of 1998

Employment Equity Amendment Act, No. 16 of 2014

The King I Report on Corporate Governance 1994

King II Report on Corporate Governance, 2002

King III Report on Corporate Governance, 2009

King IV Report on Corporate Governance, 2016

Labour Relations Act No.66 of 1995

Prevention & Combating of Corrupt Activities Act, No. 12 of 2004

Promotion of Access to Information Act, No. 2 of 2000

Public Finance Management Act, No. 1 of 1999

Public Service Act, No.103 of 1994
ABSTRACT

This study presents an investigation into the relationship between corporate governance (CG) and corporate social responsibility (CSR). The study also aimed at investigating the legal challenges of compliance with CG and CSR legislation posed to listed companies in South Africa in CSR implementation. To achieve these objectives of the study, questionnaires were administered to the top 100 companies listed on the JSE. Structured interviews were also conducted with selected personnel from these companies.

The study reviewed literature and theories within South Africa and internationally that were significant to CG and CSR. The study examined the CG and CSR legislation, codes and regulations in South Africa and highlighted the challenges associated with compliance with such legislation. The study further investigated the implications of the challenges encountered by listed companies in implementing CSR and CG, and consequently the impact this has on the socio-economic development of communities within the company’s operational environment.

The study therefore sought to investigate the measures that South African listed companies were exploring to mitigate the challenges relating to CSR implementation in view of the fact that they are mandated in terms of legislation to comply with all regulatory provisions relating to CG and CSR. From the findings of this study, a Synergy, Inclusiveness and Socio-economic Development (SIS) conceptual model was produced. This model aimed to assist and guide CSR managers, directors and other officials in addressing the challenges of legal compliance, as well as to act as a guide in implementing strategic CSR that will positively impact on the socio-economic development of communities as well as the companies triple bottom line.

Findings from the study revealed that the synergy between CG and CSR, top management involvement in CSR, stakeholder’s inclusiveness, as well as integrated reporting of company non-financial performance, are factors that stimulate CSR implementation in South Africa. The findings also revealed that legal compliance, although challenging, plays a crucial role in supporting CSR activities and corporate behaviour amongst South African listed companies. Based on these findings, the study developed a conceptual graphical representation to assist and guide CSR
managers, company directors and other officials on strategies that may be applied to overcome challenges associated with legal compliance with CG and CSR legislation.
CHAPTER ONE
INTRODUCTION AND OVERVIEW OF THE STUDY

1.1 Introduction

Businesses play a crucial role in the socio-economic development of the states, nations and communities where they carry out their operations (Croucher and Miles 2010: 239). Consequently, in the recent past, companies have been increasingly held responsible for the social implications of their business activities on multiple stakeholders. According to Ackers and Eccles (2015: 515), actions of businesses not only impact on economic growth, they also often negatively affect or impact their immediate social and ecological environment. This has led to an increasing demand by societies around the world for both government and businesses to share in the collective responsibility of ensuring that the quest for economic growth and development does not negatively compromise the livelihood of future generations (Hinson and Ndhlovu 2011: 335; Michelon, Boesso and Kumar 2013: 83).

In South Africa, there is growing discontent at the slow progress of socio-economic transformation almost two and a half decades into the new democratic dispensation (Mariri 2012: 2). This growing discontent has triggered many instances of civil and labour unrest across the country. In the mining sector, the Lonmin mine workers’ (Marikana) strike of 2012 which was sparked by a demand for better wages and better living conditions, ended in the death of 34 people, mostly employees of the mines (Mail & Guardian 2013). According to Scherer (2013: 2) the dissatisfaction is not only located in the mining sector, but across the various business sectors in the country. The author maintains that the country’s frequent civil and labour unrest, if left unchecked, has the propensity to cause a decrease in private and foreign investment which, will ultimately harm and further weaken the economy and exacerbate the already existing social challenges (Babarinde 2009: 358; Scherer 2013: 2).

South Africa is also confronted with a unique and distinctive socio-economic development challenges, which are mainly attributed to arising from the legacies of apartheid (Babarinde 2009: 359). The apartheid legacy left the country as one of the most unequal nations in the world, with high levels of poverty, illiteracy and other
social and economic disparities (Hamann 2005: 4; Babarinde 2009: 359; Ramlall 2012: 271; Reddy 2016: 466). Against this backdrop, it has become imperative for the survival of businesses in South Africa for management to begin to take corporate governance (CG) and corporate social responsibility (CSR) implementation more seriously.

CSR implementation is identified as a tool that can assist businesses to participate in the socio-economic development of the communities in which they operate. According to Flores-Araoz (2011: 2), CSR implementation is a relevant tool for corporates to respond to the socio-economic development demands of communities. The author opines that CSR could be developed and expanded upon to meet the social needs of South African communities in areas such as health care (HIV/AIDS), education, entrepreneurial and skills development. The author further opines that CSR offers corporations a wide spectrum to introduce valuable initiatives and schemes that can help solve pending social issues, as well as empower local residents to become part of their own communities’ economic development and growth.

However, for a company to effectively utilise CSR to positively impact stakeholders, the involvement and commitment of top management through good CG practices is required. According to Rahim (2014: 108), there is a synergy and a relationship between CSR and CG which has revolutionised the foundation of corporate responsibility from why corporations must be socially responsible to how they can become socially responsible. This synergy, according to the author, has resulted in companies becoming more heedful to environmental, public and social demands. The author contends further that to be sustainable, businesses need to develop in such a way that they can successfully conform with the CSR standards denoted by their relevant standardisation organisations or local codes and legislation. The Johannesburg Stock Exchange (JSE) is one of such organisations for listed companies in South Africa. The JSE relates good CG practices in companies to being a tool for social and economic sustainability and development. Part of its key objective in the FTSE/JSE Africa Index Series are that companies listed on the JSE should integrate the principles of the triple bottom line as well as good CG into all their corporate transactions and activities including CSR related activities (JSE 2017).
Accordingly, this study involves a cross-disciplinary study between the concepts of CG and CSR. The study explores the synergy between the two concepts and how companies can exploit the correlation and connection of the two concepts to improve the socio-economic circumstances of the communities that they operate in.

The study also seeks to determine why, after two and a half decades of CSR implementation amongst South African companies, it has failed to yield the expected results despite its growing popularity and acceptance amongst listed companies, and despite the fact that South Africa is one of the few countries in the world, in which the government has legislated extensively on social issues (Hamann 2005: 11). The study will therefore, through empirical means, seek to determine the legal challenges associated with compliance with CG and CSR legislation amongst South African listed companies.

1.2. Background to the study

Prior to the transformation that took place in South Africa in 1994, which saw the country peacefully transition from the apartheid regime of racial segregation to a democratic system of governance led by the African National Congress (ANC), the country was governed by the Gesuiwerde Nasionale Party (GNP) after its electoral victory in 1948. The GNP brought legislative reforms to the country, chief amongst which were the Group Areas Act of 1955; the Population Registration Act of 1950; and the Mixed Marriages Act of 1949 (Marks and Trapido 2014: 20). Legislative reforms were aimed primarily at the racial categorisation of people and securing White domination and capitalist accumulation. In order to achieve this, the Communist Party was banned; strikes were made illegal; and the Pass Laws strengthened and extended to include women for the first time in South African history. Alongside all the racial legislative reforms was the reform in Black education, which led to the establishment of the Bantu Education Act of 1953 and the Extension of University Education Act of 1959. This witnessed the removal of the education of Black Africans from the hitherto mission schools system to State control (Marks and Trapido 2014: 21). This led to widespread poverty for the majority Black population, who found themselves restricted to Black homelands and denied employment opportunities as well as equal and qualitative education when compared to the minority White population.
Although the transition from the apartheid government to the ANC-controlled government in 1994 did not witness a radical overhaul of the economy or corporate landscape as was earlier speculated, the ANC government, found itself faced with the momentous difficulty of how to alleviate the socio-economic imbalances it inherited from the apartheid regime hence, embarked on a rapid socio-economic development programme, placing poverty alleviation and inequality at the focus of its development plan (Chikulo 2013: 37). To achieve this, the ANC government needed to attract as much foreign direct investment as it possibly could. According to West (2009: 11), the importance of attracting foreign direct investment (FDI) was palpable, given the abject state of the economy and the devastating socio-economic exigencies that the ANC government encountered.

The government adopted several strategies to support its economic policies. The more notable ones, some of which are discussed in Chapter Three of this study, were the Anti-Poverty Strategy; Integrated Sustainable Rural Development Strategy; Urban Development Strategy; the Reconstruction and Development Programme (RDP); and the Growth, Employment and Redistribution (GEAR) programme, as well as the Accellerated and Shared Growth Initiatives for South Africa (ASGISA) (Chikulo 2013: 37). Apart from these, the ANC government also embarked on major legal reforms in the country in order to ensure that businesses became more socially responsible. Noteable amongst the legal reforms, discussed in Chapters Two and Three of this study, are the King Reports on Corporate Governance I,II, III and IV (KPMG 2017b); the Companies Act No. 71 of 2008 (2008 Companies Act) (Act online 2009); the Broad-Based Black Economic Empowerment Amendment Act 46 of 2013 (BBBEE Act) (DTI 2014); and the Employment Equity Amendment Act no. 47 of 2013 (EEA) (Department of Labour 2017).

Following from the ANC government’s initiatives, the growing demands from society and the international community for businesses to become more socially responsible, the JSE in 2004 became the first emerging market securities exchange to form a Socially Responsible Investment Index (SRI Index). In June 2015, the JSE announced that it was collaborating with the Financial Times Stock Exchange (FTSE) Russell of the London Stock Exchange, which is a global index provider, in progressing the JSE’s work around promoting corporate sustainability practices in South Africa. This resulted in the formation of the FTSE/JSE Africa Index Series
(JSE 2017). The FTSE/JSE Africa Index Series is further discussed in Chapter Three of this study.

1.3. Context of the study

The South African government, as previously noted, has had to legislate much more on social issues than many other countries, according to Hamann (2005: 11), this is due primarily to South Africa’s unique past and the desire of the government to fast track the socio-economic development of its citizens.

The apartheid legacy left South Africa as the most unequal society in the world. The majority of the population which are Black African’s, are mostly poor, living in squatter camps and informal settlements and poorly educated (Babarinde 2009: 356; Reddy 2016: 466) The legacy endures to this day. According to the World Bank 2017 Report, almost 80% of South Africa’s population experienced poverty and about half permanently live in poverty, with race being strongly associated with poverty and the duration for which one would remain poor. Furthermore, according to the World Bank (2017), more than half of those experiencing chronic poverty rely on government grants as the main source of income, thereby putting increased pressure on the government to provide social grants for its citizens.

The country is thus confronted with many socio-economic challenges which invariably affect the business community. According to Babarinde (2009: 364), government alone cannot tackle these challenges. There is a need for other stakeholders, particularly non-state actors, to become involved in working towards building a vibrant, secure and stable business environment which would translate into invigorated and strong communities, which in turn, portends sustainable business opportunities and prospects (Thomas 2014: 90). Accordingly, businesses need to become more socially responsible by taking into consideration the interests of society and taking responsibility for the impact of their activities on their various stakeholders and the environment (Rampersad 2015: 314).

It is within this context that this study seeks to highlight and bring to the fore the growing synergy between CSR and CG (Rahim and Alam 2014: 100). According to Rahim and Alam (2014: 101), the synergy of the concepts has broadened the narrow meaning of CG and incorporated issues such as human rights, workers’ rights and
environmental protection. The author contends that through this synergy, CG can gain the opportunity to develop stakeholder engagement programmes that could lead to an increase in corporate competitiveness, which in turn could emphasise companies’ humanistic as well as democratic values as corporate citizens. Hence, this study will examine the connectivity and correlation that exists between CG and CSR. In addition, it will rationalise how the two can be used as complimentary and closely related market forces, having the same objectives which can be utilised as tools for attaining each other’s goals, although their setups as corporate frameworks are different. This study will also examine the various CG and CSR legislation mentioned above, with the aim of highlighting the unintended and unforeseen challenges that arise from compliance with legislation.

1.4. **Rationale for the study**

Extensive research and reviews on CG and CSR in South Africa have approximately for the past two and a half decades, since the end of apartheid and the transition into democratic governance, been dominated in the fields of Management Sciences, Business, Law, Economics, Political Science and Institutionalism (Gill 2008: 474; Sheehy 2015: 625). However, the concept of using both corporate social responsibility (CSR) and corporate governance (CG) as a single concept to promote economic and social development in South Africa is relatively new and literature on the subject within South Africa is relatively scant.

This study therefore seeks to address the gap in literature in relation to the correlation that exists between CG and CSR. The study will also examine empirically, the legal challenges of compliance that South African JSE-listed companies face when complying with the various CG and CSR legislation and codes of good practice. The study will discuss the BBBEE Act; the EEA; the 2008 Companies Act and the King IV Report on Corporate Governance, as well as the FTSE/Africa Series Index. The survey used in the data collection process of this study will investigate how the various legislation and codes influence or impact on CSR implementation in the sampled companies. The survey will also investigate the measures which the sample companies are exploring to mitigate the challenges of legal compliance.
The findings obtained from the results of the study will produce a balanced and more objective understanding of the extent to which challenges from legal compliance positively or negatively impact on CG and CSR implementation in companies. It will also provide insight into whether the legislation and codes have achieved their purposes and whether there is a need for more governmental involvement through legislative measures to address the compliance challenges experienced by South African listed companies in order to ensure that these companies are positioned to become more socially responsible towards their various stakeholders.

South African businesses need to reflect and re-strategise on the manner and approaches that they are adopting in addressing socio-economic development challenges in the communities in which they operate. This study advocates for CG and CSR to be perceived and utilised as a combined management tool, one complimenting the other, rather than the singular approach in which most businesses view the two concepts. A comprehensive study of this nature has not been undertaken amongst companies listed on the JSE. New knowledge will therefore emerge with regard to the challenges faced by listed companies in relation to CG and CSR implementation. Furthermore, new ideas and suggestions will be generated for businesses in developing and implementing policies, strategies and a framework that will assist CSR managers, company directors, and other corporate prescribe officers to impact on the socio-economic development of the communities in which they operate through CG and CSR implementation.

1.5. Problem statement

South Africa is one of the few countries in the world that has so much legislation, codes and regulations on social matters (Hamann 2005: 11). However, despite these South Africa continues to witness more and more of its citizens’ living conditions rapidly deteriorating. According to the 2017 World Bank Report, 22 million South African’s are chronically poor, and without access to basic social services (World Bank 2017). The problem that this research seeks to highlight/illustrate is that CSR implementation as currently being practices by some listed companies, has failed to lift South African communities out of the dire social living conditions in which they find themselves.
One of the causes of this failure is the challenges that arise from compliance with the various CG and CSR legislation that exists in the country. This study will, through an empirical study, identify the challenges that arise from legal compliance. Other causes are associated with the way in which businesses are implementing CSR. According to Debrah, Nyuur and Ofori (2014: 100), if companies want to be successful in developing and implementing CSR activities that will generate and maximise both social and economic value, then top management support and involvement in CSR implementation is required. The authors note that businesses need to desist from the present “bottom-top” approach to CSR implementation and adopt a “top-bottom” approach through the development and implementation of good CG practices and corporate strategies. According to the authors, if CSR is initiated, directed and implemented with the involvement of top company management, structural barriers to change would be remove or lowered. Equally, it would help eliminate conflicting mind-sets within organisations, restructure incentive structures to accommodate CSR initiatives and employ project evaluation criteria that are not only focused on short-term financial returns, but also on long-term social and economic values.

Furthermore, businesses need to align their CSR strategies and activities with that of government. The problem remains that most South African listed companies tend to approach CSR implementation without recourse to government programmes or plans (Mariri 2012: 2). The author calls for a synergy between businesses and government and contends that CSR programmes cannot be effective in achieving its primary aspiration of being an object of sustainable development if it is detached from the country’s national development priorities.

1.6. Aim

The aim of this study is to investigate the link between CG and CSR and the challenges posed by legal compliance to CG and CSR legislation in the implementation of CSR in listed companies in South Africa. The study will also examine ways in which CG and CSR implementation and practice amongst South African listed companies can be used to address developmental challenges within the communities in which businesses operate.
1.7. **The objectives of the study**

Objectives 1: To investigate, through a literature review, the implications of corporate governance and related challenges for listed companies in implementing corporate social responsibility in South Africa;

Objectives 2: To investigate as well as analyse the selected CG and CSR legislation and the challenges experienced by businesses in implementing CG and CSR legislation and guidelines;

Objectives 3: To investigate and analyse, through an empirical study, the challenges associated with CSR implementation generally and corporate governance in particular; and

Objectives 4: To determine, empirically the measures that listed companies are adopting to address the challenges of CG and CSR and related socio-economic development efforts.

1.8. **Literature review**

1.8.1. **Corporate social responsibility (CSR) in South Africa**

In South Africa, as in other parts of the developing world, CSR has become an integral part of business practice over the past two and half decades. Since the country transitioned from the apartheid regime to a democratic government, South African companies, have come to embrace CSR and have begun to take CSR implementation as a management tool not only for the advancement of socio-economic development of the communities in which they operate, but also to partake of the many benefits derivable from CSR implementation (Ramlall 2012; Rampersad 2015; Muranda 2016: 109; Reddy 2016; Windsor 2016; Zyglidopoulos, Williamson and Symeou 2016). However, despite this commitment by companies in implementing CSR, South African communities continue to struggle with rising poverty; income inequality; rising crime rates and high levels of corruption, all of which have occasioned civil and labour unrest in the country (Mariri 2012: 2; Preuss, Barkemeyer and Glavas 2016: 362).

The ANC government, in its quest to ensure that companies become involved in the socio-economic development of communities and poverty alleviation, as well as
providing employment opportunities for its once disadvantaged Black majority population, embarked on the promulgation of various legislation and codes of good practice as indicated above. However, the challenges that arise from compliance with some of these laws have further impeded the socio-economic development of communities or have not made any impact on them at all. This study aims to investigate the legal challenges faced by South African listed companies in using CSR to impact on the socio-economic development of their communities and the impediments posed by legal compliance.

1.8.2. Corporate governance (CG) in South Africa

With the end of the isolation of South Africa from the world economy in 1994 following the peaceful and historic elections which ushered in the ANC-led government, South African businesses were compelled to address and adopt an improved standard of CG (Vaughn and Ryan 2006: 505). This led to the establishment of the King Committee, which published the King I Report on Corporate Governance in 1994. The King Committee was set up to develop a CG code that incorporated the concepts of stakeholder engagement, ethics and environmental management as well as actively encouraging an inclusive approach to CG in South Africa (Rossouw, Watt and Malan 2002: 300).

The King I Report on Corporate Governance has, since 1994, undergone several modifications and changes, resulting in the release of King II, King III and recently King IV which came into effect in April 2017 (Waweru 2014: 459; PWC 2016: 2). Apart from the King Committee, the JSE/FTSE Africa Index Series has adopted several listing requirements to ensure that companies listed on its exchange are socially responsible and compliant with not only the King Reports on CG, but with all other CG and CSR legislation (JSE 2017: 411).

Chapters Two and Three of this study will extensively review the literature with regard to CSR and CG in South Africa. The chapters will also extensively examine the challenges that legal compliance with CG and CSR legislation pose to listed companies and the measures that have been adopted by companies to mitigate these challenges. Furthermore, the study will examine new dimensions to CSR implementation by examining CSR as a strategic governance tool, as well as
reviewing calls for CSR to be measured and evaluated (M&E) in order to determine its exact monetary impact on company triple bottom line (TBL).

1.9. Research methodology
This section of the study discusses the various research methodologies that are employed in this study. The section describes the research resign, the data collection methods, the research instrument used and the data analysis methods employed.

1.9.1. Research design and method
According to Bryman (2012 715), a research design is the framework used in research for the collection and analysis of the data. When formulating a research design, the aims and objective of the study must be taken into account. For this study, the appropriate research design selected is the mixed methods approach. This methodology was selected because it enables the adoption of both quantitative as well as qualitative methods in a single study. The results of the analysis are then integrated using triangulation, which enables the findings to be reported in a more analytical manner (Wagner 2012: 271).

1.9.2. Mixed-methods research
Although this study is largely qualitative, there are elements of quantitative research analysis involved. This study therefore adopts the mixed-methods research approach. Mixed-method research is defined as the collection or analysis of both quantitative and qualitative data in a single study in which the data are collected concurrently or sequentially and involves the integration of the data at one or more stages in the process of the research (Creswell 2009: 212).

The mixed-method approach typically combines different types of analysis which are often conducted at different times. It may involve different types of data, as well as multiple methods (Potter 2012: 162). The challenge in mixed methods research is twofold. Firstly, to conduct the analysis and secondly, to integrate the results from different types of data and different types of analysis in such a way that the findings are valid (Potter 2012: 162). In order to ensure that the data from the qualitative
analysis and from the qualitative analysis are integrated in such a way that it results in valid findings, this study uses the triangulation research approach.

1.9.3. Population and sampling

Sampling in empirical research is the process used to select those elements that will participate in the research (Wagner 2012:274). According to Welman, Kruger and Mitchell (2005: 55), a sample is typically drawn from a larger group that is the focus of the study. The authors note that for the research findings to be credible, the sample must be representative of the target population. Before sampling is done, a sampling frame which is a list that consists of the names of all those in the population, is required (Wagner 2012: 86). The target population for this study includes 200 top companies that were listed as the JSE’s 2012 top-performing companies by the Financial Mail. The sample comprise the first 100 of the 200 companies listed as the top performers in 2012 (Financial Mail 2013: 94).

This study will therefore make use of the non-probability sampling method, namely the judgemental sampling method. This is a sampling technique where the researcher selects units to be sampled based on their knowledge and professional judgement (Castillo 2009: 1). In the judgemental sampling, the researcher selects a more representative sample that can provide more accurate results, as opposed to using other non-probability sampling techniques (Castillo 2009: 1). For this study, a questionnaire will be sent to the various respondents and a follow up structured interview will be held with selected respondents in order to obtain comprehensive information, either qualitative or quantitative, from the participants (Wagner 2012: 101).

1.9.3.1. Target Population

The target population for this research comprises the top 100 companies out of the 200 top 2012 performers listed on the JSE according to the Financial Mail (2013: 94). The Financial Mail carried out the ranking of the 2012 top-listed companies through a survey in association with Accenture.

The top 100 companies were ranked based on the following criteria:

- A five-year internal rate of return (IRR) in the share price;
• Earnings per share (EPS) growth over a 5-year period;
• Return on equity over a 5-year period;
• Dividend yield 5-year average; and
• Pre-tax profit growth over a 5-year period (Financial Mail 2013: 94).

The target population was selected for this study due to the fact that companies that are listed on the JSE are progressive and considered to be more focused on CSR implementation and the triple-bottom-line approach compared to other companies that are not listed (Trialogue 2014: 253). Given this background, the results presented in this study will give a true reflection of the legal challenges that South African listed companies face when implementing CSR and CG.

1.9.3.2. Geographic Location of the Target Population

The target population was further analysed to determine the geographic location and spread of the companies. Table 1.1 depicts the number of listed companies in each geographic area according to their head-office locations. Table 1.2 depicts the analysis of the target population according to their sector of economic operations in South Africa.

Table 1.1 Geographical participation of Target Population

<table>
<thead>
<tr>
<th>LOCATION</th>
<th>NO. OF COMPANIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 FOREIGN</td>
<td>5</td>
</tr>
<tr>
<td>2 GAUTENG</td>
<td>64</td>
</tr>
<tr>
<td>3 KWAZULU-NATAL</td>
<td>4</td>
</tr>
<tr>
<td>4 WESTERN CAPE</td>
<td>27</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100</td>
</tr>
</tbody>
</table>
### Table 1.2 Sector participation of Target Population

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>NO. OF COMPANIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Agriculture</td>
<td>1</td>
</tr>
<tr>
<td>2 Financial Institutions</td>
<td>10</td>
</tr>
<tr>
<td>3 Construction</td>
<td>1</td>
</tr>
<tr>
<td>4 Consumer Services</td>
<td>2</td>
</tr>
<tr>
<td>5 Education</td>
<td>1</td>
</tr>
<tr>
<td>6 Energy</td>
<td>3</td>
</tr>
<tr>
<td>7 Health Pharmaceuticals</td>
<td>4</td>
</tr>
<tr>
<td>8 Industrials</td>
<td>8</td>
</tr>
<tr>
<td>9 Insurance</td>
<td>4</td>
</tr>
<tr>
<td>10 Investment Companies</td>
<td>5</td>
</tr>
<tr>
<td>11 Manufacturing</td>
<td>12</td>
</tr>
<tr>
<td>12 Management Companies</td>
<td>2</td>
</tr>
<tr>
<td>13 Mining</td>
<td>9</td>
</tr>
<tr>
<td>14 Property</td>
<td>13</td>
</tr>
<tr>
<td>15 Retail</td>
<td>12</td>
</tr>
<tr>
<td>16 Support Services</td>
<td>1</td>
</tr>
<tr>
<td>16 Technology</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

#### 1.9.4. Data collection

The primary data used in this research is sourced from data collected from the participation of respondents from the 100 top companies that were listed on the Johannesburg Stock Exchange (JSE) in 2012 (Financial Mail 2013: 94-98). This was achieved through the administration of questionnaires to the various respondents. A structured interview with selected respondents who are involved in CG and CSR implementation in these companies were also undertaken. Secondary data will be sourced from published documents from the companies, including published annual financial statements and reports, as well as academic writings; including books and
journal articles; policy and legislation. Newspaper analysis of the companies will be an additional source of secondary data.

1.9.5. Data analysis

Quantitative data collected from the questionnaires will be captured and analysed with the assistance of SPSS statistical package and LISREL statistical software. Qualitative data will be collected from the questionnaires and a follow-up structured interview with selected respondents will be conducted to obtain a more in-depth understanding of the issues. A thematic analysis will thereafter be conducted. A thematic analysis means that data are divided into segments and then scrutinized for commonalities that reflect categories or themes (Wagner 2012:274).

1.9.6. Survey instrument

The questions in the questionnaire will be derived from the objectives of the study and the literature review. A covering letter will be developed and sent to the respondents to ensure that they are informed of the nature and purpose of the research. The questionnaire will be pre-tested to identify errors and will be checked by a statistician. The questionnaire will be administered to respondents via email (Google Forms) as well as personally.

1.9.7. Validity and Reliability

The validity of the research is the extent to which the study measures what it intends to measure (Wagner 2012: 274). In this study, the validity of the measuring instrument will be assessed using Factor Analysis. According to (Bryman 2012 710) factor analysis is a statistical tool which is used where there are large variables in order to establish whether there is a tendency that the variables could be inter-related and, as such, grouped together.

Reliability on the other hand is the consistency with which a measuring instrument yields a certain result when the entity measured has not changed (Wagner 2012: 273). Bryman (2012 715) refers to reliability as the degree to which a measure of a concept is constant. In order to determine the validity and reliability, certain statistical tools are often used. For this study, the internal reliability will be assessed using
Cronbach’s alpha. According to Bryman (2012 170), Cronbach’s alpha is used to test the internal reliability. It calculates the average of all possible split-half reliability coefficients. A figure between 0.70 - 0.80 is widely accepted to denote an acceptable level of internal reliability. Furthermore, the questionnaire of this study was pre-tested to ensure reliability. To ensure validity of the quantitative study, factor analysis was undertaken. To ensure the validity of the qualitative study, triangulation and pre-testing of the questionnaire is used.

1.10. Contribution of the study

This study is aimed at investigating the inter-connectivity and relationship between CG and CSR and the challenges posed by compliance with CG and CSR legislation, as well as the impact that these challenges have on CSR implementation in the sampled JSE-listed companies in South Africa. The results from this study will assist companies to formulate more informed CSR policies that will impact positively on the company’s triple bottom line, as well as assist in ameliorating the socio-economic developmental challenges of the communities in which they operate in. The results will provide companies with a strategy and a framework of compliance challenges, as well as issues to take into account when initiating, designing, budgeting and implementing CSR in their organisations.

1.11. Structure of the dissertation/Chapter breakdown

Chapter One: Introduction and overview of the study

This chapter consists of the general introduction and overview of the study. It sets out the problem statement, the rationale of the study and the aim and objectives of the study, as well as the contribution of the study to the CG and CSR discourse.

Chapter Two: Literature review - An overview of corporate social responsibility (CSR) in South Africa

This chapter reviews existing literature and discusses the theoretical framework of CSR and the implications of CSR implementation in South African listed companies. The chapter also describes the relationship and affiliation between CG and CSR. the
Chapter also highlights and examines the challenges that companies are faced with through compliance with CSR legislation.

Chapter Three: Literature review – An overview of corporate governance in South Africa

This chapter discusses the literature framework of CG particularly taking into account the 2008 Companies Act, the BBBEE, the EEA as well as the King IV Report on Corporate Governance, and other relevant legislation/codes that pertain to the development and promotion of CG amongst South African JSE-listed companies. The chapter also examines the challenges associated with legal compliance with CG legislation and codes.

Chapter Four: Research methodology

This chapter outlines the research methodology adopted in the collection and analysis of data in this study. The target population, sampling methods, data collection method and analysis technique used in this study is described. Details of the questionnaire design are presented and the limitations of the study identified and discussed.

Chapter Five: Data analysis and research findings

This chapter examines and interprets the data collected from the survey and structured interviews. The chapter presents the results and discusses the findings of the empirical investigation.

Chapter Six: Conclusion and recommendations

This chapter presents the conclusions and recommendations derived from the data analysis. The chapter also identifies areas for future research in CG and CSR and makes recommendations regarding the effective implementation of CG and CSR, as well as measures that may be employed by companies to mitigate the impact of legal compliance challenges. The chapter presents a Synergy, Inclusive and Socio-economic (SIS) model, aimed at channelling and assisting CSR managers, company directors and other officials on issues to contemplate when strategising and implementing CSR.
1.12. Delimitations of the study

There are some delimitations to the study. The first delimitation is that the researcher will use a cross-sectional, rather than the longitudinal, design structure. This in effect means that the use of cross-sectional data with this sample does not allow the researcher to make general statements about the results. Secondly, the period in which this study was conducted may have affected the findings of the study, and as a result, the findings cannot be generalised. In addition, this study was limited to only South African listed companies, hence the findings may not apply to all South African companies.

1.13. Conclusion/summary of the chapter

This chapter provided a comprehensive background to the study by highlighting the historical and resultant socio-economic development challenges facing South African communities in which JSE-listed companies operate.

The chapter also highlighted the various CSR and CG legislation enacted by the South African government aimed at alleviating poverty and enhancing the socio-economic development of its previously disadvantaged population. The chapter includes a statement on the research problem, followed by the rationale for the study and the methodology, including the data collection and analysis techniques used in the study. The chapter also provides a breakdown of the chapters of the study.

The next chapter reviews the literature on CSR from a global perspective, as well as from a South African perspective. It explores the development of CSR in South Africa, the theoretical framework of CSR as well as the legal framework of CSR in South Africa. The chapter examines the legal compliance challenges faced by companies with respect to CSR. Lastly, the chapter discusses the measures explored by companies to mitigate compliance challenges, as well as modern developments in CSR implementation.
CHAPTER TWO

LITERATURE REVIEW:

AN OVERVIEW OF CORPORATE SOCIAL RESPONSIBILITY (CSR)

IN SOUTH AFRICA

2.1. Introduction

This chapter will, through a literature review, examine the theoretical framework of corporate social responsibility (CSR) and discuss the drivers of CSR in South Africa. Furthermore, the South African Government’s initiatives in the development and implementation of CSR through CG and CSR legislation are explored. The chapter examines and discusses the failures of CSR, the potentials of CSR, the future of CSR within a South African context and the challenges of legal compliance as well as the impact these challenges have on CSR implementation amongst listed companies.

CSR has developed into a pivotal subject for scholars in management studies, economics, business ethics and law, as well as political sciences for several decades (Brammer, Jackson and Matten 2012: 4; Sacconi 2012: 1; Sheehy 2015: 629). In South Africa and other developing countries of the world, CSR implementation has become an integral element of corporate practices over the last two and half decades. Many organisations around the world are allocating sections of their annual reports and corporate websites to promoting and publicising their CSR performances, thereby attesting to the importance they attach to CSR implementation (Rampersad 2015: 315; Muranda 2016: 109; Windsor 2016: 11; Zyglidopoulos, Williamson and Symeou 2016: 387). As indicated by Diale (2012: 761), CSR as a concept can be expressed as a commitment of businesses to contribute to sustainable economic development through working with employees, their families and local communities. The implication is that businesses have a role to play in a world of dwindling resources in order to contribute to the development and protection of the societies, environment and communities in which they operate.

From a State perspective, the South African government has played a vital role in ensuring that companies within its territory become more socially responsible
towards their stakeholders. This study therefore, examines the legislative measures adopted by the South African government, which are aimed at making companies more socially responsible, accountable and transparent in their activities. This chapter discusses the legal framework for CSR in South Africa by examining specific CSR provisions of the Broad-Based Black Economic Empowerment (BBBEE), Amendment Act, 2013 and the Companies Act No. 71 of 2008, as amended. The chapter also examines the drivers of CSR amongst South African listed companies, with a view to determining the motivational as well as the hindering factors of CSR.

The next section will commence with an exploration of the various definitions related to the concept of CSR, followed by a brief overview of the drivers of CSR in South Africa. Thereafter, the theoretical framework of CSR development in South Africa will be discussed.

2.2. Defining corporate social responsibility (CSR)

Various definitions are ascribed to CSR in current business and academic literature. However, finding one widely acceptable definition of CSR remains a complex issue (Rahim and Alam 2014: 3; Amaeshi, Adegbite and Rajwani 2016: 137). According to Rahim and Wisuttisak (2013: 13), CSR in itself is a complex and multi-dimensional organisational phenomenon and therefore it can only be defined taking into account its complex and contingent situational factors (Brammer, Jackson and Matten 2012: 3; Windsor 2016: 1). Rahim (2014: 95) and Brammer, Jackson and Matten (2012: 7) contend that CSR is a fluid, dynamic and diverse concept whose percepts change with each generation, and whose criteria may change according to the society in question. Hence, CSR is not a static concept, rather, it is adaptable to change and its implementors should continuously seek ways to improve on its implementation and relevance.

According to Sheehy (2015: 628), defining CSR depends on the perspective from which one views it. The author maintains that when viewing CSR from a behavioural perspective, CSR could be referred to as “corporate philanthropy” or “changed corporate behaviour”. Sheehy (2015: 628) however does warn against classifying CSR as it fails to advance an understanding of the phenomenon, thereby leading to difficulty in finding a definition for the concept. Okoye (2009: 613), on the other hand, contends that CSR is made up of a diversity of issues, making it unfeasible for a
singular universal definition to be found. The author even queries the need for a definition.

Some scholars have, in defining CSR, linked it with corporate governance (CG) and describe CSR as a CG model or a business strategy employed by companies to enable corporations to achieve their ultimate goals in a more transparent manner, while simultaneously being responsible towards the environment and community, as well as taking into account the interests of groups such as employees and consumers when making long-term business decisions (Gill 2008: 454; Sacconi 2012: 4; Rahim and Alam 2014: 4). It is against this background that Sacconi (2012:13), defines CSR as a model of extended corporate governance whereby managers, entrepreneurs, directors and all those who run business organisations, have responsibilities ranging from fulfillment of their fiduciary duties towards shareholders to fulfillment of analogous fiduciary duties towards all the organisation’s stakeholders. Other scholars have defined CSR more generally, as a theory which can be applied in diverse fields as a set of policies, practices and programmes that are integrated throughout business operations and decision-making processes, and which intends to ensure that the firm capitalises on the positive impact of its operations on communities in which they operate and the society at large (Jamali, Safieddine and Rabbath 2008: 591; Ndhlovu 2011: 73; Frynas and Yamahaki 2016: 260).

Another problem experienced by scholars in finding a definition for CSR arises from the fact that it is rooted in its interchangeable and overlapping characteristics with other terminologies (Rahim 2014: 95). Several researchers have used different terminologies to describe CSR. For example, the term “corporate citizenship” is used to describe CSR (Visser 2005: 30; Skinner and Mersham 2008: 240). In South Africa, the term “corporate social investment” (CSI) is the preferred term when referring to CSR (Babarinde 2009: 359; Hinson and Ndhlovu 2011: 333; Rampersad 2015: 314; Reddy 2016). Other terms such as “sustainable development”, “social sustainability”, “corporate social performance” and “corporate greening”, are some common terminologies used by scholars to describe CSR (Hinson and Ndhlovu 2011: 334; Mariri 2012: 1; Sorenson 2012: 25; Rahim and Alam 2014: 3; Frynas and Yamahaki 2016: 261).
Perhaps the closest acceptable definition of CSR is that of the World Business Council for sustainable Development (WBCSD). The WBCSD is one of the leading advocates of CSR and defines CSR as the “continuing commitment by business to behave ethically and contribute to sustainable economic development while improving the quality of life of their employees and their families, as well as local communities and society at large” (WBCSD 2001: 3). The United Nations (UN), in its report, also attempted to define CSR and explained it simply as “the overall contribution of business to sustainable development” (United Nations 2007: 1). The UN warned that defining it in a more detailed manner would make it become a vexatious issue. Scholars and authors on the concept acknowledge that despite the inconclusive definitions and many dimensions of CSR, the principal notion of the hypothesis are more or less established (Rahim and Wisuttisak 2013: 5; Sheehy 2015: 629; Ackers 2016: 721; Amaeshi, Adegbite and Rajwani 2016: 138). They insist that there are consistencies and a convergence of common traits and similar elements which are related to the economic, social and environmental impacts of business operations and their reactions to customer expectations, employees, shareholders and other stakeholders.

A discussion on defining CSR would be inadequate without examining the views of some early scholars in the field. Starting with the famous author Milton Friedman. Brammer, Jackson and Matten (2012: 21) note that there is hardly a textbook, an overview article or a review literature on CSR which does not refer to Friedman’s (1970) trenchant critique of the then emerging practice. Friedman contended that the social responsibility of business was to increase its profits for its shareholders. He denied that businesses had any social responsibilities other than making a profit for its shareholders (Rossouw and Van Vuuren 2010: 86,87). Freidman therefore equated CSR to pure socialism and reacted strongly and negatively towards business executives who had a contrary view.

Christoper Stone is another early author of CSR whose views were in strong contrast to that of Friedman (Stone 1985). The author analysed Freidman’s arguments on three premises namely: (i) That a managers’ only commitment is to maximise profits for shareholders; (ii) That market forces are sufficient to ensure that corporations behaved responsibly; and (iii) That the law is sufficient to guarantee that society is not harmed by the activities of corporations (Rossouw and Van Vuuren 2010: 89).
Stone opposes Freidman’s view that a manager’s only responsibility is to maximise profits for shareholders. Referring to it as the “Promissory Argument”. Stone (1985: 132) refutes that such a promissory relationship exists between managers and shareholders, maintaining that no shareholder ever meets with the management of the organisations in which they invest. Therefore, no promises are ever made by company executives to shareholders (Stone 1985: 132).

French (1979: 210), also an early writer on CSR, also challenged Friedman’s views alluding to the notion that because corporations are artificial legal persons, they were disqualified from moral responsibilities. The author maintained that being a biological living human being, is not the only criteria for being a moral agent. According to French (1979: 210), the criteria for a moral entity resides in whether or not an entity can be held accountable for its actions. According to the author, accountability is established when one party finds itself in a relationship of responsibility with another party and must justify its actions to that other party (French 1979: 207; Marcoux 2008: 2).

Carroll (1999: 283) is another early writer who has made considerable input into the concept of CSR. The author contends that arguments by some of the early authors such as Friedman, which was based on the pretext that the corporation’s sole responsibility was to provide a maximum financial return to shareholders, was unsustainable as the pursuit of financial gains by businesses had to take place within the laws of the society in which the business operates. He offered his definition of CSR as “The social responsibility of business encompassing the economic, legal, ethical and discretionary expectations that society have of organisations at a given point in time” (Carroll 1999: 283). The author went further to present his famous CSR pyramid, which according to Visser, Middleton and McIntosh (2005: 33) has been the most enduring and most commonly referenced in CSR literature. Below is an adaptation of Carroll’s CSR pyramid.
Carroll's pyramid is divided into four major components as shown in Figure 2.1 below.

**Figure 2.1**

Source: (Carroll 1991: 42), The pyramid of corporate social responsibility.

In summarising the pyramid, Carroll postulates that the corporate social responsibility of an organisation involves the ability to simultaneously satisfy the organisation's economic, ethical, legal and philanthropic responsibilities and obligations. He maintains that a firm should always strive to make a profit, and at the same time obey the law, be ethical and be a good corporate citizen (Carroll 1991: 45; Visser 2005: 37).

In analysing CSR within an African context, Visser (2006: 37) used Carroll's pyramid to construct a diagrammatic representation of how CSR manifests in an African context. The author contends that in Africa, economic responsibilities, would receive the most prominence followed by philanthropy, legislative and ethical responsibilities. According to Visser (2006: 37), the fact that there is a shortage of foreign direct investment, high unemployment rates and intractable poverty, made economic contribution of companies highly prized by African governments and communities.
Hence, the reason economic responsibility would get the most emphasis on the African pyramid. Other factors affecting Africa and other developing countries that impact on CSR implementation include inefficient government organisations and high levels of corruption, as well as civil unrest (Preuss, Barkemeyer and Glavas 2016: 362). On the issue of philanthropy closely following economic responsibilities, the author maintains that the socio-economic needs of societies in Africa are so great that philanthropy has become an expectation and a norm for companies operating on the continent. According to the author philanthropy is perceived to be the most direct approach to improve the prospects of the communities in which businesses operates in Africa (Visser 2006: 40). Visser’s adaptation of Carroll’s pyramid in the African context is shown in Figure 2.2 below.

Figure 2.2

![Adaptation of Carroll's pyramid in the African context](Visser 2006: 37)

Visser (2006: 42), in assessing the place of legal responsibility on the African pyramid, hypothesises that in Africa legal responsibility has a lower importance when compared to most developed nations. The author attributed this to the underdeveloped, or often lack of, legal infrastructure which, when it does exist, lacks independence, resources and administrative competence. According to the author African governments’ capacity for enforcement of law remains a serious constraint.
and reduces the impact of legislation as an effective driver of CSR implementation in Africa. From the pyramid, ethical responsibility appears to have the least influence on the African CSR agenda. Visser (2006:43) attributes this to the issue of corruption. The author maintains that corrupt practices in almost all facets of the African social structure has led to ethical responsibility being reduced to the lowest CSR priority (Visser 2006: 43; Preuss, Barkemeyer and Glavas 2016: 362).

Having examined some of the definitions of CSR and acknowledging the complexities and dimensions of the concept, the next section will commence with a discussion on the drivers of CSR and thereafter, a discussion on the theories of CSR. The aim of this section is to provide an understanding of what motivates CSR implementation in companies, as well as the different theories and evolutionary stages of CSR.

2.3. Drivers of corporate social responsibility implementation

There are several motivating factors driving CSR implementation all over the world. Carroll (2008: 41) notes that in Europe, there is a divergence of commitment and management practice in areas such as labour standards, environment, human rights, and fighting bribery and other corrupt practices. In South Africa, Skinner and Mersham (2008: 241-242) contend that CSI activities are motivated by factors such as:

- **Public relations management:** where a company undertakes CSI opportunistically with emphasis on the publicity that the company would generate, rather than on the social cause;
- **Reputation focus:** a situation where companies would be seen to be doing good and may derive short-term goodwill from such programmes;
- **Charitable giving:** a situation where companies make donations to an ad hoc range of causes that are difficult to track, for its overall impact or effectiveness;
- **Grantmaking:** a situation where companies award funds or host certain workshops but are unable to evaluate the project’s impact;
- **Social investment:** here a long-term project is identified and there is a commitment to the project with a strong focus on returns; and
• **Social change**: where a company strives to improve a social condition without prioritising benefits for the business.

Benon-be-isan Nyuur, Ofori and Debrah (2014: 103) conducted a study on factors that motivate CSR implementation in Sub-Saharan Africa (SSA). South Africa was one of the six SSA countries featured in the study. The authors identified nine factors as drivers of CSR implementation in the SSA regions of Africa, namely:

• **Leadership and governance**: a situation where company executives identify CSR as a business case and are willing to incorporate CSR implementation into the strategic vision of the company;

• **CSR policy framework**: the authors opine that where a company has a policy framework which clearly explains the business case of CSR within the organisation; it adds certainty to the direction of CSR, thus enabling stakeholders to buy into the company’s vision;

• **Availability of skilled CSR officials**: the authors contend that for effective CSR implementation to occur in a company, the company must have skilled personnel who will be able to communicate with stakeholders and initiate and execute CSR activities within the projected timelines, as well as meet the objectives and goals of the CSR project;

• **Monitoring, evaluation and reporting of CSR**: the authors contend that when a company’s CSR activities are monitored and evaluated with feedback to relevant stakeholders, it allows them to ascertain the achievement of their CSR performance and also allows for the company to find ways to improve CSR performance where it is not meeting the intended objectives;

• **Stakeholders communication**: the authors note that where stakeholders are not communicated with and engaged with a company’s CSR activity, it could hinder CSR implementation as it could lead to conflicting interest and divided attention amongst stakeholders;

• **Employee/staff engagement**: where a company fails to motivate and secure commitment, support and participation of its employees in CSR implementation, the company would usually be unable to effectively implement its CSR agendas;
• **Government policies:** tax rebates and stimulation of CSR dialogues, as well as provision of a conducive environment through providing supportive resources are crucial in motivating corporate CSR implementation;

• **Duality of beneficiation:** the ability of CSR to provide benefits to both the company and the stakeholders is a motivating factor for its implementation; and

• **Funding:** the authors identified funding and socio-economic value creation as a critical factor for CSR implementation.

The above discussion highlights that factors motivating CSR implementation are interlinked and share some common characteristics. According to Benon-be-isan Nyuur, Ofori and Debrah (2014: 109), factors such as government, staff engagement, stakeholder engagement, leadership and governance all link with the importance of communication and engagement of stakeholders to ensure that CSR initiatives are beneficial to all stakeholders. It is also pertinent to note, from the above discussion, that factors motivating CSR implementation have since moved away from issues such as charity giving and grantmaking to situations where companies are interdependent and inter-reliant on their stakeholders and as such their legitimacy is dependent on their ability to create both social and economic values.

The next segment will discuss the theoretical framework of CSR.

2.4. **Theoretical framework of corporate social responsibility**

In examining the theoretical framework of CSR, this section elucidates on the Stakeholder theory, the Institutional theory and the Legitimacy theory. These three theories are referred to as the ‘mainstream theories’ of CSR, due partially to the fact that they are the most discussed CSR theories. The three theories are not competing but rather complementary of one another as they are interrelated and have similarities (Fernando and Lawrence 2014: 150; Frynas and Yamahaki 2016: 262).

According to Fernando and Lawrence (2014: 150), a theoretical framework is employed as a theoretical foundation for empirical studies relating to how a concept (in this case CSR) is practiced in various contexts and the reasons that such practices are adopted within that context. The author further maintains that the
theorisation of CSR may also be used to obtain deeper insights into CSR practices, as well as a fuller understanding of CSR. Hence, the next section will explore the issue of CSR as a concept. Thereafter, the different theories associated with CSR will be discussed.

2.4.1. Corporate social responsibility as a concept

Over the decades, CSR has had significant implications for scholars and authors in academia. The concept has also impacted on the corporate world to a great extent and has changed the way in which many industries operate in the societies in which they find themselves (Matten and Moon 2008; Okoye 2009: 613; Fernando and Lawrence 2014; Frynas and Yamahaki 2016).

CSR as a concept is often traced to the exchanges of articles in the 1930s between Berle and Dodd on the role of corporate managers. These articles are usually referred to as the beginning of CSR as an academic discourse (Okoye 2009: 613). Since then and until the present, numerous authors and researchers have written on the concept and have propounded several dimensions to the concept. For example, CSR has been considered a poverty reduction tool for businesses in the communities in which they operate (Newell and Frynas 2007: 672). In South Africa, CSR was espoused as a social justice tool to help the government in righting the wrongs of the apartheid regime towards its previously disadvantaged citizens (Skinner and Mersham 2008; Babarinde 2009; Ramlall 2012; Reddy 2016: 466). In other parts of Africa, for example in Nigeria, CSR has become a marketing tool for the oil industry and telecommunications industry to build the brands of the multinational companies in those sectors as being good corporate citizens (Okoye 2009: 615).

The complex nature of CSR and the fact that it has an “open character” (Okoye 2009: 620), has led to difficulty in finding a definition for the concept and has led scholars to attempt the theorisation of CSR to allow for a better understanding of the concept. Theorisation can also be employed to check the extent to which CSR theories help to explain the way CSR is practiced by different organisations in different societies (Okoye 2009: 615; Fernando and Lawrence 2014: 150; Frynas
According to Frynas and Yamahaki (2016: 258), theorisation allows for a better understanding of theories in academic research. The authors noted that theorisation helps to introduce greater scholarly rigour, which helps to make sense of the complexity of the concept. In addition, theorisation helps to organise knowledge more effectively, and helps to understand the values upon which the knowledge is developed. The authors conducted a study to determine the most applied CSR theories based on journal publications between 1990 and 2014 (Frynas and Yamahaki 2016: 258). The following table presents the results of the analysis of the findings:

### Table 2.3: Application of theoretical perspectives, number of applications, 1990–2014 (by journal, 25-Year)

<table>
<thead>
<tr>
<th>Applied theory</th>
<th>AMJ</th>
<th>AMR</th>
<th>AAA</th>
<th>AOS</th>
<th>ASQ</th>
<th>BJM</th>
<th>BEER</th>
<th>BEQ</th>
<th>CG</th>
<th>HBR</th>
<th>JBE</th>
<th>JM</th>
<th>JMS</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholders theory</td>
<td>6</td>
<td>5</td>
<td>22</td>
<td>10</td>
<td>3</td>
<td>15</td>
<td>11</td>
<td>3</td>
<td>2</td>
<td>110</td>
<td>4</td>
<td>15</td>
<td></td>
<td>206</td>
</tr>
<tr>
<td>Institutional theory</td>
<td>9</td>
<td>9</td>
<td>10</td>
<td>3</td>
<td>3</td>
<td>6</td>
<td>11</td>
<td>5</td>
<td></td>
<td>73</td>
<td>4</td>
<td>8</td>
<td></td>
<td>141</td>
</tr>
<tr>
<td>Legitimacy theory</td>
<td>1</td>
<td>32</td>
<td>11</td>
<td></td>
<td>1</td>
<td></td>
<td>28</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>73</td>
</tr>
<tr>
<td>Resource-based view</td>
<td>5</td>
<td>3</td>
<td></td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>25</td>
<td>1</td>
<td>5</td>
<td></td>
<td>41</td>
</tr>
<tr>
<td>Agency theory</td>
<td>2</td>
<td></td>
<td>4</td>
<td>3</td>
<td></td>
<td>3</td>
<td>24</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td>42</td>
</tr>
<tr>
<td>Resource dependence</td>
<td>1</td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
<td>16</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>24</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>8</td>
<td>16</td>
<td></td>
<td>34</td>
<td>2</td>
<td>5</td>
<td></td>
<td>84</td>
</tr>
</tbody>
</table>


Source: (Frynas and Yamahaki 2016: 262).

Taking the findings of the above study into consideration, this study will undertake a discussion of the top three most frequently applied CSR theories, based on the total number of journal publications as indicated in the above table (Frynas and Yamahaki 2016: 258).
Hence, this study will discuss the Stakeholder’s theory, the Institutional theory, and the Legitimacy theory. Apart from being the most discussed theories, they are also the most relevant to CSR in the South African context.

2.4.2. The Stakeholder theory

Scholars have advanced different interpretations and classifications of the stakeholder theory over the past decades since CSR came into mainstream academic discourse (Ndhlovu 2011: 79; Fernando and Lawrence 2014: 157; Frynas and Yamahaki 2016: 263). According to Fernando and Lawrence (2014: 157), the Stakeholder theory is a theory concerned with the relationship that exists between an organisation and its stakeholders. In South Africa, the Stakeholder approach to CSR is the most widely accepted. Both the King III Report on Corporate Governance and more recently the King IV Report state in Principle 16 that the governing body of an organisation should adopt a stakeholder-inclusive approach to corporate governance, one that balances the needs, interests and expectations of material stakeholders in the best interest of the organisation (Institute of Directors Southern Africa 2016). On the question of who a stakeholder is, the King IV Report on Corporate Governance describes stakeholders as groups or individuals that can be affected, to a reasonable extent, by an organisation’s business activities, outputs or outcomes, or those whose actions can reasonably affect the ability of the organisation to create value (Institute of Directors Southern Africa 2017). The Report classifies stakeholders into two broad categories, namely, the internal stakeholder and the external stakeholder. Internal stakeholder includes those who are directly affiliated with the organisation, such as the company’s governing body, management, employees and shareholders. External stakeholders include trade unions, civil society organisations, government and customers, as well as consumers (Institute of Directors Southern Africa 2017).

According to Ndhlovu (2011: 79) the Stakeholder theory recognises that CSR permeates all aspects of the business and general society. It therefore adopts a more holistic approach towards CSR implementation. According to the author, business organisations have an obligation as well as ethical duties beyond the precincts of the law to all stakeholders, which includes a variety of interests, ranging from employees, communities, governmental organisations, political groupings,
customers, suppliers, trade unions, competitors, as well as any other group who is affected by the organisation’s activities (Ndhlovu 2011: 79).

Frynas and Yamahaki (2016: 263) classify the Stakeholder theory into two distinct categories, namely, the Descriptive and Normative Models. The authors contend that the normative model of Stakeholder theory assumes that the organisation should take into account the legitimate interests of all its stakeholders. The authors contend that proponents of the normative model were of the opinion that organisations have a responsibility to all its stakeholders. Hence, stakeholder identification and level of importance were not relevant. The Descriptive model of the theory is one in which the organisation seeks to identify the level of importance of its stakeholders and devises a means to manage stakeholder relationships. When linking stakeholder theory to CSR practice, Fernando and Lawrence (2014: 160) contend that the theory emphasises the accountability of the organisation, as well as the rights of stakeholders. The authors maintain that in the process of being accountable to its stakeholders, organisations are required to disclose certain information to its stakeholders. Such disclosures should not only be restricted to financial or regulated information, but should also include non-financial information, such as social and environmental concerns (Fernando and Lawrence 2014: 161).

2.4.3. The Institutional theory

According to Brammer, Jackson and Matten (2012: 10), CSR has become a strongly Institutionalised feature of the contemporary corporate landscape, particularly in advanced industrial economies. The authors maintain that the notion that corporations should engage in some form of responsible behaviour has become a legitimate expectation. Institutionalisation of CSR in companies is noticeable in the spread of CSR departments within companies. Most stock exchanges have witnessed a diffusion of indices related to sustainability on their stock markets. The proliferation of branding initiatives by companies are all indications that CSR has been Institutionalised. When corporations engage in these activities, it is often associated with an understanding that a business case exists for CSR activities and implementation (Brammer, Jackson and Matten 2012: 10).

According to Matten and Moon (2008: 406), the Institutional theory, (as opposed to the Agency theory), allow for a better understanding of CSR. The authors argue that
the Institutional theory allows CSR to be examined within the context of the nation, culture and institutional context which it is being applied. It also allows for the acknowledgment of the interdependencies and interactions among stakeholders, which is vital to understanding CSR. Matten and Moon (2008: 406) further opine, that the Institutional theory allows for CSR to be seen as being located in a wider responsibility system in which business, government, legal, and social actors operate according to some measure of mutual responsiveness, interdependency, choice and capacity.

In recent years, the Institutional theory as been further expanded by the New Institutional Economics (NIE). According to Ndhlovu (2011: 78), the NIE comprises economists and social scientists who are of the opinion that free markets must be couched in an institutional context and argues for a more holistic approach, one that recognises that CSR permeates every aspect of the business and societal landscape. The author further contends that the NIE analysis on CSR arose from the following circumstances:

- An inability of the state to provide comprehensive social services and simultaneously resolve conflict;
- The increasing complexity of society, including questions of equity with regard to different cultures, as well as the need for accountability;
- Increasing recognition and implications of the role played by corporate managers and directors in society; and
- Pressures brought about by globalisation and international trade (Ndhlovu 2011: 78).

According to Brammer, Jackson and Matten (2012: 21), the NIE believes that transparency must be the watch-word for business managers and directors, not only in terms of their obligations to the owners and/or shareholders of businesses but also to society as a whole. The NIE also contend that firms are an integral part of society and their activities have a bearing on the lives of many people other than the owners (Ndhlovu 2011: 79). This implies that business organisations have ethical obligations towards all their stakeholders and these obligations extend beyond the precincts of the law.
2.4.4. The Legitimacy theory

According to Fernando and Lawrence (2014: 152), the Legitimacy theory implies that a “social contract” exists between a business organisation and the respective societies in which it operates. The contract deals with whether an organisation operates within the bounds and norms of society or simply the expectations of society. Ackers and Eccles (2015: 522) define the theory as the assumption that an entity’s actions conform to a socially constructed system of norms, values, beliefs and expectations. The Legitimacy theory postulates that firms are inseparable from society and that they exist as far as society confers Legitimacy upon them. Hence, firms have no inherent right to exist separately from society (Frynas and Yamahaki 2016: 267). De Villiers and Van Staden (2006: 764) argue that the Legitimacy theory is a congruence between an organisation’s value system and that of the larger social system of which it is a part. The authors maintain that when applying the Legitimacy theory, an organisation will be unable to prosper or even survive if it is not seen to espouse outputs, goals and methods that society finds acceptable. Philanthropy and corporate social disclosures have been used as legitimation tools by companies, especially those with poor social performance in other areas (Frynas and Yamahaki 2016: 268).

Fernando and Lawrence (2014: 156) posit that in order to align with the Legitimacy theory, companies may engage in CSR projects and reporting as a strategy to retain, gain and regain their legitimacy within society. However, the downside of this is that it has the propensity to cause companies to refrain from disclosing negative or bad news relating to their operations if they think that disclosure may decrease their legitimacy. According to the authors, this is a major limitation of the Legitimacy theory (Fernando and Lawrence 2014: 155).

The preceding section of the study examined the concept of CSR and the three related theories that are most associated with the concept, particularly within South Africa. In order to understand why CSR in South African is more aligned with the theories discussed above, it is important to understand the socio-economic situation of the country, which is the rationale for why CSR is adopted by major corporates in South Africa. The next section of the study will therefore describe the current socio-economic condition of the country and thereafter a discussion on CSR from a South
African perspective will be undertaken. The discussion will focus on the initiatives undertaken by the South government to cause businesses operating in the country to become more socially responsible towards their various stakeholders. The legal framework of CSR will be examined and an exploratory analysis of the challenges that are associated with compliance with the selected CSR legislation will be undertaken.

2.5. Socio-economic challenges facing South Africa

South Africa is faced with some unique and distinctive socio-economic challenges that are generally attributed to the bequest of the apartheid regime. The country is considered to be one of the most unequal societies in the world due to the wealth disparity that exist between rich and poor South Africans (Babarinde 2009: 359; Ramlall 2012: 271). White South Africans are predominantly affluent and at worst middle class while Black South Africans are largely impoverished and living in segregated townships, squatter camps and informal settlements. Furthermore, the control of the corporate environment continues to reside with the minority White South Africans, both in terms of business ownership and management, while a vast majority of Black South Africans have limited access to the most basic amenities in a country that is relatively wealthy (Babarinde 2009: 356). According to Babarinde (2009: 356), the socio-economic situation which the country faces suggests an unsustainable business environment for any business or government. The author contends that the situation, if left unchecked, could eventually subvert the polity and consequently destabilise the economy.

Goldman Sachs (2013: 4), in a report highlighting the country’s economic and social indicators since the end of apartheid in 1994, maintains that although South Africa’s economy had performed well in the past two decades, unemployment continued to remain its greatest challenge. The report particularly noted the improvement in the macro fiscal and monetary balances. It noted that the Gross Domestic Product (GDP) of South Africa had almost tripled from $136-billion to $385-billion within the period; Inflation had fallen from an average of 14% between 1980 and 1994 to an average of 6% between 1994 and 2012. Gross gold and foreign reserves had risen from $3-billion in 1994 to $50-billion in 2012 and that tax receipts of R114-billion from 1.7-million people had risen to R814-billion from 13.7 million people. The reported
noted that the increase in international trade with China and Africa had largely offset the decline in European trade and had led to a dramatic rise in the middle class in the past two decades, leading to a structural boost in spending. However, despite the improvement witnessed in the past two decades, the report noted that South Africa was faced with multiple challenges, which include:

- A high youth unemployment rate;
- A high income disparity between the lower income categories and the middle-to upper-class categories;
- A current account deficit;
- The dwindling contribution of the mining and manufacturing sector;
- Mining and labour uncertainties;
- Poor education and health outcomes'; and
- An underperforming public sector (Goldman Sachs 2013: 4).

According to Goldman Sachs (2013: 6), the above challenges imply that although South Africa had made notable progress since its independence in 1994, much still needs to be done in order for the country to transform its socio-economic realities if it is to preserve its startling political transformation (Babarinde 2009: 356). Poverty eradication amongst the majority Black population constitutes one of the most urgent and priority areas of concern for South Africa. Ramlall 2012: 271) predicts that without the eradication of poverty; reduction in unemployment; ensuring a bona fide transformation of the workplace; slowing HIV/AIDS affliction rates; and increasing basic household income, the business community will not have a business environment within which to function (Babarinde 2009: 356; Ramlall 2012: 271).

In order to tackle these deplorable socio-economic realities confronting the country, Mariri (2012: 2) calls for a synergy between businesses and government. The author contends that CSR programmes cannot be effective in achieving its principal objectives of being an object of sustainable development if it is detached from the governments national development priorities. According to Schepers (2011:931), companies must contribute to the public interest and become more inclusive and eschew the narrow company interest of focusing only on specific market sectors.
The question therefore arises as to why CSR implementation by businesses since the end of apartheid, has not been able to produce the rapid socio-economic development transformation required for their sustainability.

The next segment of the study critically examines the concept of CSR from a South African perspective, particularly with the aim of understanding the manner in which South African companies view CSR and how it has been adopted and implemented in the country. The section will also offer an explanation of why the term ‘corporate social investment (CSI)’ is the preferred term used in reference to CSR by South African businesses.

2.6. Corporate social responsibility: The South African perspective

South Africa is one of the few African countries in which CSR is taken seriously. South Africa has the highest academic literature rate on CSR on the continent and is one of the first African countries to give legal backing to CSR practices by enacting flagship legislation and codes of good practice. Hence, South Africa is viewed as the catalyst for CSR practices on the African continent (Visser 2006: 34; Hinson and Ndhlovu 2011; Ramlall 2012; Benon-be-isan Nyuur, Ofori and Debrah 2014: 108).

As a result of the country’s apartheid legacy, CSR in South Africa post-1994 took on a different connotation one in which the term “Corporate Social investment” (CSI) was adopted instead (Skinner and Mersham 2008: 240; Babarinde 2009: 359; Ndhlovu 2011: 73; Diale 2014: 18). Babarinde (2009: 359) notes that this was due mainly to the trepidation of the business community which, was widely believed to have contributed to and benefited from apartheid rule, that it would be held ‘responsible’ for the injustices of the apartheid era or expected to assist in ‘righting’ those injustices. Hence, the CSI terminology is more acceptable to South African companies and South African businesses have reacted more favourably to the “investment” concept as it makes no reference to legacies, history or justice (Skinner and Mersham 2008: 240; Diale 2014: 18).

According to Ramlall (2012: 271), in order to fully understand the operation of CSR within the South African context, one must firstly examine the history and background of South Africa as a nation with its own peculiar complexities as well as the South African legal system. The South African legal system is a hybrid legal
system consisting of Roman-Dutch law, English Law and African customary laws (Waweru 2014: 457). Ramlall (2012: 271) explains that prior to 1994, South Africa was governed under an apartheid parliamentary system of government with limited government involvement in how business organisations conducted their affairs. The author contends that the apartheid government had no interest or involvement in respect of the social responsibility of companies and asserts that it was only after South Africa became a constitutional democracy in 1994 and when the 1996 Constitution became the supreme law of the country, that all South African citizens, through the Bill of Rights in chapter 2 of the Constitution, were guaranteed their fundamental human rights.

The Bill of Rights enshrines socio-economic rights for all South Africans, namely the right to an environment that is not harmful to one’s health or wellbeing; right to adequate housing, provision of health care, food and water; and social security (The Department of Justice and Constitutional Development 2017). Perhaps the most significant aspect of the Bill of Rights is that it is binding on individuals, corporations and the State (Hamann 2005: 12). However, despite these enshrined rights, many South Africans do not have access to any of the socio-economic rights or services mentioned in the Bill of Rights (Goldman Sachs 2013). According to Christiansen (2007: 39) the stark socio-economic legacy of apartheid will continue to haunt South Africa for many more decades. The author contends that more needs to be done in order for the socio-economic situation of many South Africans to improve.

At the initial stages of CSI initiatives in South Africa, its implementation was mostly portrayed as corporate or strategic philanthropy, with emphasis on education and health care, particularly HIV/AIDS, as well as social welfare packages at both local and national levels. However, more recently, South Africa’s CSI projects have become more focused on sustainable development issues, corporate governance issues and questions of public–private partnership in social development (Ndhlovu, 2011:74). However, despite the recent move of CSI from philanthropy to sustainability, the impact is yet to be felt by the larger South African populace, particularly previously disadvantaged citizens. In its attempt to ensure that businesses played a role in the socio-economic development of the country, the South African government embarked on legislative and economic reform policies aimed at creating CSR obligations for businesses. Such obligations included increasing the
participation of Black people in the ownership of businesses; creating social and ethical obligations for companies to comply with; and creating preferential job opportunities for Black people through measures such as affirmative action (Ramlall 2012: 273; Reddy 2016: 467).

Some of the government reform initiatives and policies are discussed in the next segment of the study.

2.7. The South African government’s reform initiatives

According to Diale (2012:762) contrary to public expectation, the 1994 ANC-led democratic government did not dispose of the neo-liberal and capitalist orientation that was persistent under the apartheid system. Instead, the government unconditionally embraced and absolved the business community of any culpability, even without victims of corporate injustices being compensated for the wrongs done to them. The author notes that big business assisted the apartheid regime to flout sanctions which were imposed on the country; they received subsidies from the apartheid regime; paid taxes to the apartheid state; and provided services, technologies and weapons which were directly used in the oppression of the majority Black population and other groups that were considered hostile to the apartheid regime (Diale, 2012:762). This action of the government received criticism as most political analysts expected the government to take a tougher stance against businesses that supported the apartheid government. It appeared that the new government, rather than making South African businesses accountable for their past conduct, preferred to forge ahead to cause companies to become more socially responsible to their stakeholders through the enactment of voluntary codes of good practice and legislation (Diale 2012: 762; Ramlall 2012: 273).

The first set of economic policies embarked upon by the government were the Reconstruction and Development Plan (RDP) of 1994; the Growth, Employment and Redistribution (GEAR) Initiatives of 1996; and the Accellerated and Shared Growth Initiatives for South Africa (ASGISA) of 2004. The ANC government hoped to use these programmes to tackle the myraid socio-economic challenges existing in the country (Babarinde 2009: 358; Flores-Araoz 2011: 1). These policies will be discussed in Chapter three of the study. In terms of legislation, the ANC government set about enacting the Broad-based Black Economic Empowerment Act 53 of 2003
(the BBBEE Act); the Employment Equity Act 55 of 1998; the National Empowerment Fund Act 105 of 1998; the Preferential Procurement Policy Framework Act 5 of 2000; and the Skills Development Act 97 of 1998 (as amended in 2003) (Ramlall 2012: 273). These laws were intended to compel South African businesses to embrace the transformation that was taking place in the country, as well as give the previously disadvantaged population a stake in the economy of the country by enabling the participation of Black people in the ownership of businesses and creating preferential job opportunities for Black people through affirmative action measures and employment equity (Ramlall 2012: 273). More recent initiative has been the reform of the 1973 Companies Act No. 61, by replacing the largely outdated Act with the Companies Act No. 71 of 2008. Apart from simply replacing the 1973 Companies Act, the 2008 Companies Act was also enacted to give legal backing to the King III Report on Corporate Governance, which prior to the Act had no legal backing and was simply a set of voluntary regulations and guidelines for companies (Ramlall 2012: 281).

The objective of this study is to examine as well as analyse selected CG and CSR legislation and codes put in place by the South African government to ensure that companies take the issue of CSR more seriously. In analysing the various pieces of legislation, the study will also examine the compliance challenges experienced by businesses in complying with the various CG and CSR legislation and codes.

The researcher is of the view that an understanding of the challenges faced by South African companies in the implementation of CG and CSR, through legal compliance, will provide a basis to ascertain if these laws are adequate from both a theoretical and practical perspective, or whether a more systemic, intrusive and proactive solution ought to be sought by government and the business community alike.

The next section will therefore focus on a discussion of the South African legal framework, the discussion will focus on the BBBEE Act, the Companies Act of 2008, the King IV Report on Corporate Governance and the EEA, which are regarded as the government’s flagship initiatives for CG and CSR in South Africa (Ramall, 2012:273). In examining the aforementioned legislation and code, the chapter discussion focuses on the provisions relating to CSR obligations for businesses and the challenges of compliance experienced by companies.
2.8. Legal framework for corporate social responsibility in South Africa

In exploring the legal framework of CSR in South Africa, this section begins with an analysis of the BBBEE Act, the 2008 Companies Act and the EEA. According to Flores-Araoz (2011:1), these legislation are some of the laws which the South African government promulgated in order to ensure that businesses focused on social, environmental and economic issues and how their operations impact on these concerns. This section will therefore examine and analyse these pieces of legislation with a view to ascertaining the CSR obligations that they foist on South African businesses as well as the challenges that legal compliance with the legislation present for JSE-listed companies in implementing their CSR obligations and initiatives.

2.8.1. The Broad-Based Black Economic Empowerment Act (BBBEE)

After the 1994 elections and the abolition of all apartheid laws and policies that hindered Black participation in the nation’s economy, the ANC-led government felt that there was a need to include, as well as, increase the participation of Black people in the ownership of some of the country’s major industrial organisations. President Nelson Mandela, the first president of the ANC-led government, introduced the Black Economic Empowerment (BEE) policy which aimed to increase the share of Black ownership in major South African firms, as well as increase the wealth of the Black majority (Alessandri, Black and Jackson 2011: 230; Reddy 2016: 467).

The BBBEEE Act defines the term “Black people” to include all non-Whites and historically/previously disadvantaged individuals. The definition broadly includes women, workers, youth, disabled and rural dwellers (DTI 2014). According to Mariri (2012: 2), Black Economic Empowerment (BEE) was a strategic initiative of the post-apartheid government aimed at promoting economic transformation through ensuring meaningful participation of African, Indian and Coloured people in the economy (Reddy 2016: 467). The broad aim of the Act was to remedy the organisational inequalities of apartheid rule by steadily and legally redistributing equities to the Black community and diversifying the workplace through skills development and training and generally to promoting the development of Black people (Babarinde 2009: 361).
The Broad-Based Black Economic Empowerment Act (BBBEE) was first enacted in 2003. The 2003 Act was later amended in 2013 and is now referred to as the Broad-Based Black Economic Empowerment Amendment Act, (BBBEE) 2013. According to the Department of Trade and Industry, it became necessary to amend the 2003 Act in order to, inter alia, promote compliance of the Act by organs of state and state-owned enterprises, which were previously only required to take into account, as far as it was reasonably possible, the provisions of the Act. With the amendment, all organs of state and state enterprises are now obliged to comply with all its provisions. The Minister alone is authorised to issue an exemption where it has been applied for and good cause is shown as to why such state organ should be exempted from compliance with the Act (Pillay 2014: 1). Other reasons for the need to amend the Act, include allowing for the proper evaluation and monitoring of compliance; creating incentive schemes to support Black-owned and managed enterprises; making provision for the cancellation of a contract or authorisation where it was evident that the contractor was not in compliance with the Act; and establishing the Broad-Based Black Economic Empowerment Commission, which is mandated to deal with compliance-related issues. The final reason was to provide for offences and penalties for non-compliance with the provisions of the Act (Department of Trade and Industry 2015), thereby criminalising the Act, which up till then had no liability clauses for non-compliance. The amended Act also addresses the issue of “fronting” and defines it as a situation where a person knowingly misrepresents his BEE status or provides false information to secure a particular BEE status or outcome. The amendment further provides that any person found guilty of fronting may be liable to a fine or imprisonment of up to 10 years, or both. If the offender is an enterprise, it could be subject to a fine of up to 10% of its annual turnover (Pillay 2014: 3).

The amended BBBEE Act, addressed issues of corporate ownership, management, equality in the workplace, skills development, as well as, preferential procurement and enterprise development (DTI 2014). To comply with the Act and receive preferential treatment for government contracts, organisations use a generic scorecard to measure success in all the seven BBBEE elements, namely: ownership; management control; employment equity; skills development; preferential procurement; enterprise development; socio-economic development and other
sector-specific contributions (Alessandri, Black and Jackson 2011: 233; Pillay 2014). The BBBEE Act requires companies to set up a scorecard by which progress on how the company was transforming could be measured. To achieve this, the Department of Trade and Industry (DTI) set up a generic scorecard with the seven components mentioned above. Each company is expected to set its own targets with regard to the components of the scorecard, where progress on transformation can be monitored by the company or by any independent party with access to pertinent data (DTI 2014). The introduction of the scorecard has helped to compel and coerce many South African companies into compliance with the Act (Akinsomi et al. 2016: 8). According to Hamann, Khagram and Rohan (2008: 24), a review of BEE charters show how state pressure is bringing about much more committed responses by companies towards socio-economic development than market-based drivers, hence giving credence to those advocating for a stronger role for the state in influencing corporate behaviour.

BBBEE also strived to increase Black wealth through the sale of equity stakes in companies to Black empowerment groups (Alessandri, Black and Jackson 2011: 230; Hough et al. 2011; Reddy 2016: 467). Compliant BBBEE firms are awarded government tenders and certain rights for implementing the BBBEE policy (Akinsomi et al. 2016: 4). They are perceived as being socially responsible firms, thereby giving companies the incentives to become BBBEE compliant. In a study conducted by Alessandri, Black and Jackson (2011: 235), the authors found that companies participating in BEE transactions benefitted from the social and economic contacts of Black empowerment groups. For example, they could gain access to new markets and opportunities in both the public and private sectors as well as benefit from favourable media coverage and increased corporate reputation particularly amongst Black South Africans (Thomas 2014: 90). It is pertinent to note that compliance with BBBEE pertains only to indigenous or locally registered companies that are operating in South Africa. Foreign companies are not affected and are not required to comply with the provisions of the Act. According to Babarinde (2009: 361), this was a deliberate effort not to scare away foreign direct investment from the country. Nonetheless, non-compliance with BBBEE makes it extremely difficult for companies to participate in public sector procurement bids, or even find other companies to partner with on business undertakings (Babarinde 2009: 361).
The BBBEE Act is also seen as a major contributor to a company’s CSR implementation. The Act enjoins companies to make strategic investment in the socio-economic development of previously disadvantaged people by donating to charities or being involved in industry-specific charity based initiatives. Investments in socio-economic development has a score of 5 points and companies that contribute to initiatives where the beneficiaries are all Black people, or at least 75% of the beneficiaries are Black, may qualify for 100% of the value of the contribution (Standard Bank 2017: 18). This is seen as a major driver of corporate compliance with the BBBEE Act.

However, according to Alessandri, Black and Jackson (2011: 236), although many positives can be ascribed to BBBEE in relation to a firms financial performance and value creation, there are however arguments that suggest that compliance with BBBEE may not create the anticipated value or may even destroy value for participating organisations. The authors note that assembling a BBBEE deal is expensive in terms of both financial and human capital as well as other issues such as increasing shareholder dissatisfaction with BBBEE. Hence, compliance with the BBBEE Act poses challenges for participating firms. The next section of the study will discuss the challenges faced by listed companies in complying with the BBBEE Act.

2.8.2. Challenges relating to compliance with the Broad-Based Black Economic Empowerment Act

According to Mariri (2012: 2), the BBBEE Act and the King Report on Corporate Governance in South Africa are well aligned with international sustainability reporting standards such as the Global Reporting Initiative (GRI), which is a non-profit organisation that promotes economic, environmental and social sustainability reporting framework and guidelines that are widely usable around the world. However, despite this perceived alignment of the BBBEE Act with international agencies, listed companies in South Africa encounter a number of challenges when complying with its provisions. The discussion below elucidates the challenges encountered by South African companies when complying with the BBBEE Act, and the adverse effect these challenges pose on CSR implementation in those companies.
2.8.2.1. BBBEE and reverse racism

BBBEE is evidently one of the most scrutinised, questioned and criticised South African CSR initiatives. Scholars and business managers alike have referred to BBBEE as tantamount to reverse racism, affirmative action or preferential treatment based on race. Black people in South Africa have also criticised the Act as a disguise to pacify an impatient Black populace, who constantly complain of not benefitting enough in the new democratic dispensation (Babarinde 2009: 361; Reddy 2016: 467). The impact of this on CSR implementation is that company employees and even shareholders may not support CSR initiatives that are based exclusively on race.

2.8.2.2. Creation of few Black elites or “Black diamonds”

According to Hamann, Khagram and Rohan (2008: 26), from the inception of BEE civil society groups and trade unions, were concerned, that BEE was primarily about the creation of a few ‘Black elite’, without significant benefit to the poor people of the country (Horne 2015: 35; Reddy 2016: 468). In response to these concerns, the BEE Commission provided a ‘broader definition of BEE’, to include issues such as rural development, access to finance and land ownership. Although, active Black ownership and control of major listed companies remained a primary concern of the BEE Commission, with much attention being given to finding feasible financial mechanisms to effect such a transfer of ownership. Most authors on BBBEE are of the view that the provisions of the Act catered only to an ‘elite pact’ or, at best, an accommodation between the new ‘governing elite’ and the country’s ‘corporate leadership’. They maintain that BBBEE effectively sidelines the needs of the majority Black and poor populace (Hamann, Khagram and Rohan 2008: 24; Kruger 2014: 94; Horne 2015: 35). According to Reddy (2016: 468) as long as corporate leadership in South Africa considers compliance with BBBEE as a means of being in the good books of the governing party, and gaining access to tender for government projects, BBBEE will not become a catalyst for socio-economic transformation that it was programmed for.
2.8.2.3. **Broad-Based Black Economic Empowerment does not create value**

Critics of BBBEE have submitted that BEE has not created value in the primary areas, which it was intended. They contend that it may even destroy value, for participating firms (Alessandri, Black and Jackson 2011: 236; Akinsomi *et al.* 2016: 7). According to Akinsomi *et al.* (2016: 7) governmental pressures and BEE charters, have resulted in South African firms and business managers beginning to view Black empowerment as a business risk where shareholders must contend with the fact that their investment may be diluted by BEE transactions that may not occur at fair market value. Horne (2015: 34) summarises the practice as “circulation of businesses via family connections”, where companies that have Black elite family members are awarded lucrative government contracts and “redeployment” (a process where elites are deployed to the private sector as a way to resolve political tensions within the ruling ANC). The author uses the example of Tokyo Sexwale, the once Gauteng Premier and later businessman, who was co-opted as South Africa’s Minister for Human Settlement but a cabinet reshuffle saw his return to business. Another example is that of Cyril Ramaphosa an ANC stalwart and negotiator in the transition to democracy, formerly a business executive, who became the Deputy President of South Africa and is now the country’s President. Furthermore, the issue of the replacement of White South African managers with sometimes lesser-qualified Black managers has become a major cause for concern for the South African equity market (Alessandri, Black and Jackson 2011: 236).

2.8.2.4. **Broad-Based Black Economic Empowerment is expensive to implement**

Black entrepreneurs are much less likely to be able to source funding to execute contracts awarded to them by companies as compared to non-BBBEE firms. This inability to access funding remains a major challenge as most BBBEE companies are start-up companies and typically lack the assets or resources required to secure bank financing, thereby making it difficult for such companies to meet their performance targets, especially with large contracts (Standard Bank 2017: 24). According to Alessandri, Black and Jackson (2011: 230) and Akinsomi *et al.* (2016: 7), this causes BBBEE deals to be expensive, with the potential to increase the
business risk of participating firms, thereby diminishing a firm's future cash flows and consequently expenditure on CSR related initiatives.

2.8.2.5. **Broad-Based Black Economic Empowerment encourages “fronting” and political interference into affairs of firms**

Other areas of dissatisfaction with the implementation of BBBEE are the reported transgressions of political interference, nepotism, fronting and fraud associated with BBBEE deals as well as general mismangement and negligence in its implementation and enforcement (Thomas, 2014:89). According to Reddy (2016: 468), fronting is a situation where companies create the impression that they are complying with BBBEE in order to benefit from government contracts. This situation has caused many companies to become disenchanted with complying with the Act. Companies want to source their business partners based on mutual trust and integrity; they want to deal in good faith with one another and on merit. However, BBBEE has caused many such companies to be confronted with the possibility of being disqualified from tender processes, therefore, forced to engage in the fraudulent act of fronting (Kruger 2014: 95). As noted by Visser (2005: 43), corruption hinders and impedes CSR implementation. Arafa (2011: 5) also contends that CSR implementation will not succeed in an atmosphere where corruption, government interference and meddling in businesses as well as fraud are prevalent.

2.9. **Failures of Broad-Based Black Economic Empowerment Act**

Over the years, scholars have argued that the main beneficiaries of BBBEE empowerment transactions have only been a small number of Black business people with political connections (Babarinde 2009; Kruger 2014; Horne 2015: 35; Mersham and Skinner 2016). According to Reddy (2016: 468) the lack of available information regarding BBBEE, makes it difficult to measure its success. The author opines that the limited success of BBBEE is only noticeable in areas such as affording business opportunities to Black business women in some provinces. Hence, the question arises as to whether the objectives for the BBBEE Act, which was primarily to ensure employment opportunities for previously disadvantaged people, have been achieved or whether the unintended challenges posed by compliance with the Act has rendered the Act a dividing piece of legislation in a country that badly needs its people to unite in order to move it forward.
Critics of BBBEE argue that BEE has been treated as a framework to be managed according to the voluntary principles of corporate social responsibility, rather than as one of the responsibilities of an elected government. According to Croucher and Miles (2010: 385), evidence shows that BEE policies have failed to enhance Black economic empowerment and may in fact have discredited the concept. According to Kruger (2014: 94), in view of the negative perceptions of the BBBEE Act, it may be time for the ANC-led government to introduce a “sunset clause” or termination clause into its BEE policy (Kruger 2014: 98; Mersham and Skinner 2016: 113).

Having examined the BBBEE Act and its relevance to CSR implementation, as well as the challenges experienced by listed companies in complying with its provisions, the next segment of the study will examine the 2008 Companies Act and its impact on CSR in South Africa.

2.10. The Companies Act 71 of 2008 and its impact on corporate social responsibility implementation

The Companies Act No. 71 of 2008, as amended by the Companies Amendment Act No.3 of 2011 and the Companies Regulations (2011), came into effect on 1 May 2011. The Act introduced fundamental changes to South African company law as well as certain corporate actions (KPMG 2017a: 1). The objective of the Act, is intended to broaden stakeholder engagement in company actions and provide for improved regulation of corporate activities, particularly in the areas of accountability and transparency (Ramlall 2012: 280). The Act provides for the establishment of board committees, and further states that a company may delegate to such committee the full authority of the Board in respect of matters within its scope (Strydom 2010: 358; Delport 2011: 88). In regards to CSR implementation, the Act introduced the Social and Ethics Committee (SEC) which is to enable companies manage their social responsibility and stakeholder issues in a more responsible manner (KPMG 2017a).

2.10.1. Social and Ethics Committee (SEC) – Section 72 (4)

Section 72(4) of the 2008 Companies Act introduced a new statutory committee referred to as the Social and Ethics Committee (SEC). All state-owned companies, public listed companies and any other company, prescribed by the Minister of Trade
and Industry is required to appoint a SEC (KPMG 2017a). According to Kloppers (2013: 167), the requirement for the establishment of the SEC in all public and listed companies as well as other companies the Minister may categorise in the public interest to have a SEC, is the 2008 Companies Act contribution to CSR. The author opines that by this provision, the South African government intended to ensure that companies operating in the private sector become socially responsible towards their stakeholders. The author also describes this attempt by government to be a driver for CSR implementation amongst listed companies.

The SEC is empowered to require information or explanation from directors or prescribed officers of the company or any other employee of the company whenever necessary. It is entitled to attend general shareholders meeting, receive all notices and other communication relating to any general shareholder meetings and be heard at such meetings (Kloppers 2013: 170). Functions of the SEC include the duty to monitor companies activities regarding compliance with relevant legislation and other legal requirements or prevailing codes of best practice, with regard to matters relating to social and economic development, good corporate citizenship, the environment, health and public safety. It includes the impact of the company’s activities and of its products or services, consumer relationships as well as labour and employment-related issues (Ramlall 2012: 81; Kloppers 2013: 171). The SEC is also authorised to consult and engage with the company’s Social and Ethics Advisory Panel with respect to any matter that falls within its mandate. The SEC is to notify the board of directors and report annually to shareholders at the company’s annual general meeting on all matters that fall within its mandate (Ramlall 2012: 81; Kloppers 2013: 171).

In 2011, the DTI published the first set of company regulations known as the Companies Regulations, 2011. Regulation 43 pertains to the SEC and provides that companies are required to, in addition to complying with Section 72 (4) of the Act, also comply with the United Nation’s Global Compact Principles, as well as the Organisation for Economic Co-operation and Development’s (OECD) recommendations regarding corruption. Regulation 43(i)(cc) and (dd) also specifically enjoined companies to become good corporate citizens by complying with provisions of the EEA and the BBBEE Act (Department of Trade and Industry 2011: 51).
2.10.2. United Nation’s Global Compact principles

As noted above, the 2008 Companies Act as well as the 2011 Companies Regulations, direct all listed companies and public companies to set up a SEC and, to comply with the ten UN Global Compact principles. It is therefore pertinent to discuss the ten principles in order to appreciate the impact of the 2008 Companies Act on CSR implementation, which is one of the cardinal objectives of this study.

The United Nation’s Global Compact principles are derived from five UN charters; namely: the Universal Declaration of Human Rights; the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work; the Rio Declaration on Environment and Development; and the United Nations Convention Against Corruption (United Nations Global Compact 2018). The ten principles are based on the notion that corporate sustainability starts from a company’s value system and principles of doing business. The ten principles are grouped into four areas, namely human rights, labour, environment and anti-corruption. The UN believes that by businesses incorporating the ten principles of the UN Global Compact into their corporate strategies, policies and procedures, they will establish a culture of integrity and would be upholding their basic responsibilities to people and planet, whilst also setting the stage for their long-term success.

In discussing the ten principles, of the UN Global Compact, the study will focus only on principles 7, 8, and 9, which relate to social issues involving the environment and principle 10, which relates to corruption, which is one of the areas of this investigation. Principle 7 enjoins businesses to support a precautionary approach to environmental challenges. Thus, companies should refrain from doing anything that could harm the environment. Principle 8 charges businesses to take on initiatives aimed at promoting greater environmental responsibility; and Principle 9 encourages the development and distribution of environmentally friendly technologies. Principle 10, which deals with anti-corruption, instructs businesses to work against corruption in all its forms, including bribery and extortion.

From the above discussion it can be argued that the 2008 Companies Act has taken into consideration CSR-related issues and sets out guidelines on how businesses should deal with social matters. Challenges of implementation arising from the 2008 Companies Act are yet to be fully tested in a court of law due to the novelty of the
Act. However, this study will, through an empirical investigation, seek to determine the impact of the Act on companies in so far as CSR implementation is concerned.

2.11. The Employment Equity Amendment Act, No 47 of 2013 (EEA)

The Employment Equity Act (EEA) was a legislative attempt by the South African government to prevent unfair and discriminatory practices in the workplace, particularly against its previously disadvantaged, largely Black impoverished population (Horwitz and Jain 2011: 289). The EEA was first enacted in 1998 and was amended for the first time in 2013 (Department of Labour 2017: 1). The Act was enacted to give meaning and content to the right to equality within the workplace. The main aim being to do away with barriers to employment experienced by members of the designated groups. It also sought to create a representative workforce, as well as transform the South African workplace into one more balance and representative of the country. According to Mushariwa and Papacostantis (2016: 2), the Act sought to create a workplace governed by principles of equality through the application of affirmative action measures.

Section 15 of the EEA defines affirmative action measures as “measures designed to ensure that suitably qualified people from designated groups have equal opportunities and are equitably represented across all occupational categories and levels in the workforce of a designated employer”. Section 1(b) of the 2013 Amendment Act defines “designated groups” to mean Black people, women and people with disability who are citizens of the Republic and who were excluded by apartheid policies (Department of Labour 2017: 4). Mushariwa and Papacostantis (2016: 3) contend that the term ‘designated group’ enabled the ANC government to designate previously disadvantaged people into a category for the purpose of the implementation of EEA.

With regard to the EEA’s impact on CSR implementation, the King IV Report expands the definition of stakeholders to include employees and enjoins companies to engage, manage, involve and communicate with stakeholders in company decision-making processes. Hence, companies are required to consult with their employee representatives, bargaining councils or trade unions and to provide information with regard to their equity plan to all employees, as well as consult them in regards to decisions to be taken by the company (Horwitz and Jain 2011: 300). It
therefore means that employees are also to be consulted, engaged and involved in a company's CSR initiative and implementation. Furthermore, as noted above, the 2008 Companies Act and the 2011 Companies Regulation list compliance with the EEA as part of the social responsibilities of companies (Department of Trade and Industry 2011: 51). Hence, for a company to be seen as socially responsible, it must comply with the provisions of the EEA.

2.11.1. **Corporate social responsibility implementation challenges arising from the Employment Equity Amendment Act**

Although employers are not directed to hire people who are not qualified for positions nor to promote unqualified persons into positions, according to Horwitz and Jain (2011: 300), an employer is prohibited from making any decision that would constitute a barrier to the continued employment of a person in a designated group. These and many other issues have resulted in compliance challenges with the EEA. Such challenges are explained below.

- **Skills shortage**: The unavailability of Black skills has constituted a major hindrance and challenge for listed companies in complying with the EEA. Horwitz and Jain (2011: 301) describe the South African labour market as a labour market that is largely poorly skilled and ill equipped in terms of the workplace skills required in an increasingly interconnected and globalised economy. Where the skills are available, there is a high mobility rate amongst Black skilled employees. According to Masibigiri and Nienaber (2011: 1), aside from Black skills being difficult to find, there is also a challenge in terms of the retention of Black skills in the workplace. This therefore means that retaining the right talent in South African organisations is challenging due to the struggle for talent, skills and employee mobility.

- **The classification of "designated groups"**: According to Mushariwa and Papacostantis (2016: 3), the EEA failed to take into consideration that there may exist intersection's between members of designated groups. A clear example would be where a Black woman may be discriminated against for being Black and also for being female. It may be assumed that where the Black woman is contesting a position against a white woman, for example, both are members of the “designated group”, but the Black woman faces a
dual disadvantage, because in addition to the gender disadvantage, Black women are also disadvantaged by virtue of race.

- **Multi-layered disadvantages of people within a “designated group”:** Multi-layered disadvantage of people within a designated group has been identified as another challenge arising from the implementation of the EEA. Mushariwa and Papacostantis (2016: 4) describe this as the inequality experienced by minority members within the larger disadvantaged group. This issue was brought to the fore in the case of *Naidoo v Minister of Safety and Security and National Commissioner of the South African Police Service* 2013 5 BLLR 490 (LC) where the court held that the South African Police Service (SAPS) employment equity plan presented an absolute barrier to the appointment of both men and women from the Indian and Coloured communities. The Court held that persons from these communities were part of the designated group and that they were entitled to ‘equitable representation’ and, if need be, they were entitled to ‘reasonable accommodation’ because of the fact that they are a vulnerable minority in South Africa.

- **Affirmative action is discriminatory:** According to Louw (2015: 597), the affirmative action provisions of the EEA are discriminatory and therefore unconstitutional and calls for it to be abolished. The author argues that Section 9 of the Bill of Rights in the Constitution, states that everyone is equal before the law and has the right to equal protection and benefit of the law. The author maintains that the EEA’s affirmative action does not comply with Section 9 of the Constitution and employers who implement such policies and programmes may be exposed to unfair discrimination (Louw 2015: 599). It is worthy to note, however, that Section 9 (2) of the Bill of Rights does provide that legislative and other measures designed to protect or advance persons or categories of persons disadvantaged by unfair discrimination may be taken to promote the achievement of equality. In this respect, Section 2(2) of Schedule 7 of the Labour Relations Act No.66 of 1995 also provides that an employer should be allowed to adopt or implement employment policies and practices that are designed to protect the advancement of persons or groups or categories of persons disadvantaged by unfair discrimination in order to
enable their full and equal enjoyment of all rights and freedoms (Horwitz and Jain 2011: 298). Although the views of Louw (2015: 599) may not be entirely supported by law, it is nevertheless one of the criticism against the EEA.

The BBBEE Act, the 2008 Companies Act and the EEA are some of the ANC government’s leading initiative towards achieving its socio-economic objectives for the previously disadvantage citizens of South Africa (Ramlall 2012: 273). This section of the study examined the contribution of legislation in achieving the objectives of the government, as well as the challenges arising from adherence to its provisions. The section identified issues of skills shortages, perception of reverse discrimination, fronting, and value creation or the lack thereof as some of the many compliance challenges associated with the legislation. The next section will explore the general challenges that are associated with CSR implementation by South African companies.

2.12. Challenges associated with the implementation of corporate social responsibility by South African companies

Many South African companies are faced with various forms of challenges when implementing CSR initiatives. According to the The Institute of Chartered Accountants in England and Wales (ICAEW 2016: 3), companies operating in any business environment are usually caught in a complex web of social, political and cultural relations as well as being exposed to many formal and informal rules. Many CSR scholars and researchers have identified some of the major challenges affecting CSR implementation by companies to include multiple corporate responsibilities; high stakeholder expectations; limited business opportunities/return on investments; corruption, government interference, globalisation; and weak institutions in developing economies (Hamann 2005: 5; Visser 2005: 43; Da Piedade and Thomas 2006: 66; Young 2010: 142; Hinson and Ndhlovu 2011: 341; Mariri 2012: 2; Ramlall 2012: 285; Waweru 2014: 456; Frynas and Yamahaki 2016: 271; Preuss, Barkemeyer and Glavas 2016: 362; Reddy 2016: 470). These challenges have major implications for companies’ CSR implementation and policies. For example, issues such as stakeholder expectation, particularly in a developing economy, may overwhelm companies, thereby affecting its CSR policies and
implementation (Preuss, Barkemeyer and Glavas 2016: 350). The next section will examine these challenges more analytically.

2.12.1. Stakeholder expectations

Mariri (2012: 2) states that despite the apparent acceptance and acknowledgement of CSR practices amongst multi-national companies operating on the African continent, corporations are challenged by the fact that they are confronted with an array of stakeholders’ CSR expectations that are not uniform. He maintains that the divergences in stakeholders’ expectation are most noticeable in the mining sector in South Africa, where the frequency and enormity of labour actions, have become more violent in nature. According to Preuss, Barkemeyer and Glavas (2016: 350), many companies find themselves not only facing their internal complex dynamics but they are also exposed to various host country and community pressures, which are becoming increasingly complex and are at times competing amongst the different communities and countries in which they operate. Da Piedade and Thomas (2006: 66) notes that addressing stakeholder expectations in developing economies often tends to be very different from the responsibility issue in developed economies. Hence, corporations face challenges of diverse stakeholder expectations which could range from human capacity development, to education, skills transfer, HIV/AIDS and other health-related matters, thereby making it difficult for organisations to prioritise actions in the area of CSR policies and implementation.

2.12.2. Corruption

Corruption in both the public and private sectors hinders and impedes CSR implementation on the African continent (Preuss, Barkemeyer and Glavas 2016: 362). Visser (2005: 43) contends that corruption is a major reason why ethical responsibility remains the lowest CSR priority on his adaptation of Carroll’s pyramid in the African context as shown in Figure 2.2. In recognising corruption as a factor that impedes social development, the United Nation’s Global Compact principles list corruption as one of its ten principles and instructs businesses to work against corruption in all its forms, including bribery and extortion. The UN also enjoins businesses to adhere to the United Nations Convention Against Corruption (United Nations Global Compact 2018). In South Africa, the 2008 Companies Act particularly
directs South African companies to comply with the United Nations Global Compact and its ten principles and to shun all manner of corruption and corrupt practices.

According to Arafa (2011: 5), corruption is a devastating, harmful and destructive phenomenon, be it economic, political, social or cultural. Corruption can stunt the economic growth of a country; corrode the social structure of a nation; and distort economies. The author notes that CSR implementation will not succeed in an atmosphere where corruption is rife and the author further maintains that ending corruption must be a prerequisite to all corporate actors as, without this, it would be impossible to implement CSR that would have any meaningful bearing on the environment, community or the people (Arafa 2011: 13).

2.12.3. Government interference

According to Waweru (2014: 456), developing countries are often faced with myriad problems, some of which include weak legal controls and investor protection, as well as frequent government interventions. Although South Africa is highly rated in CG and CSR practices, it still suffers in terms of frequent government interference in the internal affairs of businesses operating within the country. According to Hinson and Ndhlovu (2011: 341) most South African companies simply respond to legislative requirements when engaging in CSI initiatives. The authors note that business involvement in the socio-economic development of their communities are influenced mainly as a result of government regulation and interventions through legislative measures. According to the authors, this may result in the abdication of governments’ responsibility in providing infrastructural development for specific communities and the state depending on companies operating within those communities to take up these responsibilities (Hinson and Ndhlovu 2011: 342). Reddy (2016: 470) cautions against legislative measures that seeks to force the private sector to adopt socially responsible measures as this could erode foreign confidence and investment in the country (Ramlall 2012: 285; Reddy 2016: 470).

2.12.4. Globalisation

Scholars have attributed the impact of globalisation on developing countries as being responsible for the declining social and environmental conditions in emerging/developing economies (Visser 2005: 32). According to Young (2010: 142),
the effect of globalisation on CSR in the South African corporate environment is that it is profit driven and therefore tends to adopt a rather weak form of responsibility towards socio-economic development issue. The author insists that this stance is a macro-economic strategy which relies on the trickle-down effect of free-market capitalism to meet developmental goals and is at odds with ethical norms that insist on human needs taking priority over profit-maximisation. Hence, globalisation may have a negative impact on CSR implementation as businesses operating under a macro-economic policy will only invest in social issues as far as it will impact on their profit margins (Young 2010: 142).

2.12.5. Weak institutions

South Africa and many other developing economies are often saddled with weak institutions. According to Waweru (2014: 455), most developing economies suffer from a lack of skilled human resources, which suggests that these economies may experience difficulties attracting people with accounting or financial knowledge to their organisations. This will in turn affect the ability of companies to implement CSR projects that will impact on the socio-economic demands of their communities (Preuss, Barkemeyer and Glavas 2016: 362).

Having examined and discussed the various challenges that confront South African businesses when implementing CSR, Rahim and Wisuttisak (2013: 14) and Ramlall (2012: 284) contend that despite these challenges CSR implementation has a positive effect on companies’ financial performance. The authors aver that CSR is about the impact of business on a society or the role of companies in the development of society. Ramlall (2012: 285) contends that South African businesses need to embrace the socio-economic challenges of the communities in which they operate and formulate and implement their CSR strategies with sincerity.

2.13. Has corporate social responsibility failed in South Africa?

In essence, South Africa has experienced nearly two and a half decades of CSR practices and development. However, Reddy (2016: 466) posits that although there has been notable improvement with regard to some socio-economic development in the areas of provision of housing, education and to some extent health care facilities, the country continues to witness severe inequality, poverty, unemployment
and lack of opportunity for the majority of its citizens (Reddy 2016: 466). According to Andrews (2016: 16) this raises the question of the success of CSR implementation in South Africa. Reddy (2016: 471) notes that despite the efforts of South African business in complying with the various CSR legislation, it seems that the expected results required to bring an end to the socio-economic developmental challenges facing the country, have not been met. Various scholars have postulated that CSR implementation has failed to meet the expectations attributed to it (Karnani 2010: 1; Visser 2011: 7). According to Mersham and Skinner (2016: 120), the lack of information about what projects are performing well and the lack of significant tools to measure the impact and effectiveness of CSR has contributed to diminishing the success, if any, of CSR implementation amongst South African listed companies (Rampersad 2015: 259).

Visser (2011: 7) contends that CSR has failed. The author postulates that by whichever nomenclature one may ascribe to CSR, be it corporate social investment, corporate citizenship, sustainability or business ethics, CSR has failed to deliver on the intended expectations. He suggests that the achievement of CSR should be determined by whether communities and ecosystems are benefitting from CSR implementation or are rather getting worse. The author further contends that, at the macro level, almost every indicator of social, environmental, ethical and health is in decline. Karnani (2010: 1), agrees with the notion that CSR has failed. He postulates that the idea that companies have a responsibility to act in the public interest and will profit from doing so, is fundamentally flawed. According to Karnani (2010: 1) social responsibility is a financial calculation for business executives. Therefore, the only sure way to influence corporate decision-making is to impose painful cost regulatory mandates, in the form of taxes, punitive fines, as well as public embarrassment on socially unacceptable corporate conduct. Visser (2011: 9) blames the failure of modern CSR on what he describes as the three ‘curses’ or fundamental failings. The author describes the three reasons for the failure of modern CSR as peripheral, incremental and uneconomic CSR curses. Below is an explanation of the three CSR curses as postulated by Visser (2011: 9).
2.13.1. **The peripheral CSR curse**

Visser (2011: 9) describes the ‘peripheral curse’ as a situation where CSR has remained largely restricted to only large companies and mostly confined to the PR (public relations) or other such departments, rather than being integrated across the business model. He contends that this phenomenon is particularly seen in developing countries, where only large companies are expected to engage in CSR implementation. The author postulates that in such countries, CSR implementation seems to be trapped in the ‘philanthropic’ or ‘promotional’ CSR mode. He maintains that this completely fails to change the strategic direction or core business of the company or the harmful effects of its processes, products and services on stakeholders. Trialogue (2014: 82) report that corporate philanthropy in South Africa had risen from 5% in 2012 to 12% in 2014, thus indicating that philanthropic or promotional CSI was on the rise in South Africa. This invariably signifies that South African Companies are yet to fully integrate CSR into the business model of their organisations.

2.13.2. **The incremental CSR curse**

The incremental CSR curse is described by Visser (2011: 10) as being closely related to the peripheral curse. The author summarised it as a situation where CSR has adopted the quality management model, which results in incremental improvements that do not match the scale and urgency of the problems. He argues that the effect of this is that despite more CSR being implemented and despite laudable incremental improvements in CSR performance at the micro level, virtually every macro-level indicator that exists of social, environmental or ethical quality, be it the gap between rich and poor, deforestation, biodiversity loss or corruption, shows that things were still becoming worse, rather than improving (Visser 2011: 11). The author contends that the incremental approach to CSR has failed to produce the scale and urgency of reaction that is required, neither does it get to the root of a company’s systemic unsustainability and irresponsibility in the shareholder-driven, growth-obsessed capitalist global economy.
2.13.3. The uneconomic CSR curse

According to Hafenbradl and Waeger (2017: 1583), the business case for CSR refers to a situation where there is an acknowledgement that corporate social performance (CSP) has a direct link with corporate financial performance (CFP). In other words, the more socially responsible a company is, the more it will result in the company’s positive financial performance. The authors contend that since it cannot effectively be established that there is a link between CSP and CFP, it is therefore left to the individual manager to convince him/herself of such a connection. According to Visser (2011: 10), since the much touted ‘business case’ for CSR is not nearly as obvious, certain or practised as is assumed, some business managers may see CSR as uneconomic and as a result, its implementation will be affected by such managers (Hafenbradl and Waeger 2017: 1587). Hence the need to reposition CSR and transform it into a relevant and effective management tool for companies to use in contributing to the socio-economic development of communities, environment and society within which they operate.

It is based on these presumed failures of CSR that the next section of the study will discuss the future of CSR in South Africa.

2.14. The future of corporate social responsibility in South Africa

Having discussed the failings of CSR as specified by Visser (2011), in the above section, this section of the study will examine the future of CSR/CSI in South Africa. It will also discuss the steps that business must take with respect to CSR implementation for it to remain relevant and effective in assisting to transform the socio-economic development needs of communities within South Africa. According to Trialogue (2012: 80), if CSI implementation is to be more than an “insignificant drop in the ocean”, business will need to partner more with government and align their CSR spend with national development priorities as a first step. The authors contend that for South African businesses to flourish, they need a stable environment in which to operate, hence the need to collaborate with government in addressing the socio-economic imbalances existing in the country. For example, rather than building new stand-alone projects, companies should collaborate with government to equip, renovate or expand on existing community infrastructure with
active engagement and involvement of community members. Other areas where CSR can become relevant in South Africa are discussed below.

2.14.1. A shift from short-term to long-term corporate social responsibility

According to Mersham and Skinner (2016: 121), although CSI has been practiced by South African companies for at least two decades, many companies’ CSI projects still appear to be reactive responses to an immediate need or a hand-out style effort to be seen as giving “something back” to communities, rather than businesses playing a more proactive and involved role. The authors contend that CSR implementation needs to move from the present short-term reactive response to a more consistent long-term corporate interest in the socio-economic development of the communities in which they operate. Michelon, Boesso and Kumar (2013: 82) advocate for a move from corporate investments in social causes as a short-term strategy (usually to change a negative reputation) to a long-term investment in CSR.

2.14.2. Corporate social responsibility requires constant modification and development

Flores-Araoz (2011: 2) believes that CSR is a relevant tool for the socio-economic developmental demand of communities, which requires constant modification and development for it to achieve its objectives and goals. The author suggests that CSR initiatives should be developed with the intention that it will require constant modifications and improvement in order to meet the social needs of the communities, particularly in areas such as education, health care (HIV/AIDS), entrepreneurial development as well as skills development.

2.14.3 Corporate social responsibility reporting

According to Carroll (2008: 42), CSR will only be successful when companies begin reporting on CSR as being vital to their past or future performance. According to Hafenbradl and Waeger (2017: 1587), if managers consistently view CSR engagements as merely a cost and as reducing company financial performance, companies will refrain from implementing CSR initiatives. Hence, businesses need to develop indicators to help in measuring and evaluating the achievements and contributions of CSR in the firm’s fiscal performance (Archer 2015; Mersham and
Skinner 2016: 118). In addition, according to Trialogue (2014: 127) CSR reporting needs to move from the sharing of happy stories to showing demonstrable, provable and verifiable results of the impact of CSR implementation on company’s triple bottom line. The next section of the study will further expand on and discuss the issue of measuring and evaluating CSR as well as the benefits that may be derived from the practice.

2.15. Measuring and evaluating the impact of corporate social responsibility

Having implemented CSR in South Africa for nearly two and a half decades, the impediment currently is on how to determine CSR’s contribution to a company’s triple bottom line. The question being asked is, to what extent does CSR implementation impact on a company’s bottom line. The second question is to the extent to which CSR implementation contributes to the sustainable development of South Africa (Idemudia 2011: 6).

In order to answer this question, scholars have called for the need for CSR activities to be measured, monitored and evaluated (Prasad and Kumar 2011: 79; Trialogue 2014: 126; Rampersad 2015: 315; Mersham and Skinner 2016: 118; Rosouw 2016b). According to Carroll (2008: 42), CSR can only be successful if it adds to a company’s bottom line and is specifically delineated as having made such impact. Prasad and Kumar (2011: 79) maintain that the monitoring and evaluation (M&E) of developmental programmes affords companies or corporates, a more effective technique of learning from previous experiences; improvising the service delivery system; methodical planning and optimising resource allocation; and demonstration of outcomes as part of accountability to key stakeholders. Idemudia (2011: 10) maintains that understanding CSR’s impact on development is beneficial both to the daily lives of the intended beneficiary, as well as crucial for the theoretical advancement of CSR and its practice (Idemudia 2011: 11). According to Duff (2014: 127), businesses must move away from simply sharing feel-good stories to demonstrating the noticeable results of their CSR programmes on their companies’ fiscal performances.

Trialogue (2014: 141) contends that measuring and evaluating CSR development initiatives was vital in shaping the future evolution of CSR programmes, particularly in a country like South Africa. They aver that when a programme is evaluated,
findings could lead to a shift from an initiative being viewed from a purely feel-good programme to one with concrete development attributes. The following are a list of benefits that could be derived from measuring and evaluating CSR programmes:

- It can make it easier to identify the strategic business benefits of CSR, thereby enabling a business case for CSR to be presented to the board of a company;
- Measuring and evaluating CSR can be used to substantiate a perception about the CSR programme;
- The knowledge derived from the M&E can assist CSR managers in taking difficult decisions and in making necessary changes to the programme; and
- Measuring and evaluating CSR can assist in meeting the requirements of integrated reporting.
- It can assist business executives to identify challenges and take measures aimed at rectifying difficulties associated with CSR implementation (Trialogue (2014: 141)).

According to Duff (2014: 126), articulating the impact of the funds spent on CSR is a necessity for businesses. The author contends that CSR should be measured in order to ascertain the social impact of such programmes on businesses and society. Duff (2014: 126) recommends that it is imperative that companies evaluate their CSR projects and determine the impact that such projects have on society and on the company. Over the years attempts have been made to develop tools and models that can help in measuring the impact of CSR on a company’s triple bottom line.

The next section will discuss the two measuring tools that exist in South Africa and the benefits that can be derived from their use by South African companies.

2.15.1. Monitoring and evaluation (M&E) tool

Prasad and Kumar (2011: 79) describe M&E as a method that can be used to enhance the ability to consult, coordinate and engage with a wide variety of stakeholders. The authors contend that M&E can aid businesses to understand the realities of the communities’ and beneficiaries’ views about the company’s CSR interventions. According to the authors, businesses will be in a better position to assess and review performance, which will consequently increase stakeholders’
confidence in the company (Trialogue 2014:126). Prasad and Kumar (2011: 83), notes that for an effective M&E to take place it would require regular field visits, review of reports, meetings with stakeholders as well as activity-based monitoring and evaluation.

Trialogue (2014: 127) advocates the adoption of the Kellogg Foundation’s ‘Logic Model’ or ‘Theory of Change’ model, which is defined as a picture of how an organisation does its work, by linking both short-term and long-term outcomes with programme activities/processes and the theoretical assumption/principles of the programme as a good approach to M&E and a good place for companies to start.

According to Duff (2014: 127), the ‘logic model’ consist of three levels of results outputs, outcomes and impact, which are expalined below as follows:

- **Outputs:** Outputs represent the direct visible products of company activity on the beneficiary. For example, how many people were trained, how many textbooks were delivered to schools, etc. From the business’ point of view, the output includes the value of public relations (PR) generated or the socio-economic development points scored.

- **Outcomes:** Outcomes represent the ways in which the beneficiaries of the programme are affected as a result of the activities and output. For example, are there changes in behaviour, attitude or knowledge? or has there been an increase or improvement in the school results or health of the beneficiary?

- **Impact:** Impact refers to the changes that occur as a logical consequence of the outputs and outcomes. It is the broader long-term consequences of the project. For example, there has been notable improvement in the educational system or notable reduction in the prevalence of HIV/AIDS infection and deaths. From the business perspective, impact is measured in terms of the enhanced competitiveness and sustainability of the entity (Duff 2014: 128; Rampersad 2015: 316).

Rampersad (2015: 315) believes that using the M&E tool to measure CSR activities is necessary in order to determine the impact of such activities on the company’s triple bottom line. The author avers that because many South African companies lack the capacity to plan, implement, manage and report on community development programmes, it has led to many failed and unsuccessful CSR programmes, whereby
communities are not engaged and therefore not committed to the programmes. According to Trialogue (2014: 128), in order to understand the success or failure of a company’s CSR/CSI programme, proper evidence should be gathered through the use of M&E. Prasad and Kumar (2011: 79) contend that M&E can direct management to reduce the gaps and corrupt practices at different levels of CSR implementation, as well as facilitate the impact assessment so that potential obstacles can be anticipated and avoided and benefits can be optimised.

2.15.2. Social Return On Investment (SROI)

The second CSR measurement tool discussed in this study is the Social Return On Investment (SROI) methodology. According to Archer (2015: 1), SROI is a methodology used in measuring social change, which converts the social impact into Rand and cents (money), thereby allowing corporates to convince their boards that they are valid. SROI consist of various stages, the section below list and describes the stages of SROI.

(i). Stages of SROI

According to KPMG (2016: 1), the SROI methodology comprises six stages, which are described below:

Stage (i). Establishing the scope and indentifying key stakeholders: This is the stage where the boundaries that are set out are analysed and adjusted as required. At this stage, the beneficiaries are selected and their involvement in the process is determined and finalised;

Stage (ii). Mapping Outcomes: At this stage, stakeholders are engaged and an impact map or theory of change is developed, which indicates the relationship between inputs, outputs and outcomes;

Stage (iii) Evidencing outcomes and giving them a value: This is the stage where outcomes are evaluated and monetised through the data that was collected;

Stage (iv) Establishing impact: At this stage, changes which would have eventually happened as a result of other factors are eliminated from consideration. This therefore gives a precise value to the programme;
Stage (v) *Calculating the SROI:* At this stage, all the benefits are added up, negatives are subtracted and the results compared to the investment; and

Stage (vi) *Reporting, using and embedding results:* This last step involves sharing findings, responding to findings and cementing good outcomes and processes. Verification of results are also done at this stage (Triology 2014: 128; Rampersad 2015: 316; KPMG 2016: 1).

(ii). **Benefits of SROI**

According to Sanfilippo and Cooper (2009: 1), SROI can be beneficial to organisations in the following areas:

- It can help organisations understand what social value a project creates. As a result, it will enable the organisation to manage its activities and relationships in order to maximise that value.
- It affords a line of communication to be opened up between the company and its stakeholders, thereby assisting the company to assess the degree to which its CSR programmes are meeting the expectations and needs of the potential beneficiaries.
- SROI brings CSR into the boardroom as it enables CSR to be discussed in terms of company triple bottom line and return on investment, which is the language widely understood by investors, commissioners and lenders.
- SROI may be helpful in showing potential customers that they can develop new ways to define contracts and what they want out of contracts by taking into account the impact such contracts have on society and the environment.

Having discussed the two measuring tools used in measuring and evaluating CSR’s contribution to a company’s triple bottom line, it is pertinent to state that they are each associated with limitations and challenges. According to Sanfilippo and Cooper (2009: 1), the following are some of the limitations and challenges associated with the use of the SROI measuring tool:

- Effective outcomes data collection systems must be put in place, otherwise, conducting an evaluative SROI analysis the first time, may be laborious and problematic;
There is a risk of concentrating too narrowly on the ratio. The ratio is only meaningful within the wider narrative about the organisation. Just as an astute investor would not make a financial decision based on just one number, the same principle equally applies to social measurement tools. Hence, comparisons between organisations centred only on the ratio are not recommended;

- SROI is more an outcome process, rather than a process evaluation tool. Although discussions with stakeholders may produce some insight into what works and what does not and why, situations may arise where a more specific process evaluation would be more expedient; and

- SROI requires a person with a multi-farious skill-set, who can move from engaging with stakeholders to working with an Excel spreadsheet. Due to skill shortages in the country, finding sufficient number of persons with the relevant skill-set may prove difficult (Sanfilippo and Cooper 2009: 1).

However, despite the limitations, Trialogue (2014: 128) contends that from an accountability and integrated reporting perspective, CSR requires proper measurement and evaluation to validate the expenditure and also realise tangible social impact in order for it to become core to business strategy. This study will empirically seek to establish the extent, if any, that the sampled JSE companies are adapting M&E to establish the impact that CSR implementation has on their triple bottom line, bearing in mind the various benefits that companies may derive from their use in terms of CSR’s continued relevance and implementation. For CSR to maintain its role as a management tool for companies to use in impacting the socio-economic development of their operational communities, it must be able to account for and justify its expenditure, like all other aspects of company expenditure. Stakeholders must be able to understand and appreciate its direct impact on the company’s triple bottom line. Hence, CSR implementation needs to move from mere philanthropy, donations and grant-giving into corporate strategy. It is in this regard, that the next section will examine the concept of strategic CSR.

2.16. Strategic corporate social responsibility

According to Michelon, Boesso and Kumar (2013: 82), a review of the current approaches companies take to CSR, uncovered that CSR activities are fragmented
and disconnected from business and corporate strategy. As a result, many of the benefits and opportunities associated with CSR implementation become obscure to companies and the resultant benefits lost to society. In South Africa, many companies still view CSR as a way to give “something back” to society (Mersham and Skinner 2016: 121). However, according to Trialogue (2014: 84), CSR has shifted from a simple philanthropic gesture by a company to what it describes as ‘strategic CSR’. Strategic CSR is defined by Trialogue (2014: 84) as CSR that has a positive and significant impact on the business. According to Vitolla, Rubino and Garzoni (2017: 98), strategic CSR is characterised by innovative business ideas that are aimed at the creation of shared value. Trialogue (2014: 127) described the term “shared value” as meaning a situation in terms of which both business and development benefits.

According to Marques-Mendes and Santos (2016: 364), strategic CSR contemplates the existence of a convergence between the social, environmental and economic benefits produced by a firm, which is attained through social and environmental investments. The authors contend that strategic CSR is a set of activities that are “simultaneously good for the company and for society, thus improving company performance and creating social value” (Marques-Mendes and Santos 2016: 364). In explaining the meaning of “social value” within the context used, the authors postulate that social value is the value, which, is added by a company to its operations, which increases the company’s level of competitiveness while at the same time building up the economic and social conditions of the communities in which they operate. The authors warn that “social value” should not be seen by companies as being for the exclusive benefit of its shareholders alone, but rather to the companies’ stakeholders (Marques-Mendes and Santos 2016: 364). According to Michelon, Boesso and Kumar (2013: 82) strategic CSR mean that managers need to formulate highly focused and meaningful forms of CSR initiative that perceptibly maximises profit by increasing corporate goodwill, while simultaneously benefiting and contributing to the socio-economic development of society.

In order to implement strategic CSR, companies require personnel who possess skills in leadership and governance. However, these skill sets are lacking in South Africa and most African nations. In a study conducted by Benon-be-isan Nyuur, Ofori and Debrah (2014: 105), leadership and governance were identified as part of
the critical factors hindering strategic CSR in the Sub-Saharan (SSA) region, to which South Africa belongs. The authors contend that the implementation of strategic CSR involves the ability of company executives and senior management to identify CSR as a business case for the company and show commitment and willingness to incorporate CSR into the strategic vision and mission of the organisation. Benon-be-isan Nyuur, Ofori and Debrah (2014: 105) further maintain that strategic CSR requires top management to motivate, lead and clearly communicate the company’s CSR vision to their employees and to the community through its policies, activities and behaviours.

The above discussion on strategic CSR brings to the fore the evolving and progressing nature of CSR. CSR is not a stagnant concept. It is adaptable to change and its implementers should continuously seek ways to improve on its implementation and relevance. CSR is a fluid, dynamic and diverse concept whose percepts change with each generation and whose criteria may change according to the society in question (Brammer, Jackson and Matten 2012: 7; Rahim 2014: 95). The past two and a half decades of CSR implementation in South Africa has witnessed the move of CSR from philanthropy, corporate donations and grantmaking to a tool for business sustainability and currently corporate strategy (Trialogue 2014: 96). There is a realisation that CSR must continue to advance and evolve in order for it to maintain its relevance. Another aspect of the dynamic nature of CSR is its ability to converge and merge with other concepts. This study aimed to illustrate that CSR is no longer the stand alone concept that many scholars associate it with. According to Rahim (2014: 100) CSR has found its place in CG and has become a veritable aspect of CG. The author notes that CSR assist CG to direct a firm’s management to adopt suitable self-regulatory strategies in order to achieve the objectives of corporations in a more transparent and responsible manner towards communities and the environment, whilst taking into consideration the interest of various stakeholders such as employees and consumers into account when making long-term corporate decisions. The next section will further explore the interconnectedness of CSR and CG.
2.17. Corporate social responsibility and corporate governance as interrelated concepts

One of the objectives of this study is to investigate, through an empirical study, the synergies and interrelationships between CG and CSR. Furthermore, the study aims to answer the question of whether or not good CG practices and culture have a direct impact on CSR implementation by South African listed companies.

According to Jamali, Safieddine and Rabbath (2008: 444), much of literature has researched and discussed CG and CSR independently as being unrelated accountability models whose guidelines, reporting standards and oversight mechanisms have evolved separately. The authors, contend that CG and CSR are strongly and intricately connected concepts. Sharma and Khanna (2014: 18) also submit that issues such as globalisation, corporate scandals around the world and climate change have accentuated the need to embed CSR and sustainability in corporate strategies, values, risk management structure, incentive programmes, governance mechanisms, code of ethics and disclosure practices of a firm. Rahim (2014: 100) also contends that with the upsurge in the business case of CSR practices, the evolving interaction between CG and CSR has increased, thereby postulating that CG and CSR are complimentary management tools closely linked by economic and legal forces that could be used for reaching each other’s goals. The author admits that indeed their frameworks are different as CSR operates at a voluntary level, whereas CG issues operate within well-defined and standardised structures. Nevertheless, the author maintains that CG in its broader meaning includes the entire network of formal and informal relations involving the company and the implications of this relationship for society in general.

Whilst assessing the relationship between CSR and firm performance, Kabir and Thai (2017: 228) urged that more consideration be paid to the collaborative effects of various corporate governance factors. The authors state that this had become necessary as managers may have the desire to invest in CSR activities for personal motives. They postulate that a decent corporate governance framework would prevent such managers from devoting valuable firm resources to unprofitable activities, but rather stimulate them to invest in projects that can increase financial performance. The authors contend that investigating whether corporate governance
features strengthen or weaken the CSR–firm performance relationship can provide new insights for corporate managers. They conclude that achieving positive effect of CSR on company financial performance can be facilitated by setting up appropriate corporate governance mechanisms (Kabir and Thai 2017: 233).

According to Babarinde (2009: 358), CSR implementation has a direct bearing on a company’s bottom line, which business managers and company directors must regard as having direct implications and linkages with corporate governance. The author notes the following as some of the reasons why company directors and managers should begin to harness the synergy between CSR and CG:

- Good corporate citizenship enhances companies’ reputation and brand; increases market share and sales; and helps boost profits via improved public relations;
- CSR is likely to promote accountability and transparency in companies that embrace it, especially since they periodically publish pertinent audited reports about their activities;
- Investors favour the stocks of socially responsible companies;
- Potential future employees will favour socially responsible companies over other companies that do not subscribe to CSR; and
- Companies in vulnerable sectors, such as mining, agriculture, clothing, etc., might be able to use their CSR policies to mitigate risk in those industries by working closely with the communities in which they operate (Babarinde 2009: 358).

According to Sharma and Khanna (2014: 17), the relationship between CSR and CG might be of a complex nature. However, issues such as globalisation, climate change and corporate scandals all over the world emphasise the need for CSR to be implanted into corporate strategy, governance, risk management, code of ethics and a firm’s disclosure and reporting. The authors insist that there is a strong relationship and connection between CSR and CG as both concepts address stakeholder’s expectations simultaneously; they are both linked with sustainability; both concepts engage in disclosure and reporting; and both are aligned with corporate strategies and the attainment of business objectives.
2.18. Conclusion

Chapter Two has fundamentally outlined literature on CSR, and provided an appraisal of how it operates within the South African context. The objective of this chapter was to review literature and investigate the implications of CSR in South Africa as well as discuss CSR legislation and the legal compliance challenges experienced by business in implementing CSR. The socio-economic environment in which South African listed companies operate has been clearly outlined and discussed. The need for companies to continue to play a significant role in order to create a sustainable business environment has been described. The traditional conception of corporations as an instrument to be administered solely for the benefit of shareholders has been fundamentally debunked. The chapter analysed the flagship South African CSR legislation, such as the BBBEE; the EEA; the 2008 Companies Act; and the King IV Report on Corporate Governance. The chapter reflected on the failures and future of CSR in South Africa and the need to measure, monitor and evaluate CSR’s impact on a company’s triple bottom line was enunciated. In discussing the M&E concept, two measuring models were analysed, the benefits, limitations and challenges associated with the implementation of the models were articulated.

Chapter three will explore the literature on corporate governance, both from an international and also from a South African perspective. The aim of this is to provide an overview of how CG is practiced in South Africa, as well as to emphasise the relevance and role of CG in CSR implementation.
CHAPTER THREE

CORPORATE GOVERNANCE IN SOUTH AFRICA: AN OVERVIEW WITH A FOCUS ON THE IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY

3.1. Introduction

This chapter highlights literature on the concept of corporate governance (CG) and explores the various definitions employed by scholars to describe the concept, although they are not able to agree on any one particular definition. The chapter discusses CG from the South African perspective by laying out the historical and developmental stages of CG in South Africa. The chapter examines CG legislation and codes in South Africa, as well as accentuate the challenges experienced by businesses when complying with CG legislation. The factors that influence CG in South Africa and the governance challenges faced by companies in CSR implementation are identified and described.

Literature on CG tends to mostly discuss CG from the European or North American perspective, there are not many studies that focus on CG from an African perspective (Abor and Fiador 2013: 202). It is also important and expedient to understand CG from an African, as well as a South African perspective, considering that CG structures, ownership structures and institutional frameworks in most countries and on most continents function differently and in accordance with the idiosyncrasies of the countries in which it is being practised (Abor and Fiador 2013: 202). Consequently, this study will focus on CG practices in South Africa, with particular reference to the practice of the concept in other countries within the Sub-Saharan African (SSA) region.

CG is currently receiving enormous attention in almost every sector of the South African business environment. Numerous private and public sector organisations within the country now consider CG as a business imperative, particularly in the wake of the much publicised international corporate scandals relating to the collapse of big organisations such as Enron, Worldcom, Ahold and Parmalat, amongst others (Ngoepe and Ngulube 2013: 2). Locally, the collapse of large conglomerates in South Africa such as Saambou, Fedsure, Fidentia and Regal Bank also raised public
concerns over the need for an effective board and management structures in South African companies (Rampersad 2010: 2271; Ngoepe and Ngulube 2013: 2; Pintea and Fulop 2015: 9).

Different meanings and interpretations have been ascribed to the CG concept and various authors and institutions have attempted to define the concept. Some have described it as a set of mechanisms through which an entity can protect itself against being expropriated by another (Kabir and Thai 2017: 233), others credit it with structures, processes, cultures and systems that motivate and invigorate the successful operation of organisations (Ngoepe and Ngulube 2013: 1). According to ACCA (2015: 1), CG is a vague concept with loose definitions giving rise to different understandings of what it involves. The authors note that this is due to the lack of consensus on one definition for the concept. The next section of the study reviews some of the definitions that have been advocated in relation to the concept, both from an African, South African, as well as from international or ‘Western’ perspectives.

3.2. Defining corporate governance

Defining CG has proven to be a rather difficult task for authors and scholars in the field. Various definitions and descriptions have been ascribed to the concept and there is no consensus on any of the definitions. Ngoepe and Ngulube (2013: 1) describe CG as the structure, processes, cultures and systems that stimulate the successful operation of organisations. The authors contend that it is the process by which the owners and creditors of an organisation exert control and require accountability for the resources handed over to the organisation to manage. Young (2010: 141) takes a slightly different approach and defines CG as arrangements for protecting the interests of all stakeholders of an organisation, while Hough et al. (2011: 325) define CG as the means by which direction and control are applied to the stewardship of an organisation’s assets, be it tangible or intangible, financial and non-financial, in the pursuit and delivery of the primary objective of sustainable value creation. The authors contend that the concept of CG, when viewed from a broader perspective, refers to the process of running or managing a government or an organisation; i.e. the management process consisting of mechanisms and institutions.
through which governments and organisations communicate their interest, exercise their legal rights, meet their obligations and mediate their differences.

From an international perspective, various documents, reports and codes of best practice have attempted to define corporate governance. Perhaps the closest acceptable definition is the one drafted by the Cadbury Committee in the UK in 1992, where CG was defined as the “system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders’ role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company’s strategic aims; providing the leadership to put them into effect; supervising the management of the business; and reporting to shareholders on their stewardship. The board’s actions are subject to laws, regulations and the shareholders in the annual general meeting” (ACCA 2015: 1).

How CG is viewed differs depending on the perspective from which the concept is viewed. For example, in more developed western societies, CG is often viewed differently from how it is perceived in developing economies (Rossouw 2009: 44). Even within western societies, the concept is often viewed from different perspectives depending on the country in question. According to Rossouw (2009: 44), the European view of CG is different from that of North America. The authors note that continental Europe mainly perceives CG from a stakeholders’ orientation in the sense that employees are considered an integral part of internal CG and participate in the decision-making structures of companies through employee representative forums. In contrast, according to Olson (2010: 223), the North Americans, particularly the United States, have virtually no statutory rights for stakeholders in the governance process. Even though some States do provide for discretionary consideration of the interest of various stakeholders, such stakeholders are given no rights of direct participation in the governance of an organisation.

As noted above, there is no consensus on the definition of CG. However, from the various definitions, it is implied that CG must be viewed from a country’s culture, laws, mechanisms and institutions through which governments and organisations articulate their interest, exercise their legal rights, meet their obligations and mediate
their differences (Hough et al. 2011: 325). Hence, in South Africa, due to the country’s troubled past, the King IV Report on Corporate Governance (King IV) emphasises the critical role of stakeholders in the governance process. King IV recommends that boards should consider the legitimate and reasonable needs, interests and expectations of stakeholders as a matter that enjoys intrinsic value. King IV further recommends that active stakeholders should hold the Board and the company accountable for their actions and disclosures (Deloitte 2017: 3).

As noted by Hough et al. (2011: 325), the culture, history and institutions of a country affect the way in which CG is received and practiced. Thus, South Africa’s history plays an important role in how CG evolved, was received and is practiced in the country. The next section of the study examines the historical evolution of CG in South Africa. The section discusses the various economic policies and strategies that the South African government adopted to address the deplorable socio-economic realities that the majority of the country’s Black population were living under before the transition to a democratic government.

3.3. Corporate governance in South Africa: A historical perspective

South Africa is considered to be a pacesetter for CG, not only in Africa but also internationally (Mans-Kemp, Erasmus and Viviers 2016: 101). CG in South Africa, like other sub-Saharan African (SSA) countries is reputed to resemble the Anglo-American model (Malherbe and Segal 2001: 57; West 2009: 10; Adegbite, Amaeshi and Nakajima 2012: 535; Ntim et al. 2012: 7; Waweru 2014: 459). This is primarily due to the influence of Africa’s colonial history and legacies. However, other factors have contributed to the adoption of the Anglo-American model of CG in South Africa. According to West (2009: 10), the South African government’s introduction of various macro-economic strategies shortly after the country transitioned from the apartheid regime to democratic governance, such as the Reconstruction and Development Programme (RDP); the Growth Employment and Redistribution strategy (GEAR); the unbundling of the Anglo-American conglomerates that dominated the JSE; the privatisation (or partial privatisation) of parastatal organisations; the low inflation rate targeting and fiscal austerity; and the increasing liberalisation of the South African economy influenced the corporate environment of South Africa and gave it a semblance of the Anglo-American model of corporate
governance. Adegbite, Amaeshi and Nakajima (2012: 535) also contend that pressures from the World Bank; International Finance Corporation (IFC); International Monetary Fund (IMF); and the Organisation for Economic Co-operation and Development (OECD) on African economies also contributed to CG on the African continent adopting the Anglo-American model.

The transformation that took place in South Africa in 1994 saw the country peacefully transition from the apartheid regime of racial segregation to a democratic system of governance. This transition brought with it sweeping reforms in almost all sectors of the country and brought an end to the sanctions imposed on the country which isolated it from the rest of the world (Mpinganjira et al. 2016: 335). The transition to democratic rule and the end of the isolation brought with it enormous opportunities and challenges for business managers. According to Alessandri, Black and Jackson (2011: 231), business managers were faced with pressures from various sources, such as different stakeholders, shareholders, government and society, to become responsible corporate citizens. The need for the regulation of corporate behaviour became increasingly necessary despite the arguments between the pro-regulation and the pro-business schools regarding the ways in which corporations ought to act and be governed (Rahim 2014: 23).

With the first democratic elections and the African National Congress (ANC) government coming into power in 1994, the government decided to focus on growing the economy, which it hoped would fund the expanded social services programme and provide more employment for millions of poor and unemployed mostly Black South Africans (Malherbe 2001: 1). According to West (2009: 11), the need to attract and draw international capital was compelling, given the poor state of the economy and the devastating socio-economic developmental needs of the majority Black population. Consequently, the ANC government embarked on economic and legal reforms to attract foreign investors to help grow the economy. The first King Report on Corporate Governance (King I) was one of the first attempts by the government to reform the South African corporate sector. The release of the Report was the government’s effort to reinforce the fundamentals of a capitalist corporate system in view of the political uncertainties that existed at the time (West 2009: 11). The King I Report was also a way of aligning the economy with international trends and regulations in light of the criticisms by foreign investors that
South African listed companies lacked efficient corporate systems and structures required for investment (Erasmus, Viviers and Mans-Kemp 2016: 74).

The King I Report was released in 1994 and focused mainly on matters relating to boards of directors and shareholder protection. However, with the promulgation of the Labour Relations Act No.66 of 1995 (LRA), as well as the Employment Equity Act No.55 of 1998 (EEA), there was a need for the Report to be amended in order to incorporate the developments with regard to the LRA and the EEA. This amendment resulted in the emergence of the King II Report on Corporate Governance, which came into operation in 2002 (Erasmus, Viviers and Mans-Kemp 2016: 75). The King II Report provided guidelines concerning the composition of the board, risk management, directors' remunerations and business sustainability was considered a ground breaking set of CG guidelines at the time. However, it had to give way to the King III Report in 2009 mainly due to the promulgation of the 2008 Companies Act (Erasmus, Viviers and Mans-Kemp 2016: 75). In 2017, the King III Report was replaced by the King IV Report. This Report focuses on ensuring that the application of the CG principles, would achieve the identified outcomes, which include ethics, culture, good performance, effective controls and legitimacy (KPMG 2017b). This study will focus the discussion on the King Reports on Corporate Governance, mainly on the King IV Report. Although it is a very recent report and not much in terms of literature has been dedicated to it, however, in terms of content it has not shifted too far away from the King III Report. Therefore, literature on certain aspects of King III is still applicable to the King IV Report.

The transition from the apartheid regime to the ANC-controlled government failed to witness the radical overhaul of the economy or corporate landscape, as was anticipated. The pre-election trepidations of nationalisation or African socialism based on the ANC’s alliance with the South African Communist Party (SACP) and the Congress of South African Trade Unions (COSATU) did not materialise, neither did the fears of forceful land acquisition and redistribution. Corporates were not forced to pay compensation to victims for their role in supporting the apartheid regime policies as was earlier anticipated (Chikulo 2013: 37). The ANC government, faced with the difficulty of how to correct the socio-economic imbalances it inherited from the apartheid regime, embarked on various economic policies to attempt to alleviate the poverty levels and inequalities that it had inherited (Chikulo 2013: 37).
The government adopted several strategies to support its economic policies. The more noteable ones were the Anti-Poverty Strategy; Integrated Sustainable Rural Development Strategy; Urban Development Strategy; the Reconstruction and Development Programme (RDP); the Growth Employment and Redistribution (GEAR) programme, as well as the Accelerated and Shared Growth Initiatives for South Africa (ASGISA) (Chikulo 2013: 37).

The next section of the study will discuss the Reconstruction and Development Programme (RDP), the Growth Employment and Redistribution (GEAR) programme and the Accelerated and Shared Growth Initiatives for South Africa (ASGISA) in order to provide a background on the steps adopted by the government to reform the economy and socio-economic realities of the country. The study will also provide a brief overview of the present National Development Plan (NDP) for the purpose of providing a background and understanding of the development of CG practices in South Africa.

3.3.1. The Reconstruction and Development Programme

The Reconstruction and Development Programme (RDP) was one of the first wide-ranging development programmes introduced by the ANC government in 1994. Its objective was to fundamentally reform the country from the apartheid state, where people were separated based on their ethnicity or race, into a non-racial and non-sexist democratic nation (African National 1994: 1; Mamobolo and Moyo 2014: 948). The main objective of the RDP was to create sustainable economic growth and development, assuage unemployment, eliminate inequality and eradicate poverty. Its main policies included land reform; industrialisation; productivity enhancements and improvements; human capital development; agricultural growth and infrastructural development; as well as the provision of basic social services such as housing, education and health care for the citizens (Mamobolo and Moyo 2014: 948).

However, according to Adelzadeh (1996: 66), the RDP was plagued with a number of shortcomings and was criticised as looking more like a ‘wish list’ than a strategy document. Ferreira and Rossouw (2016: 813) contend that the failure of the RDP was due to the fact that from the start, the ANC government lacked the capability to implement the programme due to various factors which included personnel lacking proper implementation acuity; massive backlogs in the provision of basic services;
provincial maladministration of primary nutrition programmes; and a growing discontentment with service delivery, as well as a lack of the employment creation that was a critical component of the RDP. The other major setback was that it had no properly thought out detailed programme for attaining its main objectives (Visser 2004: 7). According to Chikulo (2003: 7), the RDP made no attempt to set priorities or to assign responsibility for the implementation of the programmes; it lacked mechanisms for inter-departmental co-ordination; and it did not acknowledge that local governments, which had been assigned constitutional responsibilities for promoting socio-economic development, did not have adequately skilled personnel, planning and implementation capacity (Chikulo 2003: 7; Visser 2005: 31).

Visser (2004: 8) contends that the final nail driven into the coffin of the RDP programme was when the ANC government encountered its first major currency crisis, which began in February 1996 when the value of the rand fell by more than 25%. In order to calm domestic capital and foreign currency markets, the ANC government was forced to abandon the RDP programme in favour of a more conservative macro-economic strategy, known as the “Growth, Employment and Redistribution” (GEAR) programme. According to West (2009: 12), the shift towards GEAR was aimed at reversing the re-distribution priority and opting for a slower “trickle-down” approach to poverty alleviation. However, some scholars believe that the shift was an indication of a succumbing to the policy dictates and ideological pressures of international financial institutions, such as the International Monetary Fund (IMF) and the World Bank (Adelzadeh 1996: 67; Visser 2004: 6; West 2009: 12).

3.3.2. The Growth, Employment and Redistribution (GEAR) economic plan

ANC government moved away from the Reconstruction and Development Programme (RDP) in 1996 and adopted the Growth, Employment and Redistribution (GEAR) economic plan (Adelzadeh 1996: 67). The policy shift was criticised as a panic response to exchange rate instability and a weak capitulation to the policy dictates and ideological demands of the international financial institutions, particularly the IMF and World Bank (Adelzadeh 1996: 67).

According to Chikulo (2003: 3), although GEAR helped to ensure macro-economic stability and an improved international status for the ANC government, it did little to
address internal problems of skyrocketing unemployment and limited economic growth. Visser (2004: 10) notes that the GEAR macroeconomic strategy did not live up to the expectations of its planners, which was to enhance economic growth and provide employment for millions of unemployed South Africans. Adelzadeh (1996: 93) attacked the policy as weak in the area of trade, and the fact that an industrial policy or strategy proposal was completely lacking for small and medium sized enterprises. According to Streak (2004: 275), the GEAR strategy failed to reduce poverty and unemployment in South Africa. The author contends that apart from the substitution in April 1998 of the state maintenance grant with the child support grant, the social security system remained unchanged throughout the duration of the programme. The need to grow the economy at a faster rate as well as curb rising unemployment, led to the abandonment of the GEAR for a more aggressive policy that would accelerate economic growth (Hittler 2009: 5). The next segment discusses the Accellerated and Shared Growth Initiatives for South Africa (ASGISA).

3.3.3. Accellerated and Shared Growth Initiatives for South Africa (ASGISA)

The GEAR strategy was still operating when the ANC government acknowledged that without the economy growing at an annual growth rate above the 2.7% which the country was growing at by the time, it would not be able to address the innate legacies of unemployment and poverty which still plagued the majority of South Africans. The ANC government decided to shift away from the GEAR strategy and introduced the Accelerated and Shared Growth Initiative of South Africa (ASGISA) in 2006. The aim of the new strategy was to reduce poverty and unemployment by half by 2014 and to achieve a 6% annual growth rate by 2010 (Ferreira and Rossouw 2016: 813). According to Hittler (2009: 5), the main objective of ASGISA was to attain a growth rate of about 5 percent between 2004 and 2014 that would deliver opportunities for labour-absorbing economic endeavours and ensure that poverty and income inequality would be significantly reduced.

The ANC government identified six themes for ASGISA, namely macroeconomic issues; infrastructure investment; education and skills development; industrial and sector strategies; second economy initiatives; and governance and state capacity issues (South African Government 2007: 5). However, like the programmes before it,
ASGISA was criticised for not addressing the real fundamental problems facing the country. These fundamental problems included the labour market’s inflexibility in the face of trade union opposition, as well as the burdensome labour regulatory framework that became areas of contention for employers (McGrath and Akoojee 2007: 429). Another area of dissatisfaction with the policy was infrastructural development-related issues. It was argued that building mega projects would not meet the needs of the poor and would simply just generate a series of “white elephant” projects (McGrath and Akoojee 2007: 429). A further major setback for the policy was the issue of HIV/AIDS, which was entirely absent from the policy even though it was considered one of the greatest constraints to the future advancement of South Africa (McGrath and Akoojee 2007: 429). These issues contributed to the failure of the ASGISA, as the country failed to attain the envisaged economic growth.

As noted above, all the above-mentioned economic strategies adopted by the South African government failed to address the socio-economic developmental factors that affect South Africa for various reasons. Noteable amongst the reasons for their failures were the lack of skilled professionals who could implement the policies; poorly thought out policies without implementation strategies properly outlined; absence of HIV/AIDS and other fundamental problems facing the country being included in the policies; and inconsistent policy dictates, which led to building “white elephant” projects instead of the crucial infrastructure that the majority of the people required (McGrath and Akoojee 2007: 429; Ferreira and Rossouw 2016: 813). With the scrapping of ASGISA’s economic policies, the ANC government adopted yet another economic policy referred to as the New Growth Path (NGP). Although the NGP incorporated issues such as education, unemployment, infrastructural development and the CSR issues of a green economy, it still has not achieved the objectives of poverty alleviation, unemployment reduction and other socio-economic development challenges. The next section will discuss the NGP in broader detail.

3.3.4. The New Growth Path (NGP)

The New Growth Path (NGP) replaced ASGISA in 2010 as the ANC’s government’s response to the economic stagnation that had engulfed the country. The NGP, like its predecessor, emphasised the need for significant investment in social development, training and education and aimed at creating five million jobs by 2020 (Ferreira and
Rossouw 2016: 813). In order to achieve these goals, six key sectors were identified that presented particular potential for unlocking employment opportunities. They were referred to as “job drivers” and were identified as: manufacturing, mining value chain, agriculture, tourism and the green economy.

The government identified massive investment in infrastructure as a critical driver of jobs across the economy and developed a framework for the NGP which would see investment in five key areas, namely energy, transport, communication, water and housing. The government believed that sustaining high levels of public investment in these areas would create jobs in construction, operation and the maintenance of infrastructure (South African Government 2011: 1). However, despite all the efforts by government since the launch of the NDP, the policy has so far not succeeded in its quest to take the majority of South African’s out of the socio-economic difficulties plaguing the nation.

According to Ferreira and Rossouw (2016: 814), the inadequacies of the NDP were firstly, that the policy instruments were very similar to those that featured in the GEAR strategy, which had not worked; secondly, the NGP has earned a reputation of not being aggressive enough when it comes to driving the envisaged new growth; and thirdly, it lacked the necessary mechanisms to assess the socio-economic challenges that it is supposed to resolve (Ferreira and Rossouw 2016: 814).

The RDP, NGP, ASGISA and the GEAR economic policies were all strategies aimed at addressing socio-economic development; economic growth, infrastructural challenges of housing and service delivery; unemployment and poverty, as well as education and health-related challenges, all of which were legacies of the apartheid regime. As noted above, all these strategies failed to fulfil any of the intended objectives for various reasons, ranging from the lack of skilled personnel to plan and implement the strategies to the lack of adequate and well-thought out plans, which have already been discussed. It therefore became necessary for the South African government to shift from attempting to resolve these challenges alone, and to seek the involvement of businesses through the enactment of CG and CSR legislation, codes and regulations to assist it attain its social and economic goals, particularly in providing employment opportunities and contributing to the socio-economic development of the communities in which they operate. The government therefore
embarked on several CG legal reform initiatives in recognition that an improvement in CG policies and standards could contribute to the country achieving sustained productivity growth and economic stability (Vaughn and Ryan 2006: 506).

Before discussing the legal reforms adopted by the government regarding CG and CSR, the next section will discuss the theoretical framework of the South African CG regime. This will lay a foundation for the understanding of the legal reforms that the government adopted in the areas of CG.

3.4. Theoretical Framework of Corporate Governance

The theory of CG is frequently described in terms of two apparently opposing models: the Shareholder and Stakeholder models (West 2006: 432). According to West (2006: 432), the difference between these models is that the Shareholder model holds the view that the corporation is an extension of its owner (the shareholders) and has the aim of providing goods or services to customers for the benefit of its owners. Therefore, it is required to be accountable and responsible towards its owners. According to Waweru (2014: 456), the Shareholder model is mainly based on the Agency theory. It argues that shareholders are the owners of the corporation and are therefore the principals, while managers are the agents and there is an agency loss, which is the degree to which returns to the owners (shareholders) fall below what they would be if they, the owners, exercised direct control of the corporation. The author notes that the Shareholder model is of the view that managers would not undertake to maximise returns to shareholders unless appropriate governance structures are implemented in corporations to safeguard the interests of the shareholders.

In contrast, the Stakeholder model is based on the view of the corporation as a social entity that has responsibility (and accountability) to a variety of stakeholders. Stakeholders usually defined in the broadest sense to include all those that may influence or are influenced by the corporation, usually encompassing owners, suppliers, customers, employees, management, government and local communities (West 2006: 432; Waweru 2014: 456).

The South African approach to CG has been described as being inclusive and therefore favouring the Stakeholder approach. However, the Shareholder/Agency
theory is also a fundamental driver of corporate governance performance in South Africa (Rossouw 2009: 45). The two theories emphasise CSR implementation by South African companies. Hence, the next section examines the Stakeholder as well as the Shareholder/Agency theories as they impact on CG in South Africa.

3.4.1 The Stakeholders Theory

According to Mariri and Chipunza (2011: 98), the Stakeholder theory states that companies have a social responsibility that requires them to consider the interest of all parties affected by their activities. Sacconi (2012: 14) describes stakeholders as those who have an interest at stake because they have made specific investment in the firm, such investment being in the form of human capital; financial capital; social capital or trust; physical or environmental capital; or the development of dedicated technologies. The author contends that, as such, stakeholders are reciprocally dependent on the firm because they influence its value, while at the same time depending largely upon it for the satisfaction of their well-being and prospects.

South African CG is described as embodying the Stakeholder approach to CG. According to Visser (2005: 32), South Africa is amongst the first countries globally to adopt the Stakeholder approach to CG. The King IV report on CG in South Africa, in Principle 16, enjoins organisations to adopt a Stakeholder–inclusive approach in the execution of its governance roles and responsibilities. The Report recommends the governing body of organisations to adopt the Stakeholder approach to CG and approve policies to that effect. Secondly, the Report directs companies to oversee the management of stakeholder relationships, which may include mapping out a policy for identifying material stakeholders; the management of stakeholder risk; formal mechanisms for engagement and communication; the measurement of the quality of stakeholder engagement; and thirdly, to disclose a summary of stakeholder management; as well as current and future focus areas and actions taken to monitor and address stakeholder engagement effectiveness in their reports (Deloitte 2017: 11; KPMG 2017b: 34). Similarly, Section 7(k) of the 2008 Companies Act gives the Stakeholder approach to CG statutory repute by providing as part of the purpose of the Act and in relation to its business rescue provisions for the rescue and recovery of financially distressed companies to be done in a manner that balances the rights and interests of all relevant stakeholders.
According to Wixley and Everingham (2010: 163), acceptance of a wide range of stakeholders, rather than simply shareholders, brings with it a need to manage the relationships. The authors note that for large companies, it is no longer sufficient simply to have an employee handling investor relations. Other stakeholders such as customers, suppliers, and employees, as well as the media have to be considered. Consequently, South African listed companies are required to adopt a multi-faceted approach to CG in which the interest of its shareholders, as well as those of its stakeholders, are adequately accommodated by companies.

3.4.2. The Agency theory

The Agency theory asserts that managers act as agents of shareholders. Therefore, managers have an obligation to look after the interests of their principals, which are the shareholders (West 2006; Rossouw and Van Vuuren 2010: 98). According to Mbo and Adjasi (2013: 4), the Agency theory still remains very pervasive amongst many modern day researchers when examining and explaining governance relationships between the owners of the firms and those entrusted with the responsibilities of managing it. However, scholars such as Stone (1975: 133) fault the Agency theory’s notion of shareholders being principals and corporate managers being their agents. Mbo and Adjasi (2013: 4), posit that the principal/agent relationship between shareholders and managers is a problematic one. According to the authors, the problem that typical arises is when the agent fails to balance their own interests with those of the owners. Scholtz and Smit (2015: 30) contend that CG is a means of controlling the agency problem and providing shareholders with a level of assurance that managers will endeavour to accomplish outcomes that are in the shareholders’ interests, as opposed to the self-interest of the managers and their unscrupulous actions.

The Agency theory is not very prominent in the South African CG legal framework. Principle 16 of the King IV Report specifically recommends that organisation’s should adopt the Stakeholder inclusive approach to CG (KPMG 2017b: 4). However, according to Rossouw (2009: 45), the Agency theory is still a fundamental driver of corporate governance performance in South Africa insofar as shareholders’ interest constitute a major feature in South African company law, and insofar as
shareholders feature prominently in CSR implementation by South African listed companies.

3.5. **Factors that influence corporate governance in South Africa**

According to Rossouw, Watt and Malan (2002: 293), the second peaceful elections in 1997, witnessed CG taking on a different dimension in South Africa. The authors contend that President Thabo Mbeki’s introduction of the African Renaissance concept calling for the restoration of African moral values, cultures, customs and identity that had been eroded as a result of decades of colonial rule helped to re-define and re-focus CG in South Africa in incorporating the African cultural value of *ubuntu* into the CG framework. West (2011: 50) contends that Mbeki’s vision on the African Renaissance was a condemnation of the de-humanisation of Africans by colonial powers, as well as a condemnation of the present socio-economic conditions of Africans and the corruption of leadership that has kept millions of people in poverty. The author avers that Mbeki was calling for a renewal and recognition of African cultural achievements and for African experts to return to Africa to “find solutions to Africa’s problems and challenges”.

Scholars have attributed this approach by Thabo Mbeki as having influenced how CG is defined, not only in South Africa but indeed in Africa (West 2011: 50; Ngoepe and Ngulube 2013: 1). According to West (2006: 439), African societies commonly tend to be communitarian in nature. Such societies tend to emphasise cultural duties over individual rights, whereas in most western societies the rights of individuals are more recognised than communal rights. The author contends that African societies give priority to the duties which individuals owe to the collective (West 2006: 439; Gstraunthaler 2010: 148). Hence, when defining corporate governance from a South African perspective, recognition must be given to the African cultural value of *ubuntu* (Mofuoa 2014: 225). According to Rossouw, Watt and Malan (2002: 294), for South African firms to participate in the global economy, corporations would have to meet international corporate governance standards and would have to do this without neglecting their allegiance to the African continent and the African value system.

The next section of the study will discuss the factors that influence CG development in South Africa and which also directly impact on CSR implementation. The study will therefore discuss factors such as the socio-economic situation of the majority of the
population; cultural and societal norms of the country; the HIV/AIDS pandemic, and its impact on companies; xenophobic attacks on foreign nationale with the tendency to affect South African foreign investment, particularly in Africa, as well as other violent crimes with the tendency to scare foreign investment and badly needed critical skills.

3.5.1. Socio-economic development

According to Thomas (2014: 91), South Africa is arguably one of the largest and most sophisticated economies on the African continent. However, the country has still not been able to move past the transitioning process in terms of providing a more equal and equitable society for its previously disadvantaged people, which comprises a majority of its population. The author contends that companies, governments and civil societies share social responsibility obligations to adhere to business practices that drive social transformation and stimulate economic growth (Thomas 2014: 90).

South Africa is classified by The World Bank (2016) as a developing country with an upper-middle income. It had a GDP of $314.6 billion (2015), which grew by an additional 1.3% in 2017, exceeding National Treasury's expectation of 1.0% GDP growth (Statistics South Africa 2018), thereby making it one of the largest economies in Africa. Despite this, the country is besieged by poverty; inequality; inadequate housing; inadequate health services; high youth unemployment; high crime rates and corruption, amongst other things (McGrath and Akoojee 2007: 422; Horne 2015: 36; Ferreira and Rossouw 2016: 808; Esser 2017: 233). According to the World Economic Forum (2014), South Africa fell to the 56th position in world ranking and placed third amongst the BRICS economies in terms of its global competitiveness. Additionally, the downward trajectory of the country’s unemployment rate stands at over 20 percent, with its youth unemployment rate estimated at over 50 percent (World Economic Forum 2014; The World Bank 2016).

The country is also faced with many socio-economic challenges which invariably affect the business community. Babarinde (2009: 364) contends that the government cannot tackle these challenges alone. It needs the assistance of other stakeholders, particularly non-state actors, to work to build a healthy and robust business environment which translates into a strong community, which in turn portends a
sustainable business environment and investment opportunities (Thomas 2014: 90). Thus, in order for South Africa to develop an enabling environment for businesses, it must overcome some of the socio-economic developmental challenges plaguing the country. Businesses will have to participate in socio-economic development through their CG policies and CSR implementation strategies. Hence, it is incumbent on South African companies to understand and take into consideration the implications of their CSR initiatives and projects on the socio-economic development of the communities in which they operate, because without CSR projects impacting communities in this respect, there may not be a sustainable businesses environment for South African corporations (Babarinde 2009: 357; Ramlall 2012: 271).

3.5.2. Cultural and societal norms

According to Mofuoa (2014: 225), many contemporary scholars have established that the behavior of business organisations are to a greater extent impacted by their social milieu. The author notes that in the context of cultural relativism, from an economic or business sense, it is neither appropriate nor useful for business organisations in sub-Saharan Africa (SSA) to copy Western-oriented organisational models for their business theories and practices. The author maintains that it has become a strategic business imperative for organisations in Africa and particularly in South Africa to theorise their business models and practices through the *Ubuntu-Botho* African ethics in order for them to re-invent their business model within the African context. Scholars and researchers in CG in Africa acknowledge that in many African communities, cultural duties or duties to one’s neighbours take precedence over individual rights, thus precipitating the belief that African values centre around the good of the community, as opposed to Western societies that are organised around the rights of individuals (West 2006: 439; Gstraunthaler 2010: 148; Waweru 2014: 456). Adegbite, Amaeshi and Nakajima (2012: 526) avers that when it comes to CG, the common model of CG which is based on the Agency theory and practice predominant in the United States should not be considered the internationally accepted model. Alternatively, the authors propose that companies should rather adapt to the institutional and cultural nuances and variations of their host countries. According to Waweru (2014: 456), cultural differences exist between developed countries of North America that are considered to be highly individualistic and the
developing countries of Africa that are considered highly collectivistic and may require different CG arrangements and approaches. Hence, each country should be able to adopt its own peculiar standards and practices of CG.

According to West (2006: 438), CG principles are shaped by the ethical values, standards and practices of the societies within which corporations operate. The author contends that for a CG system to be effective, it needs to be appropriated by both the business community and the society in which it is located. In considering certain specificities of South Africa and the impact this may have on CG systems, the author notes that South Africa as a nation is made up of diverse people and cultures with 11 official languages, and although, could not be considered as having a single ‘South African’ culture. However, according to West (2006: 438), the philosophies and values in the new South Africa are centred around people and community with the ‘ubuntu’ philosophy taking centre stage. Mofuoa (2014: 226) further contends that the Ubuntu-Botho African ethical principles of sharing, compassion and respect could better benefit business organisations in dealing with issues of greed, competition, intolerance, arrogance and self_claimed superiority, which typifies so much of the modern business practices entrenched in Africa by many businesses operating there. Hence, the ubuntu philosophy reinforces the Stakeholder approach to CG practice in South Africa and seeks to better the wider collectivistic consideration of communities, which is what is directed by the present King IV Report (Waweru 2014: 456).

3.5.3. HIV/AIDS

South Africa’s HIV/AIDS pandemic is one of the most severe in the world and is challenging the roles and functioning of the country’s core economic and political actors (Rampersad 2010: 2269). The health of the South African workforce is ranked 132nd out of 144 economies surveyed, due to the high rates of communicable diseases and poor health indicators more generally (World Economic Forum 2014).

According to Solomon and Maroun (2012: 12), the health of the South African workforce, especially with regard to HIV/AIDS, has historic significance of social issues for South African companies. According to the authors, the relevance of these and other social issues to South African companies has been a driving force behind the evolution of the King Reports and has constituted one reason why CG in South
Africa has been world-leading in the area of stakeholder accountability and governance. According to the WHO statistics on the leading causes of death per country, HIV/AIDS was the leading cause of death in South Africa, killing over 202,000 people in 2012 alone, amounting to 33.2% of the total cause of death from illnesses and diseases in that year. The next major cause of death was stroke, which amounted to 6.5% of deaths. This shows that HIV/AIDS is still a major cause of death despite the efforts from government and non-profit organisations to reduce the impact of the disease (World Health Organization 2015). The prevalence of HIV with associated tuberculosis (TB) within the Southern African region has greatly negatively impacted on the mining sector. It is estimated that approximately 25% – 30% of the mining workforce in South Africa has contracted HIV/AIDS (Solomon and Maroun 2012: 30). According to Solomon and Maroun (2012: 30), the challenging nature of mining necessitates a workforce that is physically fit and mentally alert. Where employees are suffering from debilitating illnesses such as HIV/AIDS, this is often compromised, impacting negatively on safety and productivity.

Solomon and Maroun (2012: 31), posits that there is a growing realisation that previously termed ‘non-financial’ issues are in fact financial in nature. The authors maintain that a more developed understanding of the potential risk associated with mismanaging or ignoring issues with social, ethical and environmental impact needs to be established. According to Rampersad (2010: 2269), HIV/AIDS has negatively affected the South African economy and South African businesses. The author notes that, in addition to increased spending on health care, the major effects of the disease relate to lower labour productivity and higher absenteeism, loss of semi-skilled and skilled labour and increased costs of recruitment, training and occupational health. All of these variables according to the author ultimately affect the company’s triple bottom line, and as a result, ultimately affect companies’ CSR implementation policies, as companies would more likely spend scarce resources on their employees’ health than on CSR projects (Rampersad 2010: 2269).

3.5.4. Xenophobia and violent crimes

Faced with slow growth in its domestic market, many South African companies have ventured to the north of the continent for greener pastures and growth. Companies such as MTN, MultiChoice, Shoprite, SAB Miller and Standard Bank are seemingly
doing quite well on the Continent, while many more are convinced that expansion into the African diaspora is key to their long-term survival (Ncube 2015). However, recurring xenophobic attacks on African nationals is threatening these companies in the African markets in which they operate.

Steenkamp (2009: 439) contends that xenophobia is a feature of many societies under pressure. According to the author, at the heart of the xenophobic attacks in South Africa lies socio-economic deprivation, poverty, unemployment and general frustration with their government amongst disadvantaged Black South African’s. Cronje (2008: 1) notes that the causes of xenophobic attacks range from failure to maintain the rule of law, border control, corruption, unemployment, education, slow economic growth, foreign policy and poor service delivery. Steenkamp (2009:439) is of the view that South Africans feel that foreigners threaten their socio-economic prospects, which results in often ugly xenophobic disruptions which threaten the fabric of the South Africa society and the off-shore investments of many South African businesses.

According to Ramlall (2012: 271), without eradicating poverty, reducing unemployment, ensuring a bona fide transformation of the workplace, slowing HIV/AIDS affliction rates and increasing basic household income, the business community will not have a business environment within which to properly function. By implication, xenophobic disruptions witnessed in the country over the past years will not cease. Thereby prejudicing South African companies already invested in other African countries as well as marring the prospects of South African businesses desiring to expand their investments on the Continent (Steenkamp 2009: 439). Mariri (2012: 1) emphasises the need for companies and government to form a voluntary and collaborative relationship in order to meet the development challenges of the nation while simultaneously building sustainable business enterprises that will meet the expectations of all stakeholders. The implication of constant xenophobic attacks for CG in South African companies is that it will scare off foreign direct investment from coming into the country, as well as threaten South African off-shore investments, especially in Africa. It will also scare off foreign critical skills from coming to South Africa, thereby preventing South African companies from attracting the skills required to expand their organisations (Steenkamp 2009: 439).
Having examined some of the factors that influence CG development in South Africa, the next section of the study will outline the response of the South African government through its legal reform initiatives.

3.6. Corporate governance and legal reforms in South Africa

South Africa has over the years since the country’s transition to a democratic system of governance developed legislation and codes to regulate and govern CG amongst its registered corporate entities. Like many other Commonwealth countries, South African corporate structures typically resemble those of the United Kingdom. Common law continues to feature prominently in judicial pronouncements and although they are not legally binding, English cases still have vital significance in judicial proceedings in the country (West 2009: 11; Perumal, Perumal and Perumal 2014: 443).

The South African government embarked on many legal reforms to bring South African CG in line with international trends. Some of the notable legal reforms to be discussed in the next section of the study include the King IV Report on Corporate Governance; the 2008 Companies Act; the EEA; the BBBEE Act; and the private initiatives of the Johannesburg Stock Exchange (JSE). Legal reforms in CG have been viewed by the South African Government as a means of correcting the imbalances in the social, economic, and employment opportunities denied to the majority of the population by the apartheid regime. These legal reforms introduced measures such as affirmative action policies; business ownership; Black economic empowerment; recognition of stakeholders; and stakeholders engagement, etc. (Horwitz and Jain 2011: 298; Denton and Vloeberghs 2003: 89).

3.6.1. The King Reports on Corporate Governance in South Africa

South Africa became the first developing country to develop a corporate governance code of best practice, known as the King Report on Corporate Governance in 1994. The report was published by the King Committee and draws considerably from the UK’s Cadbury Committee of 1992. The code was revised in 2002, 2009 and again in 2016 to reflect the changing CG trends, both in South Africa and internationally (Waweru 2014: 459; Deloitte 2017: 1). The King Committee was formed in 1992 and chaired by Mervyn King. The committee was tasked with coming up with
recommendations on how CG should be implemented amongst South African companies. The committee was formed under the auspices of the Institute of Directors in Southern Africa (IoDSA). The committee produced the first King Report on Corporate Governance, known as King I, in 1994, which was considered a landmark for CG development in South Africa (Ngoepe and Ngulube 2013: 2).

In 2002, the IoDSA issued the King II Report. King II focused strongly on the importance of the triple bottom line, in line with the John Elkington corporate responsibility movement which pioneered the phrase “triple bottom line” as basically referring to the corporate goal of achieving a balanced integrated economic, social and environmental performance (Olson 2010: 222). King II placed phenomenal importance on ethical standards and social issues, resolving that a well-managed company ought be aware of and respond to social issues (Hough et al. 2011: 319). One fundamental shortcoming of King II was that it did not apply to all South African companies. Rather, it was applicable only to listed companies, financial institutions and public sector enterprises. This led to the need for a more holistic CG code which would apply to all business entities (Hough et al. 2011: 319). This led to the need for the establishment of a new report, referred to as the King III Report on Corporate Governance.

King III continued to build upon the foundation of a broad range of stakeholder interests laid out in King II (Olson 2010: 222), albeit with a more holistic approach and with more focus on the reputation of the company, as well as on integrated reporting (Hough et al. 2011: 319). King III adopted the “apply or explain” principle, which required certain companies to not only disclose their non-financial performance, but to also provide independent assurance on how the principle was applied (Ackers and Eccles 2015: 517).

The ‘apply or explain’ governance framework of the King III Report implied that a company could adopt a practice different from that recommended by the King III Report were the board to believe that it was in the best interests of the company to do so. All the company was required to do was to explained the reasons why it adopted the different practice method (IODSA 2009: 3). The apply or explain approach was intended to allow company stakeholders to comment on and challenge the board where they did not apply the principles, thereby creating a self-
regulating environment where companies self regulated their compliance with regulation (IODSA 2009: 2; Croucher and Miles 2010: 377). However, the approach also allowed companies to avoid applying the recommended principles and was criticised for allowing CG practice to be viewed only from a compliance approach, rather than from a business sustainability approach (Ngoepe and Ngulube 2013: 7).

King III is believed to have bridged the gap between a code and the law and is written from the perspective of the board as the focal point of CG, thus placing more responsibility on the board in ensuring that the company adhered to the principles of good governance practices (IODSA 2009: 9). Also notable was the fact that key aspects of the King III report evolved around the philosophy of leadership, sustainability and corporate citizenship (Perumal, Perumal and Perumal 2014: 444; Rossouw 2016a: 51).

In November 2016, the King Committee published the current King IV Report on Corporate Governance. King IV replaces King III and focuses on ensuring that the principles achieved their identified outcomes. Each principle in King IV is supported by a number of recommended practices and requires specific disclosure of how the principles were applied, a departure from King III which only asked for an explanation where the principles could not be applied (PWC 2016: 2; Deloitte 2017: 2). King IV is discussed more extensively below.

**3.6.2. The King IV Report on Corporate Governance and corporate social responsibility in South Africa**

King IV became operational in South Africa in April 2017, it builds on the King III foundation that good CG is an essential element of good corporate citizenship. According to PWC (2016:2), King IV requires an acknowledgement that an organisation does not operate in a vacuum, but is an integral part of society and should therefore be accountable towards its present and future stakeholders (PWC 2016: 2). Although not much literature, is available relating to King IV, due to its novelty, this study will highlight some of its features, and the reasons why King III needed to be replaced. King IV focuses extensively on accountability and transparency of companies towards a broader stakeholder within a broader society and embeds the philosophy of “integrated thinking” throughout the Code with recommendations that a company should present the company’s material
information in an integrated manner by issuing a report annually (Deloitte 2017: 5). The next section will examine and discuss certain principles of King IV as it relates to CSR implementation.

3.6.2.1. The Apply and Explain approach of King IV

One of the most distinguishing features of King IV that significantly impacts on CSR implementation is its abandonment of the “Apply or Explain” approach of King III in favour of the “Apply and Explain” approach (KPMG 2017b: 6). According to KPMG (2017b: 6), this implies that application of the principles is assumed to have been made by the organisation and an explanation is provided on how the practices were implemented. PWC (2016: 2) contends that the ‘apply and explain’ approach of King IV is simply a matter of asking organisations to be transparent in the application of their corporate governance practices. Hence, with regard to CSR implementation and compliance with CSR legislation, organisations no longer have the option of explaining non-compliance or non-application of the recommended principles. Rather, they are now to apply the recommendations of the Report in all its material ramifications.

The implication of the ‘apply and explain’ approach to CG and CSR implementation still remains to be ascertained. However, it is hoped that it will enable companies to view compliance with the recommended principles not only from a compliance viewpoint but also from a sustainability approach, which will benefit companies and stakeholders alike (Deloitte 2017: 8). It is believed that the apply and explain approach will benefit CSR implementation more as companies are no longer allowed to avoid implementing the recommendations of the King IV Report. Rather, it is now assumed that all the recommendations have been complied with and the company explains how it achieved such implementation (KPMG 2017b: 6).

3.6.2.2. Social and Ethics Committee

King IV directs the establishment of a Social and Ethics Committee (SEC) as prescribed by the Companies Act. The SEC is to be set up by all companies and it is recommended that a majority of the members should be non-executive directors (Deloitte 2017: 11). The SEC must comprise at least three directors or prescribed officers of the company, one of whom must be a director who is not involved in the
day-to-day management of the company's business and must not have been so
involved in that capacity within the previous three financial years (Rossouw 2012: 9).

The functions and responsibilities of the SEC with regard to CSR implementation and
“good corporate citizenship” include the following: promotion of equality; prevention
of unfair discrimination; reduction of corruption; and to ensure that the company's
contribute to the socio-economic development of the communities in which they
conduct their activities or within which their products or services are marketed. SEC
should also ensure that the company keeps records of its sponsorships, donations
and charitable giving that it makes and disclose the same in their annual reports as
specified (Rossouw 2012: 11).

3.6.2.3. Stakeholders

Principle 16 of King IV emphasises the role of stakeholders in the governance
process of companies by providing that the board should consider the legitimate and
reasonable needs, interests and expectations of stakeholders as a matter of vital
importance. Active stakeholders are required to hold the board and the company
accountable for their actions. King IV holds the board responsible in providing what it
terms “strategic direction” and necessary policy to enable proper engagement and
management of stakeholder relationships (Deloitte 2017: 11).

The impact of this principle on CSR implementation is that it allows communities who
are described as stakeholders in King IV to be involved in corporate decision-
making, especially in relation to CSR projects which will affect them. Thus,
companies will no longer be allowed to implement CSR projects without the
involvement of the communities in terms of decision-making processes as well as the
implementation process.

3.6.2.4. Corporate citizenship

King IV recommends, as part of a company’s governance measures and social
responsibility, that the board should ensure that the organisation is and is seen to be
a responsible corporate citizen. In order to achieve this, the board or governing body
is to carry out the following recommendations:
- Set the policy for good corporate citizenship including compliance with the Constitution, laws, standards and its own policies and procedures in line with the organisation’s purpose, strategy and conduct;
- Monitor and manage the organisation’s standing as a good corporate citizen in areas such as the workplace, economic behaviour and results; as well as societal and environmental impacts; and
- Divulge how corporate citizenship is managed; present and future focus areas; monitoring measure; and disclosing how corporate citizenship outcomes are addressed (KPMG 2017b: 13).

The Report describes good corporate citizens in relation to social and economic development to include compliance with all relevant laws and regulations, including the United Nations Global Compact Principles; the OECD recommendations regarding corruption; the EEA; and the BBBEE Act (Rossouw 2012: 11).

3.6.2.5. Corporate governance

Principle 6 enjoins the board or the governing body of the organisation to serve as the focal point and custodian of corporate governance in the organisation. It recommends that this should be achieved through the board excercising its leadership role in this regard. It enjoins the board to have a charter, approve a protocol for CG, seek professional advice and engage in meetings with management. The number of meetings and attendance should be disclosed and a statement stating whether it is satisfied that it has discharged its responsibilities in relation to its charter should be tabled (KPMG 2017b: 16).

Principle 9 requires that the board should be responsible and accountable by evaluating its own performance, that of its committees, its chair and its individual members, as well as ensuring continued improvement in its performance and effectiveness. In order to achieve this, the governing body or board is to appoint a lead independent director to lead the evaluation of the chair and ensure that an externally facilitated performance evaluation is conducted every two years on the company, the board and board committees. The governing body is also enjoined in Principle 10 to ensure that the appointment of and delegation to management contributes to role clarity and the effective exercise of authority and responsibilities (KPMG 2017b: 24). Under this principle, the company chief executive officer (CEO)
is responsible to lead strategy implementation, report to the governing body and agree on the composition of members of other governing bodies of the company. Regarding CSR implementation, this implies top management involvement in leading the strategy and implementation of CSR initiatives (KPMG 2017b: 24).

3.6.2.6. Integrated reporting

Internationally, there is a growing trend for listed companies to incorporate non-financial information into their corporate reports (Ahmed Haji et al. 2017: 374). Nationally, Principle 5 of the King IV Report provides that the governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation’s performance, as well as its short, medium and long term prospects. The Report provides recommendations to the governing body to set the direction and approach for the organisation’s reporting; approve the framework to be used for reporting; ensure that the reports meet the reasonable and legitimate needs of material stakeholders; and are compliant with legal reporting requirements; ensure that an annual integrated report is issued, whether as a stand alone report or as part of another report; and approve the bases for determining the materiality for the purpose of inclusion in reports (KPMG 2017b: 15). Integrated reporting will enable stakeholders to make informed assessments of company CSR projects as well as ensuring transparency and the ability of stakeholders to verify a company’s CSR claim.

3.6.3. Corporate governance: the Companies Act No.71 of 2008 and its impact on Corporate Social Responsibility implementation

According to (West 2009: 15), the most prominent legal development that directly impacted on South Africa’s CG as well as CSR implementation was the review of the 1973 Companies Act that resulted in the promulgation of the 2008 Companies Act, which brought the country in line with international developments and trends in the area of CG and CSR.

The 2008 Companies Act introduced several changes to company law in South Africa. In respect to CG and CSR implementation for South African companies, Section 69 specifies the qualifications of company directors. The section categorises certain individuals as ineligible or disqualified from holding the position of a company
director or prescribed officer of a company (Stein and Everingham 2011: 225). The implication of Section 69 on CSR implementation is that CSR managers and officers must be eligible or qualified in terms of the law to hold such positions. Hence, in terms of the section, unemancipated minors or persons with similar legal disability; unrehabilitated insolvents; persons removed from offices of trust on the grounds of dishonesty or misconduct; and persons convicted or imprisoned for theft, fraud, forgery, perjury etc. may not the hold office of company director or prescribed officer or be a member of any of the board committees, including the SEC (Stein and Everingham 2011: 226).

Section 75 deals with directors’ personal financial interest; Section 76 stipulates directors’ standards of conduct and Section 77 deals with liabilities of directors (including liability for false or misleading financial statements). These provisions are also applicable to directors in regard to CSR implementation. Directors, when implementing CSR, must exercise care, skill and diligence; must act in the best interest of the company; must act within the scope of their powers and for a proper purpose; and must avoid conflicts of interest (Delport 2011: 91; KPMG 2017a: 12). Regarding directors’ personal financial interests, Section 75 of the 2008 Companies Act sets out procedures that are required to be followed by a director. Directors according to Section 1 of the Companies Act, include prescribed officers and board committee members. The Act requires directors and persons related to them, to disclose their personal financial interest in respect of any matter to be considered by the board (KPMG 2017: 12). The Section further provides that the director must not participate in meetings at which the director made the disclosures and may not take any part in the consideration of the matter. A decision made in contravention of the procedures in this section can be ratified by an ordinary shareholders resolution or by the court, failing which such decision will not be valid (KPMG 2017: 13).

It is pertinent to note that although Section 76 codifies the common law fiduciary duties of directors, the South African courts still have the discretion to hold directors bound to their duties under the common law. In the case of Da Silva and others v CH Chemicals (Pty) Ltd 2008 (6) SA SCA, the court held that it was a “well-established rule of company law that directors may not make a secret profit or otherwise place themselves in a position where their fiduciary duties were in conflict with their
personal interest”. In this case, the Supreme Court of Appeal decided to use the common law duties of directors in deciding this case.

Regarding the liability of directors and prescribed officers, Sections 77(2)(a)(b) and (3)(a) of the Act stipulate that a director, prescribed officer and a member of a board committee may be held liable for any loss suffered by the company for a breach of fiduciary duty arising from breaches of the Act or the memorandum of incorporation. Directors’ liability arises as a consequence of a director engaging in the following acts:

- Acting without the necessary authority from the company;
- Acquiescing to the company carrying on business recklessly;
- Being present or participating in a decision or failing to vote against certain specified decisions which contravene the Act;
- Being party to any act or omission intended to defraud the company; and
- Signing or authorising the publication of any false or misleading financial statements (Act online 2009; Stein and Everingham 2011: 251).

Section 77 of the Companies Act also stipulates sanctions which can be meted out against a director who is in breach of the provisions regarding directors’ duties in Section 76. Such sanction as contained in Sections 77(3)(a), (b) and (c) could be a declaration of delinquency of the director, as well as liability for loss damages or costs that a company may incur as a result of the directors’ breach of duties. Directors’ liability under Section 77 has a three year prescription period. This means that one could recover losses, damages or costs from a director for a breach under Section 77 of the Act within three years after the act or omission that gave rise to that liability occurred (Act online 2009; Ncube 2010: 70; Stein and Everingham 2011: 253). This section is also applicable in respect of CSR implementation. Directors who through their actions cause companies to suffer a loss or damages in terms of a company’s CSR implementation, will face the same consequences as prescribed in this section. The most notable application of the Act with regard to CSR is in terms of Section 72 of the Act. Section 72 directs companies to establish a SEC to oversee all social and ethical commitments of the company. The section requires that companies participate in the socio-economic development of their host communities and that the SEC monitor and report to the company the impact of its operations on
the community (IODSA 2011). The Act, for the first time in South African company law, established the takeover panel and a Financial Reporting Standard Council to provide oversight to company management (West 2009: 15; Paulo 2011: 341).

According to Olson (2010: 219), the Act established a model of corporate regulation that could substantially improve South Africa’s business climate, while at the same time supporting essential broader economic and social objectives such as CSR implementation in companies. The author commends the Act for being in line with international trends in the area of corporate governance, where boards and companies are required to be more transparent and accountable to their stakeholders.

To enhance accountability in companies, the Act provides that all companies maintain certain records for 7 years (s24); have a fixed financial year (s27); maintain accurate and complete accounting records (s28); prepare annual financial statements (s30); as well as file an annual return (s33) (KPMG 2017a: 7). With regard to auditing, all South African companies must be audited if they fall into a category prescribed by the Minister, taking into account the public interest and having regard to the economic or social significance of the company as indicated by its annual turnover, the size of its workforce and the nature and extent of its activities (Ncube 2010: 50; KPMG 2017a: 7). On the issue of transparency, Section 29(2) provides that financial statements prepared by a company, including any annual financial statements of a company as contemplated in Section 30, must not be false or misleading in any material respect or incomplete in any material particular. The Act (Section 29(5)(b)) also provides that financial statements for public companies must be in accordance with International Financial Reporting Standards (IFRS). The Act further stipulates that the annual financial statements of all public companies and state-owned companies be audited (Act online 2009).

The above provisions of the Act signify the importance that the Act places on CG and the management of companies. As noted above the Act supplies the enabling legislation to support the King IV Report. The Act also directs companies to comply with the BBBEE and the EEA, thereby reinforcing the importance of the legislation on CG. The Act further mandates companies to comply with international organisations’ charters, such as the United Nations Global Compact Principles and the OECD. With
regards to CSR implementation, the Act directs the establishment of a SEC in all listed companies and the involvement of companies in the socio-economic development of communities as well as the acknowledgment of stakeholder involvement and participation in corporate decision making (KPMG 2017a: 7).

The challenges associated with compliance with the Act is yet to be challenged in a South African court due to the novelty of the Act. However, one of the objectives of this study is to determine through an empirical study the impact that the provisions in Sections 75, 76 and 77 the 2008 Companies Act have on CG and CSR implementation in the sampled JSE-listed companies of this study.

3.6.4 Employment Equity Act (EEA)

The South African government’s adoption of the Employment Equity Act, No 55 of 1998, which was amended in 2013 and is now referred to as the Employment Equity Amendment Act, No. 47 of 2013, was an approach aimed at correcting the imbalances of the Country’s past in regards to Black people’s participation in businesses as well as the employment of previously disadvantaged people. Affirmative action measures were adopted to advance the employment and promotion of Black people, women and disabled people in the work-place. The Act aims not only at removing discriminatory practices from the system, but also at redressing past discrimination and imbalances in the workplace (Croucher and Miles 2010: 389; Horwitz and Jain 2011: 298; Denton and Vloeberghs 2003: 89).

Denton and Vloeberghs (2003: 89) attribute the success of the EEA implementation largely to government interference and monitoring. According to the authors, South African businesses are forced to implement the EEA, otherwise they would not meet the requirements to tender for government projects. The authors, however, note that some organisations have come to the realisation that it indeed makes good financial sense, as well as being morally ethical to implement the EEA. According to Reddy (2016: 469), with the changing consumer profile of South Africa, businesses have had to insitute changes into their internal workforce profile to reflect the demographics of the country or risk being sanctioned.
However, business managers in South Africa have raised concerns about compliance with the provisions of the EEA. Thomas (2002: 238) identified the following as areas of challenges raised by business leaders:

- The over-regulation of the labour market, coupled with the government’s role of “watchdog”, will result in a decrease in overseas investment and in entrepreneurial initiatives;
- The cost to government, and hence taxpayers, will be increased by the administrative burden of monitoring and enforcement of the Act;
- Legal structures will be over-burdened and unable to cope with cases where legal rulings will be promptly required;
- Heavy administrative costs in the private sector relating to compliance with legislation will impact on the company’s growth and will accordingly impact on optimal growth in the private sector;
- Skills shortages will make Black skills more expensive and unaffordable to smaller companies, further providing disincentives for investment and expansion; and
- Race classification will be heightened and reverse discrimination will lead to a decrease in employee loyalty, as well as inability of companies to retain skilled employees.

Most, if not all, of these concerns, persist and pose as governance challenge to South African listed companies, thus prompting Louw (2015: 670) to call for the complete removal of the affirmative action clause from the EEA, arguing that it was completely contrary to the equality jurisprudence in terms of Section 9 of the Bill of Rights. The author avers that a line needed to be drawn and that line should be where a White male or member of a minority designated group is faced with an unreserved barricade to employment or advancement in employment (or any other form of access to benefits) for a reason which is unconstitutional and unfair (Louw 2015: 716).

However, despite the governance challenges that have developed from compliance with the EEA, one of the objectives of the Act was to indirectly compel businesses to engage in CSR-related activities in order to improve the living conditions of the previously disadvantaged Black majority population by providing them with
employment opportunities (Ramlall 2012: 273). The EEA also impacts the socio-economic development of communities through the affirmative action policies, as employment helps lift people out of extreme poverty and deprivation faster than social grants or any other type of government intervention policies. Hence the need for improved CG and a sustainable business environment for South African business (Rampersad 2010: 2272).

3.6.5 The Broad-Based Black Economic Empowerment Act and corporate governance

The first democratic elections in 1994 witnessed the country undergoing tremendous changes, not only of a political nature but also on individual, societal, as well as economic. According to Mayer and Louw (2011: 574), South Africa witnessed both socio-political transformation, as well as increasing global challenges. The transformation impacted on business management, values and corporate governance. For the first time South African businesses had to adopt a new cultural diversity, not only from a racial perspective but also with regard to gender, ethnicity, sexual orientation, religion and age. South African businesses were faced with adhering to affirmative action measures and the provisions of the BBBEE Act. Business managers had to acknowledge and manage a diverse workforce and develop strategies aimed at changing apartheid era perceptions, attitudes and behaviour in the workplace (Mayer and Louw 2011: 575).

Apartheid era segregation policies prevented Black South Africans from participation in the management of corporate South Africa. As at 1995, Black people only owned 1 percent of the capitalisation of the JSE. This was due to decades of Black people being prevented from equity ownership in businesses and the nation’s wealth being concentrated in the hands of the minority White population (Reddy 2016: 466).

BBBEE was passed by the legislature to ensure that economic empowerment was given to Black people. The Act addressed issues of corporate management, equity ownership and equality in the workplace. Other issues relating to preferential procurement and skills development are also covered by the Act to significantly increase the numbers of Black people in business management and company ownership (Alessandri, Black and Jackson 2011: 233).
BBBEE transactions by their nature impact greatly on the CG of participating companies. For example, according to Alessandri, Black and Jackson (2011: 234), a BBBEE transaction usually involves three participants, which are the BEE group, the company that is issuing the equity and the financial institution that has agreed to provide the debt financing to the BEE group. The governance challenge arises from the fact that since the BEE group usually will not have security for the loan, the issuing company will have to negotiate on their behalf with the financial institution, thereby having significant influence over the price of the equity, with the BEE group having no choice but to accept the terms of the agreement between the issuing company and the financial institution. This has resulted in BEE groups being saddled with over-priced equity and on the part of the company, being forced to sell company equity, usually to people with strong political ties. The authors further note that BEE transactions result in BEE groups being appointed board members of companies without having the requisite managerial skills required to perform in that capacity.

3.6.6. Corporate governance and the Johannesburg Stock Exchange

The previous section of the study examined the CG ‘flagship’ legislation of the South African government and the impact they have on CSR implementation (Ramall, 2012:273). This section of the study will discuss the private initiatives undertaken by the Johannesburg Stock Exchange (JSE) in ensuring that companies listed on its exchange imbibed good CG practices in their operations. The South African Johannesburg Stock Exchange (JSE) is seen as a springboard for the regulation of companies listed on its exchange. Its main objectives are to provide its users with an orderly market place for trading in securities; to regulate the market in accordance with its objectives; and to ensure that firms listed on it carry out their businesses with due regard to public interest (JSE 2014: 3).

During the apartheid era, in the early 1990s, the JSE was controlled by a few dominant conglomerates (Gstraunthaler 2010: 147). Accordingly, the majority of shares were held by a few rich families, and listed corporations were bloated, unfocused and ran by entrenched and complacent managers (Gstraunthaler 2010: 147). At that time, South Africa was isolated from the rest of the world due to the sanctions placed on the apartheid regime. As a result, businesses operating within
the country were shielded from foreign product competition, while financial sanctions kept international institutions out of the domestic capital market and South African firms out of international capital markets (Malherbe and Segal 2001: 7). According to Malherbe and Segal (2001: 7), this led to the situation where corporate practices, as well as laws and regulations, fell behind international norms and standards.

The first democratic elections and the change to a democratic system of governance led to an ideologically unsteady time in South Africa. To counter this, corporations and professional bodies began the drive for guidance and ‘best practices’ in order to enhance legitimacy. Through the association of the JSE with the London Stock Exchange, major companies sought double-listing in Johannesburg and London. These companies hence had to incorporate international practices on corporate governance and financial reporting into their operations (Gstraunthaler 2010: 147). In May 2004, the JSE developed the Socially Responsible Investment (SRI) Index to mirror the complexity of the South African society. The SRI Index was the first of its kind in an emerging economy. It is claimed to have provided the social pillar of Black Economic Empowerment (BEE) by recognising the issue and giving it a place in the SRI index (Heese 2005: 733; Ndhlovu 2011: 85).

By 2014, the JSE SRI Index as part of its criteria overview listed, that it was adopting a holistic triple bottom line sustainability approach to be structured along four pillars, namely environmental, society, governance and related sustainability concerns. Climate change criteria were also included as a focus area and formed another area of measurement for index qualification (JSE 2014: 3). The aim of the climate change criteria was basically to gauge the extent to which companies consider what risks they face from climate change and to encourage more actions in this regard (JSE 2014: 3). The JSE made it mandatory for companies to meet the minimum threshold in all four areas (environment, society, governance and related sustainability concerns, climate change) in order to qualify for inclusion in the SRI Index (Ndhlovu 2011: 86). Although the King Report on corporate governance is not a legally binding document, the JSE in February 2010 made it compulsory for all listed companies to comply with provisions of the Report on issues of CG (Mariri 2012: 2). On the issue of sustainability, the JSE has for many years embarked on programmes which uphold and support sustainable development. In its 2013 sustainability report, the
JSE noted that it recognised the growing importance of responsible and sustainable business behaviour and urged companies on the need for responsible and sustainable business practices underpinned by good corporate governance (JSE 2013: 1).

In June 2015, the JSE announced that it was partnering with the Financial Times Stock Exchange (FTSE) Russell London Stock Exchange, which is a global index provider in progressing the JSE’s work around promoting corporate sustainability practices in South Africa (JSE 2017). This resulted in the formation of the FTSE/JSE Africa Index Series. The partnership brought with it changes in the philosophy and methodology for calculating indices and classifying sectors and complies with the recommendations made by the International Organization of Securities Commissions (IOSCO), as laid out in the Principles for Financial Benchmarks published in July 2013 (the IOSCO Principles). The joint venture led to the JSE adopting the FTSE Russell, environmental, social and governance (ESG) Ratings process. This led to the establishment of:

(i) The FTSE/JSE Responsible Investment Top 30 Index, which is a market-cap weighted index calculated on an end-of-day basis, comprising all eligible companies who achieve the required minimum FTSE Russell ESG rating as set out in the Ground Rules; and

(ii) The establishment of the FTSE/JSE Responsible Investment Top 30 Index. An equally weighted index calculated on a real-time basis and comprising the Top 30 companies ranked by FTSE Russell ESG Rating.

The next section of the study will highlight the various governance challenges associated with compliance with all the legislation and CG codes discussed in this chapter of the study.

3.7. Overview of challenges associated with legal compliance with corporate governance legislation and regulations

This section of the study will examine as well as highlight the associated challenges of compliance with the selected South African CG legislation and regulations discussed above. The section will commence with a discussion on compliance challenges associated with the King IV Report, it will then discuss compliance
challenges associated with the EEA, BBBEE, as well as the FTSE/JSE. The section discusses CG challenges that South African listed companies are confronted with in their quest to implement CSR. The section discusses measures that listed companies have adopted in order to overcome these challenges particularly in regards to CSR implementation.

3.7.1. Challenges of compliance with King IV Report on Corporate Governance

The King IV Report on Corporate Governance only came into operation in 2017. Therefore, challenges associated with it are yet to be verified. However, King IV is a continuation of the previous King III Report and retains many cardinal principles of King III. This study identifies integrated reporting and board structure of the SEC as governance challenges that impact on CSR implementation.

3.7.1.1. Integrated reporting

Integrated reporting is a cardinal aspect of CG. Dumay et al. (2017: 474) contend that challenges associated with integrated reporting are due mainly to its complexity, which involves a sequence of activities. The authors note that in order for companies to achieve an effective integrated report, it requires companies to be clear on their economic, social, environmental, ethical values and principles as well as associated structures and processes. The authors maintain that the lack of these structures and mechanisms were the first major challenges of integrated reporting.

According to McNally, Cerbone and Maroun (2017: 485), there are four major identified areas of challenge associated with integrated reporting. The authors list the four areas as: managerial attitude and motivation; strategic attitude; corporate governance; and stakeholder pressures.

The authors explained the four areas of challenges as follows:

- **Managerial attitude and motivation**: a situation where managers fail to appreciate the importance of financial and non-financial capital for generating sustainable returns. It is most likely to impact on the effectiveness of the report outcome;
• **Strategic attitude:** where managerial attitudes do not consider integrated reporting as important in a company, the strategic attitude of the company towards integrated reporting will be undermined;

• **Corporate governance:** firms with strong CG framework are more likely to institute a more effective integrated reporting approach to integrated reporting; and

• **Stakeholder pressures:** where managerial attitudes towards integrated reporting are undermined, it tends to make integrated reports being created simply for the purpose of satisfying stakeholders’ demands and reassuring investors of strong financial returns, as opposed to developing a report that will assist the company in being more proactive towards sustainability performance management (McNally, Cerbone and Maroun 2017: 485).

Other challenges of integrated reporting identified by De Villiers, Hsiao and Maroun (2017: 454) centre around issues such as:

• **Skills availability:** South Africa suffers from a lack of skilled managerial personnel with sufficient expertise to produce integrated reports which are readable and accurate. This, according to De Villiers, Hsiao and Maroun (2017: 454), constitutes a governance challenge for many South African companies;

• **Fake reporting:** Due to the pressure to produce integrated reports, unverifiable claims have become a feature in many organisations’ integrated reports. This constitutes a governance challenge as it may lead to the erosion of stakeholders trust and confidence in the reports; and

• **Unreadable reports:** According to De Villiers, Hsiao and Maroun (2017: 454), South African integrated reports are often criticised for excessive repetition and as following a tick-box approach, thereby not allowing the reader to get a clear understanding of the report. The authors maintain that this may lead to a loss of investor confidence in the company.

According to De Villiers, Hsiao and Maroun (2017: 454), the impact of all these challenges on CSR implementation is a loss of investor confidence in the company, as well as erosion of stakeholder trust and confidence in the company’s claims,
resulting in the company not getting the support needed for CSR projects and implementation.

3.7.1.2. Board structure of Social and Ethics Committee as a governance challenge

The issue of board structure in terms of the SEC is an area that has been identified as a challenge in complying with King IV (Money Marketing 2017: 1). According to Principle 8 of the King IV Report, listed companies must have a SEC with the mandate to have an oversight on companies’ social concerns and report on organisations’ ethics, as well as corporate citizenship, stakeholder relationships, and sustainable development (KPMG 2017b: 22). The company’s Social and Ethics Committee is to comprise of not less than three directors or prescribed officers of the company and at least one of the directors must be a director who is not involved in the everyday management of the company's business such a person must not have been involved with the management of the company within the previous three financial years. This therefore means that a company which typically had three executive directors would now require a board with at least seven directors to satisfy this requirement of the King IV (Money Marketing 2017: 1), thus compounding the issue of finance and skills availability. These are issues which impact on CSR implementation as companies are not likely to spend much on CSR implementation in the face of huge compliance costs (Ganda, Ngwakwe and Ambe 2015: 247).

3.7.2. Corporate governance challenges in implementing Employment Equity

The availability of Black skills continues to be a major challenge faced by various businesses in the implementation of the EEA. Employers in South Africa struggle to find qualified and experienced Black employees to fill management positions, board positions and technical positions (Horwitz and Jain 2011: 310). Black employees have similarly experienced countless problems when engaging with Employment Equity. Black employees often struggle to adapt to the culture and working environment of the firms for which they work (Jack and Harris 2007: 128). Black employees have also voiced their unhappiness at being exposed to manipulation, victimisation, tokenism, marginalisation and, in some cases, used as a front in organisations in order for the organisation to be seen as complying with the EEA (Emuze and Adlam 2013: 137). Amongst many White South Africans, Affirmative
Action is seen as a racist policy, resulting in reverse discrimination against White people. White people in South Africa often view Affirmative Action as preferential treatment which requires employers to fairly discriminate against often better or equally qualified Whites in favour of less qualified and experienced Blacks (Louw 2015: 716; Denton and Vloeberghs 2003: 90).

Thomas (2002: 239) is of the view that these contentions are valid and cannot simply be disregarded. However, the reality is that South African companies are required to comply with the Employment Equity legislation and expend a concerted effort on ensuring that the Employment Equity initiatives of the South African government, in trying to right the wrongs of the past in the area of employment, are implemented in a holistic manner to benefit both employees and companies. These challenges impact CSR implementation. For a company to effectively implement CSR, it requires skills that can formulate strategies, build stakeholder relationships, draw up the project plan and have the skill-set required to implement the projects.

3.7.3. Corporate governance challenges in implementing Broad-Based Black Economic Empowerment (BBBEE)

Mayer and Louw (2011: 575) identify lack of managerial and leadership skills as governance challenges that South African businesses face generally, and particularly in relation to compliance with the BBBEE. The authors note that the problem is compounded with the diversity issues that exist in the South African workplace, where people from diverse cultural backgrounds converge and require the type of leadership that can effectively understand and manage such a workplace. Skills availability is a governance challenge, as well as a CSR implementation challenge for companies operating in South Africa. For an organisation to effectively implement CSR, managers and people in corporate leadership positions must understand the cultural complexities of not only communities, but employees as well as other stakeholders (Mayer and Louw 2011: 575).

Other governance challenges arising from compliance with the BBBEE which also impact CSR implementation include issues such as the cost of assembling BBBEE transactions. According to Alessandri, Black and Jackson (2011: 236), assembling BBBEE deals was an expensive venture, both in terms of financial and human capital and required extraordinary executive management steps to be taken by the
participating companies in order to make the deals possible. This, according to the authors placed participating companies at a disadvantage when competing with global competitors. The authors maintain that this could result in company shareholders witnessing dilution in their share prices, which will directly impact on their support for CSR implementation. Other issues such as BBBEE benefiting only a few Black elite (Reddy 2016: 477) with political connections is also a governance challenge for companies, as companies are forced by BBBEE legislation to engage in assembling BBBEE transactions that are benefiting only a few Black elites, rather than implementing CSR projects that would benefit a greater portion of the communities.

3.7.4. Governance challenges of compliance with JSE requirements

One challenge of the JSE/SRI Index has been the inability to measure whether or not sustainable business practices help a company perform better in the long-term (Finlay, 2014:1). A second challenge is the failure to directly relate socially responsible investment with financial success or improvement (Ganda, Ngwakwe and Ambe 2015: 247). According to Ganda, Ngwakwe and Ambe (2015: 248), JSE-listed companies are often reluctant to engage in socially responsible or corporate greening initiatives unless there is a direct relationship between the investment and profitability. Similarly, Ngwakwe and Netshwara (2014: 400) noted that corporates were reluctant to engage in social and environmental issues due to the perceived fear that it might affect their profitability negatively. Thus, although many JSE companies are accepting socially responsible investment as an emerging corporate strategy, many companies still find it challenging to commit to CSR investment if the investments cannot be directly linked with financial profitability for the organisations (Ngwakwe and Netswera 2014: 400; Ganda, Ngwakwe and Ambe 2015: 247).
3.8. Corporate Governance challenges faced by South African listed companies and their impact on corporate social responsibility implementation

3.8.1. Challenges of Legal compliance

The first governance challenge that South African businesses face is in regards to the many pieces of legislation that companies are required to comply with (Wixley and Everingham 2010: 204). Some of the legislation impose severe criminal penalties for contraventions. For example, the National Environmental Management: Waste Amendment Act 26 of 2014 sets a maximum fine of R5 million or five years imprisonment, or both, as a penalty for its breach (MacRoberts Attorneys 2014: 18).

With regard to corporate governance legislation, the amended 2013 BBBEE Act set out offences and penalties for persons who knowingly contravene any of the provisions of the Act or who fail to report any offence committed in terms of the Act to the appropriate law enforcement agency (DTI 2014: 22). Similarly, Section 46(6) of the 2008 Companies Act provides that a company director will be liable for any loss, damages or costs sustained by the company in terms of Section 77(3)(e)(vi) if the director failed to vote against a distribution in which the company did not satisfy the solvency and liquidity test (Act online 2009).

Furthermore, compliance with certain laws requires determined and vigorous actions by companies to detect contravention and prevent recurrences. According to Wixley and Everingham (2010: 204) this is an expensive and time-consuming venture for companies as it requires highly skilled experts to achieve this. For example, the Competition Amendment Act of 2009 places the onus on the board to take steps to ensure that their company’s business practices do not contravene the Act. Likewise, Section 73 (A)(1) of the Act categorically states that a person commits an offence if, while being a director or in a management position within the firm, they caused the firm to engage in a prohibited practice or knowingly acquiesced to the firm, engaging in a prohibited practice. Such a person, if found guilty of the offence, may be imprisoned for a period not exceeding 10 years or liable to a fine not exceeding R500 000-00, or both (The Presidency 2009: 18).
A prohibited practice is given a wide definition and referred to in Section 4(1)(b) as involving price fixing; dividing markets by allocating customers, suppliers, territories or specific types of goods or services; and collusive tendering (Republic of South Africa 1998: 17). Additionally, the Act extends the range of prohibitions to include complex monopolies, thereby prohibiting a situation where more than 75% of a market is supplied by five firms or fewer (Wixley and Everingham 2010: 204).

3.8.2. Managerial and leadership challenges

According to Denton and Vloeberghs (2003: 93), the success of an organisation is determined by its ability to have and grow leaders. The authors opine that South African managers, prior to 1994, had been protected from international competition and change. However, with the transformation to a democratic government, managers have had to adapt to the complexities of new competencies and skills in order to operate in the new South Africa. The authors note that despite all the efforts to close the gap between the supply and demand of competent/productive people, South Africa still lags behind in the development and/or acquisition of such people (Denton and Vloeberghs 2003: 94).

Benon-be-isan Nyuur, Ofori and Debrah (2014: 105) identified leadership and governance as critical factors hindering CSR implementation in the Sub-Saharan African region (SSA), of which South Africa is a part. The authors contend that it is the responsibility of company executives and senior management to identify a business case for the company and hence show commitment and willingness to incorporate such business case into the strategic vision and mission of the organisation. The authors aver that top management ought to motivate, lead and clearly communicate the company’s vision and mission to employees and consequently, to the community through its policies, activities and behaviours.

Unfortunately, Africa generally, and South Africa specifically, are challenged when it comes to developing human resources with strategic vision and expertise in the field of business management. They therefore have to depend on foreign skills for the running of major organisations in Africa (Waweru 2014: 455). According to Okpara and Kabongo (2010: 46), in most African countries, finding independent directors to sit on company boards remains a challenge due to the skills shortage and lack of familiarity with board functions and fiduciary responsibilities. Benon-be-isan Nyuur,
Ofori and Debrah (2014: 105) contend that if African businesses are to articulate sound CG policy frameworks for their organisations, as well as develop policies on stakeholders engagement and how to fund CSR activities, then skilled human resources specifically in accounting, auditing and other governance fields are essential for African companies.

### 3.8.3. Governance gap challenge

South African companies are also faced with a certain challenge referred to by Biau (2011: 252) as the ‘governance gap’ challenge. According to Biau (2011: 252), a governance gap refers to a situation where companies operating domestically within their countries of origin are held to a higher standard of accountability, than those companies that are operating overseas or outside of their countries of origin. According to Okpara and Kabongo (2010: 42), this is due to issues such as government interference, weak regulatory frameworks, corruption, weak or non-existent law enforcement mechanisms and ignorance on the part of stakeholders. According to the authors, the situation allows governments to become vulnerable to foreign investors who then exploit the situation to their advantage. Biau (2011: 256) also notes that low financial and technical capacity, as well as occasional political vulnerability, are many loopholes which investing companies can exploit to their advantage, especially in developing countries.

### 3.8.4. Skills shortages

South Africa is faced with a shortage of skilled personnel in critical areas (Reddy 2016: 468). This problem is traced back to the apartheid era where Black people’s education was directed by the Bantu Education Act of 1953, which brought Black African education under the control of the government (Wilson 2011: 8). This legislation destroyed the hitherto Black education, which was left entirely to the churches. The Bantu educational policy, rather than build on the work of the churches, sought to destroy it by aiming to provide inferior education to the Black population, an education that sought only to provide low income people for the political economic structure of the apartheid government (Wilson 2011: 8). This unsavoury history, according to Juggernath, Rampersad and Reddy (2011: 8229), is the hallmark of the acute skills shortage in South Africa. According to Reddy (2016:
the irony with South Africa is the co-existence of vacancies in skilled occupation alongside a mass of unemployed people who lack the skills to fill such vacancies.

According to Okpara and Kabongo (2010: 43) skills challenge is more evident on the board of companies, the author contends that many board members in Africa lack the requisite skills and competencies to contribute effectively to leadership of modern corporations. Similarly, Young (2010:142) contends that shortages of skills are a major contributor to non-compliance with CG legislation. According to the author, for CG to function efficiently and effectively in any economy, it requires an independent judicial system that is impartial, free from interference and renders respected judicial decisions. Hence, good CG requires a well informed political system that can cope with societal problems that tend to scare away potential investors.

3.8.5. Corruption

According to the 2016 Transparency International (TI) Corruption Perception Index, South Africa is ranked 64 out of 176 countries that were rated (Transparency International 2016). Corruption Watch South Africa notes that the most prevalent types of corruption reported in 2016 were abuse of power by people in authority, followed by bribery in government procurement (Corruption Watch 2017: 2).

Corruption in South Africa is not limited to any particular institution. Corruption can be found in the public sector, involving public officials, as well as in the corporate sector (Keightley 2011: 344). According to Douglas (2016: 1), there are two main causes of why corruption is rife in South Africa. The author notes that the first main cause is the dominance of the African National Congress (ANC) that had been ruling for more than two decades in South Africa, contributing to corrupt activities within government and the public sector. Secondly, a corrupt and poorly educated police force, which is not properly equipped to prosecute corrupt practices in the country, enables corruption to flourish in the country. The author further notes that in South Africa, outdated laws, entrepreneurial politics, bureaucratisation and flawed governmental arrangements, amongst other causes, has helped to fuel corruption in the country.
Corruption is clearly a major governance challenge for businesses in South Africa. According to Keightley (2011: 350), businesses in South Africa experience corruption from tendering processes to the execution and completion of contracts. Common forms of corruption involve kickbacks; nepotism; embezzlement or diversion of public or custodial funds; illicit benefits; and enrichment. The author noted that South African companies are required to give government officials bribes and kickbacks before being awarded government contracts. Recognising the negative impact of corruption, the South African government, business and civil society set up the National Anti-Corruption Forum (NACF) in 2001. The forum resolved to contribute towards the establishment of a national consensus through the co-ordination of sectoral strategies against corruption and to advise the Government on initiatives of strategies to combat corruption (NACF 2017).

The South African government on its part in attempt to combat corruption promulgated several anti-corruption laws to help combat the menace. They include:

- The Promotion of Access to Information Act, No. 2 of 2000;
- Prevention & Combating of Corrupt Activities Act, No. 12 of 2004;
- Public Finance Management Act, No. 1 of 1999;
- Public Service Act - Proclamation 103 (Published in Government Gazette 15791 of 3 June 1994); and

As noted by Keightley (2011: 347), if South African companies are to remain sustainable, the need to prevent and combat corruption is vitally important for the economic and social development of the country. Companies cannot engage in CSR implementation if they have to pay bribes to corrupt official or community members. The author emphasises that corruption serves to undermine business and investor confidence, which are critical to developing economies such as South Africa. According to Hakimi and Hamdi (2017: 565), corruption impacts negatively on economic growth, it impedes foreign direct investment and, as in the case of South Africa, entrenches poverty, employment and increases in crime rates. Hence, South African companies cannot finance or implement CSR in an environment where corruption is rife.
3.9. Measures adopted by listed companies to overcome challenges associated with corporate social responsibility implementation

South African listed companies have adopted various measures to overcome some of the legal challenges associated with legislative compliance. The measures range from skills training programmes and improved communication with stakeholders to prevent hostile disagreements regarding CSR projects to integrated reporting and willingness to adequately measure and evaluate the impact of CSR implementation on companies triple bottom line. The measures are discussed hereunder:

- **Skills**: Skills availability has been identified as a governance challenge for South African companies. The lack of personnel with managerial and leadership skills impacts on CSR implementation in many companies. These skills are a prerequisite for a company in initiating, planning and implementing CSR. Many listed companies have engaged in massive skills development and training programmes for their employees in order to combat this challenge (Ramlall 2012: 275).

- **Communication**: Companies are increasingly using social media and other electronic communication platforms to communicate with their stakeholders as well as giving stakeholders a platform to communicate with organisations. Communication with various stakeholders enables companies to gauge the feelings of stakeholders towards company activities and enables companies to intervene when required, thereby avoiding violent or otherwise destructive/disruptive reactions (Ali 2015: IX).

- **Stakeholder engagement**: Listed companies are engaging more with their stakeholders due to recommendations made by the King IV Report. Stakeholder engagement and management is vital if companies are to maintain cordial relationship with all their stakeholders, which will result in more supportive and co-operative stakeholders (Vitolla, Rubino and Garzoni 2017: 98). The support of all stakeholders is vital not only for CSR implementation but for the quality and value creation of CSR projects.

- **Integrated reporting**: Integrated reporting enables companies to disclose CSR activities and projects, thereby affording stakeholders the opportunity to verify the accuracy of such disclosure. When stakeholders are aware of
company CSR activities it results in improved stakeholder relationship with the company and hence a good reputation for the company (Ahmed Haji et al. 2017: 374).

- **Measuring and evaluating the impact of CSR**: The ability to adequately measure the financial impact of CSR on the company triple bottom line will endear CSR implementation to company stakeholders and take CSR from mere corporate greening to corporate strategy. Although many South African companies are yet to fully engage in measuring and evaluation of their CSR spending, companies are beginning to realise that when stakeholders are able to appreciate CSR contributions to a company from a financial view point, they will be more supportive to CSR implementation (Trialogue 2014: 128).

3.10. **Conclusion**

This chapter focussed on CG, with specific reference to the legal framework of CG in South Africa. The chapter provided an overview of the the King Reports on Corporate Governance, with particular reference to King IV, which was required owing to the changes in international governance trends which focuses more on issues of accountability and transparency. The chapter examined the 2008 Companies Act which provides a clear framework for CSR by directing companies to establish a SEC, to monitor and advise the company on social issues. For the first time in South African company law, directors’ fiduciary duties toward their companies as well as their standards of conduct and liabilities are now embedded in the Companies Act.

The chapter also provided a detailed analysis of the Employment Equity Act. Policies established by the EEA such as affirmative action, Black advancement, and equal oppurtunity, amongst others were discussed. The challenges posed to companies in regard to compliance with the EEA were examined. The BBBEE Act as it related to governance was discussed and the related challenges associated with its compliance were also highlighted.

Other regulations which South African listed companies are mandated to adhere to if they are to maintain their listing on the JSE, such as the FTSE/African Series Index, were examined with a view to understanding the legal compliance complexities that
South African companies are faced with, as well as putting into context the growth of CG in South Africa. The chapter discussed the various challenges that South African listed companies are faced with in implementing good CG practices and the impact these may have on CSR implementation. The measures that listed companies are engaging in to combat the challenges were highlighted and described.

The next chapter (four) will outline the methodology that was employed in this study.
CHAPTER FOUR

RESEARCH METHODOLOGY

4.1. Introduction

The previous chapters reviewed relevant literature pertaining to corporate governance and corporate social responsibility implementation amongst listed companies in South Africa. The literature review identified the legal compliance challenges experienced by listed companies in the implementation of strategic CSR within their organisations through compliance with selected CG and CSR legislation.

The empirical analysis of this study is centred on the challenges experienced by South African listed companies and businesses in complying with selected CG and CSR legislation. The study also focuses on the impact that the compliance challenges have on CSR implementation in such organisations, as well as the resultant impact that the challenges pose to the socio-economic development of the communities in which the companies operate.

This chapter outlines the research methods and techniques used in the study. The objective of the study is to investigate, through a literature review as well as an empirical study, the influence that CG has on companies’ ability to implement effective and sustainable CSR programmes and policies that could positively affect the socio-economic development of their operational environments and communities.

In order to place the empirical findings into a proper perspective, this chapter will examine and describe the research design, data collection methods, study population, sample frame, as well as the research instrument and the validity and reliability of the study. Emphasis will be placed on the questionnaire design, data analysis techniques and methods used in the results evaluation.

According to Wagner (2012: 271), methodology is the study of procedures used in carrying out research. The author maintains that the importance of using research methodology in a study such as this is as follows:
• It sets out the specific rules used to acquire insights into the research subject matter;
• It enables the researcher to report in detail how the findings of the study were obtained and enables others to evaluate it;
• It enables the researcher to report on the rules and procedures used; and
• It enables others to try to replicate or criticise the approach chosen in arriving at the findings.

In this study, the mixed methods research approach was adopted as the most appropriate research methodology due to the fact that the study contains elements of qualitative as well as quantitative research methodologies. It would be difficult to evaluate the objectives of this research without using both qualitative data and quantitative data in combination. It would also be difficult to draw inferences concerning the nexus between effective corporate governance practices and the impact thereof on the implementation of corporate social responsibility amongst the sampled South African listed companies without obtaining both qualitative and quantitative data for analysis (Bryman 2012: 62).

The next section explains the mixed-method research methodology.

4.2. Mixed methods research

Mixed methods research refers to a research study that integrates quantitative and qualitative research within a single project (Bryman 2012: 628). According to Hesse-Biber (2010: 3) the mixed methods research design is used by researchers to enable them to employ both quantitative and qualitative data to answer particular questions or sets of questions.

One of the problems associated with using the mixed methods research approach is to ensure that the integrated data produces valid findings (Wagner 2012: 162). In order to ensure that the findings in this study are valid, the following techniques are employed.

4.2.1. Triangulation

Triangulation refers to the situation where data is collected by a researcher using more than one method and then integrating the collected data to enhance the
credibility of the research findings (Wagner 2012: 163). According to Bryman (2012: 635), triangulation when applied in a study such as this (mixed method) implies that the results of an analysis using a method associated with one research approach, are substantiated against the results of using a method associated with another research approach thus increasing confidence in the findings derived from the study.

In this study, quantitative data is collected from closed-ended questions in the questionnaire and qualitative data is gathered from open-ended questions in the questionnaire, as well as data collected from structured interviews. The results are then integrated in order to enhance the research findings and provide a clearer understanding of the research findings.

4.3. Population and sampling

Wagner (2012: 274) describe sampling in empirical research as the process used to select those elements that will participate in the research. The author maintains that in selecting the sample for a survey research, the researcher must determine the target population suited to the investigation of the topic; the type of research instrument that will be used in the study; and how the research instrument will be administered. In the case of a mixed methods research such as this, Hesse-Biber (2010: 50) contends that considerations should also be given to the sampling design, which originates from the research question; the sample size should be adequate to answer the research question; and the sampling design should follow ethical guidelines.

Population, on the other hand, is the entire group of individuals or units that is being studied (Wagner 2012: 272). According to Byman and Bell (2011: 170), choosing the population of the research assists the researcher to determine which questionnaire design to select and the methods to be used in administering the questionnaire. In this study, the target population and sample size is adequate to answer the research question of this research. This study aims at investigating the challenges and impact of legal compliance with CG and CSR legislation on CSR implementation amongst South African listed companies. Hence, the sample size, target population and sampling design are adequate for the study. In addition, the researcher followed all ethical guidelines for the study.
4.3.1. Target population

In this study, the target population comprises the top 100 companies out of the 200 top 2012 performers listed on the JSE according to the Financial Mail (Financial Mail 2013: 94 - 98). The top 100 companies were ranked by the Financial Mail based on a five-year internal rate of return (IRR) in their share prices; earnings per share (EPS) growth over a five-year period; return on equity over a five-year period; dividend yield over a five-year average; and pre-tax profit growth over a five-year period (Financial Mail 2013: 94).

The target population was selected for this study because companies that are listed on the JSE are progressive and considered to be more focused on CSR implementation and the triple-bottom-line approach when compared to companies that are not listed. Furthermore, listed companies comprehensively report on their CSR and socio-economic development initiatives in their annual integrated and/or sustainability reports. They also post these reports on their websites, thus making it relatively easy to assess information about them (Trialogue 2014: 253). Given this background, the results presented in this study will give a true reflection of the legal challenges that South African listed companies face when implementing CSR and CG.

4.4. Sampling Methods

Two types of sampling methods are used in research, namely probability and non-probability sampling methods. The probability sampling method uses a random selection that ensures that each unit in the population has a known chance of being selected and ensures that the sampling error is kept to a minimum. The probability sampling method also limits the influence of the researcher's personal judgement, thereby eliminating bias in the selection of the sample (Bryman 2012: 188). According to Graziano and Raulin (2013: 323), probability sampling gives greater confidence that the sample adequately represents the population.

In non-probability sampling, the possibility for any individual subject to be included in the sample cannot be calculated (Wagner 2012: 92). This implies that some of the units in the population are more likely to be selected than others. Non-probability sampling allows the researcher to determine the elements to include in the sample.
Non-probability sampling techniques include convenience sampling, quota sampling, purposive sampling, as well as snowball sampling (Wagner 2012: 92). For this study, the convenience non-probability sampling method is used to select the sample. Wagner (2012: 92) describe convenience sampling as a sampling method that allows the researcher to use whoever is readily available for the study.

This study obtained a list of the 200 top-performing companies for 2012 from the Financial mail (Financial Mail 2013: 94 - 98). The sample size comprised the top 100 companies from that list. Questionnaires were sent to the respondents along with a covering letter seeking their participation in the survey. Six participants were randomly selected from this list to participate in the structured interview to enable the researcher to obtain a better and clearer understanding of the responses and to clear up any misunderstanding of particular questions (Wagner 2012: 102).

4.5. Data Collection Procedures

The data for this study was gathered through the review of literature, interviews and the administration of questionnaires. The questions posed to the respondents were directed and driven by the research question/problem, as well as the aims and objectives of the study. In this study, the primary data was collected using self-completion questionnaires, personal interviews and the structured interview. Secondary data was sourced from the companies’ published annual financial statements and reports, journal articles, companies’ policies and legislation, as well as newspaper analysis of the companies.

4.5.1. Data collection using personal interviews

The study used personal interviews as a data collection method. This method enjoys certain advantages as compared to other data collection methods such as mail surveys, or telephonic interviews. The personal interview is a more accurate data collection method as it generates more data and the response rate for this method is higher as compared to other methods. It also enabled the researcher to control the sample respondents, as well as ensure an optimal rate of return of the questionnaires (Wagner 2012: 102).
A research assistant was employed to administer the research instrument to the select respondents. The research assistant was a master’s degree student at the University of Kwa-Zulu Natal in Durban, who was experienced in the area of social research and had previously assisted other doctoral candidates in administering questionnaires. The researcher was constantly in communication with the assistant and provided a supervisory role to the assistant for the entire duration of the survey. A letter of introduction was given to the research assistant by the researcher to assist in identifying her and explaining the purpose of the study to the respondents, as well as to ask the respondents for their support and participation. The assistant was required to meet with company CSI managers, public relations managers, human resource managers, company secretaries and other senior employees of companies who were familiar with CSR/CSI and CG in their respective companies.

The personal interview method helped to ensure that most of the questions in the questionnaires were answered by the respondents as the research assistant would collate and check for completeness of the questionnaire before collecting them from the respondent.

4.5.2. Data collection using structured interviews

A structured interview is a form of research interview commonly used in survey research (Bryman 2012 209). Structured interviews are used to obtain both qualitative and quantitative data from an interview. According to Bryman (2012 209), the structured interview is a prominent data-collection strategy in social research. Structured interviews are implemented by presenting to the participant a set of predetermined questions that were finalised prior to the interview. The participants are presented with the same set of questions, in the same order, using the same wording (Wagner 2012: 102). There are certain advantages with the use of the structured interview. Firstly, the researcher controls who participates in the interview; secondly, where there is confusion or misunderstanding of the questions asked, the researcher is able to clear up such misunderstanding; and thirdly, the response rate is higher as people are more likely to accept to be interviewed rather than complete the questionnaire (Wagner 2012: 102).

In this study structured interviews were conducted with six participants. A structured interview schedule was formulated and separated into eight questions with several
sub-questions. The questions focussed on the themes identified in Chapter Five of the study.

4.6. Questionnaire Design

The purpose of the questionnaire in a study of this nature is to extract information from the sample. For this study, a self-administered questionnaire was used. According to Bryman (2012 232), the self-administered questionnaire requires the respondents to answer the questions by completing the questionnaires themselves.

This study also used the internet data collection method to administer the questionnaires, i.e. the questionnaires were sent to respondents using emails and other electronic means of communication (Trochim 2006: 2; Bryman 2012 658). For this study, an electronic questionnaire was created using Google Forms. The survey forms were then emailed directly to respondents. The electronic questionnaire included both closed-ended and open-ended questions. The advantages of using the internet to collect data are four-fold. Firstly, it is relatively inexpensive to administer. Secondly, the same instrument can be sent to a wide number of people in different locations. Thirdly, data can be collected and collated quickly. Fourthly, the respondents are able to fill out the questionnaire at their own convenience (Bryman, 2012:658; Trochim, 2006:3; Wagner, 2012:102).

However, the Internet data collection method comes with certain disadvantages. In this study, the major disadvantages were that the response rates were low and slow. Other challenges experienced were that most respondents feared that the confidentiality of their offices would be compromised. In order to avoid these challenges, the researcher sent reminders to the respondents asking for their participation in the survey. In addition, the researcher attached a comprehensive covering letter to the respondents, explaining the reasons for the research and why the respondent had been selected. Furthermore, the respondents were reminded in the covering letter that their confidentiality and anonymity were guaranteed.
4.6.1. Description of the construction of the questionnaire

The research instrument for this study consisted of a pre-coded questionnaire which was constructed with careful thought given to the length, the format and the particular style of questions asked. The questions were asked with the aim of eliciting data that was appropriate for analysis. The wordings were carefully chosen in order to avoid ambiguity and clear instructions were given to respondents on how to answer each of the questions. The style of questions consisted of 3 tick-box questions, 13 Likert scale type questions and 14 open-ended questions.

As all the respondents were from the corporate sector, a corporate organisation questionnaire design was adopted and directed to senior managers, middle managers, CSR and sustainability managers, public relations managers, human resources managers, as well as other senior staff members who were familiar with the research field.

4.6.2. The corporate organisation questionnaire

The corporate organisation questionnaire consisted of 99 items. The questionnaire was divided into seventeen questions, which measured the ten themes of this study. The questionnaire was constructed to enable the researcher obtain the following information:

- The economic sector in which the respondent’s company operates;
- The position of the respondent in the organisation;
- The importance of CSR implementation in the company;
- Areas of CSR that are most important to the company;
- Factors that motivate CSR implementation in the respondent’s company;
- Areas where CSR implementation is most challenging;
- Legal compliance challenges faced by companies;
- How compliance with CSR and CG legislation impacts on CSR implementation; and
- Measures adopted by the sampled companies to mitigate challenges associated with CSR implementation.
According to Wagner (2012: 103), when constructing a questionnaire of this nature, the survey should have a title in order to introduce the respondents to the topic and also add an element of credibility to the questionnaire. The survey should also have a preamble or an accompanying covering letter that explains to the respondents what the overall aim of the survey entails.

In this study, the researcher titled the questionnaire and wrote an accompanying covering letter to the respondents explaining the overall aim of the survey, as well as explaining how confidentiality and anonymity were going to be ensured. The covering letter solicited the participation of the respondents by giving an incentive, offering to mail the summary of the findings of the survey to them. The covering letter also contained basic instructions on how to complete the questionnaire and was counter-signed by the supervisor in order to validate and legitimise the survey. Questions in the survey were structured, taking into consideration the research objectives, the research themes and the findings of the literature review. The questionnaire was pre-tested by two academic staff and two persons from the corporate sector who were familiar with the topic. The questionnaire was then submitted to a statistician for input to ensure that data derived would be appropriate for analysis with the Statistical Package for Social Sciences (SPSS) version 24.0.

4.7. Pre-testing and pilot-testing

Ornstein (2013: 100) describes the survey pre-test as a procedure aimed at detecting problematic questions in a survey and remedying the defect before the questionnaires are sent out to respondents. In this study, the questionnaire was pre-tested by two academic staff members and pilot-tested by two people in the corporate environment who are familiar with the area of the study. The questionnaire was also submitted to a statistician for the purpose of a constructive critique. The pilot-test of the questionnaire assisted the researcher in identifying questions with high non-response rates and enabled the researcher to either add a supplementary probing question or re-word the question. It also enabled the researcher to check the wording, the question sequence as well as the form and layout of the questionnaire.

A pilot-test was carried out with two persons from companies that were representative of the target population. The respondents noted that some of the questions were too lengthy and too technically worded, to the extent that
respondents who were not familiar with technical aspects of law were unable to answer them. The questionnaire and the structured interview schedule were thereafter re-phrased and shortened in line with the observations.

4.8. Coding of Data

According to Creswell (2009: 186), coding is the process whereby data is organised into categories or segments of text. Thereafter, the categories are labelled with a term. Ghauri and Gronhaug (2002: 122) similarly describe coding as the classification and compartmentalisation of data into meaningful analytical units. Myers (2013: 167) contends that coding is one of the simplest ways to analyse qualitative data and describes coding as a procedure where a researcher uses a word to describe or summarise a sentence, a paragraph or a piece of text. According to Flick (2014: 373), coding is the process of generating concepts from material and allotting excerpts of the material to categories. Creswell (2009: 184) likewise asserts that coding separates the text into smaller units, allows the researcher to assign labels to each unit and group the codes into themes.

In this study, the questions in the questionnaire as well as the transcribed responses from the structured interviews were each assigned numbers. The respondents were required to rate their answers using a Likert scale. This enabled the researcher to categorise the data and allot them to the themes used in this study.

4.9. Thematic analysis

Qualitative data is obtained from open-ended questions in the questionnaire and the structured interviews conducted with selected respondents. A thematic analysis is thereafter conducted on the data obtained from both the survey and the structured interviews. According to Kawulich and Holland (2012: 231), a thematic analysis involves the identification of themes or patterns in the data. The data obtained are divided into segments and scrutinized for commonalities. The data is then categorised into themes.

In this study, data from the survey and the responses from the structured interview are analysed for commonalities and categorised into themes. The study is categorised into ten core themes. Where necessary, the themes are further
categorised and displayed as sub-themes within the matrix of each theme (Bryman, 2012:579). Each theme and sub-theme is then coded, which helps to identify patterns in the data. This process is also known as the ‘constant comparative method’ (Kawulich and Holland 2012: 231).

4.10. **Analysis of data**

Once data has been collected and coded, it must thereafter be analysed. There are different types of statistical techniques available for the analysis of data. In order to determine the appropriate technique to use for the data collected, a statistical test is required. In this study, the qualitative data were derived from open-ended questions and the responses obtained from structured interviews. The qualitative data was thereafter analysed by the researcher. The statistical technique adopted for analysing the quantitative data of this study is the Statistical Package for the Social Sciences (SPSS) version 24.0. According to Bryman (2012 354), SPSS is possibly the most widely used computer software for the analysis of quantitative data for studies in the social sciences.

4.11. **Data processing and analysis**

This study adopted a mixed method research approach, whereby the researcher collected both qualitative and quantitative data. The qualitative data was collected through structured interviews, as well as surveys. The quantitative data was collected using questionnaires. According to Hesse-Biber (2010: 184), coding and memo-ing are powerful techniques that can be used in processing and analysing mixed method research data. As explained above, data collected from the structured interviews and questionnaires were collated, checked for completeness, edited, coded and thereafter analysed.

The results for this study, which are presented in Chapter Five, are presented in two formats using descriptive statistics and inferential statistics.

4.11.1. **Descriptive statistics**

According to Wagner (2012: 176), descriptive statistics are used to explain the quantitative/numerical data collected in the research. Descriptive statistics assist the
researcher to summarise and describe information using graphs and numbers. The aim of descriptive statistics in research is to enable the research to describe the findings of the data collected using frequencies, mean, median, mode, proportions, standard deviation, etc. In this study, frequency distribution tables are used to present the data in a tabular and graphical format.

4.11.2. Frequencies

The frequency distribution table is used to present data graphically or in a table format. According to Wagner (2012: 185), the purpose of constructing a frequency distribution table is to indicate how often a certain score occurs. The scores are then grouped together in equally sized ranges referred to as a ‘class interval’. In this study, a frequency distribution table was constructed. From the frequency table, graphs and distribution tables were constructed, which are used to present the results of the study.

4.11.3. Mean

The mean is one of the methods used to calculate the central tendency in a set of research results. The means refer to the average mark of the group or the class. The purpose of calculating the mean in research is to find a score that best represents the entire scores in the data set. The mean is calculated by adding together all the scores and then dividing this by the total number of scores (Wagner 2012: 177). Although the mean is calculated in this research, the findings will be reported using percentages, because percentage allows for the accurate measure of the raw scores obtained from the research results.

4.11.4. Median

The median is the middle point of the distribution. The median is a more accurate reflection of the data set than the mean especially when there are extreme scores. The median is calculated by adding the value of the two middle scores and dividing the total by two (Wagner 2012: 178).
4.11.5. Mode

The mode is the score that occurs most often. The mode allows the researcher to describe nominal or categorical data. The mode in research refers to the frequency in which a response occurs (Wagner 2012: 179).

4.11.6. Factor analysis

Factor analysis is a statistical technique whose primary goal is to reduce data. Factor analysis is usually used in survey research, in a situation where a researcher aspires to represent a number of questions with a small number of hypothetical factors. Factor analysis is typically used to ascertain whether the measures do, in fact, measure the same thing. Where it is established, the variables can then be combined to create a new variable that contains a score for each respondent on the factor (Moonsamy and Singh 2014: 271).

In this study, the matrix tables are preceded by a summarised table that reflects the results of Kaiser-Meyer-Olkin (KMO) and Bartlett's Test. According to Moonsamy and Singh (2014: 271), the KMO test is used to assess the appropriateness of using factor analysis on data and the Bartlett's test is used to test the null hypothesis, $H_0$ that all $k$ population variances are equal against the alternative that at least two are dissimilar. The authors contend that the requirement is that Kaiser-Meyer-Olkin, measure of Sampling Adequacy should be greater than 0.50 and Bartlett's Test of Sphericity less than 0.05. In all instances, the conditions are satisfied in this study, which allows the factor analysis procedure to be undertaken.

4.12. Inferential statistics

Inferential statistics were also used to enable conclusions to be drawn by the researcher about the population based on the data collected from the sample (Wagner 2012: 203). According to Omair (2012: 1255) when a researcher is presenting inferential statistics, both the positive and negative results that are relevant to the research study should be presented. Inferential analysis is used to correlate the variables in order to draw inferences from the sample of a population, which will then assist the researcher to formulate conclusions from the results.
4.12.1. Chi-Square analysis and analysis of variance

The chi-square ($\chi^2$) is a test used to establish the relationship between two variables in the population. The test is produced by calculating the difference between the actual and expected values of each cell in a cross-tabulation and then summing the differences (Bryman 2012 348). The chi-square is interpreted in relation to its associated level of statistical significance, which is represented in this study as $p<0.0001$. According to Bryman (2012 349), this means that there is only 1 chance in 10,000 of falsely rejecting the null hypothesis.

According to Wagner (2012: 204) a null hypothesis states that there is no relationship between the variables that are being studied. The author contends that a null hypothesis is the benchmark against which all the research outcomes are compared. The null hypothesis is usually assumed true until the researcher can prove that there is a difference between the variables.

4.12.2. Cronbach’s alpha test

The Cronbach’s alpha test is used to measure the internal reliability of a research instrument. It is used in order to determine how closely related a set of items are as a group (Institute for Digital Research and Education Search 2017). Bryman (2012 107) contends that the Cronbach’s alpha test calculates the average of all possible split-half reliability coefficients, and is based on inter-item correlation. The author also notes that in most social science research such as this, a reliability coefficient of .70 or higher is considered acceptable.

4.13. Validity

According to Bryman (2012 717), validity in research is primarily concerned with the integrity of the conclusions that are derived from the research. The author contends that validity refers to the issue of whether an indicator that is devised to measure a concept in research actually measured that concept. There are different ways to ascertain validity in quantitative, qualitative and mixed-methods research. In view of the fact that this study comprises all these methods, it would be pertinent to discuss how they were ensured.
In presenting the results for the study, the *construct validity* of the quantitative analysis had to be ensured. According to Wagner (2012: 268), Construct Validity refers to the degree to which inferences can be made from the operationalised to the theoretical construct of a study. Factor analysis is used to measure the construct validity in this study. Factor analysis, as discussed above, is a statistical technique used to establish whether the different variables do, in fact, measure the same thing. If so, the variables are then combined to create a new variable (Moonsamy and Singh 2014: 271). In this study, various variables were combined using factor analysis technique to create the ten themes of this research.

Validity for the qualitative analysis in this study took the form of face validity. Face validity refers to a situation where the researcher will ask other people who are experienced in the research field to judge whether the measure reflects the concept of the research (Bryman 2012 171). This study used pre-testing to test the validity of the research instrument.

Validity of the mixed-method was ensured with the use of triangulation. According to Wagner (2012: 163), triangulation is used in an attempt to base a research conclusion on more than one source of evidence and to increase the credibility of the research evaluations. For this study, findings from the qualitative/qualitative analyses were compared with literature to ensure the validity of the study evaluations.

### 4.14. Reliability

Wagner (2012: 273) describe reliability as the consistency of measurement of a concept. Welman, Kruger and Mitchell (2005: 145) contend that reliability is concerned with the findings of the research and relates to the credibility of the findings. The authors maintain that in order to determine whether the research findings are credible, the following question need to be asked:

- Will the evidence obtained from the study stand up to scrutiny?
- Will the conclusions of the study stand up to scrutiny?

According to Bryman (2012 169), reliability is concerned with issues of consistency of measures. According to the author, when considering whether a measure is reliable, factors such as stability and internal reliability must be considered. Stability refers to whether a measure is stable and will not fluctuate over time. Internal
reliability refers to whether the indicators that make up the scale or index are consistent, i.e. whether the respondents’ scores on any of the indicators tend to relate to their scores on other indicators. Different approaches are used to ensure reliability in a mixed methods study such as this. The following is a discussion on how reliability was ensured in the quantitative, qualitative and mixed methods analysis.

In quantitative research, internal reliability is ensured by using the Cronbach’s alpha test, which is a test used in order to determine how closely related a set of items are as a group (Institute for Digital Research and Education Search 2017). The Cronbach’s alpha test was used in this study to ensure the reliability of the quantitative aspect of the study.

Although the term reliability is mostly used in testing or evaluating quantitative research, the concept is also used to test the quality of qualitative research (Golafshani 2003: 601). To ensure the reliability of the qualitative aspect of this research, triangulation was used. According to Golafshani (2003: 603), triangulation is a strategy that is used to improve the validity of qualitative research, as well as for the evaluation of the findings. In this study, the results obtained from the qualitative data is coded and triangulated with the results obtained from the quantitative data in order to ensure the reliability of the findings of the study.

4.15. **Validity and Reliability in mixed methods research**

According to Hesse-Biber (2010: 86), within the mixed methods field, discussions on validity and reliability are often centred around the design element of the study. For example, the author notes questions that are often asked about a study that adopts the mixed methods approach as follows:

- Does the research use both quantitative and qualitative data and, if so has, the researcher mixed the data?
- Does the study give a good reason for using the mixed method?
- Does the study clearly state the mixed methods steps involved in collecting and analysing the data?

In the study, the researcher has demonstrated that the research instruments used for the study are the questionnaire and the structured interview schedule. The
researcher indicated that the closed-ended questions in the questionnaire were used to obtain the quantitative data, while the open-ended questions in the questionnaire as well as the structured interview was used to obtain qualitative data. The study also explained that the mixed methods approach was the most appropriate approach for a study of this nature as it allowed the research question/problem to be investigated thoroughly. The study also explained the steps used in collecting and analysing the data collected. The validity and reliability of the research instruments were ensured using the Cronbach’s alpha test, the pre-test, pilot-test, as well as the coding and triangulation methods.

4.16. Conclusion

Chapter Four discussed the methodology used in conducting this research. The research design, research method, sampling design, questionnaire design, reliability and validity, data collection, sampling methods and analysis of data were described. The chapter explained the research instruments used for collection of the data, namely the questionnaire and structured interviews. The questionnaire contained both closed and open-ended questions. The questions asked were formulated in accordance with the aim and objectives of the study and were administered to respondents who were familiar with the subject matter or held certain positions in the sampled companies. The quantitative data derived were analysed using SPSS version 24.0 computer software, while the qualitative data was analysed by the researcher.

The chapter discussed the research methodology adopted for the study, which is the mixed method and explained that is was the most suitable method for this research as it enabled the researcher to obtain both quantitative as well as qualitative data and to integrate them in such a way that the results would produce valid findings. The analysis and discussion of results and presentation of findings is undertaken in Chapter Five.
CHAPTER FIVE

RESEARCH FINDINGS AND ANALYSIS

5.1. Introduction

The previous chapter outlined the methodology used in this study. The chapter provided a detailed analysis of the mixed-method research approach adopted by this study. The mixed method approach was considered appropriate for this study as it involves the collection, interpretation and analysis of both qualitative and quantitative data.

This chapter presents an analysis and interpretation of the data collected, as well as a discussion of the findings of the study. In analysing the data, the responses received in terms of the questionnaire and interviews are categorised into ten themes for a more accurate interpretation and discussion of the findings (Bryman 2012 13). The findings from the study are presented with support from literature, where possible.

The findings of the study are categorised and discussed under the following themes.

5.1.1. Research themes:

- **Theme One**: Importance of CSR in South African listed companies;
- **Theme Two**: Factors that motivate CSR implementation in JSE-listed companies;
- **Theme Three**: Corporate governance and legal compliance challenges in implementing CSR for listed companies;
- **Theme Four**: The Companies Act, No. 71 of 2008 and its impact on CSR implementation in JSE-listed companies;
- **Theme Five**: The King Report on Corporate Governance and its impact on CG and CSR implementation in JSE-listed companies;
- **Theme Six**: The Broad-Based Black Economic Empowerment Amendment Act No. 46 of 2013 (BBBEE) and its impact on CSR implementation in JSE-listed companies;
• **Theme Seven**: The Employment Equity Amendment Act No 47 of 2013 (EEA) and its impact on CSR implementation in JSE-listed companies;

• **Theme Eight**: The FTSE/JSE Africa Index Series and its impact on CSR implementation;

• **Theme Nine**: The impact of legal compliance challenges on CG and CSR implementation in JSE-listed companies; and

• **Theme Ten**: Measures adopted by companies to mitigate the challenges associated with CSR implementation.

### 5.2. Statement of findings, interpretation and discussion of the primary data

This section of the chapter presents the results and discusses the findings obtained from data collected through questionnaires and interviews. The questionnaire was the primary tool used to collect data and was distributed to the top 100 of the 200 companies listed on the JSE in 2012 (Financial Mail 2013). The data collected from the responses was analysed using SPSS version 24.0. The results are presented in the form of graphs, cross tabulations and other figures for the quantitative data collected. Inferential techniques include the use of correlations and chi square test values, which are interpreted using the p-values.

The study also collected data through structured interviews with six respondents selected from the target population consisting of the top 100 companies on the JSE in 2012 as listed by the Financial Mail in its 2013 publication (Financial Mail 2013). The responses from the interviews were analysed and a narrative analysis of the findings are presented.

### 5.2.1. The sample

In total, 100 questionnaires were despatched to be administered to the top 100 of the 200 top performing companies as listed by the Financial Mail in 2013. A research assistant was engaged to administer the questionnaires to the companies. Seventy-three questionnaires were returned, which gave a 73% response rate.
5.2.2. The Research instruments

The research instrument (questionnaire) consisted of 99 items, with a level of measurement at a nominal or an ordinal level. The questionnaire was divided into 17 focus areas which measured various themes, as indicated earlier (see appendix i).

The structured interview schedule was divided into 8 questions, which also measured the various themes indicated (see appendix ii).

5.2.3. Reliability Statistics

The two most important aspects of precision are reliability and validity. Reliability is computed by taking several measurements on the same subjects and is concerned with testing the consistency of the measures (Bryman 2012 169). A reliability coefficient of 0.70 or higher is considered “acceptable” (Assensoh-Kodua and Imrith 2016).

Table 5.1 below reflects the Cronbach’s alpha score for all the items that constituted the questionnaire.

Table 5.7: Cronbach’s alpha score for all the items that constituted the questionnaire

<table>
<thead>
<tr>
<th>Question</th>
<th>Section</th>
<th>Number of Items</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Areas of CSR that are most important to company</td>
<td>7</td>
<td>0.773</td>
</tr>
<tr>
<td>5</td>
<td>Factors that motivated CSR implementation</td>
<td>12</td>
<td>0.757</td>
</tr>
<tr>
<td>6</td>
<td>Areas of CSR implementation that are most challenging for companies</td>
<td>8</td>
<td>0.890</td>
</tr>
<tr>
<td>7</td>
<td>Legal compliance challenges with CSR and CG legislation</td>
<td>5</td>
<td>0.742</td>
</tr>
<tr>
<td>9</td>
<td>Influence of 2008 Companies Act on CSR implementation</td>
<td>2</td>
<td>0.850</td>
</tr>
<tr>
<td>10</td>
<td>Impact of S75 -77 of 2008 Companies Act on CG and CSR implementation</td>
<td>3</td>
<td>0.860</td>
</tr>
</tbody>
</table>
The reliability scores for all sections exceed the recommended Cronbach’s alpha value. This indicates a degree of acceptable, consistent scoring for these sections of the research.

5.2.4. Factor analysis

Factor analysis is conducted only for the Likert scale items. Certain components are divided into finer components. This is set out below in the rotated component matrix in Table 5.2.

Table 5.8: KMO and Bartlett’s Test

<table>
<thead>
<tr>
<th>Question</th>
<th>Section</th>
<th>Kaiser-Meyer-Olkin Measure of Sampling Adequacy</th>
<th>Bartlett’s Test of Sphericity</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Areas of CSR that are most important to company</td>
<td>0.698</td>
<td>112.036</td>
</tr>
<tr>
<td></td>
<td>Description</td>
<td>Value 1</td>
<td>Value 2</td>
</tr>
<tr>
<td>---</td>
<td>-------------------------------------------------------------------------------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>5</td>
<td>Factors that motivated CSR implementation</td>
<td>0.728</td>
<td>189.199</td>
</tr>
<tr>
<td>6</td>
<td>Factors that make CSR implementation challenging for companies</td>
<td>0.857</td>
<td>276.218</td>
</tr>
<tr>
<td>7</td>
<td>Challenges of compliance with CSR and CG legislation</td>
<td>0.583</td>
<td>200.191</td>
</tr>
<tr>
<td>9</td>
<td>Influence of 2008 Companies Act on CSR implementation</td>
<td>0.498</td>
<td>56.480</td>
</tr>
<tr>
<td>10</td>
<td>Impact of S.75 -77 of 2008 Companies Act on CG</td>
<td>0.717</td>
<td>99.126</td>
</tr>
<tr>
<td>11</td>
<td>Challenges of integrated reporting</td>
<td>0.768</td>
<td>193.116</td>
</tr>
<tr>
<td>12</td>
<td>Governance challenges in stakeholders management</td>
<td>0.708</td>
<td>156.033</td>
</tr>
<tr>
<td>13</td>
<td>BBBEE Act and impact on CSR implementation</td>
<td>0.822</td>
<td>310.804</td>
</tr>
<tr>
<td>14</td>
<td>EEA and impact on CSR implementation</td>
<td>0.833</td>
<td>246.642</td>
</tr>
<tr>
<td>15</td>
<td>Challenges of compliance with the JSE SRI Index</td>
<td>0.712</td>
<td>108.947</td>
</tr>
<tr>
<td>16</td>
<td>Impact of legal compliance on CSR implementation</td>
<td>0.883</td>
<td>292.163</td>
</tr>
<tr>
<td>17</td>
<td>Measures adopted by listed companies in overcoming challenges associated with CSR implementation</td>
<td>0.693</td>
<td>110.256</td>
</tr>
</tbody>
</table>
All of the conditions are satisfied for factor analysis, that is, the Kaiser-Meyer-Olkin Measure of Sampling Adequacy value should be greater than 0.500 and the Bartlett's Test of Sphericity sig. value should be less than 0.05. The only factor which is less than 0.500, is question 9, which is 0.498, however it approaches acceptability.

5.2.5. Rotated Component Matrix

For descriptive purposes, two of the fourteen sections of the rotated component matrix are analysed in Table 5.3. The remaining patterns are inferred from the discussions.

Table 5.9 Component Matrix

<table>
<thead>
<tr>
<th>Q9. Influence of 2008 Companies Act on CSR implementation</th>
<th>Component 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Companies Act has enabled directors to become more aware of their duties and responsibilities, as a result greater effort is made to ensure that the company is compliant with relevant CG and CSR provisions in the Act</td>
<td>0.931</td>
</tr>
<tr>
<td>There has been significant improvement in the area of CSR implementation and reporting as more budgetary allocation is made to CSR implementation than previously</td>
<td>0.934</td>
</tr>
<tr>
<td>CSR implementation remains a challenge for my company as directors deem CSR as deviating from core company activities and expensive to implement</td>
<td>0.658</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.

a. 1 component extracted
Table 5.10: Rotated Component Matrix

<table>
<thead>
<tr>
<th>Q7. Challenges of compliance with CSR and CG legislation</th>
<th>Component</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Companies</td>
</tr>
<tr>
<td>Legal compliance with CG and CSR legislation is challenging for companies because it is expensive to engage the personnel required to manage the process</td>
<td>0.760</td>
</tr>
<tr>
<td>Companies view legal compliance with CSR legislation as a deviation from core responsibility and a hindrance to company activities</td>
<td>0.872</td>
</tr>
<tr>
<td>The provisions of the 2008 Companies Act, which deal with director’s duties, liability and standard of conduct, has enhanced legal compliance in our company</td>
<td>0.151</td>
</tr>
<tr>
<td>Directors are more aware of their responsibilities, liabilities, standard of conduct and the consequences of non-compliance due mainly to the 2008 Companies Act</td>
<td>0.034</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization

a. Rotation converged in 3 iterations

With reference to Tables 5.3 and 5.4 above:

- The principle component analysis was used as the extraction method and the rotation method was Varimax with Kaiser Normalization. This is an orthogonal rotation method that minimizes the number of variables that have high loadings on each factor. It simplifies the interpretation of the factors.
- Factor analysis/loading shows inter-correlations between variables.
- Items of questions that loaded similarly imply measurement along a similar factor. An examination of the content of items loading at or above 0.5 (and using the higher or highest loading in instances where items
cross-loaded at greater than this value) effectively measured along the various components.

The statements that constituted the following questions loaded perfectly along a single component.

<table>
<thead>
<tr>
<th>Q9</th>
<th>Q10</th>
<th>Q11</th>
<th>Q12</th>
<th>Q13</th>
<th>Q14</th>
<th>Q15</th>
<th>Q16</th>
<th>Q17</th>
</tr>
</thead>
</table>

This implies that the statements that constituted these sections perfectly measured what they set out to measure.

It is noted that the variables that constituted the remaining questions loaded along 2 or 3 components (sub-themes). This means that respondents identified different trends within the section. Within the section, the splits are colour coded.

**5.2.6. Eigenvalues**

The Eigenvalues are the variances of the factors. The factor analysis of this research was conducted on the correlation matrix, this implies that the variables are standardized, which means that each variable has a variance of 1, and the total variance is equal to the number of variables used in the analysis. (See eigenvalue for questions 4-18 in appendix iii).

**5.2.7. Hypothesis Testing**

The traditional approach to reporting a result requires a statement of statistical significance. A *p*-value is generated from a test statistic. A significant result is indicated with "p < 0.05". These values are highlighted with an *.

A second **Chi-square test** was performed to determine whether there was a statistically significant relationship between the variables (rows vs columns).

The null hypothesis states that there is no association between the two. The alternate hypothesis indicates that there is an association. For example: The p-value between “Please tick the sector to which your organisation belongs” and “Relationship with the community” is 0.003. This means that there is a significant relationship between the variables highlighted in yellow. That is, the sector did play a significant role in terms of how respondents viewed the relationship with the
community. All values without an * (or p-values more than 0.05) do not have a significant relationship. See (chi-square appendix iv).

5.2.8. Correlations

Bivariate correlation was performed on the (ordinal) data. The results indicate the following patterns.

Positive values indicate a directly proportional relationship between the variables and a negative value indicates an inverse relationship. All significant relationships are indicated by an * or **.

For example, the correlation value between “Policy towards employees” and “Ethical motivation” is 0.481. This is a directly related proportionality. Respondents indicate that the better the policies towards employees, the more the ethical motivation is, and vice versa.

Negative values imply an inverse relationship. That is, the variables have an opposite effect on each other.

For example, the correlation value between “How important is corporate social responsibility (CSR) implementation in your company?” and “Greater employee satisfaction” is $-0.292$. That is, the less important CSR is, the less satisfied employees are. See (correlation chart appendix v).

5.3. Discussion of Research Themes and Findings

5.3.1. Biographical

5.3.1.1. Positions held by respondents in their companies

Question 2 requested respondents to indicate the positions that they occupy in their companies. Figure 5.1 indicates the positions held by respondents in their companies.
The following patterns are observed:

- A majority (58%) of respondents indicated that they held senior management positions in their companies;
- Some respondents (39%) indicated that they held middle-management positions in their respective companies; and
- The remaining 3% of respondents held executive positions or had recently retired from the company.

5.3.1.2. **Biographical details of participants: structured interview**

Participants for the structured interviews were randomly selected from the research sample. Of the six respondents interviewed, one was an executive manager, four were senior managers and one was a middle manager in charged of sustainability-related issues in the company.

The results indicate that a majority of respondents/participants in the study were Senior/Middle Managers (97%). The fact that so many Senior/Middle Managers responded/participated in the survey implies that response received were from experienced professionals.
5.3.2. Theme one: The importance attached to CSR implementation in JSE-listed companies

This theme included a combination of Questions 3 and 4. The theme sought to determine the level of importance attached to CSR implementation in the sampled companies, as well as the areas of CSR implementation that were considered to be the most significant in the sampled companies.

Question 3 requested respondents to indicate the importance of CSR implementation in their companies. The results are presented in Table 5.5 below.

Table 5.11: The level of importance attached to CSR implementation

<table>
<thead>
<tr>
<th>How important is corporate social responsibility (CSR) implementation in your company?</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percentage</th>
<th>Cumulative Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely important</td>
<td>38</td>
<td>52,1</td>
<td>52,1</td>
<td>52,1</td>
</tr>
<tr>
<td>Very important</td>
<td>32</td>
<td>43,8</td>
<td>43,8</td>
<td>95,9</td>
</tr>
<tr>
<td>Average importance</td>
<td>2</td>
<td>2,7</td>
<td>2,7</td>
<td>98,6</td>
</tr>
<tr>
<td>Don't know</td>
<td>1</td>
<td>1,4</td>
<td>1,4</td>
<td>100,0</td>
</tr>
<tr>
<td></td>
<td>73</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Table 5.5 indicates that 52% of respondents viewed CSR implementation as extremely important to their companies, while 44% indicated that CSR was very important to their companies. Only 3% indicated that CSR implementation was of average importance in their companies and 1% of respondents did not know the level of importance their company attached to CSR implementation.

All six participants (during the structured interviews) indicated that CSR implementation was viewed as a very important corporate strategy in their organisations.
The above results indicate that a majority (96%) of the sampled South African listed companies found CSR implementation extremely/very important in their companies.

The findings on this issue are consistent with the views of various authors who are of the opinion that CSR has become an integral part of business practices in South Africa over the last two decades. The authors premised their opinions on the fact that many corporations have dedicated sections in their annual reports and corporate websites to reporting and promoting CSR activities (Ramlall 2012; Rampersad 2015; Muranda 2016; Reddy 2016; Windsor 2016; Zyglidopoulos, Williamson and Symeou 2016).

The findings are also consistent with the findings from a study conducted by Benon-be-isan Nyuur, Ofori and Debrah (2014: 103), where the authors found that amongst the Sub-Saharan African countries surveyed, South African managers tend to dedicate larger portions of their time to CSR-related activities, compared to their counterparts in other Sub-Saharan African countries who spent only 20% or less of their time on CSR issues and initiatives.

5.3.3. Areas of CSR most significant to companies

Question four requested respondents to indicate the area of CSR which was considered to be most significant/important to their companies.

Table 5.6, summarises the scoring patterns on the question relating to the areas of significance/importance of CSR in companies. Figure 5.2 is a graphical presentation of the responses.

Table 5.12 Area of CSR most significance/importance to companies

<table>
<thead>
<tr>
<th>Area of CSR most significance/importance to companies</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Chi Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance and dialogue</td>
<td>Count</td>
<td>Row N %</td>
<td>Count</td>
<td>Row N %</td>
<td>Count</td>
<td>Row N %</td>
</tr>
<tr>
<td>Q4.1</td>
<td>0</td>
<td>0.0%</td>
<td>2</td>
<td>3.0%</td>
<td>5</td>
<td>7.6%</td>
</tr>
</tbody>
</table>
The following patterns are observed from the results:

- All statements show significantly higher levels of agreement/strong agreements;

<table>
<thead>
<tr>
<th>Area</th>
<th>Q4.1</th>
<th>Q4.2</th>
<th>Q4.3</th>
<th>Q4.4</th>
<th>Q4.5</th>
<th>Q4.6</th>
<th>Q4.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy towards employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4.2</td>
<td>0</td>
<td>0.0%</td>
<td>2</td>
<td>3.3%</td>
<td>6</td>
<td>9.8%</td>
<td>37</td>
</tr>
<tr>
<td>Relationship with clients and suppliers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4.3</td>
<td>0</td>
<td>0.0%</td>
<td>1</td>
<td>1.6%</td>
<td>4</td>
<td>6.6%</td>
<td>36</td>
</tr>
<tr>
<td>Relationship with the community</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4.4</td>
<td>0</td>
<td>0.0%</td>
<td>2</td>
<td>3.1%</td>
<td>5</td>
<td>7.8%</td>
<td>35</td>
</tr>
<tr>
<td>Environmental protection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4.5</td>
<td>0</td>
<td>0.0%</td>
<td>4</td>
<td>6.6%</td>
<td>12</td>
<td>19.7%</td>
<td>31</td>
</tr>
<tr>
<td>Compliance with regulations and guidelines</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4.6</td>
<td>0</td>
<td>0.0%</td>
<td>2</td>
<td>3.2%</td>
<td>7</td>
<td>11.3%</td>
<td>37</td>
</tr>
<tr>
<td>Community development projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4.7</td>
<td>0</td>
<td>0.0%</td>
<td>3</td>
<td>4.8%</td>
<td>11</td>
<td>17.5%</td>
<td>37</td>
</tr>
</tbody>
</table>

Figure 5.2: Areas of CSR most important/significant to the company
There are no statements with significant levels of disagreement or strong disagreements; and

The results indicated that a majority (92%) of companies agreed/strongly agreed that their relationships with clients and suppliers were the areas which their companies considered the most important in CSR implementation. The second most important areas of CSR implementation identified by the sampled companies were governance and dialogue with stakeholders (89%), as well as relationships with the community (89%). The third area of importance is policy towards employees (87%). The others, according to their levels of importance as indicated from the results, are compliance with regulations and guidelines (86%); community development (78%); and environmental protection (74%).

The results above are consistent with the findings from the structured interviews. All six participants in the structured interviews agreed that their companies considered complying with all CSR and CG legislation and being seen as good corporate citizens by their clients, suppliers and customers (which include government) as areas of importance to their organisations. Participants also indicated that the relationship with the communities in which they operate, employee satisfaction, environmental protection, as well as stakeholders management were all very important to their companies.

The above findings are consistent with the views of Carroll (2008: 40), who postulated that in the 21st century, the most important CSR dimensions would be environment, community relations and employees relations amongst other issues.

5.3.4. Theme Two: Factors that motivate CSR implementation in JSE-listed companies

The study sought to determine the factors that motivated CSR implementation in JSE-listed companies. The theme is comprised of the items contained in Question 5. Question 5 consists of a list of 12 items identified by literature as factors that motivate CSR implementation in companies. The results are presented below.
5.3.4.1. Factors motivating CSR implementation in JSE-listed companies

Question 5 listed 12 possible motivating factors for CSR implementation. Respondents were asked to rate the items in Table 5.7 to indicate their levels of agreement or disagreement with the items listed. A graphical representation of the responses is shown in Figure 5.3.

Table 5.7: Factors that motivate CSR implementation in JSE-listed companies

<table>
<thead>
<tr>
<th>Factors</th>
<th>Q5.1</th>
<th>Q5.2</th>
<th>Q5.3</th>
<th>Q5.4</th>
<th>Q5.5</th>
<th>Q5.6</th>
<th>Q5.7</th>
<th>Q5.8</th>
<th>Q5.9</th>
<th>Q5.10</th>
<th>Q5.11</th>
<th>Q5.12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical motivation</td>
<td>54.5</td>
<td>60.0</td>
<td>61.3</td>
<td>71.7</td>
<td>60.7</td>
<td>65.6</td>
<td>71.9</td>
<td>60.7</td>
<td>60.3</td>
<td>49.2</td>
<td>46.8</td>
<td></td>
</tr>
<tr>
<td>Environmental protection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To promote corporate image and reputation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders satisfaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase of corporate income and profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater employee satisfaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit in relationship with government institutions and community</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in corporate profitability</td>
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<td>Pressure from consumer association and media</td>
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<td>Compliance with CSR legislation</td>
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<tr>
<td>Philanthropy i.e. donations</td>
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<tr>
<td>Avoidance of punitive measures/consequences of non-compliance against company.</td>
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</tbody>
</table>

Figure 5.3: Factors that motivate CSR implementation in JSE-listed companies
The following patterns are observed:

- Eleven out of the twelve statements show significantly high levels of agreements with the statements;
- Eleven out of the twelve statements show significant levels of strong agreements with the statements;
- The level of agreement with the statement in Question 5.9 is significantly lower (25%) when compared to the levels of agreement with the other statements;
- There are no statements with high levels of disagreements/strong disagreements;
- The statement in Question 5.9 shows a significant level of neutrality (49%).

When combining the levels of agreement/strong agreement, the results indicate that benefit in relationship with government institutions and community had the highest rating as (91%) of respondents agreed/strongly agreed with this assertion. The second highest consideration was shareholders’ satisfaction, where (90%) of respondents agreed/strongly agreed. The rest, in order of highest ratings, were increase in corporate income and profit (84%); greater employee satisfaction (84%); increase in corporate profitability (80%); environmental protection (75%); promotion of corporate image and reputation (74%); ethical motivation (73%); compliance with CSR legislation (72%); avoidance of punitive measures/consequences of non-compliance against the company (60%); philanthropy/donations (53%); and pressure from consumer associations and media (26%), which was the least motivating factor.

During the structured interview, participants were asked to mention the factors that they believed motivated CSR implementation in their companies. All six respondents agreed that issues such as relationship with government and communities; shareholders’ satisfaction; employee satisfaction; compliance with legislation; etc were the factors that motivated their companies’ CSR implementation.

These findings are consistent with the views of Benon-be-isan Nyuur, Ofori and Debrah (2014: 105-107), whose study also identified stakeholder engagement; staff engagement; government policies; and community beneficiation as some of the
motivating factors that motivate CSR implementation amongst multi-national companies in the SSA region.

The findings are also consistent with the view of Skinner and Mersham (2008: 241-242) who contend that CSI activities in South Africa are motivated by factors such as: (i) public relations management; (ii) corporate reputation focus; (iii) charitable giving; (iv) grantmaking; (v) social investment; and (vi) Social change.

5.3.5. Theme Three: Corporate governance and legal compliance challenges in implementing CSR for listed companies

This theme included a combination of Questions 6 and 7. Question 6 sought to determine the areas in which companies considered CSR implementation most challenging. Question 7 sought to determine the impact that legal compliance had on CSR implementation. Respondents were asked to rate statements in each question using a Likert Scale. The results for each of the questions are presented below.

5.3.5.1. Areas where CSR implementation is most challenging for listed companies

Question 6 requested respondents to indicate the areas in which their companies found CSR implementation to be most challenging. Table 5.8 indicates the statements that respondents were asked to rate. Figure 5.4 is a graphical representation of the findings of the study. This is followed by an analysis and discussion of the findings.
Table 5.8: Statement of areas where CSR implementation is most challenging

<table>
<thead>
<tr>
<th>Area</th>
<th>Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal compliance challenge</td>
<td>6.1</td>
</tr>
<tr>
<td>Financial constraint</td>
<td>6.2</td>
</tr>
<tr>
<td>Skills challenge</td>
<td>6.3</td>
</tr>
<tr>
<td>Weak regulatory systems</td>
<td>6.4</td>
</tr>
<tr>
<td>Stakeholder management</td>
<td>6.5</td>
</tr>
<tr>
<td>CSR distracts/detracts from core discipline of company</td>
<td>6.6</td>
</tr>
<tr>
<td>Government interference such as dealing with regulations</td>
<td>6.7</td>
</tr>
<tr>
<td>Corruption</td>
<td>6.8</td>
</tr>
</tbody>
</table>

Figure 5.4: Areas where CSR implementation is most challenging

The following patterns are observed:

- All the statements show significantly higher levels of disagreement;
- There are significant levels of neutral, which means that respondents neither agreed with nor significantly disagreed with the statements;
- There are no statements with higher levels of agreement;
A significant number of respondents choose to remain neutral in relation to this theme: Legal compliance (19%); Financial constraints (24%); Government regulations (15%); Skills challenges (24%); Weak regulatory systems (28%); CSR distracting from core discipline (43%); Stakeholder management (28%); and Corruption (23%).

The results indicate that a significant number of respondents disagreed/strongly disagreed with the notion that corruption (72%) in their companies constituted a challenge to CSR implementation. The results also indicated that 23% of respondents opted to remain neutral on this issue, while only 5% thought that corruption in their companies hindered CSR implementation. The second highest rating was for government interference/regulations, where 62% of respondents disagreed/strongly disagreed with the statement that this was the most challenging aspect of CSR implementation for their organisations. However, on this issue 15% of respondents were neutral and 23% agreed/strongly agreed with the statement.

Skills challenges had the third highest rating in which 61% disagreed/strongly disagreed that this was the most challenging aspect of CSR implementation in their companies. However, on this issue, 24% opted to remain neutral while 15% agreed/strongly agreed with the statement.

On the issue of weak regulatory systems, 57% disagreed/strongly disagreed that this was the most challenging aspect of CSR implementation for their companies. However, 28% of respondents decided to remain neutral and 15% agreed/strongly agreed with the statement. Financial constraints had 53% disagreement/strong disagreement; 24% neutral; and 23% agree/strongly agree. On stakeholder management, 52% disagreed/strongly disagreed that this was the most challenging area, while 28% were neutral and 20% agreed/strongly agreed with the statement.

On the issue of legal compliance constituting a challenge for CSR implementation; 50% disagreed/strongly disagreed with the statement. However, 19% were neutral, while 31% of respondents agreed/strongly agreed with the statement. The results also indicate that 44% of respondents disagreed/strongly disagreed with the notion that CSR distracted from core company discipline. However, 43% decided to be neutral, while 13% agreed/strongly agreed with the statement.
Although a majority of respondents disagreed with the statements in question six, the findings on the issue relating to the areas where CSR implementation was most challenging to companies indicated that CSR implementation was most challenging to companies in the following areas, the combined percentage of agreements/strong agreements are indicated alongside the areas:

- Legal compliance (31%);
- Financial constraints (23%);
- Governmental interference/regulations (23%);
- Stakeholder management (20%);
- Skills challenges (15%);
- Weak regulatory systems (15%);
- CSR distracting from core discipline (13%); and
- Corruption (5%).

The findings above are consistent with views from participants during the structured interview. All six participants were of the view that their companies have had to deal with certain challenges when implementing their CSR policies. The majority of participants noted that areas that were most challenging for their companies in CSR implementation were as follows:

- **Financial constraints:** A majority of participants claimed that due to the harsh economic realities that their companies were facing, CSR projects were the first to have their budgets cut by their organisations.
- **Legal compliance:** Some participants indicated that understanding and interpreting CG and CSR legislation was challenging. They also indicated that their organisations had varied legislation to comply with at any given time thereby constituting a governance challenge for them.
- **Skills shortages:** participants indicated that finding the required skills within the communities to execute some of their CSR projects posed a major challenge to their CSR implementation. They indicated that most communities insist that projects be handed over to them for execution and implementation.
• **CSR distracting from core discipline:** This was also a major challenge due to the fact that companies dedicated a significant amount of time away from their core disciplines and on CSR projects.

• **Weak regulatory systems:** Participants cited weak regulatory systems in rural areas, especially with regard to rural land holdings and law enforcement, as a major factor in their companies not being able to site projects in affected communities due to land rights issues, and safety of their personnel.

The findings in this theme regarding the issue of legal compliance are consistent with the views of Wixley and Everingham (2010: 204) where the authors aver that the first major challenges that many businesses face in South Africa is as result of the many laws that companies must comply with. The authors further contended that much of the legislation with which companies must comply impose severe criminal penalties for contraventions thus placing companies in difficult situations.

On the issue of CSR distracting from the core discipline, this finding is consistent with the views of Debrah, Nyuur and Ofori (2014: 103). The authors found that of all the companies situated in the SSA region, South African managers tended to dedicate 20% more time to CSR implementation than managers from other SSA regions, thus supporting the notion that CSR for South African companies take at least 20% more time from their core discipline to deal with CSR implementation.

The findings with regard to weak regulatory systems constituting a challenge to CSR implementation are consistent with the views expressed by Andrews (2016: 13). The author notes that challenges faced by companies when implementing CSR on the African continent were compounded by what he referred to as ‘legal pluralism’, a system he describes as a conflict between traditonal authorities and the state, which has resulted in many land disputes. According to the author the extractive industries were the most affected with this problem.

**5.3.5.2. Impact of legal compliance on CSR implementation**

Question 7 sought to determine the impact that legal compliance had on CSR implementation amongst the sampled JSE-listed companies. Respondents were asked to rate statements shown in Table 5.9. Figure 5.5. is a graphical
representation of the results. This is followed by an analysis of results and discussion of the findings.

**Table 5.9: Statements of impact of legal compliance on CSR implementation**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Q7.x</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal compliance with CG and CSR legislation is challenging for companies because it is expensive to engage the personnel required to manage the process</td>
<td>Q7.1</td>
</tr>
<tr>
<td>Companies view legal compliance with CSR legislation as a deviation from core responsibility and a hindrance to company activities</td>
<td>Q7.2</td>
</tr>
<tr>
<td>The provisions of the 2008 Companies Act, which deals with director's duties, liability and standards of conduct, has enhanced legal compliance in our company</td>
<td>Q7.3</td>
</tr>
<tr>
<td>Directors are more aware of their responsibilities, liabilities, standard of conduct and the consequences of non-compliance due mainly to the 2008 Companies Act</td>
<td>Q7.4</td>
</tr>
</tbody>
</table>

**Figure 5.5: Impact of legal compliance on CSR implementation**

The following patterns are observed:

- Responses to statements 7.1 and 7.2 showed (significantly) higher levels of disagreements;
- Levels of agreement in statements 7.3 and 7.4 are significantly high;
- All the statements had significant numbers of respondents being neutral, i.e. neither agreeing nor disagreeing with the statements;
Sub-themes emerged from the statements in 7.1 and 7.2 as follows:

7.1. Legal compliance is expensive

7.2. CSR is a deviation from core company discipline.

The sub-themes are discussed below.

5.3.5.2.1. Legal compliance is expensive

Respondents were asked to rate Question 7.1 relating to legal compliance being expensive and therefore a challenge for companies. On this issue, 49% of respondents disagreed/strongly disagreed with the statement; 30% chose to be neutral, while 20% agreed/strongly agreed with the statement.

During the structured interviews, all six participants agreed that legal compliance for their companies was expensive due to the cost of hiring and engaging legal experts.

Although a majority of respondents to the survey (49%) disagreed/strongly disagreed with the statement, the results indicate that 20% of respondents agreed/strongly agreed with the statement and 30% opted to remain neutral. The results also indicate that all the participants in the structured interviews agreed with the statement that legal compliance was expensive for their companies.

These findings are consistent with the view of Wixley and Everingham (2010: 204) who contend that compliance with some laws requires determined and vigorous action by companies to detect and prevent contraventions. According to the authors, in order for companies to succeed in legal compliance, the services of legal experts are often required which comes with costs to companies. Therefore from the findings it can be implied that legal compliance is expensive for companies due to associated cost involved with engaging outside legal experts.

5.3.5.2.2. CSR deviating from core company discipline

On the sub-theme of CSR deviating from core company discipline in Question 7.2, the results from the survey indicate that 45% of respondents disagreed/strongly disagreed with this assertion, while 36% percent were neutral and only 19% of respondents agreed/strongly agreed with the statement.
All six respondents at the structured interview agreed that CSR implementation was time consuming for their companies, thereby shortening the time allotted to company core discipline.

The findings are consistent with the views expressed by Amoako et al. (2013: 191), who opined that despite companies having adopted CSR, many business managers are of the opinion that CSR implementation distracts from the fundamental economic role of businesses.

5.3.6. The 2008 Companies Act and its impact on corporate governance

The results from Question 7.3, indicate that a majority (55%) of respondents agreed/strongly agreed that the 2008 Companies Act provisions dealing with directors’ duties, directors’ liabilities and directors’ standards of conduct had enhanced legal compliance in areas of CG and CSR implementation in their companies. The results also indicate that 32% of respondents were neutral, while 14% disagreed with the statement. There were no strong disagreements with the statement.

All six respondents during the structured interview also averred that compliance with the provisions of the Act had changed their directors’ perspectives on CG and CSR implementation. Respondents professed that the 2008 Companies Act had caused their company directors to become more responsible towards their companies in the areas of accountability, transparency and personal conduct.

The findings are consistent with the views of Taylor (2012: 342), who contends that the provisions of the 2008 Companies Act relating to directors’ duties, liabilities and the relationship between directors and shareholders assists directors to understand their responsibilities toward their companies, thereby enabling them to become more responsible in managing the affairs of their companies.

5.3.6.1. The 2008 Companies Act and its impact on company directors

Section 77 of the 2008 Companies Act codifies the common law liabilities of directors, thus compelling company directors to be responsible towards the
company, knowing that they will be jointly and severally responsible for losses suffered by companies.

Question 7.4 requested respondents to rate the statement about whether the 2008 Companies Act assisted in making their company directors more aware of their responsibilities, liabilities, standards of conduct and the consequences of non-compliance.

The results from the survey indicated that 55% of respondents agreed/strongly agreed with the statement, while 34% were neutral. The results further showed that 11% of respondents disagreed with the statement and there were no strong disagreements.

Results from the structured interviews, indicated that all six participants agreed that Section 77 of the 2008 Companies Act impacted positively on directors’ conduct. They contended that the codification of the common law enabled company directors to become more aware of their liabilities towards their companies, particularly in areas where companies sustained losses, damages or costs as a direct or indirect consequence of directors’ actions.

The findings are consistent with the views of Paulo (2011: 346), who states that the provisions in S77 of the Act relating to directors liabilities will help company directors become more responsible towards their companies in respect of ensuring that their financial decisions are consistent with the duty of promoting the success of the company and the purposes of the 2008 Companies Act.

5.3.7. Theme Four: The 2008 Companies Act and its impact on corporate social responsibility implementation in JSE-listed companies

This theme comprises Questions 8, 9 and 10. Question 8 deals with the corporate governance issue of transparency and accountability. Question 9 addresses the issue of directors’ duties and standards of conduct, while Question 10 deals with the issue of directors’ liabilities.

The theme aims at determining the impact of the 2008 Companies Act on corporate governance and CSR implementation in the sampled JSE-listed companies, particularly in the areas of transparency, accountability, directors’ duties and
standards of conduct, as well as directors’ liabilities. The theme was divided into sub-themes, a summary of the findings of the sub-themes are also discussed:

5.3.7.1. Transparency and Accountability

Question 8 is divided into two sub-headings, namely: 8.1 transparency and 8.2 accountability. The question sought the opinion of respondents on the impact that the 2008 Companies Act made on their companies in the areas of transparency and accountability. Data from Question 8 was mostly qualitative. The qualitative data from the survey and the structured interviews were coded to identify commonalities and the following sub-themes from the two sub-headings; i.e. transparency and accountability emerged.

A discussion of the findings are set out below.

5.3.7.1.1. Transparency

Question 8.1. dealt with the issue of transparency. Responses to this question were coded and the following sub-themes emerged:

- Communication;
- Corporate governance; and
- Stakeholders.

5.3.7.1.2. Communication

On the sub-theme relating to communication, the following were some of the responses from participants:

- Companies reporting was now more transparent and in keeping with global standards;
- Quarterly performance of the company was published and made accessible to the public through publication on company websites and other social media platforms; and
- Companies use Facebook, Twitter and other social media platforms to communicate with stakeholders.
All six participants during the structured interview reported that communication systems within the company had improved. They indicated that their companies were using modern methods of communication systems, such as digital and social media, to communicate with various stakeholders.

5.3.7.1.3. **Corporate governance**

On the sub-theme relating to corporate governance, some participants indicated the following:

- Company management were committed to being transparent;
- Greater emphasis is placed on legal compliance with regulations; and
- Management aims at meeting global standards in all aspects of company affairs.

All six participants during the structured interviews, indicated that their companies complied with relevant provisions of the King Reports on Corporate Governance, as well as all the relevant provisions of the 2008 Companies Act. They also indicated that their companies considered adherence to the CG principle of transparency as an important corporate strategy.

5.3.7.1.4. **Stakeholders**

On the sub-theme relating to stakeholders, fifty-eight out of seventy-three respondents responded to this sub-theme. A majority of the respondents in the survey indicated that there were improved stakeholder relationships with the company, as well as improved stakeholder involvement and notification on key matters. Some of the responses on the sub-theme were as follows:

- Stakeholders are given prompt information about key matters relating to the Company;
- We respect stakeholder’s views and opinions; and
- Customers give feedback on our social media page about our services and we take note.

Participants at the structured interviews also indicated that companies’ communication with stakeholders were improved and stakeholders’ involvement in
company management and decision-making had improved over the years, due mainly to legal compliance with CG and CSR legislation and the King Reports on Corporate Governance.

5.3.7.2. Accountability

Question 8.2 dealt with the issue of Accountability. Respondents were requested to indicate the extent to which the 2008 Companies Act had impacted on accountability in their companies. Fifty-eight of the seventy-three respondents answered this question. The responses were coded and the following sub-themes emerged:

- Integrated reporting;
- Board responsibility; and
- Legal compliance.

5.3.7.2.1. Integrated reporting

On the sub-theme of integrated reporting, some respondents indicated that their companies were focused on ensuring that the companies reporting standards were in line with global best practices and compliant with international accounting standards. Some of the responses were as follows:

- As a JSE-listed company, my company continues to improve on finance and sustainability performance through annual integrated reporting;
- Integrated reporting is very important to our company; and
- Audits have been introduced to cover all aspects of the business, including CSR and other non-financial aspects of company operations.

All six participants at the structured interview indicated that their companies were in full compliance with sections of the 2008 Companies Act relating to keeping accounting records, and preparing financial statements, as well as the annual financial statements meeting the required accounting standards.
5.3.7.2.2. Board responsibility

On the sub-theme of board responsibility, respondents reported that the board and company management took responsibility for company actions and decisions. Responses from some respondents were as follows:

- Our board is focused on achieving the goals of the company and ensuring that our company is compliant with all legislation; and
- When taking decisions, our board takes into account the unique circumstances of the various jurisdictions in which the groups’ businesses operate.

The structured interview, indicated that all six participants with of the view that the 2008 Companies Act, had enhanced, broadened and improved accountability in their respective companies.

5.3.7.2.3. Legal compliance

On the sub-theme of legal compliance, some respondents reported that their companies’ management, employees and other stakeholders, took the issue of compliance with regulations very seriously. Some of the responses on this issue were as follows:

- Compliance with safety, health and environmental legislation is a priority for our company;
- The company encourages that all rules and regulations are complied with; and
- Compliance with CG and CSR legislation has made us to be perceived as an accountable company by our stakeholders.

During the structured interview, all six participants were of the view that their company viewed legal compliance with all legislation as vital for their company’s continued existence. Some of the responses from participants were as follows:

- Legal compliance is very important to our company as we want to be seen as law abiding citizens and not criminals;
- If we do not obey the Laws, we will have several law suits against us; and
We obey laws in order to avoid punitive measures against the company.

5.3.7.2.4 Summary of findings relating to the impact of transparency and accountability on corporate social responsibility implementation

Theme Four sought to determine the impact that the corporate governance issues of transparency and accountability provisions of the 2008 Companies Act had on CSR implementation in the sampled listed companies. The question was asked in Question 8 and below is a summary of the findings from the sub-themes that emerged from the discussion:

**Figure 5.6: Sub-themes emerging from Question 8.1.**

(Source: researcher's impression)
Below are the summaries of the findings:

Finding 1. On the issue of the 2008 Companies Act having a direct impact on CG amongst JSE-listed companies, the findings are consistent with the views of West (2009: 15) who maintains that the 2008 Companies Act brought fundamental changes to corporate law in South Africa, with the most notable change being in regards to transparency and accountability through the establishment of a Takeover Panel and a Financial Reporting Standard Council that provides oversight to accountability and transparency related issues involving South African companies.

Finding 2. On the issues of transparency and accountability, the findings are consistent with the views of Deloitte (2017: 5), who contend that the 2008 Companies Act provides the legal framework to the King Reports on Corporate Governance when it comes to issues of transparency and accountability, stakeholder engagement, as well as integrated reporting, thus ensuring that company management takes keen interest in these issues.
Finding 3. On the issue of integrated reporting, Ahmed Haji et al. (2017: 374) contend that integrated reporting is expected to significantly enhance South Africa’s reputation and competitiveness in global financial markets. This would not have been possible without the 2008 Companies Act providing a legal framework for the King Reports on Corporate Governance. The authors further contend that integrated reporting within the South African context builds on a number of CG reporting development in the King Report on Corporate Governance Principles for which the 2008 Companies Act provides the legal framework and ensures legal compliance.

Finding 4. On the issue of stakeholders, the findings from the survey and the structured interviews are consistent with the views of Paulo (2011: 341) who contends that the 2008 Companies Act aims at promoting the best possible economic development of South Africa for all its stakeholders by ensuring that companies resources are managed in an efficient, transparent and value-creating way.

Finding 5. Communication: Findings from the sub-theme relating to communication are consistent with the view of Ali (2015: IX), who stated that at the beginning of the millennium, it was globalisation that brought new stakeholders and new legislation to shape and alter business expectations. However, presently it is social and digital media that is impacting on corporate behaviour. The author opined that social media had become a major player in the media and communication arena and their growing popularity had led organisations to adopt them in marketing, customer services/interactions and reputation management. It is therefore not surprising that the sampled South African listed companies would employ these modern methods of communication to communicate with their various stakeholders.

Finding 6. Legal Compliance: Findings from the sub-theme relating to the 2008 Companies Act impacting on CSR implementation in the sampled companies through legal compliance are consistent with the views of Reddy (2016: 471), who avers that South African businesses have
through legal compliance with CSR legislation, influenced business involvement in social justice and CSR implementation in the country.

5.3.8. Impact of Sections 75 (Duties of directors) and 76 (Standards of directors' conduct) of the 2008 Companies Act on corporate social responsibility implementation in listed companies

Question 9 sought to determine the impact of S75 and 76 of the 2008 Companies Act on CSR implementation in JSE-listed companies. Table 5.10 shows the statements the respondents were asked to rate. Figure 5.8 indicates the results obtained.

Table 5.10: Statements relating to the impact of S75 and S76 of the 2008 Companies Act on corporate social responsibility implementation in JSE-listed companies

<table>
<thead>
<tr>
<th>Statement</th>
<th>Q9.1</th>
<th>Q9.2</th>
<th>Q9.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Companies Act has enabled directors to become more aware of their</td>
<td>Q9.1</td>
<td>Q9.2</td>
<td>Q9.3</td>
</tr>
<tr>
<td>duties and responsibilities. As a result, greater effort is made to</td>
<td>Q9.1</td>
<td>Q9.2</td>
<td>Q9.3</td>
</tr>
<tr>
<td>ensure that the company is compliant with relevant CG and CSR provisions</td>
<td>Q9.1</td>
<td>Q9.2</td>
<td>Q9.3</td>
</tr>
<tr>
<td>in the Act</td>
<td>Q9.1</td>
<td>Q9.2</td>
<td>Q9.3</td>
</tr>
<tr>
<td>There has been significant improvement in the area of CSR implementation</td>
<td>Q9.1</td>
<td>Q9.2</td>
<td>Q9.3</td>
</tr>
<tr>
<td>and reporting as more budgetary allocation is made to CSR implementation</td>
<td>Q9.1</td>
<td>Q9.2</td>
<td>Q9.3</td>
</tr>
<tr>
<td>than previously</td>
<td>Q9.1</td>
<td>Q9.2</td>
<td>Q9.3</td>
</tr>
<tr>
<td>CSR implementation remains a challenge for my company as directors</td>
<td>Q9.1</td>
<td>Q9.2</td>
<td>Q9.3</td>
</tr>
<tr>
<td>deem CSR as deviating from core company activities and expensive to</td>
<td>Q9.1</td>
<td>Q9.2</td>
<td>Q9.3</td>
</tr>
<tr>
<td>implement.</td>
<td>Q9.1</td>
<td>Q9.2</td>
<td>Q9.3</td>
</tr>
</tbody>
</table>
The following patterns are observed:

- Statements in response to Questions 9.1 and 9.2 showed significantly higher levels of agreement;
- Statement in response to Question 9.3 showed a significant higher level of disagreement;

5.3.9. Question 9.1: Impact of S75 and S76 of 2008 Companies Act on directors’ awareness of duties and responsibilities

The aim of this question was to determine the impact that S75 and S76 of the 2008 Companies Act, which deals with directors’ duties and standards of conduct, has on CSR implementation in the sampled companies.

The results indicate that 78% of respondents agreed/strongly agreed with the statement, while 17% of respondents decided to remain neutral on the issue. The results showed that only 5% disagreed/strongly disagreed with the statement.

From the results, it is clear that a majority (78%) of respondents agreed/strongly agreed with the statement that the 2008 Companies Act enabled their company directors to become more aware of their duties and responsibilities and, as a result
greater emphasis is made to ensure that the company is compliant with relevant CG and CSR provisions in the Act.

Participants at the structured interviews were all in agreement that S75 and S76 had caused directors in their companies to become more aware about their responsibilities towards their companies. All six participants also agreed that because the 2008 Companies Act explicitly set out the duties and standards of conduct for company directors, it impacted on their company directors’ views toward legal compliance with all CSR and CG legislation.

The findings are consistent with the views of Kopel (2012: 441), who states that the aim of the 2008 Companies Act is to ensure that directors become aware that it is the responsibility of the board of directors to monitor and ensure that companies comply with relevant laws, non-binding rules, codes and standards. The findings are also consistent with the views of Job (2013: 8), who contends that the phrase “act in the best interest of the company” in S76 of the Act pre-supposes that the director must comply with all the laws, rules, codes and regulations which the company is obliged to abide by.

5.3.9.1 Question 9.2. 2008 Companies Act: impact on corporate social responsibility reporting and budgetary allocation

The results in Question 9.2 indicate that 71% of respondents agreed/strongly agreed with the statement. The results also indicate that 18% of respondents were neutral with regard to the statement, whereas 11% disagreed and there were no strong disagreements.

From the results, it is clear that a majority of respondents (71%) agreed/strongly agreed with the statement.

All six participants at the structured interviews also agreed with the notion that arising from the responsibilities which the Act places on company directors, reporting on CSR related matters and budgetary allocation for CSR implementation had improved in their companies.

The findings from both the survey and structured interview were consistent with the views from Trialogue (2014: 102) which contend that the period between 2004 - 2009 witnessed the launch of the BBBEE Codes of Good Practice in 2005; the South
African Social Investment Exchange (SASIX); the 2008 Companies Act; and the King III report on corporate Governance in 2009. The authors contend that this was the period in which CSR entered the era of integration, whereby more emphasis was placed on the adoption of integrated reporting by companies across South Africa. The authors also maintained that this era signalled sustained momentum behind the trend of businesses accounting for their social and environmental impacts and the momentum continues in most listed companies.

On the issue of more budgetary allocation being assigned by companies to CSR projects, the findings are consistent with the views of various authors who contend that since South Africa became a democratic country, CSR implementation has become embedded as corporate strategy amongst South African companies. Hence, JSE-listed companies are reporting more on their social responsibilities, as well as increasing budgeting allocations for CSR-related projects (Ramlall 2012: 273; Marcia, Callaghan and Maroun 2015: 503; Rampersad 2015: 314).

5.3.9.2. Question 9.3: Corporate social responsibility implementation is expensive and deviates from core corporate activities

Responses to the statement in Question 9.3 showed that 49% of respondents disagreed/strongly disagreed with the statement. The results indicate that 29% of respondents decided to remain neutral, while 22% agreed/strongly agreed with the statement.

The results show a mixed response to this statement.

Responses from participants during the structured interview were also mixed. Three respondents were of the view that their company expended much time and resources to CSR implementation. Two respondents were of the view that since CSR was part of the company strategy, the time allocated to it was commensurate with its importance to their company. One respondent declined commenting on this issue.

From the findings, it may be implied that the sampled listed companies do not regard CSR implementation as expensive and as a deviation from core company discipline. This is consistent with the views of various authors who have opined that CSR implementation amongst South Africa’s listed companies have become accepted
practice and many companies have embedded CSR implementation into their corporate strategy (Mariri 2012; Trialogue 2014; Rampersad 2015).

5.3.10. Influence of Section 77 of the 2008 Companies Act on corporate governance and corporate social responsibility implementation in listed companies

Question 10 sought to determine the impact that S77 of the 2008 Companies Act, which deals with directors’ liabilities, has on CG and CSR implementation in listed companies. Table 5.11 exhibits the statements the respondents were asked to rate. Figure 5.9 presents the results.

Table 5.11: Statements relating to the influence that S77 of the 2008 Companies Act has on corporate governance and corporate social responsibility implementation

<table>
<thead>
<tr>
<th>Statement</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors are more aware of their liabilities and, as a result, greater emphasis is made to ensure that the company is compliant with relevant CG and CSR provisions in the Act</td>
<td>Q10.1</td>
</tr>
<tr>
<td>There has been significant improvement in the area of CG and CSR reporting as directors become more aware that they may become personally liable to the company for non-compliance</td>
<td>Q10.2</td>
</tr>
<tr>
<td>S77 of the Act has caused directors in my company to make the company more compliant with relevant laws in order to avoid personal liability.</td>
<td>Q10.3</td>
</tr>
</tbody>
</table>
The following patterns are observed:

- All three statements showed significantly higher levels of agreement;
- All three statements showed significantly lower levels of disagreement with the statements;
- There were no strong disagreements with any of the statements; and
- The percentage of strong agreement with the statements are relatively higher than those who disagreed or strongly disagreed with the statements.

Question 10.1 relates to whether directors’ awareness of their liabilities resulted in greater emphasis made to ensure that companies were compliant with relevant CG and CSR provisions in the Act. The results for Question 10.1 indicate that 79% of respondents agreed/strongly agreed with the statement. From the results, 19% were neutral, while only 1% disagreed with the statement. There were no strong disagreements.

From the results, it is observed that a majority of the respondents agreed/strongly agreed with the notion that S77 caused their company directors to become more aware of their liabilities, which has resulted in more emphasis being placed to ensure that the company is compliant with relevant CG and CSR provisions in the Act.
With respect to the statement in 10.2 relating to there being a significant improvement in CG and CSR reporting due to directors being more aware that they may become personally liable to the company for non-compliance, the results indicate that a majority (75%) of respondents agreed/strongly agreed with the statement, while 24% decided to be neutral and only 1% disagreed.

A similar trend was noticed with the results relating to the statement in Question 10.3, which indicate that 71% of respondents agreed/strongly agreed that S77 of the Act made directors in their companies become more compliant with relevant laws in order to avoid personal liability. The results show that 28% of the respondents were neutral, while only 1% disagreed with the statement and there were no strong disagreements with the statement.

The high levels of agreement with the statements in Question 10 are consistent with the findings from the structured interviews where all six participants indicated their opinions as follows:

- S77 of the Companies Act caused company directors to become more aware of their liabilities, thereby placing greater emphasis on legal compliance with relevant CG and CSR legislation;

- S77 influenced CSR reporting in their companies, as directors were more aware that they might become personally liable to the company for losses caused to said company due to non-compliance. As a result, reporting on CSR had improved in their companies; and

- S77 of the Act influenced directors to make the company more compliant with relevant CG and CSR laws in order to avoid personal liability.

The findings are consistent with the views of Bradstreet (2015: 148), who contends that S77 (9) of the 2008 Companies Act appears to limit the power of the court to exempt directors from liability arising from a breach of any of the provisions stipulated in the section. Hence, it was necessary for directors to be more careful in the discharge of their fiduciary duties towards the company as they stood the risk of bearing personal liability in situations of losses or damages caused to the company arising from their actions.
5.3.11. Theme Five: The King III Report on Corporate Governance (Now replaced by the King IV Report) and its impact on corporate governance and corporate social responsibility implementation in JSE-listed companies

This theme includes a combination of Questions 11 and 12. Question 11 asked respondents to indicate the areas in which integrated reporting posed a challenge to CSR implementation in their companies. Question 12 sought to determine the governance challenges that arise from managing stakeholder expectations in the respondents’ companies. The results to each of the questions are discussed below.

5.3.11.1. Areas in which integrated reporting poses a challenge to corporate social responsibility implementation

Question 11 asked respondents to indicate the areas in which integrated reporting posed a challenge to CSR implementation in their companies. Table 5.12 shows the statements which respondents were asked to rate. Figure 5.10; shows the results from the responses to the question.

Table 5.12: Statements relating to areas that integrated reporting is a challenge for companies

<table>
<thead>
<tr>
<th>Statement</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated reporting is a tedious, expensive and burdensome compliance issue for our company</td>
<td>Q11.1</td>
</tr>
<tr>
<td>Integrated reporting is a time-consuming process for our company and deviates from reporting on core company issues</td>
<td>Q11.2</td>
</tr>
<tr>
<td>Finding, training and retaining the skills required to prepare the reports is a challenge for our company.</td>
<td>Q11.3</td>
</tr>
</tbody>
</table>
Figure 5.10: Extent to which integrated reporting is a challenge in the implementation of CSR

The following patterns are observed:

- All statements showed significantly higher levels of disagreement;
- The levels of respondents preferring to remain neutral are higher than those who agree with the statements.

The purpose of Question 11 was to determine the extent to which integrated reporting posed a challenge to CSR implementation in the sampled listed companies. The purpose of the question asked was to determine whether integrated reporting was considered tedious, expensive, burdensome, time-consuming or a distraction from reporting on core company activities. The question also sought to determine if finding the required skills for reporting on CSR-related issues was considered to be challenging for the sampled companies.

The results obtained from Questions 11.1; 11.2 and 11.3 are discussed below.

Question 11.1 related to whether integrated reporting was a tedious, expensive and burdensome compliance issue for companies. The results indicated that a total 64% of respondents disagree/strongly disagreed with the statement that integrated reporting was a tedious, expensive and burdensome compliance issue. The results
Further indicate that 18% of respondents opted to be neutral, while a total of 18% agreed/strongly agreed with the statement.

Similarly, on the issue in Question 11.2 relating to integrated reporting on CSR being time-consuming and deviating from reporting on core activity, the results reveal that a total of 65% of respondents disagreed/strongly disagreed with the statement, whilst 18% of respondents opted to remain neutral on the issue and a total of 18% agreeing/strongly agreeing with the assertion.

Correspondingly, on the issue raised in Question 11.3. regarding acquiring, training and retaining of the skills required for preparing an effective integrated report, results showed that a total of 59% disagreed/strongly disagreed that this was a challenge. The results revealed also that a significant number of respondents (25%) decided to remain neutral, while a total of 16% agreed/strongly agreed with the assertion that skills was a challenge for their companies.

Results from the structured interviews showed that a majority (5) of the participants agreed that integrated reporting was time-consuming, expensive and required skilled staff in order to produce quality reports, which was a challenge for their companies as they struggled in terms of finding experienced professionals to fill vacancies in their companies. The other participant disclosed that their organisation engaged experienced professional auditing firms to handle this aspect of operations, hence was not considered a challenge to CSR implementation. The following are some of the responses from participants in respect of integrated reporting being time-consuming, expensive and requiring skilled personnel:

- Integrated reporting is expensive and time-consuming. It involves, inter-departmental relations and skilled staff to implement; and
- Our company outsources integrated reporting to external accounting/auditing firms.

The findings from the structured interviews however, differ from the survey findings. The findings from the structured interviews indicate that a majority (5) of the participants agreed that integrated reporting was tedious, expensive and time-consuming.
The findings from the structured interviews are consistent with the view of De Villiers, Hsiao and Maroun (2017: 453), who contend that although there are motivations for integrated reporting, cost; unnecessary exposure to litigation risk; and disclosure of corporate material information were seen as challenges to integrated reporting. The author also notes that preparing quality integrated reports is tedious as it involves strong internal communications between departments and a dialogue between financial and non-financial groups within organisations. The authors also note that many companies found integrated reporting becoming very lengthy and complex, with very little impact on internal operations (Toit, Zyl and Schütte 2017: 657).

**5.3.11.2. Governance challenges arising from managing stakeholder expectations**

Question 12 sought to determine the governance challenges that arise from managing, stakeholder expectations in respondents’ companies. Table 5.13 shows the statements respondents were asked to rate and figure 5.11 reflects the responses of the respondents.

**Table 5.13: Statements relating to governance challenges arising from managing, stakeholders expectations**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our company finds it challenging to identify and manage our material stakeholders and in developing adequate policies to address issues, risks and opportunities associated with our various stakeholders.</td>
<td>Q12.1</td>
</tr>
<tr>
<td>Our company finds it challenging to develop stakeholder strategy and policies, as we do not have the in-house knowledge to draft strategy and policies that will deliver value.</td>
<td>Q12.2</td>
</tr>
<tr>
<td>Our company finds it challenging to gather reliable information to make informed judgement calls when balancing the legitimate interests of various stakeholder groupings</td>
<td>Q12.3</td>
</tr>
</tbody>
</table>
The following patterns are observed:

- All three statements showed (significantly) higher levels of disagreement;
- The percentage of agreement with the statements are significantly low; and

The aim of Question 12 is to determine the governance challenges that arise from managing stakeholder expectations amongst the sampled listed companies.

The results from Question 12.1 indicate that 74% of respondents disagreed/strongly disagreed with the statement that identifying and managing material stakeholders and developing adequate policies to address risk and other issues associated with stakeholder management was a challenge for the sampled companies. The results also revealed that 16% decided to remain neutral, while 9% agreed/strongly agreed with the statement.

On the issue raised in Question 12.2 relating to the availability of skills required to develop strategy and policies for stakeholder management, the results indicate that 76% of respondents disagreed/strongly disagreed with the statement. The results further indicate that 14% of respondents chose to be neutral, while 9% agreed/strongly agreed with the statement.

On the issue raised in Question 12.3 relating to challenges in gathering reliable information to make informed judgement calls when balancing the legitimate interest of various stakeholder groupings, the result revealed that 75% of respondents disagreed/strongly agreed with the statement. The results further indicate that 11%
of respondents opted to remain neutral, while 13% agreed/strongly agreed with the statement.

Again, the findings are inconsistent with the views of participants from the structured interview where all six participants indicated that stakeholder’s engagement, management and communication did pose some challenges to their companies. The comments made by the participants in response to questions during the interview are as follows:

- **Stakeholder satisfaction:** The majority of participants (4) indicated that it was difficult to satisfy all stakeholders as the needs of certain stakeholders were different from others.

- **Diversity of stakeholders:** A few participants (2) indicated that their companies had to engage with diverse stakeholders from different backgrounds and therefore found it challenging. When asked to explain what they meant by this, one of the participants opined that the demands of stakeholders from black, rural impoverished communities involved mostly demands for job opportunities and better living conditions. In contrast more affluent stakeholders were more interested in environmental pollution, climate change and employee/labour related issues.

- **Stakeholder management:** Participants noted that it was more difficult to manage poorer rural stakeholders. They had to go through non-profit organisations (NGOs) or traditional institutions before the engagement processes could commence. Whereas, with more affluent and educated stakeholders, they could use various modern communication systems such as Facebook, Instagram and other social media platforms to communicate and engage with them.

The findings from the structured interviews indicate that the majority (4) of the participants view stakeholders engagement and management as constituting a governance challenge for the sampled listed companies. The findings are consistent with the views of Vitolla, Rubino and Garzoni (2017: 98) who identify that South African companies are under pressure to respond synergistically to the expectations of their different categories of stakeholders, resulting in companies’ inability to satisfy
all stakeholders and constituting a stakeholder management challenge, especially for companies with diverse categories of stakeholders.

5.3.12. **Theme Six: The Broad-Based Black Economic Empowerment Act and its impact on corporate social responsibility implementation in listed companies**

This theme comprised statements in Question 13. Respondents were requested to rate statements relating to governance challenges arising from compliance with the BBBEE Act and the impact this has on CSR implementation in their companies. Statements that respondents were requested to rate are shown in Table 5.14. Figure 5.12 is a graphical presentation of the responses.

**Table 5.14: Statements relating to governance challenges arising from compliance with the BBBEE Act**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Question Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquiring and retaining managers with the required skills to set up the scorecard remains a challenge for my company.</td>
<td>Q13.1</td>
</tr>
<tr>
<td>Cost of developing, implementing and monitoring the criteria on the scorecard remains a challenge for my company.</td>
<td>Q13.2</td>
</tr>
<tr>
<td>Finding BBBEE partners who have sufficient funding or can obtain sufficient funding and can add value to my company’s business operations, remains a challenge for my company.</td>
<td>Q13.3</td>
</tr>
<tr>
<td>It is challenging and costly for my company to verify the status of suppliers and at the same time find quality products/service that are competitively priced from BBBEE companies</td>
<td>Q13.4</td>
</tr>
</tbody>
</table>
The following patterns are observed:

- Three statements showed significantly higher levels of disagreement;
- The percentage of agreements with the statements are significantly low; and

The aim of Question 13 is to determine the governance challenges posed by compliance with the Broad-Based Black Economic Empowerment Act (BBBEE) and the impact that this has on CSR implementation amongst the sampled JSE-listed companies. Two sub-themes emerged from this theme, namely: governance challenges relating to the BBBEE scorecard and governance challenges relating to BBBEE partners. The results are discussed in relation to the sub-themes.

5.3.12.1. Governance challenges arising from the Broad-Based Black Economic Empowerment Act scorecard

Questions 13.1 and 13.2 deal with the sub-theme relating to challenges arising from the BBBEE scorecard. Question 13.1 relates to the managerial skills necessary for setting up the scorecard, while Question 13.2 relates to the cost of developing, implementing and monitoring the criteria in the scorecard.

Results from Question 13.1 revealed that a majority of respondents (52%) disagreed/strongly disagreed with the statement that the managerial skills required to
set up the scorecard was a challenge for the sampled listed companies. The results also revealed that 29% of respondents opted to remain neutral, while 19% agreed/strongly agreed with the statement.

Results for Question 13.2 indicated that the majority (63%) of respondents disagreed/strongly disagreed with the statement relating to the cost of developing, implementing and monitoring criteria in the scorecard posing a governance challenge for their companies. The results also revealed that 22% of respondents were neutral in regards to the statement, while 15% agreed/strongly agreed with the statement.

Participants in the structured interviews had mixed views regarding some of the issues raised in this question. On the issue dealing with setting up, implementing and monitoring the criteria in the scorecard, most participants were of the view that this did not pose a major challenge for their companies.

Likewise on the issue relating to the cost of setting up, developing, implementing and monitoring the criteria, all six participants indicated that this was not a challenge for their respective companies.

The areas participants found challenging for their companies were in finding black suppliers that fit the criteria on the scorecards; and the availability of Black managers with the required skills to fill vacancies, particularly in technical and professional fields.

The findings from the structured interview are consistent with the views of Gstraunthaler (2010: 152) who contends that compliance with the BBBEE Act has certain disadvantages, one being that in reality, BBBEE can only be applied in certain sectors and is often not visible in the high-tech sectors due to the lack of Black skills within those areas. Furthermore, according to Akinsomi et al. (2016: 9), on the issue of black partners and managers, many Black entrepreneurs had what they referred to as “skimpy business backgrounds” (inadequate experience), thereby creating a fear of mismanagement of companies in investors.
5.3.12.2. Governance challenges arising from Broad-Based Black Economic Empowerment Act partners’ access to funds and competitiveness

The issues relating to BBBEE partners’ access to funds and to competitiveness are dealt with in Questions 13.3 and 13.4. Question 13.3 asked respondents to rate a statement relating to BBBEE partners’ access to funding and whether this constituted a governance challenge for their companies in complying with the BBBEE Act.

The results revealed that the majority (44%) of respondents disagreed/strongly disagreed with the statement. The results also revealed that 36% of respondents decided to remain neutral, while 14% agreed/strongly agreed with the statement.

Question 13.4 dealt with the issue regarding the competitiveness of BBBEE suppliers and sought to determine if it constituted a governance challenge for the sampled companies. The results for this question indicate that the majority (41%) of respondents agreed/strongly agreed with the statement. The results also indicate that 32% were neutral, while 27% of respondents disagreed/strongly disagreed with the statement.

The findings of the survey in regards to Question 13.4 are consistent with the findings from the structured interviews. Participants in the structured interviews, indicated that their companies found it difficult to find BBBEE partners in highly specialised and technical areas who had sufficient funds and expertise to engage with and compete with other non-BBBEE suppliers. Some participants indicated that a majority of their BBBEE partners could only be engaged in areas such as the supply of cleaning services; gardening services; supply of certain items such as stationery; and certain maintenance services. Participants were unanimous on the fact that finding competent BBBEE partners in highly technical and specialised aspects of company operations was challenging.

Below are some comments by participants relating to the difficulty in finding BBBEE partners:

- On the issue of BBBEE partners having sufficient access to funds, all six participants admitted that finding BBBEE partners with access to sufficient
funds, especially in technical fields, remained a challenge for their companies; and

- All six participants admitted that it was time-consuming and challenging to find BBBEE suppliers that could provide quality product/services, particularly in technical areas, at competitive prices to their companies.

These findings from the structured interviews are consistent with the views expressed by Alessandri, Black and Jackson (2011: 230) and Akinsomi et al. (2016: 7), who contend that BBBEE partners did not have access to funding from financial institutions in comparison to non-BBBEE partners. The authors opined that BBBEE transactions were considered expensive due to a lack of competition amongst suppliers, thereby making BBBEE transactions a business risk for participating firms.

5.3.13. Theme Seven: Employment Equity Act and its impact on corporate social responsibility implementation in JSE-listed companies

This theme comprised of statements in Question 14. Respondents were requested to rate statements relating to challenges arising from compliance with the EEA. The statements that the respondents were requested to rate are displayed in Table 5.15. A graphical presentation of the result is displayed in Figure 5.13.

Table 5.15: Statements relating to area where compliance with the EEA is challenging for companies

<table>
<thead>
<tr>
<th>Statement</th>
<th>Question Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black skills employment: There are not enough Black people with the requisite skills required for our company operations.</td>
<td>Q14.1</td>
</tr>
<tr>
<td>Skills Retention: It is expensive to retain Black skills in our company.</td>
<td>Q14.2</td>
</tr>
<tr>
<td>Where the skills do exist, the quality and expertise is often inadequate.</td>
<td>Q14.3</td>
</tr>
</tbody>
</table>
The following patterns are observed:

- All three statements showed significantly higher levels of agreement;
- The percentage of disagreements with the statements are significantly low;
and

The aim of this theme was to determine the compliance challenges associated with the EEA. The theme was divided into three sub-themes namely skills availability; associated cost to company; and expertise of skills.

### 5.3.13.1. **Availability of Black skills**

Results for Question 14.1 indicate that most (74%) respondents agreed/strongly agreed with the statement that it was a challenge to find Black people with the requisite skills for certain company operations. The results also showed that 7% of respondents decided to remain neutral, while 19% of respondents disagreed/strongly disagreed with the statement.

The findings from the survey indicate that a majority of respondents (74%) agreed/strongly agreed with the statement in 14.1. The respondents felt that there are insufficiently qualified Black skills to take up positions in their companies, thereby causing a governance challenge for their companies when complying with the EEA.
The findings were also consistent with the findings from the structured interviews where all six participants indicated that it was challenging to find Black skills with the requisite knowledge and experience required by companies at managerial and senior managerial level, as well as highly technical areas of company operations.

These findings are consistent with the views of Horwitz and Jain (2011: 310) who contend that employers struggle to find qualified and experienced Black people to fill management positions, board positions and technical positions in South Africa due to the fact that South Africa suffers from skills shortages in these areas.

5.3.13.2. Retention and cost of Black skills

With regard to the issue raised in Question 14.2 relating to Black skills retention being expensive, the results indicate that a majority of respondents (71%) agreed/strongly agreed with the statement. The results also indicate that 10% of respondents decided to remain neutral, while 19% disagreed/strongly disagreed with the statement in Question 14.2.

The findings are consistent with the findings from the structured interview. Results from the interview showed that all six participants indicated that, due to the inadequacy of Black skills at managerial and senior managerial/technical areas, it was expensive to retain Black skilled staff due to a high demand of such skills with competing companies.

The findings from both the survey and the structured interview are consistent with the views of Masibigiri and Nienaber (2011: 1) who contend that retaining the right talent in South African organisations is challenging because of phenomena such as the struggle for talent, skills shortages and employee mobility. The authors maintain that there is a high degree of skills mobility in South Africa due to skills shortages and struggles by competing firms for the available skills. The authors contend that the situation, if not properly checked, would adversely affect the ability of South African organisations to create and maintain their competitive advantage. On the issue of costs associated with Black skills, the findings are consistent with the views of Thomas (2002: 238) study that identified that skills shortages amongst Black people would make Black skills costly for companies to incur, hence hampering the implementation of the EEA.
5.3.13.3. Quality and expertise of Black skills

Question 14.3 raised the issue relating to the quality/expertise of available Black skills. The results show that a majority (69%) of respondents agreed/strongly agreed with the statement that where the skills do exist, the quality and expertise is often inadequate. Eleven percent remained neutral, while 21% disagreed/strongly disagreed with the statement.

The findings were consistent with the findings from the structured interviews which indicated that all six participants felt that it was a challenge to find Black people having the requisite skills and experience required by the company at managerial and senior managerial level, as well as highly technical areas of company operations.

The findings are consistent with the view of Horwitz and Jain (2011: 306) who noted that Black South African employees were largely recruited at lower occupational levels or as unskilled labour. The author noted that there is a paucity of experienced Black persons for managerial and senior managerial levels. Hence, White men and women, to a lesser extent, are occupying these positions in most listed companies in South Africa.

5.3.14. Theme Eight: The FTSE/JSE Africa Index Series and its impact on corporate social responsibility implementation

This theme comprised statements in Question 15. Respondents were asked to indicate the challenges that compliance with the FTSE/JSE SRI Index had on JSE companies in respect to CSR implementation. Table 5.16 displays the statements that respondents were requested to rate. Figure 5.17 presents the results in a graphical format.
Table 5.16: Statements relating to areas where companies find compliance with the FTSE/JSE Africa Index Series challenging

<table>
<thead>
<tr>
<th>Statement</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTSE/JSE Africa Index Series, promotes stakeholders engagement, this is a governance challenge, as my company cannot meet all its stakeholders’ expectations.</td>
<td>Q15.1</td>
</tr>
<tr>
<td>The FTSE/JSE Africa Index Series, places too much emphasis on none core business areas of my company, this is an added administrative cost on my company and therefore a governance challenge for my company.</td>
<td>Q15.2</td>
</tr>
<tr>
<td>Insistence of the FTSE/JSE Africa Index Series, on compliance with the BBBEE is expensive for my company and does not allow my company to engage with partners/individuals that would better enhance/promote my company’s core business</td>
<td>Q15.3</td>
</tr>
</tbody>
</table>

Figure 5.14: Areas of challenges arising from compliance with the FTSE/JSE Africa Index Series

The following patterns are observed:

- There are high levels of disagreements with the statements;
- The percentage of respondents who decided to remain neutral are significantly high.

The results and findings in this theme will be discussed according to the sub-theme that emerged. The sub-themes identified from this question relate to the JSE requirements of stakeholder expectation, emphasis on non-core company operations and emphasis on legal compliance.
5.3.14.1. JSE and meeting stakeholder expectations

This sub-theme relates to the statement in Question 15.1. where respondents were asked to rate the statement relating to stakeholder expectations and if, in their view; the JSE requirements that listed companies engage with meet stakeholder expectations or posed a governance challenge to the sampled listed companies.

The results indicate that more than half (51%) of the respondents disagreed/strongly disagreed with this statement, while 34% were neutral and 15% agreed/strongly agreed with the statement.

Results on this issue from the structured interviews were consistent with the survey findings. The majority (four) of participants disclosed that engaging with their stakeholders and meeting their needs did not constitute a governance challenge for their companies.

However, a few (2) participants, particularly those from the agricultural and mining sector, maintained that it was indeed challenging for their companies to engage with and manage all their stakeholders’ expectations. Two participants cited cost and financial return in terms of company profitability as the major challenges.

One of the two participants who agreed noted that in the agricultural/manufacturing sector in which their company operates, they had diverse stakeholders, and the expectations and demands of some communities were not the same as in other communities, thereby making stakeholder engagement expensive for their company.

The findings from survey Question 15.1 are consistent with the views expressed by Sonnenberg and Hamann (2006: 313). The authors contend that JSE-listed companies are generally compliant and adhere to the majority of legislation required of them in order to continue to enjoy their listing on the exchange. The authors acknowledged that a small minority of JSE companies had voiced opposition to the burden the JSE guidelines place on them. However, they were committed to complying with the requirements of the JSE.

On the issue of stakeholder engagement constituting a challenge, the views of the participants are consistent with the view of Freeman and Velamuri (2006: 14) who posit that stakeholder management and engagement are an intricate relationship that
required business managers to devise methods to manage the myriad groups and relationships in a strategic fashion, such that it would add value to the corporation. The authors contended further that managers needed to understand the concerns of their different stakeholders, which consist of shareholders, customers, lenders, suppliers, employees and society, in order to develop policies that would be supported by the stakeholders. The authors maintain that stakeholder support was necessary for long-term success. Hence, business managers are required to explore their relationships with all stakeholders in order to develop acceptable business strategies and policies.

5.3.14.2. JSE and emphasis on non-core company operations

This sub-theme relates to the statement in Question 15.2 where respondents were asked to rate the statement relating to the JSE placing much emphasis on company non-core activity and if in their views this posed a governance challenge to the sampled listed companies.

The results showed that a total of 40% of respondents disagreed/strongly disagreed with the statement, while 39% decided to remain neutral in respect to this statement. Only 21% were in agreement with the statement and there were no respondents who strongly agreed.

Results from the structured interviews were as follows: of the six participants, two disagreed with the assertion, one participant reported that he did not know if it was a governance challenge and three agreed that often, non-core company matters consumed a lot of company time and expense, which impacted on the profitability of the company.

The findings from the structured interviews are consistent with the view of Ganda, Ngwakwe and Ambe (2015: 248) who contend that JSE-listed companies are reluctant to engage in initiatives that incur costs and have no bearing on company profitability. This is also consistent with the views of Ngwakwe and Netswera (2014: 400) who are of the view that many South African companies display apathy to CSR investing due to the perceived fear that it might jeopardise corporate capital and profitability.
5.3.14.3. JSE and legal compliance

This sub-theme relates to the statement in Question 15.3 where respondents were asked to rate the statement relating to the JSE requirement of its listed companies being compliant with all legislation, such as BBBEE, and if in their views this posed a governance challenge to the sampled listed companies.

Results for Question 15.3 indicated that a majority of respondents (47%) preferred to remain neutral on this issue. However, some (39%) of the respondents disagreed/strongly disagreed with the statement. Only 14% agreed with the statement, while there were no strong agreements.

From the above, it is clear that most respondents did not want to comment on this issue in the survey. These findings differ from the response of participants from the structured interviews. All six participants admitted during the interview that their companies were in compliance with all laws and regulatory codes, as this was a listing requirement of the JSE. Some participants did indicate, however, that there were certain aspects of BBBEE that they found challenging. One such area of challenge relates to the issue of the lack of freedom to engage with contractors without the need to consider the races of the contractors. They also stated that compliance with BBBEE restricted competition, hence inflating the cost of BBBEE transactions.

The findings in regard to this question are consistent with the submissions of Sonnenberg and Hamann (2006: 313) who contend that JSE-listed companies are generally legally compliant in order to continue to enjoy their listing on the exchange. The findings on BBBEE are consistent with the views of Reddy (2016: 466) who contends that more and more businesses are having a negative view of the BBBEE Act, as well as the views of Akinsomi et al. (2016: 7) who opined that BBBEE transactions were considered expensive due to a lack of competition amongst suppliers, thereby making BBBEE transactions a business risk for participating firms.
5.3.15. Theme Nine: Impact of legal compliance with corporate governance and corporate social responsibility legislation on the implementation of corporate governance and corporate social responsibility in listed companies

This theme comprises the statements in Question 16. The question sought to determine how compliance with CSR and CG legislation influenced CSR implementation. Table 5.17 shows the statements which, respondents were requested to rate. Figure 5.15 represents the results in a graphical format.

Table 5.17: Statements relating to the impact of companies’ compliance with CG and CSR legislation on CSR and CSR implementation

| Compliance with legislation has helped improve my companies’ profitability | Q16.1 |
| Compliance has helped in creating awareness about the need to protect the environment | Q16.2 |
| Communities are less hostile and more supportive of our Companies’ activities | Q16.3 |
| Compliance has helped the company to become more responsible towards other stakeholders, particularly when it comes to communication | Q16.4 |
| Compliance has improved corporate governance in my company | Q16.5 |
| Compliance with CG and CSR legislation has enabled our employees to be more motivated and more trusting of the Company | Q16.6 |
| Compliance has helped the company to be perceived by its stakeholders as a more sustainable, accountable and responsible organisation | Q16.7 |
The following patterns are observed:

- All seven statements showed significantly high levels of agreement;
- There are no disagreements with statements in 16.2; 16.3; 16.4; and 16.5;
- The percentage of disagreements with the statements are significantly low for statements in 16.1; 16.6; and 16.7.

The purpose of this theme was to determine the impact of legal compliance on company profitability; environmental protection awareness; community relationships; stakeholder communication; corporate governance; employee motivation and company reputation. The results and findings of the theme is discussed according to each of the sub-themes mentioned.

5.3.15.1. Impact of legal compliance on company profitability

The results to Question 16.1 regarding this sub-theme indicate that a total of 77% of respondents agreed/strongly agreed with the notion that legal compliance with CG and CSR legislation helped to improve company profitability; 19% opted to be neutral; and only 4% of respondents disagreed with the statement, there were no strong disagreements.
The findings from the survey are consistent with the results from the structured interviews. During the interviews, all six participants agreed that compliance with CSR and CG legislation impacted on their companies profitability. Participants further indicated that legal compliance with CG and CSR legislation assisted their companies to:

- Avoid unnecessary litigation;
- Prevent work stoppage and hostility by community members;
- Prevent labour unrest by employees,
- Improve employee satisfaction; and
- Improve company reputation and image.

The findings are consistent with the views of Devinney, Schwalbach and Williams (2013: 416), who maintain that earnings were higher in firms with stronger CSR performance as opposed to those with a lower CSR footprint. The authors noted that firms with strong CSR performance enjoyed positive image/reputation, and therefore had strong support from members of the public, as well as their employees resulting in fewer work stoppages.

5.3.15.2. Impact of legal compliance on environmental protection awareness

Question 16.2 related to legal compliance with CG and CSR legislation creating environmental protection awareness. The results for this question indicate that a majority (86%) of respondents agreed/strongly agreed with the notion that legal compliance with CG and CSR legislation helped to create awareness of environmental protection issues. From the number of respondents who participated in the survey, 14% opted to be neutral and there were no disagreements or strong disagreements with the statement.

The findings from the survey are consistent with the results from the structured interview, where all six participants agreed that compliance with CSR and CG legislation helped to create awareness amongst employees and other stakeholders on environmental protection issues.
The findings with regard to statement 16.2 is consistent with the views of Ngwakwe and Netswera (2014: 399) who contend that JSE-listed companies were in the forefront of combating the risk of climate change in South Africa. The authors maintain that compliance with legislation, voluntary codes, indices of social and environmental performance guides such as the King Reports on corporate governance, CRISA, JSE SRI Index and JSE CDP amongst others, had made JSE-listed companies more aware of the risk of climate change and therefore able to contribute to its prevention by adopting environmentally friendly practices in their operations.

5.3.15.3. Impact of legal compliance on community relations

The results to Question 16.3 dealing with this sub-theme indicates that 77% of respondents agreed/strongly agreed with the notion that legal compliance with CG and CSR legislation helped to improve community relations, while 23% opted to be neutral. There are no disagreements or strong disagreements with the statement.

The findings from the survey indicate that a majority (77%) of respondents agreed/strongly agreed that legal compliance with CG and CSR legislation helped to improve community relations with the communities in which their organisations operate. The findings from the survey are consistent with the results from the structured interviews. All six participants agreed that compliance with CSR and CG legislation helped their organisations to garner the trust of the community, thereby improving the relationships that exist between the companies and the communities.

The findings on the issue raised in Question 16.3 relating to legal compliance helping to create better relations with communities is consistent with the views of Babarinde (2009: 358) who avers that CSR as a concept depicts investment in social causes, as well as good corporate citizenship. The author maintains that CSR implementation is a technique that is used by companies to voluntarily address social and environmental trepidations, as well as managing relationships with stakeholders, which enables a better relationship between a company and its stakeholders.
5.3.15.4. Impact of legal compliance on stakeholder engagement and communication

The results from Question 16.4 which deals with this sub-theme indicates that the majority (82%) of respondents agreed/strongly agreed with the notion that legal compliance with CG and CSR legislation helped to improve stakeholder engagement and communication, while 18% are neutral. There are no disagreements or strong disagreements with the statement.

The findings from the survey are consistent with the results from the structured interview. During the interviews, all six participants agreed that compliance with CSR and CG legislation helped to improve stakeholder engagement and communication.

The findings relating to Question 16.4 are consistent with the views of Devinney, Schwalbach and Williams (2013: 416) who contend that companies that were compliant with, for instance, the King Report on Corporate Governance tended to become more responsible, accountable and transparent towards their various stakeholders.

On the issue of the importance of communication in stakeholder management, the findings are consistent with Ali (2015: IX) views that communication is of vital importance to businesses. Hence, the growing popularity of social media and other communication platforms has led organisations to adopt them in marketing, customer services/interaction, as well as reputation management.

5.3.15.5. Impact of legal compliance on corporate governance practices

The results for Question 16.5, which deals with this sub-theme, indicate that the majority (82%) of respondents agreed/strongly agreed with the notion that legal compliance with CG and CSR legislation helped to improve corporate governance practice in their companies. The results also showed that 18% of respondents decided to remain neutral. There are no disagreements or strong disagreements with the statement.

The findings from the survey indicate that the majority of respondents agreed/strongly agreed that legal compliance with CG and CSR legislation helped to improve corporate governance. The findings from the survey are consistent with the
results from the structured interview, where all six participants agreed that compliance with CSR and CG legislation helped to improve corporate governance practice in their companies.

The findings relating to the statement in Question 16.5 are consistent with the views of authors such as Mersham and Skinner (2016: 113), who contend that CSR is a branch of CG and further contend that CG legitimises and gives CSR initiatives the required recognition to make it successful. The findings are further supported by the views of Devinney, Schwalbach and Williams (2013: 416) who contend that there is a correlation between CG and CSR and that better-governed corporations were more likely to be more socially and environmentally responsible.

5.3.15.6. Impact of legal compliance on employee motivation

The results for Question 16.6, which deals with this sub-theme, indicate that 80% of respondents agreed/strongly agreed with the notion that legal compliance with CG and CSR legislation helped to improve employee motivation. The results showed that 18% of respondents decided to be neutral, while 3% disagreed with the statement. There were no strong disagreements with the statement.

The findings from the survey indicate that a majority of respondents agreed/strongly agreed that legal compliance with CG and CSR legislation helped to improve employee motivation. The findings from the survey are consistent with the results from the structured interviews, where all six participants agreed that compliance with CSR and CG legislation helped to improve employee motivation in their companies.

The above findings are consistent with the views of Amaeshi, Adegbite and Rajwani (2016: 141) who postulate that there is a correlation between employee satisfaction and CSR implementation. The authors found that firms who engaged in CSR implementation had higher levels of employee motivation.

5.3.15.7. Impact of legal compliance on company reputation

The results for Question 16.7, which deals with this sub-theme, indicate that 86% of respondents agreed/strongly agreed with the notion that legal compliance with CG and CSR legislation helped to improve company reputation. The results indicated
that 11% of respondents opted to be neutral, while 3% disagreed with the statement and there were no strong disagreements.

The findings from the survey indicate that a majority of respondents agreed/strongly agreed that legal compliance with CG and CSR legislation helped to improve company reputation. The findings from the survey are consistent with the results from the structured interview, where all six participants agreed that compliance with CSR and CG legislation resulted in improved company reputation.

The findings in 16.6 are consistent with the views of Young (2010: 136) who contends that one of the benefits of a firm's good CG practice is that it can enhance corporate responsibility and improve the reputation of the organisation. The views are also consistent with that of Kabir and Thai (2017: 231) who opine that firms which are compliant with CSR legislation may generate additional revenue from intangible attributes such as reputation for quality and reliability, which can subsequently create product differentiations and generate more revenue for the company.

5.3.16. Theme Ten: Measures adopted by listed companies to overcome challenges associated with corporate governance and corporate social responsibility implementation

This theme comprises statements in Question 17, which sought to determine the measures that JSE-listed companies had adopted to mitigate the challenges associated with CSR implementation in their respective companies. Statements that respondents were requested to rate are indicated in Table 5.18. Figure 5.16, indicates the results of the study.
Table 5.18: Statements relating to measures adopted by listed companies to overcome challenges associated with CSR implementation

<table>
<thead>
<tr>
<th>Statement</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>My company constantly reviews its CSR policies, thereby keeping abreast of the needs of its community</td>
<td>Q17.1</td>
</tr>
<tr>
<td>My company has good communication systems that its stakeholders may use to communicate dissatisfaction and needs</td>
<td>Q17.2</td>
</tr>
<tr>
<td>My company views CSR projects and programmes as part of core business activity, thus providing adequate budgetary provisions</td>
<td>Q17.3</td>
</tr>
<tr>
<td>CSR reporting at company meetings and in the company’s annual financial statements (AFS) enables my company to monitor the effectiveness of its CSR initiatives</td>
<td>Q17.4</td>
</tr>
<tr>
<td>My company has developed a model whereby it can measure the outcomes of its CSR programmes, as well as the impact that implementation has on the company bottom line</td>
<td>Q17.5</td>
</tr>
</tbody>
</table>

Figure 5.16: Measures adopted by JSE-listed companies to overcome challenges associated with CSR implementation
The following patterns are observed in this question:

- All five statements showed significantly higher levels of agreement;
- All five statements showed very significant lower levels of disagreement.

The purpose of including this theme was to examine the measures that the sampled listed companies are using to mitigate/overcome CSR implementation challenges. The results and findings in this theme will be discussed according to the sub-themes that have emerged from the theme. The sub-themes are review of CSR policies; communication with stakeholders; CSR budgeting; CSR reporting; and evaluating, measuring and monitoring impact of CSR on company triple bottom line.

5.3.16.1 Review of corporate social responsibility policies as a measure to overcome corporate social responsibility implementation challenges

The results for 17.1 indicate that the majority (81%) of respondents agreed/strongly agreed that their company constantly reviewed its CSR policies as a measure aimed at overcoming challenges relating to CSR implementation. The results also indicate that 18% of respondents were neutral, while 1% disagreed with the statement and there were no strong disagreements with the statement.

The findings are consistent with the views of all six participants during the structured interviews. The participants indicated that their companies viewed CSR implementation as important to company reputation and sustainability. The participants also indicated that their companies constantly reviewed their CSR policies as measures aimed at keeping abreast with the needs of communities in order to mitigate exposure to reputational risk.

The findings are also consistent with the views of Mzembe et al. (2016: 167) who contend that CSR practices and policy direction can help firms to minimize exposure to risks that might affect share prices or access to credit. The authors contend that a company’s social reputation can send a strong signal to the market, especially to socially aware investors who demand high standards of social and environmental risk management from companies. Hence the need for companies to ensure that their CSR policies are constantly updated in line with the growing needs and demands of all their stakeholders (Vitolla, Rubino and Garzoni 2017: 98).
5.3.16.2. Communication as a measure to overcome corporate social responsibility implementation challenges

On the issue relating to the use of communication as a tool to overcome CSR implementation challenges, results of the statement in 17.2 showed that a total of 86% of respondents agreed/strongly agreed that their companies had good communication systems which their stakeholders use to communicate with the company. The results also indicated that 13% of respondents opted to be neutral, while only 1% disagreed with the statement. There were no strong disagreements with the statement.

The findings were consistent with the findings derived from the structured interviews, where all six participants indicated that their companies invested in modern communication systems and would regularly update their websites, as well as use social media platforms such as Facebook and Instagram to communicate with stakeholders. They indicated that these communication platforms enabled their stakeholders to have easier access to the company and to express their pleasure or displeasure with company CSR projects. Hence, companies are now able to implement more acceptable CSR projects.

These findings are consistent with the views of Ali (2015: IX) who maintains that social media platforms have become major players in the media and communication arena and their growing popularity has led organisations to adopt them in marketing, customer services/interaction and reputation management. The author also notes that these platforms enable companies to measure the views of their stakeholders about the sort of projects they required, thereby enabling companies to develop effective CSR policies.

5.3.16.3. Improved corporate social responsibility budgeting as a measure to overcome corporate social responsibility implementation challenges

This sub-theme is dealt with in Question 17.3. Results from 17.3 indicate that 75% of respondents agreed/strongly agreed with the statement indicating that providing adequate budgetary provisions for CSR is a measure to overcome challenges associated with its implementation. The results also indicate that 24% of
respondents opted to be neutral while only 1% disagreed with the statement and there were no strong disagreements with the statement.

The findings from the survey indicate that a majority of respondents agreed/strongly agreed that providing an adequate budget for CSR implementation would enable companies to overcome some of the challenges relating to CSR implementation. The findings are consistent with the responses received during the structured interviews, where all six participants indicated that their companies would engage in more CSR if they had the budget to support it.

These findings are consistent with the views of Rossouw (2016b: 3), who contends that decreasing budgets and high stakeholder expectations have impacted on the nature of CSR activities by companies. The author notes that CSR implementation in most companies was often constrained by low or inadequate budgetary provisions.

5.3.16.4. Integrated reporting as a tool in overcoming corporate social responsibility implementation challenges

Regarding the sub-theme raised in Question 17.4, a total of 74% of respondents agreed/strongly agreed with the statement that integrated reporting is a tool which may be used to overcome CSR implementation challenges. The results also indicated that 26% of respondents were neutral and there were no disagreements/strong disagreements with the statement.

The results from the survey are consistent with the results obtained from the structured interviews, where all six participants also agreed with this assertion and indicated that integrated reporting enabled their companies to adequately measure their CSR and other non-financial spending. The participants indicated that integrated reporting enabled stakeholders to also see for themselves the companies’ CSR projects and initiatives.

The findings from the survey indicate that a majority (74%) agreed/strongly agreed that integrated reporting helped to overcome the challenges associated with CSR implementation as it enabled companies to be transparent and accountable to stakeholders regarding CSR activities. The findings from the survey are consistent with the results from the structured interviews where six participants indicated that integrated reporting enabled their companies to be transparent about what they were
doing with regard to CSR implementation, hence helping their companies to overcome some challenges with their CSR implementation.

The findings are consistent with the views of Ackers (2014: 41), who contends that companies are increasingly considering CSR reporting to be a business imperative. The author further contends that the primary objective of companies engaging in integrated reporting and disclosure of CSR-related performance was that it reflects them as good corporate citizens and as such, projects a positive image for the companies (Ackers 2014: 51).

5.3.16.5. Developing measuring models for assessment of impact of corporate social responsibility implementation on company triple bottom line

In relation to the issue raised in Question 17.5 regarding the development of measuring models for measuring CSR impact on company triple bottom line, the results indicate that a majority (68%) of respondents agreed/strongly agreed with this statement. The results also indicated that 28% opted to be neutral, while only 6% disagreed and there were no strong disagreements with the statement.

Participants during the structured interview indicated that their companies had yet to develop a measuring and evaluation model which enables it to accurately measure and evaluate the outcomes of its CSR programmes and its impact on company triple bottom line. They however agreed that knowing the exact financial impact of their CSR implementation would help overcome challenges associated with such CSR implementation, particularly in areas such as stakeholders complaining about CSR cutting into company profit or that it is time consuming and expensive.

The findings from the structured interviews are consistent with the views of Rampersad (2015: 315) who contends that the corporate sector in South Africa still lacks the capacity to plan, implement, manage, measure and report on community development programmes. The findings are also consistent with the views of Mersham and Skinner (2016: 120) who aver that CSR in South Africa has been impeded by reliable information regarding what projects are performing well and, more significantly, by absence of measuring tools and agreed benchmarking criteria to adequately measure its impact and determine what is effective.
5.17. Conclusions

This chapter presented the findings and analysed the results of the data collected from the questionnaire and the structured interviews. The data was categorised into ten themes and the results and findings were discussed in terms of the themes. The findings were then compared to literature on the subject in order to determine if the findings were consistent or inconsistent with literature.

The next Chapter Six, will outline the achievements of the study in line with the aims and objectives that the study set out to attain. Conclusions from the study, as well as recommendations for business managers and future research in the field and the limitations of the study are also set out.
CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.1. Introduction

The previous chapter presented the findings of the study based on the analysis and interpretation of data collected from the sampled JSE-listed companies by means of a self-administered questionnaire and structured interviews conducted on select participants from the target population.

This chapter provides an overview of the study, as well as a summary of the attainment of the research objectives. The chapter contains a synopsis of the study findings and sets out the conclusions and recommendations from the study. It also highlights the contribution that the study makes to the body of knowledge in the context of CSR and CG in South Africa and sets out possible areas for further research in the field.

The chapter concludes with the researcher's graphical presentation of the Synergy Inclusiveness and Socio-economic development (SIS) conceptual model as well as a graphical representation of recommended strategies for overcoming challenges of corporate social responsibility implementation.

This study attempted to examine the concepts of CSR and CG in South Africa: firstly, as a management tool employed to provide a sustainable business environment for South African companies and secondly, as overlapping concepts that could be used by business managers to help address the appalling socio-economic situation of the majority of South African citizens through strategic CSR implementation. The study sought to examine the legislative approaches employed by the South African government in its quest to make businesses more socially responsible to its previously disadvantaged citizens, as well as to its various stakeholders. However, in so doing, the government's legislative approach produced certain compliance challenges which affected businesses' CG and CSR implementation. The study sought to investigate these challenges and the impact thereof on CSR implementation in the sampled JSE-listed companies.
In order to achieve this aim, the study set out four research objectives. The next segment of the study will provide a brief overview of the theoretical orientation of this study. Thereafter, the study will outline the summary of findings, evaluate the achievements of the study objectives and elucidate on how each of the objectives were achieved.

6.2. Overview of the theoretical orientation of study

Chapters 2 and 3 of this study contained the literature review, which provided a broad view on the concepts of CSR and CG from an international, continental and national perspective. The chapters provided a historical underpinning of how South African CG and CSR practices came to be fashioned in the manner that is articulated in this study. The implications of CG and CSR as overlapping concepts were identified and analysed. The challenges and impact of legal compliance with CG and CSR legislation and codes were highlighted. In addition, the impact of these challenges on South African businesses was elucidated. The need for South African businesses to engage in CSR implementation and good CG practices, including becoming involved in the socio-economic development of their operational communities through the implementation of strategic CSR, was presented in the study.

The literature review chapters provided an overview of the various legislative measures that the South African government employed to ensure that companies become more socially aware and responsible towards their various stakeholders. The chapters presented various challenging factors that companies encountered in CG practices and CSR implementation, particularly in developing countries such as South Africa. The chapters also discussed certain related theories associated with CG and CSR, thereby laying out the theoretical framework of the two concepts. In this regard, the study outlined the different theories related to CG and CSR, which in the case of CSR are the Stakeholder theory, Institutional theory and the Legitimacy theory. With regard to CG, the theories discussed were the Stakeholder theory and the Agency theory. The definitions ascribed to the concepts were discussed and the fact that there is no single acceptable definition for the concepts was clearly demonstrated. The different factors motivating, as well as hindering the practice and implementation of CG and CSR in South Africa, were identified and discussed and
the causes of the seeming failure of CSR in uplifting the socio-economic development of communities were also identified and described.

Chapter 2 of the study examined the future of strategic CSR implementation and the various methods which could be employed to bring CSR in line with modern global and international trends, such as the use of a measuring and evaluation tool to precisely demonstrate CSR’s impact on company triple bottom line. Chapter 3 of the study clearly outlined the country’s departure from the “apply or explain” approach of King III to the more pragmatic approach of King IV, which is the “apply and explain” principle. This departure removes the erstwhile voluntary nature of CG and CSR implementation to a more mandatory nature, whereby companies are required to apply the principles of King IV and thereafter explain the steps, which they took to apply the principles.

6.3. Research problem/questions

The critical problem that this study seeks to highlight/illustrate is the influence the challenges posed by compliance with the various CG and CSR legislation and codes has on company CG practices and CSR implementation and consequently, on the socio-economic development of communities. The findings revealed that the research problem/questions are answered satisfactorily. This is confirmed by the responses given by participants and respondents in respect of legal compliance challenges that their companies have experienced. The findings revealed that excessive legislation requiring compliance was costly for companies, as they required experts to keep abreast of the laws and amendments. The findings also revealed that complying with the BBBEE and the EEA posed several challenges for companies in areas such as skills shortages, access to funding for BBBEE partners; fronting; reverse racism; and the lack of Black skills, particularly in technical and managerial areas.

The research questions have also been answered with respect to governance challenges, particularly in areas such as stakeholder expectations and management. The findings of the study revealed that the sampled companies found it challenging to satisfy the expectations of their various stakeholders, which are often widespread and diverse. In addition, respondents cited financial constraints and associated costs as factors responsible for the inability to implement strategic and long-term CSR that
would be more impactful on the socio-economic developmental concerns of communities.

6.4. Summary of findings

This study set out to determine the implications of legal compliance challenges on CG and CSR implementation amongst South African listed companies. The study was categorised into ten themes and data collected from the survey and structured interviews were analysed in accordance with the identified themes. The findings from the survey and the structured interview were then compared to the literature on the themes to determine whether the findings were consistent or inconsistent with the literature. Below is a presentation of the summary of the research findings.

- South African listed companies view CSR implementation as an important aspect of their company. Many South African companies have committed, allotted and budgeted large sums of corporate finances to issues of CSR.
- Factors that motivate CSR implementation in the sampled listed companies range from: increases in corporate income; employee satisfaction; increase in corporate profitability; environmental concerns; promotion of corporate image and reputation; business ethics; legal compliance; avoidance of punitive measures/consequences of non-compliance; philanthropy/donations; and to a lesser extent, pressure from consumer associations and the media.
- The sampled South African listed companies found CSR implementation challenging for companies in the following areas, namely: legal compliance, financial constraints, government interference through regulations, stakeholder management and availability of skills.
- The 2008 Companies Act enabled company directors to become more aware of their duties and responsibilities, as well as liabilities, towards the company and other stakeholders. This awareness assisted in drawing more attention to governance issues such as legal compliance; accountability and transparency; integrated reporting and stakeholder’s engagement/management. The Act also impacted CSR, as it directs all companies to develop their operational communities and to comply with all CG and CSR legislation, codes and regulations.
The King IV Report on Corporate Governance principle of “apply and explain” is well received by the sample companies as respondents/participants indicate that their companies were already applying and explaining the principles even before the amendment of the King III Report due to the listing requirements of the JSE/FTSE.

Compliance with the BBBEE Act was challenging for companies in areas such as skills availability; BBBEE partners not having sufficient access to funding from financial institutions to enable them to participate in certain business transactions. As a result, most BBBEE partners were not competitive in highly technical areas, thus making compliance with BBBEE expensive for participating companies.

Compliance with the EEA was challenging for companies in areas such as inadequate availability of Black skills, Black skills mobility and lack of expertise with the available skills. Companies noted that they were unable to fill vacancies due to skills shortages, particularly in technical, managerial and board positions.

The sampled listed companies did not find compliance with the FTSE/JSE Africa Index Series challenging. However, they were concerned with spending corporate finances in areas where they were not certain of financial returns.

Companies associate legal compliance with CG and CSR legislation as making a positive impact in their organisations in areas such as helping project the company’s image positively to the public; creating awareness on issues such as environmental protection; helping to create a positive relationship with communities; improving corporate governance; and stakeholder engagement in their companies.

Companies have adopted several measures aimed at mitigating CSR implementation challenges, namely reviewing CSR policies to meet the growing needs of stakeholders; adopting improved ways of communication with stakeholders; improving the CSR budget; and reporting more on CSR-related issues in annual financial statements.

Many companies are yet to develop measuring and evaluating tools to adequately measure and evaluate the impact of CSR on company triple bottom line. The findings reveal that when CSR’s contribution to company
triple bottom line is adequately measured and evaluated, companies will have
the propensity to spend more on CSR related activities, particularly if a direct
relationship between CSR implementation and company profitability is
established.
The next section will outline the achievement of the study objectives and an
explanation of how the objectives were attained.

6.5. Achievement of the objectives of the study

The aim of this study was to investigate the link between CG and CSR and the
challenges posed by legal compliance to CG and CSR legislation, as well as the
impact that the challenges have on CSR implementation in JSE-listed companies.
Four objectives were formulated for the study. The following presents the
achievements of the research objectives:

6.5.1. Objective one: To determine the implications of corporate governance
and related challenges for listed companies in implementing corporate
social responsibility in South Africa

In determining the success of this objective, the objective was tested and examined
under theme three of the study. Theme three dealt with the issue relating to CG and
legal compliance challenges for listed companies in implementing CSR. Within the
said theme, eight sub-themes emerged as the related governance challenges faced
by the sampled South African listed companies in CSR implementation. They are
legal compliance challenges; financial constraint challenges; skills challenges; weak
regulatory systems; government interference/regulations and stakeholder
management. Others are CSR distracting from core discipline and corruption.

The findings for this theme are shown in Figure 5.7, which indicates that areas where
companies found governance of CSR implementation most challenging according to
the results from the survey were legal compliance; financial constraints; government
interference/regulations; stakeholder management; skills challenges; weak
regulatory systems; CSR distracting from core discipline; and corruption. In verifying
these findings, the results of the correlation revealed a statistically significant
relationship between the variable of legal compliance challenges and that of
associated cost and skills availability ($r = 0.605$, $p$-value $= 0.000$). This shows a direct proportional relationship between the two variables.

On the issues relating to the challenges relating to financial constraints the correlation test showed a statistically significant negative and slightly weak affiliation between these variables and those of community development ($r = -0.011$, $p$-value $= 0.935$). This implies that the greater the challenge, the more it will have a negative effect on issues such as community development. It therefore means that when companies experience financial challenges, the effect is that they will not be able to engage in CSR community-related activities.

On issues relating to weak regulatory systems and corruption, the correlation test showed that there was a negative correlation between weak regulatory systems and corruption ($r = -0.085$, $p$-value $= 0.519$). On the issue of weak regulatory systems and ethical motivation, the correlation test showed a negative and slightly weak affiliation between the variables ($-0.431$, $p$-value $= 0.001$). This implies that weaker regulatory systems will impact on the ethical behaviour of companies.

From the above, the attainment of this objective is achieved. The findings identified the governance challenges experienced by the sampled companies. It also established the implications of the challenges relating to CSR implementation in the sampled companies.

6.5.2. Objective two: To investigate, as well as analyse, the selected CG and CSR legislation and challenges experienced by businesses in implementing CG and CSR legislation and guidelines

This objective was tested in themes four, five, six, seven and eight of the study. The achievement of the objectives based on the mentioned themes are discussed below.

6.5.2.1. Theme four: The 2008 Companies Act and its impact on corporate governance and corporate social responsibility implementation

The 2008 Companies Act was one of the selected CG and CSR legislation of this study. Responses relating to the impact of the 2008 Companies Act on CG and CSR is illustrated in Figure 5.10. The results showed that significant numbers of
respondents agreed that the 2008 Companies Act influenced their CG and CSR in the following areas:

- **Transparency**: The Act directs that the annual financial statement of a company be transparent in issues such as director remuneration. The Act also directs that a company gives access to company financial records to any interested persons. This directly impacts on CSR implementation, as any interested person may now be in a position to interrogate, investigate and scrutinise companies’ CSR spending claims and reports.

- **Accountability**: The Act directs financial reporting, the keeping of accounting records, auditing of financial statements, as well as granting access to company financial statements and other related information to interested persons. This implies that budgetary allocations to CSR implementation will be properly accounted for by CSR managers and implementers.

- **Corporate governance practices**: Respondents indicated that the Act made their company directors more aware of their responsibilities, duties, standards of conduct and liabilities towards the company and its various stakeholders. The provisions of the Act directs all listed companies to establish a social and ethics committee to monitor the activities of the company and ensure that the company complies with all relevant legislation and codes, which includes the EEA and the BBBEE as well as the King Reports on Corporate Governance. The Act directs companies to contribute to the development of the communities in which their activities are conducted, thereby reinforcing CSR implementation amongst listed companies. By implication, the provisions of the 2008 Companies Act will help to ensure that company management becomes more involved and committed to social, environmental and socio-economic development related issues, as non-compliance with the provisions of the Act may result in company directors bearing personal liabilities.

- **Stakeholders engagement**: The Act directs that companies comply with all relevant legislation relating to relationships with consumers, shareholders, employees and other company stakeholders. This implies that companies need to engage with their stakeholders, as well as develop policies and procedures in this regard. This will ensure that communities are consulted before a company decides on its CSR project for such communities.
• **Directors’ standards of conduct:** The findings indicate that a majority of respondents were of the view that Section 76 of the Act enabled directors to become more aware of their duties towards the company. This impacts on CSR implementation as directors are now fully aware that their responsibilities towards their companies include responsibilities towards the environment, as well as the communities in which they carry out their operations.

• **Budgetary provisions towards CSR implementation:** The Act directs companies to contribute to the development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed. The Act also directs companies to keep a record of sponsorships, donations and charitable givings that they make, as well as to record the impact of their activities on the environment, health and public safety, of its stakeholders. For companies to be able to meet these CSR obligations, this will require adequate budgetary allocations to CSR activities.

The majority of respondents to this theme agreed that the 2008 Companies Act motivated CSR implementation in their organisations. Furthermore, the findings were validated by the results of the correlation tests, which showed a statistically significant, positive affiliation between the variables relating to the 2008 Companies Act making directors become more aware of their duties and responsibilities and that of relationships with clients and suppliers, as well as compliance with regulations and guidelines. This implies that the more aware company directors are of their legal duties, the more the relationship with stakeholders will improve and the more the company will comply with CSR legislation and codes.

6.5.2.2. Theme five: The King III Report on Corporate Governance (Now replaced by the King IV Report) its impact on corporate governance and corporate social responsibility implementation

The impact of the King IV Report on Corporate Governance on CG practices and CSR implementation in the sampled companies is reflected in Figure 5.10. The responses showed that a majority of participants in the structured interviews agreed that the King IV Report on Corporate Governance influenced CG their companies in
the areas of integrated reporting and stakeholder management, which also impacted on their companies’ CSR implementation policies and deliverables.

The findings were validated by the results of the correlation tests, which showed a statistically significant, negative affiliation between the variable relating to the “apply or explain” principles of King III and the importance of CG and CSR in a company ($r = 0.036$, $p$-value $= 0.764$). There is a direct proportional relationship between the variables. This implies that for companies who adopted the “apply or explain” principle of King III, CSR implementation was not considered very important or extremely important. However, for most listed companies that had jettisoned the “apply or explain” principle in favour of the “apply and explain” principles of King IV, CSR implementation was very/extremely important for their companies. Similarly, the test showed a correlation between the variable relating to integrated reporting and those relating to the importance of CSR implementation. This implies that companies who engage in high standards of integrated reporting are more likely to take CSR implementation in their companies seriously.

6.5.2.3. Theme six: The impact of Broad-Based Black Economic Empowerment on corporate governance and corporate social responsibility implementation and the challenges of compliance

The study was successful in establishing that legal compliance with BBBEE constituted a challenge for the sampled listed companies and hence may impact negatively on CSR implementation. Respondents and participants in the survey and structured interview indicated that their companies found compliance with BBBEE challenging in the following areas:

- **Skills shortages**: Respondents indicated that it was a challenge for their companies to find suitable Black employees with the required experience, particularly in highly technical skills areas.

- **Black suppliers’ accessibility to funds**: Respondents and participants to the survey and structured interviews revealed that their companies were unable to find sufficient BBBEE firms and partners with access to funds, to tender for certain contracts.
Reverse racism: Respondents admitted that while compliance with the BBBEE sought to provide opportunities to previously disadvantaged people and bridge the skills gap created by the apartheid regime, it also could be interpreted as amounting to reverse racism against white people.

BBBEE benefiting only a few people: Respondents indicated that in their opinion, BBBEE did not benefit a significant number of black entrepreneurs. Rather, it seemed to only benefit a few Black business persons with political connections and contacts.

These findings were further subjected to the correlation test to determine their impact on company CSR implementation policies. The correlation test revealed that there was a statistically significant, negative affiliation between the variable relating to finding BBBEE partners with sufficient funding to those of community development projects ($r = -0.047$, p-value $= 0.714$). This implies that where companies cannot find BBBEE partners with sufficient access to funds, they are less likely to engage in community development projects and also less likely to engage with stakeholders.

6.5.2.4. Theme Seven: Employment Equity Act and its impact on corporate governance and corporate social responsibility implementation and the challenges of compliance

The study was successful in establishing that legal compliance with the EEA constituted a governance challenge for their companies and therefore, impacts negatively on CSR implementation. The following are the areas of challenge in complying with the EEA identified by the study:

- Reverse discrimination: A majority of respondents opined that the EEA denied them the ability and opportunity to source, recruit and engage required personnel without the need to consider the race of the personnel.
- Difficult to implement: Respondents revealed that although they agreed with the intent of the legislation, implementation was oftentimes challenging due to issues such as skills shortages and expertise.
- **Fronting**: Respondents indicated that fronting was still a major problem when it came to compliance with the EEA, due mostly to the non-availability of Black skills in certain specialised and technical areas.

- **Skills shortages**: Respondents indicated that it was a challenge for them to find Black people to fill their vacancies.

These findings were subjected to the correlation test to determine the impact of the findings on a company’s CSR implementation policies and practices. The correlation test revealed that there was a statistically significant, negative affiliation between the variable relating to the availability of Black skills and those relating to compliance with regulations and guidelines ($r = 0.056$, $p$-value = 0.665). This shows a direct proportional relationship between the two variables. It also implies that when companies cannot find suitable Black skills, it will affect their ability to comply with regulation and guidelines.

**6.5.2.5. Theme Eight: The FTSE/JSE Africa Index Series and its impact on corporate governance and corporate social responsibility implementation**

The empirical study was successful in establishing that compliance with the FTSE/JSE Africa Index Series impacted on CSR implementation in the sampled companies. Respondents agreed that the index exposed them to best international corporate practices.

With regard to the challenges associated with compliance with the Index, respondents agreed that the FTSE/JSE Africa Index Series was challenging for their companies in relation to the directive for companies to go beyond their core business activities. The respondents viewed this as challenging as it placed pressure on corporate finances and profitability. The correlation test found that there was a positive affiliation between variables relating to company finance and profit to those of philanthropy and donations ($r = 0.177$, $p$-value = 0.173). This reveals a direct proportional relationship between the variables. This means that the more profitable a company is, the more the company will engage in philanthropic activities and donations. Conversely, the less profitable a company is, the less likely it is to engage in CSR related activity. Hence, the objective of determining the impact of the
FTSE/JSE Africa Index Series on CG and CSR implementation in companies is fulfilled.

6.5.3. Objective three: Governance challenges associated with corporate social responsibility implementation generally and corporate governance in particular

This objective was tested in Theme three of the study. The empirical study was successful in establishing that South African companies experienced challenges associated with CSR implementation and CG practices. Respondents to the survey and the structured interviews revealed that they experienced governance challenges with CSR implementation in the following areas:

- **Legal compliance challenges:** Respondents admitted that legal compliance was expensive for companies. The study also found that South African listed companies had many legislation and regulatory codes to comply with. This was costly for companies and required expertise and skills;

- **Financial Constraints:** The findings revealed that listed companies usually planned CSR projects around funds availability, as against needs of the communities.

- **CSR distracting from core discipline:** The findings revealed that although CSR had been incorporated by JSE-listed companies into corporate strategy, it still distracted from company core discipline as much time and resources are spent on CSR-related activities by listed companies.

- **Stakeholder management and engagement:** Developing policies and balancing the legitimate interests and expectations of the different stakeholders is challenging for some listed companies due to the diversity of stakeholders and the associated costs.

The correlation test relating to the variables regarding CSR implementation challenges revealed that there was a statistically significant negative affiliation between the variables relating to legal compliance challenges and those relating to corruption. This implies that it is difficult for companies to comply with CSR and CG legislation in an environment where corruption was prevalent. This implies that
companies will more likely comply with CSR and CG legislation in environments free from bribe-giving and taking, as well as fronting and all other related malaise.

Similarly, the correlation test revealed a negative affiliation between variables relating to financial contraints and those relating to community development projects. This signifies that when a company experiences financial difficulties, CSR implementation will be one of the first projects to be impacted.

On the issue of CSR distracting from core discipline, the correlation test revealed a negative affiliation between variables relating to CSR as distracting from core discipline and those of relationships with communities, as well as community development projects. This implies that the more a company views CSR implementation as distracting from company core discipline, the less likely CSR implementation will gain the necessary attention in such a company. This also applies to the variable relating to community development projects.

On stakeholder management and engagement, the correlation test revealed that the variables relating to this issue had a positive affiliation with relationships with communities, signifying that when companies engage with their stakeholders, it improves stakeholder relationships with the company.

6.5.4. Objective four: measures that listed companies are adopting to address the challenges of corporate governance and corporate social responsibility and related socio-economic development efforts

This objective was tested in Theme ten of the study. The study was successful in establishing that South African companies are adopting the following measures to address the challenges associated with CG and CSR implementation, which in turn impacts on the socio-economic development of communities.

- **Review of CSR policies**: Respondents agreed that their companies constantly review their CSR policies in order to keep abreast with the needs of communities.

- **Communication with stakeholders**: Respondents agreed that their companies constantly used modern and mobile systems to communicate with their stakeholders. Hence, noticeable improvement in stakeholder relationships was being felt.
- **Budgeting for CSR:** Respondents agreed that their companies were constantly revising and increasing budgetary provisions for CSR activities.

- **CSR reporting:** Respondents agreed that reporting on CSR-related projects, plans and activities enables stakeholders and other interested persons to monitor the effectiveness of their companies’ CSR implementation.

- **Monitoring measuring and evaluation of CSR:** Respondents agreed that there was a need to develop models and internal policies to enable the measurement and evaluation of the impact of its CSR programmes on company triple bottom line.

The above findings were subjected to the correlation test to determine the measures that listed companies were adopting to address the challenges of CG and CSR implementation and whether these measures had any impact on the socio-economic development of communities. On the variable relating to review of CSR policies, the test revealed that there was a positive affiliation with this variable and those relating to the importance of CSR implementation in the company. This implies that the more a company reviewed its CSR policies, the more that company valued the importance of CSR and consequently, the more the company’s actions would impact on the socio-economic development of its communities.

On the variable relating to communication with stakeholders, the correlation test revealed a statistically significant, positive affiliation between this variable and those relating to governance and dialogue with stakeholders; relationships with clients and suppliers; relationships with communities; community development projects; and environmental protection. This implies that when a company communicates its plans, policies and actions with its stakeholders, the better the relationship between them will become and this will strengthen company CSR implementation and consequently, the socio-economic development of the affected communities.

On the variable relating to budgeting for CSR, the correlation test revealed a statistically significant, positive affiliation between this variable and those relating to relationships with communities, community development projects and environmental protection. This signifies that the more a company provided adequate budget for CSR-related projects, the better relations with the community will be and the more
they will spend on developmental projects, as well as environmental concerns. This signifies that CSR budgeting directly impacts on the socio-economic development of communities.

The correlation between the variables relating to CSR reporting reveals that there is a positive affiliation between those variables and those of improved company reputation, shareholder satisfaction and employee satisfaction, as well as community relationships. This implies that when companies report on their CSR implementation, their reputation will improve, shareholders and employees will be happy and they will have better community relationships. This will correspondingly impact on the socio-economic development of communities as such companies will continue to strive to maintain the good reputation and relationships.

The correlation between the variable relating to the monitoring, measuring and evaluation of CSR showed a positive affiliation with those relating to relationships with community, compliance with regulations and guidelines, community development projects and ethics. This implies that when a company can associate CSR implementation with improvement in a company’s triple bottom line, the company is more likely to spend on CSR-related activities, hence impacting positively on the socio-economic development of their host communities.

Having set out the discussion on how the objectives of the study were attained, the next section will present the conclusions of the study.

6.6. Conclusions from the literature review relating to the objective of the study

This study sought to investigate the impact of legal compliance on CG and CSR implementation in the sampled JSE-listed companies. The following are the conclusions derived from the findings of the study in respect of the study objectives:

6.6.1. Objective one: The implications of corporate governance and related challenges in implementing corporate social responsibility

The following conclusions emerged from the literature review with regard to this objective:
• **CG challenges:** The CG challenges experienced by the sampled listed companies are: legal compliance; financial constraints; government interference/regulations; stakeholder management; skills challenges; weak regulatory systems; CSR distracting from core discipline; and corruption.

• The implications of CG challenges on CSR implementation are as follows:
  
  (i) **Legal compliance challenges:** Legal compliance is expensive for South African listed companies, it requires expert skills to keep abreast with the changing laws. Many companies have to comply with much legislation, regulations and codes, hence resulting in Companies engaging in only short-term CSR activities, rather than engaging in long-term CSR projects;

  (i) **Financial constraints:** Financial constraints result in lower CSR budgeting provision for CSR implementation;

  (ii) **Skills challenges:** Skills challenges result in poor CSR planning and implementation;

  (iii) **Stakeholder management:** This challenge result in a company’s poor reputation and conflict with stakeholders;

  (iv) **Weak regulatory systems:** results in the stifling of FDI and as a result lesser investment in CSR; and

  (v) **Corruption:** This stifles/prevents CSR implementation.

The study further concludes that businesses must accept the fact that CG has a significant role to play in the successful implementation of CSR. This acceptance will help to avoid the failures of CSR, which have been clearly articulated in the literature review of this study.

**6.6.2. Objective two: Challenges experienced by businesses in implementing corporate governance and corporate social responsibility legislation**

The conclusions that emerged from the literature review in relation to this objective are as follows:

• Compliance with the BBBEE and EEA are the most challenging for companies in the implementation of strategic CSR.

• Areas of compliance challenges with the two pieces of legislation include:
- a lack of managerial and technically skilled personnel;
- the difficulty of Black suppliers/partners to access the funds required to enable competition with non-BBBEE suppliers;
- reverse discrimination against White South Africans;
- fronting by some companies in order to be seen as compliant;
- Creation of a few Black elites, usually with political connections; and
- BBBEE transactions creating additional cost to participating companies.

6.6.3. Objective three: Challenges associated with corporate social responsibility implementation generally and corporate governance in particular

Conclusions from the empirical study relating to this objective are as follows:

- **Legal compliance challenges**: Legal compliance remains a challenge for the sampled listed companies due to high cost of compliance, too much legislation to adhere to and the expertise skills required.
- **Financial Constraints**: When companies are financially constrained, CSR budgets will be the first to be reduced, hence affecting CSR implementation.
- **CSR distracting from core discipline**: South African listed companies spend much time and resources on CSR implementation, hence distracting somewhat from core company discipline.
- **Stakeholder management and engagement**: Stakeholder management is challenging for listed companies due to the diversity of stakeholders. Companies are unable to develop policies and balance the legitimate interests and expectations of the different stakeholders.

6.6.4. Objective four: measures that listed companies are adopting to address the challenges of corporate governance and corporate social responsibility and related socio-economic development efforts

Conclusions from the empirical study relating to this objective are as follows:
(i) **Review of CSR policies:** South African companies are constantly reviewing their CSR policies in order to implement CSR projects that would create value for communities.

(ii) **Communication with stakeholders:** South African companies are using social media such as Facebook, websites, Instagram, Twitter etc. to communicate with stakeholders.

(iii) **Budgeting for CSR:** South African companies are increasing CSR budget allocations, due mainly to legal compliance with CSR and CG legislation.

(iv) **Integrated reporting:** Integrated reporting enables transparency in relation to company CSR claims. It enables companies and other interested persons to monitor the effectiveness of their companies CSR implementation.

(v) **Monitoring measuring and evaluation of CSR:** The sampled listed companies are yet to develop models and internal policies to enable the measuring and evaluation of the impact of CSR programmes on company triple bottom line.

The next section discusses the researcher’s suggested recommendations derived from this study.

### 6.7. Recommendations

Having discussed the findings of the study and highlighting the subsequent conclusions drawn, the following recommendations can be made to company CSR initiators, planners, implementers, managers, boards of directors and government:

(i) CG and CSR are related and complimentary management tools. Top management should be involve in CSR planning and implementation. There should be a synergy between businesses, government/regulations and communities at every stage of CSR implementation.

(ii) In view of the challenges of compliance with the BBBEE and the EEA, particularly with regards to skills availability, cost of compliance and problems associated with BBBEE partners, as well as the issue of reverse racism, which tends to cause considerable discontent with the legislation,
it is recommended that perhaps it is time for the government/legislators to introduce a merit-based skills system for all South Africans, irrespective of race. The implications of a merit-based skills system is that it will have a positive impact on the South African economy and business sustainability. This will, lead to more corporate spending on CSR, which will positively impact the socio-economic development of communities, lift more people out of poverty and provide more training and education to the majority of South Africans, as opposed to producing a few Black elites.

(iii) Stakeholder inclusiveness policies, processes and strategies should be developed and implemented by all JSE-listed companies. Stakeholders’ fora should be established by companies and stakeholders should be consulted and involved in company decision making, particularly in the area of CSR implementation. Communication structures and systems should be set up for stakeholders to communicate their concerns with the company.

(iv) JSE-listed companies should be in the forefront of developing long-term CSR initiatives, which can be built upon by successive management. Company management should avoid situations where they engage in short-term projects where they completely hands off once the projects are completed. Long-term CSR projects will allow the executing companies to continue to have a stake in the project and therefore be able to intervene, fix, maintain, alter, amend or expand on the projects for the benefit of communities.

(v) A generic measuring and evaluation tool that can be adapted to meet the different business peculiarities should be developed for and by companies wishing to determine the impact of their CSR implementation on their company triple bottom line. This will remove some of the barriers, obstacles and challenges of CSR implementation if the various stakeholders and company directors are able to appreciate the monetary impact that CSR contributes to company finances.
6.8. Recommendations for further research

Further studies need to be conducted throughout all the companies operating in South Africa, including private, state-owned companies and non-profit companies, on the following:

(i). The effectiveness of the recent change in the King IV report on corporate governance that has shifted from the “apply or explain” principle of King III to a more mandatory provision of “apply and explain” could not be covered in this study as the new King IV came into effect at the concluding stages of this study. Further study will therefore be required to determine if the “apply and explain” policy of the King IV is more effective than the “apply or explain” policy of King III.

(ii). A study to be conducted to determine the impact of the criminalisation of the BBBEE on CG and CSR implementation in companies. For example, will the criminalisation of the Act exacerbate or ameliorate the challenges of legal compliance?

(iii). Further studies to develop a generic technology-based measuring tool that can be modelled to fit specific company needs in order to measure the direct impact of CSR on the triple bottom line of the company.

(iv). Devising a South African standard of CSR that is contextually and locally relevant to the prevailing socio-economic development requirements of South African communities where businesses operate is necessary.

6.9. Contribution to the body of knowledge

The findings of the study contribute to the literature on CSR and CG in South Africa. Literature on the significance of the interface between strategic CSR implementation and the contributions of CG in developing that strategy has been limited. Most literature on CSR and CG in South Africa tends to discuss the concepts from a singular perspective. This study postulates that CG is a necessary requirement for the successful implementation of CSR.

The study also brought out the challenges experienced by some of the sampled listed companies in compliance with certain CSR legislation and codes and the
impact that such challenges have on CSR implementation. A study of this nature has not been conducted, whereby the implications of legal compliance is directly linked to CSR implementation failures. This study further contributes to the body of knowledge with regard to CG and CSR by developing a framework to assist CSR managers to overcome CSR implementation challenges that arises when implementing CSR.

6.10. Limitation of the study

The first limitation of the study is the nature of the sample itself. The target population for the study is very diverse and spread across the different corporate sectors in South Africa. It therefore implies that the findings cannot be generalised but can be used to add to the theory of CG and its influence on CSR implementation in JSE-listed companies in South Africa.

The second limitation was in the interpretation of the questions asked by respondents in the survey. For example, the researcher observed that there was a mis-interpretation by respondents relating to Question 6, particularly Statement 6.8. The researcher sought to determine if “corruption” was a challenge to CSR implementation in companies. The finding indicated that 47% disagreed with this statement, while 23% were neutral and only 3% agreed with the statement. During the structured interviews, all six participants complained of government bureaucracy, bribery and corruption at different stages of CSR implementation of certain projects as hindering factors. The researcher believes that respondents to the survey may have thought that the question related to “corruption” in their companies, as against corruption as a general term. This may have resulted in the higher levels of disagreement with the statement.

The process of data collection was a very difficult and time-consuming exercise. Many potential respondents approached by the researcher indicated that they were not permitted by their company policies to grant interviews or respond to electronic surveys sent to their emails. This led to the very low number of electronic responses received from respondents.

The next section will present the graphical representation of the Synergy Inclusiveness and Socio-economic development (SIS) model. Which is the researchers’ conceptualisation based on the findings of this study. The aim of the
model is to assist and guide CSR managers on the concepts that should be considered when initiating, planning and implementing CSR projects. The model sets out the goals and objectives that should be the target of every CSR project initiated by a company. The model also highlights the challenges associated with legal compliance, as well as the impact of legal compliance, on a company’s CG and CSR implementation.
6.11. A graphical presentation of the Synergy Inclusiveness and Socio-economic development (SIS) conceptual model

Figure 6.1: Synergy, Inclusiveness and Socio-economic development (SIS) conceptual model (Source: Researcher’s conceptualisation (2018))
6.11.1. Description of the Synergy, Inclusiveness and Socio-economic development (SIS) conceptual model

The Synergy Inclusiveness and Socio-economic development (SIS) conceptual model illustrates, firstly, the synergy and relationship that must exist between CG and CSR in the implementation of strategic CSR. The model exemplifies that for CSR to be effectively implemented in an organisation, there must be CG involvement. In addition to elucidating the relationship and synergy between CG and CSR, the model also illustrates that there must be collaboration between business, government/legal compliance and stakeholders at the levels of initiating, planning and implementing CSR by companies.

On the issue of inclusiveness, the model illustrates the importance of stakeholder involvement and inclusion in CSR implementation. The model advocates for the inclusiveness of stakeholders in CSR initiation, planning and implementation. The third aspect of the SIS model seeks to highlight the issue of socio-economic development. The SIS model elucidates that all CSR projects should be geared towards the socio-economic development of the community, society and stakeholders at large and not towards the interest of the organisation or any individual director or official of the company.

The SIS model also highlights the legal compliance challenges faced by companies in complying with BBBEE and the EEA. Finally, the SIS model demonstrates the impact that the 2008 Companies Act and the King IV Report have on CG and CSR implementation.

The SIS model is explained as follows:

- For effective CSR implementation, there must be collaboration between businesses, stakeholders and government through legal compliance and adherence to governments development policies and strategies.
- CG and CSR are complementary inter-related concepts. CSR implementation requires good corporate governance, without which CSR projects will not effectively impact on the socio-economic development of communities.
- There is a connection between legal compliance with CG and CSR legislation and codes, and socio-economic development. The implication of this link is that when companies comply with BBBEE, the EEA, King IV, FTSE/JSE and
the 2008 Companies Act, it positively impacts on the socio-economic development of communities.

- Improved socio-economic development of communities will lead to improved labour relations, good corporate reputation, stakeholder satisfaction and the creation of a sustainable business environment.

- Legal compliance with CSR and CG come with certain challenges. In the case of BBBEE, the challenges include skills shortages, which could impede a company’s ability to implement CSR. The Act is sometimes seen as only benefiting Black elites or people with political connections, thereby encouraging corruption and corrupt practices. BBBEE partners often do not have access to funds from financial institutions and may not be able to execute work given to them, thus creating difficulties for the participating companies. BBBEE partners do not often have a competitive edge against non-BBBEE partners in terms of expertise and experience. Hence, companies who are forced to engage them may find such BBBEE transactions being expensive.

- With regard to challenges of compliance with the EEA, the challenges range from skills shortages to fronting to reverse discrimination. This can play on the morale of employees and may affect the quality of work and services in the implementation of CSR.

- The model indicates that the 2008 Companies Act positively impacts on CG and CSR. The Act places duties, standards of conduct and liabilities on company directors for any illegal, wrongful or unlawful action carried out by the company. The Act directs companies to establish a Social and Ethics Committee to comply with all regulations and codes and to contribute to the development of operational communities.

- The model indicates that King IV impacts CG and CSR with regard to stakeholder engagement, stakeholder communication, as well as integrated reporting. Stakeholder engagement and communication ensures that CSR projects speak to the needs and requirements of the communities who are the stakeholders. It enables companies to understand their stakeholders better in order to implement CSR projects that are useful and beneficial to
communities. Integrated reporting enables transparency and accountability on CSR expenditure.

- In order for companies to overcome, the challenges they need to apply the SIS concept, which is explained as:
  
  (i) **Synergy**: there must be a synergy between companies, government and stakeholders, as well as synergy between CG and CSR for effective CSR implementation;

  (ii) **Inclusiveness**: stakeholders must be involved, consulted and included at the initiation, planning and implementation stages of CSR implementation; and

  (iii) **Socio-economic development**: the socio-economic benefits to the communities must be the paramount aim of a company’s strategic CSR initiative.

The next section presents a graphical representation of the researcher’s recommendations to assist company directors, CSR managers and company officials on strategies that may be adopted to overcome CSR implementation challenges. An elucidation of the graphical representation is thereafter presented.
6.12. Graphical representation of recommended strategies for overcoming challenges of corporate social responsibility implementation

Figure 6.2: Graphical representation of recommended strategies for overcoming challenges of corporate social responsibility implementation (Source: Researcher’s conceptualisation (2018))

- Corporate Governance
- Top management involvement
- Review of policy
- Measure & Evaluate

- Socio-economic development
- Communication
- Training programs
- Employment
- Poverty alleviation

- Environment
- Climate
- Community
- Stakeholders
- Government
- Legal compliance
6.12.1. Description of the graphical representation

The model in Figure 6.2. is a graphical representation of the recommended strategies for overcoming the challenges associated with CSR implementation. The following is an explanation of the graphical representation:

- CG and CSR are related complementary management tools that should be used jointly and not separately for the effective implementation of CSR.
- Effective CSR implementation requires top management involvement; it involves a periodic review of policies; and the knowledge that different stakeholders may require different policy approaches. Stakeholders must be involved in CSR planning and implementation.
- Companies need to measure and evaluate their CSR spending to determine its impact on the company triple bottom line, which will enable stakeholders to properly understand and align with the requirements and benefits of CSR implementation.
- Companies should look more towards long-term integrated CSR projects that successive management could input into, modify and revise, depending on the changing trends and needs of the communities.
- Companies should communicate with their stakeholders and pursue a relationship built on trust and goodwill.
- Companies should engage in training programmes that could help in employment opportunities and poverty alleviation in their host communities.
- Companies should subscribe to government’s social programmes and policy directives.
- Companies should comply with all legislation, codes and regulations relating to CG and CSR, despite the challenges experienced.

6.13. Concluding remarks

CSR has become a prominent and, from all indications, a permanent feature amongst JSE-listed companies in South Africa. The importance of CSR can be seen by the fact that in the past two and a half decades since South Africa became a democracy, JSE-listed companies have come to accept CSR as part of their corporate strategies. The period has also witnessed many corporates reporting on
CSR projects and activities in their annual financial statements, as well as a rise in budgetary allocations for CSR projects (Trialogue 2014: 36).

Although many JSE-listed companies encounter several challenges in compliance with related CSR and CG legislation, codes and guidelines, the study revealed that many of them have developed and adopted measures to enable them overcome such challenges. Although many JSE companies have not yet fully developed measuring and evaluation tools, there is the realisation that CSR has moved from mere philanthropy to that of finding a place in company corporate strategic planning.

This study highlighted and discussed CSR and CG legislation, which have contributed immensely to the development of CSR and improved CG practices in South Africa. The 2008 Companies Act, The King IV Report on Corporate Governance, the BBBEE and the EEA, were analysed and challenges encountered by businesses in complying with the legislation were highlighted. The FTSE/JSE African Index Series was discussed and its impact on CSR implementation analysed.

Recommendations and suggestions for further research are made. The SIS model is developed and described to provide CSR managers and company directors with a graphical guide for CSR implementation. A graphical representation of recommended strategies for overcoming challenges of CSR implementation is also presented to assist CSR managers on related issues to take into consideration when planning and implementing CSR projects for their companies. The study contributes to CSR and CG literature in South Africa by showing the relationship and interconnectivity of the two concepts, as well as how they can be jointly utilised to advance the socio-economic development of South African business communities.
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APPENDIX I

CORPORATE GOVERNANCE CHALLENGES IN THE IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY BY COMPANIES LISTED ON THE JOHANNESBURG SECURITIES EXCHANGE

Questionnaire

1. Please tick the sector, which your organisation belongs.

   1. Financial services, Banking, Insurance
   2. Parastatals/State-Owned Enterprises
   3. Mining
   4. Manufacturing
   5. Technology
   6. Pharmaceutical
   7. Retail
   8. Automotive
   10. Property Development/Construction
   11. Others (please specify)

2. What is your position in the company? Please tick the appropriate box

   Senior Management
   Middle Management
   Executive
   Other/Retired
3. How important is corporate social responsibility (CSR) implementation in your company?

<table>
<thead>
<tr>
<th></th>
<th>Tick</th>
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</thead>
<tbody>
<tr>
<td>A</td>
<td>Extremely important</td>
</tr>
<tr>
<td>B</td>
<td>Very important</td>
</tr>
<tr>
<td>C</td>
<td>Average importance</td>
</tr>
<tr>
<td>D</td>
<td>Not at all important</td>
</tr>
<tr>
<td>E</td>
<td>Don’t know</td>
</tr>
</tbody>
</table>

4. Which areas of CSR is most significant/important to your company?
(1 strongly disagree, 2 disagree, 3 neutral, 4 agree, 5 strongly agree)

<p>| | | | | | |</p>
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</thead>
<tbody>
<tr>
<td>4.1. Governance and dialogue with stakeholders</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4.2. Policy towards employees</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4.17. Relationship with clients and suppliers</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4.18. Relationship with community</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4.19. Environmental protection</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4.20. Compliance with regulations and guidelines</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4.21. Community development projects</td>
<td>1</td>
<td>2</td>
<td>3</td>
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</tbody>
</table>

5. In your opinion, what has motivated your company the most to implement CSR?
(1 strongly disagree, 2 disagree, 3 neutral, 4 agree, 5 strongly agree)

<p>| | | | | | |</p>
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</thead>
<tbody>
<tr>
<td>5.1. Ethical motivation</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5.2. Environmental protection</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5.3. To promote corporate image and reputation</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5.4. Shareholders satisfaction</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5.5. Increase of corporate income and profit</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5.6. Greater employee satisfaction</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>5</td>
</tr>
</tbody>
</table>
5.7. Benefit in relationship with government institutions and community

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</table>

5.8. Increase in corporate profitability

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5.9. Pressure from consumer association and media

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5.10. Compliance with CSR legislation

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5.11. Philanthropy i.e. donations

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5.12. Avoidance of punitive measures/consequences of non-compliance against company.

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</table>

5.13. If others, please indicate the factor(s) that have/has motivated your company to implement CSR.

_________________________________________________________________  
_________________________________________________________________  

6. In which areas does your company find implementation of CSR the most challenging?

(1 strongly disagree, 2 disagree, 3 neutral, 4 agree, 5 strongly agree)

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</table>

6.1. Legal compliance challenge

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</table>

6.2. Financial constraints

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</thead>
</table>

6.3. Skills challenge

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6.4. Weak regulatory systems

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6.5. Stakeholder management

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6.6. CSR distracts/detracts from core discipline of company

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</thead>
</table>

6.7. Government interference such as dealing with regulations

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</table>

6.8. Corruption

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<th>5</th>
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</thead>
</table>
6.9. Based on the option(s) you selected, please elaborate more on why your company finds CSR implementation challenging due to that factor.

________________________________________________________________________

_____________________________________

_________________________________

Legal compliance challenge

Literature has identified compliance with legislation as one of the challenging areas in corporate governance (CG) and CSR implementation for listed companies.

7. Rate your agreement or disagreement with each of the following statements:

<table>
<thead>
<tr>
<th>Statements: 1 strongly disagree, 2 disagree, 3 neutrals, 4 agree, and 5 strongly agree.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1. Legal compliance with CG and CSR legislation is challenging for companies because it is expensive to engage the <strong>personnel</strong> required to manage the process.</td>
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<tr>
<td>7.2. Companies view legal compliance with CSR legislation as a deviation from core responsibility and a hindrance to company activities</td>
<td></td>
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<tr>
<td>7.3. The provisions of the 2008 Companies Act, which deal with director’s duties, liability and standard of conduct, have enhanced legal compliance in our company</td>
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<tr>
<td>7.4. Directors are more aware of their responsibilities, liabilities, standard of conduct and the consequences of non-compliance due mainly to the 2008 Companies Act</td>
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</tbody>
</table>

7.5. For the statements you ranked A (Agree) or SA Strongly Agree, please elaborate more on why you agree or strongly agree with these statements.

________________________________________________________________________

_____________________________________

_________________________________

Companies Act No 71 of 2008

One of the aims of the 2008 Companies Act is to promote the development of the South African economy by encouraging entrepreneurship, enterprise efficiency, transparency,
accountability and high standards of corporate governance. Please answer the following questions in respect of the 2008 Companies Act.

8. Elaborate on the significant change(s) that you have noticed in your company in respect of the following:

8.1. Transparency

___________________________________________________________________

___________________________________________________________________

Accountability

___________________________________________________________________

___________________________________________________________________

9. Section 75 and 76 of the Companies Act, deals with duties of directors and director’s standard of conduct. How have these provisions affected CSR implementation in your company?

Please rate the areas in which you have noticed significant changes.

<table>
<thead>
<tr>
<th>Statements: 1 strongly disagree, 2 disagree, 3 neutral, 4 agree, 5 strongly agree.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.1. The Companies Act has enabled directors to become more aware of their duties and responsibilities. As a result, greater effort is made to ensure that the company is compliant with relevant CG and CSR provisions in the Act.</td>
<td></td>
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<tr>
<td>9.2. There has been significant improvement in the area of CSR implementation and reporting as more budgetary allocation is made to CSR implementation than previously.</td>
<td></td>
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<tr>
<td>9.3. CSR implementation remains a challenge for my company as directors deem CSR as deviating from core company activities and expensive to implement.</td>
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</tbody>
</table>

9.4. For the statements you ranked A (Agree) or SA (Strongly Agree), please state the impact these have had on CSR implementation in your company.
10. S77 of the Act explicitly spells out director’s liabilities, by stating that directors will be personally liable for breach of any of the duties spelled out in S. 75 and 76 of the Act. In order to determine how this section has influenced corporate governance and CSR implementation in your organisation, kindly rate the following statements.

<table>
<thead>
<tr>
<th>Statements: 1 strongly disagree, 2 disagree, 3 neutral, 4 agree, 5 strongly agree.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.1. Directors are more aware of their liabilities and, as a result, greater emphasis is made to ensure that the company is compliant with relevant CG and CSR provisions in the Act.</td>
<td></td>
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<tr>
<td>10.2. There has been significant improvement in the area of CG and CSR reporting as directors become more aware that they may become personally liable to the company for non-compliance.</td>
<td></td>
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</tr>
<tr>
<td>10.3. S77 of the Act has caused directors in my company to make the company more compliant with relevant laws in order to avoid personal liability.</td>
<td></td>
<td></td>
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</tbody>
</table>

10.4. For the statements you have ranked A (Agree) or SA (Strongly Agree), please state the impact these have had on CSR implementation in your company.

--------------------------------------------------
--------------------------------------------------

**King III Report (Now replaced by the King IV Report)**

Chapter 9 of the King III Report focuses on the reputation of the entity, and on integrated reporting (i.e. holistic reporting, for example giving a complete picture of a company’s financial and non-financial profiles). Rate the following statements:
11. To what extent is integrated reporting a challenge to your company in the implementation of CSR?

<table>
<thead>
<tr>
<th>Statements: 1 strongly disagree, 2 disagree, 3 neutral, 4 agree, 5 strongly agree.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.1. Integrated reporting is a tedious, expensive and burdensome compliance issue for our company.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>11.2. Integrated reporting is a time consuming process for our company and deviates from reporting on core company issues.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>11.3. Finding, training and retaining the skills required to prepare these reports is a problem for our company.</td>
<td></td>
<td></td>
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</tbody>
</table>

11.4. For the statements you have ranked A (Agree) or SA (Strongly Agree), please state the challenges your company experiences in integrated reporting and the impact these have had on CSR implementation in your company.

___________________________________________________________________
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___________________________________________________________________

12. Chapter 8 of the King III Report provides that the board should appreciate that stakeholders’ perception affects a company’s reputation, and recommends that the gap between stakeholder’s perception and the performance of the company be managed and measured to enhance or protect the company’s reputation.

What governance challenges arises in managing, stakeholder’s expectation in your company? Rate the following statements:

<table>
<thead>
<tr>
<th>Statements: 1 strongly disagree, 2 disagree, 3 neutral, 4 agree, 5 strongly agree.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.1. Our company finds it challenging to identify and manage our material stakeholders and developing adequate policies to understand the issues, risks and opportunities associated with our various stakeholders.</td>
<td></td>
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</tbody>
</table>
12.2. Our company finds it challenging to develop stakeholder strategy and policies, as we do not have the in-house knowledge to draft strategy and policies that will deliver value.

12.3. Our company finds it challenging to gather reliable information to make informed judgement calls when balancing the legitimate interests of various stakeholder groupings.

12.4. For the statements, you have rated as A (Agree) or SA (Strongly Agree). Please elaborate on the specific nature of these challenges and the impact these have had on CSR implementation in your company.

The Broad-Based Black Economic Empowerment Act and its impact on corporate social responsibility implementation in listed companies

The BBBEE addresses issues of ownership, management, equality in the workplace, skill development, preferential procurement and enterprise development. To comply with the Act and receive preferential treatment for government contracts, organisations use a scorecard to measure success in different areas. Please answer the questions below as it relates to your organisation.

13. BBBEE requires companies to set up a scorecard by which compliance and progress on the transformation of the company can be measured. What governance challenges does this pose to your organisation’s operations? Please rate the following statements.

<table>
<thead>
<tr>
<th>Statements: 1 strongly disagree, 2 disagree, 3 neutral, 4 agree, 5 strongly agree.</th>
<th>1 SD</th>
<th>2 D</th>
<th>3 N</th>
<th>4 A</th>
<th>5 SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.1. Acquiring and retaining managers with the required skills remain a challenge for my company.</td>
<td></td>
<td></td>
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<tr>
<td>13.2. Cost of developing, implementing and monitoring the criteria on the scorecard remains a challenge for my company.</td>
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</tr>
<tr>
<td>13.3. Finding BBBEE partners who have sufficient funding or can obtain sufficient funding and can add value to my company’s business operations, remains a challenge for my company.</td>
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</tbody>
</table>
13.4. It is challenging and costly for my company to verify the status of suppliers and at the same time find quality products/service that are competitively priced from BBBEE companies.

13.5. For the statements, you have rated as A (Agree) or SA (Strongly Agree). Please elaborate on the specific nature of these challenges and the impact these have had on CSR implementation in your company.

---

**Employment Equity Act (EEA):** The EEA is primarily aimed at correcting the imbalances of the past in businesses especially with regards to the employment of people based on race, gender and disability. Affirmative action measures were implemented to advance the employment and promotion of Black people, women and disable people. This has however posed some challenges on South African businesses. Please rate the following statements.

14. Compliance with the EEA is challenging for my company in the following areas:

<table>
<thead>
<tr>
<th>Statements: 1 strongly disagree, 2 disagree, 3 neutral, 4 agree, 5 strongly agree.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
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</tr>
</thead>
<tbody>
<tr>
<td>14.1. Black skills employment: There are not enough Black people with the requisite skills required for our company operations.</td>
<td></td>
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<tr>
<td>14.2. Skills Retention: It is expensive to retain Black skills in our company.</td>
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<tr>
<td>14.3. Where the skills do exist, the quality and expertise is often inadequate.</td>
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</table>

14.4. For the statements, you have rated as A (Agree) or SA (Strongly Agree). Please elaborate on the specific nature of these challenges and the impact these have had on CSR implementation in your company.
FTSE/JSE Africa Series Index: The JSE makes it mandatory for companies to meet the minimum threshold in four areas (environment, society, governance and related sustainability concerns, as well as climate change) in order to qualify for inclusion in the FTSE/JSE Africa Series Index. For society, the company must apart from satisfying all the core and desirable indicators, also meet the indicators in relation to BEE and HIV/AIDS. Against this background, please rate the following statements in regards to challenges arising from the FTSE/JSE Africa Series Index in relation to CG and CSR implementation. Please rate the statements below:

15. Compliance with the FTSE/JSE Africa Series Index is challenging for my company in the following areas:

<table>
<thead>
<tr>
<th>Statements: 1 strongly disagree, 2 disagree, 3 neutral, 4 agree, 5 strongly agree.</th>
<th>1 SD</th>
<th>2 D</th>
<th>3 N</th>
<th>4 A</th>
<th>5 SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>15.1. FTSE/JSE Africa Series Index promotes stakeholders engagement, this is a governance challenge, as my company cannot meet all its stakeholders’ expectations.</td>
<td></td>
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<tr>
<td>15.2. The FTSE/JSE Africa Series Index places too much emphasis on none core business areas of my company, this is an added administrative cost on my company and therefore a governance challenge for my company.</td>
<td></td>
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<tr>
<td>15.3. Insistence of the FTSE/JSE Africa Series Index on compliance with the BBBEE is expensive for my company and does not allow my company to engage with partners/individuals that would better enhance/promote my company’s core business.</td>
<td></td>
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15.4. For the statements, you have rated as A (Agree) or SA (Strongly Agree). Please elaborate on the specific nature of these challenges and the impact they have had on CSR implementation in your company.

_________________________________________________________________________
_________________________________________________________________________

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Impact of compliance with CG and CSR legislation on implementation of CG and CSR in listed companies

16. Rate your agreement or disagreement with each of the following statements:
   (1 strongly disagree, 2 disagree, 3 neutral, 4 agree, 5 strongly agree.)

<table>
<thead>
<tr>
<th>Statements:</th>
<th>1 SD</th>
<th>2 D</th>
<th>3 N</th>
<th>4 A</th>
<th>5 SA</th>
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</thead>
<tbody>
<tr>
<td>How has compliance with CG and CSR legislation influenced CG and CSR implementation in your company?</td>
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<tr>
<td>16.1. Compliance with legislation has helped improve my Companies' profitability.</td>
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<tr>
<td>16.2. Compliance has helped in creating awareness about the need to protect the environment.</td>
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<tr>
<td>16.3. Communities are less hostile and more supportive of Companies' activities.</td>
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<tr>
<td>16.4. Compliance has helped the company to become more responsible towards other stakeholders, particularly when it comes to communication.</td>
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<tr>
<td>16.5. Compliance has improved corporate governance in my company</td>
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<tr>
<td>16.6. Compliance with CG and CSR legislation has enabled our employees to be more motivated and more trusting of the Company.</td>
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<tr>
<td>16.7. Compliance has helped the company to be perceived by its stakeholders as a more sustainable, accountable and responsible organisation.</td>
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<tr>
<td>16.8. For the statements, you have rated as A (Agree) or SA (Strongly Agree). Please elaborate on the impact this has had on CSR implementation in your company.</td>
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</table>

Measures adopted by listed companies in overcoming challenges associated with CSR implementation

Rate your agreement or disagreement with each of the following statements:

17. What are those measures employed by your company to address CSR implementation challenges?

<table>
<thead>
<tr>
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<td>17.1. My company constantly reviews its CSR policies, thereby keeping abreast of the needs of its community.</td>
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<td>17.2.</td>
<td>My company has good communication systems that stakeholders may use to communicate dissatisfaction and needs.</td>
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<td>17.3.</td>
<td>My company views CSR projects and programmes as part of core business activity, thus providing adequate budgetary provisions.</td>
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<td>17.4.</td>
<td>CSR reporting at company meetings and in the company’s annual financial statements (AFS) enables my company to monitor the effectiveness of its CSR initiatives.</td>
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<td>17.5.</td>
<td>My company has developed a model whereby it can measure the outcomes of its CSR programmes, as well as the impact that implementation has on the company bottom line.</td>
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17.6. For the statements, you have rated as A (Agree) or SA (Strongly Agree). Please elaborate on the specific nature that these measures have impacted CSR implementation in your company.

_________________________________________________________________________

_________________________________________________________________________

THANK YOU FOR YOUR ASSISTANCE
APPENDIX II

Structured Interview questions

Please introduce yourself and your position in your company.

**Question 1: Factors that motivate /Challenges CSR implementation:**

1.1. Comment on factors that motivate CSR implementation in your company.

1.2. Comment on the challenges your company experiences in the following areas of CSR implementation:
   - Financial constraints
   - Legal compliance (too many/skills required)
   - Skills shortages
   - CSR distracting from core discipline
   - Weak regulatory systems

**Question 2: King III (Now King IV) Report on Corporate Governance**

2.1. What corporate governance challenges has your company experienced when implementing CSR with regard to each of the following:

2.1.1. With reference to the “apply or explain” principle of the King III Report on Corporate Governance (Now King IV), pertaining to the mandatory reporting of CSR by companies;
   - How does your company implement this rule? (i.e. Would your company execute a CSR project or rather explain why they have not?)
   - Comment on the challenges experienced by your company when implementing CSR, in regards to integrated reporting. (e.g. time consuming and expensive, deviates from core discipline, requires expertise skills).

2.1.2. What are your company’s challenges in managing its stakeholders in regards to communication with stakeholders and stakeholders' expectations, with regards to CSR initiatives and project executions?
**Question 3: The 2008 Companies Act No 71**

The 2008 Companies Act No was enacted to provide legal backing to the King III Report. The Act advocates for more corporate transparency and accountability. Sections 75 and 76 spell out the duties and standard of conduct for directors, while Section 77 relates to directors’ liability’s.

3.1. What corporate governance challenges has your company experienced when implementing CSR with regard to each of the following:

3.1.1. Transparency

3.1.2. Accountability

3.1.3. Duties of director’s

3.1.4. Director’s standard of conduct

3.1.5. Director’s liability

**Question 4: The Broad-Based Black Economic Empowerment Act (BBBEE)**

4.1. To comply with the BBBEE Act and receive preferential treatment for government contracts, organisations are required to use a scorecard to measure compliance. Comment on challenges experienced by your company with regard to the following:

- Scorecard
- Black skills availability
- Engaging with black business operators, particularly with respect to in the areas of availability/access to funds, expertise and experience.

**Question 5: The Employment Equity Act (EEA)**

What are the challenges faced by your company with regard to complying with the Employment Equity Act (EEA)? Comment specifically with regard to the following: Availability of Black skills

5.1.1 Black skills acquisition and retention (including availability and associated cost).

5.1.2 Quality of available Black skills e.g. employing based on race/colour and gender, instead of expertise.
Question 6: The FTSE/JSE Africa Index Series

6.1. What corporate governance challenges has your company experienced with regards to complying with the following social responsibility requirements of the FTSE/JSE Africa Index Series: Please comment in terms of the following.

- Stakeholder engagement/stakeholders’ expectations
- Emphasis on none core business areas/administrative cost
- Compliance with the BBBEE Act.

Question 7: Impact of companies’ compliance with CG and CSR legislation on CSR and CSR implementation

7.1. How does legal compliance affect your company? Please comment in respect to the following:

- Company profitability
- Environmental protection awareness
- Community relations
- Stakeholder’s engagement and communication
- Corporate governance
- Employee motivation
- Company reputation

Question 8: Measures adopted by your company to mitigate the challenges associated with legal compliance:

8.1. What steps has your company adopted with respected to the following?

8.1.2. Reviewing of CSR policies
8.1.3. Communicating with stakeholders
8.1.4. Improved corporate social responsibility budgeting
8.1.5. Integrated reporting
8.1.6. Evaluating and measuring CSR impact on company’s triple bottom line (TBL);

Thank you for your response
Appendix III

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Extraction Method: Principal Component Analysis.
FACTOR
/VARIABLES Q18.1 Q18.2 Q18.3 Q18.4 Q18.5
/MISSING LISTWISE
/ANALYSIS Q18.1 Q18.2 Q18.3 Q18.4 Q18.5
/PRINT INITIAL KMO EXTRACTION ROTATION
/CRITERIA MINEIGEN(1) ITERATE(25)
/EXTRACTION PC
/CRITERIA ITERATE(25)
/ROTATION VARIMAX
/METHOD=CORRELATION.

<table>
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<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
<th>Rotation Sums of Squared Loadings</th>
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<tr>
<td></td>
<td>Total</td>
<td>% of Variance</td>
<td>Cumulative %</td>
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Extraction Method: Principal Component Analysis.
### APPENDIX IV

#### Chi-square test

<table>
<thead>
<tr>
<th>Description</th>
<th>Chi-Square</th>
<th>df</th>
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<td>Please tick the sector, which your organisation belongs.</td>
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<tr>
<td>What is your position in the company? Please tick the appropriate box</td>
<td>66,13</td>
<td>3</td>
<td>0.000</td>
</tr>
<tr>
<td>How important is corporate social responsibility (CSR) implementation in your company?</td>
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<td>Governance and dialogue with the stakeholders</td>
<td>50</td>
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<td>0.000</td>
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<tr>
<td>Policy towards employees</td>
<td>48,18</td>
<td>3</td>
<td>0.000</td>
</tr>
<tr>
<td>Relationship with clients and suppliers</td>
<td>51,328</td>
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<td>Relationship with the community</td>
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<td>Environmental protection</td>
<td>25,361</td>
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<tr>
<td>Compliance with regulations and guidelines</td>
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<td>Community development projects</td>
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<tr>
<td>Ethical motivation</td>
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</tr>
<tr>
<td>Environmental protection</td>
<td>44,933</td>
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<td>0.000</td>
</tr>
<tr>
<td>To promote corporate image and reputation</td>
<td>45,613</td>
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<tr>
<td>Shareholders satisfaction</td>
<td>72,667</td>
<td>3</td>
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<tr>
<td>Increase of corporate income and profit</td>
<td>47</td>
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<td>0.000</td>
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<tr>
<td>Greater employee satisfaction</td>
<td>56,311</td>
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<tr>
<td>Benefit in relationship with government institutions and community</td>
<td>43,625</td>
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</tr>
<tr>
<td>Increase in corporate profitability</td>
<td>45,033</td>
<td>3</td>
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<tr>
<td>Pressure from consumer association and media</td>
<td>42,525</td>
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<tr>
<td>Compliance with CSR legislation</td>
<td>45,448</td>
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</tr>
<tr>
<td>Philanthropy i.e. donations</td>
<td>52,525</td>
<td>4</td>
<td>0.000</td>
</tr>
<tr>
<td>Avoidance of punitive measures/consequences of non-compliance against company.</td>
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<tr>
<td>Legal compliance challenge</td>
<td>20,742</td>
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<tr>
<td>Financial constraints</td>
<td>46,576</td>
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<td>Skills challenge</td>
<td>53,968</td>
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<tr>
<td>Weak regulatory systems</td>
<td>51,705</td>
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<tr>
<td>Stakeholder management</td>
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<td>0.000</td>
</tr>
<tr>
<td>CSR distracts/detracts from core discipline of company</td>
<td>38,918</td>
<td>4</td>
<td>0.000</td>
</tr>
<tr>
<td>Government interference such as dealing with regulations</td>
<td>22,361</td>
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<td>0.000</td>
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<tr>
<td>Corruption</td>
<td>40,833</td>
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</tr>
<tr>
<td>Legal compliance with CG and CSR legislations is challenging for companies because it is expensive to engage the personnel required to manage the process</td>
<td>50,082</td>
<td>4</td>
<td>0.000</td>
</tr>
<tr>
<td>The “apply or explain” rule in the King III Report, has caused compliance with CSR legislation to take a back seat in most companies. Companies would rather explain the reason why it could not apply the rule rather than actually apply the rule.</td>
<td>55,973</td>
<td>4</td>
<td>0.000</td>
</tr>
<tr>
<td>Companies view legal compliance with CSR legislations as a deviation from core responsibility and a hindrance to company activities</td>
<td>49,534</td>
<td>4</td>
<td>0.000</td>
</tr>
<tr>
<td>The provisions of the 2008 Companies Act, which deals with director’s duties, liability and standard of conduct, has enhanced legal compliance in our company</td>
<td>36,973</td>
<td>3</td>
<td>0.000</td>
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</table>
Directors are more aware of their responsibilities, liabilities, standard of conduct and the consequences of noncompliance due mainly to the 2008 Companies Act

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<tr>
<th>Description</th>
<th>Value</th>
<th>Significance</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Companies Act has enabled directors to become more aware of their duties and responsibilities, as a result greater emphasis is made to ensure that the company is compliant with relevant CG and CSR provisions in the Act</td>
<td>121,056</td>
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<tr>
<td>There has been significant improvement in the area of CSR implementation and reporting as more budgetary allocation is allocated to CSR implementation than previously</td>
<td>55,444</td>
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</tr>
<tr>
<td>CSR implementation remains a challenge for my company as director deem CSR as deviating from core company activities and expensive to implement</td>
<td>33,417</td>
<td>4</td>
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<tr>
<td>Directors are more aware of their liabilities and as a result greater emphasis is made to ensure that the company is compliant with relevant CG and CSR provisions in the Act</td>
<td>67,222</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>There has been significant improvement in the area of CG and CSR reporting as directors become more aware that they may become personally liable to the company for non-compliance</td>
<td>65,222</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>S.77 of the Act has caused directors in my company to make the company become more compliant with relevant laws in order to avoid personal liability.</td>
<td>60,556</td>
<td>3</td>
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</tr>
<tr>
<td>Integrated reporting is a tedious, expensive and burdensome compliance issue for our company</td>
<td>55,699</td>
<td>4</td>
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<tr>
<td>Integrated reporting is a time consuming process for our company, and deviates from reporting on core company issues</td>
<td>69,671</td>
<td>4</td>
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</tr>
<tr>
<td>Finding, training and retaining the skills required to prepare the reports is a challenge for our company</td>
<td>51,589</td>
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<tr>
<td>Our company finds it challenging in identifying our material stakeholders and in developing adequate policies to address the issues, risks and opportunities associated with our various stakeholders</td>
<td>105,562</td>
<td>4</td>
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<tr>
<td>Our company finds it challenging to develop stakeholder strategy and policies, as we do not have the in-house knowledge to draft strategy and policies that will deliver value</td>
<td>112,861</td>
<td>4</td>
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<tr>
<td>Our company finds it challenging to gather reliable information to make informed judgement calls when balancing the legitimate interests of various stakeholder groupings</td>
<td>92,685</td>
<td>4</td>
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<tr>
<td>When implementing CSR, legal compliance remains challenging for my company, as there are too many legislations for my company to comply with</td>
<td>50,63</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Implementation of a legal compliance policy is very expensive for my company and this negatively affects CSR implementation due to lack of adequate funding</td>
<td>70,904</td>
<td>4</td>
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<tr>
<td>The focus of legal compliance policy of my company is aimed solely at enhancing corporate reputation. Hence, not much thought is given to the socio-economic developmental requirements of the communities.</td>
<td>48,712</td>
<td>4</td>
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<tr>
<td>The board of directors in my company takes legal compliance very seriously. As a result, company devotes considerable resources towards its CSR initiatives.</td>
<td>19,945</td>
<td>4</td>
<td>0,001</td>
</tr>
<tr>
<td>Acquiring and retaining managers with the required skills to set up the scorecard remains a challenge for my company</td>
<td>82,274</td>
<td>4</td>
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<tr>
<td>Cost of developing, implementing and monitoring the criteria on the scorecard remains a challenge for my company</td>
<td>66,521</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Finding BBBEE partners who have sufficient funding or can obtain sufficient funding and can add value to my company’s business operations, remains a challenge for my company</td>
<td>52,959</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>It is challenging and costly for my company to verify the status of suppliers and at the same time find quality products/service that are competitively priced from BBBEE companies</td>
<td>48,575</td>
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<tr>
<td>Black skills employment: There are not enough black people with the requisite skills required for our company operations</td>
<td>42,137</td>
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<tr>
<td>Skills Retention: It is expensive to retain black skills in our company</td>
<td>48,438</td>
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<tr>
<td>Where the skills do exist the quality and expertise is often inadequate</td>
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<td>4</td>
<td>0,000</td>
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<tr>
<td>Our company is forced to engage in “fronting” in order to comply with the EEA</td>
<td>60,904</td>
<td>4</td>
<td>0,000</td>
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<tr>
<td>JSE SRI Index promotes stakeholders engagement, this is a governance challenge, as my company cannot meet all its stakeholders’ expectations</td>
<td>60,904</td>
<td>4</td>
<td>0,000</td>
</tr>
<tr>
<td>The JSE SRI Index places too much emphasis on none core business areas of my company, this is an added administrative cost on my company and therefore a governance challenge for my company</td>
<td>36,611</td>
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<tr>
<td>Statement</td>
<td>Score</td>
<td>Significance</td>
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</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>-------</td>
<td>--------------</td>
<td></td>
</tr>
<tr>
<td>Insistence of the JSE on compliance with the BBBEE is expensive for my company and does not allow my company to engage with partners/individuals that would better enhance/promote my company’s core business</td>
<td>31,371</td>
<td>3,000</td>
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<tr>
<td>Compliance with legislation has helped improved my companies’ profitability</td>
<td>59,658</td>
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<tr>
<td>Compliance has helped in creating awareness about the need to protect the environment</td>
<td>37,836</td>
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<tr>
<td>Community are less hostile and more supportive of our Companies’ activities</td>
<td>36,192</td>
<td>2,000</td>
<td></td>
</tr>
<tr>
<td>Compliance has helped the company to become more responsible towards other stakeholders, particularly when it comes to communication</td>
<td>51,397</td>
<td>2,000</td>
<td></td>
</tr>
<tr>
<td>Compliance has improved corporate governance in my company</td>
<td>51,397</td>
<td>2,000</td>
<td></td>
</tr>
<tr>
<td>Compliance with CG and CSR legislation has enabled our employees to be more motivated and more trusting of the Company</td>
<td>68,205</td>
<td>3,000</td>
<td></td>
</tr>
<tr>
<td>Compliance has helped the company to be perceived by its stakeholders as a more sustainable, accountable and responsible organisation</td>
<td>94,945</td>
<td>3,000</td>
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<tr>
<td>My company constantly reviews its CSR policies thereby keeping abreast of the needs of its community</td>
<td>84,667</td>
<td>3,000</td>
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<tr>
<td>My company has good communication systems where it’s stakeholders may use to communicate dissatisfaction and needs</td>
<td>90,521</td>
<td>3,000</td>
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<tr>
<td>My company view CSR projects and programmes as part of core business activity. Thus providing adequate budgetary provisions.</td>
<td>63,028</td>
<td>3,000</td>
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<tr>
<td>CSR reporting at company meetings and in the company’s annual financial statements (AFS) enables my company to monitor the effectiveness of its CSR initiatives</td>
<td>27,083</td>
<td>2,000</td>
<td></td>
</tr>
<tr>
<td>My company has developed a model whereby it can measure the outcomes of its CSR programmes as well as the impact that implementation has on company bottom line</td>
<td>40,111</td>
<td>3,000</td>
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</tr>
</tbody>
</table>
# Appendix V

## Correlation chart

<table>
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<tr>
<th>How important is corporate social responsibility (CSR) implementation in your company?</th>
<th>Spearman’s rho</th>
<th>Governance and dialogue with the stakeholders</th>
<th>Policy towards employees</th>
<th>Relationship with clients and suppliers</th>
<th>Relationship with the community</th>
<th>Environmental protection</th>
<th>Compliance with regulations and guidelines</th>
<th>Community development projects</th>
<th>Ethical motivation</th>
<th>Environmental protection</th>
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</thead>
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<td>How important is corporate social responsibility (CSR) implementation in your company?</td>
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</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
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<td>Governance and dialogue with the stakeholders</td>
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</tr>
<tr>
<td>Policy towards employees</td>
<td>Correlation Coefficient</td>
<td>0.080</td>
<td>0.526**</td>
<td>1.000</td>
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<tr>
<td></td>
<td>Sig. (2-tailed)</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Relationship with clients and suppliers</td>
<td>Correlation Coefficient</td>
<td>0.130</td>
<td>0.269'</td>
<td>0.430**</td>
<td>1.000</td>
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<td></td>
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<tr>
<td></td>
<td>Sig. (2-tailed)</td>
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<td>0.036</td>
<td>0.001</td>
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</tr>
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<td>61</td>
<td></td>
<td></td>
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<tr>
<td>Relationship with the community</td>
<td>Correlation Coefficient</td>
<td>0.180</td>
<td>0.318'</td>
<td>0.391''</td>
<td>0.462''</td>
<td>1.000</td>
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<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.155</td>
<td>0.013</td>
<td>0.002</td>
<td>0.000</td>
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<td></td>
<td>N</td>
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<td>61</td>
<td>61</td>
<td>61</td>
<td>64</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental protection</td>
<td>Correlation Coefficient</td>
<td>0.185</td>
<td>0.252</td>
<td>0.290'</td>
<td>0.273'</td>
<td>0.200</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.154</td>
<td>0.051</td>
<td>0.023</td>
<td>0.033</td>
<td>0.122</td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>61</td>
<td>61</td>
<td>61</td>
<td>61</td>
<td>61</td>
<td>61</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliance with regulations and guidelines</td>
<td>Correlation Coefficient</td>
<td>0.276'</td>
<td>0.257'</td>
<td>0.262'</td>
<td>0.265'</td>
<td>0.383**</td>
<td>0.129</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.030</td>
<td>0.046</td>
<td>0.041</td>
<td>0.039</td>
<td>0.002</td>
<td>0.323</td>
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</tr>
<tr>
<td></td>
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<td>61</td>
<td>61</td>
<td>61</td>
<td>61</td>
<td>61</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community development projects</td>
<td>Correlation Coefficient</td>
<td>0.261'</td>
<td>0.267'</td>
<td>0.250</td>
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<td>0.020</td>
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<td>0.001</td>
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<tr>
<td>To promote corporate image and reputation</td>
<td>0.121</td>
<td>0.018</td>
<td>60</td>
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<tr>
<td>Shareholders satisfaction</td>
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<td>Increase of corporate income and profit</td>
<td>-0.031</td>
<td>0.005</td>
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<td>Greater employee satisfaction</td>
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<td>Benefit in relationship with government institutions and community</td>
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<td>Increase in corporate profitability</td>
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<td>Pressure from consumer association and media</td>
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<td>Compliance with CSR legislation</td>
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<td></td>
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<td>Philanthropy i.e. donations</td>
<td>0.209</td>
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<td>Avoidance of punitive measures/consequences of non-compliance against company</td>
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<td>Legal compliance challenge</td>
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<td>Financial constraints</td>
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<td></td>
<td></td>
<td></td>
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</tbody>
</table>

*Note: Correlation Coefficient values range from -1 to 1, where -1 indicates a perfect negative correlation, 0 indicates no correlation, and 1 indicates a perfect positive correlation. Sig. (2-tailed) values indicate the significance level, with values less than 0.05 typically considered statistically significant. N values refer to the sample size.*
<table>
<thead>
<tr>
<th>Skills challenge</th>
<th>Correlation Coefficient</th>
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<tr>
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<td>0.284*</td>
<td>0.454</td>
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<td>0.300*</td>
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<table>
<thead>
<tr>
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<th>Correlation Coefficient</th>
<th>Sig. (2-tailed)</th>
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<td>0.063</td>
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<td>0.431**</td>
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<table>
<thead>
<tr>
<th>Stakeholder management</th>
<th>Correlation Coefficient</th>
<th>Sig. (2-tailed)</th>
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<td></td>
<td>0.157</td>
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<tr>
<td></td>
<td>0.282*</td>
<td>0.212</td>
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<td></td>
<td>0.102</td>
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<td>0.375**</td>
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<td>0.005</td>
<td>0.003</td>
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<table>
<thead>
<tr>
<th>CSR distracts/detracts from core discipline of company</th>
<th>Correlation Coefficient</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td></td>
<td>0.384**</td>
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<td>0.405**</td>
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<td>0.256*</td>
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<td>0.370**</td>
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<td>0.353**</td>
<td>0.002</td>
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<tr>
<td></td>
<td>0.384**</td>
<td>0.002</td>
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<table>
<thead>
<tr>
<th>Government interference such as dealing with regulations</th>
<th>Correlation Coefficient</th>
<th>Sig. (2-tailed)</th>
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<tr>
<td></td>
<td>-0.308*</td>
<td>-0.118</td>
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<tr>
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<td>-0.321*</td>
<td>-0.183</td>
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<tr>
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<td>-0.074</td>
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<td>0.390**</td>
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<table>
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<tr>
<th>Corruption</th>
<th>Correlation Coefficient</th>
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<td></td>
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<td>-0.152</td>
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<tr>
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<td>0.118</td>
<td>0.012</td>
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<tr>
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<td>0.183</td>
<td>0.012</td>
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<tr>
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<td>0.184</td>
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<td>0.097</td>
<td>0.012</td>
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<table>
<thead>
<tr>
<th>Legal compliance with CG and CSR legislations is challenging for companies because it is expensive to engage the personnel required to manage the process</th>
<th>Correlation Coefficient</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>The &quot;apply or explain&quot; rule in the King III Report, has caused compliance with CSR legislation to take a back seat in most companies. Companies would rather explain the reason why it could not apply the rule rather than actually apply the rule.</td>
<td>-0.062</td>
<td>0.002</td>
<td>73</td>
</tr>
<tr>
<td></td>
<td>-0.154</td>
<td>0.285</td>
<td>66</td>
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<tr>
<td></td>
<td>-0.265</td>
<td>0.167</td>
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<tr>
<td></td>
<td>-0.446**</td>
<td>0.012</td>
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<tr>
<td></td>
<td>0.032</td>
<td>0.016</td>
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<tr>
<td></td>
<td>-0.196</td>
<td>0.044</td>
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</table>

<table>
<thead>
<tr>
<th>The provisions of the 2008 Companies Act, which deals with director's duties, liability</th>
<th>Correlation Coefficient</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies view legal compliance with CSR legislations as a deviation from core responsibility and a hindrance to company activities</td>
<td>0.022</td>
<td>0.009</td>
<td>73</td>
</tr>
<tr>
<td></td>
<td>0.230</td>
<td>0.024</td>
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</tr>
<tr>
<td></td>
<td>0.039</td>
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<td></td>
<td>0.009</td>
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<tr>
<td></td>
<td>0.004</td>
<td>0.004</td>
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<tr>
<td></td>
<td>0.283*</td>
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<table>
<thead>
<tr>
<th>The provisions of the 2008 Companies Act, which deals with director's duties, liability</th>
<th>Correlation Coefficient</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
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<td></td>
<td>0.087</td>
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<tr>
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<td>0.004</td>
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</tr>
<tr>
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<td>0.183</td>
<td>0.136</td>
<td>66</td>
</tr>
<tr>
<td></td>
<td>0.016</td>
<td>0.021</td>
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</tr>
<tr>
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<td>0.391</td>
<td>0.291</td>
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<tr>
<td></td>
<td>0.197</td>
<td>0.068</td>
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and standard of conduct, has enhanced legal compliance in our company

<table>
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<tr>
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<th>73</th>
<th>66</th>
<th>61</th>
<th>61</th>
<th>64</th>
<th>61</th>
<th>62</th>
<th>63</th>
<th>66</th>
</tr>
</thead>
</table>

Directors are more aware of their responsibilities, liabilities, standard of conduct and the consequences of noncompliance due mainly to the 2008 Companies Act

<table>
<thead>
<tr>
<th>N</th>
<th>73</th>
<th>66</th>
<th>61</th>
<th>61</th>
<th>64</th>
<th>61</th>
<th>62</th>
<th>63</th>
<th>66</th>
</tr>
</thead>
</table>

The Companies Act has enabled directors to become more aware of their duties and responsibilities, as a result greater emphasis is made to ensure that the company is compliant with relevant CG and CSR provisions in the Act

<table>
<thead>
<tr>
<th>N</th>
<th>72</th>
<th>65</th>
<th>60</th>
<th>60</th>
<th>61</th>
<th>60</th>
<th>61</th>
<th>62</th>
<th>65</th>
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</thead>
</table>

There has been significant improvement in the area of CSR implementation and reporting as more budgetary allocation is allocated to CSR implementation than previously

<table>
<thead>
<tr>
<th>N</th>
<th>72</th>
<th>65</th>
<th>60</th>
<th>60</th>
<th>61</th>
<th>60</th>
<th>61</th>
<th>62</th>
<th>65</th>
</tr>
</thead>
</table>

CSR implementation remains a challenge for my company as director deem CSR as deviating from core company activities and expensive to implement

<table>
<thead>
<tr>
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<th>65</th>
<th>60</th>
<th>60</th>
<th>61</th>
<th>60</th>
<th>61</th>
<th>62</th>
<th>65</th>
</tr>
</thead>
</table>

Directors are more aware of their liabilities and as a result greater emphasis is made to ensure that the company is compliant with relevant CG and CSR provisions in the Act

<table>
<thead>
<tr>
<th>N</th>
<th>72</th>
<th>65</th>
<th>60</th>
<th>60</th>
<th>61</th>
<th>60</th>
<th>61</th>
<th>62</th>
<th>65</th>
</tr>
</thead>
</table>

There has been significant improvement in the area of CG and CSR reporting as directors become more aware that they may become personally liable to the company for non-compliance

<table>
<thead>
<tr>
<th>N</th>
<th>72</th>
<th>65</th>
<th>60</th>
<th>60</th>
<th>61</th>
<th>60</th>
<th>61</th>
<th>62</th>
<th>65</th>
</tr>
</thead>
</table>

S.77 of the Act has caused directors in my company to make the company become more compliant with relevant laws in order to avoid personal liability.

<table>
<thead>
<tr>
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<th>65</th>
<th>60</th>
<th>60</th>
<th>61</th>
<th>60</th>
<th>61</th>
<th>62</th>
<th>65</th>
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Integrated reporting is a tedious, expensive and
<table>
<thead>
<tr>
<th>Burdensome Compliance Issue</th>
<th>Correlation Coefficient</th>
<th>Sig. (2-tailed)</th>
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<tbody>
<tr>
<td>Communities</td>
<td>-</td>
<td>0.047</td>
<td>73</td>
</tr>
<tr>
<td>Integrated reporting is a time consuming process for our company, and deviates from reporting on core company issues</td>
<td>0.174</td>
<td>.262' .396'' 0.214 .172 .284' 0.123 .209 .311'</td>
<td>73</td>
</tr>
<tr>
<td>Finding, training and retaining the skills required to prepare the reports is a challenge for our company</td>
<td>0.130</td>
<td>.258' .384'' 0.223 0.059 .315' 0.128 .003 .158</td>
<td>73</td>
</tr>
<tr>
<td>Our company finds it challenging in identifying our material stakeholders and in developing adequate policies to address the issues, risks and opportunities associated with our various stakeholders</td>
<td>0.012</td>
<td>.251' .181 0.010 0.003 0.139 0.161 0.030 .297''</td>
<td>73</td>
</tr>
<tr>
<td>Our company finds it challenging to develop stakeholder strategy and policies, as we do not have the in-house knowledge to draft strategy and policies that will deliver value</td>
<td>0.043</td>
<td>.266' .265' 0.016 0.097 0.059 0.074 0.073 .312'</td>
<td>73</td>
</tr>
<tr>
<td>Our company finds it challenging to gather reliable information to make informed judgement calls when balancing the legitimate interests of various stakeholder groupings</td>
<td>0.245</td>
<td>0.130 0.014 0.372 0.894 0.019 0.133 0.805 0.013</td>
<td>73</td>
</tr>
<tr>
<td>When implementing CSR, legal compliance remains challenging for my company, as there are too many legislations for my company to comply with</td>
<td>0.015</td>
<td>0.163 .357'' 0.179 0.067 .479'' 0.033 0.173 0.202</td>
<td>73</td>
</tr>
<tr>
<td>Implementation of a legal compliance policy is very expensive for my company and this negatively affects CSR implementation due to lack of adequate funding</td>
<td>0.901</td>
<td>0.191 0.005 0.168 0.600 0.000 0.796 0.175 0.104</td>
<td>73</td>
</tr>
<tr>
<td>The focus of legal compliance policy of my company is aimed solely at enhancing corporate reputation. Hence, not much thought is given to the socio-economic developmental requirements of the communities.</td>
<td>0.048</td>
<td>.347'' .382'' 0.161 0.188 .324' 0.032 .147 .213</td>
<td>73</td>
</tr>
<tr>
<td>The board of directors in my company takes legal</td>
<td>0.071</td>
<td>0.013 .255' 0.154 0.050 .345'' 0.083 0.012 0.058</td>
<td>73</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------</td>
<td>----------------</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>compliance very seriously. As a result, company devotes considerable resources towards its CSR initiatives.</td>
<td></td>
<td>0.548</td>
<td>0.919</td>
</tr>
<tr>
<td>N</td>
<td>73</td>
<td>66</td>
<td>61</td>
</tr>
<tr>
<td>Acquiring and retaining managers with the required skills to set up the scorecard remains a challenge for my company</td>
<td>Correlation Coefficient</td>
<td>-</td>
<td>0.091</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.442</td>
<td>0.099</td>
<td>0.000</td>
</tr>
<tr>
<td>N</td>
<td>73</td>
<td>66</td>
<td>61</td>
</tr>
<tr>
<td>Cost of developing, implementing and monitoring the criteria on the scorecard remains a challenge for my company</td>
<td>Correlation Coefficient</td>
<td>-</td>
<td><strong>0.082</strong></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.493</td>
<td>0.014</td>
<td>0.000</td>
</tr>
<tr>
<td>N</td>
<td>73</td>
<td>66</td>
<td>61</td>
</tr>
<tr>
<td>Finding BBBEE partners who have sufficient funding or can obtain sufficient funding and can add value to my company’s business operations, remains a challenge for my company</td>
<td>Correlation Coefficient</td>
<td>-</td>
<td><strong>0.162</strong></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.170</td>
<td>0.568</td>
<td>0.028</td>
</tr>
<tr>
<td>N</td>
<td>73</td>
<td>66</td>
<td>61</td>
</tr>
<tr>
<td>It is challenging and costly for my company to verify the status of suppliers and at the same time find quality products/service that are competitively priced from BBBEE companies</td>
<td>Correlation Coefficient</td>
<td>-</td>
<td>0.103</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.386</td>
<td>0.476</td>
<td>0.026</td>
</tr>
<tr>
<td>N</td>
<td>73</td>
<td>66</td>
<td>61</td>
</tr>
<tr>
<td>Black skills employment: There are not enough black people with the requisite skills required for our company operations</td>
<td>Correlation Coefficient</td>
<td>-</td>
<td>0.028</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.812</td>
<td>0.933</td>
<td>0.013</td>
</tr>
<tr>
<td>N</td>
<td>73</td>
<td>66</td>
<td>61</td>
</tr>
<tr>
<td>Skills Retention: It is expensive to retain black skills in our company</td>
<td>Correlation Coefficient</td>
<td>-</td>
<td>0.067</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.576</td>
<td>0.843</td>
<td>0.009</td>
</tr>
<tr>
<td>N</td>
<td>73</td>
<td>66</td>
<td>61</td>
</tr>
<tr>
<td>Where the skills do exist the quality and expertise is often inadequate</td>
<td>Correlation Coefficient</td>
<td>-</td>
<td>0.010</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.931</td>
<td>0.429</td>
<td>0.046</td>
</tr>
<tr>
<td>N</td>
<td>73</td>
<td>66</td>
<td>61</td>
</tr>
<tr>
<td>Our company is forced to engage in “fronting” in order to comply with the EEA</td>
<td>Correlation Coefficient</td>
<td>-</td>
<td>0.011</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.928</td>
<td>0.040</td>
<td>0.055</td>
</tr>
<tr>
<td>N</td>
<td>73</td>
<td>66</td>
<td>61</td>
</tr>
<tr>
<td>JSE SRI Index promotes stakeholders engagement, this is a governance challenge, as my company cannot meet all its stakeholders’ expectations</td>
<td>Correlation Coefficient</td>
<td>-</td>
<td>0.056</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.640</td>
<td>0.057</td>
<td>0.021</td>
</tr>
<tr>
<td>N</td>
<td>73</td>
<td>66</td>
<td>61</td>
</tr>
<tr>
<td>The JSE SRI Index places too much</td>
<td>Correlation Coefficient</td>
<td>-</td>
<td>0.043</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>N</td>
<td>0.034</td>
</tr>
<tr>
<td>-----------------------------------------------------------------</td>
<td>-----------------</td>
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</tr>
<tr>
<td>emphasis on non core business areas of company, this is an</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>added administrative cost on my company and therefore a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>governance challenge for my company</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insistence of the JSE on compliance with the BBBEE is</td>
<td>0.002</td>
<td>72</td>
<td>0.177</td>
</tr>
<tr>
<td>expensive for my company and does not allow my company</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>to engage with partners/individuals that would better</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>enhance/promote my company's core business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliance with legislation has helped improved my companies'</td>
<td>0.046</td>
<td>73</td>
<td>0.085</td>
</tr>
<tr>
<td>profitability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliance has helped in creating awareness about the need to</td>
<td>0.019</td>
<td>73</td>
<td>0.112</td>
</tr>
<tr>
<td>protect the environment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community are less hostile and more supportive of our</td>
<td>0.697</td>
<td>73</td>
<td>0.499</td>
</tr>
<tr>
<td>Companies' activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliance has helped the company become more responsible</td>
<td>0.019</td>
<td>73</td>
<td>0.112</td>
</tr>
<tr>
<td>towards other stakeholders, particularly when it comes to</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>communication</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliance has improved corporate governance in my company</td>
<td>0.079</td>
<td>73</td>
<td>0.092</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliance with CG and CSR legislation has enabled our</td>
<td>0.089</td>
<td>73</td>
<td>0.044</td>
</tr>
<tr>
<td>employees to be more motivated and more trusting of the</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliance has helped the company to be perceived by its</td>
<td>0.083</td>
<td>73</td>
<td>0.045</td>
</tr>
<tr>
<td>stakeholders as a more sustainable, accountable and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>responsible organisation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My company constantly reviews its CSR policies thereby</td>
<td>0.117</td>
<td>73</td>
<td>0.088</td>
</tr>
<tr>
<td>keeping abreast of the needs of its community</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

289
<table>
<thead>
<tr>
<th></th>
<th>Correlation Coefficient</th>
<th>0.129</th>
<th>0.016</th>
<th>0.066</th>
<th>0.118</th>
<th>0.109</th>
<th>.269*</th>
<th>0.244</th>
<th>0.167</th>
<th>0.159</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>0.283</td>
<td>0.898</td>
<td>0.619</td>
<td>0.372</td>
<td>0.398</td>
<td>0.039</td>
<td>0.061</td>
<td>0.197</td>
<td>0.208</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>71</td>
<td>64</td>
<td>59</td>
<td>59</td>
<td>62</td>
<td>59</td>
<td>60</td>
<td>61</td>
<td>64</td>
</tr>
</tbody>
</table>

- My company has good communication systems where its stakeholders may use to communicate dissatisfaction and needs.
- My company views CSR projects and programmes as part of core business activity. Thus providing adequate budgetary provisions.
- CSR reporting at company meetings and in the company’s annual financial statements (AFS) enables my company to monitor the effectiveness of its CSR initiatives.
- My company has developed a model whereby it can measure the outcomes of its CSR programmes as well as the impact that implementation has on company bottom line.

*. Correlation is significant at the 0.05 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).
APPENDIX VI

Letter of information and consent

Dear Participant,

I am currently registered for a PhD degree at the Durban University of Technology. As part of this study, I am conducting research on

Corporate Social Responsibility and Corporate Governance: Implementation and Challenges for Companies Listed on the Johannesburg Securities Exchange

The aim of this research is to examine the influence that corporate governance and corporate social responsibility has in the South African business environment. The study will also examine ways in which CG and CSR implementation and practice in South African listed companies can be used to address developmental challenges in South Africa. The objective of the study is to investigate the implications of corporate governance and related challenges for listed companies in implementing the principles of corporate social responsibility in South Africa and corporate governance as a joint concept rather than viewing them as separate concepts. This researcher is of the view that the research aim will be reached through a comprehensive analysis of the following objectives:

1: To investigate, through a literature review, the implications of corporate governance and related challenges for listed companies in implementing corporate social responsibility in South Africa;

2: To investigate as well as analyse the selected CG and CSR legislation and the challenges experienced by businesses in implementing CG and CSR legislation and guidelines;

3: To investigate and analyse, through an empirical study, the challenges associated with CSR implementation generally and corporate governance in particular; and

4: To determine, empirically the measures that listed companies are adopting to address the challenges of CG and CSR and related socio-economic development efforts.

Would you agree to participate by answering the questions within the questionnaire? Participation is voluntary and you are free to withdraw from the study at any time. To ensure that strict confidentiality is maintained all questionnaires and scripts will be shredded. The information you give will only be used for research purposes, and your identity and individual answers will be kept totally confidential.

Your assistance will be much appreciated.

Your faithfully,
Emem Anwana

------------------------------------

Statement of Agreement to Participate in the Research Study:

I,……………………………………………………………………………………., have read this document in its entirety and understand its contents. Where I have had any questions or queries, these have been explained to me by Emem Anwana to my satisfaction. Furthermore, I fully understand that I may withdraw from this
study at any stage without any adverse consequences and my future health care will not be compromised. I, therefore, voluntarily agree to participate in this study.

Respondent Name (in full): __________________________________________________
Respondents Signature:____________________________________________________________________________

Date: ____________________________________________________________________________________________

Researchers:
Signature:_______________________________________________________________________________________

Persons to Contact in the Event of Any Problems or Queries:
Researcher DUT: Research Ethics Administrator (IREC Administrator)
Mrs Emem Anwana Ms Lavisha Deonarian
Tel: 0313735469 Tel: 0313732900
Email: emema@dut.ac.za Email: lavishad@dut.ac.za

Supervisors:
Prof K Reddy Prof R Rampersad
Tel: 0313735367 Tel: 0313735367
Email: reddyk@dut.ac.za Email: renitha@dut.ac.za
APPENDIX VII

INSTITUTIONAL RESEARCH ETHICS COMMITTEE (IREC)
LETTER OF INFORMATION

Title of the Research Study:
Corporate Social Responsibility and Corporate Governance: Implementation and Challenges for Companies Listed on the Johannesburg Securities Exchange

Researcher: Emem Otu Anwana
Co-Investigators/s/supervisors/s: Prof K Reddy/Prof R Rampersad

- **Brief Introduction and Purpose of the Study:** Determining the legal and ethical challenges faced by companies listed on the Johannesburg Securities Exchange, in the implementation of CSR in general and corporate governance in particular, given the implication that the total lack, or inadequate socio-economic development in certain communities have impacted on the operations of listed companies. This study will generate new ideas and suggestions for business in developing and implementing CG and CSR policies.

**Outline of the Procedures:**
1. **Questionnaires to CSR/CSI Managers and Directors.**

   Questionnaires will be emailed to CSR/CSI managers, or senior executives.

2. **Structured interviews**
   Structured interviews will be conducted with general managers, CEO’s, directors or senior executives of companies.
   **Sample Size:** One hundred questionnaires will be sent out to the 2012 top 100 companies listed on the JSE.
   **Risk or Discomfort to the Participants:** There are no risks to participants.
   **Benefits:** Not Applicable to this research.
   **Reasons why the Participants May Be Withdrawn from the Study:** participation is voluntary and the participants may withdraw at any time.
   **Remuneration:** Research participants will not be paid.
   **Cost of Study:** No cost
   **Confidentiality:** The identity will not be required on the questionnaires.
   **Research related Injury:** Not Applicable.

**Persons to Contact in the event of any Problems or Queries:**

<table>
<thead>
<tr>
<th>Researcher DUT Administrator</th>
<th>Research Ethics Administrator (IREC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mrs Emem Anwana</td>
<td>Ms Lavisha Deonarian</td>
</tr>
<tr>
<td>Tel: 0313735469</td>
<td>Tel: 0313732900</td>
</tr>
<tr>
<td>Email: <a href="mailto:emema@dut.ac.za">emema@dut.ac.za</a></td>
<td>Email: <a href="mailto:lavishad@dut.ac.za">lavishad@dut.ac.za</a></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supervisors</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Prof K Reddy</td>
<td>Prof R Rampersad</td>
</tr>
<tr>
<td>Tel: 0313735367</td>
<td>Tel: 0313735367</td>
</tr>
<tr>
<td>Email: <a href="mailto:reddyk@dut.ac.za">reddyk@dut.ac.za</a></td>
<td>Email: <a href="mailto:renitha@dut.ac.za">renitha@dut.ac.za</a></td>
</tr>
</tbody>
</table>
Complaints can be reported to the DVC: TIP, Prof F. Otieno on 0313732382 or dvctip@dut.ac.za

INSTUTIONAL RESEARCH ETHICS COMMITTEE (IREC)
CONSENT

Statement of Agreement to Participate in the Research Study:

- I hereby confirm that I have been informed by the researcher, Mrs Emem Anwana about the nature, conduct, benefits and risk of this study – Research Ethics Clearance Number:__________________.

- I have also received, read and understood the above written information (Participant Letter of Information) regarding the study.

- I am aware that the results of the study, including personal details regarding my sex, age, date of birth, initials and diagnosis will be anonymously processed into a study report.

- In view of the requirements of research, I agree that the data collected during this study can be processed in a computerised system by the researcher.

- I may, at any stage, without prejudice, withdraw my consent and participation in the study.

- I have had sufficient opportunity to ask questions and (of my own free will) declare myself prepared to participate in the study.

- I understand that significant new findings developed during the course of this research which may relate to my participation will be made available to me.

<table>
<thead>
<tr>
<th>Full Name of Participant</th>
<th>Date</th>
<th>Time</th>
<th>Signature/Right Thumb print</th>
</tr>
</thead>
<tbody>
<tr>
<td>I, Mrs Emem Anwana herewith confirm that the above participant has been fully informed about the nature, conduct and risk of the above study.</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Full Name of Researcher</th>
<th>Date</th>
<th>Signature</th>
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</table>

<table>
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<tr>
<th>Full Name of Witness (If applicable)</th>
<th>Date</th>
<th>Signature</th>
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<tr>
<th>Full Name of Legal Guardian (If applicable)</th>
<th>Date</th>
<th>Signature</th>
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</table>

Please note the following:
Research details must be provided in a clear, simple and culturally appropriate manner and prospective participants should be helped to arrive at an informed decision by use of appropriate language (grade 10 level – use Flesh Reading Ease Scores on Microsoft Word), selecting of a non-threatening environment for interaction and the availability of peer counselling (Department of Health, 2004).
If the potential participant is unable to read/illiterate, then a right thumb print is required and an impartial witness, who is literate and knows the participant e.g. parent, sibling, friend, pastor, etc should verify in writing, duly signed that informed verbal consent was obtained (Department of Health, 2004).
If anyone makes a mistake completing this document e.g. wrong date or spelling mistake a new document has to be completed. The incomplete original document has to be kept in the participants file and not thrown away and copies thereof must be issued to the participants.
References:
Department of Health: 2006. South African Good Clinical Practice Guidelines. 2\textsuperscript{nd} Ed. Available at: http://www.nhrec.org.za/?page\_id=14