

**STAKEHOLDER INVOLVEMENT IN CORPORATE SOCIAL  
RESPONSIBILITY AT A SOUTH AFRICAN MANUFACTURING  
COMPANY**

by

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## ABSTRACT

The purpose of the present study was to explore the extent of key stakeholder engagement in Coca-Cola's corporate social responsibility (CSR) initiatives in South Africa, and to establish the stages at which stakeholders are practically involved in such CSR initiatives. This study focused on two types of populations. The first was an unknown number of industry experts in the Johannesburg area who provided information about how CSR stakeholders should be identified and involved in CSR initiatives. These experts were sampled through a purposive sampling approach, and ten participants were interviewed from this population. The second population comprised of 20 executives at Coca-Cola South Africa who have knowledge of the CSR activities of the company. For these executives, a convenience sampling technique was used, and a total of 15 participants were interviewed from this group. The current study utilised interview guides for data collection in both groups of participants. Data collection was conducted from April to August 2011.

There was agreement amongst all participants that CSR should uplift communities while relationships are built with stakeholders. Regarding the selection of stakeholders, both groups of participants agreed that the relevance of stakeholders depends on the CSR initiative to be pursued. The findings of this study indicate that the stages at which identified stakeholders get involved in CSR initiatives depends on the CSR project to be undertaken. Participants from both groups indicated that hostility may result from not engaging with relevant stakeholders. This study recommends that the CSR policy at Coca-Cola be revised so that the engagement of relevant stakeholders is clearly articulated. Regarding future research, it is recommended that this study be replicated with corporations in a similar industry. In addition, it is recommended that future studies solicit the views of beneficiaries as well as those of the employees with regard to the identification and involvement of stakeholders.

## DECLARATION OF ORIGINAL WORK

I, Rudzani Mudau, declare that this dissertation is my own unaided work. Any assistance that I have received has been duly acknowledged in the dissertation. It is submitted in partial fulfilment of the requirements for the degree of Masters of Commerce at the University of Johannesburg. It has not been submitted before for any degree or examination at this or any other university.



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# CHAPTER ONE: INTRODUCTION

## 1.1 Background and motivation for the study

Mushonga (2003: 2) defines corporate social responsibility (CSR) as a “comprehensive set of policies, practices and programs that are integrated throughout the business operations, supported and rewarded by top management.” According to du Toit, Erasmus, and Strydom (2007: 400), CSR is about “the behaviour of a business towards stakeholders such as consumers, suppliers, competitors, employees, owners or shareholders, and the community at large.” Regarding CSR as a social construct, Dahlsrud (2006) argues that a definition of CSR must include social, environmental, economic, stakeholder and voluntary dimensions.

Based on the different definitions of CSR provided above, it is suggested that CSR initiatives are not static but dynamic. Organisations are not only doing what is prescribed regarding CSR, but also realise that they have an obligation to do what is good and sustainable (Corbett, 2008). This obligation can be especially felt when the pressure from external stakeholders is substantial (Anderson, 1989). The sense of an obligation to do what is good may also be due to the need to promote the sustainability of the organisation and its activities.

While CSR remains an important tool with which organisations can maximise their commercial activities, it has enabled organisations to engage in community development (Werner, 2009), with a view to uplifting local communities while at the same time taking care of the environment (Sadler, 2004; Akpan, 2008). Corbett (2008), supported by Sachs and Maurer (2009), argues that CSR should be based on how organisations relate to local communities with some form of ethical and/or social responsibility. Corporations that are deemed to be displaying socially responsible behaviour will improve their value, not only in the market, but also in the communities within which they operate (Milliman, Ferguson & Sylvester, 2008).



Wherever corporations do business in communities, stakeholders have legitimate interests in corporate activity. Attitudes, structures, and practices that constitute stakeholder management are therefore recommended (Campbell, 2007). In this regard, Kalambane and de Cleene (2006) argue that corporations must support community and national development initiatives. Kalambane and de Cleene (2006) believe that if corporations prioritise community developmental initiatives, a collective multi-stakeholder forum will be possible. Corporations, however, tend to act in socially responsible ways if normative or cultural institutions are in place to create a set of incentives for such behaviour (Campbell, 2007). Organisations sometimes engage in CSR initiatives as a result of campaigns by civil society and social movements (Sadler, 2004).

Kotler and Lee (2005) argue that CSR should be initiated out of free will rather than due to any pressure. Akpan (2008) and Sharp (2006) point out that if CSR initiatives evolve as a result of campaigns from civil society, these initiatives fail to involve the beneficiaries of CSR programmes. In this regard, Sharp (2006) and Herrick (2009) argue that, where organisations attempt to engage communities in these initiatives, they still fail to integrate the initiatives into the organisations' development programmes and plans. Akpan (2008) and Sharp (2006) point out that most CSR initiatives and practices fail to involve the beneficiaries of CSR programmes, and that CSR initiatives experience difficulties regarding stakeholder inclusion (Edoho, 2008). In attempting to deal with this difficulty, Edoho (2008) argues that organisations must develop environments that are conducive to creating social contracts between themselves and the communities in which they operate. CSR initiatives need to include stakeholder forums for the discussion of environmental issues (Raman, 2007).

Writing from a social activist perspective, Bond (2008) indicates how the distribution of certain free medicines as part of CSR, especially for HIV-infected patients in South Africa, is hindered by a lack of proper engagement or recognition of relevant stakeholders. For instance, non-recognition of the

Treatment Action Campaign (TAC) by pharmaceutical corporations has negatively impacted the distribution of medicines to those living with HIV/AIDS.

In some instances, Malan (2005) argues, corporations wish to be regarded as responsible through any means, some of which include bribery and collaborating with local political parties. Babor (2009) notes that some corporations fund pressure groups and other related interest groups in order to lessen opposition to their dubious operations. Some corporations also fund research in order to obtain results that serve their own interests (Babor, 2009).

King (2002) argues that to some corporations, CSR is a tool to attain a good corporate image that benefits business rather than the communities within which these corporations operate. Writing specifically about Shell's operations in Nigeria, Akpan (2008) argues that CSR initiatives do not always include external stakeholders. He further points out that the basis for such exclusion is the belief that CSR initiatives are goodwill gestures that should be accepted by communities, irrespective of whether they accommodate community inputs. Akpan's (2008) call for the ethical conduct of organisations together with other commentators (Hamann, Agbazue, Kapelus & Hein, 2005) advocating for more community engagement in CSR initiatives, are therefore justified.

Van der Merwe and Wocke (2006) believe that business is accountable to the society within which it operates, and that social and environmental concerns must be included in organisational operations. In order for these concerns to be included in the operations of the organisation, there must be interaction with stakeholders, which must begin with the identification of such stakeholders. According to Baron (2006), business and society can work together in deciding CSR initiatives. The interwoven nature of business and society answers the question of why corporations should consider the interests of stakeholders along with their own immediate corporate interests (Campbell, 2007).

Where corporations practise CSR with a view that local communities are not important in their CSR activities, the consequences are usually negative, resulting in, for example, community hostility towards such organisations (Akpan, 2008). In some instances, the negative consequences manifest in communities suspecting corporations of not wanting to offer anything back to them (Sadler, 2004). Where organisations attempt to address the pitfalls of excluding stakeholders in their initiatives, this endeavour still poses problems (Werner, 2009). For example, organisations may divide their stakeholders into „insiders“ and „outsiders,“, where outsiders are regarded as being sceptical of CSR initiatives and insiders are regarded as supporting the CSR initiatives of the corporation. In some cases, Herrick (2009) argues, organisations choose their CSR stakeholders based on the relations of such stakeholders to the management of organisations, which excludes key role players from these initiatives.

According to Campbell (2007), organisations must not knowingly do anything that could harm their stakeholders, for example, their investors, employees, customers, suppliers, or the local communities within which they operate. Instead, as Kalambane and de Cleene (2006) argue, organisations need to form partnerships and engage in consultation with their stakeholders. The rationale for CSR is to create an environment in which there is a balance between acceptable standards of living within communities and corporate profitability (Malan, 2005).

CSR is based on the ideals of corporate citizenship which lay a foundation for organisational responsibility towards the environment and communities (Harish & Gopal, 2008; van der Merwe & Wocke, 2007). Crane and Matten (2007: i) define corporate citizenship as the “administration of individual citizenship rights – social, civil and political – conventionally granted and protected by governments.” While governments have a role to play in corporate citizenship, the fact that being a responsible citizen is not legally enforced leaves room for organisations to nurture their own interests at the expense of local communities.

Several corporations have recently begun to move beyond seeing CSR as only a way of obtaining tax rebates and now regard it as a genuine business tool that can be used to build a sustainable and viable economic base for the country (Kambalame & de Cleene, 2006). Especially in South Africa, businesses that hope to flourish have learned that it is in their interests of attaining their corporate objectives to include CSR values and beliefs (Triologue, 2009). These values must be linked to society's transformation, and organisations should embrace a policy of transparency with regard to their corporate dealings and social upliftment programmes (Irwin, 2003).

## **1.2 Research company**

Coca-Cola is one of the corporations that have embarked on CSR initiatives in various communities. In India, it was the ecological degradation that laid the land to waste and the poisonous content of their soft drinks that were condemned by villagers and activists, especially in those areas where resources such as water were depleted by the corporation's operations (Harish & Gopal, 2008). For example, in one village, the inability of villagers to tend their livestock due to the shortage of ground water and pollution and the disposal of toxic waste led them to protest against the company (Hills & Welford, 2005). In some areas, these protests resulted in campaigns against the company that were aimed at informing factory leaders of the effects of their operations, and demanding that the company halts its operations (Raman, 2007). These protests demonstrated the villagers' dissatisfaction at the imposition of Coca-Cola's projects on their villages without their consent. As Raman (2007) further notes, the company needed to reach an agreement with the villagers and their representatives before initiating any further projects so as to minimise any harm to those stakeholders.

According to Raman (2007), Coca-Cola in India claims it is prepared to adhere to legislation and related standards from governments, non-governmental organisations, and other external stakeholders. Areas on which CSR initiatives can focus are profit, people, portfolios, partners, and the planet, which focus is premised on ensuring a sustainable future for the business as well as the planet

(Raman, 2007). Coca-Cola recognises principal challenges that demand attention, such as water quality and quantity, energy, climate change, and solid waste management, and has declared that it aims to make a difference in the marketplace, workplace, environment, and the community. Some of its CSR initiatives have manifested in Coca-Cola taking part in a global water initiative to ensure the sustainable use of water resources in its business, in some instances engaging in community-based recycling projects (Harish & Gopal, 2008). For example, in India, Coca-Cola has supported community-based rain water harvesting projects aimed at restoring water levels and educating communities about water conservation (Hills & Welford, 2005). In addition, the company has embarked upon a large number of educational and health programmes, the majority of which were developed and implemented with the aid of government agencies (Raman, 2007).

While the cases cited above occurred in India, they highlight the need for companies to identify key stakeholders and engage with such stakeholders before major projects are undertaken. The South African branch of this global conglomerate boasts of being "the company that does the most community upliftment" (Coca-Cola, 2010: 1). After opening the first bottling plant in 1928 in Johannesburg, it has grown to become the largest Coca-Cola market in Africa (Coca-Cola, 2010). Today, with more than 14 500 employees and more than 36 bottling plants, the operations of this corporation demands a sustainable focus, especially regarding resource usage (Coca-Cola, 2010). In this regard, the corporation has committed itself, not only to the provision of drinking water to poor communities, but also to supporting HIV/AIDS and malaria programmes, enhancing education, and helping young entrepreneurs (Coca-Cola, 2010). While this commitment shows that Coca-Cola takes CSR seriously, the extent to which stakeholders are involved in the identified projects is not known.

### **1.3 Problem statement**

In recent years, organisations doing business in South Africa have voluntarily initiated CSR programmes and projects (Mitchell & Hill, 2008). Corporations embark on CSR initiatives that range from donations to caring for the environment. Since corporations operate in communities, stakeholders are affected by these initiatives. Even with the range of acknowledged corporate stakeholders becoming wider, consultation with key stakeholders is still not considered by some organisations (Malan, 2005). Where stakeholders are involved in CSR initiatives, they are either not consulted or they are excluded from decision-making processes regarding these initiatives (Akpan, 2008). The problem that this study seeks to address is the extent of stakeholder involvement at Coca-Cola South Africa, and the stages at which such stakeholders are engaged.

### **1.4 Objectives of the research**

The overall objectives of the present study were to explore the extent of key stakeholder engagement in Coca-Cola's CSR initiatives in South Africa, and to establish the stages at which stakeholders are practically involved in such CSR initiatives.

### **1.5 Brief outline of the research methodology**

The population for this study was an unknown number of industry experts, from which ten were interviewed. A snowball sampling technique was used in order to identify industry experts. These experts provided information on how CSR stakeholders should be identified and involved in CSR initiatives. This information informed the development of an interview guide that was administered to 15 of the 20 members of top management at Coca-Cola South Africa for data collection. The qualitative data collected from both industry experts and members of top management were analysed through content analysis.

## 1.6 Outline of the remaining chapters of the dissertation

The present study is divided into the following chapters:

**Chapter Two** focuses on literature that deals with CSR. This literature covers the definitions, approaches, and characteristics of CSR, as well as stakeholders' involvement in CSR initiatives. Chapter Two concludes with research questions that emanated from the literature reviewed which served to guide the study.

**Chapter Three** focuses on the research approach and describes the population and sample, the instruments utilised, how the data were collected, the method of analysing the data, and ethical considerations.

**Chapter Four** presents the findings of the study.

**Chapter Five** deals with the discussion and interpretation of the findings and integrates the findings with the theory discussed in Chapter Two. The limitations of the study are noted.

**Chapter Six** provides a summary of the objectives of the study. Recommendations to Coca-Cola are made, and suggestions are furnished for further research in this area.



# CHAPTER TWO: LITERATURE REVIEW

## 2.1 Introduction

Addressing CSR initiatives can best be done by applying a systems approach to understanding the interaction between corporations and communities. Although a system is comprised of a collection of parts, the whole is more than the sum of its parts, and is a product of interactions among the parts of the system (Littlejohn, 1989; Skinner & von Essen, 1999; Bozicnik & Mulej, 2009). Where there are imbalances between the organisation and the environment, it is the organisation that must not only adapt but also revisit its policies and practices, and introduce new plans in consultation with the groups within that environment (Sadler, 2004; Akpan, 2008). Based on the systems theory, for CSR programmes to succeed, regular symmetrical engagements between organisations and various groups, including pressure groups, lobbying groups, and opinion leaders, are important (Sadler, 2004; Werner, 2009). Painter-Morland (2006) also supports the argument for the interdependency of business, society, and corporations, and the need to realise responsibilities towards stakeholders through a systems approach.

A system also contains a number of subsystems that are organised hierarchically (Painter-Morland, 2006). With the regular interchange between a system and its environment, there is a flow of energy in and out of the system (Skinner & von Essen, 1999). Thus, the system not only affects the environment, but also is affected by it (Skinner & von Essen, 1999). Furthermore, the interaction between the system and the environment calls for some degree of balance, and failure to attain this balance can cause disintegration of the whole system (Littlejohn, 1989). The interaction can result in changes in either the organisation or the environment, affecting what occurs in either the organisation or the environment or both. Where environmental pressures are rife, systems must reorder themselves in order to adapt to those pressures (Littlejohn, 1989). Since a system involves interrelatedness and interdependence, CSR is likely to be affected by various factors (Skinner & von Essen, 1999; Bozicnik & Mulej, 2009).



The interdependency of society and corporations should be underpinned by mutual trust between organisations and their stakeholders (Littlejohn, 1989; Bozicnik & Mulej, 2009).

Supported by commentators in recent years, there has been a suggestion of expanding the triple-bottom line approach to include assessment of corporations' policy and strategy, managerial systems, and corporate reporting systems (Freemantle, 2005; Coetzee, 2006). The triple-bottom line is a reporting vehicle for corporations to articulate their corporate social, environmental, and economic performance, and convey their responsibility regarding economic, environmental, and social concerns of the society (Brown, Dillard & Marshall, 2006). While some commentators regard the triple bottom line as a means for corporations to enhance their public image (Freemantle, 2005; Coetzee, 2006), others argue that it is a platform from which corporations can engage in environmentally and socially responsible activities (Brown, Dillard & Marshall, 2006). In many such cases, corporations are obliged to observe the triple bottom line, in which integrated economic, social, and environmental performance are measured (Coetzee, 2006). Painter-Morland (2006) argues that the triple bottom line is concerned with stakeholder engagement, organisational integrity and stakeholder activism. In this triple bottom line approach, adherence to certain reporting standards and legislation can be achieved (Painter-Morland, 2006). When linked with a corporate strategy, reporting on the triple bottom line enhances a corporation's reputation and provides a social licence to operate (Group of 100, 2003). Adhering to the triple bottom line needs focused commitment to long-term strategic thinking and planning, which can be translated into "social, conservation and sustainable recycling programmes" (The Centre for Creative Leadership, 2007: 3). With a strategic and integrated triple bottom line approach, efforts and expenditures on social and environmental issues may lead to increased profit through cost avoidance, as well as product, service, and productivity improvements (Hamson, 2001).

## **2.2 Corporate Social Responsibility: definitions and practices**

Corporate social responsibility can be defined as “a commitment to improve community well-being through discretionary business practices and contributions of corporate resources” (Kotler & Lee, 2005: 3). This definition highlights the fact that a corporation makes an unsolicited choice to do what it deems beneficial for the communities in which it operates. Kotler and Lee (2005: 4) further define these initiatives as “major activities undertaken by a corporation to support social causes and to fulfil commitments to corporate social responsibility.” While some corporations support social causes through cash donations and sponsorships, others repay the relevant communities in kind. Kitchen and Moon (2007) regard CSR as a “program of action to reduce externalized costs or to avoid distributional conflicts.”

Contrary to the first definition posited above, (that CSR is discretionary), Anderson (1989: 6) defines CSR as “a social contract [between business and society], with business’ major obligation being the provision of those goods and services that society needs.” At the core of this definition is the obligation of corporations to address broader societal needs through collective governance (Hamann et al., 2005; Painter-Morland, 2006; Corbett, 2008). Such collective governance should result in civil action when corporations do not behave in a responsible manner (Berens, 2004; Kalambane & de Cleene, 2006), which will ensure that international corporate governance practices are adhered to while global codes and standards are observed.

The current business climate in the world dictates that CSR should be guided by ethical reporting and standards (Kalambane & de Cleene, 2006). With standards and codes, proper management accountability and corporate governance can be achieved and, subsequently, CSR activities will be institutionalised (Da Piedade & Thomas, 2006a). Though some commentators argue that CSR requires adhoc decisions (Hemingway & Mclagan, 2004; Campbell, 2007), in practice, CSR is broadly regulated through corporate codes (Kalambane & de Cleene, 2006).

While these codes help organisations develop their own guidelines, some CSR practices cannot easily be subjected to codes and standards (Coetzee, 2006).

Coetzee (2006) believes that CSR actions can lead to the upliftment of societies, better government and governance, and, ultimately, lead to a sustainable environment (Kihato & Hamann, 2006). Corporations, however, do not always initiate CSR programmes for the upliftment of communities (Menon & Kahn, 2003; Miles & Jones, 2009). In this regard, Akpan (2008) argues that, for a sustainable environment to be realised, a bottom-up model must be used, where local communities actively participate in decisions. This argument emphasises the need to strike a balance between a standards-based orientation and a social or humanistic approach to CSR. In this regard, Fig (2005) notes that firms generally prefer the concept of corporate social investment (CSI) to CSR. The reason behind this preference, is that „corporate social investment“ and „corporate citizenship“ are concepts that ask no questions about legacy, memory, history, justice, or moral and ethical responsibilities” (Fig, 2005: 601).

Supporting Hamann et al. (2005), Kotler and Lee (2005) list areas in which corporations can practise CSR. They argue that, firstly, a corporation can provide funds to increase awareness about a social cause, a practice Kotler and Lee (2005: 23) term “cause promotion.” Secondly, a corporation can engage in cause-related marketing initiatives where they donate a percentage of revenue from certain product sales to the communities in which they operate. The third option for CSR projects is corporate social marketing, where a corporation supports the implementation of a behaviour-changing campaign, such as sponsoring programmes that are aimed at enhancing people’s abstinence from risky sexual behaviour in order to reduce the prevalence of HIV/AIDS. For example, when corporations fund campaigns that are targeted at improving public health and safety and community well-being, they are undertaking corporate sponsorship (Mitchell & Hill, 2008). According to Kotler and Lee (2005: 23), this action is called “corporate philanthropy.” Fourthly, corporations can engage in community volunteering through which they encourage their

employees and partners to volunteer their time for initiatives in local communities and groups.

Corporations can show their responsibility through poverty alleviation programmes, promoting good governance, and promoting improvement in education (The Centre for Creative Leadership, 2007). Corporations can also show that they are socially responsible by curbing corruption, preventing resource exhaustion, and promoting environmental conservation (Kotler & Lee, 2005). Corporations can also show that they are responsible by upholding business ethics (Da Piedade & Thomas, 2006b). Skinner and von Essen (1999) also argue that CSR practices must ensure that, while organisations produce safe products, these corporations do something to develop the less advantaged. Skinner and von Essen (1999) argue that CSR activities can include care for employees and other internal stakeholders, nurturing natural resources, and compliance with ethical and professional codes and standards. In this regard, Coetzee (2006) believes that CSR should be based on policies which, in turn, must have objectives and targets that are long-term in nature so that they are sustainable.

Despite the varying approaches to corporate CSR activities, the association of CSR with good corporate conduct means that CSR is globally becoming an important activity in corporations (Kalambane & de Cleene, 2006; Campbell, 2007; Edoho, 2008). All role players in CSR need to realise that flawed engagements will always result in negative outcomes where neither the corporation nor the community benefits (Triologue, 2011).

### **2.3 The CSR-CSI relationship**

Fig (2005) postulates that CSR projects are aimed at benefiting parties who are external to the corporation through developmental and social approaches. Fig (2005) holds that Corporate Social Investment projects (a practice in which corporations invest in projects) should not have the aim of marketing the

corporation but rather should promote the upliftment of the beneficiaries of such activities. Fig (2005) is of the opinion is that CSI initiatives should not focus on corporate responsibility for past and current malpractices and injustices. Corporations, therefore, do not have to acknowledge any human rights violations or environmental degradation. Visagie (1993) argues that the primary aim of CSI should be to develop and maintain a socio-economic and socio-political environment in which business operations are undertaken.

The choice of approach by corporations, highlighted in the preceding section, is premised on the description that CSR's core ingredients are developmental benefits and social upliftment. While CSR actions can start from a philanthropic basis where corporations contribute resources to the community so as to improve the quality of life of local people, corporations have recently moved to a proactive approach through which they want to be good citizens (Da Piedade & Thomas, 2006b). Based on this evolution, several authors (Corbett, 2008; Hills, & Welford, 2005; Painter-Morland, 2006; Raman, 2007) argue that CSR where corporations invest in projects and programmes that sustain the environment and the community needs to have elements of CSI.

## **2.4 Types of CSR**

### **2.4.1 Economic CSR**

Economic CSR is based on Adam Smith's invisible hand argument (Bishop, 1995: 166), which states that "even if individuals pursue their own interests without regarding the general good of the society, the invisible hand of the free market will cause this to result in the promotion of the public interest." This approach restricts companies to utilitarian ethics dependent on protection of investor rights, while accepting public policy compliance. Economic CSR treats policy formulation as an endeavour in which organisations pursue their own interests, but unintentionally promote public interests (Gill, 2008). The economic CSR approach advocates strict limits on both discretionary and mandatory responsibility, and predicts substantial long-term social benefits of relatively

unfettered markets operated by self-interested actors. The economic perspective treats all forms of discretionary CSR as voluntary wealth transfer away from investors towards community development (Windsor, 2006). For example, while making charitable donations to an orphanage or a school may transfer wealth from investors, there is still a need for firms to ensure that such donations have a developmental benefit (De Villiers, 1995; Frynas, 2005). In this regard, Dunne (2008) argues that executives acting on behalf of corporations do what they deem responsible only on the basis of their fiduciary responsibilities, without consideration of the consequences of their decisions.

#### **2.4.2 Ethical CSR**

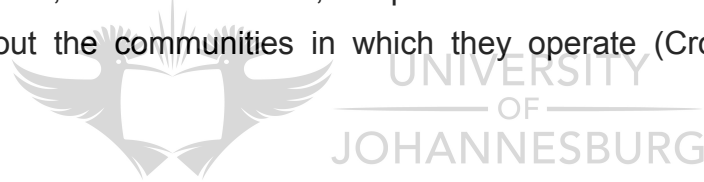
According to Windsor (2006), ethical CSR is based on expansive public policy and moral duties, and emphasises voluntary self-restraint and altruism concerning the realisation of universal human rights. Based on its association with ideal citizenship, ethical CSR promotes broad corporate duties and the rights of stakeholders. It posits that “impartial moral reflection by managers and investors is instrumentally necessary in business, normatively commanded, and socially desirable” (Windsor, 2006: 96). Hamann (2004) holds that the problem with such an approach is that corporations donate funds and provide other forms of assistance to communities in reaction to pressure, without a proper programme based on a corporate policy.

Ethical CSR uses a basic principle of impartial moral reflection that tolerates expansive public policy and practises broad self-restraint. These practices are voluntary contributions to communities as stakeholders, based on attitudes that are considerate towards communities. This type of CSR may involve uncompensated or costly contributions to stakeholders, which Dunne (2008) believes is based on conscience.

Windsor (2006) argues that frameworks for ethical CSR are multi-disciplinary. Corbett (2008) regards the basis of ethical CSR as the realisation by corporations that they are accountable to shareholders, communities,

employees, governments, and the environment from which they extract resources. This realisation forms the tacit contract according to which corporations can evaluate their operations.

The fact that more corporations are currently striving to practise CSI alongside CSR indicates that there is a growing movement towards ethical investments, which can have an impact on the development of both internal and external stakeholders (Frame, 2005; Malan, 2005; Raman, 2007). However, as Windsor (2006) notes, it is still difficult for some corporations to strike a balance between private conduct and public policy. Economics and ethics are proving difficult for corporations to integrate (Blowfield & Dolan, 2008; Corbett, 2008). CSR initiatives, especially in South Africa, are hindered by mistrust and antagonism that sometimes exist between corporations and local communities, which could be fuelled by unilateral planning on the part of the corporations (Campbell, 2007; Edoho, 2008), as, in some cases, corporations do not attempt to obtain information about the communities in which they operate (Cronje & Chenga, 2009).



Acutt, Medina-Ross and O'Riordan (2004: 302) regard CSR as "achieving commercial success in line with ethical principles, respect for people, communities and the natural environment," hence its association with environmental sustainability. Windsor (2006: 94) argues that CSR places profitable business in a moral framework of "utilitarianism-based economics and broader ethical notions of duties, rights, and just consequences."

## **2.5 CSR and stakeholders**

### **2.5.1 Introduction**

Morsing and Schultz (2006: 324) define stakeholders as "any group or individual who can affect or are affected by the achievement of the firm's objectives." Morsing and Schultz (2006) further argue that stakeholders are a crucial element in corporate strategic planning, and that their inclusion in the development of the

corporate mission and vision can be beneficial to both the corporation and the stakeholders. Visagie (1993) states that stakeholders are comprised of opinion leaders, labour unions, employees, and shareholders.

Trebeck (2007) differentiates between three types of stakeholders. One type of stakeholder is comprised of people who hold formal leverage, for example, company directors and shareholders, while the other consists of those who use economic power to affect a corporation's revenue decisions and conditions. Examples of the latter group include creditors, employees, and customers. The third type of stakeholder group is made up of those individuals and groups who are able to influence corporations through political power that may affect both the social and political environment in which corporations operate, for example, activists, communities, and governments. Taking this argument further, Hamann (2004) suggests that negotiating forums operating the premise of mutually agreed decision-making can provide solutions for stakeholder involvement. Brammer and Millington (2003) also argue that societal stakeholders exert an important influence on the implementation of community involvement activities.

Kalambane and de Cleene (2006) argue that, for CSR to be successful, a comprehensive CSR initiative is needed, where regular consultation and interaction occur among stakeholders to address concerns that may arise. Supporting the argument for such interaction, Coetzee (2006) states that systems theory can aid a corporation in this interaction. In a system there must be internal relationships between the objects. In addition, there is a reciprocal relationship between the corporation as a system and its environments, both internal and external. Based on the systems theory, Trebeck (2007) urges corporations and their managers to secure the support of those stakeholders who they know can impact their operations, and further argues that responding to stakeholders is crucial to the survival of a corporation.

While it is difficult to satisfy every group within the society in which an organisation operates (Fisher, Geenen, Jurcevic, McClintock & Davis, 2009), it is



important that organisations know the key stakeholders and try to adapt the corporation's operations to in order to address the needs of various stakeholders (Painter-Morland, 2006; Raman, 2007; Corbett, 2008; Dunne, 2008). Trebeck (2007) posits that some communities and groups will command more corporate attention than others. Even in cases where decisions are strategic in nature and can only involve top management, these decisions must be made in consultation with stakeholders (Corbett, 2008). In order for this to happen, Hamann (2004) suggests that corporations create networks and form partnerships. Where resources permit, corporations should demonstrate to the stakeholders how their concerns are heeded in strategic planning. Visagie (1993: 16) argues that there must be "an equal interaction between the resource domain, the implementation domain, the support domain and the recipient domain."

Morsing and Schultz (2006) hold that stakeholder involvement in corporations is crucial for mutual trust to develop. Where corporations choose to involve stakeholders, this involvement needs to be based on sound corporate strategy (Mackey, Mackey & Barney, 2007; Lamberti & Lettieri, 2009). Rather than imposing a particular CSR initiative on stakeholders, the stakeholder involvement strategy must promote concurrent negotiation with stakeholders to explore stakeholders' concerns versus the concerns of corporations, and allow for changes when necessary. Engaging in dialogue with stakeholders ensures that a corporation keeps abreast of its stakeholders' current expectations while being aware of its potential influence on those expectations.

Porter and Kramer (2006) argue that, for corporations to identify and keep abreast of stakeholders' expectations, both generic social issues and value chain social impacts are important considerations. They argue that the long-term competitiveness of corporations is affected by generic social issues, while value chain issues are impacted upon by the activities of corporations in the course of doing business. Porter and Kramer (2006: 9) further argue that corporations need to "stay attuned to evolving social concerns of stakeholders."

It is important to allow stakeholder expectations to influence and change the company itself (Acutt et al., 2004). Knox, Maklan and French (2005) argue that the result of working with a broad range of stakeholders through CSR activities is the integration of CSR concerns in a dialogic manner, in which two-way communication becomes pivotal (Morsing & Schultz, 2006). Acutt et al. (2004) believe that dialogue can be realised if the mechanisms in corporations are decentralised, and when there is community awareness and response.

### **2.5.2 Employees as stakeholders in CSR initiatives**

Greenwood (2007) argues that employees are primary stakeholders in a corporation, and that their influence on the corporation makes them both salient and powerful. Gill (2008) and Miles and Jones (2009) postulate that the importance of stakeholders to a corporation includes representing the corporation in communities, providing skills to the corporation, and linking the corporation with the communities within which the corporation operates. Employees therefore need to be treated as valuable assets while also being empowered, a concept Greenwood (2007: 316) terms “high-road human resource management.” Empowerment includes engaging with employees, especially when decisions are taken (Miles & Jones, 2009; Werner, 2009; Yu, 2009). When the public becomes aware of a corporation’s CSR initiatives, it will not only want those corporations to be part of its environment, but will also want its members to work for those corporations (Sen, Bhattacharya & Korschun, 2006).

King (2002) argues that, where organisations operate in developing countries, their CSR objectives should manifest in acceptable wages. Sometimes, multinational companies whose headquarters are in developed countries invest in the developing countries and employ workers at wages and conditions that would be illegal in their home countries (Berens, 2004; Malan, 2005; Maszak, 2008). If multinational corporations want to earn the trust of local communities and convince these communities that they are good investors, they must avoid engaging in such practices. In terms of CSR, multinational companies have an

obligation to support „humane“ labour practices, where the corporation's financial success is shared with the community through acceptable wages (Gill, 2008; Maszak, 2008).

While paying poor wages could be considered both immoral and irresponsible, such practices may be based on the ignorance of these corporations regarding local wage standards and agreements (Prior, Surroca & Tribo, 2008). Corporations therefore need to research market standards and ensure that sustainable wage determination is part of their remuneration policy (King, 2002). As King (2002) further argues, research can help corporations aid the economic upliftment of communities by paying acceptable wages. This is premised on the belief that where wages and conditions of workers appear unacceptable to people in the developed world, they cannot be acceptable to those in poor or developing countries. Furthermore, if corporations pay low wages in order to increase profits, any of their CSR initiatives of investing in local communities will be regarded with suspicion (Sadler, 2004).

While there are important corporate motives for ensuring that recruitment policies are responsible and portray a positive image of the company, corporations also have internal stakeholders to satisfy (Gill, 2008; Miles & Jones, 2009). CSR is often initiated because firms have a “desire to demonstrate to their own employees that the company is a positive force for development” (Frynas, 2005: 586). Hamann (2004) argues that CSR initiatives go beyond the recruitment and remuneration of employees. CSR needs to tackle issues such as skills development, talent and knowledge management, and the representation of women in management (Hamann, 2004).

Attempting to address the needs of local communities compels corporations to adapt their policies to local demands and conditions (Acutt et al., 2004), such as housing and living conditions (Sen et al., 2006), especially for employees and their families. In South Africa, CSR initiatives regarding living conditions can involve the improvement of hostels and their conversion into family units, and the

promotion of home ownership (Hamann, 2004). These processes need to follow what Cronje and Chenga (2009: 420) term a “human-centred” approach in which people participate interactively, especially those who are affected by the CSR initiatives.

Greenwood (2007) argues that CSR can be helpful in making staff feel positively predisposed towards the company. This corporate motivation is, however, in itself, a limiting factor since it renders the very engagement in CSR corporation-orientated, rather than it being a long-term developmental plan (Lund-Thomsen, 2005; Bond, 2008; Jamali, 2008; Miles & Jones, 2009). As social initiatives undertaken for this reason are, to some extent, driven by staff upliftment, the developmental priorities are likely to reflect those of the people inside the corporation rather than those of the local community. However, it is possible to strike a balance between the two types of stakeholders (Malan, 2005; Sadler, 2004; Akpan, 2008).

### **2.5.3 Civil society and social movements as stakeholders in CSR initiatives**



Bond (2008: 1039) defines social movements as “groups of people who join together in response to circumstances of domination which prompt them to assert their rights and challenge relations and structures of power.” Bond (2008) argues that social movements are important due to their ability to legitimise alternative ideas, values, norms, and lifestyles while validating the voices and identities of those who are oppressed as a result of unequal power relations. Sadler (2004) believes that social movements wield the power to either accept or reject the operations of organisations in local communities, as they are the centres of major protests and propaganda.

Windsor (2006) states that CSR concerns “principal–principal” relations in which society is the superior principal. In recent years, corporations have adopted standards for their social and environmental performance, developed in consultation with certain civil society organisations. Often, the standards are

adopted after some pressure from civil society activists and other such organisations, which phenomenon Bendell (2005: 363) terms „civil regulation“. While this kind of regulation is indicative of the need for corporations to follow a consultative approach, this approach will only bear fruit if corporations are proactive and involve civil society in the initial stages of their CSR initiatives.

While a proactive approach to CSR is recommended, there are still corporations that are reactive and only engage in CSR activities due to pressure from communities (Sadler, 2004; Werner, 2009). Cronje and Chenga (2009) regard this pressure as emanating from demands by activists and commentators that corporations be accountable and transparent.

## **2.6 Community involvement in CSR projects**

Due to the growing number of stakeholders with varying needs and concerns, consensus-building becomes necessary (Acutt et al., 2004). Commentators such as Hamann (2004) call for corporations to engage in voluntary measures that will improve the corporation's social standing, which will result in positive effects on profit margins. With the prevailing abuses of power associated with voluntary monitoring (Malan, 2005), there are calls for effective community involvement (Acutt et al., 2004). According to Coetzee (2006), organisations have to realise that they “have a duty in terms of socio-economic upliftment as they are embedded in the broader community and therefore have to invest in the broader community so as to develop win-win relationships with external stakeholders ...” (Coetzee, 2006: 32).

CSR initiatives can be viewed as investments that will result in profit (Anderson, 1989; King, 2002). This is achievable when the purpose of CSR activities are “to assist, through socio-economic involvement, in the development and maintenance of a socio-economic and socio-political environment that is conducive to the pursuit of real economic growth” (Visagie, 1993: 6).

Using the guidelines of the Council for Sustainable Development as a basis for evaluating CSR and community development, Da Piedade and Thomas (2006a: 66) state that “investing in local communities is seen to be a prerequisite in contributing to a sustainable, healthy and stable business environment in which investments will be protected and produce returns.” For the business environment to be healthy and stable, there needs to be a link between the corporation’s operations and the development of the communities whose sustainability relies on the responsible business operations of the corporation (King, 2002; Da Piedade & Thomas, 2006a).

In order for an organisation to be regarded as a good corporate citizen, there must be policies within the organisation that not only guide it towards such CSR activities, but that also promote the execution of CSR tasks (Malan, 2005; Raman, 2007; Akpan, 2008). Since corporations undertake CSR projects for local communities, it is important that these communities are aware of the policies and intentions of such projects. Knowledge of these policies in the communities in which corporations operate is not automatic but must be communicated. For this communication to be realised, corporations must put in place structures and systems, which Skinner and von Essen (1999: 351) term a “community relations programme.” This programme must link the corporation with the interests and welfare of the community. Further, this programme must detail action plans that will demonstrate the recognition by corporations of their responsibilities to the society in which they operate (Skinner & von Essen, 1999). For the action plans to result in a positive image of the organisation, the community needs to be informed of the plans through both the internal communication and marketing functions, with the former receiving more attention (Khanna, 2006; Herrick, 2009).

In addition, CSR engagement requires sophisticated and on-going stakeholder awareness. Bendell (2005) argues that there is a need for a dialogue based on trust. While the tendency is to communicate for the purpose of announcing their compliance to codes and standards, corporations must develop integrated

communication strategies (van der Merwe & Wocke, 2006; Mitchell & Hill, 2008). These strategies must be based on the notion that stakeholders are crucial elements in strategic planning and that they can affect the operations of corporations (Morsing & Schultz, 2006). Equally important is the need for stakeholders to regard corporations as partners, rather than “enemies, unconscious engines, or ungrateful beneficiaries of development” (Bendell, 2005: 363). In this regard, Lingenfelder and Thomas (2010) argue that there must be robust stakeholder engagement.

Communication with communities must be symmetrical so as to ensure that feedback is provided about the needs of the community (Hills & Welford, 2005; Malan, 2005; Raman, 2007; Akpan, 2008; Harish & Gopal, 2008). This approach will help to address the common pitfall of corporations presuming to know community needs, thereby leaving communities with a lack of ownership in the project (Coetzee, 2006). Lack of ownership of a CSR project by a community is detrimental to the project, especially when the community realises that the project is run *for* them and not *with* them (Malan, 2005). In contrast, their understanding of project objectives can lead to them owning and contributing to the costs of the project (Coetzee, 2006).

## **2.7 Guidelines for ensuring stakeholder involvement in CSR**

When making decisions about which CSR projects to undertake, corporations also have to decide on the choice of stakeholders. In many environments, a number of distinct stakeholder groups exist. While corporations can have a wide variety of information regarding the environment, they may still face the problem of identifying relevant stakeholders. Coetzee (2006: 38) suggests that, in trying to know the crucial stakeholders, organisations can identify the demographic areas in which the corporation wishes to invest, which will provide an indication of prospective stakeholders. According to Kotler and Lee (2005), another way of identifying relevant stakeholders is by determining the groups that have interests related to the intended projects. However, the danger of choosing one group over

the other is that communities may protest a corporation's initiatives, especially those communities that will not benefit from CSR projects (Akpan, 2008).

Once the target population has been identified, it becomes important to identify and consult with community leaders and agencies within that population (Akpan, 2008; Mitchell & Hill, 2008). This identification helps the corporation determine the prioritisation of the needs of the identified community. These community leaders should be involved in the establishment of possible projects that will help the organisation meet the community's needs (Sadler, 2004; Malan, 2005; Coetzee, 2006; Akpan, 2008; Mitchell & Hill, 2008). Where there are agencies in communities, corporations have a duty to establish the trustworthiness of such agencies, and the amount of power they wield in the community (Sadler, 2004), prior to engaging with them.

Consultation with stakeholder groups should be handled with care, as consulting all interested parties may lead to non-acceptance by the community of the intended investment due to vocal opposition by some of these groups. It is also important that, from the beginning, corporations treat the identified groups as equals (Kalambane & de Cleene, 2006; Kihato & Hamann, 2006). Thus, it is advisable to avoid a paternalistic approach when dealing with these groups as this may create protest and sabotage of the project. There is also the need for both parties to realise that CSR initiatives usually take time to fully implement (Coetzee, 2006).

Milliman, Ferguson, and Sylvester (2008) argue that some of the ways in which corporations can strategically address CSR concerns include, firstly, understanding the corporations' environments to identify ways in which the corporations can translate social issues which impact them into some form of a corporate advantage. Secondly, corporations can develop an expanded menu of CSR programme options to create corporate opportunities associated with these social issues. Thirdly, corporations can engage in careful analysis of strategic CSR programme options based on the consideration of economic and social



impacts. The fourth way involves the implementation of CSR programme options in co-ordination with other corporations and sectors. Lastly, corporations should measure both the economic and social outcomes and report these results within the corporation, especially to key stakeholders.

Emanating from the literature review, the following research questions are stated:

1. What is the level of stakeholder involvement in Coca-Cola South Africa's CSR initiatives?
2. What are the stages at which stakeholders are involved in CSR activities at Coca-Cola South Africa?

## **2.8 Conclusion**

Although CSR is difficult to define, there is consensus that corporations must do business in ways that do not degrade the environment, disrespect the interests of local communities, and neglect employees and their families (Hills & Welford, 2005; Raman, 2007). Similarly, commentators have suggested that CSR must be guided by corporate governance, the basis of which should be legislation and corporate policies. Where CSR projects are to be undertaken, communities must be involved in every step of these projects.

While there is no consensus about how CSR should be practised, a common understanding is that it needs to be inclusive of key stakeholders. This inclusion is possible through the identification of stakeholders in local communities through stakeholder engagement and consultation, resulting in multi-stakeholder partnerships being formed. These relationships may need to be institutionalised, which may aid the legitimating of the initiatives.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This study explores the levels of stakeholder involvement in CSR initiatives at Coca-Cola South Africa. In addition, it also endeavours to establish the stages at which stakeholders should be involved in such initiatives. This chapter addresses the research approach and the methodology that were used in this study.

### **3.2 Research approach**

The research approach employed in this study was a qualitative approach, which Ospina (2004: 40) defines as “a form of systematic empirical inquiry into meaning.” Ospina (2004) further argues that a qualitative research approach is planned, ordered, and grounded in the world of experience, where researchers try to understand how others make sense of their experiences. Using this approach, researchers attempt to interpret phenomena in terms of the meanings people attach to experiences. Maxwell (1998) posits that a qualitative approach provides participants with an understanding of the meaning of the situations in which they are involved, while researchers understand the particular context within which the participants act. Using a qualitative approach, researchers can identify unanticipated phenomena and understand the processes by which events and actions take place (Berg, 2004). Devlin (2006) agrees with Maxwell (1998), and states that a qualitative approach addresses the understanding of a particular phenomenon without formulating hypotheses. Using this approach, theory is grounded in the collected data (Pidgeon & Henwood, 2004).

### **3.3 Research method**

#### **3.3.1 Research population**

Henry (1998: 117) defines a research population as “a group about which the researcher would like to speak.” This study focused on two populations. The first was an unknown number of industry experts, who resided in the Johannesburg area at the time, and who could provide information about how CSR stakeholders

should be identified and involved in CSR initiatives. The second population comprised 20 members of top management at Coca-Cola South Africa, who had knowledge of the CSR activities of the company.

### **3.3.2 Research sample**

A purposive sampling approach was employed in order to interview the industry experts. Industry experts were sampled due to their knowledge of CSR practices and due to their profession, which entailed consultation with corporations and advising on CSR.

Neuman (2003: 213) defines purposive sampling as a method that “uses judgement of an expert in selecting cases, or it selects cases with a specific purpose in mind, [where] the researcher never knows whether the cases selected represent the population.” Walsh (2001) argues that, in purposive sampling, the chance of a member of the research population being chosen is not known. In the current study, those who were initially identified based on their known experience in the field were asked to recommend other relevant prospective respondent to the researcher, – a sampling technique known as snowball sampling (Bless & Higson, 1995; Mason, 2002; Devlin, 2006). Denscombe (2003) describes snowball sampling as a method through which the sample emerges through a process of reference from one person to the next. This sampling technique enables a researcher to access more respondents through referrals by participants who not only provide information about the field of study, but who also have knowledge of other role players within their field. In the current study, a total of ten industry experts were interviewed.

With regard to sampling members of top management at Coca-Cola South Africa, a convenience sampling technique was used, where those members of top management who were available were interviewed. From the population of 20 managers at Coca-Cola South Africa who had detailed knowledge of the company’s CSR programmes, a total of 15 participants were interviewed. While

these participants were chosen based on their positions within the corporation, their availability to be interviewed was the determining factor in their participation.

The total sample for this study, therefore, was comprised of 25 respondents. Information acquired from the ten industry experts was used to inform the questions asked of the 15 sampled participants at Coca-Cola South Africa.

### **3.3.3 Instruments**

The research instruments used for both samples in this study were semi-structure interview guides, in which questions and probes were predetermined as the framework for the interviews. The interview questions related to the objectives of the study and emanated from literature - interview guides are attached as Appendices A and B.

### **3.3.4 Data collection**

Data were collected through interviews with the participants during the period of April to August 2011. A tape recorder was utilised for this purpose so that the total contents of the interviews could be captured verbatim. In addition, it also offered the researcher the freedom to focus on guiding and listening to the conversation rather than being concerned about capturing responses.

### **3.3.5 Data analysis**

Data were analysed by means of content analysis that involved categorising each response into various themes and subthemes, a process in which there is a systematic sifting, sorting, and charting of material according to key issues and themes (Bryman & Burgess, 1994; Feldman, 1995). Bryman and Burgess (1994) hold that qualitative data analysis allows the researcher to define, theorise, categorise, explain, map, and explore the collected data. In the current study the researcher analysed the collected data through what Bryman and Burgess (1994) term a „framework,“ where the analysis relies on the researcher’s creative

and conceptual ability to determine meaning and connections. This involved a rigorous revisit of the data and themes on several occasions in order to reach a saturation point. Furthermore, this method of data analysis allowed the researcher to observe any sub-themes that emerged from the main themes.

### **3.4 Ethical considerations**

The following ethical issues were considered in the collection of data for this study:

#### **3.4.1 Respect for persons**

This ethical consideration was informed by the researcher's commitment to protecting participants from exploitation of their vulnerability. The dignity of all participants was respected. Participants were informed about the objectives of the study before the interviews commenced (Miller & Salkind, 2002).

#### **3.4.2 Informed consent**

Due to the fact that any research has the potential to result in some form of harm to participants, the researcher ensured that informed consent was acquired from all the participants before the interviews commenced (Miller & Salkind, 2002).

#### **3.4.3 Minimising risks to participants**

During the collection of data, the researcher showed his commitment to minimising the risks associated with participation in the research, including psychological and social risks, by not posing offensive questions to the participants (Miller & Salkind, 2002).

#### **3.4.4 Anonymity**

Research participants were guaranteed anonymity should they be quoted in the study. The researcher gave every participant an opportunity to choose whether to remain anonymous, use a pseudonym, or use their real names in the study (Miller & Salkind, 2002). The participants all chose to remain anonymous.

#### 3.4.5 Justice

Participants were asked if they wished to see the draft research report in order for them to validate their inputs. This was undertaken to show gratitude and appreciation for the participants' efforts (Miller & Salkind, 2002). Most participants requested to see the draft report.

#### 3.4.6 Confidentiality

Confidentiality of the information collected was upheld by ensuring that the information was stored safely. Data deemed to have long-term usefulness should be safely archived so that sensitive information is protected (Miller & Salkind, 2002).

### **3.5 Conclusion**

While stakeholder involvement can be studied through various approaches, this study chose a qualitative approach in line with the objectives of the study. Ten industry experts were interviewed in order to establish industry best practice in terms of how CSR should be initiated and practised. These interviews formed the basis of the questions that were posed to 15 members of Coca-Cola South Africa's top management, who had a detailed knowledge of the CSR programmes and processes of the corporation.

## **CHAPTER FOUR: PRESENTATION OF FINDINGS**

### **4.1 Introduction**

Chapter Three dealt with the research design and how the data were collected and analysed. This chapter presents the findings of the study. The objectives of the study were to explore the extent of key stakeholder engagement in Coca-Cola's CSR initiatives in SA, and to establish the stages at which stakeholders are practically involved in such CSR initiatives. The findings presented in the next sections are ordered according to the general themes that emanated from the data collected, and are structured according to the two objectives of the study.

### **4.2 General understanding of CSR**

This section presents the themes that emerged that establish participants' knowledge of the subject matter. These themes are noted as a background to the later presentation of findings in accordance with the two research objectives.

In most instances, the participants involved in various industries shared similar sentiments about CSR and furnished similar responses. For topics where this was not the case, the differences were identified and respondents were asked to elaborate upon their responses.

#### **4.2.1 Nature of understanding of CSR**

##### **Subtheme 1: Stakeholder relationships**

While the industry experts expressed various views regarding what CSR involves, there was general agreement that CSR involves building relationships with various stakeholders. This opinion was expressed by ten industry experts. One industry expert put it succinctly: "CSR should be about building relationships between corporations and all stakeholders, for example, communities, government, media, shareholders, and other relevant and significant ones." In support of this argument, another industry expert stated that CSR is "a tacit

commitment which a corporation makes towards its customers, stakeholders, and communities in which it operates in ensuring that it enters into mutually beneficial relationships.” These statements appear to indicate that the industry experts believed that CSR should involve creating relationships in which commitments are made to stakeholders.

Ten industry experts offered opinions regarding the nature of CSR. There was consensus amongst the experts that CSR is not only about providing employment for members of the local community where corporations operate, but should also address other socio-economic imperatives. Four experts argued that CSR should be about partnering with relevant role players in order to uplift the local community. While they believed that the spectrum of role players is broad, they were of the opinion that partnerships should be mainly with the community. One expert stated that CSR “should be about working in partnership with the community from the beginning. Partnership is the way to go in CSR.”

Another industry expert stated that, “In CSR, everybody has a role to play. The community has to take a stance in making life better. Corporations should not do CSR because they are blackmailed, but because it is the right thing to do. Corporations cannot be successful without the involvement of the community and government. All the role players need one another.”

The statements quoted above appear to indicate that industry experts believed that CSR should involve co-operative relationships between corporations and communities. Six industry experts suggested that the best approach is to build relationships utilising a contract, including a memorandum of understanding. Four experts held that CSR projects should be based on such a memorandum of understanding. One of these four industry experts added that, “although, when these relationships are made, no mention is made of signing a binding contract, the parties involved always feel the binding nature of the commitments made in these relationships.” Another expert believed that the nature of the commitments made in these relationships demands that all role players observe their



commitments. Her argument was: “If the relationships corporations make with communities and other stakeholders should last, then all relevant stakeholders need to make lasting commitments. It is only through the commitments that the relationships can last.”

Overall, 13 Coca-Cola executives believed that the corporation builds relationships and makes commitments to stakeholders through CSR initiatives. A Coca-Cola executive commented: “To my understanding, CSR is a commitment which a corporation makes towards its customers and stakeholders and the community in which it operates in ensuring that it enters into a mutually beneficial relationship.” The executive further commented that, “In this mutual relationship you have customers, the community, and then you have stakeholders. Then you also have shareholders.”

Another Coca-Cola executive stated that, “When we are approached by the community for assistance, we regard that as a platform upon which we can start building lasting and meaningful relationships that will yield positive results.” A second executive participant commented: “Although we do not draft legally binding documents, we enter into agreements based on mutual trust. These social contracts allow us to use each other as referees for future CSR projects. Both sides benefit in these relationships. Our benefits are these positive references and the community gets support from us on various fronts.”

In support of the above statements, another executive participant commented: “If you talk about an element of CSR, then relationships with the community become the centre of any activity, because CSR itself is community-social relations. It should revolve around community and stakeholder relationships.”

Two Coca-Cola executives posited that, through these relationships, corporations can keep abreast of developments within the communities in which they operate. One executive participant stated: “CSR is a platform that brings a corporation closer to the local community so that, whatever the issues and needs are within

communities, corporations are kept in touch.” The second executive noted: “If done properly, CSR enables corporations and communities to work hand in hand for projects that are mutually beneficial for both parties. It is through CSR that, when community needs change, corporations are able to detect the change and adjust accordingly.”

## **Subtheme 2: Integration of CSR into business**

Five industry experts argued that CSR should be integrated into business. One industry expert believed that CSR should be integrated into business by cutting across the business and its value chain. Referring to CSR as sustainability, she commented: “Sustainability is a resource-based approach which must be integrated into business, from obtaining raw materials, such as energy and water.” Another expert participant believed CSR should be holistic, so that it becomes “the way business is done – from the way the product is manufactured, to the way the product is sold and consumed, until the end product. So, it is a cradle-to-grave process, right across the value chain, across the business.” A third expert also commented that CSR entails companies evaluating issues around the sources of their production components. She commented: “Whether it is manufacturing or service or retail or construction or mining, it starts right from the first resource that goes into the product. So corporations have a responsibility to understand what happens in every part of their operations.”

A fourth expert participant held that this view should not be limited to the manufacturing corporation itself, but should also include suppliers. When the finished product is distributed, CSR should entail that the way it is transported, carbon emissions are reduced in the infrastructure used, such as “roads, rail, ships, all of which are related to carbon foot printing.” She argued that this view should also be expanded to include retailing of the finished product.

A fifth expert participant argued that CSR should be practised in a way that every part of a corporation’s operation has guiding principles detailing how CSR should

be conducted. He felt that this approach has the effect of ensuring that there is uniformity across the whole corporation regarding the way CSR is practised.

Among the Coca-Cola executives, there was consensus among nine executives that CSR incorporates the way in which business is done. Six executive participants argued that CSR at Coca-Cola is practised in a way that every aspect of their production is affected by the need to be responsible in doing business. They mentioned that the corporation has a guiding document in this regard. One executive commented that, “in our corporation, CSR forms part of every sphere of the production, so much so that every unit has developed CSR statements which are related to the main organisational statement.”

Another executive participant stated: “Our approach to CSR is that it should not be treated as another added aspect of production which is optional to our staff. We want every unit and every staff member to internalise the fact that CSR is how we do business. This is entrenched in the individual unit’s CSR statements, which the CSR director assesses regularly.”

Three more executive participants stated that, at Coca-Cola, every unit is required to submit reports regarding how they contribute toward the corporation’s CSR endeavours. They claimed that these reports are submitted on a quarterly basis to the CSR director. They further indicated that the reports detail how individual units deal with their stakeholders. One of these executives commented that: “these reports assist us as the management in assessing if every part of our corporation is playing a role in CSR, because our stance is that CSR should be integrated in the way we do business.”

### **Subtheme 3: Broad scope of CSR**

All ten industry experts believed that the scope of CSR should include the environment, resources, business models, products and the communities. Two industry experts preferred using the term „sustainability“ rather than „CSR“. They

posited that sustainability is broad enough to look at issues of long-term viability of business models, products, resources, the environment, and communities. One of these two industry experts claimed that, while CSR should lean towards social upliftment, too much emphasis on the „social“ aspect makes CSR lose its purpose. In her understanding, the term „sustainability“ was preferred because it is concerned with “taking a long-term view of the corporation and, in doing so, looking at various stakeholders. It is about how the corporation can continue to create value for itself and for its stakeholders in a long-term view.”

In support of the „sustainability“ view advanced above, another industry expert was of the opinion that CSR endeavours should entail that corporations ensure that they are sustainable by looking at where they will be in the next half century or so. Corporations demonstrate this approach in the way they do business, which should not involve profit only, but also a long-term perspective that should be tied into their business models. She stated that the business model “should address all aspects of sustainability, from human rights issues, supplier issues, resource management issues, environmental issues, social issues, community issues, employee issues, customers issues, and, of course, financial issues.” The expert further commented: “Sustainability is so broad that it deals with the whole business. It deals with the future of the business and whether it will still be around in at least ten, twenty, thirty, to forty years.” The expert participant added that “sustainability is a holistic, systemic, or pervasive process.” She then quoted the King III Report, and commented that “it is a fundamental change to the way we do business.”

Another industry expert postulated that CSR should not focus on one issue only. She commented that “CSR is about economic, social and environmental issues. Ethical issues are left out since ethics is relative. What is rather important is governance – governance of the corporation.” Two experts mentioned that CSR should include issues around health, education, the environment, and the improvement of the living standards for the local community.

Industry expert participants provided inputs into the nature of CSR activities. Five industry experts suggested that CSR should involve encouraging the community to be innovative and self-sustaining. Three experts stated that CSR can entail assisting the community in various forms, including funding and sponsorships. One expert suggested that, as part of CSR, corporations can “dispatch their employees to get involved in certain community projects of their choice. For example, a group of employees can choose to clean a nursery, help with food gardens, bath pensioners, or teach members of the community about financial management and other relevant life skills. CSR should centre on community upliftment, not only funding.”

Four expert participants suggested that corporations in the manufacturing industry could include recycling of materials and the preservation of resources by, for example, cleaning rivers and reservoirs in their CSR initiatives.

One industry expert specifically mentioned *Kickstart*<sup>1</sup> as a good initiative, which, she explained, is a programme where a corporation partners with aspiring entrepreneurs in order to support them, both financially and with skills. Another expert participant mentioned CSR projects such as the *Mellon Housing Initiative*, in which a corporation identifies communities in need of housing together with the Department of Human Settlements. Once identified, community leadership provides input to ensure that only those who are relevant are recipients of the benefits of such projects. *Sgeza Madolobha*<sup>2</sup> was mentioned as another successful CSR project that involves the local community. According to one expert participant, *Sgeza Madolobha* is a CSR project that is undertaken by the community for the community, although this is made possible by the role played by various corporations and government departments.”

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<sup>1</sup> A programme in which a corporation selects promising young entrepreneurs to train, mentor, and support so that they may become successful. The selection of candidates is based on candidates’ innovative abilities and the potential of their projects to become viable business ventures.

<sup>2</sup> This is a project in which a corporation recruits volunteers who provide sanitation detergents to households in informal settlements in a bid to ensure the health of environment and of communities.

Among Coca-Cola executives, nine executive participants were of the opinion that the scope of CSR initiatives at Coca-Cola covers education, housing, and combating diseases. One Coca-Cola executive indicated that one of the ways in which the corporation becomes involved in community projects is by being flexible in identifying areas where the corporation can initiate CSR projects without being approached by the community. He stated that the “Coca-Cola Africa Foundation has been spending millions of rands to develop community HIV/AIDS programmes, and we do this through partnering with various groups. This is done through an analysis of the current trends, which include lifestyle and health issues.”

Another Coca-Cola executive commented: “it is through CSR that we are able to address such issues as community development, educational projects, environmental care, and health and wellness issues in communities within which we operate.”

Yet another Coca Cola executive stated: “In our approach, we conducted our own research and identified areas where we needed to intervene in addressing local issues and concerns. For example, we have realised that the community needed education. In this regard, we have introduced programmes that allow the community to have access to such, be it through partnerships with other stakeholders or alone. We have also worked towards ensuring that housing concerns are addressed in the community.”

From the views expressed by the Coca-Cola executives, it appeared that the majority of participants agreed that the scope of CSR ranges from making commitment to customers and the community to assisting community projects financially and through other resources.

Regarding the scope of CSR initiatives, one executive posited that CSR at Coca-Cola is conducted throughout the value chain. He commented: “We have partnerships with smallholding farmers in various communities, where we discuss

issues that are related to water management. Look, we have acknowledged that our operations are water intensive. Therefore, we want to ensure that for every drop of water we use, we show accountability through responsibility water usage.”

Regarding the aim to secure endorsement for CSR, four executives stated that Coca-Cola ensures that its CSR projects are internally endorsed by affording its employees one day’s paid leave per annum in which to perform community work. One example of such activities is the renovation of old netball and basketball courts. The executive participant commented that, “employees enjoy the fun that comes with community work, while the community benefits from the activities. We have been doing this for the past three years now, and it has brought us closer to the local communities and allowed us further endorsement from the communities.” To illustrate this point, the executive referred to the netball courts renewal project where employees are provided with paint by the corporation with which to refurbish the courts. Coca-Cola executives mentioned their commitment to reducing the prevalence of HIV/AIDS through the Coca-Cola Africa Foundation and the water management project as two of their key CSR activities.

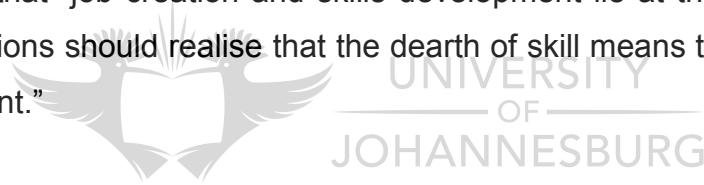
#### **4.2.2 Rationale for CSR**

##### **Subtheme 1: Community upliftment**

Participants from both groups were asked for their input regarding the rationale for CSR. In the industry expert sample, all the participants believed that the rationale for CSR is to uplift communities. Four industry experts agreed that the rationale for CSR is to ensure that corporations are involved in community upliftment, and to align corporations’ projects with those of the community. One expert participant stated that “CSR is a platform through which corporations contribute to a sustainable community and environment.”

One industry expert felt that corporations should realise their responsibility to improve the health and wellbeing of the community by engaging in CSR projects that uplift communities. Another industry expert believed that CSR ensures that a mentality of wanting hand-outs is discouraged, as the community is encouraged to be involved in the projects. She stated that “It is about teaching the community how to fish, rather than depending on government and corporates, with an ultimate goal of contributing to the upliftment of communities.”

Two industry experts argued that for CSR initiatives to be successful, corporations should contribute to the community without expecting benefits for the corporation. Regarding the prioritisation of profit at the expense of the community, two experts related CSR to skills transfer and job creation in order to contribute towards community upliftment. One expert commented: “You cannot expect profit on the one hand, and not transfer skills or create jobs.” Another expert argued that “job creation and skills development lie at the heart of CSR, where corporations should realise that the dearth of skill means that created jobs will be redundant.”



When asked specifically about corporations engaging in CSR for purposes of profit rather than community upliftment, eight industry experts disagreed with the approach. Of these, four expert participants stated that focusing solely on profit defies the purposes of community upliftment and self-sufficiency, which are the real reasons for CSR. They suggested that although every corporation aims to make a profit for their shareholders, a corporation must not prioritise profit in CSR engagement.

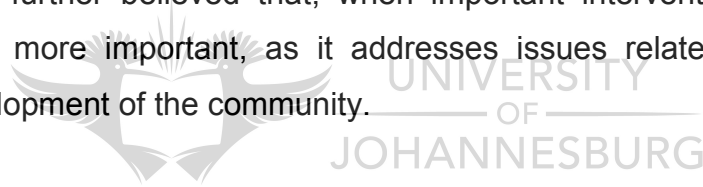
Another industry expert commented that, “if done properly, CSR will bring benefits to all stakeholders. There can be direct benefits for the community with specific projects that are done, and there can be indirect benefits where services that were not previously available to a certain community become available. New markets are opened up, new opportunities are made available for people to start



small businesses and opportunities for employment. So, CSR is conducted mainly for uplifting communities in which corporations operate.”

All 15 Coca-Cola executives are of the opinion that the rationale for CSR is community upliftment. Six Coca-Cola executives advanced the upliftment of the community as a rationale for CSR, while they also believed making impactful interventions in the community where corporations operate is crucial. They suggested that the interventions should make real and tangible differences in people’s lives in the community in which corporations operate. One executive stated: “Through CSR, we provide the necessary interventions so as to uplift the living standards within the communities. The majority of our employees are members of the local community, and we want to show them that we care about their existence; we want them to realise that they work for a caring corporation.”

One executive further believed that, when important interventions are made, CSR becomes more important, as it addresses issues related to the socio-economic development of the community.



### **Subtheme 2: Beyond reputation management**

Participants were asked about the possibility of corporations engaging in CSR initiatives in order to enhance their reputations. Ten expert participants broached the subject without much probing. Four experts suggested that reputational management should be treated as a public relations initiative, which has its own objective and focus. They argued that senior management should deal with reputational management as they are the face of a corporation, whereas CSR should be every employee’s concern. One expert mentioned that “the focus of CSR is not about managing a corporation’s reputation, as this is a mere PR exercise. CSR should go beyond PR and into enriching the community.”

One industry expert supported the view that the focus of CSR should not only be reputation management, although it could include it. She commented: “No, I don’t

think that is the primary objective. But I think that by conducting CSR properly, you should have reputational benefits. If reputation management is given as the purpose for CSR, then it is not going to work. People are not fooled for long. But if you conduct it properly, I think it would have positive reputational benefits with all stakeholders.” In clarifying her stance, the expert further stated that, “It is not only customers or mass public when you think of reputation. It is your reputation with the government, with the regulators, with your suppliers. So it is all stakeholders.” Another industry expert supported this view by stating: “Yes, it is one of the outcomes. You say, 'Listen, I pay my taxes; I provide jobs. But in the process, unfortunately, I do some bad things.' Then through positive results from CSR activities, the corporation manages its reputation.”

Of the 15 Coca-Cola executives, nine claimed that there is no confusion between CSR and reputation management at Coca-Cola. Four executives stated that, while reputation management may result from their CSR projects, their corporation has distinguished functions in this regard. They held that Coca-Cola has a dedicated unit with CSR as its sole function. One executive participant commented: “In our case, I do not see any confusion between reputation management and CSR, as our marketing and advertising unit deals with reputation management and related issues, while the CSR unit is responsible for all CSR-related matters. Therefore, there is no confusion. Perhaps the reality is that, due to what we do in the society, the public sees us as conducting marketing, even when we are not doing that.”

### **Subtheme 3: Improvement of employee morale and skills**

From the point of view of seven industry experts, CSR is conducted mainly in order to improve the morale of employees while their skills are developed and improved. One expert argued that “Corporations that actively involve employees in their CSR initiatives will realise that this involvement has some positive effects. For example, when employees realise that they have an active role to play in their corporation's CSR initiatives, their morale can be improved.”

Another industry expert stated that CSR should provide a way in which employee skills are improved. He argued that “CSR can be a platform through which corporations inject funds into skills development programmes within their employee population, which has an effect of improving employee skills. Sometimes corporations allow their employees to engage actively in CSR initiatives, in which they gain skills in areas where they are not originally experienced. These skills may become essential within corporations, especially in future CSR endeavours.”

Two more expert participants advocated involving employees in CSR so that they may acquire crucial skills. They argued that empowering employees with skills in CSR can lead to these employees becoming ambassadors for the corporations in their communities. One expert commented that “corporations need to realise the effects of investing in empowering employees with CSR skills. In fact, involving employees in CSR endeavours goes a long way into skills transfer. With this investment, corporations can be assured of good ambassadors in communities. So, it is going to improve employee skill.”

Eight Coca-Cola executives believed that their corporation uses CSR as an avenue for morale improvement. One executive commented that, “In most regions, we allow our employees to be the ones involved in the rollout of our CSR projects. We believe when employees are part of these activities, they feel important to the corporation. When they feel important, their morale is improved.” Another executive commented: “All our road shows in which we create awareness about our CSR initiatives are conducted by our employees. By making them part of this important endeavour, we ensure that the morale of our employees is elevated.”

Regarding the improvement of skills, one of the executives was of the opinion that CSR assists the corporation in showing that “it cares about its employees, its suppliers, its distributors and all relevant parties.” She also stated that Coca-Cola

has programmes in which it takes care of the needs of its employees and their dependents. In this regard, she mentioned bursaries and scholarships, competitions, and school upliftment projects. She stated that, “with our bursaries and scholarships, we are contributing positively towards skills improvement. Most of the beneficiaries of our bursary schemes are our employees, which assists in improving employee skills.”

Another Coca-Cola executive believed that through CSR, Coca-Cola is able to “provide the necessary interventions through which skills are improved, not only within communities, but also among our employees. For example, we conduct workshops where we train our employees about the implementation of CSR. These are skills which our employees can use in future, even if they leave the corporation. We are therefore proud of our contribution towards the improvement of skills.”

Apart from the three issues raised in the preceding paragraphs, given as the rationale for conducting CSR, there was a feeling among five industry experts that CSR emerges as a response to governance guidelines and regulatory requirements. While some companies undertake CSR for purposes of ratings by the Johannesburg Securities Exchange (JSE), the evidence of which is furnished through obligatory reports, two experts acknowledged that there are companies that are proactive in their approach towards CSR.

Regarding CSR and legislation, one industry expert stated that the guidelines are not enforceable and commented: “It is not legislated in that it is compulsory, but things like the Department of Trade and Industry and the Black Economic Empowerment scorecards have pushed the move towards a lot of responsible practices. Now there are the King III guidelines. Obviously, these are governance guidelines and they are guidelines that have been adopted by the Johannesburg Securities Exchange. So, all listed companies have to follow these guidelines.”

Commenting on the deficiencies related to the basis of CSR, the same industry expert posited that instead of legislation, there are two factors upon which CSR is based. She believed that these factors compel corporations to think about CSR. The first of these factors, she held, is compliance, and stated that “Corporations must comply with the King III requirements and the JSE guidelines, and sign the Global Reporting Initiative.” She regarded this as an approach of „ticking boxes“, where corporations take all the requirements and check if they have complied in various forms, including their membership of certain bodies. She further commented that, “... for example, if it is a mining company, they have to sign a „Declaration of Human Rights.“ So, they will take the declaration and, point by point, tick it off. Have we got the policy? Is there a person responsible for it? Have we trained people for that? So, that is the first factor why companies conduct CSR. I would say this factor drives at least 50 percent of all CSR issues.”

The same expert stated that the second reason for engaging in CSR is „social activism“, which she believed is about “awareness from customers and stakeholders ... the driver of this factor is the stakeholder. The stakeholder could be a regulator, a customer, or the media ... Take for instance Woolworths, which has positioned itself as this sustainable green company because its customers said to it, „I want a T-shirt made from organic cotton; I want a chicken or a lamb that is „free range“; I want to know how much you are going to recycle; I want to know that, when I buy products from you, you will support local production, local farmers.“ So, the stakeholders drive that process.”

An executive claimed that Coca-Cola has documented its CSR guidelines in the corporation's National Strategic Investment (NSI) policy. She believed that this document assists the corporation in ensuring that its social investments are in line with the prevailing needs of the country. It helps the corporation to identify major issues where resources can be invested in social projects. In an attempt to further clarify the NSI, the participant argued that, as a way of addressing CSR contributions in the local community, the NSI “should not only aid in tackling

major issues regarding CSR, but should also address the kind of principles on which CSR should be based while also influencing the outcome of the corporation's engagements with the community and other relevant stakeholders."

### **4.3 The extent of stakeholder involvement**

Executive participants were asked questions regarding the extent of stakeholder involvement in CSR initiatives at Coca-Cola. The findings presented in this section address the first objective of the study.

#### **4.31 Criteria for stakeholder identification, mapping and inclusiveness**

##### **Subtheme 1: Alignment of corporate objectives with stakeholder identification**

The ten industry experts concurred that the success of any CSR initiative depends largely on the inclusion of relevant stakeholders. When industry experts were asked about their understanding of stakeholders, one expert participant stated that, "from a list of community, media, government, and regulatory bodies, customers, clients, civil society, employees, and shareholders, each company would decide who their stakeholder groups are. It can be anyone who either has an impact on the company or that the company has an impact on. You can break down, and have, as many groups as you want, but employees will be the broadest group because you can have employees, representatives, and contractors. You can break them down into types of employees or nature of the jobs ... You can have unions in there."

Industry experts were also asked about the approach followed when identifying stakeholders who should be included in CSR initiatives. Eight of the ten participants agreed that particular areas of operations of a corporation play a role in determining who becomes a stakeholder in CSR initiatives. One of the participants argued that corporations should "look at community needs that are

closely aligned to imperatives of the business or corporation, so as to ensure that those identified as stakeholders have an agenda similar to that of corporations.”

Among the industry experts, one participant advanced an holistic view of CSR and stakeholder identification. She believed that while there are various ways of identifying stakeholders, “the most important one is to identify those stakeholders who have an impact on the business or that the business has impact on directly; the stakeholders on whom the company impacts indirectly. So, you can have a long list of stakeholders who you can get to through various mechanisms.” She further commented that “stakeholder identification and engagement is not a static process. It is an on-going process and, if new groups emerge, then the company needs to engage with them to determine what the issues are and their relevance. Companies should also determine what they can do regarding those issues, the impact those issues have on the companies, and make plans from there. The engagement of corporations with stakeholders makes them aware if there is a party who feels disenfranchised.”

One industry expert argued that corporations need to ask themselves who their most material stakeholders are by looking at the corporation's most material issues. “Is it water? Is it energy? Is it human rights? They need to know what the material issues are on which they need to focus. So, if it is a gaming company, its most material issue is whether it will get a licence for the following year. So, its most important material stakeholder is the gaming association. For Woolworths, the most important material issue is ensuring that it will have future food suppliers. Therefore, its most material stakeholders are farmers and other relevant suppliers.”

Another expert participant argued that CSR is a “living process which depends on the nature of business. Through engaging with your different stakeholders, you are going to identify new issues. So, I think the process of stakeholder engagement is used to identify issues. So you are speaking to stakeholders who

are important to your business and who should assist in identifying the issues and problems.”

In illustrating how stakeholders can be identified, one industry expert used a mining company that produces metal as an example. She commented that producing metal is a heavy production process that emits toxic gases into the environment. As a result, communities around the mine suffer from poor health, and the environment, including the soil, is polluted, resulting in livestock losses. Therefore, the most important material issue is that the mine needs to change the production process so as to nurture people and take care of the environment in which the mine operates. She stated: “So the most material stakeholders are consulted. The Department of Environmental Affairs, who is the regulator, is consulted. The environmental activists are also consulted. The people who work and live around the mine are also consulted. In the engagements that follow, the mine consults with the community in order to determine if the community regards the mine as a polluter, and to find ways in which identified issues can be improved together.”



Regarding stakeholder identification, there was an indication among three industry experts that corporations need to include CSR and stakeholder identification in the way they do business on a daily basis. One expert participant was of the opinion that “stakeholder identification is something that corporations should do every day. It is not something for which a corporation has to go out of its way and create a new division. Every person in a corporation should be engaged in stakeholder identification.”

Since the identification of relevant stakeholders is related to the needs of the community, industry experts were also asked about the approach that can be used to identify those needs, and who should be involved in that process. There was consensus amongst expert participants that the identification of stakeholders and their needs should be led by members of the community, as they know their



needs best. Especially where a corporation wants to secure project credibility, stakeholders should be identified in consultation with community members.

Three expert participants believed that, while members of the community should identify stakeholders in conjunction with corporations, various community leadership structures should also be involved in the process. They also postulated that once the members of the community have identified stakeholders, stakeholders can approach other corporations whose operations are relevant to the identified stakeholders and their needs.

Two industry experts stated that the identification of stakeholders can be performed by the corporation looking at who is affected by its operations, together with those communities' issues. One expert argued that, once these stakeholders are identified, their issues must be assessed against the corporation's imperatives so that there is alignment between the needs of the stakeholders and the corporation's imperatives.

One industry expert cited the current change in legislation in the alcohol industry as an example of the need for involvement of the relevant stakeholders. She stated: "For example, regarding the current changes in the legislation regarding the alcohol industry, manufacturing corporations within this industry need to be consulted as stakeholders. They also must consult government as an equal stakeholder."

However, two industry experts felt that, while allowing the community to be at the forefront could be the best way, corporations can also be proactive by proposing to the community what they intend doing, so that relevant stakeholders may come to the fore. They argued that this proactive approach has the potential of showing that corporations voluntarily want to engage their stakeholders in CSR.

While there was consensus among all 15 Coca-Cola executives that the identification of relevant stakeholders depends on the CSR initiative to be

undertaken, there was mention of a few stakeholder groups. Five Coca-Cola executives believed that the selection of stakeholders depends on the kind of CSR project to be undertaken. For example, stakeholders in a school project are likely to be scholars, educators, school governing bodies, and the Department of Education. One Coca-Cola executive commented that, “In identifying stakeholders among various groups in communities, we look at what we intend to do in a particular project.”

One executive commented that, “It depends on the kind of CSR project that we are undertaking at a particular time. But whatever the project, relevant stakeholders are always consulted and engaged with. For example, for the HIV/AIDS project, communities, hospices, volunteers become relevant. They are then consulted at the start of the project. We have our CSR co-ordinators who are always engaging with communities in every project.” The remaining four concurred with the idea that the selection of relevant stakeholders depends on the CSR project to be undertaken.

Another Coca-Cola executive added that, “We have various kinds of stakeholders. For all our CSR initiatives, our employees are regarded as important stakeholders. We have shareholders and various groups within the community in which we operate. We also have contractors and labour representatives. Therefore, it depends on the particular project to be undertaken.”

Yet another Coca-Cola executive commented that, “...for example, in our educational projects, we have school governing bodies, education officials, and parents as stakeholders. In the recent past years we have introduced projects in which we identify scholars with financial needs, who we assist. This goes a long way into developing communities so that they are self-sufficient. But the selection of stakeholders in all these projects is informed by the type of CSR project.”

Five Coca Cola executives argued that the identification of stakeholders depends on the area in which the intended CSR will take place. The executives stated that the identification of Coca-Cola's stakeholders is formally co-ordinated in order to ensure that the relevant stakeholders are identified. It was also suggested that there is a need for public-private partnerships, from which relevant stakeholders can be identified. Two executives argued that this partnership should be formed with communities.

One of the selection criteria for participation is the relevance of every potential stakeholder to every part of the corporation's operations. In this regard, one executive participant commented that, "if we found that water management is a crucial issue in our operations, then we negotiate for the inclusion of this item in the criteria of stakeholder selection. In this case, our stakeholders would be local communities with whom we share the usage of water, water purification agencies, local farmers who also need to use water, and local businesses."

Another executive advanced the idea of using areas of production as a selection criterion. He argued that, "for instance, our business relies on the availability of bottles and cans for bottling the beverages. In this regard, not only bottle manufacturing, but also can collecting, become crucial issues for stakeholder selection."

Since the selection of stakeholders is dependent on the operations of a corporation, the stakeholders selected should be CSR project-specific, rather than broad corporate stakeholders. Two Coca Cola executives believed that choosing CSR projects should be conducted in a way that ensures that all role players support the intended project. One executive commented: "Communicating and discussing the merits of any CSR project is crucial to the success of such a project. We discuss issues that are relevant to particular CSR projects with role players before any selection, so that we get enough inputs in stakeholder forums. Our understanding is that, if all role players are informed

about the intended project and its benefits, they are able to participate positively in the execution of such projects.”

In seeking clarity whether there are official guidelines for the identification of relevant stakeholders, Coca-Cola executives were asked to elaborate on the criteria they use in the identification of stakeholders. Although there was no consensus about the official way of selecting stakeholders, five executive participants agreed that executives are afforded a certain degree of latitude, depending on the specific situation. Once stakeholders have been identified, their needs are discussed. While the satisfaction of these needs depends on the alignment of corporate plans and funding, participants argued that those responsible for CSR have latitude to deviate from the scope of engagement when opportunities to accommodate more community needs arise.

Four Coca-Cola executives also believed that being proactive in identifying stakeholders may be crucial. In this regard, one executive posited that Coca-Cola uses the experience of their staff in broadly identifying stakeholders. While this is not the only consideration, it is true that employees are members of the community and are likely to know some of the people within the community who may become relevant stakeholders. This has the advantage that, while it allows employees to play a role in the identification of stakeholders, it enables community leadership to identify with the stakeholders chosen, as the employees come from the same communities and they have similar socio-economic backgrounds.

Another Coca-Cola executive suggested that one approach that has enhanced the corporation’s proactive stance was the advertisement of their intended projects so that potential stakeholders have an opportunity to respond. The corporation then screens those individuals and groups who responded to the advertisement before their confirmation as stakeholders. Another executive believed that relevant stakeholders are identified through proper research regarding stakeholders and their needs. He claimed that this research has

helped inform the corporation about when and how to engage with certain stakeholders.

## **Subtheme 2: Stakeholder mapping**

Six industry experts suggested that the identification of stakeholders should be related to the relationship corporations have with communities. In this regard, one expert participant posited that a corporation should go further than addressing the alignment between corporation's imperatives and stakeholder needs and look at the status of the relationship between the corporation and the stakeholders. Her argument was that this approach assists corporations in mapping the stakeholders with whom the corporation has good relationships and address issues with stakeholders with whom relations are not good. She referred to this approach as „stakeholder mapping.“

Another industry expert argued that corporations should use their corporate strategic plans for a particular year as a guiding tool for the mapping as well as in the identification of relevant stakeholders. Stakeholders of a corporation can differ from one year to the next, depending on changes in corporate strategy, which is not static but dynamic.

In support of stakeholder mapping, a third industry expert commented that “stakeholder mapping should not only be made a permanent feature of stakeholder identification, but also be carried out in a dynamic way, so that when circumstances within communities change, corporations should be able to adapt and select stakeholders that are representative of such circumstances. Therefore, corporations need to make stakeholder mapping a continuous process in which changes are reflected in their new corporate strategies.”

While it was acknowledged that stakeholder mapping is helpful in the identification of key stakeholders, there was also a common understanding among industry experts that, when corporations engage with the community,

there is a need for all parties to list emerging issues. If corporations collaborate with the community in CSR projects, the community is likely to feel it has some ownership of those projects. In this regard, two expert participants felt that existing relationships should be measured in order to select stakeholders with whom corporations enjoy mutual trust.

While stakeholder mapping and stakeholder management (a system that guides how stakeholders are identified and engaged with) were acknowledged as crucial to the identification of stakeholders, one industry expert argued that, if CSR is viewed as an integral part of the way corporations do business, it would be easier for corporations to identify their stakeholders. Her argument was based on the notion that, when CSR is regarded as an integral part of doing business, corporations assess roles and the relevant players. She used a beer manufacturer as an example, saying that the key stakeholders would be “the farmers, the glass manufacturers, box manufacturers, water utility suppliers, energy utility suppliers, government as regulators, customers, business partners as suppliers, procurement agents, and transport facilitators. It is an understanding that every supplier or every interaction in the supplier chain is a stakeholder. Therefore, if we need to show that we are responsible towards our stakeholders, we need to interact and dialogue with each of those role players around the whole product cycle.”

Among Coca-Cola executives, 12 believed that stakeholder mapping and identifying key issues within the community result not only in identifying key stakeholders, but also in addressing community issues in collaboration *with* communities, rather than *for* the communities. He stated that “the identification of stakeholders is not a static thing. It is a process that goes a long way into building relationships with various groups within the community. These relationships are then taken forward for the implementation of such projects. Our approach is to ensure that we do great things together as equal partners, rather than do things for them. We believe, this way, both the relationship and the

projects will become sustainable. Therefore, relationships that are built at one stage are continuously assessed whenever there is a new CSR initiative.”

A third Coca-Cola executive felt that the assessment of existing relationships between a corporation and the identified stakeholders should be conducted in consultation with all the identified stakeholders. The remaining 12 executives agreed that, whatever the approach, stakeholder mapping assists in assessing the relationships with stakeholders. Three executive participants highlighted the need to have stakeholder mapping procedures and systems in place for such stakeholder identification. One executive participant mentioned that “good stakeholder mapping involves informing all potential stakeholders when there are emerging CSR initiatives which may be relevant to them. This update should be carried out on a regular basis. Potential stakeholders should be informed of the relevant plan, the change, and how they will be affected by such, and the role they can play in such processes.”

### **Subtheme 3: Stakeholder forums**



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Nine industry experts are of the opinion that stakeholder forums are important in the identification of relevant stakeholders for CSR initiatives. Regarding the community's needs being represented in a corporation's stakeholder engagements, two industry experts argued that it depends on the relevance of the corporation's operations to the community. They argued that such relevance can only be determined if corporations and communities establish a forum.

One industry expert advised that the identification of stakeholders and their needs should include dialogues where the community is given a platform to state its case. The platform should also allow corporations to provide feedback to stakeholders. Using an example of such communication where a mine is viewed by a community as emitting toxic gases and polluting the environment, she stated: “ ... in 12 months” time in my sustainability report, I must go back to those communities and inform them about the findings of a survey that was conducted.”

Another industry expert stated: “Maybe the mining company, whose operations are based directly in the community, have numerous ways of engaging, and they set up various forums – consultative forums where community members are elected by the local community. So, there are a number of forums around those types of operations, forums that try to show that there is community representation.”

Regarding the issue of representation in these forums, another industry expert stated: “I think the community issues for a mine are very real and they do a lot in terms of setting up forums and trying to get representation. It is much less direct if you go to an investment bank situated in Johannesburg, which does not have much interaction with any community. For the mine, community engagement processes are formalised. I think for other corporations, they might rely on civil society to represent the community. So they will be looking at Non-Government Organisations or activists or media and customers.”

Regarding the practical difficulty corporations experience in identifying relevant „first-time“ stakeholders, industry experts advised that corporations should form networks or forums with current stakeholders. Two expert participants suggested a stakeholder forum, which they argued will help in addressing issues of representation and accommodation of various stakeholders. They believed that this approach would pave the way for on-going engagement with stakeholders. These forums can be used, not only for engagements, but also for updating forum members of any developments.

In the case of the establishment of such forums not being possible, one participant suggested that some form of informed and informative communication between those involved and affected by a corporation’s operations will suffice. However, the engagement should be relevant and meaningful, while being supported by various means within the corporation. In supporting this argument, one expert participant stated: “Corporations should invest resources to ensure



that they engage in meaningful exercises and derive leverage or mileage out of such engagements and exercises.”

Industry experts were also asked questions about possible channels of communication that can be used in the identification of stakeholders. One expert commented: “We advocate that a company makes a stakeholder identification plan for every group of potential stakeholders ... you may need to have different channels for each type of stakeholder group or subgroup. So, for some it makes sense to have individual one-on-one meetings quarterly. For others, it might be a forum for the whole community, or council meetings, or road show. It really depends on the stakeholder that you are talking about. This explains why most mining houses employ community liaison employees who spend their lives going around communities, speaking to community members.”

Coca-Cola executives were asked about the forum that can be used in the selection of stakeholders. There was consensus among all the 15 executive participants that a stakeholder forum is useful in identifying stakeholders. Three executives mentioned that the Coca-Cola Corporation recommends that stakeholder forums be formed in order to identify stakeholders. One executive participant commented: “There is a stakeholder forum which meets regularly and identifies relevant stakeholders. This forum assists us in identifying stakeholders for CSR projects we would like to pursue. It is in this forum where issues related to our relationships with stakeholders and relevant emerging issues are discussed.”

Seven Coca Cola executives indicated that CSR co-ordinators are part of this forum, while community leadership and employees are also represented. In order to secure buy-in from all stakeholders, the selection criteria for the forum are discussed with stakeholders. Two executives recommended consistent communication between the corporation and its stakeholders.

Another Coca-Cola executive stated: “For example, in some regions we send letters to local leadership requesting to meet with community leaders and form forums in order to discuss our intentions. In these forums, we engage openly with them so that the projects identified are wholly owned by the community. This approach has elevated buy-in from many groups within the community.”

As Coca-Cola operates internationally, questions were asked regarding how representative the forum is. In response to this question, one Coca-Cola executive highlighted that it depends on the issues at hand, and commented that “... if there is no need for a forum, you then need to find some form of communication that goes out on an on-going basis. For example, as a manufacturer of products, when you run short of certain ingredients, you then have to send out some communication where you communicate with your stakeholders around the issues you are facing, the process, and the way forward.”

A follow-up question was then asked regarding the members of the forum. In this regard, four Coca-Cola executives shed light on the groups that form part of the forum, with one executive participant commenting that “... our CSR co-ordinator is a member of that forum. Various communities are also represented in the forum. We also have employee representatives who sit in that forum.”

#### **4.4 Stages of stakeholder engagement**

The second objective of the study was to establish the stages stakeholders are practically involved in CSR initiatives.

While seven industry experts believed that stages that involve operational issues should be left to corporations, three argued that stakeholders should be involved in the initial stages, which include planning for certain projects. However, they advised that the decision to involve stakeholders in planning depends on the nature of the project to be undertaken. For example, three industry experts

believed that projects that require stakeholder endorsement will demand stakeholder involvement during planning.

In support of such early engagement, one industry expert commented: “They are involved right from the identification of major issues. So, the first thing you want to do in your CSR journey is to identify what the material issues are, and stakeholders have a huge impact in that. So, they are involved right from the beginning of the process in terms of identifying what the issues are and then coming up with potential ways of addressing the issues. They can be used throughout the process. They can help in implementing and for feedback on staff.”

Coca-Cola executives were then asked questions regarding the stages in which selected stakeholders are engaged in selected CSR initiatives. While there appears to be stakeholder engagement at implementation level, seven executives claimed that the planning and funding of particular CSR projects is confined to Coca-Cola executives. One executive claimed that Coca-Cola’s guidelines in this regard are clear. He commented: “The top management comes up with tentative ideas for projects, with funding implications included in the proposed idea. Members of middle management then convert the ideas into workable CSR projects. In all these processes, financial implications have to be taken into consideration. Once we have a formal proposal, approval is sought from the executives. It is only after the approval that external stakeholders are approached for roll-out. This is despite the fact that every regional office makes its own decisions in terms of planning and expanding the scope of funding CSR projects.”

Another Coca-Cola executive supported the approach of involving stakeholders, especially external ones, only in the execution of CSR projects, while leaving planning with the executives. She stated that “This clear distinction of roles allows every role player to specialise in what they know best. Executives are good at strategising and planning. Middle managers have roles to play in terms

of ensuring that what has been planned is executed. Communities partner with us in that implementation. This clear distinction expedites the completion of CSR projects, as no duplication is experienced. Therefore, various stakeholders have different roles in CSR. Each role player is involved in relevant stages of CSR projects.”

While five industry experts believed that the stage at which stakeholders are involved in a CSR initiative depends on the project to be undertaken, seven Coca Cola executives argued that planning for CSR projects is restricted to Coca-Cola executives, although middle managers have latitude in terms of the roll-out. There was a suggestion from industry experts that external stakeholders can be involved in identifying particular CSR initiatives. While most Coca-Cola executives agreed that external stakeholders are not engaged in planning CSR projects, but only in the execution of such projects, two executives argued that middle managers have some latitude in contributing during planning. Executive participants also acknowledged that the NSI was developed by executives who formulated the guiding principles about how CSR should be approached and practised. Once developed, it was communicated to the other stakeholders.

#### **4.5 Consequences of not including relevant stakeholders**

This section was included in order to establish if participants had insights regarding the consequences of not including relevant stakeholders or including irrelevant stakeholders in CSR initiatives, as indicated in literature.

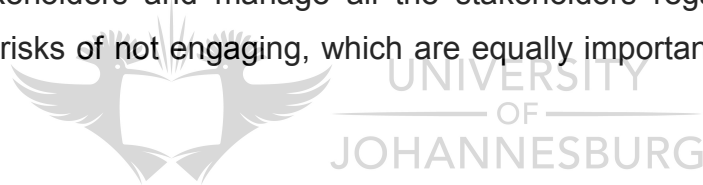
Seven experts were of the view that communities who were not included can be hostile towards not only the corporations, but also the stakeholders who were chosen. Some experts held that corporate resources may be misused or appropriated by stakeholders who are not relevant to the project. The misuse of resources can also occur through CSR projects being funded, but never undertaken. The experts listed irregularities such as maladministration, dissolution of projects, and non-implementation of projects as some of the results

of not selecting stakeholders who are relevant to the CSR operations of a corporation.

One industry expert defined engaging with relevant stakeholders as “... an on-going process. If you do not engage your stakeholders, you might miss some of the big issues that are brewing, which could have negative consequences.”

Four industry experts felt that the exclusion of certain stakeholders could result in negative responses to the organisation's brand. They further commented that exclusion hinders meaningful inputs and contributions, even from the relevant stakeholders, due to the fear of potential hostility from those who were excluded. The industry experts regarded communication and consultation as pivotal in preventing such hostility towards a corporation. One expert participant stated that corporations can use a “management matrix,” which allows corporations to identify all stakeholders and manage all the stakeholders regarding what the risks are – the risks of not engaging, which are equally important as the risks of engaging.”

Seven Coca-Cola executives also agreed that failing to select relevant stakeholders can lead to hostility. Executive participants stated that their corporation has a policy document that guides them in engaging with stakeholders for CSR projects, and that this policy allows for some deviation from the prescribed engagement. Where the corporation has committed a mistake in selecting stakeholders, executives argued that senior officials need to issue an official apology to communities. A Coca-Cola executive believed that the benefit “lies in the risk mitigation ... you get the senior members of the corporation addressing the concern. Then, of course, we issue an apology statement, and engage with various groups of stakeholders around what the issues are.



#### 4.6 Summary of major findings

From the interviews with industry experts, it can be concluded that their view of the way in which CSR should be conducted should involve mutual trust, relationship-building, agreements, and co-operation with communities. There was agreement that, through CSR, the wellbeing and socio-economic conditions of the community can be improved. Supporting this view, Coca-Cola executives regarded CSR as an exercise that assists their corporation in developing relationships with communities. Coca-Cola executives indicated that CSR involves relationships between corporations and communities, and adapting to the prevailing environmental atmosphere within the communities. Some of these executives commented that they have involved communities in their CSR initiatives as partners. Their employees are involved in various communities as CSR stakeholders, where they do community work on a CSI day. In this way, Coca-Cola has developed sports grounds and facilities, among other initiatives. Where they have not included all relevant stakeholders, they regarded stakeholder management and risk mitigation as crucial to remedying the situation.

While there is no common terminology for CSR, various explanations furnished by participants indicated that CSR is considered to include the way corporations do business. Despite this lack of agreement regarding CSR terminology, there was a view presented by both industry experts and Coca-Cola executives that CSR is underpinned by the need to make impactful interventions in communities in consultation with those communities. It was also agreed that CSR should be an integral part of a corporation's operation. Some industry experts gave the cleaning of rivers and reservoirs, developing food gardens, and assisting with housing needs as examples of CSR endeavours. Coca-Cola executives suggested CSR also entails taking care of suppliers and distributors. There was general consensus that CSR should entail impactful interventions and yield tangible results.

Most industry experts agreed that the selection of stakeholders depends on the operations of the corporation. Some suggested stakeholder mapping as a way in which relationships with relevant stakeholders can be assessed. Coca-Cola executives regarded the identification of relevant stakeholders as crucial to the success of CSR initiatives. These executives agreed that stakeholder mapping assists in the identification of relevant stakeholders. Where stakeholders have to be identified, stakeholder forums also become relevant and even crucial. In such forums, various groups are represented. Executive participants claimed that stakeholders who are selected must be those who are relevant to specific type of CSR project. Corporations also need to measure their relationships with communities before they select stakeholders.

The stages at which identified stakeholders should be involved in CSR projects appeared to depend mainly upon the CSR project to be undertaken. In cases where there are concerns that stakeholders were not involved, executives should manage the associated risk. Industry experts argued that the stages at which stakeholders are engaged in CSR projects depend on the particular project, while Coca-Cola executives claimed that executives deal with the planning stages of CSR projects and leave the implementation to employees and external stakeholders.

## **CHAPTER FIVE: DISCUSSION OF FINDINGS**

### **5.1 Introduction**

This chapter discusses the findings of the study presented in Chapter Four.

The overall objectives of this study were, firstly, to explore the extent of key stakeholder engagement in Coca-Cola's CSR initiatives in South Africa and, secondly, to establish the stages at which stakeholders are practically involved in such CSR initiatives. While issues related to the general understanding of CSR were presented in the preceding chapter, these issues are not included in the discussion of findings, as they are not central to the objectives of this study.

### **5.2 Stakeholder identification and engagement**

Bendell (2005) suggests that corporations need to be proactive in their approach to CSR and involve the community as stakeholders in deciding their CSR initiatives. Lingenfelder and Thomas (2011) advocate robust engagement between a corporation and its stakeholders. In the current study, some participants from both groups also advocated the proactive approach, with a one participant suggesting that, with this approach, corporations can use the experience of their staff in identifying stakeholders. Coca-Cola relies on their employees to identify stakeholders and community needs. Industry experts believed that the identity of stakeholders depends on the CSR projects to be undertaken.

Industry experts stated that corporations should include CSR and stakeholder identification in the way they do business on a daily basis. This view is supported by various authors (Morsey & Schultz, 2006; Makey et al., 2007).

Greenwood (2007), Gill (2008), and Miles and Jones (2009) regard employees as important stakeholders in CSR activities. In the present study, the industry experts advised that corporations can use the experience of their staff in identifying CSR stakeholders, as employees are members of these communities



and are likely to know some of the stakeholders within the community. Some industry experts claimed that the advantage of this inclusion of stakeholders is that, while it allows employees to be involved in the identification of stakeholders, it also enables community leadership to identify with the needs chosen, as they come from people with similar socio-economic backgrounds.

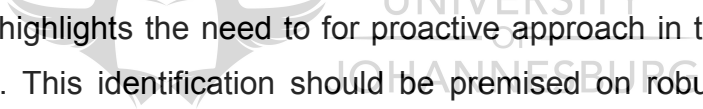
Stakeholders have varying needs and concerns, which necessitates consensus-building (Acutt et al., 2004). Industry experts were of the opinion that engaging and consulting with stakeholders has the potential of identifying relevant stakeholders as well as community needs. Most Coca-Cola executives claimed that stakeholder forums are of key importance in the identification of stakeholders.

Both participant groups mentioned „stakeholder mapping“ as a method to ensure that relevant stakeholders are identified and included in CSR activities by assessing the corporation's relationships with stakeholders. The importance of this mapping should not be underestimated. Mapping enables corporations to look at the status of their relationships with communities, which can affect the engagement that may follow (Skinner & von Essen, 1999; Brammer & Millington, 2003). Stakeholder mapping should be conducted continuously, as stakeholders change. Coetzee's (2006) argument, in which he promotes the identification of a target population for which CSR activities should be conducted, supports the practice of stakeholder mapping.

While the literature is not specific about the utilisation of forums in CSR initiatives, Hamann (2004) suggests that corporations should create networks through which stakeholders can be identified. These networks aid identification of community needs, which, in turn, identifies relevant stakeholders. Knox et al. (2005) support the suggestion that a stakeholder forum assists in addressing issues of representation and accommodation of various stakeholders. This view was supported by most participants from both groups. While they argued that the types of stakeholders will depend on the project to be undertaken, they appeared

to agree with the need to have a forum where stakeholders are identified, and key issues regarding CSR initiatives are discussed.

There were suggestions from industry experts that the identification of stakeholders and their needs should be conducted in consultation with communities, as they know their own needs. This can be achieved through dialogue, where stakeholder expectations are discussed (Acutt et al., 2004; Bendell, 2005; Knox et al., 2005; Morsing & Schultz, 2006). The majority of Coca-Cola executives believed that, when stakeholders are communicated with for the purpose of identifying more stakeholders, a sense of ownership of the relevant CSR project increases. At Coca Cola, the interactions between various stakeholders are not as decentralised as Acutt et al. (2005) recommend. Executives are responsible for decisions regarding and planning of CSR initiatives, while other stakeholders are involved only in the execution of such CSR projects.



Bendell (2005) highlights the need to for proactive approach in the identification of stakeholders. This identification should be premised on robust engagement between corporations and stakeholders (Lingenfelder & Thomas, 2011). The majority of the industry experts advanced the integration of stakeholder identification in business operations. Employees are regarded as important stakeholders by both groups of participants as well as literature (Greenwood, 2007; Gill, 2008; Miles & Jones, 2009). The majority of industry experts and Coca-Cola executives believed that stakeholder forums are pivotal for stakeholder identification. The two groups of participants also claimed that stakeholder mapping is crucial in identifying stakeholders.

### **5.3 Stages of stakeholder engagement**

Van der Merwe and Wocke (2006) argue that corporations need to engage stakeholders in the conceptualisation stages of CSR initiatives. Supporting this view, Malan (2005), Akpan (2008) and Mitchell and Hill (2008) argue that

stakeholders should be involved in the establishment of CSR projects, while Coetzee (2006) advocates for the co-operation between corporations and communities in the identification of these stakeholders. Campbell (2007) believes this co-operation has the potential of accommodating views and interests of both groups in the developmental stages of any CSR initiative. Among industry experts, there were those who posited that, while communities should identify their needs in conjunction with the corporations, various community leadership structures should also be involved in the process.

Industry experts believed that project endorsement can be achieved through stakeholder engagement, especially in the planning stages. Akpan (2008) regards the inclusion of community leadership in stakeholders as crucial for buy-in for any CSR initiative. Corbett (2008) argues that stakeholders should even be involved in the decision regarding which CSR projects to undertake. He argues that stakeholders should be informed of the relevant corporate plan regarding CSR and how they will be affected by that plan. Where resources permit, corporations must demonstrate to their stakeholders how stakeholders' concerns are integrated into strategic planning. The role the stakeholders may play in such processes should be clearly articulated. Kalambane and de Cleene (2006) and Kihato and Hamann (2006) also highlight that the process of stakeholder engagement should treat all the role players as equals.

Milliman et al. (2008) believe that corporations should include stakeholders in every stage of the CSR initiative, including planning. In the current study, industry experts supported the view that including stakeholders in any stage of the initiative can assist in the securing buy-in from key stakeholders. Coca-Cola executives, however, argued that there is a clear distinction between the roles of planning and execution. They claimed that planning is the responsibility executives, while other stakeholders, including external stakeholders, should only deal with the execution. There is therefore a discrepancy between the views of industry experts and those of Coca-Cola executives regarding the stages at which stakeholders should be engaged.

Expert participants believed that stakeholders have a role to play in making inputs that can shape the whole initiative. These inputs should be provided at the beginning of an initiative and provide a platform from which stakeholders can be involved in later stages. This view is supported by Lamberti and Letieri (2009), who argue that this inclusion has the potential to develop trust between the corporation and the stakeholders. In the view of Coca-Cola executives, there is no need for stakeholders to be involved in the planning stages as executives are better equipped to deal with planning CSR initiatives.

The current practice at Coca Cola is contrary to the approach recommended in the literature (Sadler, 2004; Painter-Morland, 2006; Werner, 2009), where equal engagement between corporations and stakeholders in every stage of CSR initiatives is advocated. Skinner and von Essen (1999) and Painter-Morland (2006) recommend the systems approach to engagement. The interdependency that defines the systems approach demands that stakeholders are engaged in all the stages. In the current study, some industry experts also advised that stakeholders need to be involved in all the stages of a CSR initiative. Therefore, Coca Cola should anticipate potential fragmentation of its CSR programmes due to this lack of equal interchange between the corporation and the stakeholders. This lack of equal exchange causes an imbalance between the corporation's inputs and those of stakeholders (Littlejohn, 1989). The current practice at Coca-Cola means that the interdependency on which the systems approach is based, is absent. The possible result of this practice is the erosion of trust between the corporation and its stakeholders (Littlejohn, 1989; Skinner & von Essen, 1999).

In addition, as Freemantle (2005) and Coetzee (2006) argue, limiting stakeholder engagement, as Coca-Cola appears to do, may result in an imbalance in its triple-bottom line. Instead of maintaining an integrated economic, social, and environmental interaction, this imbalance will impact on Coca Cola's perceived corporate integrity due to its selective stakeholder engagement (Painter-Morland, 2006). Coca Cola should guard against the possibility of practising economic

CSR, in which the corporation pursues its own interests while unintentionally promoting public interest (Gill, 2008), instead of practising ethical CSR (Corbett, 2008). Economic CSR treats policy formulation as an endeavour in which organisations pursue their own interests, but unintentionally promote public interests (Gill, 2008), whereas ethical CSR promotes broad corporate duties and rights of stakeholders due to its association with ideal citizenship. Furthermore, as Raman (2007) argues, Coca-Cola should avoid engaging with stakeholders only when these stakeholders protest against the corporation, as was the case in India, where ecological degradation and toxins in its beverages led to discontent (Harish & Gopal, 2008).

#### **5.4 Consequences of not including relevant stakeholders**

Literature (Kotler & Lee, 2005; Akpan, 2008; Werner, 2009) indicates that the exclusion of stakeholders may result in negative effects on corporations. Kotler and Lee (2005) and Akpan (2008) posit that the failure to identify key stakeholders and their needs may result in hostility towards corporations. While Campbell (2007) advises that corporations should not do anything that may result in the exclusion of stakeholders, Werner (2009) believes that once the exclusion results in hostility, it becomes difficult for corporations to address this matter.

However, contrary to Werner's (2009) argument, Kotler and Lee (2005), Campbell (2007), and Akpan (2008) argue that hostility that occurs due to the exclusion of certain stakeholders can be addressed through consultation and dialogue. In the current study, industry experts supported this view as they regarded the exclusion of key stakeholders as a precursor to hostility toward the corporation. Coca-Cola executives also regarded the inclusion of relevant stakeholders as crucial to CSR initiatives, and argued that hostility is likely to occur when these stakeholders are excluded.

Participants from both groups supported the view that communication and consultation are key ingredients to an approach to remedy the situation when

those stakeholders who were not identified become negative towards a corporation. Some participants, especially the Coca-Cola executives, supported this view. Coca-Cola executives suggested that senior managers and executives may remedy the situation by issuing an apology for not including relevant stakeholders.

## **5.5 Answering the research questions**

This study aimed to answer two research questions. The first research question, which formed the foundation of this study and was based on the first objective, was: To what extent are stakeholders involved in CSR initiatives at Coca-Cola South Africa? The second question, which supplemented the first, was: What are the stages at which stakeholders are involved in CSR activities at Coca-Cola South Africa?

The examples cited by executives, ranging from consultations with smallholding farmers to employees assisting communities on CSI days, indicate that stakeholders are involved in CSR initiatives at Coca-Cola. What is not clear, however, is the extent of their involvement, especially as there are clear distinctions between planning and execution of CSR projects.

The stages at which stakeholders are engaged in CSR at Coca-Cola are articulated in the policy governing CSR initiatives. While the policy aims to guide Coca-Cola officials regarding the stages at which stakeholders can be engaged, it has the shortcoming of not securing buy-in from the stakeholders. The stages at which stakeholders are engaged in CSR initiatives at Coca-Cola do not follow the best practice as articulated by Malan (2005), Coetzee (2006), van der Merwe and Wocke (2006), Campbell (2007), and Mitchell and Hill (2008), and the industry experts interviewed in the current study. While there is an indication that various stakeholders within communities are consulted and engaged with for various CSR projects at Coca-Cola, their roles are limited as this only occurs at implementation level.

Freemantle (2005) and Coetzee (2006) suggest that corporations use a triple-bottom approach to CSR practice, in which stakeholder engagement and corporate integrity are viewed as pivotal ingredients when corporations engage with their stakeholders. While Coca-Cola does engage with its stakeholders, it is the limited extent of such engagement that makes it contrary to best practice.

Littlejohn (1989), Skinner and von Essen (1999), and Bozicnik and Mulej (2009) advise that corporations should approach the practice of CSR using a systems view, in which interdependence between themselves and stakeholders is maintained. They argue that there should be interchanges between the corporation and stakeholders in every stage of a CSR process. While there are interchanges between Coca-Cola and its stakeholders, these interchanges seem to be unequal, as Coca-Cola's engagement with its stakeholders is top-down, rather than bottom-up.

Campbell (2007) advises that corporations should not intentionally exclude stakeholders from involvement in CSR initiatives. Coca-Cola has policies that guide how it should engage with its stakeholders when conducting CSR. Though Coca-Cola does not intentionally exclude stakeholders in its CSR initiatives, the selection of these stakeholders is not articulated, although there was mention that selection is dependent on the initiative. In summary, Coca-Cola's stakeholder engagement approach has shortcomings, especially regarding the selection of key stakeholders.

The centralisation of CSR project selection is tantamount to non-involvement of stakeholders in the whole initiative. It appears that stakeholders, especially communities, get involved only in the implementation of CSR projects that have already been decided by Coca-Cola executives. Nonetheless, some degree of involvement is evident, especially as Coca-Cola employees are engaged in the roll-out of CSR projects. In addition, the engagement of middle managers at

Coca-Cola was acknowledged, although this engagement is limited to the implementation of CSR initiatives.

## **5.6 Limitations of the study**

The objectives of this study were, firstly, to determine the extent of key stakeholder engagement in Coca-Cola's CSR initiatives and, secondly, to establish the stages at which stakeholders are practically involved in such CSR.

Due to the fact that the executive participants were members of the same corporation, it is likely that they may share a common group perspective that is conveyed in the responses to the questions asked. The possible effect of group perspective in this instance is that it may have inhibited individual participants from making independent suggestions (Welman, Kruger & Mitchell, 2005). In addition, a group perspective may have created an impression that there is “a common base of experience” among participants (Kelly, 2006: 304).

Participants may also have acted similar to the ways described by Van Maanen and Kolb (2006), where the observed change their behaviour when they are aware that they are observed, which could result in respondent error (Davis, 2000). In order to dispel their fear, the researcher assured the participants that their contributions would remain anonymous. In addition, even though participants were repeatedly assured by the researcher that their participation would remain anonymous, they were aware that it was possible to identify them as they were personally interviewed by the researcher.

It is possible that interviewer influence in data collection and interpretation had occurred (Struwig & Stead, 2001; Mason, 2002). In this regard, the researcher assured the participants that the findings would be made available to them so that they could verify and confirm their responses. Accordingly, the above limitations necessitate that the findings of the study are interpreted with caution.



## 5.7 Summary and conclusions

The literature highlights the need to involve stakeholders in CSR activities. The extent of involvement of stakeholders depends on the particular CSR initiative and issues to be addressed. In this regard, various groups can be involved as stakeholders for various initiatives. This is evident in Coca-Cola affording its employees an annual CSI day off to do community work. However, the clear segregation of roles in CSR limits the role stakeholders, especially employees and external stakeholder, play in CSR initiatives.

Supporting the literature, industry experts believed that the stages of stakeholder engagement should be dependent on the initiative, although, ideally, stakeholders should be engaged throughout the CSR process. At Coca-Cola, there are clear guidelines regarding stages at which stakeholders are engaged in CSR initiatives. These guidelines limit middle managers and other stakeholders to the roll-out and implementation of CSR projects, while executives are entrusted with the decisions and planning related to CSR initiatives. The possible result of this practice is that ownership of CSR initiatives by stakeholders is limited.

## **CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS**

### **6.1 Introduction**

This chapter presents the objectives and major findings of the present study, and makes recommendations for both the organisation and for future research.

### **6.2 Objectives of the study and major findings**

The objectives of this study were to explore the extent of key stakeholder engagement in Coca-Cola's CSR initiatives in South Africa, and to establish the stages at which stakeholders are practically involved in such CSR initiatives.

Industry experts suggested that stakeholders be involved, not only in CSR initiatives, but also in every stage of the initiative, as this will ensure buy-in from these stakeholders. Contrary to best practice, as defined by literature and industry experts, executives are responsible for the selection and planning of CSR initiatives, while other stakeholders are responsible for the implementation thereof.

Regarding the selection of stakeholders, both groups of participants agreed that the relevance of stakeholders depends on the CSR initiative to be pursued. The stages of stakeholder engagement at Coca-Cola are clearly defined as executives undertake the planning while other stakeholders are engaged in the implementation of CSR projects.

Both groups of participants indicated that hostility may result from selecting stakeholders that are not representative of a community.

### **6.3 Recommendations for the organisation**

While it appears that most Coca-Cola executives agreed that stakeholders are involved in their CSR initiatives, there is a clear division of roles between

executives and middle managers and other stakeholders. Some degree of latitude is allowed regarding the methods applied in the roll-out. This is supported by the corporation's policy guidelines regarding CSR initiatives. However, the latitude creates some confusion about the stages of stakeholder engagement. In this regard, a revised policy document is recommended, which clearly articulates the involvement of external stakeholders in CSR initiatives. It is further recommended that the policy be made available to all employees of the corporation, especially as they are stakeholders in the implementation of CSR projects.

A further recommendation is that the roles of Coca-Cola staff members regarding decision making in CSR initiatives be distributed among stakeholders so that stakeholders can develop a feeling of ownership of CSR initiatives. This sense of ownership may have the potential effect of translating into commitment in the implementation of CSR projects from employee stakeholders. Furthermore, the distribution of roles will enable employee stakeholders to be part of decision making, which has an effect of enhancing further buy-in to CSR initiatives.

While there is stakeholder involvement at Coca-Cola, the findings indicate that the involvement is limited to the implementation of CSR projects once they have been decided upon. In this regard, it is recommended that Coca-Cola revisit the involvement of stakeholders in CSR initiatives. The roles of every stakeholder should be clarified through the revised policy. Coca-Cola's employees play a role as stakeholders in the roll-out of CSR projects, especially during CSI days. Yet, it is not clear what role communities play in the roll-out. It is therefore recommended that the extent to which communities are involved in CSR initiatives be clarified in the policy. This recommended clarification may assist external stakeholders in deciding whether to become stakeholders or not, as their roles will be known beforehand.

Literature and industry experts suggested that stakeholders should be afforded platform for involvement in CSR initiatives. It is not clear if stakeholders are

afforded this platform at Coca Cola. If not, it is recommended that Coca-Cola affords its stakeholders such a platform in order to promote involvement in CSR and enable stakeholders to provide inputs regarding the way initiatives should be conducted.

#### **6.4 Recommendations for future research**

This study endeavoured to determine the extent to which stakeholders are involved in CSR initiatives and the stages at which stakeholders are engaged in these initiatives at Coca-Cola South Africa. The results of this study indicate that the current policies in the corporation are limited with regard to the involvement of stakeholders. In this regard, it is recommended that future studies be undertaken at similar manufacturing corporations, such as the South African Breweries. Conducting studies at similar manufacturing corporations may assist researchers in determining if the current arrangement of stakeholder involvement is peculiar to Coca-Cola and may establish the stages at which they are engaged in corporations within the manufacturing industry. In this regard, lessons learned in one corporation, regarding the involvement of stakeholders in CSR initiatives and the stages at which they are engaged, may assist the other corporation, which may contribute to providing benchmarks.

The current study sampled, firstly, industry experts who know how CSR should be conducted and provided information regarding best practice and, secondly, Coca-Cola executives, whose views could have been influenced by their positions within the corporation. In this regard, it is recommended that future research be expanded to soliciting the views of the beneficiaries of CSR initiatives. Soliciting the views of beneficiaries of CSR could provide an alternative perspective to the one portrayed by Coca-Cola executives and may highlight preferences for different ways of engaging in CSR initiatives.

While the rationale for sampling Coca-Cola executives was that they have detailed information regarding how decisions related to CSR initiatives are made,

the effects of this sampling technique is that other opinions within Coca Cola were not included in the study. It is therefore recommended that future research establishes how local and international employees at the corporation see their involvement in CSR initiatives. The need to include employees as participants is based on the fact that, as stakeholders who should be involved in CSR initiatives, they may experience these initiatives differently from executives.

## **6.5 Conclusion**

This study has shown that there is some degree of stakeholder involvement in CSR initiatives at Coca-Cola. Most of the examples given, however, indicate that these stakeholders are involved only in the implementation of CSR projects. For example, Coca-Cola employees only play a role in rolling out CSR projects. This is contrary to the recommendations in literature and by industry experts.

Regarding the stages at which stakeholders are engaged in CSR initiatives, both literature and industry experts state that involving stakeholders in every stage of CSR initiatives results in buy-in from those stakeholders. The practice at Coca-Cola is to engage stakeholders only in the implementation stages, while executives plan the initiatives.

As both literature and industry experts indicated, the exclusion of stakeholders from some stages of CSR initiatives could potentially result in hostility from some stakeholders, especially those who are excluded. While some industry experts indicated that maladministration is likely to occur with the involvement of stakeholders who are not relevant to particular CSR projects, it is the consequences of the potential hostility that can cause the most harm to corporations. Coca-Cola executives concurred that hostility can result from not engaging stakeholders in every stage of CSR.

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## Appendix A: Guide for interviewing industry experts

Thank you for allowing me to speak to you today and for your time. I am conducting a study for my Master's in Commerce degree in which I want to establish the extent of stakeholder involvement in corporate social responsibility (CSR). You have been identified for participation in this study based on your knowledge of the subject. Your participation and statements that you will make in this discussion will be kept confidential and used only for the purposes of this study. Please indicate where you do not feel free to answer a question.

	Possible question	Probe/s
1	What is your understanding of corporate social responsibility (CSR)?	Please elaborate on your general understanding of CSR.
2	Why should corporations be involved in CSR activities?	2.1 What is the basis for corporations to initiate CSR? 2.2 What informs decisions to engage in CSR initiatives? 2.3 What are the benefits of such initiatives to corporations? For example, a positive corporate image, tax incentives, and a good corporate rating.
3	What underpins the CSR initiatives in which companies generally engage?	3.1 What is the legislative or legal basis for CSR initiatives? 3.2 What are the guidelines for engaging in such activities?
4	In what kinds of CSR activities should corporations be involved?	4.1 There are various kinds of CSR activities in which corporations can be involved. Economic and ethical CSR are some of the examples. What are the common types of CSR in which corporations are involved? 4.2 Which ones are prevalent? 4.3 Why is this the case? 4.4 What types of CSR activities can address the

		engagement of corporations with local communities?
5	How should CSR be initiated?	What are the best ways in which CSR can be initiated to include all the stakeholders?
6	Who should be the stakeholders in CSR initiatives?	Who should be involved in CSR initiatives?
7	What qualifies individuals and groups as stakeholders in CSR?	<p>7.1 What criteria should be used to identify stakeholders?</p> <p>7.2 What methods should be used to ensure the choices made are representative of local communities?</p> <p>7.3 To what extent should all the stakeholders be involved?</p> <p>7.4 Who should make decisions?</p> <p>7.5 Who should be part of implementation?</p> <p>7.6 Who should be part of deciding beneficiaries?</p>
8	When should CSR stakeholders be involved in such initiatives?	<p>8.1 Who should be involved from the start of the CSR activities?</p> <p>8.2 Why is this the case?</p> <p>8.3 How do you ensure that they are involved from the start? For example, what types of strategies/process are used to achieve this objective?</p> <p>8.4 What is the critical stage at which stakeholders need to be on board?</p> <p>8.5 Where corporations have not involved stakeholders in CSR activities, what happened?</p> <p>8.6 What is likely to happen if some stakeholders are involved only later in CSR activities?</p> <p>8.7 Why should all the stakeholders be involved throughout the CSR process?</p> <p>8.8 What forms the basis of such a decision?</p>

Thank you for your time and participation.

## Appendix B: Guide for interviewing Coca-Cola executives

Thank you for allowing me to speak to you today and for your time. I am conducting a study for my Master's in Commerce degree in which I want to establish the extent of stakeholder involvement in corporate social responsibility (CSR). You have been identified for participation in this study based on your knowledge of the subject. Your participation and statements that you will make in this discussion will be kept confidential and used only for the purposes of this study. Please indicate where you do not feel free to answer a question.

	Possible question	Probe/s
1	What is your understanding of Corporate Social Responsibility (CSR)?	Please elaborate on your general understanding of CSR
2	Why should corporations be involved in CSR activities?	2.1 What is the basis for CSR initiatives generally? 2.2 What is the basis for your corporation to initiate CSR? 2.3 What informs decisions to engage in CSR initiatives? 2.4 What are the guidelines for engaging in such activities? 2.5 What processes are followed, especially at the beginning of CSR activities? 2.6 What are the benefits of such initiatives to corporations? 2.7 What are the benefits for stakeholders?
3	What informs the choice of CSR programme to pursue?	3.1 What informs these decisions? 3.2 Why should there be corporate policies guiding CSR programme choices? 3.3 At what stage are stakeholders be engaged in such decisions?



4	Who is involved in your CSR initiatives?	<p>4.1 Who are the main role players in CSR activities?</p> <p>4.2 Who are the stakeholders in your CSR initiatives?</p> <p>4.3 How are these role players identified?</p> <p>4.4 Who plays a part in initiating CSR activities?</p> <p>4.5 Where in society are these players located?</p>
5	How are CSR stakeholders identified?	<p>5.1 What criteria are used to identify stakeholders?</p> <p>5.2 What methods are used to ensure the choices made are representative of local communities?</p> <p>5.3 Who are consulted at the start of CSR activities?</p> <p>5.4 What informs you in the identification of CSR stakeholders?</p> <p>5.5 What characteristics of stakeholders are used in order to identify and choose such stakeholders?</p>
6	When are CSR stakeholders involved in such initiatives?	<p>6.1 What is the critical stage at which stakeholders are brought on board?</p> <p>6.2 Has there been any situation in which communities as stakeholders were not involved?</p> <p>6.3 What were results of such non-involvement?</p> <p>6.4 Has there been any situation in which communities as stakeholders were engaged with only later in CSR projects?</p> <p>6.5 What happened in such situations?</p> <p>6.6 Which stakeholders are involved throughout the CSR programme?</p> <p>6.7 What forms the basis of such a decision?</p> <p>6.8 What has been the result of engaging some stakeholders in the middle of CSR activities?</p>
7	At what level are these stakeholders involved in CSR initiatives?	<p>7.1 To what extent are all the stakeholders involved?</p> <p>7.2 Who makes decisions?</p> <p>7.3 Who is part of implementation?</p> <p>7.4 Who is part of deciding beneficiaries?</p>
8	Apart from what we	Any thoughts regarding CSR and stakeholder

discussed in this interview, do you have anything else which you would like to share with me regarding CSR and stakeholder involvement?	involvement are welcome.
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Thank you for your time and participation.

