

**CORPORATE SOCIAL RESPONSIBILITY AS RISK MANAGEMENT:
AN INSTRUMENTAL CASE STUDY ON SANTAM LIMITED**

BY

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KEYWORDS

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Role of business in society

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ABSTRACT

In a contemporary local context characterised by significant socio-economic challenges, exacerbated by rising systemic risks, and hampered by capacity constraints of the state, we examine the case for a strategic approach to corporate social responsibility (CSR) as risk management for the public good. In this study, we propose that CSR could offer value as risk management to firm stakeholders and broader society, by aligning state, business, and societal objectives in tackling shared risk and by addressing some of the challenges associated with contemporary CSR practice. The objectives of this thesis were, therefore, twofold. First, to explain the relevance between the concepts of risk management and CSR and how a strategic approach to CSR as risk management may operate as a mechanism influencing practice and impact. Second, to analyse such an approach in practice to interrogate our propositions of CSR as risk management and to identify its key enabling and disabling factors. To achieve the first objective, we developed a theoretical and conceptual framework that positions CSR as a necessary and appropriate strategic risk management response to inefficient and inequitable markets. To achieve our second objective, we undertook an instrumental case study of Santam Limited and its proactive, pro-social risk management initiative, Partners for Risk and Resilience (P4RR). Using a critical realist case study approach, we interviewed 22 participants drawn from the company's social and organisational contexts. Our findings suggest that the interaction of four principal stakeholder entities gave rise to P4RR: investors, company management, employees, and the state, and we would characterise the primary mechanism driving the Initiative as competitive pressures emanating from the market. Our findings broadly support our propositions that risk management is a useful analytical framework for CSR and, as a strategic approach, may encourage firm-wide integration of CSR practice and cooperation with salient stakeholders, while providing a rubric with which to evaluate its usefulness. Our findings are somewhat supportive of the proposition that such an approach may lead to a response to uncertainty that aligns more closely with economic risk management. Recommendations for future research include multiple case study analyses of different companies that engage in risk management for the public good. Strategically, we recommend the elevation of local government planning processes as a tool with which to align corporate pro-social activities to maximise the contribution to the public good.

DECLARATION

I declare that *Corporate Social Responsibility as Risk Management: An instrumental case study on Santam Limited* is my own work, that it has not been submitted for any degree or examination in any other university, and that all the sources I have used or quoted have been indicated and acknowledged by complete references.

Amanda-Leigh O’Connell

11 August 2019

Signed

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KEY ABBREVIATIONS AND ACRONYMS

B-BBEE:	Broad-Based Black Economic Empowerment
BAAM:	Business Adopt-A-Municipality
CFP:	Corporate Financial Performance
CoGTA:	Department of Cooperative Governance and Traditional Affairs
CSI:	Corporate Social Investment
CSIR:	Corporate Social Irresponsibility
CSP:	Corporate Social Performance
CSR:	Corporate Social Responsibility
DCoG	Department of Cooperative Governance
ESG:	Environmental, Social and Governance
FSC:	Financial Sector Charter
IDP:	Integrated Development Plan
IIRF:	International Integrated Reporting Framework
King IV:	King IV Code on Corporate Governance
KPA:	Key Performance Area
LGSP:	Local Government Support Partnerships
LGTAS:	Local Government Turnaround Strategy
M&E	Monitoring and Evaluation
P4RR:	Partners for Risk and Resilience
PSI:	Principles for Sustainable Insurance
SALGA:	South African Local Government Association
UNEP FI:	United Nations Environment Programme Finance Initiative

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CHAPTER ONE

1. INTRODUCTION

In our increasingly connected world, one can readily observe a growing recognition of social and environmental risks of systemic import, attributed, in part, to economic activity and social behaviour. Nations around the world are facing challenges as a consequence of population growth, climate change, environmental degradation, inequality, urban migration, and other factors, giving rise to increased complexity and supporting calls for new ways to manage these risks (see The Institute of Risk Management South Africa (IRMSA) 2016; Renn & Klinke 2004; Organisation for Economic Co-operation and Development (OECD) 2003). Indeed, the responsibility for social and environmental risk management may also be shifting from a role traditionally reserved for the state, as businesses, non-profit organisations, civil society and others, are working in concert with governments to find innovative solutions to our most pressing problems.

Possibly representing one such shift is the ‘economic phenomenon’ of corporate social responsibility (CSR) (Kitzmueller & Shimshack 2012, p. 54). Businesses, and in particular large corporates, are being asked to account for their social and environmental impact and to consider both their responsibility and contribution to society beyond profit-making and wealth generation. As Diale (2003, cited in McDonald & Liebenberg 2006, p. 28) writes, ‘How profits are generated has become a subject of scrutiny and enquiry by all those who are affected, directly or indirectly’.

The primary purpose of this study is to advance a strategic approach to CSR as risk management for the public good. Accordingly, we had two primary objectives: (i) to explain the relevance between the concepts of risk management and CSR and how a strategic approach to CSR as risk management may operate as a mechanism to influence practice and impact; and (ii) to analyse such an approach in practice. To meet these objectives, we developed a theoretical and

conceptual framework for CSR as risk management and used it to describe and analyse the work of Santam Limited (Santam) and one of its risk management initiatives: Partners for Risk and Resilience (P4RR). Santam is a prominent, exchange-listed South African company operating in the short-term insurance sector, and working with the national government and district municipalities to address critical systemic risks and to foster resilience to these risks in vulnerable communities around the country (Santam 2018, p. 55). In so doing, this study hopes to explain how a risk management framework can be useful in promoting strategic CSR practices that may address some of the challenges associated with the conceptualisation, implementation, monitoring, and evaluation of CSR, and identify what may enable and disable such an approach in practice.

1.1 Contextualisation and background to the research

1.1.1 The South African challenge

The socio-economic challenges facing South Africa today are significant and require little effort to expose. In particular, income and wealth inequality (critical economic measures of social welfare) are extraordinary and, as one could anticipate in South Africa, primarily stratified along racial lines (Nattrass & Seekings 2015; World Bank 2018, pp. 42-57, 86). According to the World Bank (2018, p. xv), ‘By any measure, South Africa is one of the most unequal countries in the world’. This inequality also extends to skills, economic power, ownership, and social development and, when compounded with unemployment and poor economic performance, presents a significant hurdle for South African society to overcome (see IRMSA 2016; National Economic Development and Labour Council (NEDLAC) 1995, p. 5; World Bank 2018).

The historical context in South Africa, therefore, remains relevant and the legacy of Apartheid continues to shape South Africa’s economic performance and to influence the social wellbeing of its citizens (Nattrass & Seekings 2015; World Bank 2018). Compounded by corruption, mismanagement and a lack of capacity

in local government (see IRMSA 2016), many of the goals of the first government elected in the new democratic dispensation in 1994 remain unattained (Nattrass & Seekings 2015). Moreover, progress in socio-economic development will need to take place in the face of ‘exceptionally difficult global and domestic economic conditions over the next several years’ (National Treasury 2016, p. 1). Indeed, in a 2018 survey of 422 South African directors, 57% listed ‘economic uncertainty’ as the foremost challenge facing their industry for the third year running (Institute of Directors in Southern Africa (IoDSA) 2018, p. 7). It is also pertinent to note that, as an added difficulty, government policy for redistributing capital and wealth is informed, and perhaps even constrained, by global institutions operating in a connected global economy - one in which large corporations have significant power and developing countries are often at a disadvantage (Bond 2008; Cowling & Tomlinson 2005).

Furthermore, in this era of global connectivity, South Africa is by no means immune to the systemic risks nations are facing the world over. In 2003, the OECD elevated the concept of *systemic risk* to reflect a growing awareness of major risks that have significant political, social and economic consequences (Renn & Klinke 2004). In the OECD report *Emerging Risks in the 21st Century: An Agenda for Action*, a systemic risk ‘is one that affects the systems on which society depends – health, transport, environment, telecommunications, etc.’ (OECD 2003, p. 30). Reflecting on the significant changes facing contemporary society, the OECD (2003, pp. 30-48) highlighted trends that will likely influence the nature of risks in the future. These trends include a rising and ageing world population; increased migration due, in part, to economic pressures and environmental degradation; global warming, leading to extreme climatic conditions and pressure on natural resources and biodiversity; and competition and technological change that may exacerbate income inequality and alter the risk governance context with less emphasis on the state.

According to OECD (2003, p. 49-59), these trends raise critical issues for risk management in the future. These issues include increasing complexity of risks due to the increased mobility of people, goods and services, and capital; the need to develop new approaches and tools to manage risks; and, the inadequacy of past data when developing risk management policies given the changing underlying conditions of risk. Consequently, they argue that the roles and responsibilities in the management of such risks are likely to change, with NGOs and other non-state actors playing a significant role, and that social and cultural considerations will require risks to be managed in a way that is commensurate with societal views and perceptions. In South Africa, the socio-economic impacts of the ongoing pressure on water supply in some parts of the country (see IRMSA 2016), and the social unrest in municipalities, likely due in part to the pressures of urban migration on service delivery (see Nleya 2008), are pointed examples of the pertinence of systemic risks in the local context. Equally, these examples also illuminate the limitations on the state to be solely responsible for managing social, environmental and other risks of systemic import.

1.1.2 The economic phenomenon of CSR

In 1953, Howard R. Bowen published the now 'landmark book' (Matten & Moon 2008, p. 405; Carroll 1999, p. 269) entitled *Social responsibilities of the businessman*. In the text, he posed the question: 'What responsibilities to society may businessmen reasonably be expected to assume?' (Bowen 1953, cited in Carroll 1999, p. 270), and this book is considered by many scholars to be the beginning of both the discourse on and the construct of modern-day CSR (Carroll 1999; Garriga & Melé 2013; Lee 2008; Preston 1975; Wang 2015). Today CSR is a widely accepted (Lee 2008, 2011; Nunn 2015) but evolving business concept, often related to any number of concepts linked to pro-social business behaviour, including corporate citizenship, corporate philanthropy, corporate governance, corporate social performance (CSP), corporate sustainability, responsible investment, business ethics, and environmental, social and governance analysis

(ESG) (see Carroll 1999; Lee 2008; Garriga & Melé 2013). Arguably, it became integral to global corporate strategy (Bondy, Moon & Matten 2012; Lee 2011; Nunn 2015; Story & Price 2006) and was often accompanied by significant resource allocation to CSR programmes and projects (Barnea & Rubin 2010; Sheehy 2015).

Nonetheless, to date, there is no single, universally accepted definition of CSR. While some scholars have highlighted the difficulties of working with a range of terms and concepts, often used inconsistently in research and practice (see Argandoña & von Weltzein Hoivik 2009; Sabadoz 2011; Sheehy 2015; Wang 2015), this lack of consensus perhaps appropriately reflects the (often competing) interests of stakeholders seeking to extract a meaningful commitment to corporates' socially responsible objectives. In discussing the challenges of defining CSR, Sheehy (2015, p. 625) refers to its complex connecting role between society, ecology, and the economic system, and the 'inherent ambiguity of the issues under consideration'. Indeed, Kloppers (2014, p. 62) questions whether a universal definition is even possible given the influences of factors, such as culture and belief, that differ from society to society. Argandoña and von Weltzein Hoivik (2009) concur, pointing to the historical, cultural, political, and socio-economic drivers of CSR that differ between countries. According to Sabadoz (2011, p. 77) reducing CSR's ambiguity will undermine 'its viability as a normative discourse that captures how certain elements of society understand how firms should act' - the very lack of a precise definition allows CSR to resolve the tension between shareholder primacy and the material concerns of other stakeholders.

Consequently, definitions offered by scholars vary widely, and general descriptions preface much academic research. For example, Shum and Yam (2011, p. 549) describe CSR as 'an umbrella term that overlaps with many conceptions of business-society relations', and Godfrey and Hatch (2007, p. 88) assert that 'CSR

activity is not one comprehensive activity but rather a collective name for many different activities’.

Nonetheless, Crane et al. (2008, cited in Bondy, Moon & Matten 2012, p. 283) identify six core characteristics that most definitions and studies of CSR share:

- i. CSR is considered to be primarily voluntary.
- ii. Managing externalities is a key focus.
- iii. The needs of various stakeholders are an important consideration.
- iv. Social and economic responsibilities need to be an integral part of business decision-making and activities.
- v. CSR should be ‘embedded in both practice and values’.
- vi. CSR represents a shift beyond philanthropy.

For this study, we are guided by the European Commission (2011, p. 6), who provides a general definition of CSR as ‘the responsibility of enterprises for their impacts on society’. Notably, this definition incorporates ‘Respect for applicable legislation, and for collective agreements between social partners, [as] a prerequisite for meeting that responsibility’ (European Commission (2011, p. 6). Indeed, social partners, or stakeholders as they are commonly referred to in the literature, have become increasingly salient to corporate strategy. Political groups, civil society, industry associations, trade unions, community organisations, environmentalists, consumers and the media are just some of the stakeholders that scholars articulate as central to the practice of CSR (see Yang & Rivers 2009). For example, Visser (2005, cited in Da Piedade & Thomas 2006, p. 57) lists stakeholder activism as one of four key drivers of CSR in the South African business environment¹.

¹ Their list also includes state legislation; the globalisation of South African companies and the corresponding international corporate governance requirements; and, adherence to global standards and codes such as the Environmental Management System standard ISO14100.

From society's perspective, the economic benefits of CSR are, theoretically, tied to the two criteria used to judge markets (see Sobel 2004): efficiency and equity. First, CSR activities may produce public and mixed goods and services that provide positive external effects (such as education) or diminish negative external effects (such as pollution), and in so doing contribute to market efficiency² (Bénabou & Tirole 2010; Heal 2005). Second, CSR may also redistribute corporate income and wealth for social justice by facilitating more equitable distributional outcomes (Bénabou and Tirole 2010; Heal 2005). Robust means of measuring these economic and social benefits, however, appears to be lacking (see Hopkins 2005). According to Crifo and Forget (2015, p. 125), 'While extensive work has been conducted on CSR financial performance, further analyses of the social consequences of CSR are needed, as they have been most often set aside'.

From the firm's perspective, the economic value of CSR is its impact on profit and shareholder wealth. To justify pro-social activities to shareholders, company management can position CSR as, *inter alia*: lowering transaction costs; positively impacting a company's financial performance; lowering the cost of equity; providing a competitive advantage; attracting and retaining human capital; and, effective marketing and public relations tools (see Ambec & Lanoie 2008; Barnett 2007; Heal 2005; McWilliams & Siegel 2011; Wang 2015). Indeed, supporting the business case for CSR has been a significant focus of research (Perrini et al. 2011), although empirical studies have often proved inconclusive and their results inconsistent (Da Piedade & Thomas 2006; Lee 2008).

To further this business case, some scholars have also pursued research that links social responsibility to risk and risk management (e.g. Godfrey, Merrill & Hanson 2009; Husted 2005; Orlitzky & Benjamin 2001). For example, CSR may offer

² External effects are also referred to as third-party effects, social costs and benefits, spill-over costs and externalities. Positive externalities occur when benefits spill over: for example, education, health-care and public green spaces. Negative externalities occur when costs spill over to third-parties, such as pollution, traffic congestion, health and safety hazards, and infectious diseases. A market where transactions produce third-party effects may fail to allocate scarce resources in the economy efficiently (Tresch 2002).

firms insurance against future adverse events (Godfrey, Merrill & Hanson 2009) and strategic flexibility for future business decisions (Husted 2005). Indeed, Spicer (1978, cited in Husted 2005, p. 175) finds a negative correlation between CSR and risk: ‘as CSR increased, risk decreased’. In a meta-analytic review of CSR-firm risk, Orlitzky and Benjamin (2001) find support for a reciprocal causality between CSP and financial risk. Godfrey, Merrill and Hansen (2009, p. 426) provide evidence that certain types of CSR activities can generate moral capital or goodwill that temper punitive sanctions by stakeholders during a negative event, providing an insurance effect. Sharfman and Fernando (2008, cited in McWilliams & Siegel 2011, p. 1490) found that firms can lower their overall cost of capital by adopting environmental risk management practices. Notably, however, these aforementioned avenues of research appear to be focused predominantly on the value of CSR to the business. In this study, we propose that CSR could offer value as a means with which to manage social, environmental and other risks of a systemic nature to firm stakeholders and broader society too.

1.1.3 A note on Corporate Social Investment

Before the new democratic dispensation in 1994, business leaders in South Africa argued that CSR was ‘neither an admission of guilt for their share of the agony of the deprived, nor is it implying responsibility for the socio-economic welfare of the country’ (Mersham et al. 1995, cited in Skinner & Mersham 2008, p. 240). The term Corporate Social Investment (CSI) was offered instead, with companies being more receptive to the concept of ‘investment’ with its implied business-orientation (Skinner & Mersham 2008). Although, some scholars claim that the use of the term deliberately allowed the CSR discourse to continue outside of the context of the historical role business played under Apartheid:

Business in South Africa therefore generally eschews the notion of “corporate social responsibility”, despite the wide use of this term among practitioners and in the literature. Instead, it favours concepts of “corporate social investment” and “corporate citizenship”: concepts that ask no questions about legacy, memory, history, justice, or moral and ethical responsibilities. (Fig 2005, p. 601)

The incumbent South African government has, however, clearly stated that its objectives of redressing structural inequality and advancing economic inclusion of black South Africans require corporate participation (see Department of Trade and Industry (DTI) 2016). Many corporates in South Africa are, indeed, engaging in social programmes supporting the environment, health, education, and other public and mixed goods (see Matthews 2014) through legal and regulatory mechanisms (see Kloppers 2013, 2104; Ramlall 2012; Skinner & Mersham 2008). For example, the Mineral and Petroleum Resources Development Act (2002, p. 23) requires mining companies to develop a Social and Labour Plan to ‘ensure that holders of mining rights contribute towards the socio-economic development of the areas in which they are operating’. In another example, the Broad-Based Black Economic Empowerment (B-BBEE) Act (2003) and subsequent amendments³ incentivises businesses to help address critical social issues, including redressing gender and income inequality, developing critical skills, and facilitating socio-economic development, by linking access to government spending budgets to a company’s contribution to economic and social transformation (see Kloppers 2014; Ramlall 2012; Skinner & Mersham 2008; Mersham & Skinner 2016).

One element of the B-BBEE Framework is socio-economic development (SED) where companies are required to set aside a percentage of Net Profit After Tax on socially beneficial investments as prescribed by the gazetted Codes of Good Practice on Black Economic Empowerment. For example, ‘projects focusing on environmental conservation, awareness, education and waste management’ (DTI 2017, p. 329) could then be reported as CSI in a company’s annual report. According to Mersham and Skinner (2016, p. 112), a 2013 audit of CSI spending

³ The B-BBEE Amendment Act, 2013 (Act No. 46 of 2013) expanded and amended its predecessor, including making provision for offences and penalties as well as establishing the B-BBEE Commission as a compliance mechanism. The B-BBEE Act is also supplemented by Codes of Good Practice on Black Economic Empowerment, which set out interpretative principles and compliance requirements. These Codes were first published in 2007 and were also amended in 2013.

revealed that ‘44 per cent of companies cited the imperative of meeting BBBEE codes of good practice as a key driver for CSI involvement’. The B-BBEE Generic Scorecard for Large Entities in the Financial Sector is presented in Appendix A.

Nonetheless, Kloppers (2014, p. 63) argues that CSR and CSI do not have the same meaning and that one is a consequence of the other: ‘due to an acceptance of social responsibility, social investments are made’. A leading private research consultancy on CSI, Trialogue (2013, p. 1) distinguishes between the two terms as follows: ‘CSI refers to a company’s financial and non-cash contributions – beyond its commercial operations – to disadvantaged communities and individuals for the purpose of social upliftment and welfare’. Whereas CSR ‘is an overarching value-based framework, which encompasses all aspects of business operations, ensuring that how a company conducts business, and manufactures its products, is done in an ethical and socially responsible manner’ (Triologue 2013, p. 1). Accordingly, for this study, when reviewing South African academic literature and business publications, CSI is interpreted as one component of an overarching framework of CSR.

1.2 Rationale and significance of the study

While the state is ‘a custodian of the general welfare of citizenry’ (Diale 2014, p. 551), firms represent the productive resources of society (Bansal 2002, cited in Hahn & Figge 2011, p. 325). Employing these productive resources efficiently and equitably is necessary to support welfare, justice, social cohesion, and economic growth. Conversely, an inadequate response to demanding social, political and economic conditions may continue to undermine and destabilise the government, the economy, and society at large (see Nattrass & Seekings 2015). The emergence of the phenomenon of CSR may well be a social and economic response to the inherent complexity of modern society; a society that is dealing with a myriad of risks, facing a great deal of uncertainty about the future.

Notwithstanding considerable interest from business and academia (Carroll 1999; Nunn 2015; Wang 2015), the question that Bowen first posed appears, as yet, to be inadequately answered by CSR. Although scholarly work on the topic and its various themes and derivatives have been prolific, calls remain for more research on this ‘still embryonic and contestable’ concept (Windsor 2006, p. 94) that has yet to mature theoretically (Wang 2015). Furthermore, CSR scholarship has largely focussed on the business case for CSR (Perrini et al. 2011), and could further explore ‘what effects corporate actions have, not only on the bottom line but also on society’ (Margolis & Walsh 2003, p. 278). Scholars have also called for ‘clearer definitions of CSR elements, rigorous measurement of CSR activities, and a methodological approach to CSR auditing to promote greater effectiveness of CSR’ (Story & Price 2006, p. 40). According to Margolis & Walsh (2003, p. 289) ‘little is known about how companies internally control, monitor, and discipline their social initiatives’. Contemporary academic literature, therefore, suggests that further examination and interrogation of the topic would not be remiss.

The purpose of this study, therefore, is to advance a strategic approach to CSR as an integrated, collaborative risk management response to some of society’s most pressing challenges; one that may operate as a mechanism to address some of the difficulties associated with contemporary CSR practice. We argue that such an approach may offer alignment of state, business, and societal objectives by tackling shared risk. To support our analysis, we examined such an approach in practice, using a case study of Santam and its proactive, pro-social risk management Initiative, P4RR.

Our contribution to the academic literature lies in the interrogation of the relevance between CSR and risk theory and management, and the application of risk management as a means to contribute to the public good. We offer a link between these concepts based on CSR, welfare economics and risk theory, and the induction of existing empirical work on the impacts of inefficiency and inequality.

Our analysis of the work that Santam is doing within such a framework provided an opportunity to corroborate and build on early case studies, incorporating a structured analysis of the conditions, structures, and mechanisms that enabled and disabled the P4RR Initiative, and interrogating its alignment to contemporary economic risk theory and management practice. This study also hopes to contribute to the academic literature on the application of critical realism in research design and methodology.

1.3 Delineation of the case study

1.3.1 Project overview

Santam is the holding company of a multinational general insurance group. Founded in 1918, the company has been part of the South African corporate landscape for a century and is the leading non-life (or short-term) insurer in the country. Through its various businesses, subsidiaries, and shareholder stakes, the group had a presence in 32 countries and employed 5990 people as at the financial year-end 2017 (Santam 2018, p. 22). For the year ended December 2017, the company spent 0.85% of Net Profit After Tax on community socio-economic development (Santam 2018, p. 97), which includes R11.5 million from its CSI budget on projects related to environmental and development programmes (Santam 2018, p. 56). Its ‘community-focused initiatives received R5.5 million funding (2016: R4.5 million), driven through the P4RR initiative’ (Santam 2018, p. 97).

In 2015, Santam established the Partners for Risk and Resilience (P4RR) Initiative as a formal structure to house the work it does to support risk management and reduction in municipalities around South Africa. According to the company, ‘P4RR identifies and reduces systemic risk at municipal level through on-the-ground initiatives to protect the lives of vulnerable communities and people living in disaster-prone, high-risk areas’ (Santam 2018, p. 56). These on-the-ground initiatives represent various interventions that include funding for academic

research and impact studies; risk assessments; technical training programmes to bolster disaster response; raising awareness through education; and technology and data support for better decision-making and disaster responses (see Santam 2017a, 2018; Santam, Department of Cooperative Governance (DCoG) and South African Local Government Association (SALGA) 2014; Santam et al. 2011).

As part of the state's multi-faceted approach to municipal government challenges, the Department of Cooperative Governance and Traditional Affairs (CoGTA) conceptualised the Local Government Support Partnerships (LGSP) programme⁴ 'for mobilizing private sector companies and SOE's to adopt municipalities' (CoGTA 2011, p. 26), and it is through this partnership mechanism that Santam provides municipal support. At the conclusion of the first partnership, Santam, DCoG and SALGA (2014, p. 5) described the LGSP initiative as:

An example of a multi-stakeholder collaborative initiative that straddles the fields of Corporate Responsibility (CR), Stakeholder Engagement (SE), partnerships between the private and public sector, and emerging business models in an economy emphasising sustainable development.

What began as a pilot in five municipalities is currently being expanded to 10 districts and 53 local municipalities, and is expected 'to reach more than five million people between now and 2020' (Santam 2018, p. 56). This reach represents a significant cohort of the 257 municipalities (SALGA 2018, p. 18) providing services to a population of approximately 58 million people (Statistics South Africa 2018) in South Africa.

1.3.2 Project contextualisation

To further contextualise the P4RR Initiative, we refer to the company's economic role, as well as its publicly declared stance on its responsibilities to stakeholders and society. Firstly, the short-term insurance sector plays a vital role in the modern

⁴ The programme used to be referred to as Business-Adopt-a-Municipality (BAAM). During stakeholder engagements in February 2017, the private sector partners asked CoGTA to revisit the word 'adopt' to better reflect and enable shared value in the partnerships (Greijling 2017).

market economy. According to Dickinson (1998, p. 522-525), this importance is as a consequence of (i) stimulating private sector saving and investment as a consequence of the lag between premiums and claims, and (ii) providing a risk transfer mechanism by pooling (through monetisation) the risks of consumers and businesses. Dickinson (1998, p. 522) writes of the economic benefits of the risk transfer mechanism by reducing uncertainty, citing as examples the potential for more enterprising and adventurous economic actors, and the support for the global economy by reducing the risks associated with international goods trade. Another potential economic benefit of the mechanism, possibly attributable to the P4RR Initiative, is through the provision of complementary risk management advice and services that may encourage consumers to engage in loss prevention and safety practices (Dickinson 1998, p. 522).

Secondly, Santam articulates its relationship - and concomitant responsibility - to society using many of the prominent terms that have developed in the local and international discourse on the role and responsibilities of business. As a company listed on the Johannesburg Stock Exchange (JSE), in terms of the current listing rules, it must apply the King IV Code on Corporate Governance⁵ (King IV) which promotes concepts such as corporate citizenship, sustainable development, and stakeholder inclusivity (IoDSA 2016, p. 4). The company's Integrated Report 2017 states that its legally prescribed Social and Ethics (SES) Committee⁶ is responsible for 'monitoring good corporate citizenship, including the promotion of equality, corporate social responsibility, ethical behaviour and environmental impact' (Santam 2018, p. 89). This SES committee also provides oversight to Santam's sustainability framework, which is informed by the United Nations Sustainable Development Goals (Santam 2018, p. 18).

⁵ In South Africa, the King Code of Corporate Governance Principles ('King I'), released in 1994, has, through its subsequent updates and releases, embedded itself as the primary corporate governance framework as a listing requirement of the JSE (see Ackers 2009).

⁶ The Companies Act of 2008 prescribes an SES committee for specific companies, including listed companies and those that meet a requisite public interest score (PIS).

The company was also a founding signatory (Santam 2018, p. 43) to the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Sustainable Insurance⁷ (PSI) which asks insurance companies to embed ESG issues relevant to the insurance industry in decision making, and to work with stakeholders to promote action across society on these issues. The practice of ‘Sustainable insurance aims to reduce risk, develop innovative solutions, improve business performance, and contribute to environmental, social and economic sustainability’ (UNEP FI 2012, p. 3). The four PSI are listed in Appendix B.

1.3.3 Relevance and significance of the case

In the preliminary research exploring CSR as risk management, discussions took place with individuals working in sustainability, finance and social responsibility. This particular case was referred by a sustainable development consultant who first came across the company’s work at a Western Cape Provincial Government workshop on climate change adaptation (as an employee of the Western Cape Provincial Government), and again at a lecture held at the University of the Western Cape’s Graduate School of Business.

The contribution that Santam has made to disaster risk management and reduction has drawn the interest of academics, research institutions, and others concerned with environmental risk management. For example, Santam et al. (2011) published *Insurance in a Changing Risk Landscape: Local lessons from the Southern Cape of South Africa*. Launched at the UN Climate Change Conference in South Africa held that same year, the report was a result of a research partnership between Santam, the Council for Scientific and Industrial Research, the University of Cape Town, and the World Wild Fund for Nature (WWF), in collaboration with UNEP FI. The study area for that research project was the

⁷ The UNEP FI (2012, p. 3), describes sustainable insurance as ‘A strategic approach by which all activities in the insurance value chain are performed in a responsible and forward-looking way by identifying, assessing, managing and monitoring risks and opportunities associated with [environmental, social and governance (ESG)] issues’.

Garden Route District Municipality⁸ in the Western Cape, ‘chosen based on its varied topography, the considerable assets underwritten by Santam, as well as the recent volatile weather conditions that the area has experienced’ (Santam et al. 2011, p. 6). The objectives of the report were twofold. First, ‘To understand how changes in Eden’s landscape were affecting current and future risk exposure to wild fire, flood and sea storm’; second, ‘To understand how best the insurance industry could respond to ensure its own viability, as well as build the resilience of the socio-ecological system as a whole’ (Santam et al. 2011, p. 6).

In 2014, Santam’s work was the focal point of another case study, entitled *Making Changes: A Learning Journey - Santam Ltd., South Africa, and Experiences with Climate information* (UNEP and Sustainable Business Institute 2014). This case study showcased Santam’s organisational response process to climatic challenges faced by the financial sector. The report argued that the insurance industry has considerable power to address shared risks related to climate change and the environment. Key findings include the necessity of collaboration with other public and private entities to manage risk drivers and the need for adequate climate information and data for risk assessment.

Demonstrating further scholarly interest, Ginsburg, Maytham and Maytham (2014, p. 11) published *Shared response to shared disaster risk* as one of five case studies that were ‘part of a project aimed at showcasing examples of public-private cooperative efforts in South Africa that were mainstreaming ecosystem services for biodiversity and ecosystem management’. Their study also focussed on the LGSP programme with Santam in the Garden Route District municipality, describing the evolution of the collaborative approach, the key stakeholders, likely success factors, and how the learnings from the project could be applied both to Santam’s future endeavours as well as other companies looking to work more closely with municipalities. Ginsburg, Maytham and Maytham (2014) also

⁸ At the time of this study, the municipality was officially named the Eden District Municipality.

highlighted the evidence-based basis of the company's approach and its strategic commitment beyond CSI as an important enabling factor.

Santam is one of several companies working with the LGSP initiative and one which DCoG refers to as 'one of the good practices' (Greijling 2017, p. 14). The scaling of the work nationally appears to signal some measure of success for the company and stakeholders alike - a success perhaps underscored by interest from academics and researchers. The company was, therefore, selected as the subject of our case study as an example of where risk management plays a central role in the actions, policies and activities that form the basis of its social relationships, goals and strategic objectives, to assess our propositions and to interrogate the key enabling and disabling factors of such an approach. Furthermore, given the continuation and expansion of the project, further examination and analysis offered an opportunity to expand on and corroborate early academic work.

1.3.4 Critical realism case approach

This research was designed as an instrumental case study, framed by the research paradigm of critical realism, and structured using a critical realist case approach. This sub-section draws attention to relevant aspects of the research design to give the necessary context to the sections and chapters that follow. Chapter Four presents a more in-depth discussion of the decisions relating to research design and methodology.

In *The Art of Case Study Research*, Stake (1995) sets out three primary types of case studies: instrumental, intrinsic, and collective. The instrumental case study seeks to elucidate upon a particular phenomenon, and the researcher selects a particular case to achieve that objective best (Stake 1995). Santam, therefore, played an instrumental but indirect role in exploring the topic of CSR as risk management for the public good and the scope of the literature review was influenced accordingly. While the instrumental case study is not immanently

generalisable, we hope to offer researchers a potential basis for comparison across other cases to further interrogate the phenomenon under study.

The primary aim of critical realism is to determine causal explanation, and its theoretical building blocks are objects or entities which can include things like organisations, people, relationships, attitudes, resources, and ideas (Easton 2010). Objects are associated with structures, and structures interacting with contextual conditions give rise to events through generative mechanisms (Easton 2010). ‘In critical realism, causality is expressed in the term *mechanism*’ (emphasis in original) (Bygstad, Munkvold & Volkoff (2016, p. 84). Mechanisms are responsible for producing observable events in the empirical domain of reality (Danermark et al. 2005). Finding and understanding these mechanisms and their generative power, in search of a probabilist truth, is a ‘hallmark’ of the critical realist (Bisman 2010).

Ultimately, critical realists investigate events or outcomes, i.e. ‘the external and visible behaviours of people, systems and things as they occur, or as they have happened’ (Easton 2010, p. 120), although less concerned with investigating ‘regularities at the level of events, but rather to uncover and describe the mechanisms that produced these events’ (Bygstad, Munkvold & Volkoff 2016, p. 84). Critical realist case research is, therefore, not intended for generalisation through statistical inference to other cases. Instead, the primary purpose is to understand the mechanisms at work in one particular case, and how similar mechanisms may give rise to similar outcomes in other cases (Wynn and Williams 2012).

Cases are, therefore, usually selected to reflect events which are representative of the particular phenomena the researcher is attempting to explain (Wynn & Williams 2012). In this regard, we classified the output of the P4RR Initiative as the ‘events’, and Santam’s strategic management and stakeholders as the various ‘objects’ that interacted to give rise to the event. Given that critical realism

necessitates the interrogation of the structures, contextual conditions and relationships between objects, we considered that the process of applying a critical realist case study approach would also provide the necessary data for our study. Specifically, to interrogate our propositions on the mechanisms embedded in a strategic approach to CSR as risk management for the public good, and to identify key enabling and disabling factors.

The decision to use the paradigm had some important implications, and we briefly summarise the most pertinent at this point in our study. First, the propositions developed through the theoretical and conceptual framework in Chapter Three are concerned with mechanisms that may be embedded in a strategic approach to CSR as risk management. The research questions developed from the propositions were thus crafted to facilitate the interrogation of the relevant structures, conditions and mechanisms that both characterise and explain the Initiative's genesis, growth, development, output and practice. Both the propositions and research questions are presented later in this chapter. Second, the paradigm also informed the scope and direction of the literature review in Chapter Two, which requires the critical realist researcher to consider existing theories and empirical evidence (see Easton 2010; Fletcher 2017). Consequently, we reviewed the literature on CSR theory, mechanisms that give rise to CSR practice, strategic approaches to CSR, and the measurement of CSR.

1.4 Problem statement

The South African nation is facing a great deal of uncertainty due, in part, to socio-economic challenges, including inequality and social instability arising from insufficient essential services and public goods. Many of these challenges relate to the legacy of Apartheid, likely compounded by a government beset by lack of capacity, corruption, and poor management. Moreover, the government also has to contend with critical systemic risks, including those stemming from climate change and environmental degradation. Indeed, underscoring the scale of these

challenges, the South African government has explicitly sought corporate participation, including through legal and regulatory mechanisms.

In academic literature, such corporate participation is often situated in the discourse on CSR. Rich and varied, there are numerous theories and approaches originating from a variety of disciplines, including the use of CSR as risk management. Scholars have, however, highlighted challenges and inconsistencies concerning CSR theory and practice, including the predominant focus of empirical research on its relevance to the firm. We argue that if CSR practices can assist in addressing society's risks, they should be an important consideration in matters of public policy and socio-economic development, and their legitimacy as *bona fide* business activities firmly established.

Our study proposes to develop the relationship between CSR and risk management for the public good, positioning CSR as a necessary and appropriate strategic response to inefficient and inequitable market distributions. In the chapters that follow, we position the failure of the market to resolve external effects (inefficiencies) and equitable distributional outcomes as risks to society, and CSR as a potentially useful strategic response to these risks. Using a qualitative instrumental case study within a critical realist paradigmatic framework, we selected the P4RR Initiative as the basis for an analysis of an approach to social responsibility that explicitly incorporates risk management in practice. The case subject facilitated the identification of critical enabling and disabling factors and the assessment of our propositions on mechanisms embedded in a strategic approach to CSR as risk management for the public good. In so doing, we hope to reinforce the legitimacy of CSR practice, address some of the challenges around practice and implementation, and delineate a role for a business that meets society's expectations while aligning with the profit-seeking prerogative of the firm.

1.5 Research questions

In our theoretical and conceptual framework, we positioned CSR as an appropriate economic response to the uncertainty arising from markets failing to allocate resources efficiently and equitably. Situating CSR as a risk strategy within a risk management process, we compared risk management and CSR to explain how a strategic approach to CSR as risk management may influence CSR practice and impact. This comparison provided the basis of our five propositions on CSR as risk management, listed in Table 1 below.

Table 1: Summary of propositions on CSR as risk management

Proposition 1	Risk management may be an appropriate and useful analytical framework for investigating CSR.
Proposition 2	A strategic approach to CSR as risk management for the public good could encourage an integrated organisational approach to social responsibility.
Proposition 3	A strategic approach to CSR as a tool for managing social, environmental and systemic risks may necessitate more cooperation and collaboration between stakeholders seeking to understand mutual risks and their contexts.
Proposition 4	Adopting a risk management approach to CSR may lead to a response to uncertainty that aligns more closely with economic and financial risk management, characterised by quantitative, financial metrics and measures, pre-emptive risk management, transparency, and external governance and oversight.
Proposition 5	A risk management framework may offer a solution to the challenging aspect of evaluating CSR practice by offering a rubric with which to establish its usefulness.

The following research questions were then developed from these propositions to frame an analysis of such an approach in practice, including its enabling and disabling factors:

- i. Are risk theory and management suitable theoretical bases for analysing CSR? What mechanisms could be embedded in such a framework if applied in practice?
- ii. Are there any material mechanisms, contextual conditions and structures that enable, disable, or characterise risk management of social, environmental and systemic risks for the public good? In particular, as a

consequence of adopting a strategic approach to CSR as risk management?

- iii. How are stakeholders incorporated into a strategic approach to CSR as risk management for the public good, and what are their causal influences on practice?
- iv. How is the relative efficacy of social responsibility as risk management established, and how is it valued, reported, evaluated, and communicated?

1.6 Objectives of the study

There were two key objectives of our study. First, to explain the relevance between the concepts of risk theory and management and CSR, and how a strategic approach to CSR as risk management for the public good may operate as a mechanism to influence practice and impact. Second, to analyse such an approach with regard to its enabling and disabling factors, and to interrogate our propositions of CSR as risk management in practice. This study, therefore, seeks to:

- i. Explain how a risk management framework for social, environmental and systemic risks may facilitate CSR practice.
- ii. Interrogate our propositions on the mechanisms that may be embedded in a strategic approach to CSR as risk management.
- iii. Identify the enabling and disabling factors of a risk management approach to CSR in practice.
- iv. Assess the usefulness of CSR as a risk management strategy for the company, its stakeholders, and broader society in practice.

Its strategic objectives are to:

- i. Promote the use of risk management as a conceptual framework for CSR.
- ii. Support the development of stakeholders' causal influence on CSR practice.

- iii. Support the efficient and equitable allocation of resources to public and mixed goods.

1.7 Structure of the thesis

This research is organised and submitted in seven chapters. Chapter One introduced the study and its rationale and significance, delineating the case study, the research questions and objectives. In Chapter Two, we review relevant literature on CSR theory, mechanisms, strategic approaches and measurement. Chapter Three presents a theoretical and conceptual framework that provides the conceptual basis of the study and explains how contemporary risk management and CSR practice align and diverge. Chapter Four presents the research design of this instrumental case study, including the research paradigm of critical realism and the case protocol. Chapter Five presents the research results structured around the key themes guided by critical realism, and relevant to the research questions, and Chapter Six follows with an analysis and discussion of the instrumental case study in the contexts of the literature, the theoretical and conceptual framework, and the study propositions. The final chapter, Chapter Seven, evaluates and concludes the study and presents recommendations, both for CSR practice and future research opportunities.

CHAPTER TWO

2. LITERATURE REVIEW

As stated in the introduction, the roles and responsibilities of business is a topic that has garnered significant interest from business, academia and civil society. The academic literature available is, therefore, considerable. Nonetheless, it remains incumbent upon the critical realist researcher to engage with existing theory (see Easton 2010; Eastwood, Jalaludin & Kemp 2014; Fletcher 2017). As Fletcher (2017, p. 184) writes, ‘The initial theory facilitates a deeper analysis that can support, elaborate, or deny that theory to help build a new and more accurate explanation of reality’. The objective of our literature review was, therefore, twofold. First, to lay the foundation for the theoretical and conceptual framework that examines the mutual relevance of risk and social responsibility; one that builds on existing theory and offers some value to an already considerable body of knowledge. Second, to ensure that the existing theories and explanations would be adequately appraised and sufficiently considered in the analysis process.

The chapter comprises four main sections concerned with the following aspects of CSR literature: (i) theory that underpins CSR, (ii) mechanisms that drive CSR, (iii) strategic approaches to CSR, and (iv) measuring and valuing CSR. A chapter summary concludes. Data sources for the review included seminal papers in economic theory; academic writing in journals and books; newspapers and other media sources; official government publications and legislation; and third-party secondary research.

2.1 CSR Theory: Mapping the territory

CSR research was characterised by an increase in literature in the 1960s, a proliferation of definitions in the 1970s, and an expansion of CSR into related concepts in the 1980s which continued into the 1990s (Carroll 1999) and onwards. The plethora of alternative themes, concepts and taxonomies that emerged were, in turn, accompanied by their own approaches, perspectives, and ideological

standpoints (Carroll 1999; Wang 2015) - effectively broadening the debate even further. However, according to Wang (2015, p. 11), there have been ‘few efforts to understand and summarise CSR theory’.

In *Corporate Social Responsibility Theories: Mapping the Territory*, Garriga and Melé (2013, p. 70) attempt to do so, by mapping CSR theory and related concepts according to ‘how the interaction phenomena between business and society are focused’. They classify theories into four main groups, proposing ‘that the most relevant CSR theories and related approaches are focused on one of the following aspects of social reality: economics, politics, social integration and ethics’ (Garriga and Melé 2013, p. 70), which we summarised in Figure 1 below. In the sub-sections that follow, we present the theories and concepts that we reviewed in each of these categories. We also include the theory of CSR as a response to market failure, and the parallel concept of *corporate social irresponsibility*, which some researchers argue is a critical addition to the CSR debate.

<p style="text-align: center;">Instrumental Theories</p> <p style="text-align: center;">Maximising shareholder value Competitive advantage strategies Cause-related marketing</p>	<p style="text-align: center;">Political Theories</p> <p style="text-align: center;">Corporate citizenship Integrative social contract theory Corporate constitutionalism</p>
<p style="text-align: center;">Ethical Theories</p> <p style="text-align: center;">Universal rights approach The common good approach Normative stakeholder theory Sustainable development</p>	<p style="text-align: center;">Integrative Theories</p> <p style="text-align: center;">Issues management The principle of public responsibility Stakeholder management Corporate social performance</p>

Figure 1: Mapping key theories of CSR (adapted from Garriga and Melé 2013, pp. 71-85)

2.1.1 The economic imperative

According to Garriga and Melé (2013, p. 71), instrumental theories position CSR ‘only as a strategic tool to achieve economic objectives and, ultimately, wealth creation’. They further segment instrumental theories into three main groups: maximising shareholder value, strategies for competitive advantages, and *cause-related marketing*.

Maximising shareholder value is a neoclassical theory of the firm in terms of which the primary responsibility of business is to increase shareholder wealth, and its only additional responsibilities are to provide employment and pay taxes (De Piedade & Thomas 2006). In early debates, the notion of businesses pursuing anything but profits drew sharp criticism from prominent economists like Milton Friedman who considered it ‘a “subversive doctrine” that threatened the very foundation of free enterprise society’ (Friedman 1962, cited in Lee 2008, p. 58). However, Kitzmueller and Shimshack (2012, p. 52) write that using CSR to ‘satisfy nonclassical preferences of investors, employees, and consumers...[and] to influence outcomes driven by public and private politics may be consistent with shareholder wealth maximization’. According to Garriga and Melé (2013, p. 72), ‘today it is quite readily accepted that shareholder value maximization is not incompatible with satisfying certain interests of people with a stake in the firm’.

The second grouping includes strategies that use CSR as a means of leveraging the firm’s resources to create a competitive advantage. In this group, Garriga and Melé (2013, p. 72-73) include three approaches: social investments in a competitive context, the resource-based view of the firm as a manager of inimitable resources, and, corporate strategies for engaging the bottom of the economic pyramid. Referring to the approach of ‘social investments in a competitive context’, they cite the work of Porter and Kramer (2002, cited in Garriga & Melé 2013, p. 73), who apply their model of competitive advantage to social investments to deliver better social welfare outcomes when compared to donors or the state. Later, Porter and Kramer (2011, p. 66) updated their work with

the notion of *shared value* that ‘can be defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates’. Indeed, Santam (2018, p. 19) refers to one of its sustainability focus areas as building ‘resilience through shared value partnerships’.

The third approach in this group is CSR used as marketing, specifically cause-related marketing (Garriga & Melé 2013, p. 74). This approach refers to a marketing strategy where a company’s products are bundled with the provision of public goods and services¹ with positive external effects (or those that limit negative external effects). For example, by donating to UNICEF’s vaccination programme for every package of baby wipes bought (Blomgren 2011, p. 496), Procter & Gamble have used cause-related marketing by bundling a public good with the sale of their product to further their corporate reputation and brand.

2.1.2 A question of ethics

In CSR literature, the question of ethics is often framed in opposition to profit-seeking and approaches to CSR categorised as either economic or ethical (e.g. Driver 2011; Windsor 2006). In this regard, Windsor (2006, p. 98) distinguishes between the two, describing ethical CSR through a set of ideal corporate management characteristics. Specifically, (i) self-restraint to not exploit market opportunities even if laws permit; (ii) altruism, which may involve contributions to the general welfare, and, (iii) tolerance of expansive public policy and the strengthening of stakeholder rights. Economic CSR is, in turn, concerned with market wealth creation, subject to fiduciary responsibility, minimalist public policy and customary business ethics (Windsor 2006, p. 95). According to Windsor (2006, p. 100), a key challenge for ethical CSR is the question of how such an approach translates to a management theory, where social, stakeholder

¹ Economic theory distinguishes between private and public goods (Greenlaw & Shapiro 2017). Pure private goods can only be consumed by one consumer (rivalrous consumption), and consumers who cannot pay for the good are excluded from consuming it (price exclusion). Pure public goods can, therefore, be defined in terms of non-rivalrous consumption and non-exclusion and are difficult to produce for private profit.

and public policy issues are integrated into a management process that is concerned with resource allocation decisions.

What constitutes ethical conduct in business is not necessarily straightforward. For example, Lindorff, Prior Jonson and McGuire (2012 p. 458) argue that ‘Few business areas can be considered morally ideal (or responsible and non-controversial) in all respects by all observers’, citing examples of businesses educating women, producing contraceptives, and manufacturing weapons which may draw strong objections on ethical grounds in some contexts. Driver (2011, p. 339) describes the tension between ethical and economic models of CSR as a stalemate, one with several implications for research and practice, ascribing to the lack of a universal definition for CSR, the ongoing debate about the need for a business case, and the lack of consensus on CSR implementation and measurement in practice. According to Windsor (2006, pp. 93-94), ‘any satisfactory synthesis of the ethical and economic approaches to CSR must discover some unknown subset of ethical principles also yielding corporate competitive advantage’.

Garriga and Melé (2013, p. 87) submit four prominent ethical approaches to CSR that focus on ‘the right thing to do to achieve a good society’: *universal rights*, the *common good approach*, *normative stakeholder theory* and *sustainable development*. These approaches bear some similarities to one another but are distinguished by the philosophical underpinnings that ground their construction of a firm’s ethical responsibility to society. For example, The Universal Declaration of Human Rights underpins the universal rights approach and the common good approach holds that businesses must contribute to the common good ‘as the goal shared by all who advance the cause of justice in a community’ (Audi 1995, cited in Butler, Reddy and Silva 2015, p. 176). Normative stakeholder theory, in turn, attributes intrinsic value to stakeholders and has been grounded by a variety of normative cores that include feminist ethics, and, indeed, risk management (Garriga Melé 2013, p. 83).

In our case, Santam describes the P4RR Initiative using the ethical framework of sustainability, which speaks to the fourth prominent ethical approach to CSR. In the context of business, the United Nations Global Compact (2014, p. 9) explains that *corporate sustainability* ‘is a company’s delivery of long-term value in financial, environmental, social and ethical terms’. The term sustainable development, in turn, ‘refers to the many processes and pathways to achieve [sustainability] (e.g. sustainable agriculture and forestry, sustainable production and consumption, good government, research and technology transfer, education and training, etc.)’ (United Nations Educational, Scientific and Cultural Organization (UNESCO) 2018, p. 1) and ‘seeks to meet the needs and aspirations of the present without compromising the ability to meet those of the future’ (World Commission on Environment and Development (WCED) 1987, p. 39). It is a macro concept that incorporates a necessary contribution at a corporate level (Garriga and Melé 2013), and its ethical question is reflected in its focus on the future and its concern with the effects of our ‘acts upon others’ (WCED 1987, p. 44). Santam’s application of sustainable insurance championed by the UNEP FI PSI is an example of where the concepts of sustainability and sustainable development are applied to a particular industry.

2.1.3 Recognising the social power of the firm

The politicisation of the corporate actor, one that demands political consideration and analysis, is a significant theme in CSR research. The era of globalisation, in particular, has highlighted the power of companies to shape laws and regulations in the countries they operate in (see Pitts 2009; Cowling and Tomlinson 2005). Garriga and Melé (2013, p. 75), define political theories as ‘CSR theories and approaches [that] focus on interactions and connections between business and society and on the power and position of business and its inherent responsibility’.

Palazzo and Scherer (2008, p. 774) deem the labelling of corporates as political actors essential ‘to advance the debate on corporate legitimacy...corporate acts of making global rules and producing public goods are considered political and, thus,

have to be legitimized vis-a-vis the public'. Young (2006, cited in Tempels, Blok & Verweij 2017, p. 100) maintains that the plurality of actors contributing to structural injustices in society demands that all carry responsibility. Tempels, Blok and Verweij (2017) expand on Young's work, arguing that corporate actors have a mandate to engage actively in dealing with the structural injustices, even if these injustices are unrelated to their businesses. Indeed, early debates on CSR referenced this role, such as Eilbert and Parket (1973, cited in Carroll 1999, p. 278), whose definition of CSR as 'good neighborliness' equated to 'the commitment of a business or Business, in general, to an active role in the solution of broad social problems, such as racial discrimination, pollution, transportation, or urban decay'.

Garriga and Melé (2013) submit two major contributions to political theories: *corporate constitutionalism* and *corporate citizenship*. They attribute the theory of corporate constitutionalism to Davis (1960) whom they credit with introducing power into the CSR debate. Davis (1960) perceived social power as something of value that needed to be retained or amassed by the firm, even though its value could not be measured. Referring to social power as the ability to influence both government and community, Davis (1960, p. 71) argued that the 'social responsibilities of businessmen need to be commensurate with their social power'. Equally important, Davis (1960, p. 73) argued that '*the avoidance of social responsibility leads to gradual erosion of social power*' (emphasis in original). Referring to the work of Selekman (1959, cited in Davis 1960, p. 72), Davis (1960) advocated for constituency groups to perform the role of shaping and directing the power of businesses through a mutually established constitutional framework.

Corporate citizenship is arguably the more prominent of the two, at least in South Africa where it is included as one of the 'foundation stones' of King IV (IoDSA 2016, p. 4). Indeed, Santam (2018, p. 31) has explicitly ascribed its P4RR Initiative to this political framework: 'Santam embraces the role of corporate

citizen by accelerating the roll-out of P4RR with municipalities in South Africa’. Néron and Norman (2008, p. 1) argue that using the ‘language of citizenship’ has the advantage of facilitating legal and political thinking, areas where they believe CSR and sustainability fall short. However, Godfrey and Hatch (2007, p. 95) point out that the ‘business citizenship paradigm’ relies on classical Western philosophy, which may not have broader applicability beyond Western societies. With reference to reconciling the tension between ethical and economic CSR, Windsor (2006, p. 97) rejects corporate citizenship as an intermediate position between the two positions, claiming that ‘the metaphor separates into two conflicting interpretations’. Either economic instrumental citizenship that focuses on corporate self-promotion, or ethical idealised citizenship that still eschews the notion of responsibility and does not promote public policy to the extent that an ethical understanding of CSR should.

2.1.4 In pursuit of social integration

According to Garriga and Melé (2013), integrative theories focus on the integration of social demands into business strategies and processes, facilitating social legitimacy and social acceptance. Here they list *issues management*, *the principle of public responsibility*, *stakeholder management*, and *corporate social performance* as prominent approaches in this category.

Both issues management and the principle of public responsibility are concerned with identifying which matters of public policy need to be integrated into business management and strategic decision-making. Wartick and Rude (1986, cited in Garriga & Melé 2013, p. 78) define issues management as ‘the processes by which the corporation can identify, evaluate and respond to those social and political issues which may impact significantly upon it’, and its rationale is concerned with closing the gap between society’s expectations of a firm and the firm’s actual performance. The principle of public responsibility, proposed by Preston and Post (1975, cited in Wood 1991, pp. 697-698), holds that businesses

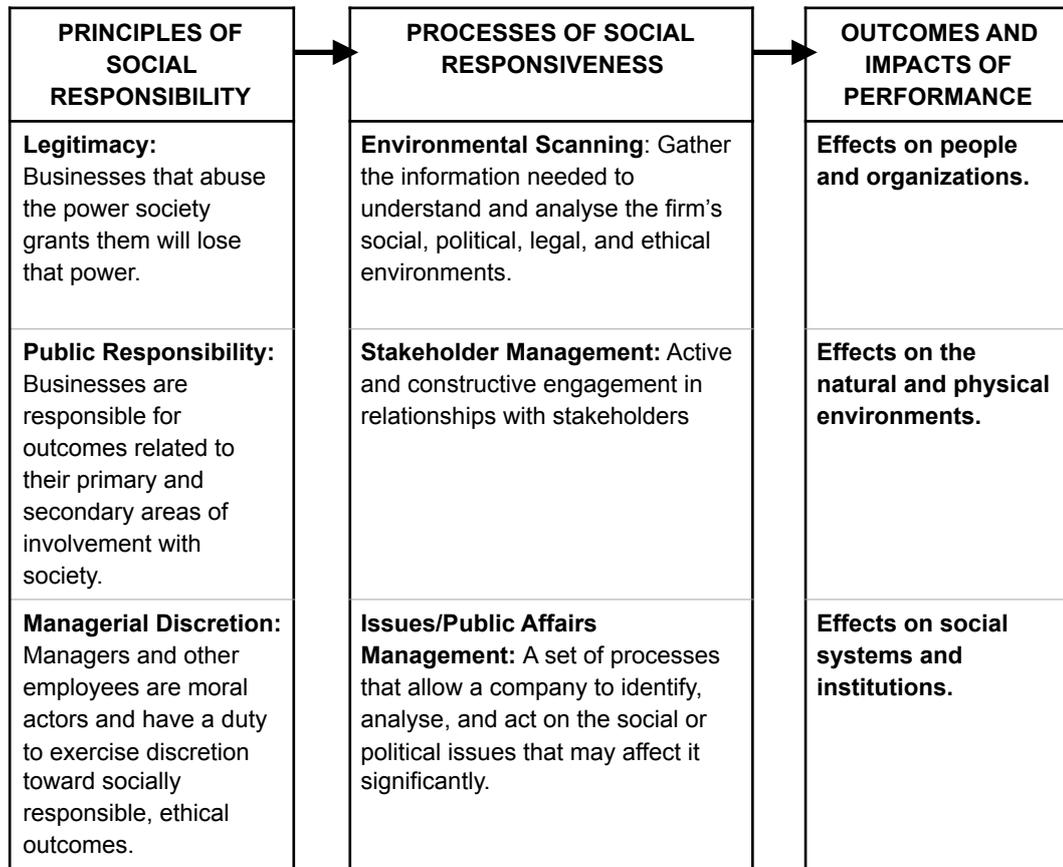
are responsible for their primary and secondary impacts². They argue that public policy frameworks could provide the necessary boundaries to the arguably open-ended scope of determining social responsibility (Preston & Post 1981, p. 57).

In the local context, the third approach of stakeholder management has likely been elevated due to its inclusion in the governance codes of King IV. Indeed, Santam (2018, p. 30) employs a stakeholder management policy and charter aligned to King IV, and its 'stakeholder universe' includes clients, communities, business partners, employees, suppliers and industry regulators and government. Within this framework, the company's primary objective is survival, and all its salient stakeholders are critical factors therein (Lee 2008). Relevant management considerations include the identification of stakeholders, the determination of their relative salience and the balancing of their often competing interests (Garriga and Melé 2013, p. 81).

The fourth approach, CSP is a term that has been in use since the mid-1970s (Carroll 1999) and can be 'defined as the outcome of implementing CSR activities and behaviors' (Perrini et al. 2011, p. 59). According to Garriga and Melé (2013, p. 81), CSP refers to a set of theories that attempt to integrate multiple CSR theories and approaches. Indeed, in Figure 2 below, one can discern the theories of public responsibility, stakeholder management, and issues management, which are incorporated into Wood's (2010) model of CSP.

² Primary impacts relate to the primary business activities such as marketing, procurement and production; secondary impacts include the use of a company's products and the impact of its procurement and employment practices (Preston & Post 1981).

Figure 2: Wood’s model of CSP (reproduced from Wood 2010, p. 54)



2.1.5 CSR and welfare economics

Falling outside of the map that Garriga and Melé (2013) compiled, some scholars have examined CSR through the theoretical framework of welfare economics (e.g. Blomgren 2011) which is concerned with evaluating economic arrangements and policies to maximise aggregate social welfare (Ward 2011; Tresch 2002). Supporting markets functioning efficiently and altering outcomes by redistributing wealth are widely considered to be legitimate economic functions of a government (see Sobel 2004; Tresch 2002), although interventions to bring about more equitable outcomes in society are more contested (Sobel 2004). According to Bénabou and Tirole (2010, p. 1), ‘the state corrects market failures whenever externalities stand in the way of efficiency, and redistributes income and wealth, as the income and wealth distribution generated by markets has no reason to fit society’s moral standards’.

Scholars have, therefore, argued that CSR is a form of market intervention akin to this role traditionally reserved for government. For example, Heal (2005, p. 387) refers to CSR as a ‘Coasian solution to problems with social costs’, and Crouch (2006, cited in Lindh 2015, p. 77) defines CSR as ‘corporate externality recognition’. According to Heugens and Dentchev (2007), by internalising social costs, CSR falls under one of the three solutions to externalities put forward by Coase (1960) (the state and the market are the two alternative mechanisms). Demands for corporates to participate in CSR as a response to market failure (Bénabou & Tirole 2010) tally with the claims that business is passive in the management of external costs (Bainbridge 2006; Van den Berghe & Louche 2005), and that markets fail to operate at equilibrium (Matutinovic 2010).

According to Weyzig (2009), CSR can assist in market failure in two ways: by ‘[protecting] the correct function of markets by enhancing competition and strengthening market forces... [and] by making company profits a better indicator for wealth creation’. However, Nunn (2012) offers a contrarian view, positioning CSR as a means by which states may absolve themselves of policy responsibility by shifting the production of public and social goods to companies. Nonetheless, Besley and Ghatak (2001, cited in Kitzenmueller & Shimshack 2012, p. 55) note an increasing shift in some market economies of public goods provision from state to mixed or complete private ownership, and argue that CSR can be efficient if governments cannot or do not deliver optimal levels of public goods. We would add that the role of stakeholders who influence CSR is elevated to an important economic function when considered within this theoretical framework. Indeed, Bénabou and Tirole (2010, p. 16) call for research to tackle a ‘fundamental question: who, among the state, stakeholders and firms, is best placed to address market failures and inequality?’.

2.1.6 Corporate Social Irresponsibility

Another CSR related concept that falls outside Garriga and Melé's (2013) taxonomy is *corporate social irresponsibility* (CSIR). The term entered the academic discussion in 1977 when Armstrong (1977, cited in Murphy & Schlegelmilch 2013, p. 1808) defined 'a socially irresponsible act [as] a decision to accept an alternative that *is thought by the decision maker to be inferior to another alternative when the effects upon all parties are considered*' (emphasis in original). CSIR can also be conceptualised as the social costs or negative externalities a company externalises, which are incurred through the course of its ordinary business activities (see Nunn 2012; Windsor 2013).

According to some scholars, understanding a company's CSR strategy and practice requires a concurrent evaluation of their CSIR (e.g. Windsor 2013; Nunn 2012; Wu 2014). However, Windsor (2013) and others (e.g. Tench, Sun & Jones 2012) refer to the topic as understudied, and Wu (2014) finds that it has not been seriously examined in the literature. In a meta-analysis of the academic literature dealing with the issue of CSIR, Lin-Hi and Müller (2013, p. 1928) find only 22 peer-reviewed articles in major academic journal databases from the period 1962 - 2012 and argue 'that the negligence of the issue of [CSIR] constitutes a serious shortcoming of the current debate'.

Through empirical research, Strike, Gao and Bansal (2006, cited in Lin-Hi & Müller 2013, p. 1932) underline the inevitability of CSIR: 'The more complex a firm's business, the more likely it is that [corporate social irresponsibility] will occur'. As Heath (2006, p. 550) notes, due to imperfect markets, companies are often able to make a profit through irresponsible business practices. For example, Wu (2014) finds that increases in prices of raw materials and other inputs are positively correlated with the probability of a company engaging in socially irresponsible behaviour. Lin-Hi and Müller (2013) term this *intentional CSIR* - when companies deliberately engage in behaviour that will be harmful or disadvantageous to others. They distinguish intentional CSIR from *unintentional*

CSIR, where firms' actions are not deliberate but can result in adverse outcomes for society.

Windsor (2013) argues that CSR and CSIR are not mutually exclusive and cannot be summed as a performance index: firms may be simultaneously responsible and irresponsible. Research by Kotchen and Moon (2011, cited in Tench, Sun & Jones 2012, p. 7) supports this concurrent practice: in an empirical analysis of almost 3000 publicly traded companies in the United States over a period of 15 years, they find that companies practice CSR to offset their CSIR. Indeed, according to Armstrong (1977, cited in Windsor 2013, p. 1939), avoiding CSIR has a better impact on social welfare than any subsequent CSR activity undertaken to remedy or offset that CSIR.

However, research also suggests that practising CSIR does not always negatively impact a company's standing in the capital markets. Scrutinising the financial impacts of CSR and its counterpart CSIR, Groening and Kanuri (2013) found that in some instances, investors may punish firms for positive events and ignore or reward adverse social events. Interestingly, Wu (2014) also found that levels of government corruption are positively correlated with the likelihood of socially irresponsible activities, highlighting the value of minimising such behaviour. Arguably then, any comprehensive assessment of CSR practice should address a company's CSIR. Furthermore, CSR practice that seeks to manage the risks of inefficiencies and inequitable distribution for the public good should certainly consider those costs a company externalises through the ordinary course of its business.

2.2 Identifying mechanisms driving contemporary CSR practice

The theories discussed in the preceding section are some of the most prominent used to conceptualise, define, explain, and motivate CSR practice. However, these theories do not necessarily explain the mechanisms that drive CSR practice and precipitate how and why some companies engage with CSR (and others do not).

In the context of our exploration of mechanisms that may lie in the adoption of a strategic approach to CSR as risk management for the public good, in the subsections that follow, we discuss some approaches taken by scholars to identify mechanisms that may drive contemporary CSR practice.

2.2.1 Identifying mechanisms through stakeholder theory

Stakeholder theory is one prominent theoretical platform that scholars have used to examine and interrogate the internal and external influences that drive a company's CSR practice. Understandably, application varies widely, including the use of stakeholder theory to identify relevant stakeholders, to determine their relative salience, to support theoretical models of stakeholder influence, and to underpin empirical studies of such influence (see Laplume, Sonar & Ltiz 2008). For example, when evaluating or examining the influence of stakeholders on CSR practice, the process of identifying the relevant stakeholders would preferably require some academic rigour. In this regard, scholars have developed a variety of (seemingly) binary taxonomies with which to classify and distinguish stakeholders, e.g. primary/secondary, voluntary/involuntary, resource providers/dependents (see Mitchell, Wood & Agle 1997, pp. 853-854). For example, Clarkson (1995, cited in Mitchell, Wood & Agle 1997, p. 857) defines stakeholders as either voluntary or involuntary risk-bearers. According to Clarkson (1995, cited in Mitchell, Wood & Agle 1997, pp. 857), 'voluntary stakeholders bear some form of risk as a result of having invested some form of capital, human or financial, something of value, in a firm'. In contrast, 'involuntary stakeholders are placed at risk as a result of a firm's activities. But without the element of risk there is no stake' (Clarkson 1995, cited in Mitchell, Wood & Agle 1997, p. 858).

Identifying stakeholders is also a precursor to interrogating the relative influence on CSR practice, underpinned by the assumption that some stakeholders are more critical than others. Mitchell, Agle and Wood (1997, p. 866-868) identify three salience attributes: (i) the causal *power* to influence firm behaviour, (ii) the

legitimacy of a stakeholder's claims as conferred by social systems, and (iii) the degree of *urgency* with which the firm responds to stakeholder claims. Their work *Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts* is an oft-cited academic contribution to the role of stakeholders in CSR practice (e.g. Campbell 2007; Doh & Guay 2004; Godfrey & Hatch 2007; Godfrey, Merrill & Hansen 2009; Poplawska et al. 2015; Yang & Rivers 2009). For example, Story and Price (2006) apply stakeholder salience theory and find that investors are the most salient stakeholder group, followed by the government.

Some scholars have developed models which incorporate stakeholder theory in an attempt to capture, in a holistic manner, the confluence of influences on a firm. For example, Yang and Rivers (2009) incorporated stakeholder theory to identify antecedents to CSR practice in multinational corporations' subsidiaries. Scholarly work has also interrogated single stakeholder groups to determine their relative influence on firm behaviour. Many of these empirical studies are often contextual, focussing on a particular stakeholder group in a particular social and geographical context, and consequently, offer inconsistent results. For example, in a survey conducted at a private higher education institution in South Africa, McDonald and Liebenberg (2006) found that many employees neither understood the concept of CSR nor would be influenced by CSR practice in their choice of employment. However, Turker (2009) surveyed 269 business professionals in Turkey and found that employees prefer working in socially responsible organisations and that commitment levels to the organisation are positively affected by a firm's CSR activities. Such empirical studies are then used to corroborate or validate existing theoretical models on the influences of stakeholders on CSR practice.

2.2.2 Identifying mechanisms through organisational theories of the firm

Scholars have also applied organisational theory as a basis for interrogating how and why companies engage in CSR practice. For example, Aguilera et al. (2007),

draw on theories of organisational justice, corporate governance and capitalism to develop a multi-level theoretical model that attributes the increasing corporate participation in CSR to four main actors: government, NGOs, employees and stakeholders. Through this model, they identify some theoretical mechanisms that would likely bring about social change, including legal enactment, NGO campaigning, employee participation and consumer purchasing power. Indeed, their narrow use of the term ‘stakeholder’ illustrates the different conceptions of the term discussed in Section 2.1.3.

Scholars have also used institutional theory, in particular, to interrogate why and how companies engage in CSR practice, which is defined as ‘a theory that addresses the processes used by organizations to adapt to the political, cultural, and social demands of their environment and gain legitimacy in the eyes of stakeholders’ (Institutional theory 2013). Yang and Rivers (2009) also include institutional theory (in addition to stakeholder theory) in their model for identifying organisational and social contexts that affect CSR practice, distinguishing between company-specific stakeholder influences and stakeholders that influence all companies in general. Campbell (2007) offers an institutional theory of CSR where businesses are influenced by institutional factors such as public and private regulation, the presence of NGOs and other organisations that monitor corporate behaviour, and the institutionalised norms of what constitutes appropriate behaviour. Similarly, Bondy, Moon and Matten (2012) use institutional theory for grounding their empirical study into what they term macro-institutional pressures for CSR activity, and position CSR itself as an institution within UK multinational companies. They find that ‘coercive stakeholder pressure’, industry competition, and management self-interest as some of the mechanisms driving CSR practice.

2.2.3 Mechanisms embedded in economic and market structures

Scholars have also analysed the mechanisms driving CSR practice through the lens of economics. In this regard, Sheehy (2015) identifies three principle theories

with which economics examines CSR: (i) the theory of the firm, (ii) agency theory, and (iii) the economic theory of market failure. For example, Lundgren (2011) examines the drivers of CSR, developing a mathematical microeconomic model of the firm that, in optimum, requires the balancing of the marginal costs and benefits of CSR³. Model parameters include the benefits of a price premium, wage reduction and cost of capital, and the costs of CSR project investments, advertising, and crowding out of other business activities. Accordingly, Lundgren (2011, p. 90) finds ‘that firms will engage in CSR activities if stakeholders, such as the government, the financial sector, consumers, non-governmental organizations, etc., reward or pressure firms to engage in such behavior’.

Scholars have also examined the principal-agent relationship due to the separation of ownership and management in the modern firm. This separation may lead to directors’ misuse of voluntary and discretionary CSR for their private benefit (Sheehy 2015). According to Jensen (2001), it may also be more difficult to hold directors accountable when they pursue multiple, competing stakeholder interests. According to Barnett (2007, p. 799), when the benefits of CSR accrue to management or society and not to shareholders, these are ‘straightforward agency losses’, even if these benefits outweigh the costs.

As previously mentioned, scholars have theorised that CSR is an economic response to market failure where external pressure on the firm is a product of dissatisfaction with market outcomes. Market failure is the basis on which Crifo and Forget (2015, p. 113) develop a theoretical framework of CSR strategies, linking CSR decisions to market imperfections⁴, supported by a survey of the theoretical and empirical literature on CSR determinants and consequences. In this regard, Crifo and Forget (2015, p. 113) incorporate all three of the aforementioned

³ Efficient allocation of resources at the social or societal level refers to the optimal quantity of an output, defined as ‘where the marginal benefit to society of one more unit just equals the marginal cost’ (Greenlaw & Shapiro 2017, p. 229).

⁴ Examples of market imperfections are externalities, public goods, incomplete information (Crifo & Forget 2015). Market imperfections, in turn, give rise to market failure and the inefficient allocation of resources (see Tresch 2002).

economic theories and identify three mechanisms as ‘private responses to market imperfections aiming to satisfy social preferences from specific stakeholders’: external pressure from stakeholders, the market mechanism, and internal delegation of authority.

According to Crifo and Forget (2015), regulators and activists such as NGOs pressure companies to reduce negative external effects or contribute to the provision of public goods as a response to market imperfections arising from external effects, public goods and altruism. The second type of market imperfection, imperfect competition, engenders a response to competitive pressures emanating from competitors, consumers or the firm’s reputation. The third category positions CSR as an efficiency tool in the context of incomplete contracts (which do not specify all future contingencies), thus requiring a measure of delegated authority from shareholders and employees to management who then drive CSR.

Using the economic lens of market failure, we can link CSR to the work of Baron (2010, p. 1299) who describes the private provision of public goods and private redistribution as a form of self-regulation operating outside the institutions of government and the realm of public politics. This self-regulation ‘can result from a variety of motivations, including self-interest, forestalling public or private politics, and moral concerns’ (Baron 2010, p. 1299), which one can, in turn, link to the instrumental, political and ethical aspects of society that Garriga and Melé use to map CSR theory. The framing of CSR as self-regulation or private governance sits well within a neoliberal context. Decentralisation, deregulation and regulatory reform limited the role of governments in market economies in the late 20th century (see OECD 2003; Stiglitz 1998), with businesses preferring competitive environments unfettered by restrictive government regulation.

Through our literature review, we also identified one other potential mechanism embedded in the structure of market-based economies: corporate reporting. One

can reasonably infer that many stakeholders are not directly involved in or exposed to a company's CSR practice. Instead, they are more likely engaging with *information* about a company's CSR. Thus, CSR reporting for listed companies may be an instrumental, albeit indirect, mechanism allowing stakeholders to interrogate and compare the CSR practices and policies of firms. CSR reporting has yet to achieve critical milestones attributed to financial reporting's evolution into a market-based resource (Tschopp & Huefner 2015) that facilitates such comparisons. However, according to Solomon and Lewis (2002, cited in Tate, Ellram & Kirchoff 2010, p. 21) the use of CSR 'reports is growing among investors, governments, NGOs, customers and other concerned stakeholders' as a source of information about risks, social investments and commitment to social and environmental issues.

2.3 Strategic approaches to CSR

Notwithstanding the various mechanisms credited with driving practice, scholars have also attempted to understand and categorise the types of engagement and approaches to CSR. For example, in empirical research exploring CSR-related corporate practices and consumer perceptions, Öberseder, Schlegelmilch and Murphy (2013) identify three stages of a firm's commitment to CSR: (i) a minimalist response, (ii) a departmental concern, and (iii) a committed response. They describe a minimalist response that reflects an engagement with CSR that is primarily motivated by external pressure. In contrast, a committed response to CSR manifests in a wide range of social projects, engaged employees, inclusive stakeholder dialogue, and a genuine commitment to society. In between these two lies CSR as a departmental concern, with a dedicated manager but without the full commitment of the board or integration into the larger organisation.

According to Lee (2011, p. 286), CSR research sets out four broad strategic stances towards social responsibility:

- i. An obstructionist strategy where the firm rejects any form of social responsibility outside of its economic interest.
- ii. Defensive strategies that reject social responsibility but passively comply with legal requirements, remaining legally legitimate to protect self-interest.
- iii. Accommodative firms that look towards satisfying their stakeholder demands using minimalist and passive approaches, accepting some social responsibility.
- iv. A proactive stance whereby the firm recognises their social responsibility and fully engages with society to improve welfare for stakeholders.

Engaging in CSR activities requires a firm's management to invest time and resources, constrained by an organisation's ability to create and absorb new knowledge, and its ability to find synergies between different CSR aspects of the firm (Tang, Hull and Rothenberg 2012, p. 1277-1280). Tench, Sun and Jones (2015, p. 6) write that 'CSR in practice relies largely on managerial discretion to define and operate in the name of strategic choices'. Positioning CSR as a neoliberal construct, Newell (2008, p. 1069) suggests that companies understandably display 'a preference for selective engagements in private arenas - discretionary, closed, lacking in sanctioning measures', providing room for the arbitrary selection of programmes and the masking of CSIR (Tench, Sun and Jones 2015). However, to explain the diversity in approaches, Lee (2011, p. 281) argues that businesses 'construct their CSR strategies in response to the intensity and coherence of the external influences they face'. Consequently, Lee (2011) claims that CSR is not the product of a firm's strategic decision; instead, it is based on a combination of stakeholder, institutional, and firm interactions.

2.4 Measuring and valuing CSR

One can reasonably infer from the many influencers of CSR that the product of CSR policies and practices is of some value, not only to the firm but to many of its stakeholders too. However, measuring impact and calculating value - economic value in particular - are likely two of the most challenging aspects of CSR practice. For example, Mersham and Skinner (2016, p. 120) claim that a lack of best-practice guidelines and benchmarking standards, along with tools to measure impact and efficacy, are some of the factors hindering CSI in South Africa.

From the firm's perspective, one way of establishing the business case for CSR is through the interrogation of its impact on corporate financial performance (CFP). In this regard, the metric of CSP as a proxy for CSR frequently features in empirical testing of the relationship between social responsibility activities and CFP (see Laplume, Sonpar & Litz 2008; Perrini et al. 2011; Wood 2010). Representing a broad range of economic, social, and environmental impacts caused by business operations, measuring CSP requires the use of metrics, and assessing CSP involves some form of aggregation (Chen & Delmas 2011). Understandably, this raises difficulties. For example, governance is an essential component of CSP, yet it is difficult to observe, and the surrogate data used to represent good governance (such as board representation) is largely inadequate according to Wood (2010, p. 66). Another difficulty Wood (2010) raises, is the inaccessibility of good data due to the lack of transparency by companies.

Notwithstanding these difficulties, Perrini et al. (2011) attribute the development of CSR into a mainstream corporate strategic endeavour to the availability of tools and models with which to manage and evaluate CSP. Wood (2010, p. 75) also concludes that a large portion of empirical studies on CSP focusses on the outcomes of socially responsible behaviour on the firm itself, yet 'The nature of the CSP construct suggests that consequences to stakeholders and to society in general are at least equally important, if not more so'.

As noted in the introduction of this study, some scholars have analysed CSR as risk management, although Husted (2005, p. 181) argues that there is a ‘lack of a rigorous theoretical basis to link CSR with risk’. *In Risk Management, Real Options, and Corporate Social Responsibility*, Husted (2005) proposes the use of a real options framework to provide this basis and to clarify the strategic relevance of CSR to the firm. Expanding on work by Husted (2005), Cassimon, Engelen and Van Liedekerke (2016) and other scholars have developed models to measure the value of CSR as a strategic asset offering firm flexibility, based on the Black-Scholes Model for pricing financial options.

Another way of measuring and valuing CSR is through the use of indices and indicators to rate social performance (Hopkins 2005), such as the JSE FTSE/JSE Responsible Investment index series. This series, for example, applies an ESG model to listed companies, using more than 300 indicators across 14 themes embedded in the three pillars of environment, social and governance (as at June 2018, Santam was included in both indices in the series). However, Hopkins (2005, p. 228) argues that it ‘is possible to obtain indicators that show a good record “on average” but difficult to embed the ideas of CSR throughout an organisation’. Godfrey and Hatch (2007, p. 88) also explain that the pursuit of aggregation obscures ‘important differences among firms and industries on what constitutes relevant and meaningful social involvement’. They argue for CSR research to shift from a theoretical approach to ‘modeling actual firm’s tangible CSRs (corporate social responsibilities) - the specific actions, policies, or activities through which managers concretely execute a philosophical commitment to social goals’ (Godfrey & Hatch 2007, p. 93).

If we consider the literature on measuring CSR impact and value to the various stakeholders that influence practice, we suggest that it can be appropriately be described as decidedly sparse. We do note that in welfare economics, the value has been theorised as a function of efficiency where ‘Standard economic theory holds that CSR will only raise welfare if it corrects market failures’ (Weyzig 2009 p.

423). According to Blomgren (2011, p. 508), CSR can be efficient ‘where companies have unique access to specific production technologies *and* companies are not more opportunistic than either governments or non-profits’ (emphasis in original). This argument implies that companies should align their CSR practices with their core business activities.

We also encountered a few academic studies that attempted to ascertain how communities benefited. For example, Essop (2012) surveyed community members in Merebank, South Africa, and found that more information about CSR was required by targeted beneficiaries who were often unclear on how CSR initiatives impact the community. However, how stakeholders measure and value the CSR practices they attempt to influence does not appear to make a material contribution to the CSR academic discourse.

2.5 Chapter summary

This chapter sets out the literature we reviewed to support our analysis of CSR as risk management. In this regard, we attempted to address four aspects of CSR literature which we considered relevant to our study: (i) the prominent theoretical underpinnings of CSR, (ii) mechanisms that drive CSR practice, (iii) strategic approaches that companies take when engaging with CSR, and (iv) how CSR is measured and valued.

First, we provided a brief overview of prominent CSR theories and related concepts encountered and considered as we attempted to orientate CSR as risk management. Here we were guided by Garriga and Melé (2013) who ascribe an alignment to one of four aspects of social reality. Importantly, they conclude that ‘a proper concept of the business and society relationship should include these four aspects or dimensions, and some mode of integration of them’ (Garriga and Melé 2013, p. 88). Indeed, we note that Santam (2018) incorporates terms from each of these aspects: i.e. shared value, sustainable insurance, corporate citizenship, and stakeholder integration and management. In this section, we also

examined the theory of CSR as an alternative response to market failure, and the complementary concept of CSIR, which CSR may serve to mask or obscure.

We do, however, recognise that each of the aforementioned concepts is a topic of discussion worthy of considerable attention well outside the practical constraints of this chapter. Furthermore, during our review, we also noted considerable debate between scholars on how these concepts are related to CSR (if at all). Nonetheless, we considered such a review as an essential foundation for our study, particularly given the amalgamation of terms used by Santam to describe and convey its business and social activity. Moreover, we also conclude that while much work has been offered on defining CSR, given varying influences, factors, and agendas, perhaps a construct which instead focuses specifically on promoting effective CSR outcomes for stakeholders and broader society may offer some value to the debate.

Second, we reviewed the literature on the mechanisms that drive CSR practice. In this regard, scholars have adopted many theoretical frameworks as a basis for their interrogation, although we noted a prominence of economic theory, institutional theory and stakeholder theory. Generally speaking, scholars identified these mechanisms as either internal or external, although sometimes they were attributed to institutional, structural properties such as the firm or the market. There may, however, be some usefulness in the further interrogation of the relative salience of these mechanisms, including in the analysis of specific firms and multiple case-studies in different contexts. This literature also played an essential role in our abstraction of causal influences of the objects we identified as relevant to the CSR practice of Santam.

Next, we reviewed empirical and theoretical studies that characterise and describe CSR strategy and practice in the context of us advancing risk management as a strategic approach to CSR. In this regard, the literature suggests that while the firm may be incentivised to engage in CSR activities through various mechanisms,

how a company's management defines its CSR strategy and implements its CSR programmes is likely characterised by some discretion. Scholars have also categorised strategic approaches in the context of organisational structures, processes and responses that reflect the measure of a company's integration of CSR. CSR strategic approaches are, however, likely to be influenced by a confluence of internal, external and structural factors. We would suggest that further examination and analysis of the influence of these factors in different contexts, such as geographies, industries, and markets, would not be remiss.

Finally, to support our proposition that a strategic approach to CSR as risk management may offer a rubric for assessing CSR practice, we reviewed the academic literature on measuring and valuing CSR. From the firm's perspective, CSP and indices appear to be the primary standardised tools, although the application of options pricing is an exciting development rooted in financial theory. However, there appears to be a lack of academic literature relating to the standardised empirical measurement and valuation of CSR as it applies, in particular, to stakeholders and broader society.

Within the broader topic of CSR we discern two separate but concurrent economic themes: i) firms concerned with economic value, possibly constrained by shifting social and regulatory norms and standards, and ii) stakeholders and organisations concerned with remedying the ill-effects of CSR and galvanising corporate support for social concerns of broader import. Although these social concerns are often not explicitly recognised as risks, managing economic, business, political, legal, environmental and social risks are all referred to or alluded to in the many texts on CSR. Consequently, in the context of rising systemic risks and social and environmental challenges, and powerful corporate actors who shape global markets and systems, CSR theory and empirical research could further develop the roles and responsibilities of businesses for risk management for the public good. In the chapter that follows, we present our theoretical and conceptual framework that attempts to develop this link between CSR and risk management.

CHAPTER THREE

3. THEORETICAL AND CONCEPTUAL FRAMEWORK

Advocating for a strategic approach to CSR as risk management requires us to address two central questions: what are the risks we require CSR to manage, and how could such risks be managed through CSR? The purpose of this chapter, therefore, is to clarify these two questions through the development of our theoretical and conceptual framework. First, we provide a working definition of risk that locates our discussion in contemporary risk theory. In Section 3.2 that follows, we position the failure of the market to resolve external effects and equitable distributional outcomes as risks to society. Thereafter, we present a risk management framework based on the work of Waring and Glendon (1998), in which CSR is categorised as a *risk strategy*, followed by our comparison of risk management and CSR practice. We conclude with a chapter summary and the five propositions from which we developed the research questions.

3.1 Defining risk

Risk, as it relates to uncertainty about the future, has always been part of the human experience. As society transitioned from traditional to modern, so did the attitude towards uncertainty, which shifted from acceptance of fate to that of opportunity (Zachmann 2014). As Waring and Glendon (1998, p. 46) note, ‘from an evolutionary perspective, individuals have been appraising risk for a very long time’. Today in modern society, risk is an important topic, studied in a diverse set of disciplines, from mathematics and the natural sciences to philosophy and psychology (see Roeser et al. 2012).

Indeed, Hansson (2012, pp. 33-51) discusses no less than eight philosophical perspectives in risk theory, including ethics, political philosophy, and philosophy of economics. Renn (1992, cited in Möller 2012, p. 56) sets out seven categories of risk approaches, which Möller (2012, p. 56), in turn, condenses into three broad groups: ‘the scientist approach, the psychological approach, and the cultural

approach to risk'. The scientist approach frames risk as a phenomenon that can be investigated using the scientific method, the psychological approach studies people's perspectives on risk, and the cultural approach to risk looks at 'how they are formed by social contexts in our societies' such as identity and power (Möller 2012, p. 58).

Riesch (2013, p. 30) argues that the plurality of perspectives on risk is in part due to 'the question "what do we want to know about risk?" [being] answered differently by scholars'. In an attempt to reconcile these various approaches, Riesch (2013, pp. 35-39) expands this question to six questions which he believes are answered in different ways, depending on a researcher's perspective and desired outcome:

- i. What are we uncertain about?
- ii. Why are we uncertain?
- iii. Who is uncertain?
- iv. How is uncertainty represented?
- v. What are the responses to uncertainty?
- vi. How do we understand uncertainty?

As a likely consequence of the many disciplinary perspectives and agendas, this diversity extends to various definitions, classifications and understandings that exist in the landscape of academic literature (see Riesch 2013). While one can confidently state that risk is linked to uncertainty (see Roeser et al. 2012), from a historical perspective, risk became associated with a more calculable form of uncertainty (Zacchman 2014). An early and seminal contribution to this distinction came from Knight (1964, p. 19) who stated that 'Uncertainty must be taken in a sense radically distinct from the familiar notion of Risk, from which it has never been properly separated'. Accordingly, he classified risk as measurable and uncertainty as unmeasurable.

Alternatively, Chavas (2004, p. 5) notes that the usefulness of such a distinction is questionable as separating risk from uncertainty is not straightforward in practice which undermines drawing a sharp distinction between the two. For this research, we also refer to Riesch (2013, p. 30), who, instead of distinguishing between the two concepts, takes ‘risk to mean roughly a function of the uncertainty of an outcome and its impact’. Riesch (2013, p. 40) then presents five levels of uncertainty: Levels One to Three relate to uncertainty within a modelling process, where the term modelling is an inclusive one incorporating ‘both expert and lay processing of risk’. Levels Four and Five are uncertainties outside of a modelling process. Table 2 below provides a brief description of each level of uncertainty. Accordingly, we adopt Riesch’s (2013) definition, which is sufficiently broad to facilitate the inclusion of all uncertainty within a definition of risk.

Table 2: Classifying uncertainty (Riesch 2013)

Level 1	Uncertainty about the outcome: the model and its parameters are known, and outcomes are predicted with an assigned probability.
Level 2	Uncertainty about the parameters: where the model is known, but its parameters are not.
Level 3	Uncertainty about the choice of the model itself where multiple models exist.
Level 4	Uncertainty about the underlying assumptions and inadequacies in a process, which are acknowledged but not necessarily acted upon.
Level 5	Uncertainty about unknown inadequacies which can be summarised as ‘we do not even know what we [do not] know’ (Riesch 2013, p. 42).

3.2 Market failure as risk

In the preceding section, we offered a definition of risk as a function of the uncertainty of outcomes and their impacts. In this section, we attempt to make the argument that in market-based economies, the failure of markets to allocate resources both efficiently and equitably are sources of uncertainty for society - whether incorporated into formal modelling processes or not. This argument is central to our study because it supports the linking of CSR to risk management and the use of a risk management framework as an analytical tool.

In the literature we reviewed, we noted scholarly references to the problem of market failure due to externalities (e.g. Heal 2005; Matutinovic 2010), as well as the legitimacy of the state to intervene in such instances (see Sobel 2004; Tresch 2002). However, market failure itself is generally not explicitly referred to as a risk within the theoretical economic framework, notwithstanding the uncertainty surrounding the impact of corporate activity outside of the producer-consumer transaction. This may be due, in part, to the widely accepted economic conceptualisation of risk as calculable (see Knight 1964; Hansson 2012), as well as the microeconomic focus on firms and consumers as units on analysis (Dau-Schmidt 2007) and how they make risky decisions to maximise profits, utility and welfare (see Markowitz 1991). Making social decisions in the context of risk and uncertainty also adds considerable complexity to welfare economic models already constrained by ‘heroic’ underlying assumptions (see Fleurbaey 2018, p. 6).

Nonetheless, the causal links between economic activity and socio-economic and environmental uncertainty can be (and have been) made. The impacts of pollution, environmental degradation, global warming, labour exploitation, food wastage and scarcity, are all problems that pose risks to society and can, at the very least, be partly attributed to the mechanisms and levers embedded in the contemporary market-based economic system (see Beck 1992, 2007; Gowri 2004; Marcus, Kurucz & Colbert 2010). If, as Van den Berghe and Louche (2005 p. 427) claim, ‘externalities are the side effects of corporate activities on society’, then not framing market failure as risk belies the necessity of a risk management solution embedded in an economic framework to address a problem rooted in economic activity.

Politically sub-optimal distributional outcomes are not, however, predicated upon market failure. A market can allocate resources efficiently (in economic terms) yet be inequitable (see Sobel 2004; Tresch 2002), although, interestingly, Weeden and Grusky (2014) argue that the significant income inequality in the United States

and other liberal market economies has itself arisen as a consequence of market failure. Scholars have linked economic and social inequality to a variety of social problems which can undermine the stability of multiple systems, including the political and economic system (see Neckerman & Torche 2007). For example, in an empirical study of 71 countries for the period 1960-85, Alesina and Perotti (1994) find that income inequality increases socio-political instability, which in turn reduces investment. We, therefore, argue that a market that fails to distribute wealth equitably can also be a source of significant uncertainty to society.

The argument for corporate participation beyond the economic pursuit of shareholder value can rest on many philosophical approaches. Indeed, in Chapter Two, we presented some of the economic, ethical, social, and political motivations and justifications for CSR. Our argument for private sector participation in social and environmental challenges is, however, primarily predicated upon its role and function in contemporary society. First, as the primary owners and managers of productive resources in market-based economies, in some instances with significant political and social power and capital at their disposal, it is unclear how any problem that stems, in part, from corporate activity could be resolved without a definitive corporate contribution. Second, we would add that regardless of whether or not social and environmental concerns can be directly attributed to a single economic transaction, the academic literature suggests that the structure of global markets and the economic mechanisms that direct the global flow of resources are critical factors (see Scholtens 2006; Stiglitz 1998). Mechanisms will, therefore, be required to direct scarce resources towards interventions which address such concerns and, by necessity, away from other transactions.

Some scholars have already linked CSR to inefficiency and inequality (e.g. Bénabou and Tirole 2010; Crifo and Forget 2015; Heal 2005). For example, Bénabou and Tirole (2010, p. 1) write that ‘society’s and law-makers’ demands for individual and corporate social responsibility as an alternative response to market and redistributive failures have recently become more prominent’. According to

Heal (2005, pp. 387-388) ‘almost all conflicts between corporations and society can be traced to one of two sources: either discrepancies between private and social costs and benefits or different perceptions of what is fair,’ and defines CSR ‘as a programme of actions to reduce externalized costs or to avoid distributional conflicts’. If, as we claim, external effects and distributional conflicts can be defined as risks to society, CSR, as a response to those effects and conflicts, can be conceptualised as a form of risk management by voluntary and involuntary risk bearers to counter economic activity that has social, political and environmental impacts. In the section that follows, we explain how CSR can be formally situated within a risk management framework, along with contemporary examples of CSR as risk strategies.

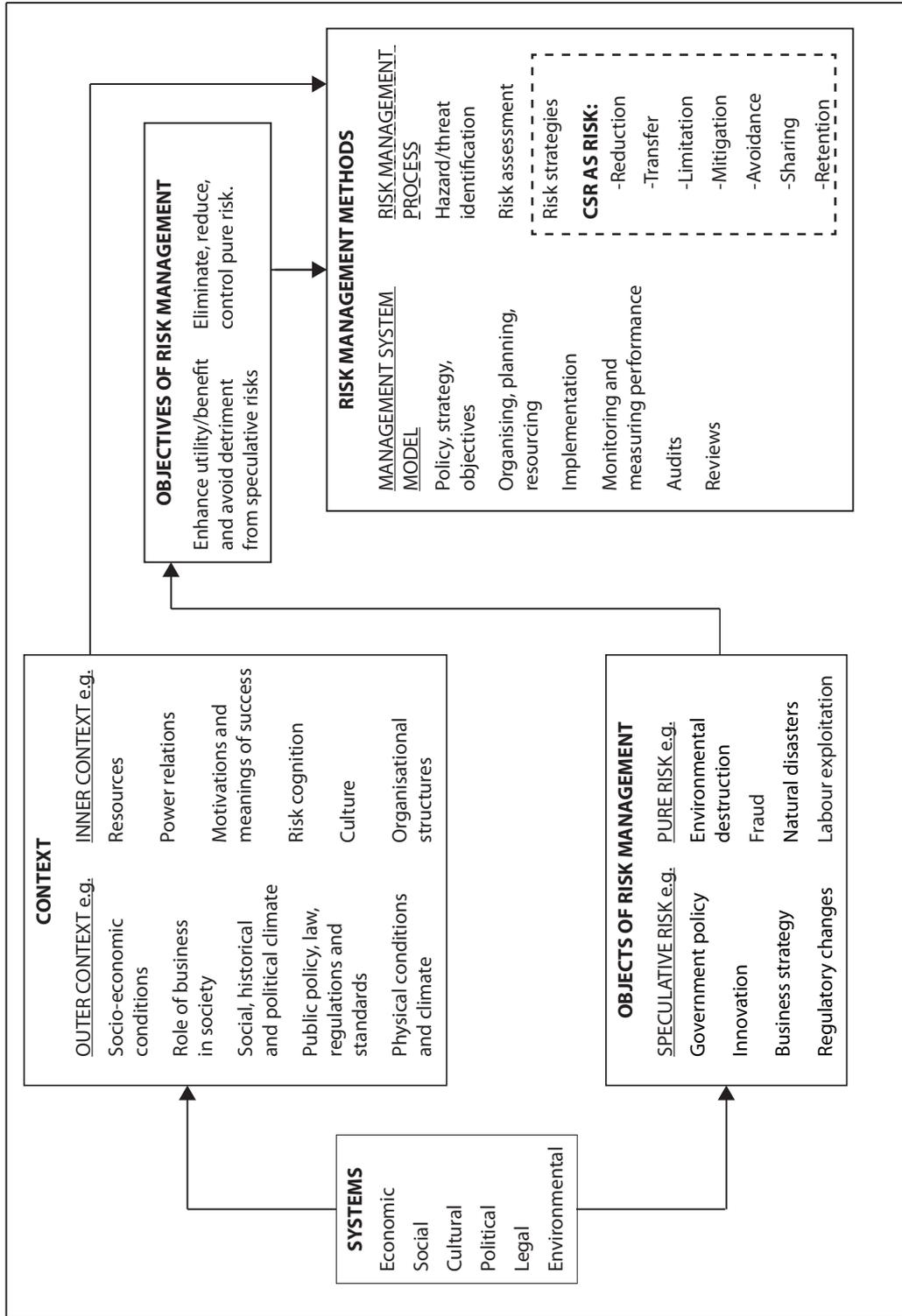
3.3 A risk management framework

Risk management is ‘the overall process of ensuring that risks are managed in the most cost-efficient and cost-effective way’ (Waring & Glendon 1998, p. 456). To locate CSR in a risk management framework (as a response to risk), we draw on the work of Waring and Glendon (1998, pp. 4-10) who set out the scope of risk management as incorporating four primary dimensions:

- i. The objects of risk management: ‘hazards and threats’, distinguished between pure and speculative risk.
- ii. The inner and outer contexts of risk, referring to the endogenous, unique environment of an entity and the environment in which an entity operates respectively.
- iii. The objectives of risk management: to manage pure and speculative risks.
- iv. Risk management methods, comprising both management models and processes.

In Figure 3 below, we expand this scope and provide contextually relevant examples of these dimensions; a more detailed discussion follows.

Figure 3: The scope of risk management applied to CSR (adapted from Waring and Glendon 1988, p. 6)



3.3.1 A systems context for hazards and threats

In the context of CSR as risk management for the public good, and the rise of systemic risks, we included the output of systems to reflect the systemic nature of these influences. For example, the outer context example of ‘public policy, regulations and standards’ (Waring & Glendon 1998, p. 8) are outputs of the economic, social, cultural, legal and environmental systems. Inner contexts, while unique to an organisation, entity or individual, would similarly be influenced, such as risk cognition or access to resources. Systems, in turn, lay the bedrock for context. Factors listed for the outer context include socio-economic challenges, the social, historical and political climate, and the cultural understanding of the role of business in society. The examples of inner and outer contexts provided in Figure 3 above are, of course, by no means exhaustive.

Waring and Glendon (1998, p. 7) refer to the objects of risk management as hazards and threats and distinguish between pure and speculative risk topics, although noting that ‘creating artificial boundaries between them may be inappropriate’ as they often interact. For pure risks, ‘risk control can never be better than removal of the hazard so that exposure is zero and no harm can result, e.g. no accidents, zero product defects, no crimes’ (Waring and Glen 1998, p. 4). Here we list labour exploitation and environmental destruction as examples of pure risk that can be linked to CSR advocacy. Speculative risks are those hazards and threats that are taken on voluntarily, and present an opportunity for gain or loss where success often means ‘maximising financial, political or other returns on speculative investments of various kinds and avoiding loss or disadvantage’ (Waring & Glendon 1998, p. 7). For example, a new product or innovation, a shift in government policy, or a new regulation can precipitate speculative risks. The inclusion of speculative risks marks a departure from other philosophical approaches where risk is avoided: ‘positive risk-taking appears to be more or less specific for economic risks’ (Hansson 2012, p. 49).

This distinction between speculative and pure risk, in turn, links into the objectives of risk management. Waring and Glendon (1988, p. 7) present two principal risk management objectives, summarised as (i) ‘eliminating, reducing and controlling pure risks’ and (ii) ‘gaining enhanced utility or benefit from speculative risks’. To fulfil these objectives, they set out two elements: the process of managing risk and the accompanying system that manages the said process. Figure 3 provides a summary of the six components of a model that, according to Waring and Glendon (1998, p. 8), ‘offers a logical meta-level framework to which the risk management process relates’, and includes policy, strategy and objective setting; organising, planning and resourcing; and monitoring and evaluation. The risk management process, in turn, includes identifying outcomes, estimating consequences, analysing significance, and adopting strategies to manage risk. Of course, while there are risks associated with having inadequate management systems (Waring & Glendon 1998, p. 65), the absence of one does not preclude the existence of a risk management process.

3.3.2 CSR as a risk strategy

Within this scope, we position CSR as a possible risk strategy in a risk management process, whether such a process is formal or informal. Waring and Glendon (1998, p. 456) define risk strategy, within in a risk management process, as ‘an approach to risk seeking the best combination of avoidance, deferment, reduction, retention, transfer, sharing and limiting of risks’, noting that these options are not necessarily independent or mutually exclusive and may be combined. In the preceding chapters, we referred to some of the ways that corporates justify investing in a CSR strategy, including the arguments for CSR as risk management. One way of framing corporate pro-social behaviour is to link it to an underlying objective of managing risk. For example, companies that cynically approach CSR only as marketing (even if not necessarily declaring it as such) could be framed as managing reputational risk and increasing goodwill in a market that demands CSR signalling. Strengthening the brand with customers,

investors and even the political establishment could reduce business risk, financial risk and political risk. Similarly, crafting a positive CSR image to attract and retain staff could protect the firm against the risks of losing staff and improve the company's standing in a labour market characterised by skill shortages.

Some of the mechanisms that drive CSR can, similarly, be linked to an underlying objective of managing risk. Consumers concerned with externalities impacting the environment could put pressure on companies to limit their use of plastic packaging or avoid the use of animal testing in their product development processes. By pressuring companies to incorporate better health and safety standards, employee and labour associations are asking companies to be more responsible for their social impacts on their workforce by implementing risk-mitigating processes and tools. In Table 3 below, we list and describe these strategic options alongside additional contemporary examples of how CSR is used, to illustrate how one could also position CSR as a strategy for risk management by both the firm and its stakeholders.

Table 3: CSR as a risk strategy (adapted from Waring & Glendon 1998, p. 9)

STRATEGIC OPTION	DESCRIPTION	CSR AS A RISK MANAGEMENT STRATEGY
Avoid	Withdraw; do not enter market; cease activity.	<ul style="list-style-type: none"> - NGOs and social activists putting pressure on companies to withdraw from a business activity. - Institutional investors avoiding investment in sin industries.
Reduce	<p>Improve prevention and control measures.</p> <p>Reduce risks to as low as reasonably practicable.</p>	<ul style="list-style-type: none"> - The state introducing regulation for more responsible alcohol advertising in South Africa. - Customers putting pressure on companies to reduce plastic packaging.
Transfer	External insurance via premiums (part of risk financing).	<ul style="list-style-type: none"> - Companies spending money on CSR programmes as insurance against future negative publicity. - Consumers paying a premium for green goods.

(continued)

STRATEGIC OPTION	DESCRIPTION	CSR AS A RISK MANAGEMENT STRATEGY
Share	Joint ventures with other organisations.	<ul style="list-style-type: none"> - The South African government encouraging businesses to participate in local economic development. - Corporate alignment with the United Nations Millennium Goals
Limit	Limit the scale or scope of presence or activities.	<ul style="list-style-type: none"> - NGO, social activist and consumer pressure to limit activities in labour exploitative clothing manufacturing markets. - Companies increasing the proportion of green goods in the product mix.
Mitigate	Damage limitation.	<ul style="list-style-type: none"> - Labour unions demanding better health and safety practices. - Companies committing to CSR in response to negative publicity.
Defer	Wait and see; defer decisions and actions.	<ul style="list-style-type: none"> - Companies deferring a capital investment to provide strategic flexibility (Husted 2005). - Consumers providing corporates with an opportunity to change business practices raised as problematic, e.g. shifting to recyclable packaging.
Retain	Bearing the risk; internal insurance	<ul style="list-style-type: none"> - A company deciding to proceed with controversial business activity and manage the fallout. - The state accepting a risk tolerance level for a particular corporate activity such as pollution.

3.4 CSR and risk management: A comparison

In this section, we compare risk management and CSR practice as economic activities of the firm using the six questions proposed by Riesch (2013) as a framework for that comparison, which we summarise in Table 4 below. The purpose of this exercise is to explain how the concepts align and where they diverge, underpinning our propositions that greater alignment may yield some strategic benefits for both the firm, its stakeholders, and broader society.

Table 4: Comparing risk management and CSR

RIESCH'S KEY QUESTIONS	RISK MANAGEMENT (ECONOMIC)	CSR PRACTICE
Why are we uncertain?	<ul style="list-style-type: none"> - Inherent variability of nature. - Causality is difficult to establish. - Information is limited, costly to obtain and process. 	<ul style="list-style-type: none"> - Inherent variability of nature. - Causality is difficult to establish. - Information is limited, costly to obtain and process.
Who is uncertain?	<ul style="list-style-type: none"> - Executive management, investors, regulators. 	<ul style="list-style-type: none"> - Executive management, investors, regulators, broader society.
What are we uncertain about?	<ul style="list-style-type: none"> - Losses and gains. - Financial, economic: explicit; Social, environmental, political: implicit. - Levels 1-3 of uncertainty. 	<ul style="list-style-type: none"> - Losses and gains. - Social, environmental, political, economic: implicit and explicit. - Levels 4-5 of uncertainty.
How do we understand uncertainty?	<ul style="list-style-type: none"> - Contemporary risk and risk management theory. - Management driven. 	<ul style="list-style-type: none"> - Various theoretical approaches and philosophical underpinnings. - Stakeholder dependent perspectives.
How is uncertainty represented?	<ul style="list-style-type: none"> - Probability theory, statistical measures. - Qualitative data. - External ratings and indices. 	<ul style="list-style-type: none"> - Probability theory, statistical measures (inequality). - Quantitative and qualitative non-financial data (externalities). - External ratings and indices.
What are the responses to uncertainty?	<ul style="list-style-type: none"> - Integrated company-wide risk management systems and processes. - Pre-emptive responses to uncertainty. - Regulation, governance and oversight. 	<ul style="list-style-type: none"> - Varied strategic approaches, e.g. minimalist, departmental, committed approach. - Ad hoc, discretionary, reactive responses to uncertainty. - Institutional oversight.

The first question we considered was ‘Why are we uncertain?’. In the preceding sections of this chapter, we argued that CSR practice, like risk management, can also be framed as a response to uncertain future outcomes and impacts. In this regard, we offer the same ontological and epistemological sources of this uncertainty (see Riesch 2013) for both. Ontologically speaking, one could claim that uncertainty arises because nature is inherently variable (see Riesch 2013, p. 36) and it is, therefore, not possible to control and measure causal factors with precision (Chavas 2004, p. 8). From an epistemological perspective, the limited ability to process information about complex systems and their outputs and impacts, and the cost of obtaining and processing such information (Chavas 2004, pp. 6-8) would also give rise to uncertainty. Furthermore, both sources are exacerbated by time, which ‘is a fundamental characteristic of risk’ (Chavas 2004,

p. 6) and the longer the time horizon, the more difficult risk analysis becomes (Fleurbaey 2018).

The second question we considered was ‘Who is uncertain?’. From the firm’s perspective, executive management would likely be incentivised to respond to uncertainty in the pursuit of shareholder value (see Waring & Glendon 1998), driven by competition, investors, and consumers demands, through the market mechanism. However, firms are also sometimes compelled to develop risk management systems, processes and practices as a consequence of private and public regulation, such as King IV and health and safety legislation, as well as industry norms and standards (see Story & Price 2006), reflecting the concerns of the state and broader society. The literature suggests that CSR practice is another response reflective of broader societal concerns of uncertainty surrounding business practices, impacts and responsibilities (e.g. Bénabou and Tirole 2010; Heal 2005).

Concerning the question ‘What are we uncertain about?’, we would suggest that risk management and CSR practice are concerned with both loss avoidance and generating benefits. The distinction between pure and speculative risks underscores the possibility (and uncertainty) of both gains and losses, underpinned by a fundamental economic assumption that ‘something must be given for the profits of the undertaker of the work who hazards his stock in this adventure’ (Smith 1789, p. 20). Similarly, we would argue that managing external effects and inequality focuses on both avoiding losses due to economic, social and environmental impacts, and seeking gains and social upliftment through speculative social innovation and other interventions. However, we would position risk management, in an economic sense, as ultimately concerned with explicit financial losses and gains (see Jensen 2001; Markowitz 1991), notwithstanding any implicit social, environmental and political capital or risks that may be incorporated into strategic decision-making (see Waring & Glendon 1998). Conversely, interventions in markets that fail to distribute wealth equitably or

efficiently could be concerned with both implicit and explicit social, environmental, political, and economic losses and gains (see IRMSA 2016; OECD 2004; Risk Alliance for Disaster and Risk Reduction (RADAR) 2010).

Using Riesch's (2013) taxonomy of the levels of uncertainty, we suggest that contemporary risk management practice is primarily concerned with Levels One - Three, i.e. uncertainty about the probability of the outcome, the model parameters, and the choice of model itself (see Amarante 2013; Chavas 2004; Markowitz 1991; Waring & Glendon 1998). CSR practice, however, likely operates on Levels Four and Five: uncertainty about the assumptions underpinning the role of business in society and the inherent inadequacies of market-based resolutions to socio-economic challenges, as well as 'Uncertainty about unknown inadequacies: We do not even know what we don't know' (Riesch's 2013, p. 42). Accordingly, in risk management, the question of how uncertainty is understood is likely guided by contemporary risk and risk management theory (e.g. Bessis 2010; Chavas 2004; Waring & Glendon 1998). CSR practice, however, has various theoretical approaches and is likely to be informed by a myriad of stakeholder perspectives and philosophies, including psychological and cultural approaches to risk as described by Möller (2012).

Concerning the question of 'How is uncertainty represented?', Amarante (2013, p. 95) states that 'Effective risk management requires an accurate measurement of the risk involved with a financial position'. In keeping with the scientist's approach, risk monitoring and measurement are often abstracted quantitatively, as analysts attempt to build models, define parameters and estimate and assign probabilities to future outcomes and inputs (see Amarante 2013; Chavas 2004). Markowitz (1991, p. 471) propelled the use of the statistical measures of variance and standard deviation to quantify and measure the risk of an investment portfolio, noting that 'We seek a set of rules which investors can follow in fact... Thus we prefer an approximate method which is computationally feasible to a precise one which cannot be computed' (Markowitz 1991, p. 471). In the financial markets,

specialised third-party credit rating agencies also provide an important (if somewhat controversial) role in establishing the risk of different debt instruments issued by countries, companies and other institutions through the use of proprietary rating models.

Metrics for inequality, as an economic concept, are often quantitative and statistical, like the Gini coefficient (see World Bank Institute 2005), although the literature does not appear to link inequality metrics to CSR practice *per se*. Alternatively, external effects are innately complex, nebulous, and difficult to abstract into financial information (see Hahn and Figge 2011), although other quantitative metrics can be used to measure social and environmental impacts (e.g. Nel et al. 2014). CSR literature offers little theory on how the external effects CSR practice seeks to resolve can be measured, monitored and valued. The International Integrated Reporting Framework (IIRF) (2013, p. 11) may represent progress in this regard, advising that ‘Externalities may ultimately increase or decrease value created for the organization; therefore providers of financial capital need information about material externalities to assess their effects and allocate resources accordingly’. Notably, however, the Framework’s primary concern is how external effects affect shareholder value, and this information appears to be mostly qualitative and non-financial on aggregate (if assessed through contemporary integrated reports). Assessments of CSP and Socially Responsible Investment indices may also be considered indirect, aggregate representations of uncertainty that CSR is trying to address.

The final feature of Table 4 relates to the question of ‘What are the responses to uncertainty?’. Effective risk management practice recognises the need for company-wide integrated risk management systems, and proactive, preemptive responses to risk are encouraged (see Waring & Glendon 1998). As part of the risk assessment process, firms would generally employ risk-benefit (Hansson 2012), cost-benefit or cost-effectiveness (Olsen, Langhelle & Engel 2003) analysis as part of a comprehensive risk management process, although not managing risk is a

legitimate strategic response if its impact is assessed as immaterial (Waring & Glendon 1998). Interestingly, it would appear that some companies are already integrating CSR into their risk management systems. Indeed, Jackson and Apostolakou (2010, p. 373) state that ‘CSR now forms part of risk management activities of firms’, and Story and Price (2006, p. 45) claim that ‘many organisations use established risk management techniques and audits as a means of demonstrating their CSR activities’.

Although Waring and Glendon (1998) do not include risk oversight in their scope of risk management, we believe it is an additional critical layer, one that is predicated upon increased transparency. While risk management is an internal function, effective risk management on a systemic level arguably requires further risk oversight. For example, Bessie (2010) notes that risk management in the financial system operates under the assumption that banks will be irresponsible and assume more risk than they can absorb, and points out that in banking, a key priority is the risk oversight by parties such as bank professionals, supervisors, and standard setters. Furthermore, Bessis (2010, p. xiii) claims that ‘Risk oversight and risk controlling is theoretically and practically feasible [in banking] today because risk processes, techniques, and models are developed continuously for reaching this goal’.

Risk management practice also recognises the importance of regulation. According to Schooner and Taylor (2010), in the financial system, regulation is predicated upon market failure, and risk is managed because it is regulated. According to Bessis (2010, p. 9), ‘Financial risks are precisely defined because they are regulated’. According to Stiglitz (1998, p. 9), ‘there are virtually no examples of successful financial markets in which governments do not play an important role’. In South Africa, risk management is also an integral part of King IV (see IoDSA 2016).

In contrast, CSR practice appears to be characterised by varied approaches: while sometimes CSR is integrated as a committed response, companies have also been found to adopt minimalist or departmental approaches. CSR practice may also be characterised as *ad hoc* and responsive if we consider managerial discretion and the various strategic approaches to CSR (notwithstanding empirical research that finds similarities in CSR practice). Scholars also point to firms' early engagement in CSR as a response to the changing expectations of society. In terms of management decision-making, firms would likely weigh up costs and benefits before embarking on a CSR strategy (Husted 2005), although one could perhaps infer that given the difficulty in quantifying benefits, costs may be of material consequence. Indeed, this avenue of research that advocates for the application of options theory and valuation models to value CSR likely underscores the need for more objective means of assessment to support CSR related decision-making.

With regard to transparency and oversight, CSR reporting, as a tool, has steadily increased in the last two decades (Dawkins & Ngunjiri 2008), bolstered by reporting requirements by regulators (see Chauvey et al. 2014; IoDSA 2016) and market institutions (see Ackers 2009). However, Tschopp and Huefner (2015, p. 570) draw attention to the plethora of local CSR reporting guidelines, principles, regulations, and standards, as well as a number of global initiatives, pointing to the breadth of practice and application; consequently, 'any possible harmonization of CSR reporting standards will likely be a long and arduous process'.

CSR is also still understood to be primarily voluntary (and therefore unregulated) although Bondy, Moon and Matten (2012) point to an increase in the codification of CSR into law in some countries. While scholars argue that legislation by itself cannot increase socially responsible behaviour (e.g. Da Piedade & Thomas 2006), according to Lee (2011, p. 289), 'Without a fundamental shift in the institutional structure, firms have very little incentive to reduce negative externalities or create positive externalities'. Consequently, we infer that CSR, as a discretionary,

unregulated practice characterised by non-standardised reporting (Ackers 2009), primarily relies on internal, institutional oversight and governance.

3.5 Chapter summary

Many scholars have argued that CSR is a response to external effects arising as a consequence of economic activity as well as a means with which to resolve distributional conflicts in society. By defining these effects and conflicts as risks to society, we argue for a conceptualisation of CSR as risk management for the public good. To make this link, we refer to Riesch (2013), who defines risk broadly enough to facilitate the inclusion of inequality and inefficiency as market failures characterised by uncertain outcomes and impacts. We also refer to scholars who position CSR as an alternative economic response to inequality and inefficiency - traditionally resolved through the market (by assigning property rights) or state intervention. We argue that framing market failure as risk provides a platform to address problems rooted in economic activity with solutions embedded within an economic framework.

To understand how risks are managed, we presented a four-dimensional scope of risk management, which was expanded to recognise the influence of systems on the contexts and objects of risk management and the importance of risk governance and oversight. In this section, we argued that implementing and advocating for CSR can be formally incorporated into a risk management process as a risk strategy, and illustrated its contemporary use in this regard. Next, we compared CSR practice and risk management, and through this process identified areas of closer alignment such as the focus on both positive and negative outcomes and the multi-layered levels of analysis, and areas of divergence, particularly concerning the responses to uncertainty.

Drawing on these aspects of divergence and similarity, we put forward the following five propositions. First, approaching CSR practice as risk management may provide an appropriate analytical framework and facilitate the application of

risk theory and systems to CSR practice. Second, a strategic approach to CSR as risk management could encourage an organisational approach to social responsibility that integrates CSR with other line functions and incorporates it into an enterprise-wide risk management system. Third, it would likely necessitate a more politically cooperative approach between the firm and its stakeholders seeking to understand mutual risks and their risk contexts. Fourth, we propose that adopting a risk management approach to CSR may lead to a response to uncertainty that aligns more closely with economic risk management, characterised by financial metrics and measures, pre-emptive risk management, transparency, and meaningful external governance and oversight. Lastly, it may offer an objective rubric with which to establish the usefulness of CSR and address a current shortcoming of contemporary CSR practice. In the chapter that follows, we present the research design and methodology of the instrumental case study approach employed to analyse these propositions and to identify key enabling and disabling factors of such an approach.

CHAPTER FOUR

4. RESEARCH PARADIGM, DESIGN AND METHODOLOGY

This chapter outlines the research design and methodology. It addresses the research paradigm and the question of how critical realism was selected, the choice of research design and case selection. Thereafter, it discusses the research method used, including object identification, data collection, sampling and data analysis and presentation. The chapter concludes with a statement on our research ethics.

4.1 Research paradigm

According to Creswell (2003, cited in Creswell et al. 2007, p. 238), the first step in the research inquiry process is the clarification of philosophical assumptions concerning ontology, epistemology, and axiology. We evaluated three alternative paradigms for suitability: functionalism¹, behaviouralism² and, critical realism, before selecting a post-positivist critical realist paradigm to frame this study. The research paradigm selection process evaluated compatibility with our following assumptions:

- i. Pursuing social change is valid and necessary.
- ii. The underlying mechanisms responsible for the status quo in society are complex.
- iii. The power of systems and actors, such as the financial markets and large corporates, is relevant and acknowledged.

¹ Underpinned by a positivistic view, functionalism applies the scientific method to a social world that is considered objective; one in which behaviour is determined by the economic environment (Ardalan 2004). We found functionalism, as a dominant paradigm in finance research, too conservative a frame rejecting, in particular, the notion that institutions exist and persist because of their stabilising function in society.

² While retaining positivist underpinnings, behavioural theory can be used to look at puzzling, unexplained phenomena where the rationality of economic actors may be suspended (De Bondt & Thaler 1995). Behavioural finance integrates psychology, economics, and finance theory (Mills 2004) and can be used to explain anomalies; however, its selection would have negated positioning CSR as a *bona fide*, rational corporate undertaking.

Critical realism is a social science meta-theory that ‘assumes a transcendental realist ontology, an eclectic realist/interpretivist epistemology and a generally emancipatory axiology’ (Easton 2010, p. 119). Ontologically, it remains aligned to realist positivist thinking: that reality is independent and external, and knowledge is objective and quantifiable. However, it differs epistemologically: the philosophy questions the ability of the researcher to observe reality accurately; knowledge is considered obtainable but with difficulty. Thus, a single reality may have multiple interpretations. From an axiological perspective, the originator of critical realism, Roy Bhaskar (2009), conceptualises human emancipation as central to the social science research project.

By maintaining realism while acknowledging the interpretative nature of research, the critical realist worldview is necessarily stratified, both ontologically and hierarchically (see Danermark et al. 2005). There are three ontological domains: the empirical, the actual and the real. The real domain is constituted by mechanisms that shape reality and are responsible for producing phenomena and shaping outcomes. The actual domain comprises events that have been generated by mechanisms. Observable experiences manifest in the empirical domain. In addition to this ontological stratification, the critical realist researcher further stratifies the realm of objects into hierarchically ordered levels, and each level, with its mechanisms, creates the conditions for the level above (Danermark et al. 2005).

Objects have causal influence, referred to as power and liabilities, and they are defined according to their relationship to other objects (Danermark et al. 2005; Easton 2010). Power refers to the ability of an object to produce, enable, or bring about an act, and its obverse, liability, pertains to its weakness or susceptibility to not act (Danermark et al. 2005). Objects, in turn, are associated with structures (Easton 2010). According to Sayer (1992, cited in Easton 2010, p. 120), ‘structure is “...a set of internally related objects or practices” of which an entity is comprised’. Critical realists investigate events or outcomes, i.e. ‘the external and

visible behaviours of people, systems and things as they occur, or as they have happened’ (Easton 2010, p. 120) and the mechanisms (or causal structures) that explain these outcomes (Bygstad, Munkvold & Volkoff 2016, p. 83).

According to Danemark et al. (2002, p. 52), understanding what underlies events may allow us to ‘intervene and direct future courses of events and make them correspond better with our intentions and purposes in various ways’. Alternatively, if events cannot be influenced, they can be predicted, to which we can better respond (Danemark et al. 2002). Figure 4 below depicts the critical realist view of causation, and Figure 5 that follows depicts the relationships between structures, mechanisms and events as well as suitable research strategies depending on what the researcher is investigating.

There is some support for the critical realist paradigm’s use in business management, finance, accounting and economics to build theory when dealing with complex systems (e.g. Bisman 2010; Boylan & O’German 1998; Miller & Tsang 2010). Since critical realism allows for a single reality with multiple interpretations, it encourages ongoing engagement with both existing theory and interpretations of research results (Miller & Tsang 2010). As such, this paradigm offers an opportunity to revisit existing CSR theory, while operating outside of traditional paradigmatic approaches to explore the multi-faceted role that CSR appears to play in society.

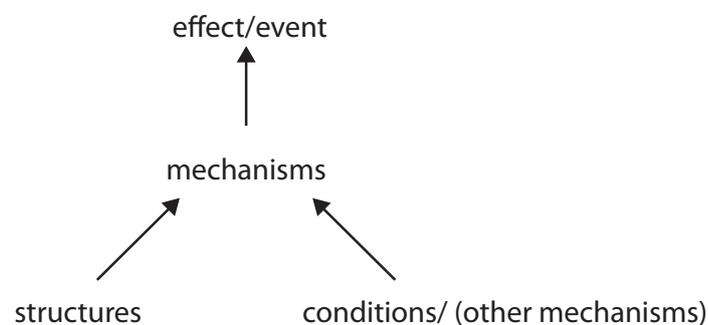


Figure 4: Critical realist view of causation (reproduced from Sayer 2000, cited in Easton 2010, p. 123)

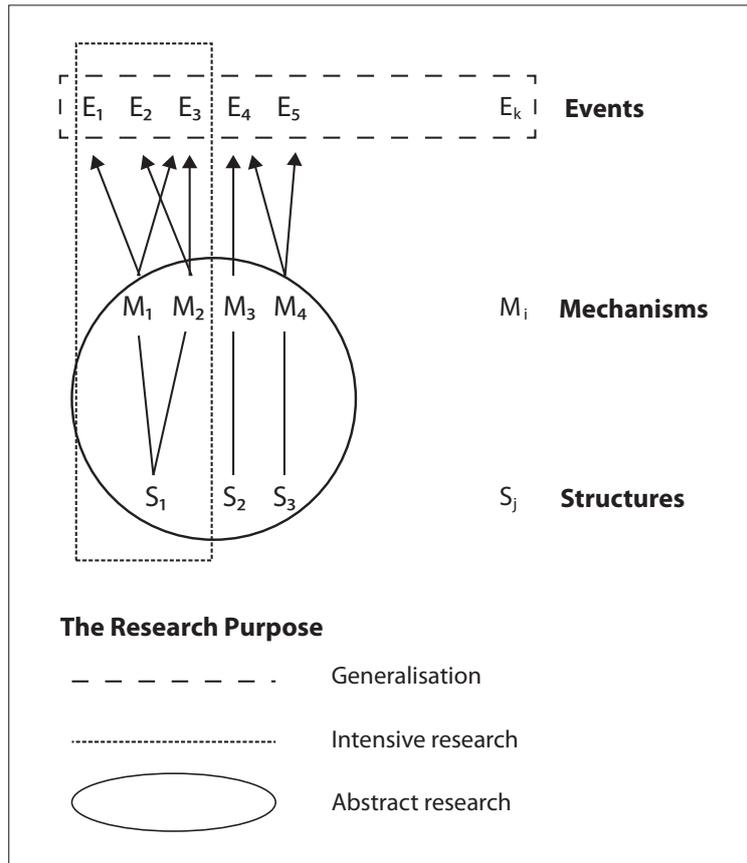


Figure 5: The layered ontology of critical realism and research strategies (reproduced from Sayer 1992, cited in Bygstad, Munkvold and Volkoff 2016, p. 85).

4.2 Research design

According to Creswell et al. (2007), after selecting the paradigmatic framework, the next step is to identify the research questions, which then inform the research design. Our research questions, developed through our conceptual framework, are concerned with the structures, conditions and mechanisms that explain and characterise the outputs of the P4RR Initiative. Referring to Figure 5 above, we determined that our research questions are aligned to intensive case study research which ‘involves investigating one or a small number of social entities or situations about which data are collected using multiple sources of data and developing a holistic description through an iterative research process’ (Easton 2010, p. 119). Yin (2003, p. 18) describes ‘A case study [as] an empirical enquiry suited to an in depth investigation of a contemporary phenomenon within its real life context,

especially when the boundaries between phenomenon and context are not clearly evident’.

Given the paradigm’s focus on mechanisms, contextual conditions and object structures, we considered the critical realist case study approach as an appropriate research design to interrogate both our propositions on the mechanisms that may be embedded in a strategic approach to CSR as risk management for the public good, as well as the enabling and disabling factors of such an approach. Figure 6 below delineates the study’s relevant event, and the questions posed to unearth mechanisms, conditions and structures.

While the paradigmatic framework is critical realism, the design of this study also adopted an instrumental case study approach. An instrumental case study, in particular, provides insight into a particular issue, and its distinctive feature is the indirect link between the issue and the case: ‘The case is of secondary interest; it plays a supportive role, facilitating our understanding of something else’ (Stake 1995, p. 237). Here we point to our selection of Santam to investigate the practice of CSR as risk management for the public good, facilitating the narrowing of the research field and providing a point of departure for engaging with stakeholders in field research.

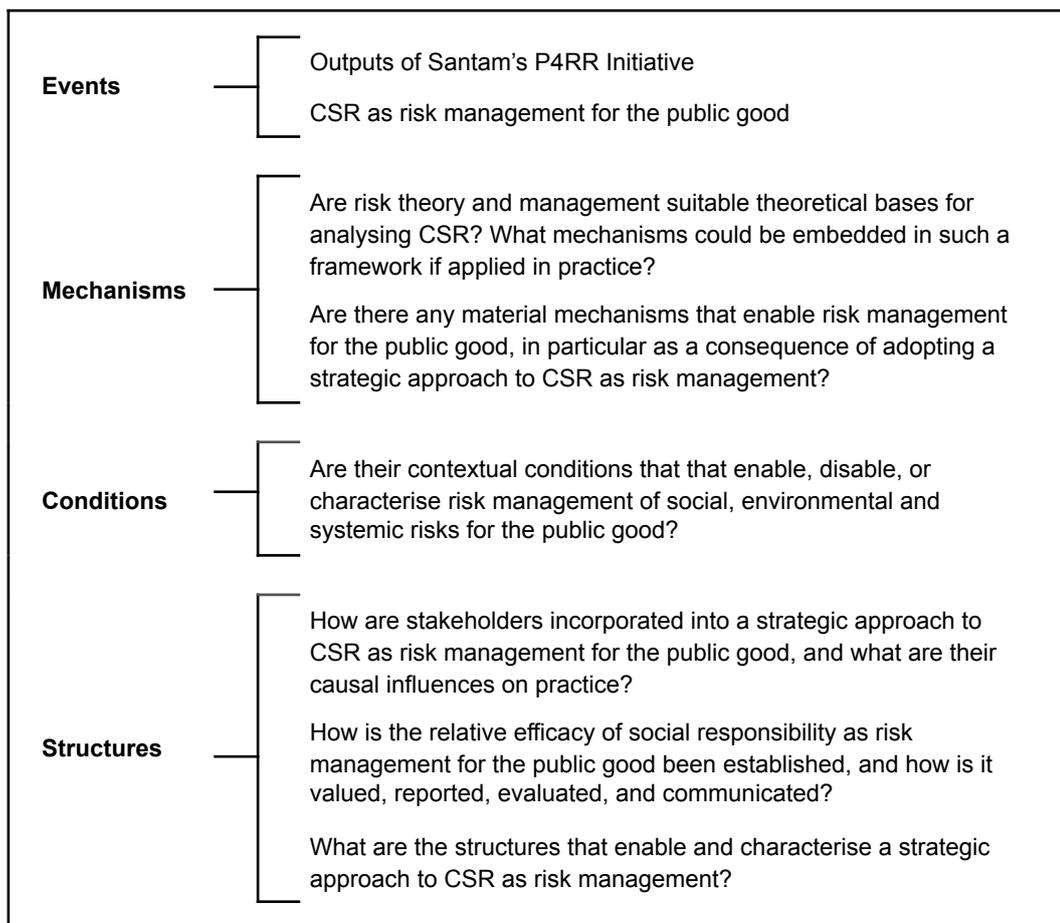


Figure 6: Our research questions as they relate to events, mechanisms, conditions and structures.

4.3 Case selection

When case selection is purposive, it is important to establish a methodological justification to ensure that the case meets the needs of the research strategy (Seawright & Gerring 2008). Turning to the case selection strategy in critical realism, we reference Wynn and Williams (2012, p. 804) who write that:

The distinguishing aspect of intensive case selection in [critical realism] is the focus on exposing the causal processes, expressed as causal mechanisms, which have produced a *unique* set of events and the *specific* structural/contextual factors that combined to generate them (emphasis in original).

Furthermore, the intent is not to generalise through statistical inference to other cases; instead, the focus is on understanding the mechanisms at work in one setting, and how a similar mechanism could give rise to a similar outcome in

another setting (Wynn & Williams 2012). Cases are, therefore, usually selected to reflect events which are representative of the particular phenomena the researcher is attempting to explain. Accordingly, we selected Santam and its work through the P4RR Initiative as an instrumental subject of our case study to illuminate a strategic approach to CSR as risk management, and the critical realist case approach to identify the causal mechanisms, structures and contextual conditions that underpin the approach, and to assess our propositions.

4.4 Research method

Easton (2010, p. 119) explains that ‘critical realism is, by philosophical standards, a relatively new approach to ontological, epistemological and axiological issues’ (Easton 2010). This relative newness presents challenges for research design and method. While the growing interest in critical realism as an alternative research paradigm has precipitated some scholarly papers on design, method and application (e.g. Bygstad, Munkvold and Volkoff 2016; Easton 2010; Eastwood, Jalaludin & Kemp 2014), Fletcher (2017) writes of a lack of academic literature on data coding and analysis in critical realism.

This study used a general process for applying the critical realist case method developed by Easton (2010) supplemented by proposed methodological principles for critical realist research by Wynn and Williams (2012) and Bygstad, Munkvold and Volkoff (2016), and guided by a coding and analysis process advocated by Fletcher (2017). After selecting the phenomenon to be studied, and crafting the research questions, Easton (2010) directs the researcher to identify the relevant entities or objects that characterise the phenomenon being studied. Thereafter, data must be collected and then interpreted to explain causality, delineate causal powers and liabilities, and unearth mechanisms. The final step is assessing the explanation for merit. These steps are outlined in the subsections that follow.

4.4.1 Identifying objects

Easton (2010, p. 120) sets out the three key questions that flow from the critical realism conceptualisation of reality: ‘What are the entities that define our research field, what are their relationships and what are their powers and liabilities?’ To answer these questions, we used a model by Yang and Rivers (2009) to provide the categories of objects and support the identification of potential study participants, although we adapted it somewhat. First, we expanded the category of formal institutions to incorporate private regulators, entities of growing importance in the global economy. Second, we changed shareholders to investors, to include both equity and debt holders. This inclusion reflects the growing relevance of ESG considerations in financial analysis and the potential power of debt holders to influence the terms of lending.

Third, although Yang and Rivers (2009) make no explicit reference to trade unions, we explored the potential role of these associations as influencers of CSR practice. Finally, we substituted parent-firm relations for strategic management to reflect the role that management’s strategic approaches have on CSR practice, influenced as they may be by majority shareholders. Our adapted model for determining objects relevant to an organisation’s CSR practice is depicted in Figure 7 below, and the literature review provided the data for our abstraction of their likely causal influences.

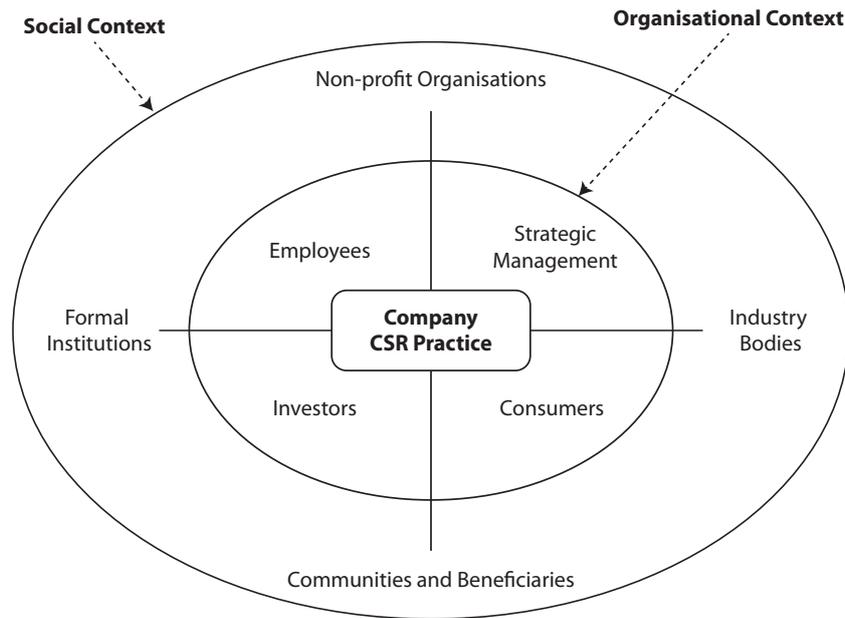


Figure 7: Objects and entities relevant to our case study (adapted from Yang and Rivers 2009, p. 156)

4.4.2 Data collection

The critical realist ontology is considered to be neutral concerning the research method and allows for the inclusion of both quantitative and qualitative methods to gather information. In this regard, we elected to use semi-structured interviews as our primary research method, facilitating a flexible, iterative process suitable for critical realist case research and likely to yield “plausible causal mechanisms” (Easton 2010, p. 124), when considered in conjunction with our secondary research sources. Interview guidelines were informed by provisional code groups determined before the research began, as discussed in the data coding section, 4.4.4 below. Interview questions were developed drawing on the preliminary investigation, the academic literature review, the theoretical and conceptual framework and the secondary research. Table 5 below describes these provisional code groups, underpinned by the question of what produces change, and elucidates the themes which guided the crafting of the research questions.

Table 5: Provisional Code Groups and Final Categories for Coding

CODE GROUPS	DESCRIPTION
Meaning	What do participants understand about key concepts like CSR?
Relationships	How does the participant describe relationships with other objects and how they have impacted output?
Activities	Which activities directly related to supporting a firm's CSR practice?
Strategies	What participant strategies, if any, have been implemented to influence CSR outcomes and practice and have they been successful?
Processes	What processes have influenced and have been influenced by CSR practice, output and impact?
Value	What is the value of the CSR practice and output to the participant?
Communication	How is CSR practice represented and communicated?

Referring to the above Table 5, the first provisional code, *meaning*, established common ground and provided a platform for the pursuant interview. In keeping with the building blocks of critical realism, questions were developed to interrogate *relationships* between other objects. *Activities*, *strategies*, and *processes* were primarily concerned with structural processes and to elucidate contextual conditions, while *value* and *communication* sought to address the research questions relating to how social responsibility as risk management is valued, reported, evaluated, and communicated.

Interview guidelines were crafted for each category of participant. We recorded interviews with the permission of the study participants and granted anonymity to all participants. In some instances, this anonymity was extended to the organisation which they represented. Participants who could be identified from their title and organisation were given an opportunity to review the quotes attributed to them as representatives of those organisations. The semi-structured interview guides are included in Appendix C.

4.4.3 Data sampling

We conducted 22 interviews with representatives of the social and organisational context including four interviews with three representatives of Santam whose work is connected to the P4RR Initiative, and one interview with a former director of the company. The objects relevant to our case informed the sampling strategy; consequently, we used non-probabilistic purposive sampling techniques. According to Etikan, Musa, and Alkassim (2016, p. 2), purposive sampling, also called judgment sampling, is the deliberate choice of a participant due to the qualities the participant possesses.

Guided by the stakeholder model, participants were approached that either represented the relevant objects or were in a position to provide insights into the structure or causal influence of objects. Interviewees were engaged to the extent that it was necessary and feasible to do so. In certain instances, participants provided leads or facilitated access to additional interviewees. For example, the former director provided the introduction to Santam, and one participant from a financial institution is the official integrated reporting sponsor for the IoDSA, referred to us by that institution. This type of sampling strategy, referred to as snowballing, is useful when sample sets are small, or networks are needed to access participants (Atkinson & Flint, 2011). Table 6 below lists our sample of participants and their key characteristics ordered chronologically.

Table 6: Study sample of participants

NO.	ROLE	ORGANISATION	LENGTH
I1	Independent Director (Insurance Sector)	Former Santam Executive Board Member	1h 15m
I2	Head of Sustainability	Institutional Asset Manager	1h
I3	Manager (Company/member liaison)	SASBO - The Finance Union	2h 25m
I4	Senior Manager: Stakeholder Programmes	Santam	1h 40m

(continued)

NO.	ROLE	ORGANISATION	LENGTH
I5	Fund Manager	Institutional Asset Manager	1h 5m
I6	Senior Assistant Ombudsman	Short-term Insurance Ombudsman	45m
I7	B-BBEE Department Representative	Department of Trade and Industry	50m
I8	Group Head of Sustainability	International Banking Group	55m
I9	Manager: CSI	Santam	1h
I10	Head: Stakeholder Relations	South African Insurance Association	60m
I11	Chief Executive Officer	Financial Services Transformation Council	1h 5m
I12	Head: Stakeholder Relations	NEDLAC	40m
I13	Senior Manager: Stakeholder Programmes	Santam	1h 30m
I14	Head: Stakeholder Relations	Santam	50m
I15	Western Cape LED Representative	South African Local Government Association	45m
I16	Municipal Manager: Disaster Risk Management	District Municipality	45m
I17	Director of Municipal Support Capacity Building for Local Government	Provincial Government (Former CoGTA Manager)	45m
I18	Sustainability Consultant	-	1h 20m
I19	Santam Customer	-	20m
I20	Santam Business Client	-	35m
I21	Ward Councillor	Political Party	20m
I22	Fund Manager and Santam Researcher	Institutional Asset Manager	40m

4.4.4 Data coding

Saldaña (2009, p. 3) describes a code as ‘a word or short phrase that symbolically assigns a summative, salient, essence-capturing, and/or evocative attribute for a portion of language-based or visual data’. Saldana (2009, p. 49) writes that some methodologists advocate the development of a provisional list of codes *a priori* ‘to

harmonise with your conceptual framework or paradigm, and to enable an analysis that directly answers your research questions and goals'. Fletcher (2017) too, advocates provisional coding for the critical realist researcher as part of a flexible and deductive coding process that aligns with the paradigm's engagement with existing literature. Accordingly, we developed a list of seven provisional code groups, anchored by the research questions, which we then expanded to include 60 sub-codes drawn from the preliminary investigation, the literature review, the theoretical and conceptual framework and the secondary research.

In this regard, we were guided by Bogdan and Biklen (2003, cited in Roulston 2013, p. 151) whose proposed schema for coding qualitative data focuses on the phenomena of 'setting/context; definition of the situation; perspectives held by the subjects; participants' ways of thinking about people and objects; processes; activities; events; strategies; relationships and social structure; narrative (that is, the structure of the talk); and methods'. As mentioned earlier, Table 5 above sets out our seven provisional code groups, also used to develop the semi-structured interview questions, although some categories were more relevant than others depending on the participant.

The code groups and sub-groups were entered into Atlas.ti where these provisional codes were applied to the transcripts. When using provisional coding, it is important that the researcher not be too wedded to the codes (Saldaña 2009) so, during the coding process, provisional codes were amended, added and deleted as appropriate. During the first cycle, we adopted an amalgam of *in vivo* and descriptive coding, and in so doing expanded our provisional list of code groups to include 'monitoring and evaluation' and amended most of the existing codes to be more descriptive. In the second cycle, we revised and aligned our codes to the central elements of the critical realist research approach as advocated by Fletcher (2017) - including causal influence, conditions, structures, and mechanisms.

4.4.5 Data analysis and presentation

Qualitative data analysis based on coding has three basic steps: (i) coding, (ii) developing categories, concepts, and themes from the codes, and (iii) interpreting results (Saldaña 2009). In the data analysis process, codes are grouped into categories, categories inform themes and concepts, and themes and concepts are developed into theory (Saldaña 2009, p. 12). One can conceptualise ‘a theme [as] an outcome of coding, categorisation, and analytic reflection’ (Saldaña 2009, p. 13). In data analysis, critical realist researchers should look for two types of mechanisms (DeLanda 2006, cited in Bygstad, Munkvold & Volkoff 2016, p. 89): first, micro-macro mechanisms which explain ‘how different components interact in order to produce an outcome at a macro level’; second, the macro-micro mechanisms ‘which explain how the whole enables and constrains the various parts’.

Causality in critical realism acknowledges open systems in a social world characterised by overlapping and interacting events and learning and changing individuals (Fletcher 2017, p. 185). Consequently, critical realists search for tendencies (Danermark et al. 2005) which ‘can be seen, for example, in rough trends or broken patterns in empirical data’ (Fletcher 2017, p. 185). While open systems may have any number of mechanisms, critical realist researchers identify those mechanisms with the strongest explanatory power, corroborated by empirical evidence (Bygstad, Munkvold & Volkoff 2016). Furthermore, to support the data analysis, we drew on multiple sources of data and the varied perceptions of interviewees, in a strategy known as triangulation. Triangulation intends to eliminate error and bias from data by cross-verifying data through different data sources and methods (Rothbauer 2012).

In the following chapter, we present the data in two broad thematic groups of enabling and disabling factors, related to causal influence, generative mechanisms, structures and conditions. In each group, the discussion is preceded by a summary of the key themes in tabular format, accompanied by representative quotations to

support those themes. Where appropriate, quotations are annotated with the interview number, as per the furthestmost left column of Table 6 above. In Chapter Six, we discuss our analysis of the findings, first in the context of the literature review and thereafter in the context of our theoretical and conceptual framework. In keeping with the interpretivist epistemology, where appropriate, alternative interpretations of the data analysis were included to conclude a ‘best’ alternative (Easton 2010, p. 122).

4.6 Research ethics

For this research study, we adopted the University of the Western Cape’s Policy on Research Ethics. Babbie and Mouton (2001, pp. 67-72) set out the four ethical considerations in social research: (i) participation must be voluntary; (ii) no harm should come to the participants; (iii) interviewees and survey respondents should be granted anonymity and confidentiality, and (iv) subjects should not be deceived. Individuals who volunteered to participate in the semi-structured interviews were allowed to ask questions about the research and signed a consent form to protect their privacy. Interviews were recorded with the permission of participants, and participants who could be identified through their specific role at organisations were provided with an opportunity to review and validate their contributions.

CHAPTER FIVE

5. P4RR: RESEARCH FINDINGS

The purpose of this study was to advance a strategic approach to CSR as risk management, with two primary objectives. The first was to explain the relevance of risk management to CSR and how such a strategic approach may theoretically influence practice and impact, which was the subject of Chapter Three. The second was to analyse such an approach in practice, to identify its enabling and disabling factors and to interrogate our propositions regarding CSR as risk management.

Accordingly, in this chapter, we present the results of the primary research, and the key themes developed through the coding and analysis processes as outlined in Chapter Four above. Guided by the critical realist framework, this chapter is structured into two main sections, followed by a chapter summary. The first section is concerned with the relevant structures, contextual conditions and mechanisms that contributed to the initiation of the P4RR Initiative and provided support for its continued operation; the second is concerned with those that may have constrained or limited the programme, and which may provide strategic opportunities. The final section summarises the key findings.

5.1 Enabling P4RR: Themes and sub-themes

In our study, we found that the emergence and continuation of the P4RR Initiative, in its current form, can be attributed to a confluence of factors in the social and organisational contexts. In keeping with the critical realist search for those mechanisms with the strongest explanatory power, three primary themes emerged from the research: (i) the pursuit of wealth creation and wealth preservation, ultimately driven by investors and the market; (ii) organisational flexibility and adaptability, driven by strategic management and employees; and, (iii) the enabling role of the state in facilitating and incentivising corporate participation in its socio-economic objectives.

Our first theme, *Wealth Preservation, Wealth Creation* confirms the role of profit-seeking and wealth creation underpinning the Initiative. The three sub-themes are (i) Santam's response to a proximity to shared disaster risks that may negatively impact its financial performance; (ii) its CSR practice through P4RR as a developing source of competitive advantage; and, (iii) its expanding of the economic benefits of the short-term insurance sector to support risk management for the public good. Our second theme, *Organisational Flexibility and Adaptability*, relates to strategic management and employees and their proclivity and ability to respond to changes in the business environment. Two sub-themes emerged: (i) the strategic enabling of a business environment to support proactive responses; and, (ii) key human resource staffing of people with passion and resilience, to implement strategy and drive the necessary organisational change.

Finally, in our third theme, we identified the *Enabling Role of the State* in attempting to create the environments necessary for it to achieve its national social and economic goals. Sub-themes include (i) overcoming mistrust between business and government; (ii) driving necessary partnerships in such an environment characterised by mistrust; (iii) building local government capacity to deliver on strategic national goals; (iv) the vital role of the integrated development planning process in Santam's strategic implementation; and, (v) P4RR as funding structure enabled by the B-BBEE legislative framework.

Table 7 below presents these three themes, alongside sub-themes and representative quotations of various participants in the interviews. Using the critical realism framework, in Table 8, we link the three themes to the four salient objects we identified, along with their key causal influences, structural properties, conditions, and generative mechanisms. In the subsections that follow, we explore each of these three themes and their respective themes in greater depth.

Table 7: Enabling P4RR: Themes, sub-themes and representative quotations

WEALTH PRESERVATION, WEALTH CREATION	
SUB-THEMES	REPRESENTATIVE QUOTATIONS
A proximity to risk	<ul style="list-style-type: none"> - 'An insurance company gets most of its insurance claims from either flooding or fire-related events...That's why we focus on that, particularly.' (I4) - 'So just a bit of background on SASRIA and why they said to us: look, can we partner with you?. Up to, maybe about 3 or 4 years ago, SASRIA was very profitable...But since about three years ago, profitability is being challenged with increasing claims, and they are now becoming concerned. And just in 2016, with the fees must fall protest, just from student protests alone, they experienced claims of R800 million.' (I4) - 'So the hospitals have put quite a lot of emphasis on water and electricity because they use relatively [large] amounts...mines you would see a local water and rehabilitation focus, given their kind of businesses. So you will see differences, just given the industry differences.' (I22)
Seeking a competitive advantage through shared value	<ul style="list-style-type: none"> - 'The analyses that we are doing and the research that comes up from our engagement with municipalities, also indicate...opportunities where there is less risk that we can underwrite better.' (I14) - 'The relationship with municipalities, this way it is reciprocal, it's transversal, and it's of great value because we share data.' (I14) - 'If you look at the work of Michael Porter and the concept of shared value, that concept will tell you that for organisations to be sustainable and to continue to make profits, they need to cooperate, and they need to partner with people with others.' (I4)
Expanding the economic role of short-term insurance	<ul style="list-style-type: none"> - 'World trends indicate that you've got to understand your risk landscape, which is something we haven't done in the past. We were conventional underwriters.' (I14) - 'I think it's about the readiness of the insurance industry to understand and to recognise that we need to work in partnership in the industry in order to address some of these big things that are happening in the country.' (I4) - 'The insurance industry is a key leverage point for driving action on climate change because they monetise risk because that's what they do.' (I18) - 'Socio-economic development is embedded in what we do [at SAIA].' (I10)
ORGANISATION FLEXIBILITY AND ADAPTABILITY	
SUB-THEMES	REPRESENTATIVE QUOTATIONS
Enabling a business environment to support proactive responses	<ul style="list-style-type: none"> - 'I think there was a place to move from theory to practice...The shift came when we said OK, now that we know what we know; that these municipalities need assistance [and] our risk - we've got higher risk accumulation in these municipalities - action needs to be taken.' (I14) - 'It's got to do with adopting a - I think - adopting a complexity approach to things. You know? Because in complexity, you cannot control all the factors and things will emerge that you didn't think we're going to; unintended consequences or results.' (I4) - 'Our model of engagement with municipalities is hands-on. So I mean, I'm full time engaged with that, and I drive projects etc. The other model is hands-off, so you throw money at it.' (I13)

(continued)

ORGANISATION FLEXIBILITY AND ADAPTABILITY	
SUB-THEMES	REPRESENTATIVE QUOTATIONS
People with passion and resilience	<ul style="list-style-type: none"> - 'There's been some nose-bleeds along the way...I'm very passionate about what we do. Again, when I speak about nose-bleeds, it's because of the fact that at the time, when this started, everyone in the business was seeing me as wasting [money].' (I14) - 'Speaking as someone who's worked in the private sector, worked in the public sector, worked in academia, it is very possible to work within those spaces and across those spaces to drive innovation. What you need is other people in other spaces who also want to do that.' (I18) - 'So everyone has put some things in place, you know, as we as we got along. But because Santam was willing - and this is the thing you've got to have the resilience.' (I17) - 'So this little municipality had to go back, they've got a council meeting, they've got to put it through the council. It doesn't take a month. It takes a little time. If you don't understand that, then you don't stay the journey.' (I17)
THE ENABLING ROLE OF THE STATE	
SUB-THEMES	REPRESENTATIVE QUOTATIONS
Overcoming mistrust between business and government	<ul style="list-style-type: none"> - 'It's around the politics between... but can we trust this Armscor, this Anglo, this... because they've got an agenda. But we also have an agenda. We haven't even surpassed that trust [deficit] yet.' (I17) - 'There's a lot of mistrust in the, yes, sometimes in the management of funding at government departments. Not all of them - we've got a clean slate at the district. But I must say, there [are] some municipalities where you give them the money, you're not sure if it's going to end up what you intended it for.' (I16) - 'Because building relationships takes time and trust and communication, and there's a whole lot of other, what's it called, variables that you need to look at.' (I15)
The necessity of partnerships	<ul style="list-style-type: none"> - 'If it's a system, how can government then say, we're government we operate on our own?' (I17) - 'And with a little bit of assistance and funding from private industry, we can do that. We might have 50c, and they might have 50c, but together we can make it a big project, and everyone can club in. For them it's impossible to do it, for us it's impossible to do it, together it's possible.' (I16) - 'I think the private sector has got a stake in supporting those centres of excellence in government because they want to live in a functional state. it's not good for business to have administrative and political risk.' (I18) - 'There's no way we can have a successful transformation, BEE, if we don't have the participation, full participation of corporates in South Africa.' (I17)

(continued)

THE ENABLING ROLE OF THE STATE	
SUB-THEMES	REPRESENTATIVE QUOTATIONS
Building local government capacity	<ul style="list-style-type: none"> - 'CoGTA's challenge is that municipalities are not functioning as well as they should. So that's our focus.' (I17) - 'So there is a lot of linkages to municipalities, and I think we haven't unpacked it completely yet. If you just look at a national level the number of national departments that link to provinces that link to local government and then that link, from local government perspective, that actually link to private sector...So if you haven't unpacked that yet, then you also don't understand all the roles and responsibilities that are linked to social responsibility.' (I17) - 'Local governments are on the same level as national government. They are not subservient, they are not beholden to national government, even though technically the way that it functions in practice, because of the way that budgets are devolved, means that there is a power dynamic.' (I18) - 'If you want to get anything done at the local level, you have to clear the way at the national level...So that when you talk at the local level, you have the backing of national and provincial government to be able to say things and do things.' (I13)
Integrated development planning	<ul style="list-style-type: none"> - 'When you develop your policies, and when you develop your integrated development plan, which is the... which is basically the development plan of the municipal area, you need to include businesses from the word go.' (I15) - 'After we've decided which municipalities we're going to be part of, you hold a big workshop with all the different stakeholders and then it gets facilitated. Based on the [Integrated Development Plan], based on the four KPAs that I mentioned, based on Santam's capability internally, and Santam's capability in terms of the partners we have, and also based on the financial capacity to fund some of those projects.' (I9) - 'So most of these projects that we do are the things that the municipalities themselves were going to do, either because they did not have enough money. We're basically partnering with them to execute what they were planning to do.' (I9)
P4RR as a B-BBEE Community Trust	<ul style="list-style-type: none"> - 'If you look at the money for Emthunzini [Community Trust], it's accounted for under ownership because it's part of the BEE scheme. It's not part of the Net Profit After Tax.' (I9) - 'I made a proposal to the Trust to say look this issue is a social issue, and the Trust is a Community Trust. So they are concerned about social issues; how do we bring relief to social challenges?' (I14) - 'As a business, if you adopt a municipality, you will need resources because there are some serious gaps in terms of needs and so on. And I went to the [Community Trust] to obtain the funds.' (I14) - 'So it's very debatable whether Santam would engage with this P4RR work if it wasn't for the [B-BBEE] Emthunzini [Community] Trust.' (I4)

Table 8: Enabling factors in the context of the critical realism paradigm

THEME	OBJECT	KEY CAUSAL INFLUENCES	KEY STRUCTURAL PROPERTIES	CONDITIONS	PRIMARY MECHANISMS	EVENT
Wealth creation, wealth preservation	Investors	<ul style="list-style-type: none"> - Voting - Shareholder feedback - Disinvestment 	<ul style="list-style-type: none"> - Investment performance driven - Client driven mandate (institutional investors) 	<ul style="list-style-type: none"> - Low short-term insurance penetration - High short-term insurance protection gap - Rising systemic risk exposure - Increasing complexity in risk landscape - Challenging macro-economic environment - Strategic human resources management - Local government capacity and capability constraints 	<ul style="list-style-type: none"> - Market mechanism - Proximity to risk - Global industry shifts - Competition - Cultural values, norms and standards - Political leadership - B-BBEE regulation - Partnership mechanisms 	<ul style="list-style-type: none"> - P4RR Initiative outputs: CSR as risk management
	Strategic Management	<ul style="list-style-type: none"> - Strategy development and execution - Company culture and values 	<ul style="list-style-type: none"> - Financial performance based evaluation - Governance requirements for listed companies - Local industry leadership 			
	Strategic Management					
Organisational flexibility and adaptability	Employees	<ul style="list-style-type: none"> - Passion - Resilience - Persistence 	<ul style="list-style-type: none"> - Personal initiative, drive, values and culture - Psychology shaped by South African context: history, socio-economic challenges 			
The enabling role of the state	Government: National and Local	<ul style="list-style-type: none"> - Political pressure - Legislative mandate - Networking and relationship facilitation 	<ul style="list-style-type: none"> - CoGTA: strategic emphasis on relationships and partnerships - Culture of dialogue and consensus - Constitutionally empowered local government - Integrated development plans - Strict procurement processes and auditor general oversight 			

5.1.1 Wealth preservation, wealth creation

The preservation and creation of wealth emerged as leading mechanisms for the genesis and evolution of the P4RR Initiative. First, in its formative stages, we find that a likely critical contextual condition is the proximity to specific risks that may negatively impact a company's financial performance. Second, as the Initiative's work was formalised and integrated into the company, its means as a competitive advantage became increasingly relevant. Third, the company's efforts to encourage more proactive management of shared social and environmental risks may reflect an expansion of the economic role and function of the short-term insurance industry.

When describing the genesis of the programme, the Head of Stakeholder Relations, Santam (I14 2018) recounted their proposal to the company's executive to motivate for participation in the LGSP:

It's not [only] a social responsibility issue. It's also a business issue. Because, in these municipalities, we've got assets that we insure. So if the municipality doesn't have the capacity to respond, either in terms of service delivery through firefighting or other related disasters, if they don't have the capacity, our risk that [we] insure is actually very high.

The P4RR Initiative can be traced back as the culmination of an investigation into the risk drivers (see Santam et al. 2011) of a series of natural disasters that plagued the Garden Route District Municipality of the Western Cape in the previous decade, including wildfires, flooding, and droughts (see Nel et al. 2014, p. 2). Damages from these natural disasters were extensive, affecting both the private sector and a range of government departments and parastatals at a national, provincial and municipal level (RADAR 2010, p. 72 - 87). In fulfilling its role of risk transference, the short-term insurance sector also experienced an increase in claims, in some instances prompting a withdrawal of insurance cover (RADAR 2010, p. 73).

Of the many risks which Santam transfers to its balance sheet, the company's focus on fire and flood-related disasters and risk management reflect its proximity

to these risks: ‘So our theory is that if we can support municipalities to better manage disasters, we get a reduction in claims’ (I4 2018). A response to a question on what differences can be discerned between the various P4RR interventions reiterated this proximity: ‘There is variation, but within fire and flood because that is where we get most of our claims from, they are fire and flood-related’ (I4 2018). We thus use the term ‘proximity to risk’ to reflect an immediacy to specific social, environmental and economic risks that an organisation shares with society, and which may have a significant impact on its business viability and sustainability.

We considered that this proximity to risk might be particularly relevant to the short-term insurance sector which monetises society’s risks and profits off its ability to price these risks: ‘It’s also a natural thing around risk management that drives us’ (I4 2018). Our data included another industry example of an insurance company’s response to proximity to risk. Facilitated through Santam’s engagement with SAIA, SASRIA SOC Limited (SASRIA) approached the company to support its investigation into likely risk drivers following a material upswing in its claims. SASRIA’s ‘core business is the provision of short-term insurance for riots, strikes, terrorism, civil commotion and public disorder to businesses and individuals’ (SASRIA 2018) - risks which have escalated in recent years. In this regard, the company engaged Santam and an independent research agency to conduct workshops in communities to better understand how protest action escalates and how, if possible, they could intervene. Notably, the critical impetus in this regard is financial.

The LGSP has facilitated other companies to engage with municipalities on matters of shared systemic risks, perhaps in keeping with a trend where, according to the Head of Sustainability at an institutional asset manager (I2 2018), ‘Companies are realising that [ESG] issues have a direct link to brand, have a direct link to profits, profitability, sustainability, revenue’. For example, South African Breweries (SAB) ‘are supporting water and sanitation and maintenance

systems in a municipality because the company is reliant on an uninterrupted supply of quality water for its operations' CoGTA (2015, p. 6). When discussing the role that companies can play in supporting risk management in municipalities, a Municipal Manager (I16 2018) at a District Municipality offered another such an example:

Petro SA uses about 15 million litres of water a day, while the Mossel Bay complete use is about 18 million litres of water a day...If, during the drought during 2009/10, if they didn't assist the municipality to put up a desalination plant, they could also [have] run out of water that they need to do their processes.

Santam participants also provided examples of how the P4RR Initiative benefits wealth creation with links being made internally to various line functions including marketing, risk and new business by, for example, providing insights into risk concentration, supporting better risk assessment, and by revealing new underwriting opportunities. Through the programme, the company has also identified gaps in its own understanding of risk drivers and made more explicit links between municipal decisions and their business's financial performance. For example, according to the Senior Manager: Stakeholder Programmes, Santam (I4 2018):

If, when it comes to flooding, we know that if we don't understand flood lines and floodplains in the municipality, we are exposing ourselves. If a municipality doesn't have, doesn't understand where its areas are that are prone to flooding, it may approve building developments and housing in those floodplains. We insure the buildings; floods come, we get the claim.

Some of these benefits emerged as 'unintended consequences': 'It's a skill that we didn't know we have but which is quite evident that it's important, you know? Just facilitating relationships' (I4 2018). Many benefits are non-financial, such as increased political capital - which was often emphasised - and data sharing. Santam participants also relayed these benefits as a form of differentiation from other companies. Indeed, the Head of Stakeholder Relations, Santam (I14 2018) framed the commitment to the programme itself in these terms:

Some companies that got involved do not see the value that we are getting from it. They see it is philanthropic, we see it as a commercial imperative to engage with municipalities and do this work... That's why some of them started this, and you find a year or five years later, or two years later they're no longer in the programme. We've been at this since 2011, and we see ourselves being here for the long haul.

When describing the benefits of the programme, Santam participants also intimated that they ascribed to the concept of shared value. Indeed, interviewees at Santam were consistent in their positioning of the P4RR Initiative as one that offers commercial value in some way while simultaneously benefitting the community and offering value to society, including in the context of the CSI department and its budget spending.

As the industry leader in the local market, in 2014, the company began to engage with SAIA about its proactive risk management (Ginsburg, Maytham and Maytham 2014), although, according to the Senior Manager: Stakeholder Programmes, Santam (I4 2018) it is 'not significant progress' as yet, referring to the 'readiness' of the industry to address local systemic challenges. In response to a question on what has contributed to the company's unique approach of proactive risk management, they responded: 'Santam is the leading short-term insurer in the country, so I think it takes that, its leadership position, seriously' (I4 2018). Indeed, the SAIA Representative (I10 2018) described the company as 'very innovative and at it [clicks fingers]' and a frontrunner in asking the body to elevate its practices to an industry level. Notably, the Santam CEO chairs the board at the primary industry body for short-term insurance, SAIA.

This engagement may reflect a shift from the industry's traditional responses to escalating environmental risk, described as 'primarily focusing on refining its risk predictions and assessments, with a view to more appropriate pricing and contracting of risks' (Santam et al. 2011, p. 6). Such approaches may, however, have limited value in the South African market where insurance penetration is low and increasing premiums to reflect rising risks would reduce the size of the market. For example, when speaking of B-BBEE measures to improve access to

finance, the CEO of the Financial Services Transformation Council (FSTC) (I11 2018) referenced this structural characteristic: ‘There are sectors like the short-term insurances and even long-term insurance, they are actually battling to sell to LSM 1-8 because they don’t have the disposable income’. Apart from premium affordability, one consumer (I19 2018) pointedly referred to the barriers to insurance through the financially punitive requirements of security measures - which they felt were more onerous in more impoverished communities characterised by higher crime:

The requirements that the insurance companies also now has, which makes it more difficult, which actually only enriches the rich people, and sorry to put it to you like that, is the fact...So I feel that if it is Santam, or whoever, they’re only making it more difficult for clients. They’re not helping the community.

According to one institutional fund manager (I22 2018), who is also the institution’s lead researcher on Santam, the company’s response through P4RR is appropriate given this context:

Well, they could have just withdrawn from those markets. They could have just said they won’t write business in the Eden municipality because their fire services are failing...[But that would impact] the size of the market. But, actually, they’ve done the right thing which is to improve the quality of the risk.

The Head of Stakeholder Relations, Santam (I14 2018) also affirmed that Santam’s approach was informed by research (see Santam et al. 2011) which highlighted the value of pursuing more proactive risk management, and engaging with municipalities to manage risk drivers:

That Eden study helped us to think, hold on, maybe we must think proactively about risk. Let us analyse where our risk exposures, our hazards, are vulnerabilities from an insurance point of view. How do we begin to work proactively to mitigate that kind of risk?

Notably, this research was motivated, in part, by the company’s affiliation to the UNEP FI: ‘And [the Head of Strategy] being on UNEP FI, that informed us doing the research’ (I14 2018). UNEP FI has, in turn, championed Santam’s work in various forums - such as the report which was launched at a UN Climate Change

Conference - as part of its efforts to mobilise the global insurance industry to tackle ESG concerns. This role may be vital. Referring to the industry as a ‘key leverage point for driving action on climate change’, the Sustainability Consultant (I18 2018) we interviewed recounted an engagement with a group of researchers on Green Win¹ regarding financing flood risk management:

So they are based in the Netherlands, and most of their research was in the Netherlands, and they couldn’t find a single example of an insurance company working with any kind of climate risk and coastal risk in a country that floods a lot, in a country that’s famous for flooding, and its dykes and its canals to manage flooding.

As mentioned in the introduction of the study, one economic benefit of the risk transfer mechanism is the complementary risk management advice and services that insurance companies may provide to consumers to facilitate loss prevention. Santam’s work through the P4RR Initiative can perhaps be similarly categorised. By offering advice, services and resources to municipalities, the Initiative serves to improve risk reduction and risk responses that are also explicitly for the benefit of the public good.

5.1.2 Organisational flexibility and adaptability

Santam was the first financial sector company to respond to the government’s invitation to participate in the LGSP, some years before CoGTA published the first LGSP guidelines in 2015. In terms of setting up the necessary processes to work with government, a Director of Municipal Support Capacity Building for Local Government (Director MSCB) (I17 2018) credited Santam and the Head of Stakeholder Relations with providing a blueprint for others wishing to engage in the LGSP:

So [Santam’s] model can be used by other private sectors who want to come on board, and they’ve got to write these models in the same way. But they can start from a later place than █████² had to start.

¹ Green Win is an international trans-disciplinary research collaboration funded by the European Commission that focusses on issues of climate change and sustainability.

² To protect participants references to specific individuals or their organisations were redacted where we deemed prudent or at the instruction of the participant.

In this regard, Santam's executive management dedicated the necessary resources to ensure a 'hands-on approach' - and in apparent contrast to some of the other companies participating in the programme. While the Strategy Unit spearheaded the initial research into risk drivers in the Garden Route District, Western Cape, the functional execution of that strategy was allocated to Stakeholder Relations as the project moved from a theoretical exercise to implementation. According to the Head of Stakeholder Relations, Santam (I14 2018), as the work evolved, new structures and processes were developed to accommodate the work, broadening beyond stakeholder management:

Internally we've created a forum called the Partnership for Risk and Resilience forum. It looks internally. So all the related businesses that either impact it or that's got interest in the work we do, we discuss with them. Strategy is part of that; sustainability is part of that; risk is part of that... and also reinsurance, also part of it.

For example, the Senior Manager: Stakeholder Programmes, Santam (I13 2018) indicated that the CSI Department is now strategically aligned to the P4RR programme and that the risk function provides input into the process of selecting which municipalities Santam will assist:

Our risk services tells us where we, where they regard us as heavily exposed in terms of risk. So they will list a number of municipalities...and they'll base that on certain assumptions but also some factual detail.

Interviewees also made pointed references to the CEO's involvement and input into the programme (including with respect to accountability which we will discuss in Section 5.2) suggesting that there is some visibility of the project at an executive level. In terms of executive oversight, the Head of Stakeholder Relations reports into the Head of Marketing at Santam. Initially, the reporting line went directly into the Head of Market Development at the holding company Sanlam but was shifted to the Santam Board at the Head of Stakeholder Relations' request for an executive champion within the organisation itself. Overall, the holding company's role was described as minimal in the context of both P4RR and the CSI Department, which the Manager: CSI, Santam (I9 2018) explained as

follows: ‘It’s just that our focus areas are different. And I cannot prescribe to them, and they cannot prescribe to us because of the nature of our businesses’. Currently, any involvement relates primarily to marketing and public relations opportunities, although participants did not discount future collaborations.

The team that supports P4RR is small. One programme manager and assistant constitute the P4RR headcount who report into the Head of Stakeholder Relations, along with Santam’s CSI Manager and her team of two. The third function included in the Department is Consumer Education, which is also an element of the B-BBEE Scorecard. This small team complement has, however, managed to create and support a programme that according to the Director MSCB (I17 2018) is the leading example of a successful LGSP: ‘It’s only Santam, and they are the good practice. If you can show me what other good practice we’ve got? We’re in Armscor and Anglo; Anglo is learning from Santam’.

In this regard, the enabling environment appears partly attributable to this small team which needed to shift both ideological perceptions of the delineation between the roles of government and business, and the role of insurance companies in social and environmental risk management. The Head of Stakeholder Relations, Santam (I14 2018) recounted some internal resistance and hostility during the formative stages, and described their response to this resistance with phrases such as ‘Yes, I’m glad I persisted,’ and ‘I’m very passionate about what we do’. According to the Director MSCB (I17 2018) who worked on the LGSP almost since its inception, the key to Santam’s success was due to the particular ‘resilience’ of the company’s Head of Stakeholder Relations.

You’ve got to have the resilience to work with government because it’s a painstaking, patient process because everyone would tell you [that] you’re encroaching on my mandate, give me time...So we’ve got to have someone who stays the journey until we’ve got all these things, we’ve put these things in place. So that’s what [redacted] did.

The Head of Stakeholder Relations, Santam (I14 2018) intimated that resilience also surfaced in the face of early industry resistance to the role that Santam was

crafting for itself: ‘I even addressed the insurance industry. I recall with my part, when I presented, everyone walked out, saying: You’re crazy, man. Why would you want to spend money [on LGSP]?’.

In response to a question on the nature of the working relationship with Santam, a Municipal Manager (I16 2018) who worked with the P4RR Initiative in its first iteration (before its formalisation as such) remarked:

I could email them at any time. There were three officials of them working with us the whole time. Erica that used to be with them, and two other officials. I could at any time contact them, and they would assist...And also, the main guy there, [REDACTED]. He knew so many of our councillors, the mayor etc. that I think he shared more with them than I had to. They even got stuff before I even knew about it [laughter].

The data also suggests that the Santam personnel have a connection to work that they do, which extends beyond fulfilling their commitments as employees. For example, the Senior Manager: Stakeholder Programmes, Santam (I4 2018), who requested a transfer from the I.T. Department to this unit and is now embarking on PhD research on the work they do, spoke of his personal views of the role of business in South Africa:

From another, South African perspective, given the history or the role that companies played under Apartheid, I think there is a need from a social justice perspective to participate in rebuilding and developing the country. And I think many companies are doing very good things, but the scale of that can be questioned. Are they doing enough? I’m not convinced of that. So that’s my personal view.

Notwithstanding this persistence and passion, participants often spoke of the achievements of the Initiative with a measure of restraint, careful to emphasise that the contribution must be seen as just that. Furthermore, this contribution was accompanied by a concern for issues of social justice, transformation and community building, underscored by a sense of humility, and characterised by resilience.

5.1.3 The enabling role of the state

Santam's work through the P4RR Initiative is predicated upon relationships with all three spheres of government: local, provincial and national. Consequently, we identified the state as a key object with three important structural elements: (i) the role of municipalities in the South African government's structure; (ii) the local government integrated development planning process; and (iii) the B-BBEE legislation. We also identified two pertinent contextual conditions raised by participants that underscore how vital this enabling role was: (i) systemic mistrust between business and government; and (ii) the limited capacity of the state to achieve its goals without corporate participation.

Mistrust and the need to engage in dialogue and partnership were emphasised across interviewees, both in the context of enabling the P4RR Initiative and when describing the broader relationship between business and society. For example, the Head of Stakeholder Relations, Santam (I14 2018) attributed the internal resistance experienced, in part, 'because of the trust deficit' between the government and business. Similarly, when explaining some of the ways P4RR has benefited risk assessment, they remarked 'Whereas we wouldn't have known this if we didn't have a relationship, because municipalities don't trust business, business don't trust municipalities' (I14 2018). The Municipal Manager (I16 2018), corroborated this sentiment, claiming that the willingness of corporates to assist in disaster risk management is tempered by 'mistrust': '[Businesses] would give money towards rehabilitation and reconstruction but they didn't want to pay into the account of a local municipality'. In this regard, according to Director MSCB (I17 2018), the historical context of Apartheid is still relevant:

You must remember government - if you look at the whole local government system - it's very young. So politics is what it is. But because the political system is so young, the ideology comes into play. So trust is a big issue. Because, okay, so you're Anglo? Ah! We link you back to the previous dispensation. No, we're not going to work with you. So you've got those things that you have to deal with on the softer side.

The data also suggests that efforts to deepen the relationship between the public and private sector are underpinned by a broad recognition of the necessity of doing so, which emerged as a second contextual condition, further underlining the importance of the state's enabling role. In our study sample, we included participants from all spheres of government as well as institutions which engage with both the state and business at a national, provincial and local level. We draw attention to this because we were particularly struck by the urgency and frankness with which these interviewees expressed their sentiments about the necessity of partnerships. For example, according to Director MSCB (I7 2018):

If you look at the complexity of challenges in the society, in the global community that we are in, just around energy - waste is our next challenge, water was the biggest challenge in the Cape at the moment, you know the whole climate change thing - how can we solve it on our own?

In this regard, the Sustainability Consultant (I18 2018) raised an interesting point on the value of dynamic state-business relationships relating to the *process* of development in the local context:

We just are in a situation now where the level of challenge is so enormous and the kind of financial and economic constraints facing South Africa and other developing countries, are just such that the lessons from developed countries and the pathways that they have taken and the way the government and private sector have interacted in those developmental trajectories is not going to be of much use to us.

Interviewees who worked with or for government also decried what they perceived as a propensity of businesses to only provide funding, underscored by statements such as 'Because sometimes it's easier just to write a check, and that's it'; 'That has been one of the problems that we have previously [had], where companies will just sign checks. Two million? We'll give you two million'; and, 'They tick; Oh, we spent R20 million on all our CSI'.

Although not enabling *per se*, these contexts reflect the vital role of CoGTA in supporting the development of the necessary relationships between municipalities and companies like Santam who engage in the LGSP. Indeed, when CoGTA was

established, its mandate was extended beyond that of its predecessor³, placing emphasis ‘on working with partners, stakeholders and communities outside of government as a way of deepening cooperative governance in South Africa’ (National Treasury 2010, p. 2). Indeed, Santam participants emphasised the strength of the relationships with government, including CoGTA in particular. The Senior Manager: Stakeholder Programmes, Santam (I13 2018) described the process through which municipalities are approached as follows:

So when we say: “Okay, we want to go and partner with municipality X”, we talk with her, and she starts clearing the way. She sends a letter to the municipal manager and says its CoGTA, we want to come in and support you, and this is our private sector partner, and she clears the way for us.

The first structural element that we identified relates to the structure of the South African government, which consists of three spheres each constitutionally endowed with their own powers and mandates. In a budget speech to parliament, Minister Zweli Mkhize (2018) of CoGTA maintained that ‘The local government sphere is the most important sphere because of its proximity to the people. Everything happens in a municipality and in a ward’. However, in the same speech, Minister Zweli Mkhize (2018) relayed the following statistics: ‘Seven per cent of the country’s municipalities are classified as well-functioning, 31% are reasonably functional, 31% are almost dysfunctional while the remaining 31% is dysfunctional’.

Interviewees who worked in or with municipalities recounted their own experiences of this dysfunction, citing capacity, planning and project management, corruption, monitoring and evaluation, data, and intergovernmental communication as some of the areas where they’ve personally experienced challenges. For example, ‘Unfortunately, you deal with individuals who are corrupt.’; ‘Monitoring and evaluation, look, I mean, although they should be doing it in the municipalities, it doesn’t exist largely’; and, ‘It’s just so dire, and,

³ The Department of Provincial and Local Government was the predecessor of the Ministry of Cooperative Governance and Traditional Affairs.

you know, it's just pressing urgent needs, developmental needs, everywhere you look and just no budget'. Furthermore, these challenges may also be exacerbated by challenging external contexts, such as increased urban migration, as relayed by the Municipal Manager (I16 2018):

Let me put it in this way: Plett and Knysna, the population doubled in the last ten years. There's no municipality that can stay abreast with delivering essential services: water, electricity, sanitation, all that, with the population doubling in 10 years. They are so far behind in delivering essential services, housing, etc., that they don't get to the other, like disaster risk reduction projects.

Notwithstanding these challenges, the Director MSCB (I17 2018) explained why, from a structural perspective, a functioning local government is vital:

But the more you start unpacking it, the more you see, in terms of the 14 outcomes at national level, most of the 14 outcomes play themselves out in the local government environment, because the towns and everything is within a local government space. So even if its Minerals and Energy who has a lot to do with social responsibility and the plans there, you start realising, but a mine is within a municipal area.

Efforts to address municipal challenges began soon after CoGTA was formed. In 2009, the department launched the Local Government Turnaround Strategy (LGTAS) to provide a framework for strengthening local government to support reconstruction and development efforts in South Africa (see CoGTA 2009, pp. 3-5, 28-40). In this regard, 'The BAAM Programme emanates from the Local Government Turnaround Strategy (LGTAS) which recognises the role of the Private Sector and State Owned Entities in the process of turning around local government' (Santam, CoG & SALGA 2014, p. 3). The P4RR Initiative was, therefore, developed within this conceptual framework, which facilitated the necessary access to municipalities that Santam required to execute its strategy of 'managing risk on the ground'.

The second structural element is concerned with the legislated planning processes of municipal government: the Integrated Development Plan [IDP]. Any work done in communities - including that of the CSI Department which relates to P4RR - is

done in accordance with the IDP. For example, the Manager: CSI, Santam (I9 2018) communicated that:

All the projects that I have, have actually been informed by the needs of the communities or the municipalities where we work. None of them has actually been prescriptive to the municipality; it has actually been guided by the Integrated Development Plan.

Furthermore, the Initiative's alignment to the four components set out in the Disaster Management Act, No. 57 of 2002 and its related amendments and guidelines is also linked to the IDP. The Disaster Management Act (2002) is primarily concerned with integrating and coordinating disaster management and disaster risk reduction across all spheres of government. According to the Manager: CSI, Santam (I9 2018), 'If you were to take all our projects around P4RR and you cascade them with the Disaster Risk Management Act, you'll be able to see the linkages'. The requirements of the Disaster Management Act feed into municipal Key Performance Areas and form part of a municipality's IDP: 'Our disaster management plan is a chapter of our integrated development plan' (I16 2018).

The IDP is intended to provide strategic guidance to municipalities to facilitate an integrated and coordinated approach to planning and the provision of municipal services (Harrison 2001), and the Local Government: Municipal Systems Act, 56 of 2000 requires all municipal councils to develop one. Importantly, the IDP is the outcome of mandated processes of community engagements where businesses are also included in the definition of community (CoGTA 2015, p. 3). In this regard, Santam participants alluded to the benefits of this alignment, including the establishment of a mandate, avoiding a paternalistic 'big brother' approach, and a safeguard against reputational risks. Indeed, according to the Sustainability Consultant (I18 2018), aligning corporate initiatives with the IDP may offer significant advantages:

So if business goes in and does some sort of investment in line with that IDP, technically it should have almost two stages of vetting. So, on the one hand, it is vetting by public administration officials and checks and balances against whatever national plans, national mandates are devolved to them and an understanding of the legislative framework in which any kind of investment needs to take place. And the second stage of vetting is prioritisation that should technically involve community stakeholders through rounds of robust engagement.

The third structural element is concerned with the B-BBEE legislation. The funding structure of the P4RR Initiative is defined by the Ownership Element of the B-BBEE Scorecard in terms of which companies can allocate a proportion of their shareholding to black South Africans to contribute to their Compliance Level. To meet this requirement, companies created B-BBEE schemes which were used to transfer shares to previously disadvantaged citizens. While the codes allow for a variety of legal structures, including companies and co-operatives (DTI 2017, p. 204), Santam selected to use three trusts to transfer ownership: a staff share scheme, a business partners trust vehicle and a community trust. These trusts are, therefore, defined and governed by the FSC Code Series 100, in terms of which a number of requirements are prescribed, including the structure of the trust, its beneficiaries and its resource disbursement (see DTI 2017, p. 214). It is this community trust vehicle that provides the funding for Santam's work through the P4RR Initiative, although P4RR is not its sole project. The Head of Stakeholder Relations, Santam (I14 2018) described how the proposal to the Community Trust was framed:

I made a proposal to the Trust to say look this issue is a social issue, and the trust is a Community Trust. So they are concerned about social issues; how do we bring relief to social challenges? But being smart also says we can have a dual benefit, we can address social issues while we also reduce our risk, and thereby addressing commercial issues.

The trust funding mechanism may also have provided a certain amount of flexibility and responsiveness. According to the Head of Stakeholder Relations, Santam (I14 2018), funds were made available for the LGSP some years before a final agreement between the government and Santam was reached:

So I had to move these funds to different... almost containers, parking bays, you know, and the Trust would want to know, 'So the money that we gave you, what have you done with that?', and government is not coming to the party. So I decided, okay, you know what, I will then take this adoption literally.

The legal separation between the Community Trust and Santam also belies the interdependence between the two legal entities. For example, in addition to the Manager: CSI, Santam, other staff are also involved in the financial management of the Community Trust (as a B-BBEE vehicle). The Head of Stakeholder Relations, Santam (I14 2018) also pointed out that the Trust's financial capacity to fund social investments is linked to the financial performance of the company:

The trust is dependent of course in the profits coming from Santam, so we will then build sustainability by deploying these funds to build social resilience and improving municipal capacity to respond, and at the same time, we manage our risk better.

Moreover, it was suggested that the trust mechanism was critical in driving P4RR, precisely because of the source of funds. In response to the question 'How important is this trust mechanism?', one Santam participant expressed their personal view as follows:

It's critical, in my personal view. I don't think Santam will necessarily make the level of investments that it is making through the Emthunzini [Community] Trust...if the Emthunzini [Community] Trust did not have that money.

Our data, therefore, suggests that there is a necessary relationship between the P4RR Initiative and the Community Trust and that the B-BBEE Framework provided an important causal structure through its Ownership Element.

5.2 Constraints, challenges and opportunities

In this section, we present the mechanisms, structures and conditions that may have limited or constrained the Initiative's development, which may offer opportunities to support the extension or replication of an initiative like P4RR in other organisations through appropriate strategy and policy. The data is presented in four themes.

The first theme, *From Meaning to Practice* is concerned with (i) how the meaning of CSR, CSI and SED is entangled in both the social and organisational contexts; and (ii) what implications this entangling may have on company practice and stakeholder responses. The second theme, *Structural Characteristics of the State*, is organised around two sub-themes: (i) specific structural limitations that include processes, protocols, resource management and (again) municipal capacity; and (ii) how the B-BBEE Framework can influence social impacts.

The third theme, the *Limits of Regulations* concerns the challenges of both (i) enforcing compliance; and (ii) the paradoxical objective of prioritising substance over form. Finally, the *Question of Value* considers the (i) challenges of monitoring, evaluation and assurance of pro-social activities; (ii) valuing the P4RR Initiative; and, (iii) the limitations of integrated reporting as a form of communication on social and environmental impacts. In Table 9 below we list these themes and sub-themes, accompanied by representative quotations. In the sub-sections that follow, we discuss these themes in greater detail.

Table 9: Disabling P4RR: Constraints, challenges and opportunities

FROM MEANING TO PRACTICE	
SUB-THEMES	REPRESENTATIVE QUOTATIONS
Untangling CSR	<ul style="list-style-type: none"> - 'The different terminologies, they probably just emphasise different aspects of the same thing, so I'm not too hung up myself on the different terminology.' (14) - 'If you talk about CSR in a corporate people think very narrowly, and they think about charity, and they think about it as something you do with your profit.' (18) - 'CSR is misunderstood and conflated with CSI, and that's a big challenge.' (18) - 'A lot of companies that do social investment, not impact investment, but specifically, CSR, CSI type investment, do say that they do consider local priorities.' (118)

(continued)

FROM MEANING TO PRACTICE	
SUB-THEMES	REPRESENTATIVE QUOTATIONS
Linking meaning to practice	<ul style="list-style-type: none"> - 'I think there's a very small percentage of corporates who actually are responsible and realise the benefits...The majority of corporates are still business as usual, and I think it's going to take a little bit of time before that full sort of cycle is achieved, where they realise their responsibility: but this responsibility comes as benefit as well.' (I2) - 'I don't think the corporate sector takes [inequality] seriously and I think they're scared of the issue because they're scared that they will have to sacrifice something, like capping executive pay, addressing the wage gap, internal wage gaps, moratorium on bonuses, widespread employee share schemes, you know?' (I8) - 'This money which...essentially disappears into the black hole of CSI. Why not use that to augment where government is working?' (I18)
STRUCTURAL CHARACTERISTICS OF THE STATE	
SUB-THEMES	REPRESENTATIVE QUOTATIONS
Structural limitations of the state	<ul style="list-style-type: none"> - 'The auditor general's rules cause incredible irrationality, and yet, at the same time, there is massive scale corruption so they are not working and they are stopping good people from doing good jobs, and the bad people are just having a holiday.' (I18) - '[Say] they want to now do LED, they've got to start, in some respects, with: "OK. Can I please link to your LED forum?". They've now first got to get the understanding [of] how these LED forums work. What's the politics in every province? So that's the kind of thing which doesn't make it an easy process for anyone.' (I16) - 'After every local government elections, we get new political leadership and at that conference, where we elect the new political leadership; they come up, with kind of, key themes for a new strategy, every five years. After the local government... it's going to take days if I just explain to you the structures.' (I15) - 'Because you've got to be very transparent on why did you enter into this partnership. And that's what made the BAAM very difficult in the beginning because it was around, but are we being transparent?' (I16)
How B-BBEE legislation influences social impact	<ul style="list-style-type: none"> - 'CSI needs to justify, at the end of the year, the money that has been put aside for CSR...We need to be able to know its black beneficiaries, one. Two how many of those black beneficiaries. And, three, we also measure impact.' (I14) - 'We had a debate with the BEE commissioner at some stage who said: Why do you need access standards? It's what the banks should be doing anyway, opening accounts for anyone. And we said, no, actually not they don't have to. If they can not put a branch in a small township somewhere, they will not do it.' (I11) - 'BEE had a strong role [in developing the insurance industry]. I think sometimes we need to be directed into certain thinking. You don't realise the problem when you are not engaged with it and transformation, a lot of times, corporates are not engaged with it.' (I10) - 'Because the way the [B-BBEE] policy has been designed, is in such a way that we don't only deal with issues of redress. Yes, those are key; those are at the core. But also that we ensure that in the process, the economy is growing.' (I7)

(continued)

THE LIMITS OF REGULATION	
SUB-THEMES	REPRESENTATIVE QUOTATIONS
Enforcing compliance: A causal liability	<ul style="list-style-type: none"> - 'There needs to be a culture of compliance, but also, compliance needs to be intelligent, and it's very often not that.' (I18) - 'I think the problem is in most cases, companies will complain that we will be putting on more compliance [with B-BBEE].' (I11) - 'The reason we said was that prescription has not worked in the past and there is no need for prescription now [is] because the [financial] sector is actually willing to invest in infrastructure...You only do prescription if there's no willingness to invest.' (I11) - 'A lot of hard engagement [on governance] comes from the soft engagement behind the scenes, which is pressuring management.' (I22)
Form over substance: Ticking boxes	<ul style="list-style-type: none"> - 'All companies struggle because it's not easy and it's not their core skill set, and the government has been more or less helpful on implementation on guidance...There's a lot of box-ticking that doesn't necessarily help the municipality in any kind of enduring way.' (I18) - 'I'm a member of our social and ethics committee, and I also sit on the [redacted] social ethics committee (we're a group, yes). And they both are different which is, which is very interesting, and I'm hearing [that] from other some other corporates [too]. I think they've missed their mark in terms of what they were intended to do, and I think that's something the IoDSA should be looking at.' (I8) - 'Some are still battling because they didn't see transformation as a strategic thing to do. It was just a compliance issue for them, and those that have seen it as a compliance are still battling, some of them even now.' (I11) - 'Don't do transformation because you're trying to just tick the box, that's our thing. You do it because you're generally really interested in transformation or you don't do it.' (I5)
THE QUESTION OF VALUE	
SUB-THEMES	REPRESENTATIVE QUOTATIONS
Monitoring, evaluation and assurance	<ul style="list-style-type: none"> - 'It's very important to move into measuring and monitoring... I really just don't understand why there's this huge resistance to then start quantifying the impact that you do have because isn't this essentially what the financial sector does anyway?' (I18) - 'Every year, I sit with whomever I fund to plan the activities for the year and what they hope to achieve and based on that, then at least I've got baseline to say, this is what I'm going to be monitoring.' (I9) - 'In monitoring and evaluation, the logical framework is a methodology to monitor and evaluate. So what we're saying is that these interventions, we expect that it will reach these outcomes, or contribute to these outcomes, because we can never say that what we do is the only thing that is giving rise to the outcomes. And then these outcomes, it's not shown in this version, but these outcomes will result in certain societal impacts.' (I13) - 'We don't foresee a scientific approach to the validation; we rather want the qualitative stories to be told about how this is impacting on people.' (I13)

(continued)

THE QUESTION OF VALUE	
SUB-THEMES	REPRESENTATIVE QUOTATIONS
Valuing P4RR	<ul style="list-style-type: none"> - 'It's anecdotal, some of it, because we hear from our service provider, from the municipalities actually saying before Santam came this is how we were doing things, and post Santam's intervention this is how we do things better.' (I9) - 'It's very difficult to attribute what you are doing or the success of the something and the changes in behaviour to the fact that Santam came along, the big brother came along and then they just did this for you. It could be that you just basically created awareness and people saw the light and then they carried forward with what you advised them on. So at what point then do you claim the glory?' (I9) - 'When you have accountants and actuaries running your organisation, they are all about the numbers. They want to see the numbers, and in their minds, the analysts also want to see the numbers.' (I13) - 'We are coming under pressure to tell the story because there is no doubt that this is a very very positive story.' (I13)
The limitations of integrated reporting	<ul style="list-style-type: none"> - 'At that moment [Integrated Reporting] is a grudge thing because they are sort of fulfilling because they have to.' (I2) - 'King [Codes of Corporate Governance] is, in many ways, was ahead of its time and keeps updating. But I do think there are significant gaps in it. It's still about... it still privileges the providers of financial capital.' (I8) - 'They give you only what they want to see. They show you at the moment only the good things they don't report a balance. Integrated reporting should be balanced reporting.' (I2) - 'What we realised is our other stakeholders...do not ever read an integrated report. Julius Malema doesn't read the integrated report. David Maynier in parliament doesn't read it. Roy Havermann in National Treasury doesn't read it. And these people have as much power and influence over our ability to make money as a shareholder does.' (I8)

5.2.1 From meaning to practice

The lack of a universal definition of CSR and the resultant challenges that this brings has frequently been raised in academic literature. Consequently, our interviews generally began with a discussion around meaning to establish common ground and to provide a platform for the pursuant conversation. In this regard, when responding to questions on CSR, participants would often revert to or incorporate terms such as CSI, SED, or charity and philanthropy. This conflation was reflected even in instances when interviewees responded with a more inclusive definition of CSR. For example, the Head of Sustainability at a leading institutional asset manager (I2 2018) described CSR as follows:

So corporate responsibility for me is...how a corporate operates in the environment, in a society and so forth, their impact. So it could be ABC company, okay, and in terms of what they view their corporate responsibility as. Whether it is to give donations to non-profit organisations and so forth.

In response to the question: ‘Scholars are saying that BEE has been quite instrumental in changing the way companies see their social responsibility. Was that the strategic intention?’, the DTI Representative, B-BBEE (I7 2018) answered: ‘Yes, no for sure, it was. You know, others will argue that we didn’t have to have the socio-economic part of BEE, the one that talks to CSI’. When discussing how the CSI Department supports the P4RR Initiative, the Head of Stakeholder Relations, Santam (I14 2018) also intimated these links: ‘We must also be compliant because we get BEE points if we spend our CSI money in a responsible way. You know, we get our full points in terms of BEE’. Indeed, in our sample, only one participant drew a sharp distinction between CSR and CSI. In response to the question ‘Is CSR still a valid concept? We’ve got sustainable development; we’ve got shared value, we’ve got integrated reporting; is it still worth talking about CSR?’, the Group Head of Sustainability at an international banking group (I8 2018) responded:

I’d almost like to see the term be reclaimed. It’s more relevant than ever...So if we just, if we take the ethics aside, and we only look at this as a commercial issue and as a risk issue, what is the biggest risk to business? For me, the social contract between business and society has shifted.

Accordingly, we found that for most of our sample participants, CSI emerged as the dominant term, and was, in turn, primarily understood to relate to the SED Element of the B-BBEE Scorecard. Consequently, during the data analysis, questions emerged around meaning and whether terminology is a significant structural factor or contextual condition of the local business environment. We, therefore, attempted to analyse how participants described social responsibility; how they observed CSR in practice; and, how they articulated their strategies and activities to influence firm behaviour.

In this regard, we found that CSI was sometimes discussed in disparaging terms. For example, ‘CSI they see as lazy money’; ‘warm and fuzzy’; ‘low priority’; ‘charity’; ‘the black hole of CSI’; ‘donations focussed’; and, ‘the domain of the lovely soft people’. In some instances, direct references were made to marketing and public relations. Furthermore, CSI was sometimes observed or relayed as a departmental concern. Indeed, when describing their work with numerous large listed entities, the Sustainability Consultant (I18 2018) offered the following response to the question ‘Do you find differences in approaches, differences in structures?’:

Huge variation in terms of where sustainable development/CSR/CSI, all those different things, where they sit, whether they sit in the marketing function - which is quite often - whether they sit somewhere more strategic...[How] they are framed, are aligned to their core business offering is also a big area of differentiation. And then, yes, there are lots of variations in terms of how grounded, how evidence-based, how strategic investments are.

When comparing how participants articulated strategies and activities to influence firm behaviour, we found that they generally related the concept of social responsibility to their experiences and perceptions of corporate pro-social activity. For example, in response to a question on social responsibility, the Municipal Manager (I16 2018), as a beneficiary, interpreted CSR within the context of the LGSP programme. In response to a question on whether companies should be engaged in social responsibility, one customer’s (I19 2018) response reflected the philanthropic roots of CSI in South Africa, by describing how they were looking for corporate support for a nursing home for which they fundraised. Interestingly, another business customer (I20 2018) framed Santam’s consumer service short-coming within B-BBEE and not CSR:

Because they stole all our laptops and they stole many things, and then they just rejected the claim. They said, whether I’d been a client for 20 years, whatever I’ve done, nobody was forthcoming to say, look, shame, these people, and especially when you are thinking black empowerment.

We also found that some stakeholder representatives held expansive views on what constituted CSR conceptually, but narrower views on what their appropriate

role was - not only in influencing practice but also in what they believed was within their mandate or domain to influence. For example, early on in our interview, the SASBO Representative (I3 2018) offered an inclusive definition of CSR, but later, when discussing the possible alignment between the union agenda and the CSR practices of the firm, indicated that their primary concern was the member-employee relationship, framed by existing legislation. Offering an industry perspective, the representative from SAIA (I10 2018) included B-BBEE components such as financial inclusion and consumer education as social responsibility. However, when speaking of the role of the industry association in leading the pooling of members' B-BBEE funds for consumer education, they added: 'Pure CSR still remains with our members, which we do not touch. They do as they wish'.

In the asset management sector, we found that the terminology of CSR, CSI and SED appears to have limited value to our participants. Issues relating to social responsibility were parsed as ESG, driven from their objective function of managing their own risk: 'Their reasons are different, our reasons are different. We are doing it to mitigate risk' (I2 2018). One Fund Manager (I22 2018) also pointed to the challenge of taking an expansive, ethical approach to ESG concerns in the context of the small South African listed market:

In a country like South Africa, we can't decide not to own BAT [British American Tobacco] for our clients. It's their decision, whether tobacco or gaming or whatever the moral code is, we don't, we don't make that [decision].

When speaking about the role of assurance in the pro-social work that companies do in society, a Fund Manager (I2 2018) said: 'From our perspective, from a risk perspective, how you spend your after profit taxes is your thing'. Indeed, according to the Group Head of Sustainability at an international banking group (I8 2018), the impetus for pressuring corporates into adopting CSR will need to be government-led in the local context:

I think most of our corporates are quite conservative in these areas and will only really respond to a regulatory change...In other markets in the world, the pressure to do this comes from your investors and comes from your consumers. And then they apply political pressure.

While CSR was regularly discussed in terms of CSI, the meaning associated with the term, and the perceptions and practices associated with social responsibility varied widely between participants - although we observed some regularity regarding the influence of B-BBEE in defining the concept and its practice.

5.2.2 Structural characteristics of the state

Notwithstanding the important enabling role of the state, we also identified causal influences related to material structural characteristics that may impact corporate efforts to replicate initiatives like P4RR. In this regard, participants provided examples of three causal liabilities associated with the state that negatively impacted the LGSP: (i) government protocols and processes; (ii) government resource management; and (iii) municipal capacity. In addition, we also identified the causal power of the South African government to influence CSR through the mechanism of B-BBEE.

The first causal liability relates to government protocols and processes, which were suggested as formidable, particularly for corporate actors unfamiliar with how government works. For example, when describing the success of Santam's approach, Director MSCB (2018) explained that 'it's not an easy process' when clarifying what 'resilience' entailed:

He started to understand: Ah! Disaster management has got district forums. That's where I must sit on. So he links all his processes now to disaster management district forums. But he understands. National works like this, so at national level I've got to have a meeting once or twice, just to get the links in place to keep them there. Then you've got provinces; links in place, keep them there. I've got to get it through a council. And so he writes it into his processes.

The Head of Stakeholder Relations, Santam (I14 2018) recounted how 'delays, government protocols, all kinds of challenges' lost the government financial support for municipalities during the formative stages of the LGSP as corporates

who had pledged funds later withdrew their support: ‘That initiative didn’t take off and many of the companies then they withdrew. The pledges that were made it was close to - and I speak under correction - but it was close to a billion rands at the time’.

The second causal liability we identified relates specifically to government resource management. For example, according to Director MSCB (I17 2018): ‘If you want to put a Business-Adopt-A-municipality in place...We’ve got to go through a lengthy tender process just to get a workshop going in government around the guidelines’. Interviewees with knowledge of working in government expressed their frustration at the Auditor General who oversees financial management in the different spheres of government. While acknowledging the importance of oversight and transparency, Director MSCB (I17 2018) believes that a more flexible approach would allow for innovation and greater input from companies: ‘We need to relook at our controls and say that if we want to work on innovative projects do we have the same controls for that?’ .

The third causal liability relates to municipal dysfunction, which, paradoxically, may render municipalities incapable of accepting LGSP support. According to Director MSCB (I17 2018):

Some municipalities that really need the BAAM are not ready. But that’s actually where you want to put the BAAM down because they need that support, but they don’t have the capacity to deal with the support.

This municipal dysfunction may also, in turn, influence community participation in the IDP planning process, which some participants acknowledged was underutilised. According to the participant who works for SALGA (I15 2018), ‘Sometimes it is an issue of capacity within the municipality or a lack of capabilities’. The first Santam launch of a smoke alarm installation was cancelled due to community members protesting at the lack of municipal engagement. Consequently, according to the Senior Manager: Stakeholder Programmes,

Santam (I4 2018), the Initiative now prescribes community engagement as part of its funding requirements where relevant:

So there we are, we're present, imagine that had become violent? Our brand is very visible there, and we are then associated with not communicating, and it's not even our issues. So our brand is associated with violence and not listening to the community.

Notwithstanding the constraints presented by these structural characteristics, in our analysis of the link between B-BBEE and P4RR, we find that the former may reflect a latent mechanism that could represent an opportunity to further shape corporate social impacts for the public good. For example, to illustrate the relevance of the B-BBEE Framework to Santam's broader strategy we present Table 10 below, which reproduces the company's Sustainability Focus Areas and Key Initiatives published in its 2017 Integrated Report (Santam 2018, p.19). In the furthest column, we matched these Key Initiatives to the likely relevant Amended FSC Code Series. Each Code Series⁴ reflects a different state priority which gives expression to the social and economic impacts it deems desirable for a company to have in that area.

Table 10: Aligning Santam's Key Initiatives to the B-BBEE Financial Sector Codes

SUSTAINABILITY FOCUS AREAS	KEY INITIATIVES	CODE SERIES
Reaching the insured and uninsured markets	Treating Customers Fairly	
	Offering value-added services	
	Creating access to products and services	FS700
	Consumer financial education	FS500
	Developing distribution channels	FS400
Resilience through Shared Value partnerships	P4RR	FS100
	Products and value-added services that integrate ESG	
	Corporate Social Investment (CSI) initiatives	FS500

(continued)

⁴ Code Series are structured around objectives, general principals, detailed scorecards, and measuring principals, and deal with factors such as expenditure levels, beneficiary requirements, weightings and compliance targets.

SUSTAINABILITY FOCUS AREAS	KEY INITIATIVES	CODE SERIES
Develop sustainable business efficiencies (internal and external)	ESG-informed underwriting rules	
	Refining systemic risk models	
	ESG culture and carbon footprint	
	Developing with suppliers	FS400
	Scarce skills development	FS300
	Diverse and productive employee base	FS200; FS300
	Information management and governance	
Responsible investment and solvency	SRI fund management	
	Enterprise development initiatives	FS400
	Socio-economic investments	FS500
	Solvency and asset management	

While the relative successes of B-BBEE is a significant area of study in itself, the DTI Representative's (I6 2018) position is that the B-BBEE codes have influenced how companies approach CSI strategically. For example, by encouraging investment over a longer time horizon and in greater consultation with communities who are beneficiaries: 'It's alerted companies [and] helped them to do it in such a manner that it's sustainable...assisted them to do it in such a manner that they do a needs analysis'. Conversely, the Group Head of Sustainability (I8 2018) claimed that the mechanism might serve to limit how resources are allocated as well as how much is spent:

In South Africa, we put CSI and social, economic development in the BEE codes, and we put a figure in there of how much you should spend on it, and that became in many cases a maximum rather than a minimum.

Furthermore, they also suggested that the B-BBEE Framework may be a constraining factor on King IV by marginalising environmental and social concerns:

I think many of these [SES] committees are overly focused on BEE and transformation, which is an important issue, but it's an issue that needs tackling within the wider context of South Africa. (I8 2018)

The data also provided examples of how B-BBEE can influence the substance of how company resources are spent. For example, the FSC is focussing on directing where, geographically, companies spend resources, in line with the state's objectives of rural development in areas neglected during Apartheid. According to the B-BBEE Representative, the DTI favours mechanisms that make access to government grants conditional upon B-BBEE transformation - including for subsidiaries of foreign multinational companies. The B-BBEE Scorecard for the financial sector also includes access to products, and insurance companies are required to submit new products to a vetting process to improve insurance penetration: 'I know we've approved a lot of Santam ones, I think it's last year' (FSTC CEO 2018, I11), adding:

There is a standard that those access products need to meet. So the companies, when they create new access products, they'll send it to us so that we can take... So we can look through their products to make sure it complies with the access standards that we have.

While we hesitate to attribute any necessarily causal relationship between the FSC and Santam's Key Focus Areas, we do discern some alignment between the B-BBEE Framework and the company's strategy. Furthermore, the data also provided some concrete examples of how the B-BBEE Framework, as a structural element of the South African economy, can direct company resources and influence the social impacts of a company in practice.

5.2.3 The limits of regulation

Our analysis revealed two challenges concerning the ability of regulatory mechanisms to achieve desired outcomes and changes in company behaviour. One relates to a likely causal liability of formal institutions: monitoring and ensuring compliance. And the second, paradoxically, relates to companies shifting beyond a 'compliance mindset' to an approach integrated into the business, one embedded in social culture and values and where substance matters.

Representatives from the financial sector institutions gave more prominence to a company's governance, guided by the private regulatory framework of King IV, which draws on CSR related concepts, including corporate citizenship and sustainable development. For example, when discussing how investors incorporate ESG factors into their investment processes and the type of feedback they give to company's in that regard, our participants earmarked governance as their principal concern. For example, according to the Head of Sustainability at an institutional asset manager (I5 2018), 'Most of the feedback would be around governance issues. Governance issues [they] are probably at the top of the list of issues that we'd engage companies on'. Indeed, one fund manager (I22 2018) positioned governance oversight as the most important role that institutional investors can play: 'We do the hard yards like reading the remuneration report...Of course, that's our job; that's not the man in the street's.'

Participants from institutional asset managers referenced AGM voting as a primary feedback mechanism to companies on ESG issues in the listed market, and direct communication with executive management as key in both the listed and unlisted markets. These participants also intimated that environmental issues and social issues would be addressed if material to the company's financial performance, as the Group Head of Sustainability (I8 2018) explained:

Environmental and social issues are risks, and they affect credit, and they affect the ability of your customer to repay their loan. So if you're going to build a big pipeline and you're going to relocate communities, and those communities start sabotaging the pipeline, the client's going to struggle to repay the loan. You know? It's simple.

Conversely, compliance with B-BBEE regulation and other government regulation featured more prominently by participants working for government institutions. In this regard, the DTI Representative (I7 2018) optimistically pointed to evidence on some improvement on compliance based on empirical research: 'So there is some movement, although at a slow pace and we would like it to be more accelerated'. Notably, the FSTC CEO (I11 2018) highlighted the decline in compliance and B-BBEE Scorecard submission during the transition process from

the first B-BBEE Act and Sector Codes to the Amended B-BBEE Act and Amended FSC:

Between 2008 until end of 2012 when the codes, the discussions about the new codes took place, most companies during that period, actually they dropped [in compliance]. Because there was nothing that actually drives the transformation within them.

In terms of efforts to enforce compliance, we asked some participants about their views on making FSC targets compulsory. In this regard, the FSTC CEO (I11 2018) acknowledged that some are concerned that ‘there’s no teeth if companies are not complying’, although additional regulation may not necessarily be optimal:

And where necessary, if they believe that they have to legislate to push any agenda, [the Department of National Treasury] are free to do that. You can’t just legislate at a national level and hope that it will happen, because the pressure is on business already, in terms of compliance and legislation, it’s high already, especially in this sector. So if you want to now bring new compliance levels, you are actually creating a problem.

A similar sentiment was expressed by the DTI Representative, who, in 2018, took part in the discussions at NEDLAC where such recommendations were discussed, and the general view at the DTI is to continue using its existing structures to incentivise companies to comply.

Notwithstanding the difficulties in enforcing compliance, participants also pointed to a corporate propensity to approach regulatory requirements as a compliance exercise as opposed to embedding what the regulation was generally trying to achieve. Almost every participant used a variant of the phrase ‘ticking boxes’, such as ‘tick-box exercises’, ‘box-ticking’, ‘we take it as a quick tick-box’, to describe corporate responses to meeting the regulatory requirements of formal institutions. For example, when describing their application of King IV in assessing companies, one institutional fund manager (I22 2018) hinted at this limitation:

I think we're not very box-tickery about it. So, for example, we don't adhere strictly to a King Code definition of 'Is the guy independent?', 'Are there enough independent execs?'. 'Is tenure longer than X?'. It's not really our solution to ESG; I think it's a lot deeper than that.

The Group Head of Sustainability (I8 2018) who participated also suggested that companies' organisational structures may limit the ability of King IV to drive integration of social and environmental concerns, mirroring the challenge of CSI as a departmental concern: 'And who owns King IV in a company? The company Secretariat, the governance office. How much power do they have sitting around the table to push these issues and ask the tough questions?'. When recounting their work on the UNEP FI Banking Committee, they also described their observation that European and Australian investors offer more rigorous interrogation of company CSR practices, suggesting that South African investors are less concerned with substance than form:

Our investors, when they ask these questions are much more interested in things like: 'Are you a member of Equator Principles?', 'Do you have a statement on human rights?', not 'What is in that statement?'. 'Do you have an ESG policy?' not 'How are you implementing it?'. (I8 2018)

This propensity for form over substance was also referenced when discussing the B-BBEE Framework, and the DTI Representative (I7 2018) acknowledged that interrogating the substance of interventions was both a challenge and a focus of the B-BBEE Commission going forward:

If a company says to you I'm a level one, it's fine. But the quality of it, what impact are you making, what have you done, how many enterprises have you created, your employees, the quality of your employees, job creation? So those variables, those are the things that we need to measure, to say, through BEE, we have been able to achieve these kind of qualitative achievements... So that's the direction that we want to take: to be able to measure BEE not only in numbers but also the quality.

According to the Sustainability Consultant (I18 2018), one challenge may be in the oversight and governance processes which may not facilitate engagement with the substance of what companies are doing:

So when it comes to all these CSI ways of forcing companies to behave in a certain kind of way, it can't just be about handing over a report, it's got to be relationship-based... If you work in a private company and I work in government, and my way of checking that you are doing the right thing with your corporate social investment is that you give me a report, you email me a report once a quarter, you... I mean, what does that do?

Furthermore, the Group Head of Sustainability (I8 2018) suggested that the very act of creating legislation and regulation precipitates this compliance mindset.

Part of the challenge is a tension - and I don't necessarily have a solution - but part of the tension is whenever you codify these things you turn them into compliance tick-box exercises rather than getting people to truly interrogate their values and how they do business.

Indeed, the Senior Manager: Stakeholder Programmes, Santam (I4 2018) suggested that, in their personal view, the general corporate response to social norms and standards that are not regulated may also reflect a compliance mindset:

And as much as [company management] understand that you need to talk in terms of the social responsibility of a business, often that is just lip service, and there isn't an underlying belief that that is what should be doing. And so in order to tick the compliance boxes and to be seen to be a responsible corporate citizen, they would do [these] things.

Consequently, we find that there are likely limits to what regulation can achieve in elevating substance over form and that a compliance mindset may be a relevant structural characteristic of corporates in South Africa and should, therefore, be considered in policy development.

5.2.4 The question of value

One of our research questions was concerned with how a strategic approach to CSR as risk management for the public good would be valued, and how this value would be reported and communicated. In this section, we present our findings as they relate to the question of value organised in three sub-themes: (i) monitoring and evaluation; (ii) valuing the P4RR Initiative; and (iii) the limits of integrated reporting.

In the first sub-theme, we identified three primary drivers of the monitoring, evaluation and assurance processes, i.e. the company, the Community Trust, and

the B-BBEE Framework. First, from the company's perspective, an important precursor to the formal establishment of the P4RR Initiative was the perceived success of the first intervention of the LGSP partnership: '[It was] when we started seeing the positive effects of that initial five municipalities that we said that we need to formalise this' (I14 2018). However, in this regard, the Senior Manager: Stakeholder Programmes, Santam (I13 2018) alluded to 'pressure' from senior management: 'So we are a little bit under pressure to do the monitoring and evaluation, because, you know, again, a corporate, they're looking at financial, quantitative data'.

According to the Senior Manager: Stakeholder Programmes, Santam (I13 2018), the largely absent M&E processes at municipalities, necessitated the development of their own framework which we summarise as internally developed and validated, theory-driven ('the Logical Framework Approach'), and underpinned by a few critical qualitative and quantitative metrics:

So what we're almost reducing it to - saying, look, okay, to start off with you had only four of your ten people who were well trained or had the proper accredited training. After our intervention, now eight people are, and then we make the assumption that that should have improved the quality of service of the fire station.

One of the challenges relating to the M&E process is that the company contributes to a municipality's risk management system, and its contributions are determined and prioritised by the municipality. Consequently, according to the Manager: CSI, Santam (I9 2018):

It's very difficult to link, I would say, a particular reduction of something to the intervention that Santam made because it's not only influenced by Santam's intervention. There are other factors that would influence a particular change in behaviour. So one cannot actually claim, alone, that I contributed to a change in behaviour.

The Senior Manager: Stakeholder Programmes, Santam (I13 2018) intimated that this property might also preclude meaningful external validation, although the internal audit department does apply its processes to the work that they do:

I'm not sure we actually want this to be externally validated because of our early discussion that we had, you know, what is that going to show us? So that is something that we are grappling with, how do we validate this and how do we listen to, from an impact perspective, what are people who are receiving this saying, and how have their lives been changed?

Furthermore, according to the Senior Manager: Stakeholder Programmes, Santam (I13 2018), 'with monitoring and evaluation, it's all about data and establishing that baseline. And that baseline is difficult to establish' in the context of Santam operating within municipality risk management systems.

The second driver is the Community Trust, as a separate, independent legal structure. According to the Manager: CSI, Santam (I9 2018) it has its own monitoring and evaluation process to oversee the application of its funds, informed by the projects and the goals set through consultation with the respective project managers, which it applies across all its projects (including the P4RR Initiative):

I report back to the Trust about the work that is done by the people that they fund. So as collating of those reports, reporting on the progress report, monitoring, doing the visits, doing the monitoring of those projects on behalf of the Trust.

Lastly, because P4RR and the CSI budget are eligible B-BBEE Scorecard Elements, there is also some external validation required to ensure that monies spent do qualify. Scorecards submitted require independent verification agencies, accredited by the South African National Accreditation System, to confirm compliance - a function described by the FSTC CEO as critical to the success of B-BBEE. However, while the DTI Representative (I7 2018) described this as a thorough process, the Manager: CSI, Santam (I9 2018) described this process as follows:

At the end of the year, we've got an external company that monitors whether the funding went to... And there - not the day to day where they would actually visit - but there they have a prerogative to call the companies, the organisations that we funded... They have a prerogative to check that as to whether they received the funding, they have a prerogative to check as to whether the beneficiaries were 75% black.

We also interrogated how the P4RR Initiative is valued, both from the perspective of the firm as well as its beneficiaries. In this regard, the Municipal Manager (I16 2018) who works for one of the first municipalities that Santam assisted, referred to shared value when describing the benefits which included the company ‘opening doors’ to other businesses, data sharing and support, research studies, and funding:

I think over time we’ve realised that the... that specifically the risk industry, insurance, reinsurance etc., and us at disaster risk management, we actually on the same side. The more we can reduce the risk, the less the exposure would be for the insurance industry as well. There was a benefit for both, and normally when there is a benefit for both, then it works.

However, they also added that the short-term nature of the intervention was its biggest disadvantage as you couldn’t ‘bank on getting assistance over years’. The Municipal Manager (I16 2018) also expressed the value of Santam’s work in terms of their risk management priorities determined through the risk assessment process which applies the metric ‘risk equals your hazard times your vulnerability over your capacity’; accordingly, a risk reduction intervention can be assessed in terms of how it impacts this metric:

In 2006/7 we had major flooding, and we had a lot of damages on low-lying houses lying next to our estuary. [As] part of the BAAM programme, we developed an early warning system to warn those people in low-lying areas, but also to assist us to breach the estuary before the flooding event. So if we know we’re going to get 50mm or more rain in a specific area, we then go, we breach the estuary, we drain the estuary. And since 2007 we’ve had no damages in low-lying areas next to the estuary.

From the company’s perspective, their Head of Stakeholder Relations (I14 2014) intimated that they have a relatively clear understanding of the value that it offers: ‘[Other companies] cannot track the value other than the social value that they glean from this work, and they are not in it for the long haul’. However, Santam participants raised three challenges relating to the quantitative financial measurement of the value of the work that they do: (i) the implications of the source of their funding; (ii) the underlying assumptions on which value is based

and; (iii) the collaborative nature of the work which precludes value being specifically attributed to any one intervention.

Firstly, as previously mentioned, the funding for the P4RR Initiative comes from the Community Trust and the company reports on the total funds disbursed as part of B-BBEE Scorecard, which is included in integrated reports (see Santam 2018, p 97). According to the Senior Manager: Stakeholder Programmes, Santam (I13 2018): ‘The Trust is very clear in terms of saying they don’t mind Santam leveraging off any brand value or commercial value off the project, but Santam cannot use this and say this is our project’.

Secondly, in trying to apply traditional metrics used in the business such as Return On Investment (ROI) and claim reduction, the Senior Manager: Stakeholder Programmes, Santam (I13 2018) relayed how they found that the number of assumptions required undermined this process:

So I’m not sure what value that trying to force an ROI or some kind of numeric indicator, what value that really adds, because of all the assumptions that you make in putting that together. I think a heartfelt story and a heartfelt impact makes a very loud statement about who you are and what you are doing.

In this regard, the Manager: CSI, Santam (I9 2018) did believe that the process of quantifying the Initiatives’ financial value would become easier over time as a baseline is established.

Thirdly, as explained earlier, Santam is contributing to municipalities’ risk management, so any reduction in claims would be difficult to attribute solely to the company. Consequently, the team is advocating for a qualitative story-telling approach when communicating the value of the project, for example, by making a video about the project using their own resources (and not the Community Trust’s, who would not fund it). They are also working with the Graduate School of Business of the University of Cape Town to apply a ‘powerful’ methodology for telling stories. However, the Senior Manager: Stakeholder Programmes, Santam

(I13 2018) did refer to some pressure internally to justify the work in financial terms:

And that [qualitative approach] is really difficult even to sell in the organisation because if you look at ■■■ as the chief executive, there's an execution from our senior leadership that we will demonstrate our value with quantitative, numeric data. So she's looking at us and saying, so what value are you adding to the company? Meaning from a numbers perspective, how many new policy units are you selling as a result of your work, and what is the cost-saving?

Study participants held different views on whether the ability to abstract the value of social projects into financial terms is necessary. For example, the SAIA Representative (I10 2018) favoured a 'story-telling approach' although they interpreted value on a cost-basis: 'Say we've spent R200 billion on houses vs I've built 200 houses, it's the same story, it's said differently from an impact point of view'. Others, such as the Sustainability Consultant (I18 2018) argued that the abstraction of social and other non-financial benefits would be an important factor in leveraging the financial sector to finance sustainable development and to direct the flow of funds to more socially responsible companies.

For example, the Group Head of Sustainability (I8 2018) at an international banking group argued that 'Strategically, if we want to change the mindset of people in corporations and investors, they relate to numbers. So we actually have to use what works. And numbers work'. Indeed, one Fund Manager (I22 2018) who is also the institution's lead researcher on Santam, described the company as a 'superior underwriter'. However, while aware of the work the company did in broad terms they did not necessarily factor it into their assessment: 'So the CSR plays a role almost by coincidence and in the outcome...but I don't think that they, that part of their rating is based on CSR' (I22 2018).

The third sub-theme relates to the communication of value and the limits of integrated reporting. As an important component of CSR communication, interviewees drew attention to some factors that may serve to limit its usefulness as a mechanism for driving CSR practice, i.e. regulatory constraints; the limits to

transparency; the focus on financial capital providers; its use as a marketing tool; and, a compliance approach. First, producing an integrated report is a regulatory requirement for listed companies, and integrating reporting practice is governed by prescriptive reporting guidelines. Participant comments included statements such as ‘a lot of integrated reporting is quite technical, and it adheres to certain standards’ and ‘An integrated report is a regulatory requirement, there are... constraints on how you do it’.

Second, listed companies often control the flow of information and investors are limited to information in the public domain, as the Head of Sustainability, at an institutional asset manager (I2 2018) was keen to emphasise: ‘So remember that for listed companies we can only use publicly available information...most of the stuff that’s out there is actually what the company puts out’. Furthermore, corporates may not be incentivised to be transparent about ‘market sensitive’ information that could affect the share price (I8 2018).

Third, in terms of the IIRF, integrated reports are primarily prepared for the providers of financial capital and may also not be accessible or relevant to other stakeholders in its current form. For example, the representative from SASBO stated that the union favoured communication from its members. In response to questions on whether they had any knowledge of Santam’s work in communities through the integrated report or other mediums, a long-standing Santam customer (I19 2018) said: ‘I hardly get correspondence from them, so. It’s only the monthly payment’, adding that ‘and I do watch television and the news all the time. Newspapers too. And I haven’t seen any that I can remember.’

Fourth, while integrated reports are prepared for financial capital providers, they may be perceived as marketing tools by these very stakeholders, as intimated by interviewees from financial institutions. According to the Head of Sustainability at the institutional asset manager (I2 2018), this may also relate to the department responsible for preparing integrated reports:

You can look at the standard of the integrated reports, and you can see it's still being done by the marketing department. There's no clear link in most integrated reports between strategy and the various elements of the business; there's no clear link. And that's also going to take time.

These participants (including the IoDSA nominated sponsor) used dismissive phrases to describe the value of integrated reporting, for example, 'It's hogwash at the moment' and 'Scrap integrated reporting', preferring to do their own analysis. According to one Fund Manager (I22 2018), 'We always do our own work and the kind of things we spend more time worrying about [are] often not the things in the integrated report'.

Fifth, companies may exhibit the same compliance mindset to integrated reports as they do to other regulatory requirements:

So BEE Schemes are a great example. Integrated reports probably worry about whether they exist and whether they [unclear] and what level of ownership gets you to a level BEE stage. You know, we worry about the cost of dilution, how the matrix work, we worry more about who is included. (I22 2018)

In this regard, the Group Head of Sustainability (I8 2018) suggested that 'The JSE could play a bigger role in changing things by changing the reporting requirements of listed companies', adding that:

It took hundreds of years for us to get generally accepted accounting standards and how do we measure market value and fair value and goodwill. And what is goodwill? It's completely intangible. Many concepts in accounting are all made-up; they are constructs; we just all agree on that story. We need to go through exactly the same evolution in this.

Indeed, to address these shortcomings, one participant provided a copy of a publication used to supplement their institution's integrated report which has a focus on other stakeholders, including employees, customers and civil society, using internally developed metrics.

5.3 Chapter summary

In this chapter, we presented the findings of our primary research, post the data coding and analysis processes, structured into two sections. The first section was

concerned with the relevant structures, contextual conditions and mechanisms that contributed to the genesis and enabled the ongoing support of the P4RR Initiative, and here we identified three primary themes. Possibly foremost, we found that profit-seeking and wealth preservation are widely understood - by key stakeholders and the organisation itself - to underpin the Initiative's genesis and ongoing development and evolution. One contextual condition likely to have prompted the company's response was its proximity to the shared disaster risks of fire and flood, coupled with a limited capacity of the state to implement an appropriate risk strategy, and a local context that renders other responses less viable.

We also found that the P4RR Initiative was explicitly positioned as an embodiment of shared value, and therefore, a source of competitive advantage for the company, as reflected in company communication and corroborated by employee statements. Furthermore, in the context of the economic role of the short-term insurance sector, our third sub-theme in this category points to a possible expansion of the economic benefits sector to provide risk management for the public good while furthering Santam's strategic goals.

The second primary theme that emerged related to strategic management and the company's key employees, requiring a degree of organisational flexibility and adaptability to respond to changes in a challenging business environment. Like any social institution, Santam's corporate strategies were underpinned by individuals - individuals who ultimately drove the strategic agenda and elicited the necessary cultural and social changes. Finally, our third theme was concerned with the role of the state in creating enabling environments. Sub-themes included two key contextual conditions: (i) an environment characterised by mistrust; and (ii) the limited capacity of the state to achieve its goals without corporate participation in a contemporary economic context of significant socio-economic challenges and rising systemic risks. Here the state was found to play a vital role, attempting to build local government capacity to deliver on strategic national goals, with its

legislated integrated development planning process facilitating Santam's strategic implementation, and the B-BBEE legislative framework providing the impetus to create the Community Trust that ultimately funds the P4RR Initiative.

The subsequent second section elucidated four primary themes that emerged from the data analysis process, related to structures, contexts, and mechanisms which may have constrained or limited the programme, and which may, indeed, provide strategic opportunities for the replication of similar corporate initiatives. The first primary theme, from meaning to practice, pointed to terminology as a potentially significant structural factor or even contextual condition of the local business environment. Participants revealed how perceptions and understandings of terms such as CSR, CSI and SED (as a B-BBEE Framework Element) can be entangled in both the social and organisational contexts, and that these entanglements may have implications on company practice and stakeholder responses to corporate responsibilities.

The second theme 'disabling' theme to emerge from the data analysis process related to specific structural characteristics of the state which reflected potentially powerful causal liabilities as understood in the critical realism framework. These limitations, which included structural limitations around government processes, protocols, resource management and limited municipal capacity, and when considered in conjunction with the enabling role of the state, illuminated the state's capacity to function as both an enabler and, obversely, as a disabler of CSR practice to manage risk for the public good. However, the data analysis also suggested that the B-BBEE Framework can potentially play a powerful role in influencing both corporate social impacts as well as shaping the cultural understanding of the role of business in society.

The third theme to emerge in this section pertained to the ability of regulatory mechanisms to achieve desired changes in company behaviour, likely due to a causal liability of formal institutions to monitor and ensure compliance, as well as

a likely structural characteristic of corporate South Africa to shift beyond a ‘compliance mindset’ to an approach embedded in business culture and where substance matters. Finally, the fourth theme was concerned with value, a principal subject in our propositions and a key research question. Our data analysis revealed three pertinent sub-themes: the general difficulties of monitoring, evaluating and assuring pro-social activities; the specific challenges of valuing the P4RR Initiative; and, the limitations of integrated reporting as a dominant, contemporary form of communication on social and environmental impacts.

In Chapter Six that follows, we present our analysis and discussion of the findings presented in this chapter, synthesising the primary and secondary research, the academic literature, and our theoretical and conceptual framework.

CHAPTER SIX

6. ANALYSIS AND DISCUSSION

This chapter presents the discussion of our analysis of the findings of the P4RR Initiative that synthesises the primary and secondary research, the academic literature reviewed, and our theoretical and conceptual framework. Guided by the critical realist framework, the chapter is organised into two main sections. The first pertains to our analysis in the context of the academic literature and is broadly concerned with the salient critical realist objects we identified along with a more general discussion of all the stakeholders in both the organisational and social contexts. The second section presents an application of our theoretical and conceptual framework and includes the analysis and discussion of the findings in the context of our study propositions on CSR as risk management for the public good. A chapter summary concludes.

6.1 Discussion of the findings in the context of the literature

6.1.1 An economic response to competitive pressures

It is inarguable that without a profitable business, a for-profit company will cease to exist, and the pursuit of profits is critical, if not paramount, for any business operating in a market-based economy. Earlier case studies on Santam indicated that deriving some form of economic or financial benefit to maximise shareholder value was an important causal mechanism for the genesis of the P4RR Initiative, which we corroborated in our study. In the absence of social or organisational stakeholder pressure to resolve any negative externalities or social costs generated by the company, using Crifo and Forget's (2015) theoretical framework one could aptly characterise the primary mechanism driving the Initiative as competitive pressures emanating from the market. Indeed, as discussed in the introduction, proximity to fire and flood risks, low insurance penetration, and limited opportunities for market growth have likely elevated the research-supported, strategic viability of influencing risk drivers outside the company's control

through tactical partnerships with municipalities in particular (see Santam et al. 2011).

Referring to Garriga and Méle's (2013) map, one could also consider the seeking of competitive advantages through shared value as a relevant instrumental theory supporting the company's strategy, underpinned by the notion that 'the competitiveness of a company and the health of the communities around it are closely intertwined' (Porter & Kramer 2011 p. 6). Participants from Santam frequently referred to shared value in both their descriptions about and motivations for the continuing operation and potential value of the Initiative. While the pursuit of competitive advantages may appear incongruent with Santam's efforts to encourage other insurance companies to seek similar advantages, this may reflect both the scale of the socio-economic challenges in South Africa (which would undoubtedly benefit from greater corporate participation), as well as an adoption of a tenant of the shared value concept that eschews zero-sum competition (Porter & Kramer 2011, p. 16).

Certainly, in the South African socio-economic context as elucidated in the introduction, Santam too could benefit from other companies managing risk for the public good, as others have done from its work (see Santam et al. 2014). The company has been open (and perhaps even persistent) with the industry body in an attempt to galvanise support, as confirmed by the SAIA Representative. Notwithstanding the ostensible tension with seeking competitive advantages relative to its market competitors, the company's support of SASRIA's efforts to understand its risk drivers, and improve its resilience to risks points to the multitude of challenges facing South African businesses, possibly precluding a *de facto* eroding of market competitiveness of such an approach. The Head of Stakeholder Relations at Santam was particularly emphatic in their interview on the need to engage as many businesses as possible, both within the industry as well as with leaders in the broader business environment, to support the state in improving local government capacity and service delivery for the public good.

Furthermore, referencing the company's potential causal influence as the market leader, if, as the literature suggests, businesses are often influenced by prevailing industry practices (Aguilera et al. 2007), industry leaders and institutions like Santam and the UNEP FI are playing a significant role in the process of shifting industry standards and norms. If successful in shifting industry practice, Santam's approach of expanding its business activities to include proactive contributions to environmental and social risk management in its business activities could also represent a significant expansion of the economic benefits of the short-term insurance sector (see Dickinson 1998) that positions risk management for the public good as an essential economic contribution. Indeed, according to Van den Berghe, and Louche (2005, p. 429), the insurance and financial services sector has 'huge potential for positive externalities'.

The inclusion of the P4RR Initiative in the Stakeholder Relations Unit also speaks to an integrative theory of CSR (Garriga & Melé 2003), where stakeholders are strategically selected to further the company's objective function. The company has aligned with salient stakeholders who share a similar response to the questions of 'Why we are uncertain?' and 'What we are uncertain about?', i.e. disaster risk management and reduction as a consequence of risks arising from social behaviour and climate change. Interview data suggests that these alignments are primarily pragmatic, notwithstanding the personal sentiments of participants who were keen to emphasise their interests in social justice and community development. However, some comments also alluded to these sentiments being less pertinent to senior executive management who were decidedly concerned with financial impacts. The initial organisational positioning of the Initiative may also be consistent with academic literature (and, indeed individual participant contributions) where some companies still place CSR within marketing or public relations and have yet to adopt it as an integrated, over-arching, organisation-wide business practice (Garriga & Melé 2013; Öberseder, Schlegelmilch & Murphy 2013).

By aligning with the IDP, Preston and Post's (1981) principle of public responsibility may also be apt: the IDP provides both a framework and a boundary for Santam's work. From a social welfare perspective, the P4RR Initiative represents proactive risk management (Lee 2011) for the benefit of itself and the public good. This contribution is likely economically efficient since the government is unable to deliver optimal levels of this public good (see Kitzmüller and Shimshack 2012), and the work leverages off company technology and is aligned to its business activities (Blomgren 2011). Additionally, the normative decision-making appears to be government-led, and in so doing provides an important political mandate (Palazzo & Scherer 2008).

We would also add that by adhering to the processes and structures of local government, particularly through the IDP plan, Santam has not encroached upon or usurped the state's political mandate in the application of financial resources. This alignment may moot the need for ethical consideration with regards to the application of the funds (assuming an ethical government) but does not provide any discernible mechanism for demanding ethical consideration of other benefits, such as the use of political capital or the data the company receives through its relationships.

Santam participants' data did not provide much evidence of any explicit, significant tension between ethics and profits, although one Santam participant alluded to some uncertainty about whether the existence of the P4RR Initiative was a fair measure of the social values of the company, given that Santam was not using its own funds. Santam participants also referred to benefits emerging as 'unintended consequences', including the accumulation of considerable political capital. When viewed through the lens of corporate power in shaping the economic, political and social development of the countries they operate in (see Bond 2008; Cowling & Tomlinson 2005; Pitts 2009), such benefits should give pause. Indeed, Tench, Sun and Jones (2012) refer to the stakeholder model of a political business entity, centring on a small number of interest groups as one of

the three core models of CSR. Interestingly, Crane et al. (2014, p. 136) explicitly criticise the shared value concept as not providing an adequate framework for dealing with ethical dilemmas and other tensions that businesses will invariably face when dealing ‘with trade-offs between economic and social value creation’.

Other ethical concerns raised include the measuring of impact and what constitutes a meaningful contribution to society - widely accepted challenges in contemporary CSR Practice (see Mersham & Skinner 2016; Wood 20110). Another concern raised was the appropriate commercial use of the information that they have received through their relationship with these municipalities (described as ‘sensitive’). A brief comment from one participant referred to conversations occurring internally on how best to apply such information (if at all). It is unclear where the external scrutiny of any such decisions taken would take place (see Margolis & Walsh 2003). As some participants claimed, and, indeed, as Wood (2010) raises in her assessment of CSP implementation and measurement, data availability and company transparency are also key issues when evaluating companies social performance.

6.1.2 Enabling CSR as a response to shared risk

Through our analysis, we conclude that the state played a significant role in enabling the P4RR Initiative. Firstly, by inviting corporates, as community members, to participate in supporting local government to deliver on its legislated mandates (which includes creating enabling business environments) and, secondly, by facilitating the necessary relationships with municipalities required for corporates to engage appropriately and meaningfully.

This contribution to the P4RR Initiative is underscored by a contextual condition of a likely systemic mistrust between business and state, in part as a legacy of Apartheid. According to the Helen Suzman Foundation (2012, cited in Diale 2014, p. 549), ‘the lack of trust between [the public and private] sectors may very well be a defining feature of the relationship’ in South Africa. This mistrust is likely

exacerbated by cultural ideologies that delineate the role of business in society, which some participants alluded to when discussing the necessity of (and indeed resistance to) forming partnerships and sharing the burden for addressing socio-economic challenges.

The precise role of business is, of course, frequently debated in CSR and economic literature, particularly in the context of shareholder primacy (see Jensen 2001), managing external effects and wealth distribution (see Weyzig 2009), deregulation as a requisite for driving competition (see OECD 2003; Stiglitz 1998), and the appropriateness of shifting public goods provision from the state to the private sector (see Kitzmueller and Shimshack 2012). Our participants also reaffirmed (with frankness and urgency) that the state's contribution is likely underpinned by a profound recognition of the complexity of the socio-economic challenges facing South Africa and the necessity of elevating the role of local government as a lynchpin in the delivery of its strategic socio-economic development goals. Participants who either worked for or with the government, referenced how links between the three spheres of national, provincial and local government, translate into effective implementation of government policy.

The government's influence also extends to its impact on the structure and mandate of the P4RR Initiative and defines, to some degree, how it operates in practice. For example, Santam leverages off government structures by aligning to the Disaster Management Act and the municipal IDP. This alignment offers the potential of securing the critical input of beneficiaries and municipal residents to meet their needs in a manner which potentially elevates their agency (see Harrison 2001). Indeed, through the development of IDPs, municipalities may offer an important focal point where business, the state and community residents can directly engage to achieve those national objectives that ultimately cascade down to municipal government, as well as facilitate an understanding of shared risks within the community.

Furthermore, the IDP and the municipal risk assessment processes facilitated the integration of the company's interventions into the local government's risk management system. Importantly, the IDP also includes the creation of a risk register, which is the outcome of a risk assessment on all aspects of municipal activities, not just disaster risk management. Conceivably, as the Municipal Manager suggested, the risk register could be used to align all corporate pro-social initiatives to community preferences, which we believe could also provide a basis for monitoring the portfolio of risk management responses of corporates.

In addition, through the B-BBEE Framework, the state incentivised the transfer of Santam's capital to the Community Trust and mandated that these funds be used to benefit society in a manner loosely prescribed by the state. While undoubtedly philanthropic, the company does simultaneously boost its B-BBEE Compliance Level. As one participant alluded, the impetus for this philanthropy may not have been present without the B-BBEE Ownership Element. By implication, the existence of such a vehicle is not necessarily indicative of the company's values *per se*. Notably, there has been some consternation from the DTI that community trust vehicles are not adequate as ownership mechanisms; 'owners' have little say over how the money is spent and therefore are akin to beneficiaries (Malope 2017).

Civil society and businesses have also raised concerns about community trusts, pointing to political interference and the use of such trusts for personal gain (Triologue 2015). These criticisms notwithstanding, there may be an important (and useful) causal relationship between the P4RR Initiative and the B-BBEE Ownership Element. While perhaps not necessarily addressing the substance of the Framework, the community trust vehicle may inadvertently incentivise the use of these funds for a dual benefit (or shared value creation?) because of the implicit control companies may exert on these vehicles, counterbalanced by the need to meet the FSC objectives to qualify for B-BBEE Scorecard points.

Beyond its role in the genesis of the P4RR Initiative, our data also illuminated the B-BBEE Framework's greater relevance to a company's social impacts. Notwithstanding the question of whether the B-BBEE Framework has been successful in achieving its desired outcomes, it has undoubtedly had some impact on how companies allocate their resources, and our data suggests that the structurally embedded B-BBEE Framework may operate as a material macro-micro mechanism, both enabling and constraining company's pro-social behaviour. It may also reflect the causal power of the government to intervene through legislation (see Yang and Rivers 2009), and, according to some interviewees, the most powerful in the context of the local economy and market. Indeed, the extent of this causal power may be underscored by research which finds a 'significant negative relationship between a company's BEE score and future returns' (Ferreira and de Villiers 2011, p. 36).

According to Kloppers (2014), B-BBEE has raised awareness of the social obligations of corporates, providing a platform from which CSR initiatives can be launched. He also argues that that the B-BBEE elements of skills development, enterprise and supplier development, preferential procurement and socio-economic development are directly linked to developmental agendas and contribute towards sustainable development. We, however, argue that all elements can be incorporated into a definition of CSR that is concerned with all of a company's social impacts. Indeed, Kleynhans and Kruger (2014, p. 9) conclude that 'the main focus of [B-BBEE] has a socio-economic motivation', and Wolmarans and Sartorius (2009, p. 189) claim that 'a [B-BBEE] transaction is an important vehicle whereby South African companies can give expression to their CSR objectives'.

Opinions on the appropriate role and structure of a government in society vary considerably. Those that favour little to no regulation, oversight and public administration, can point to a great deal of literature on government failure that supports claims of inefficiency, bureaucracy, corruption, and inflexibility (see

Bénabou and Tirole 2010; Rhonheimer 2012). Indeed, as our data suggests, some of these claims appear to be valid structural characteristics of the South African state (notwithstanding that these claims may be equally as valid in the private sector too). Nonetheless, as de la Cuesta González and Martínez (2004, p. 279) argue, ‘it is the government’s duty to protect current victims, or potential future victims, from companies’ externalities’. However, for regulation to successfully drive pro-social behaviour, businesses need to comply or be penalised in some way if they do not. Regulatory compliance is, therefore, one measure of the success of regulation to achieve desired outcomes.

In this regard, our analysis revealed two challenges concerning the ability of regulatory mechanisms such as the B-BBEE Framework (and indeed private regulation like King IV) to achieve desired outcomes and changes in company behaviour. One relates to a causal liability of formal institutions: monitoring and ensuring compliance (see Crane et al. 2014; Kloppers 2014). The second, paradoxically, relates to companies shifting beyond compliance given that, generally speaking, there is an underlying objective which one seeks to meet through the act of complying. Current sentiments emanating from government participants intimate a need to balance regulating company behaviour without creating onerous regulatory requirements that are difficult to enforce and do not encourage the substantive changes participants called for. In this regard, the state’s ability to influence this mindset may lie in incorporating a broader cultural response whereby shifting individuals’ personal beliefs and values, coupled with an appropriate agency in the corporates where they work, could be a more powerful strategy than legislation on its own (see Da Piedade & Thomas 2006).

The B-BBEE Framework may also have implicitly reinforced the contemporary cultural understanding of CSR. Scholars have argued that the exclusion of the language of responsibility in the local context limits the discourse to one of philanthropy (e.g. Fig 2005). This narrowing of CSR to CSI and the latter’s link to SED as an Element of the B-BBEE Scorecard may well reinforce this narrow

meaning, which may, in turn, have implications for expansive public policy interventions that require corporate participation, the structural placement within the organisation, as well as stakeholder perceptions on their respective mandates to influence corporate behaviour.

The LGSP may, therefore, offer an important mechanism through which the state can shift prevailing CSR practices within specific industries. For example, Schuman (1985, cited in Aguilera et al. 2007, p. 845) predicts that ‘organisational actors are likely to engage in CSR to emulate their peers in order to preserve their social legitimacy’, and Jenkins (2006, cited in Tang, Hull and Rothenberg 2012, p. 1278) finds that companies initiating CSR activities tend to model their practice on successful examples in their industry as they are more likely to prove easier to start. Aguilera et al. (2007) offer two options to improve CSR efforts: i) undermine industry cohesion or ii) pressure the entire industry to shift standards upwards. Providing mechanisms where leading industry institutions such as Santam redefine how they engage with issues of public policy may, therefore, serve to facilitate the latter. Santam’s appeals to the broader private sector and its efforts to increase corporate participation beyond the insurance sector and disaster risk management could provide valuable institutional pressure to increase corporate participation in risk management for the public good.

Notwithstanding the enabling role the state has played, some deep-rooted structural characteristics were found to inhibit the replication of similar initiatives and slowed the progress of P4RR in its formative stages, and participants referred to the complex, hierarchical structure of government governed by protocols and processes that define the rules of engagement. In this regard, processes relating to the disbursement and receipt of funds were described as particularly onerous. Furthermore, the municipalities characterised as dysfunctional may be precluded from participating, precisely due to that very dysfunction. While Santam has emerged as the leading corporate partner in the LGSP, it has done so in the context of resilient individuals who were willing to overcome these structural challenges

which suggest that strategies focussed on creating processes that enable and empower government officers and smooth corporate participation may be useful in the replication of such interventions.

6.1.3 Stakeholders as antecedents to CSR as risk management

In the preceding section, we discussed the enabling role of the state. In this section, we present our analysis of other relevant stakeholder groups as antecedents to the P4RR Initiative. As part of our critical realist approach, we analysed the data of participants as representatives of relevant objects, triangulated with the academic literature. In this regard, our findings suggest that the integration of stakeholder interests appears largely company controlled and strategically driven. Salient stakeholders can be narrowly defined as those objects that can facilitate the proactive risk management of the company's risk drivers: national government and municipalities (which includes SALGA as the representative association for local government in South Africa). Where deemed relevant, the company will invite other stakeholders to participate in the appropriate forums.

For example, the Red Cross is a valuable national role player in disaster risk response and so is often included in the P4RR working groups. We did not, however, find any NGOs using public and consumer pressure to influence the Initiative or the company's CSR practice. In this regard, Nijhof, de Bruijn and Honders (2008, p.153) suggest that the relative efficacy of an NGO depends on the CSR strategy of the firm and involving NGOs is not necessary to effect good CSR practice: 'empirical research conducted as part of the Dutch National Program on CSR shows many companies taking the lead in CSR without the involvement of NGOs'.

In the organisational context, institutional investors as primary stakeholders of the firm (Story & Price 2006), may well be more concerned with form than substance. Investors do not always respond positively to CSR, nor do they always respond

negatively to CSIR (as reflected in share prices) (see Groening and Kanuri 2013). Furthermore, the institutional asset managers we interviewed were focussed on how a company's ESG factors affect their risk and pricing. By implication, unless a company is addressing a material ESG factor that institutional investors are aware of or have identified, the market mechanism is unlikely to drive proactive risk management. Even if addressing a seemingly material concern, such as in the case of Santam, institutional investors may not consider it material in the context of the company's overall position in an industry and the economy, as intimated by our participants. Furthermore, even if adverse concerns exist, research has found that investors may not respond punitively (Kanuri 2013).

We also found that governance took prominence over environmental and social concerns, which one participant explained as due to its causal link to sound risk management. Indeed, in a survey of South African pension-fund principal officers, asset managers, and advisory service providers, Eccles, Nicholls and De Jongh (2007, cited in Viviers 2014, pp. 741-742) found 'corporate governance, infrastructure development, employee relations, broad-based black economic empowerment (B-BBEE) and gender empowerment as the most important ESG considerations'.

Our analysis of the organisational context also considered Santam participants' contributions in their role as employees. CSR research often includes a reference to the salience of employees as a constituency (e.g. Crifo & Forget 2015; Yang & Rivers 2009) and research to support the business case of CSR has dealt with issues such as its impact on employee loyalty (see Sheehy 2015), commitment (e.g. Turker 2009) and turnover (see Perrini et al. 2011). In this regard, we found that participants, as employees (not executive management), played a pivotal role in driving the implementation of the initial strategy but we would hesitate to suggest that the company's CSR practice improved their commitment and loyalty. Rather, we find that their commitment, shaped by their personal values, improved the company's CSR practice.

For another employee perspective, we interviewed a representative of SASBO - The Finance Union, the most prominent trade association in the finance sector (and one of only two unions currently registered in this sector). The Representative was primarily concerned with the member-company relationship, and the issues raised about CSR were mainly around the exploitation of workers in volunteering programmes and the implementation of new legislation and policy. Indeed, Campbell (2007, p. 960) refers to a limit of union causal influence when proposing that ‘corporations will be more likely to act in socially responsible ways if they belong to trade or employer associations, but only if these associations are organized in ways that promote socially responsible behavior’. Moreover, issues of worker representation, employment equity and remuneration and skills development were discussed in the context of B-BBEE and other applicable legislation. Since these issues are equally relevant to CSR, this underlines the power of the Framework as a mechanism for not only defining corporate social impacts but also as a cultural tool shaping perceptions of the role of business in society.

Interestingly, one of the customers we interviewed made a similar connection between poor customer service and B-BBEE. Given the small sample of customers, it is not possible to draw any meaningful conclusions about this organisational context from our data. However, their elevation of price in their purchase decision, lack of awareness about CSR and their view that CSI is philanthropic is consistent with other, empirical studies on consumer perceptions of CSR. For example, in a study on CSR in the retail banking industry in South Africa, Beneke et al. (2011) find that a superficial awareness of CSR initiatives has little impact on consumer behaviour. Similarly, Terblanche (2014), studying a South African clothing retailer’s customer base, finds that many customers are unaware of social activities of the business and asks the question: why is social responsibility marketed and to whom?

Prakesh Sethi (2009, p. 29) claims that most consumers lack the resources and time to mount a claim at a highly motivated, highly resourced firm, and claims that consumers 'are largely unorganized, insufficiently informed and lack bargaining power to deal with companies on an equitable basis'. The only relevant association we found which supported consumer complaints in the short-term insurance industry was the Ombudsman for Short-Term Insurance, and their mandate is restricted to issues around claims and unfair business practices. According to the Assistant Ombudsman interviewed, other consumer complaints are referred to the Financial Authority Conduct Board. Participants (specifically those from the financial sector) also emphasised another less formal avenue for customers: social media. They considered it a significant platform for raising awareness (and also a source of risk) about company activities, particularly around instances of CSIR or where companies are operating outside the moral or ethical boundaries in their customer engagements.

In the social context, we find that the government was the most significant antecedent, as discussed in the preceding sub-section. However, two potentially powerful industry bodies also emerged from our data. The FSTC influences social impacts and provides a platform for sector engagement between the state, private sector, labour, and communities. SAIA, too, facilitates engagement intra-industry while also playing a role in supporting the B-BBEE practices of the industry, particularly concerning Consumer Education. Through SAIA, Santam is engaging with the industry on proactive risk management, and while only one insurance company has thus far engaged on proactive risk management, the relatively short-time frame does not preclude more industry participation in this regard. Santam has also adopted a leadership approach in the broader business environment by formally encouraging leading companies in other industries to engage in the LGSP (to reiterate the potential role of industry leadership addressed in the preceding sections).

We also analysed the participants as a group, particularly around issues of meaning and how they engaged with the CSR practice of a firm, in general, to establish if we could discern any ‘demi-regularities’ associated with critical realism research. As some participants were representatives of key stakeholders in the social context, we did give some weight to their responses as being likely representative of the official views of that organisation. With regards to the question of meaning, we found that CSI was the dominant term, consistent with the academic literature on the subject in South Africa (e.g. Skinner & Mersham 2008). Furthermore, the precise meaning associated with the term varied widely between participants, although philanthropy and charity emerged more regularly - again reflecting the academic literature on the subject. Perhaps unsurprisingly, the link between CSR and risk was more prevalent in participants associated with government and financial sector institutions; specifically in the context of Santam’s work in the P4RR Initiative, and generally as an indicator of how companies engage with ESG concerns. We suggest that the narrowness of the term CSI, particularly through its link with SED, may preclude some stakeholders from influencing a company’s pro-social activities outside of those parameters.

Expanding stakeholder awareness of company CSR practice through standardised mediums is currently the domain of the integrated report, and we included one sponsor from the IoDSA in our sample, as the preeminent private institution influencing CSR reporting. Adams et al. (2016 p. 294) ‘conclude that integrated reporting offers significant potential for changing how organisations think about their social investments’. However, participants in the financial sector were sceptical, citing its use as a marketing tool. Views were also consistent with Van Zyl (2103, p. 38), who found that ‘the level of integration and the understanding of what a truly Integrated Report should represent is still very low’ in South Africa.

In terms of general stakeholders mobilising against CSIR, as a short-term insurance company, we would argue that, theoretically, Santam’s negative social

impacts would relate primarily to its organisational context: employees (e.g. poor working conditions), customers (e.g. poor service), and investors (e.g. fraud and mismanagement). In the social context, broader society, could, for example, be impacted by a refusal to offer insurance coverage (such as in the case of the Garden Route District) or by having prohibitively high premiums. The state could also be frustrated by insincere attempts to support transformation in the sector - a current concern. However, in the context of P4RR, we find little to suggest that the influence of stakeholders was material, save the state seeking a contribution for the public good. We also did not find any evidence that the strategic pursuit of the P4RR Initiative necessarily precludes the practice of CSIR when assessed holistically, although we acknowledge that any meaningful assessment in this regard would require a more comprehensive review of all the company's social impacts within a risk management framework.

While all participants expressed an interest in CSR as an important role of business in South Africa, we could not discern any stakeholder-embedded levers or mechanisms to drive the strategic use of CSR as risk management for the public good in the contemporary local business environment. In this regard, our study appears consistent with academic literature which finds that while 'Stakeholders contributed to a generalised coercive pressure to "do something" with regard to CSR, they had little influence over specific CSR activities' (Bondy, Moon and Matten 2012, p. 294).

6.2 Discussion of the findings in the context of the theoretical and conceptual framework

As a quest for shareholder value, the P4RR Initiative is the implementation of a risk strategy to reduce a threat to its financial performance by risk drivers outside of the company's direct control. In this regard, we find that a material condition likely to prompt such a response is the proximity to a particular risk, coupled with a limited capacity of the state (or other institutions) to implement an appropriate risk strategy, and a local (outer) context that renders other responses less viable.

Notwithstanding the external source of funding from the Community Trust, we would also classify the Initiative as inherently speculative. The company has, thus far, discerned a sufficient return on invested resources to continue, but is also exposed to reputational risks which need to be managed to maximise the gains from its intervention.

We also suggest that the sector and sub-sector that Santam operates in has informed its response to some degree, including the influence of and the alignment to the UNEP FI and its PSI. In theory, financial sector companies should be incentivised through the market mechanism to understand social and environmental risks, which may, in turn, both impact their social interventions as well as direct the flow of capital. For example, Tate, Ellram and Kirchoff (2010, p. 33) find that ‘there are clear differences in emphasis in various industries based on key stakeholders and specific industry concerns’, revealing examples of industry-specific themes in sustainability that include energy in the energy sector, health in the healthcare sector, and risk in the financial sector. However, as companies become more aware of risks embedded in their outer contexts, we anticipate that risk management strategies with significant benefits for the public good could become increasingly relevant in any sector.

In our comparison between CSR and risk management, as presented in Table 4, we argued that the source of uncertainty for both practices might have the same epistemological and ontological roots, i.e. nature which is inherently variable; limited information which is costly to obtain and complex to process; and, causality which is difficult to establish. According to our data, these factors underpinned the strategic decision to develop the P4RR Initiative and remain relevant in the monitoring and evaluation of the programme. Indeed, some interventions cited as particularly valuable by the Municipal Manager, include the company’s support for better data storage and processing, and data-based decision-making to support disaster risk management.

We confirmed that the Garden Route District, which had been the subject of prior research spearheaded by the company, was included in the initial LGSP engagement at Santam's behest to provide a platform for exploring the potential of supporting proactive risk management in an area which had become increasingly vulnerable to environmental risks. At an implementation level, the principal partners are the municipalities, both as beneficiaries of the intervention and as politically mandated representatives of our broader society. Both the company and its beneficiaries are uncertain about financial losses due to unforeseen risky events arising as a consequence of both environmental changes and social behaviour and seek explicit financial and implicit social, environmental and political gains through shared risk management. The company's understanding of its risk is within the context of it being a risk manager by trade, although proactive risk management is a relatively new endeavour, particularly in the local market. Through the Disaster Risk Management Act and other legislation, the beneficiaries also have a theoretically driven framework for understanding risk through a risk assessment process situated in contemporary risk management practice.

The P4RR Initiative is both a response to negative external effects and inequality, both of which are sources of risk for its long-term sustainability, although the company is arguably not directly responsible for either. By supporting disaster risk management, the company contributes to the public good and reduces the likelihood of negative externalities arising, for example, from environmental degradation and inadequate disaster risk responses from the local government. By supporting vulnerable communities, it also facilitates a transfer of wealth, although technically this transfer first occurred likely pursuit of a strategically appropriate B-BBEE Compliance Level (currently Santam is on Level Two). The decision-making is therefore concerned with whom the wealth is to be transferred to and not whether the transfer should be made or not.

The basis for selecting municipalities to support is partly informed by the company risk function using traditional risk metrics coupled with some underlying assumptions, although one interviewee did mention that the CEO wishes to refine and make this process more empirically robust. Similarly, the national government selects municipalities based on their overall performance and vulnerability to uncertainty as part of their risk assessments. Through the IDP and the KPAs, the company and its partnering municipalities also align their responses to risk as represented by the output of the P4RR Initiative. The basis for selecting which particular municipal interventions to fund is predominantly a function of the municipal risk assessment and internal prioritisation processes, its cost, and Santam's financial capacity (available budget) to provide support.

6.2.1 Discussion of the findings in the context of the study propositions

At the conclusion of Chapter Three, we presented five propositions developed from our theoretical and conceptual framework. First, we proposed that approaching CSR practice as risk management may provide an appropriate analytical framework. Our comparison suggested there may be sufficient relevance to pursue the application of risk theory and risk management to CSR strategy and practice. In this regard, we found that risk management did indeed provide a useful analytical tool, offering potential as a framework to interrogate CSR practice in a manner that does not necessarily require any single theoretical or disciplinary approach. We found in Santam's case, which we elucidate below, approaching CSR as risk management for the public good may well have triggered mechanisms to drive a practice that incorporates social, ethical, political and integrative aspects of CSR.

We found it particularly useful when analysing and interrogating the P4RR Initiative, likely due to the company's explicit positioning of its work as building resilience to risks in communities, but less so when analysing other company stakeholders. In the context of our limited sample, we found that CSR, as it is understood and interpreted in the local context, may not be approached by

stakeholders as a significant risk management strategy, save for its use in supporting issues of inequality and wealth distribution (philanthropy) at the behest of the company. Many participants do not frame their objectives and goals as a response to underlying risks, and the language of risk was often not explicitly used - notwithstanding the potential appropriateness of such a framework. Notable exceptions include those participants working in the financial sector and the Sustainability Consultant. Consequently, if we consider B-BBEE as concerned with social impacts, then we argue that the state has defined a CSR framework that has dominated the local business environment, particularly for larger corporates and, therefore, has the potential to influence the discourse on how companies and stakeholders both frame and manage risks associated with inefficiency and inequality.

Second, the data somewhat supports our proposition that a strategic approach to CSR as risk management for the public good could provide a mechanism that supports integration into an enterprise-wide risk management system. We would describe the work in the P4RR and CSI Departments as a departmental concern shifting towards a committed response (Öberseder, Schlegelmilch and Murphy 2013) beginning to integrate more with other line functions in the business including risk, to leverage the company's relationships with government to provide greater value to both the company and society. As management has become more aware of the benefits of this speculative venture, the work has transgressed the boundaries of Stakeholder Relations.

Third, we proposed that a strategic approach to CSR as risk management may provide a mechanism that could cultivate a more cooperative approach between stakeholders; in managing shared risks, the company would be required to understand mutual risks and stakeholders' contexts. We find that the data supports this proposition in the context of the P4RR Initiative to the extent that it concerns stakeholders the company has found relevant and expedient to engage. The process of understanding shared risk drivers and possible interventions, and the

strategic intention of making meaningful interventions precipitated a ‘hands-on approach’ to efficiently engage with local government structures and processes to maximise the benefit to the company.

Fourth, we proposed that adopting a risk management approach to CSR may provide a mechanism to elevate a response to uncertainty that aligns more closely with economic risk management. Furthermore, we specified that alignment to include the following features of economic and financial risk management: quantifiable and financial metrics and measures, pre-emptive risk management, and transparency that facilitates governance and oversight. In this regard, we find that the P4RR Initiative was primarily motivated as a response to financial and economic risk, although shaped by external influences such as the B-BBEE Framework. However, we discerned some difference between the local government participants and the company in terms of the extent of that alignment.

In Table 11 below, we summarise these differences and find that the data supports this proposition to some extent for P4RR and to a greater extent for the local government municipality we included in the study. One notable exception for local government raised by the Director MCSB is the conflict between the preferential procurement legislation which requires the selection of corporate partners based on legislated procurement and tender processes and which may preclude *ad hoc* overtures from corporates to financially support municipalities due to concerns from the Auditor General.

Table 11: CSR alignment with economic risk management: Santam and Local Government

FEATURE	RIESCH'S QUESTIONS	SANTAM	LOCAL GOVERNMENT
Metrics and measures	How is uncertainty represented?	<ul style="list-style-type: none"> - Qualitative, narrative approach - Non-financial quantitative metrics 	<ul style="list-style-type: none"> - Risk metric - Qualitative and quantitative metrics
Transparency		<ul style="list-style-type: none"> - Some transparency with regard to expenditure 	<ul style="list-style-type: none"> - Aligned with risk assessment and municipality priorities - Some conflict with existing preferential procurement legislation
Time horizon	What is the response to uncertainty?	<ul style="list-style-type: none"> - Pre-emptive (initially reactive) 	<ul style="list-style-type: none"> - Pre-emptive (risk assessment)
Governance and oversight		<ul style="list-style-type: none"> - Primarily internal governance and oversight 	<ul style="list-style-type: none"> - External governance and oversight through municipal processes

Lastly, we proposed that a strategic approach to CSR as risk management may offer a rubric with which to establish the value of CSR. In this regard, executive management is trying to link the benefit of the P4RR Initiative to its financial performance in a more rigorous manner, notwithstanding the Department's current preference of a more qualitative, narrative approach. Furthermore, the strategic shift of the CSI Department to increase the impact and value of the work done through the Initiative implies that some rubric was used to determine that this was a better application of resources. However, the rubric is much more evident from the perspective of local government. The P4RR Initiative and the accompany CSI Department's work feed directly into the Key Performance Areas of the municipalities as defined by their IDP. The interventions from Santam are also prioritised by the local municipalities per their IDP, which implies that their benefits are being maximised according to their preferences. Consequently, we find that this proposition is supported to some degree in the company but to a greater degree by the beneficiaries of the Initiative. The data also suggests that risk management for the public good may be maximised if all relevant

stakeholders are applying risk management processes within a formal risk management system, by offering a contextually relevant rubric for all concerned.

6.3 Chapter summary

In this chapter, we discussed our analysis of the findings in the context of the literature and theoretical and conceptual framework, including in the context of our five propositions developed from the latter. In the final chapter that follows, we summarise the study and evaluate and discuss its limitations. We also present our recommendations for future research and strategic interventions that could support the expansion and replication of similar initiatives to manage social and environmental risks for the public good.

CHAPTER SEVEN

7. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The primary purpose of this study was to explain how a strategic approach to CSR as risk management may influence practice and impact, and we positioned CSR as an appropriate response to uncertainty in the context of significant socio-economic challenges requiring corporate participation. In the sections that follow, we present a summary of our research, its contribution to the academic literature, and an evaluation thereof that includes its limitations. We conclude with our recommendations for future research and public policy.

7.1 Summary of the research

This research study is a response to the endemic inequality and extraordinary socio-economic challenges facing contemporary South African society. In essence, it seeks to delineate the role and responsibility of business and outline a strategic contribution, rooted in contemporary literature. To date, much of this discourse has taken place under the banner of CSR, although a myriad of alternative concepts and frameworks have evolved as scholars and institutions have sought to delineate and refine an appropriate role for corporates with significant economic, political and social capital operating in complex global systems.

In this regard, scholars have approached the topic from various disciplines and perspectives including law, political science, ethics, sociology, and economics, to analyse, explain, justify and motivate corporate participation in society beyond the economic objective function of creating value for shareholders. Indeed, the relevance of CSR across these disciplines is underscored by the impacts that corporates have on society which extend beyond the reductive confines of the economic transaction between producer and consumer, both in terms of their productive output as well as their ability to influence political, social, legal and cultural systems.

Notwithstanding the elevation of this topic in both academia and business management, the literature suggests that CSR practice mirrors the breadth of the discourse, characterised by a wide variety of strategies, approaches, organisational structures and activities that typify corporate approaches to CSR. Furthermore, scholars have highlighted challenges concerning measuring, monitoring, evaluating, valuing and reporting CSR practice, particularly from the perspective of its benefits to society. In the face of unprecedented systemic risks and increasing uncertainty due to economic and social behaviour, we considered that one avenue of research which proposes CSR as a form of risk management for firms could be expanded to include the public good by benefiting other stakeholders and broader society.

The objectives of this study were twofold. First, to explain the mutual relevance of CSR and risk management and, in so doing, outline some theoretical advantages and potentially useful causal mechanisms by aligning CSR to risk management theory and practice. Second, to examine such an approach in practice to identify likely enabling and disabling factors, and to analyse if such an alignment precipitates the theoretical advantages we inferred. In keeping with our paradigmatic approach, we reviewed the literature on CSR theory, mechanisms that drive CSR practice, CSR strategic approaches, and measuring and valuing CSR.

To achieve the first objective, we developed a theoretical and conceptual framework underpinned by a broad definition of risk as a function of the uncertainty of outcomes and impacts. We drew on literature that ascribes markets failing to allocate resources efficiently and equitably as a source of uncertainty in society with potentially harmful outcomes. We also drew on arguments by scholars that CSR is a corporate response to inefficiency and inequity, as an alternative to the market or the state. Consequently, we argued that market failure (beyond the economic term) is a source of uncertainty to society, and CSR, therefore, is a much needed economic response to this uncertainty. We also

explained how CSR could be formally incorporated into the scope of risk management, providing contemporary examples of its use as a risk strategy in practice. Thereafter, we compared the concepts of CSR and risk management, underpinned by our literature review and the work of scholars in economic and financial risk management, from which we developed our five propositions.

To achieve our second objective, we undertook an instrumental case study on Santam, with a particular focus on its work to address systemic risks through its P4RR Initiative. As the leading short-term insurance company in South Africa, this listed company provided an ideal platform with which to examine the output of CSR as risk management as critical realist ‘events’. Adopting a critical realist case study design, we attempted to identify any significant generative mechanisms, contextual conditions, and structures applicable to the P4RR Initiative, and through this process assess our propositions. To support this examination, we adapted and applied a stakeholder and institutional theory model to identify relevant objects and interviewed 22 participants drawn from the company’s social and organisational contexts. We used the literature on CSR mechanisms and strategic approaches to CSR as a basis for abstracting possible causal influences and relationships, informing both the interview guides and the data analysis.

Our findings suggest that four principal critical realism ‘objects’ interacted to give rise to P4RR:

- i. Investors, who indirectly through competition and the market mechanism, drive company strategy.
- ii. Company management, which enabled organisational flexibility and adaptability.
- iii. Employees, who demonstrated resilience and commitment to persist with the venture.

- iv. The state, which played an enabling role by facilitating the necessary partnerships, and enacting the legislative framework that incentivised the partitioning of funds for the public good.

We also analysed the data for constraints and limitations on the Initiative, as well as opportunities that may be embedded in existing causal influences, structures and contextual conditions. In this regard, we found that the challenges around definitional constructs and meaning to be consistent with the existing academic literature. Due to its links to CSI as a prominent term in the contemporary business and social culture of South Africa, and its concern with the social impacts of business, the B-BBEEE Framework could offer an opportunity to further shape the discourse on CSR.

We also found that some of the state's structural characteristics had both constrained the P4RR Initiative, particularly in its formative stages, as well as limited the participation from other corporates wishing to engage. In addition, we identified compliance as a likely structural characteristic of listed corporates that may preclude both the adherence to regulatory mechanisms to drive CSR as risk management (or, indeed, CSR in general) and the adoption of integrated, socially transformative approaches as opposed to just 'ticking boxes'. Finally, we found that the challenges referred to in the literature around monitoring and evaluation, reporting, and valuing CSR activities, remain relevant.

In the context of the literature we reviewed, we would characterise the primary mechanism driving the Initiative as competitive pressures emanating from the market. Our findings also suggest that a strategic approach to CSR as risk management may not necessarily introduce any tension with existing CSR theories and approaches. Indeed, the P4RR Initiative incorporates economic, political, social and (to some degree) ethical aspects of CSR. Notably, the normative decision-making appears to be government-led, providing a crucial

political mandate that does not encroach upon or usurp the state. We did not, however, find any evidence that such an approach necessarily precludes the practice of CSIR, nor does it provide an immanent ethical framework to tackle ethical dilemmas that undoubtedly arise during the course of ordinary business activities. In the context of our case subject, apart from the state, we also did not find any significant stakeholder levers or mechanisms to drive the strategic use of CSR as risk management for the public good.

To conclude our analysis and discussion chapter, we analysed our results in the context of our five propositions to determine if, as we theorised, a strategic approach to CSR as risk management could lead to closer alignment to contemporary economic and financial risk management theory and practices. In this regard, we found this framework both useful and fruitful. We therefore also suggest that Santam's case could be used as a point of comparison to further explore the phenomenon of CSR as risk management for the public good and to corroborate if the application of such a framework induces the mechanisms we identified and could produce similar outcomes in different contexts. Importantly, using this framework did not necessarily preclude the adoption of any one CSR theory or concept, which suggests it may have some value as an interrogative platform for case-study analyses which incorporate different approaches to CSR.

We also found that the Initiative's progress towards integrating into other line functions supportive of our second proposition, and the manner in which beneficiaries' are incorporated as broadly supporting our third. In terms of our fourth proposition, we found that Santam's approach does not fully align to contemporary economic risk management, although more so for the local government participant as a consequence of their legally required risk management processes. Lastly, we proposed that CSR could offer a rubric with which to establish the value of CSR activities. In this regard, we found this to be more useful for the beneficiaries of the programme due to the alignment with KPAs and the IDP, and less useful for the company due to the source of funding,

the lack of an adequate baseline, and the number of assumptions needed to apply existing business tools and metrics.

7.2 Contributions of the study

The primary purpose of this research was to advance a strategic approach to CSR as risk management, and we proposed to do this by providing a theoretical argument for the mutual relevance between risk management and CSR, and by examining and analysing such an approach in practice. In this regard, we put forward five contributions of our research to the existing academic literature.

First, we offer a theoretically grounded link between the concepts of risk management and CSR (as risk management for the public good), based on CSR theory, welfare economics theory, risk theory and the induction of existing empirical work on the impacts of inefficiency and inequality. While academic literature has focussed on how CSR can be a risk management tool for companies, we argue that it provides a necessary economic mechanism with which to address the risks inherent in market failure, and can be formally situated within a risk management framework. We also compared risk management and CSR theory and practice to establish how the concepts align and where they diverge, as a basis for our propositions on how a strategic approach to CSR as risk management could operate as a mechanism to address some of the challenges associated with CSR practice.

Second, selecting Santam as our instrumental case study subject, offered an opportunity to build on and corroborate early case studies on the P4RR Initiative, and to describe its development and continued significance to the company, as well as its relevance to the insurance sector and society. Prior case studies had found that the company could find value in more proactive risk management as opposed to traditional approaches to increased risks that focus on risk assessment, and pricing. They had also found that forming partnerships with key partners, such as municipalities, would be necessary to implement strategies in this regard. Our

study, therefore, serves to corroborate the findings of earlier qualitative research on Santam's work.

Third, through the critical realism paradigmatic framework, we undertook a comprehensive stakeholder and company analysis to identify and verify a confluence of contextual conditions, orientated around four principal objects that brought about the P4RR Initiative in its contemporary form. We consider our research to be an expansion of prior studies by incorporating a structured analysis of the contextual conditions, organisational structures, and generative mechanisms that both facilitated and limited the company's approach, within the framework of CSR. In this regard, we find that the mechanisms embedded in the market economy are likely to promote an instrumental approach to CSR, which can also include risk management for the public good. Santam's case could, therefore, be used as a basis of comparison to explore further the application of a risk management framework to corroborate if such a framework induces mechanisms to produce similar outcomes for the public good.

In our study, we also elevated the internal influence of employees to drive cultural and conceptual shifts within the organisation, facilitated by executive management exercising their discretion to create a flexible and adaptable organisational environment. Importantly, we found the role of government to be significant in both enabling and constraining how a company engages with it as a critical social partner, and that the propensity for sharing in social, environmental and systemic risk management may likely be linked to the ability of the state to create mechanisms that facilitate such an approach.

Fourth, we interrogate an example of how such an approach can be structured in practice, and find that a complete alignment between risk management and CSR may not be a necessary precursor to effective use of CSR as a risk strategy. Furthermore, we find that such an alignment was a process that may likely evolve as institutional knowledge and capacity grows. Our findings also suggest that

when adopting a strategic approach to CSR as risk management for the public good, a clear political mandate with appropriate participation from local and national government, may obviate the need for mechanisms that seek to engender an ethical consideration as to the application of funds, although oversight of how a company extracts value from its partnerships with the government in other ways may be necessary.

Finally, we contributed to the literature on research design and methodology for critical realism, by providing an example of how the philosophical paradigm can be applied to an instrumental case study in the field of economics and business management. In the section that follows, we evaluate this study, including the use of the paradigm and the study limitations in general.

7.3 Evaluation of the study

In this section, we put forward an evaluation of our study with regard to its paradigmatic approach, case study design and general limitations. First, the use of critical realism as a paradigmatic framework was both useful and challenging. We adopted the paradigm early on in the research process and continually referred to it as the study progressed. We found the framework particularly useful by providing a rigorous structure that informed all aspects of the study. While critical realism is noted for its flexibility in research design, this rigour demanded that we continuously realign and refine our research questions, objectives and method to meet critical realism parameters.

Second, at times, the broad scope of the primary and secondary research appeared at odds with the narrow focus on the 'events', although we appreciated the thoroughness of the process which yielded interesting insights, for example on how various stakeholders in the social context engaged with a specific CSR practice. We also consider that this thoroughness was likely a necessary measure in the context of purposive case selection and sampling, to guard against researcher bias. Adopting a critical realist case approach also required us first to

analyse our case independently of our research propositions, also serving as a measure against researcher bias while facilitating data validity. Third, we found the data analysis and presentation challenging given the lack of guidance in the literature, and we relied on the interpretation of a few key scholars in different disciplines - underscoring the importance of further academic contributions to critical realism research methods. For example, while we found that using provisional codes was useful to structure the interview guides, these codes had to be later revised to align with appropriate critical realist elements.

Applying a critical realist approach also obviated the traditional requirement of intensive research to review multiple cases to support the transferability of the research findings. This approach allowed for in-depth analysis and discussion of the Santam case as a purposive case selected for its likely suitability to examine the phenomenon of CSR as risk management for the public good. Furthermore, by selecting an instrumental case study design, we could incorporate our first objective of explaining the mutual relevance of risk management and CSR and our second objective of analysing such an approach. However, we found that linking the two aspects of the research presented some methodological challenges given a lack of guidance of such an approach in the literature.

Finally, we appreciate that the critical realism framework does not require an expression of causality in the traditional positivist sense, limiting transferability of the findings. The single-case study does, however, offer a point of comparison for future case studies of the phenomenon of CSR of risk management for the public good, perhaps even more so if undertaken within a critical realism paradigmatic framework. We also recognise the limitations of our participant sample characterised by breadth as opposed to depth. For example, 'objects' such as employees, consumers and investors would have benefitted from larger sample sizes to amplify and give greater weight to their contribution. Consequently, we advocate for further research in this regard, which we outline in the concluding section of this chapter.

7.4 Recommendations of the study

While the influence of stakeholders on CSR practice has been the focus of considerable academic work in various social and cultural contexts, we would advocate further research on such influence in the South African context. In particular, we noted a lack of academic literature on the role of unions as a stakeholder in CSR practice in the South African context, indeed, mirroring to some extent what some scholars have suggested is a general shortcoming of the international academic body of knowledge. We also advocate for further empirical research on how and why institutional investors engage with specific ESG concerns and if such engagement does pivot companies to more pro-social corporate behaviour for the public good.

Given Santam's accredited role as the leading LGSP programme participant, it would be useful to undertake a multiple case study analysis comprising a larger sample of participants in the programme to compare the different approaches, particularly with regard to corporate organisational structure, funding, strategy, municipal engagement, output and IDP alignment. We would also recommend a multiple case study analysis of different companies that have engaged in risk management for the public good (whether explicitly under that banner or not) to empirically corroborate our findings on the enabling and disabling factors of such an approach.

In Santam's case, we found that the role of the IDP and the alignment to municipal KPAs as a likely enabling factor in the Initiative's success. We recommend further empirical analysis of how companies engage with municipal IDPs when strategising social impacts and comparing whether such an engagement impacts the quality and value of the output to society. Requiring companies to align their pro-social activities with the relevant risk register of local government could, for example, offer a means with which to improve the allocation efficiency of these resources, by providing the necessary normative judgements. We also recommend case study analyses of different municipal engagements with corporates to

interrogate how corporate risk management for the public good is enabled and disabled from the municipalities' perspectives.

Strategically speaking, we would recommend that the B-BBEE Framework is used as a tool both for gathering and collating corporate social impacts, as well as driving cultural change around the role of business in society. For example, with the SED element, the Framework could add a step to the verification process to ascertain whether the company has engaged and aligned with a local IDP and which risks it sought to address. This data could then be used to support national policy on how and where key risks are being addressed. Furthermore, given the extent to which B-BBEE is embedded in the business environment, it could provide a platform for broadening both the cultural understanding of CSR beyond CSI as well as the role of B-BBEE in promoting corporate participation in managing socio-economic, environmental and systemic risks in general.

We also consider that formal mechanisms with which to engage corporates, albeit with less rigorous processes and protocols, may engender greater cooperation and dialogue between corporates and the various spheres of government. Industry leaders, in particular, may offer opportunities by encouraging their peers to shift CSR standards and practices and empirical research on the leading corporates that are engaging with LGSP could be evaluated against industry practices in the local context. Finally, we consider that the local government and the IDP planning process offer a useful focal point of dialogue and consultation, through which corporate social impacts could better meet the needs of local communities. Consequently, we would suggest elevating these mechanisms as social and cultural tools to maximise their value to society.

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APPENDICES

APPENDIX A: B-BBEE Generic Scorecard for Large Entities in the Financial Sector

B-BBEE Generic Scorecard for Large Entities in the Financial Sector
(reproduced from DTI 2017, p. 197)

ELEMENT	WEIGHTING				Code Series Reference
	Banks and Life offices scorecard	Short Term Insurers scorecard	Stock Exchanges and Stock Exchange Members	Other Institutions scorecard	
OWNERSHIP	23	23	23	25	FS100
MANAGEMENT CONTROL	20	20	20	20	FS200
SKILLS DEVELOPMENT	20	20	20	20	FS300
PROCUREMENT and ENTERPRISE AND SUPPLIER DEVELOPMENT (ESD)	15	35	35	35	FS400
SOCIO-ECONOMIC DEVELOPMENT and CONSUMER EDUCATION	5	5	5	5	FS500
EMPOWERMENT FINANCING and ESD	25	0	0	0	FS600
ACCESS TO FINANCIAL SERVICES	12	12	0	0	FS700
TOTAL	120	115	103	105	

APPENDIX B: UNEP FI Principles of Sustainable Insurance

UNEP FI Principles of Sustainable Insurance (UNEP FI 2012, p. 3-4)

Principle 1	We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.
Principle 2	We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.
Principle 3	We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.
Principle 4	We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

APPENDIX C: Semi-Structured Interview Guides

Semi-Structured interview guide - Senior Manager: Stakeholder Programmes
Head: Stakeholder Relations

PROVISIONAL CODE	QUESTIONS
MEANING	<ol style="list-style-type: none"> 1. How would you articulate the role of business in society? 2. Do you draw a distinction between CSR and CSI? 3. How important is business assisting the state in managing social risks and other challenges? 4. Scholars and academics have credited B-BBEE and other legislative acts passed post-1994 with creating a platform for CSR. Do you see a link between CSR and B-BBEE?
RELATIONSHIPS	<ol style="list-style-type: none"> 5. How important are relationships with stakeholders? What is your strategy for developing relationships? 6. How are stakeholders engaged within the P4RR Initiative?
ACTIVITIES	<ol style="list-style-type: none"> 7. Why was the Community Trust selected as an ideal legal structure for funding social programmes? 8. What is the practical relationship between Santam Ltd. and the Community Trust? What role does Santam play and what expertise does it offer? 9. What funds flow between Santam and the Community Trust? 10. What other vehicles/CSR programmes do you engage in, outside of the Community Trust? 11. Which NGOs are you working with? How did those relationships develop?
STRATEGIES	<ol style="list-style-type: none"> 12. Can you provide insight into the strategic development of linking CSR to managing social risks? 13. In the current debate about making the FSC compulsory, what would the implication be for Santam Ltd.?
PROCESSES	<ol style="list-style-type: none"> 14. What links are there between the risk management function as a primary business activity and Santam's CSR practice? 15. Do you use any third-party assurance for your CSR activity?
VALUE	<ol style="list-style-type: none"> 16. To what extent do you use traditional financial and risk metrics to measure and monitor your CSR practice? 17. How could CSR practice be improved upon (generally speaking)?
COMMUNICATION	<ol style="list-style-type: none"> 18. The integrated report is prepared for providers of financial capital. What other communication channels do you use to communicate with other stakeholders?

Semi-Structured interview guide - Manager: Corporate Social Investment, Santam

PROVISIONAL CODE	QUESTIONS
MEANING	1. Are there meaningful distinctions to be drawn between terms such as CSR, CSI, shared value and sustainable insurance?
RELATIONSHIPS	2. How important are relationships with stakeholders in good CSR practice? Can you describe: <ul style="list-style-type: none"> - Working with the communities? Directly? - NGOs? Do you work with any? Who are they? - Do you work with Sanlam at all? - How do customers relate to your programmes? Feedback? Involvement? - Do you have any employee involvement, volunteers? Can I speak to one? - SAIA. Do you participate in the Consumer Education funds pool?
ACTIVITIES	3. How do you support the Community Trust? Who runs it? Who are the trustees? 4. How many programmes are you running? Which ones are key? 5. Do you do any work on behalf of subsidiaries or the holding company?
STRATEGIES	6. █████ spoke of the strategy to align CSI with P4RR. How did that come about? Can you describe that in more detail? Working with the P4RR Team? 7. As industry leader, have you had any influence on your peers in the short-term insurance industry?
PROCESSES	8. How do you decide whether to adopt/invest in a social programme? Cost-benefit analysis? How do you understand benefit? 9. Do you work with the risk committee/risk function of the business? 10. What role does the Social and Ethics Committee play? 11. How does your work feed into B-BBEE?
VALUE	12. How do you report on your activities internally? 13. How do you measure and monitor performance? What metrics do you use? 14. Is there external assurance/auditing of your activities? 15. Generally speaking, how could CSR practice be changed or improved to offer more value to business and broader society?
COMMUNICATION	16. In addition to the integrated report, what communication channels are used to communicate with other stakeholders?

Semi-Structured interview guide - Institutional investor

PROVISIONAL CODE	QUESTIONS
MEANING	<ol style="list-style-type: none"> 1. Is there a meaningful connection between CSR, CSI and (what appears to be) and increasing focus on ESG considerations and SRI? 2. Broadly speaking, as an institutional investor, is CSR an important part of the role of business in society? 3. Do you perceive a link between CSR and B-BBEE in South Africa?
RELATIONSHIPS	<ol style="list-style-type: none"> 4. How would you characterise/describe the relationships between institutional investors and corporate management? In what ways do relationships between investors and corporates develop? 5. Do you hold any Santam or short-term insurers equity or debt in any of your portfolios?
STRATEGIES	<ol style="list-style-type: none"> 6. In what ways is it possible to exert institutional pressure on a company? Can you provide more detail on investor engagement? 7. As an institutional investor, can you provide examples of how you have influenced Santam/short-term insurers or any other CSR practice?
ACTIVITIES	<ol style="list-style-type: none"> 8. Do you foresee SRI funds becoming more prevalent in the future? 9. How would you describe the shift towards ESG considerations in the industry over time? 10. What influenced your company's focus on SRI funds?
PROCESSES	<ol style="list-style-type: none"> 11. Can you give a sense of how ESG considerations are incorporated into your business processes? (E.g. Analysis, strategy, risk?) 12. In your analysis process, what kind of time horizons are you looking at? 13. How relevant is a company's CSR practice to your analysis process of ESG? 14. How relevant is a South African company's B-BBEE compliance to an analysis of a large corporate?
VALUE	<ol style="list-style-type: none"> 15. What role does CSR, B-BBEE and ESG play in the valuation process of a share or bond? Is it primarily qualitative? 16. Is the value of CSR etc. satisfactorily represented in company reports? 17. Do you discern a difference between company approaches to CSR, and does it influence your analysis? 18. How does a robust ESG evaluation process impact your business model? For example, are there clear financial benefits? 19. Are there any risks facing your business which good CSR practice (in a company) could be useful in ameliorating? 20. In what ways do you think companies' CSR practice could be improved upon so as to have more value to your business model? 21. How important is external assurance and validation of CSR and related company information?
COMMUNICATION	<ol style="list-style-type: none"> 22. How useful is the integrated report in providing a sense of the risks a company is facing? Has integrated reporting improved over time? 23. Have you discerned any shortcomings in integrated reporting as it currently stands?

Semi-Structured interview guide - Santam Customer

PROVISIONAL CODE	QUESTIONS
MEANING	<ol style="list-style-type: none"> 1. Do you think that businesses have a responsibility towards society beyond making profits? 2. Do you believe that businesses can pose a risk to society through their activities? 3. Do you think CSR is a way of holding businesses to account?
RELATIONSHIPS	<ol style="list-style-type: none"> 4. How long have you been a client of Santam Ltd? 5. Do you own any Santam shares or have a pension or provident fund or unit trust investments? 6. Are you aware of the work that the Community Trust is doing? 7. Do you belong to any community forums or organisations engaged in social activism?
ACTIVITIES	<ol style="list-style-type: none"> 8. Consumers are considered important stakeholders in companies, putting pressure on them to be more socially responsible. Does a company's CSR practice influence your consumption in any way?
STRATEGIES	<ol style="list-style-type: none"> 9. Would you consider influencing CSR practice at Santam Ltd. in any way?
PROCESSES	<ol style="list-style-type: none"> 10. Do you investigate a company's CSR before engaging with a company?
VALUE	<ol style="list-style-type: none"> 11. Do you believe that Santam's CSR programme has any value to you as a customer? How would you measure that? 12. Would you be able to comment on how Santam's CSR approach compares to other companies?
COMMUNICATION	<ol style="list-style-type: none"> 13. Have you received any communication from Santam Ltd. about its CSR activities and practice? 14. Have you read Santam's Integrated Report?

Semi-structured interview guide - SASBO representative

PROVISIONAL CODE	QUESTIONS
MEANING	<ol style="list-style-type: none"> 1. Broadly speaking, is CSR an important part of the role of business in society? 2. From your perspective, to what extent is CSR and the labour union agenda aligned? 3. Scholars and academics have credited B-BBEE, and other legislative acts passed post-1994 with creating a platform for CSR. Do you perceive a link between CSR and B-BBEE?
RELATIONSHIPS	<ol style="list-style-type: none"> 4. How would you characterise the relationship between SASBO and corporate management of members' companies? In what ways do relationships with companies develop? 5. Does SASBO have a formal relationship with the SAIA? 6. Does SASBO formally engage with any other stakeholders relevant to members' companies such as civil society, NGOs and institutional investors?
STRATEGIES	<ol style="list-style-type: none"> 7. How does SASBO position the role of labour unions and employees in CSR strategy and practice? Are there any formal union policies or strategies to influence CSR practice? 8. Are there any formal union policies or strategies to influence the Financial Services Charter and sector codes? 9. What is SASBOs position on the debate to make targets in the FSC compulsory and incorporate them into legislation?
ACTIVITIES	<ol style="list-style-type: none"> 10. Does the union have any formal participation in the CSR related activities of members' companies? 11. Are member employees encouraged to participate in CSR programmes and initiatives?
PROCESSES	<ol style="list-style-type: none"> 12. Are there any formal processes that support the influence of the union on company CSR practice?
VALUE	<ol style="list-style-type: none"> 13. What are the primary risks facing employees employed in the financial services and short-term insurance sector? Does CSR offer any value to employees and union members in addressing these risks? Does B-BBEE offer any value? 14. Do you discern any meaningful difference between the CSR practice of the various financial institutions? In the short-term insurance sector? 15. How important is external assurance and validation of CSR and related non-financial company information? 16. Generally speaking, how could CSR practice be changed or improved to offer more value to employees and broader society?
COMMUNICATION	<ol style="list-style-type: none"> 17. What are the primary communication channels between SASBO and members' companies with regard to their CSR practice and employee-business relationships? 18. In general, how useful is an integrated report in providing a sense of the risks a company is facing and their potential impact on member employees?

Semi-structured interview guide - Ombudsman for Short-term Insurance

PROVISIONAL CODE	QUESTIONS
MEANING	1. Is the nature and frequency of complaints reflective of the broader relationship between customers and an insurance company?
RELATIONSHIPS	2. How important is the ombudsman's role in establishing trust and providing assurance to short-term insurance customers? 3. Why is it important to have board members from insurance companies?
STRATEGIES	4. In terms of statistics published, do you provide any feedback to companies, such as statistics or nature of complaints, so they may improve their customer relationships?
ACTIVITIES	5. With regards to the nature of complaints: are they primarily claims related? 6. Do any complaints refer to company behaviour not related to claims? Do customers generally approach as individuals? Any instances of community forums/ social activists assisting in the claims process?
PROCESSES	7. Are there benchmarks for acceptable standards with respect to the number of complaints and turnover rates for a company?
VALUE	8. Are there any discernible trends in complaints and over time?
COMMUNICATION	9. Apart from your annual report - are these statistics fed into any other data sets?

Semi-structured interview guide - Financial Sector Transformation Council

PROVISIONAL CODE	QUESTIONS
MEANING	1. Scholars and academics have credited B-BBEE, and other legislative acts passed post-1994 with creating a platform for CSR. Is this an important strategic objective of the FSC?
RELATIONSHIPS	2. Can you describe the consultative process that took place around the development of the FSC? 3. Is there a broad consensus on the FSCs objectives and targets? Does consensus impact FSC implementation? 4. How important is the community constituency as a voice in the FSTC? Can you provide an example of a community contribution?
STRATEGIES	5. Concerning the debate about making the FSC compulsory, is there a formal FSTC position on this? What alternative strategies could improve FSC implementation? 6. How were the different scorecards developed? 7. How can businesses be incentivised to shift socio-economic development to better align with government priorities? 8. Is there scope to expand B-BBEE to become even more comprehensive in the governance and oversight of corporate contribution to society?
ACTIVITIES	9. What are some of the key challenges in monitoring performance and compliance? 10. To what extent are companies utilising the training services you offer?
PROCESSES	11. Are there any formal processes to support company SED and CSR implementation? 12. Are there any processes that facilitate compliance on a national level translating to the effective implementation at local government, municipal and community level? 13. If a key objective is to improve compliance, what are the mechanisms through which target setting itself is evaluated to ensure that meeting targets translates to risks being addressed?
VALUE	14. The Scorecard provides a means with which to compare company contributions. Is there a need for complementary mechanisms to value and measure corporate contributions to transformation (not just compliance), to promote comparability and objectivity? 15. How could the quality of SED be better appraised and valued? 16. How does the short-term insurance industry implementation compare to other sub-sectors?
COMMUNICATION	17. What are the primary communication channels between the FSTC and the DTI? 18. How important are industry associations in maintaining/developing open lines of communication between the Council and sector companies? 19. Are there any feedback mechanisms in place in addition to the Scorecard?

Semi-structured interview guide - Department of Trade and Industry B-BBEE

PROVISIONAL CODE	QUESTIONS
MEANING	<ol style="list-style-type: none"> 1. Scholars and academics have credited B-BBEE, and other legislative acts passed post-1994 with creating a platform for CSR. Was this a strategic objective? 2. Some of the key risks facing South Africa, as gleaned from national government policy, include inequality, unemployment, wealth inequality, education, and health. How important is the role of corporates in the managing of these risks?
RELATIONSHIPS	<ol style="list-style-type: none"> 3. How do you liaise with NEDLAC and the FSTC formally? Was achieving consensus at this level difficult? 4. Do you develop relationships directly with companies regarding their social impacts?
STRATEGIES	<ol style="list-style-type: none"> 5. There are calls for a more compulsory approach to B-BBEE. For example, the current debate on making compliance financial sector code mandatory. Is this a direction being considered? 6. What is the rationale behind different scorecards for the different sub-sectors? Who led this development? Industry? 7. How can businesses be incentivised to shift socio-economic development spend to better align with government priorities?
ACTIVITIES	<ol style="list-style-type: none"> 8. To what extent does the DTI engage with individual companies to influence their B-BBEE? 9. The challenges of monitoring and enforcing compliance? Do you get reports from the charter councils?
PROCESSES	<ol style="list-style-type: none"> 10. What processes are in place for evaluating the efficacy of B-BBEE, i.e. Quality of impact vs spend? 11. Is there potential for B-BBEE to provide even greater management and oversight of corporate contributions to resolve the social risks facing society?
VALUE	<ol style="list-style-type: none"> 12. What role does assurance and verification play in the meeting of targets and ensuring the quality of corporate programmes? 13. How can we judge if B-BBEE is working? Whether its adding value?
COMMUNICATION	<ol style="list-style-type: none"> 14. How is B-BBEE practice communicated to the DTI? What is the feedback loop?

Semi-structured interview guide - NEDLAC

PROVISIONAL CODE	QUESTIONS
MEANING	<ol style="list-style-type: none"> 1. How does NEDLAC position the role of business in society? 2. Is CSR an important tool with which to manage social and other risks facing society today? 3. Scholars and academics have credited B-BBEE, and other legislative acts passed post-1994 with creating a platform for CSR. Is there a link between CSR and B-BBEE?
RELATIONSHIPS	<ol style="list-style-type: none"> 4. How important are partnerships between stakeholders and business to achieve socio-economic goals? 5. How would you categorise the relationship between business and the rest of the stakeholders? 6. How does NEDLAC support the development of such partnerships? 7. The community constituency is an important stakeholder. How does NEDLAC elevate the community voice? How are communities included in NEDLAC policy decision-making and legislation drafting, such as the FSC?
ACTIVITIES	<ol style="list-style-type: none"> 8. What activities does NEDLAC engage in that may influence CSR and pro-social corporate behaviour? 9. Does NEDLAC deal directly with any specific corporates in shaping pro-social behaviour?
STRATEGIES	<ol style="list-style-type: none"> 10. What precipitated the development of the FSC. Can you describe the process? 11. As the platform for developing the FSC, how important is the financial sector to transformation? 12. Has the parliamentary review on the financial sector (that called for compulsory FSC targets) been discussed at NEDLAC yet?
PROCESSES	<ol style="list-style-type: none"> 13. Are there formal processes within NEDLAC that support CSR?
VALUE	-
COMMUNICATION	<ol style="list-style-type: none"> 14. What are the primary communication channels between NEDLAC and its stakeholders? 15. How are relevant issues raised and discussed within the institution's frameworks?

Semi-structured interview guide - SALGA

PROVISIONAL CODE	QUESTIONS
MEANING	<ol style="list-style-type: none"> 1. From the municipality's perspective, how important is the role of business in assisting municipalities in achieving local economic development and managing key social risks and challenges? Is this part of a company's social responsibility? 2. How do you formally define a company's participation and social activities that support municipal services? For example, CSI or LED?
RELATIONSHIPS	<ol style="list-style-type: none"> 3. Why is SALGA such an important stakeholder in the relationship between businesses, national government and the municipalities? 4. Can you describe the relationship between CoGTA and SALGA? What are the benefits of having SALGA involved? 5. Does SALGA support/facilitate/develop relationships with the communities or only municipalities? 6. How was SALGA approached in the LGSP? Is SALGA always approached?
ACTIVITIES	<ol style="list-style-type: none"> 7. What activities does SALGA get involved in? Or does it play a guiding, supportive role? 8. Does SALGA support the relationship between the business community and municipalities? How would you do this?
STRATEGIES	<ol style="list-style-type: none"> 9. Why is money, increased taxes or funding from the government not the answer? 10. Are there any existing strategies to increase corporate participation in LGSP and other partnerships?
PROCESSES	<ol style="list-style-type: none"> 11. Do you encourage municipalities to have policy documents on CSR? 12. Have any new processes been set up post-BAAM/LGSP?
VALUE	<ol style="list-style-type: none"> 13. How do you measure a project's success and the value of a business's initiative? 14. Are there standardised metrics and reporting? KPAs? 15. How do the projects and corporate investments differ substantively? What makes a good project?
COMMUNICATION	<ol style="list-style-type: none"> 16. What are the primary communication channels between SALGA and the municipalities? 17. How do you engage in information sharing to leverage off successful projects?

Semi-structured interview guide - CoGTA

PROVISIONAL CODE	QUESTIONS
MEANING	<ol style="list-style-type: none"> 1. From the municipality's perspective, how important is the role of business in assisting municipalities in achieving local economic development and managing key social risks and challenges? Is this part of a company's social responsibility? 2. Is CSR an important part of a business' activities?
RELATIONSHIPS	<ol style="list-style-type: none"> 3. How did the relationship with Santam and other corporates first develop? 4. Which other stakeholders are involved? Were their inputs considered? 5. What other relationships developed as a consequence of your involvement with Santam? 6. How does their programme compare with other programmes?
ACTIVITIES	<ol style="list-style-type: none"> 7. What role does CoGTA play in the LGSP?
STRATEGIES	<ol style="list-style-type: none"> 8. How did the LGSP develop strategically? 9. How did CoGTA influence projects strategically? 10. Did this project influence the general strategy regarding dealing with corporates?
PROCESSES	<ol style="list-style-type: none"> 11. How has the LGSP partnership mechanisms developed since first implemented? Has the LGSP policy document continued to develop? 12. What new processes were set up to implement LGPS? Which existing processes were utilised?
VALUE	<ol style="list-style-type: none"> 13. How is project success measured and reported? Are there standardised metrics and reporting? 14. What constitutes a successful project? Why has Santam's LGSP been relatively successful? 15. How are projects assured or externally validated?
COMMUNICATION	<ol style="list-style-type: none"> 16. What are the primary communication channels between the municipality, Santam, and other stakeholders?

Semi-structured interview guide - Municipal Manager

PROVISIONAL CODE	QUESTIONS
MEANING	<ol style="list-style-type: none"> 1. How important is the role of business in assisting municipalities in achieving local economic development and managing key social risks and challenges? Is this part of a company's social responsibility? 2. How do you formally define a company's participation and social activities that support municipal services?
RELATIONSHIPS	<ol style="list-style-type: none"> 3. How did the relationship with Santam first develop? 4. Were other stakeholders were involved in your LGSP? 5. What other relationships developed as a consequence of your involvement with Santam? 6. How does their programme compare with other programmes? What role did CoGTA and SALGA play?
ACTIVITIES	<ol style="list-style-type: none"> 7. Can you describe how Santam supported you in the LGSP? 8. Have you engaged in any other partnerships with the LGSP or through other mechanisms?
STRATEGIES	<ol style="list-style-type: none"> 9. What strategies have you employed to actively engage with businesses to support risk management?
PROCESSES	<ol style="list-style-type: none"> 10. What new processes were set up to implement LGPS? Which existing processes were utilised? 11. What is the process for deciding which interventions are necessary?
VALUE	<ol style="list-style-type: none"> 12. How would you describe the benefits and disadvantages of your LGSP programme with Santam? 13. How could CSR be more beneficial/better implemented? 14. How do the projects differ substantively? What makes a good project? 15. How is project success measured and reported? Are there standardised metrics and reporting? 16. Why is money or increased funding from the government not the answer? 17. Are projects assured or externally validated?
COMMUNICATION	<ol style="list-style-type: none"> 18. What are the primary communication channels between the municipality, Santam, and other stakeholders? 19. Did you engage with other municipalities about your LGSP experience?

Semi-structured interview guide - Ward Councillor

PROVISIONAL CODE	QUESTIONS
MEANING	1. Is there a role for businesses to support communities through CSI/ CSR and other social activities?
RELATIONSHIPS	2. Santam and the Community Trust have been active in your community. Are you aware of or involved in any of these programmes? How did you become aware? 3. Are there any other corporates that you are/were involved with, in your Ward?
ACTIVITIES	4. How were you/the community involved in the developing of the programme and the initial roll-out?
STRATEGIES	5. Did you or your fellow community representatives have any input into the programme?
PROCESSES	6. How would you interact with Santam on matters relating to their CSR? Whom would you interact with? 7. What is the process through which you engage with corporates who wish to get involved within the community?
VALUE	8. Do you believe that Santam's intervention had value? 9. Are there any other CSR programmes that you are aware of? How do they compare? 10. How could CSR practice be improved upon to better benefit communities?
COMMUNICATION	11. How has the programme and its benefits been communicated? 12. Have you given feedback to the Community Trust or Santam, either directly, or through a representative?

Semi-structured interview guide - SAIA

PROVISIONAL CODE	QUESTIONS
MEANING	<ol style="list-style-type: none"> 1. How does SAIA position the role of business in society and CSR? 2. Can you describe the role that SAIA has played in developing the FSC as it pertains to the short-term insurance industry? 3. According to you, how does CSR link into B-BBEE and the FSC? 4. What role then, if any, does CSR play as a tool with which to manage social and other risks?
RELATIONSHIPS	<ol style="list-style-type: none"> 5. How many member companies are signed up to SAIA? 6. How would you describe the relationship between SAIA and Santam? 7. Do you discern any difference between Santam Ltd's CSR practice and those of these financial institutions?
ACTIVITIES	<ol style="list-style-type: none"> 8. Does SAIA have any formal participation in its member companies' CSR related activities?
STRATEGIES	<ol style="list-style-type: none"> 9. Are there any formal policies or strategies to influence member company CSR practice?
PROCESSES	<ol style="list-style-type: none"> 10. Are there any formal processes that support the influence of SAIA on company CSR practice? 11. Are there any mechanisms with which to evaluate the CSR practice of different member companies?
VALUE	<ol style="list-style-type: none"> 12. Does CSR offer any value to member companies? If so, how should this value be measured and reported? 13. How could CSR practice be improved upon?
COMMUNICATION	<ol style="list-style-type: none"> 14. What are the primary communication channels between SAIA and its members with regard to B-BBEE and CSR?

Semi-structured interview guide - Institute of Directors South Africa

PROVISIONAL CODE	QUESTIONS
MEANING	<ol style="list-style-type: none"> 1. King IV makes little mention of the term CSR, focussing instead on other concepts like shared value and corporate citizenship. Is the contemporary understanding of CSR an inadequate framework for advancing the principles of King IV? 2. Does CSR still have a role to play in the developing understanding of the role of business in society? Do sustainable development and integrated thinking, for example, obviate the need for a separate CSR discourse?
RELATIONSHIPS	<ol style="list-style-type: none"> 3. In terms of encouraging a stakeholder-inclusive approach for corporates, could we be striving toward standardisation? e.g. Methodologies for identifying individual stakeholders; Measurement of the quality of material stakeholder relationships.
STRATEGIES	<ol style="list-style-type: none"> 4. How did the IoDSA motivate the inclusion of 'apply or explain' to the JSE? 5. Institutional investors are increasingly taking ESG considerations into account in their investment process. Feedback: Integrated reports are useful but tend not to be balanced and linked to strategic objectives. How can a better, more consistent standard of integrated reporting be achieved? 6. Integrated reporting has been cited as a useful way for businesses to become more knowledgeable, proactive and transparent with regards to production and consumption externalities. Is this an important strategic objective of King IV?
ACTIVITIES	<ol style="list-style-type: none"> 7. In the <i>June 2017 Sustainable Development Forum: Addressing social inequality in business</i>, IoDSA highlights the importance of addressing the risks of inequality. Are there any other institutional activities/ processes around this topic? Does integrated reporting provide a platform for companies to address social inequality?
PROCESSES	-
VALUE	<ol style="list-style-type: none"> 8. King IV 'gives parity to all sources of value creation, including among others, social and relationship capital as embodied by stakeholders.' Could we be moving towards better quantification of this value? 9. Could integrated reporting potentially provide a platform to facilitate the aggregating risks on a national level? 10. How important is the role of assurance beyond financial information, e.g. for social programmes and initiatives? What skills do auditors need to develop in this regard?
COMMUNICATION	<ol style="list-style-type: none"> 11. How important is it for a company to communicate how its activities contribute to the risks facing its stakeholders and broader society? 12. What mechanisms can facilitate transparency while retaining competitive advantage?