
**THE IMPACT OF IMPALA PLATINUM'S
CORPORATE SOCIAL RESPONSIBILITY IN
THE RUSTENBURG AREA.**

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**PROMOTER:
PROF JC VISAGIE**

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THIS RESEARCH IS DEDICATED

TO

MY LATE FATHER

MODISE JACOB NKAGISANG,

(You gave me a firm foundation and guidance to succeed in life)

MY LATE BROTHER

SELLO MOLEKO SIMON NKAGISANG,

(Your contribution will never go unnoticed)

MY LOVELY MOTHER

MOTLAGOMANG ANNAH NKAGISANG,

(You are a true inspiration and I will always strive to make you proud)

MY BEAUTIFUL DAUGHTER

BOINEELO,

(You gave me a reason to live and let live)

**“Happiness is the key to success. If you love what you are doing, you’ll be
successful...”**

Author unknown

**“The difference between the possible and the impossible lies in a man’s
determination.”**

Tommy Losorda



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TABLE OF CONTENTS

CHAPTER 1	INTRODUCTION AND PROBLEM STATEMENT	1
1.1	INTRODUCTION.....	1
1.2	PROBLEM STATEMENT	3
1.3	GOALS AND OBJECTIVES OF THE STUDY.....	6
1.4	RESEARCH METHODS	6
1.4.1	Literature study.....	6
1.5	EMPIRICAL RESEARCH	8
1.5.1	Population	8
1.5.2	Statistical Analyses	9
1.6	STRUCTURE AND CLASSIFICATION OF RESEARCH	10
CHAPTER 2	SOCIAL CHANGE THEORY	13
2.1	Introduction	13
2.2	“SOCIAL CHANGE”	14
2.2.1	Social	14
2.2.2	Change.....	15
2.2.3	Characteristics of change.....	16
2.3	FACTORS RELATED TO SOCIAL CHANGE	17
2.4	SOCIAL CHANGE AS A PROCESS	18
2.5	THE DIMENSIONS OF SOCIAL CHANGE	19
2.5.1	Isolation of units of analysis	20
2.5.2	Specification of determinate relationships	20

2.5.3	Magnitude and intensity of change.....	20
2.5.4	Time	21
2.5.5	Direction and trajectory of change.....	21
2.5.6	Planned and unplanned aspects of change	21
2.6	ELEMENTS OF SOCIAL CHANGE.....	21
2.7	A PROGRAMME: SOCIAL CHANGE.....	23
2.7.1	Type 1	23
2.7.2	Type 2	23
2.7.3	Type 3	24
2.7.4	Type 4	25
2.8	VARIETIES OF CHANGE	26
2.9	THEORIES OF SOCIAL CHANGE.....	28
2.9.1	Cyclic theories	28
2.9.2	Evolutionary theories.....	29
2.9.3	Functional Theories.....	29
2.9.4	Neo-evolutionary Theories	30
2.10	SOCIAL DISORGANIZATION.....	31
2.11	STRUCTURAL-FUNCTIONAL THEORISTS.....	33
2.11.1	Background.....	33
2.11.2	Talcott Parsons (1902-1979) and the structural- functionalist theory	35
2.12	CONFLICT THEORISTS.....	38
2.12.1	Background	38
2.12.2	Karl Marx (1818 -1993) as proponent of the Marxist theories	39

2.12.3	Ralf Dahrendorf (1929-) as proponent of the Neo– Marxism Theory.....	40
2.13	CYCLICAL THEORISTS	42
2.13.1	Background	42
2.13.2	Pitrim Sorokin (1889-1968) as proponent of the cyclical theory	42
2.14	CHANGE MODELS.....	43
2.14.1	Lewin.....	44
2.14.2	Beckhard	45
2.15	RESISTANCE TO CHANGE	45
2.15.1	Stages in the change process	46
2.15.2	Sources of resistance to change	46
2.16	GENERAL REASONS FOR RESISTANCE TO CHANGE	48
2.17	SUMMARY	52
CHAPTER 3	CORPORATE SOCIAL INVESTMENT	55
3.1	INTRODUCTION.....	55
3.2	CORPORATE SOCIAL INVESTMENT DEFINED.....	57
3.2.1	How corporate social responsibility began	58
3.2.2	The actual and expected corporate social performance gap	61
3.3	REPRESENTATION OF CSR	62
3.4	SOCIALLY RESPONSIBLE INVESTMENT OVER THE YEARS	63
3.4.1	Socially Responsible Investing	63
3.4.2	Pressures on Institutional Investors.....	64
3.4.3	Business and Major Social Problems	65

3.5	CURRENT TRENDS	66
3.5.1	The Current Business Environment.....	66
3.5.2	The Economic Environment	69
3.5.3	The Technological Environment.....	69
3.5.4	The Political Environment.....	69
3.5.5	The Social Environment	71
3.6	THE DIVERSITY OF THE SRI INVESTMENT CRITERIA	72
3.7	CHANGE IN SRI CRITERIA.....	74
3.8	THE 3 TYPES OF SRI	74
3.8.1	Screening	74
3.8.2	Shareholder advocacy.....	75
3.8.3	Community investment.....	75
3.9	BUSINESSES AND SOCIAL RESPONSIBILITY	75
3.9.1	Business gain from being social responsible.....	76
3.9.2	Social responsibility reporting by businesses	76
3.10	ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY.....	76
3.11	TRADITIONAL AND PRO-ACTIVE APPROACHES OF MINING COMPANIES.....	80
3.12	THE GOVERNMENT'S ROLE IN PROMOTING CORPORATE SOCIAL RESPONSIBILITY	80
3.13	SOCIALLY RESPONSIVE MANAGEMENT	82
3.13.1	Strategies of Response	82
3.13.2	Formulating Socially Responsive Strategies	84
3.13.3	The Relevant Environment.....	85
3.14	IMPACT OF THE ISSUE ON THE COMPANY	88

3.14.1	Four phases of environmental analysis	89
3.14.2	Implementing Social Responsiveness.....	91
3.14.3	Making a Social Strategy Work	95
3.14.4	Organizational Structure.....	95
3.15	SUMMARY	101
CHAPTER 4	THE CORPORATE, THE COMMUNITY AND THE LEGISLATORY CHALLENGES	103
4.1	INTRODUCTION.....	103
4.1.1	Mining Legislation: a strenuous voyage of discovery	104
4.1.2	Catalysts for Change.....	107
4.1.3	Trends	109
4.1.4	Sustainability Report	110
4.2	THE MINING CHARTER.....	112
4.2.1	Scope of Application.....	115
4.2.2	Interpretation	115
4.2.3	Objectives	117
4.2.4	Undertakings	117
4.3	MINE COMMUNITY AND RURAL DEVELOPMENT.....	119
4.3.1	Housing and Living Conditions.....	120
4.3.2	Procurement.....	120
4.4	IMPALA PLATINUM AND CORPORATE SOCIAL INVESTMENT	128
4.4.1	Company background	128
4.4.2	CSI – No PR exercise, no handouts.....	132
4.4.3	Upliftment Projects	133
4.4.4	Housing	134

4.4.5	Empowering people.....	135
4.4.6	Environmental Responsibility	137
4.4.7	Impact of Retrenchments	138
4.5	SUMMARY.....	138
CHAPTER 5	EMPERICAL RESEARCH	142
5.1	INTRODUCTION.....	142
5.2	GOALS AND OBJECTIVES	142
5.3	RESEARCH DESIGN.....	143
5.3.1	Social Surveys: Design to analysis.....	143
5.3.2	Design and Use of Questionnaires in Research.....	146
5.4	RATING SCALES AND ATTITUDE MEASUREMENT.....	156
5.4.1	Attitude Measurement:	156
5.4.2	Attitudinal Rating Scales	156
5.5	VALIDITY AND RELIABILITY OF DATA MEASURING INSTRUMENTS	163
5.5.1	Validity.....	163
5.5.2	Reliability.....	164
5.6	DESIGN OF THE INVESTIGATION.....	165
5.6.1	Research population	165
5.6.2	Limitations of the study.....	166
5.6.3	DISTRIBUTION OF QUESTIONNAIRES	166
5.6.4	PROCESSING DATA.....	167
5.7	ANALYSIS AND INTERPRETATION OF THE RESULTS	168
5.7.1	Biographical particulars	168
5.7.2	Corporate Social Responsibility	173

5.7.3	Company contribution.	177
5.7.4	Political pressure and image	179
5.7.5	Transformation	181
5.7.6	Resistance to and acceptance of change.....	183
5.7.7	Transformation	184
5.7.8	CSI drivers	186
5.7.9	Transformation as part of CSI	187
5.8	CRONBACH ALPHA.....	188
5.9	EFFECT SIZE FOR THE DIFFERENCE BETWEEN MEANS	189
5.10	SUMMARY.....	191
CHAPTER 6	SUMMARY AND RECOMMENDATION	193
6.1	INTRODUCTION.....	193
6.2	SUMMARY.....	193
6.3	REALIZATION OF THE AIMS AND OBJECTIVES OF THE STUDY.....	195
6.4	EMPIRICAL RESEARCH.....	198
6.5	CONCLUSION AND RECOMMENDATIONS.....	199
6.6	RECOMMENDED CORPORATE SOCIAL RESPONSIBILITY PROCESS	200
6.7	RECOMMENDED FURTHER RESEARCH	200
6.8	CONCLUDING REMARKS	201
BIBLIOGRAPHY	215
QUESTIONNAIRE	222

LIST OF FIGURES

FIGURE 2.1:	Buchanan and McCalman's model of perpetual transition management (Buchanan & McCalman, 1989:198).....	33
FIGURE 2.2:	The determinants of organisational structure (Senior, 2002:95).....	34
FIGURE 2.3:	Functions of Social System	37
FIGURE 3.1:	Society's expectations versus business' actual performance (adapted from Carroll and Buchholtz, 2000).....	61
FIGURE 3.2:	Social Responsibility Categories (Carroll, 1979)	62
FIGURE 3.3:	Environmental impacts on company planning. (Source: Reprinted with permission of The Free Press, a Division of Macmillan, Inc., from Top Management Planning by George A. Steiner. Copyright © 1969 by The Trustees of Columbia University in the City of New York.).....	67
FIGURE 3.4:	The major environment of business	68
FIGURE 3.5:	Effects of industry on environment & social development. (Warhurst and Lunt, 1997)	78
FIGURE 3.6 :	Four basic strategies of social response	83
FIGURE 3.7:	Strategy and Social Responsiveness.....	85
FIGURE 3.8:	The macro environment of business	86
FIGURE 3.9:	Identifying high priority issues for action.....	88
FIGURE 3.10:	Four phases of environmental analysis	89
FIGURE 3.11:	A three-stage of corporate social responsiveness.....	92
FIGURE 3.12:	"Levers" through which a corporation's business and social strategy is managed.....	96

FIGURE 3.13:	Organizational group and required action	97
FIGURE 4.1:	The Bushveld complex (source: Lonmin Presentation)	129
FIGURE 4.2:	Platinum demand 1996-2005	130
FIGURE 4.3:	Palladium demand 1996-2005	131
HISTOGRAM 1:	Race group.....	168
HISTOGRAM 2:	Gender	170
HISTOGRAM 3:	Age group.....	171
HISTOGRAM 4:	Qualifications.....	172
HISTOGRAM 5:	Place of origin	173
HISTOGRAM 6:	Corporate Social Responsibility concept.....	175
HISTOGRAM 7:	Provision for the principles of being socially responsible.....	176
HISTOGRAM 8:	Responsibility towards corporate social investment	176
HISTOGRAM 9:	Percentage of the gross income used for social responsibility.....	178
HISTOGRAM 10:	Social responsibility improve image	180
HISTOGRAM 11:	Role of political pressure	180
HISTOGRAM 12:	Transformation in the country.....	182
HISTOGRAM 13:	Experience of change in the country	182
HISTOGRAM 14:	Resistance to change.....	183
HISTOGRAM 15:	Acceptability of change to employees	184
HISTOGRAM 16:	Transformation or change management strategy?.....	186
PIE CHART 1 :	Does the company encourage transformation?.....	185
PIE CHART 2:	Is strategy driven by some form of legislation?	187
PIE CHART 3:	Transformation as part Corporate Social Responsibility.....	188

LIST OF TABLES

TABLE 1:	The anatomy of a programmer: four types of theories of change.....	26
TABLE 3.1:	Investment Criteria of SRI Funds in the USA	73
TABLE 4.1	Sustainability reporting trends by the top 100 companies in South Africa.....	111
TABLE 4.2:	Corporate Citizenship Index participation of internationally listed South African companies	112
TABLE 5.1:	Characteristics of the levels of measurement.....	154
TABLE 5.2:	Use of the Likert scale.....	157
TABLE 5.3:	Use of a semantic differential scale.....	160
TABLE 5.4:	Use of the Stapel scale	161
TABLE 5.5:	Graphic rating scale	162
TABLE 5.6:	Key Labour-sending Areas for Company Work-force at Impala Platinum Limited as at November 2004	169
TABLE 5.7 :	CSI and Attitude Rating.....	190
TABLE 5.8 :	Employer and employee obligation	190

INTRODUCTION AND PROBLEM STATEMENT

1.1 INTRODUCTION

Corporate Social Responsibility (CSR) is becoming one of the most important challenges for organizations, with company reputations and increased challenges related to social, environmental and performance. Since 1999, society's expectations for CSR have grown in many countries. Many companies have been working to improve their CSR performance by expanding their CSR efforts, investing in staff and integrating CSR into corporate strategy. But public perceptions of corporate performance on CSR have worsened: CSR performance ratings for industry have decreased since 2001. The widening gap between expectations and performance is a challenge for anyone managing corporate reputation (Brand Strategy, September 2005).

According to Farmer and Hogue (1985:1), some people say that high corporate profits are evil. To be socially responsible a firm must voluntarily spend much of what would otherwise be profits and taxes to benefit parties other than its stockholders, managers and sometimes workers. The percentage of profits to be spent and the projects on which they should be spent are matters that such advocates cannot agree on. Nevertheless, they all think that actions by a firm to further its own profits cannot be socially responsible.

The Corporate Social Responsibility (CSR) construct describes the relationship between business and the larger society. An exact definition of CSR is elusive, since beliefs and attitudes regarding the nature of this association fluctuate with the relevant issues of the day. As such, viewpoints have varied over time and occasionally are even oppositional. Consequently, the use of organizational mental resources for the larger good, such as donating to charities, is detrimental to firms, since it may decrease profitability or increase product prices or both (Business and Society Review, 108:340)

Cannon (1992:31) expands further by saying much of the current literature on corporate responsibility takes a simplified view of the role of business in society. It is sometimes implied that the aim of good business is to make "you...feel good about yourself". This is as questionable as the notion that the only guiding principle can be that "it is the business of business to make profits". Business performs a number of roles in society. They change over time. Therefore, according to Forgarty (1973:11), differences arise particularly concerning the extent to which enterprises should be made accountable to different parties towards whom they accept that they have responsibility and the institutional means through which their behaviour should be controlled. There is a critical distinction here between the ideas of 'responsibility towards' and 'accountability to'.

Do we need laws and government regulations to ensure socially responsible conduct or business? Or will business, knowing that society expects a high standard of social behaviour, decide voluntarily to be socially responsible?

Frederick, Post and Davis (1992) responds by saying that, oddly enough, the answer to both questions is 'yes'. Business does need social guidance from laws and public policies. Without them, companies would be uncertain about which social goals they should pursue and in which order of priority. Laws and regulations also help to create a "level playing field" for businesses that compete against one another. Businesses that comply with laws and public policies are meeting a minimum level of social responsibility expected by the public.

We deal with three entities, namely the business (with the word *corporate* used interchangeably), government and society as the major role players of this Corporate Social Investment relationship. Steiner and Steiner (1991:7) further stress that everyone recognizes that Business, Government and Society's (BGS) interrelationships are extremely complex. Individuals and groups view these relationships from different perspectives. Depending upon their perspective on business relationship to its environment, people and/or groups may reach entirely different conclusions about any business versus society issue. They may radically differ; for example, know about the nature of business' power over society, the motivations of business leaders, and the morality of executives, the role of the business community and any other public issues involving business.

In the past, corporate entities were 'only' expected to provide goods and services, provide employment, pay corporate taxes, maximize wealth of the providers of capital and conform to the basic rules of society. In addition to all these, they are now expected to care about the environment, human rights, sustainable development and society in general. The field of corporate social responsibility (CSR) appears to have suddenly become more important than ever before, following recent high profile incidents around the world. For example, the collapse of Enron in the USA in 2001, World Com in the USA in 2002, Parmalat in Italy in 2003, Union Carbide in India in 1984, Exxon Valdez in Alaska USA in 1989 and other similar cases. The issues involved in these cases were diverse, ranging from bad corporate governance to *irresponsible behaviour towards the environment*. This now accounts for the way in which a number of corporations are embracing the rhetoric of CSR and are putting it in practice through a variety of activities, for example using codes of conduct, ethics, audit principles and standard (Accountancy Ireland, August 2005 Vol. 37 No. 4 p86).

1.2 PROBLEM STATEMENT

Steiner and Steiner (1991:30-34) distinguish between four major environments of business namely economic, political, social and technical (for purposes of this research the technical environment will not be dealt with). These aspects will further be explored in Chapter 3 subsection 3.13.3.

The **economic environment** covers a vast territory and is, of course, of arresting significance to business. The economic activity is measured by the gross national product (GNP) or gross domestic product (GDP). Every important economic force has an impact on a wide range of other economic forces, which in turn affects others. Major changes in the general level of the commodity prices will affect interest rates; consumer purchasing; stock and bond prices (Steiner & Steiner, 1991:30). This will obviously lead to less profit to the company if it is negative and will consequently impact negatively on possible social spending by the company.

In terms of **technological environment**, technology can and often does change the entire way of life, thinking, values, habits and even the political process of the nation, for example, in computer science, biotechnology, medicine, robotic factories,

telecommunications and microelectronics, to mention but a few. The forces generated will shake the foundations of the most secure businesses. The choices will powerfully affect options available to consumers, the rate and growth of different business sectors, the role of business in the world and the standard of living. These and many other new developments will open up astonishing opportunities for the alert business manager. They will also pose new threats. These threats may rise not alone from domestic competitors in the same industry but from companies in unrelated industries, and from foreign competitors (Steiner & Steiner, 1991:31-32).

Today **political environment** indicates that there is practically no aspect of business that government cannot and will not regulate if the occasion arises, and popular or legislative support exists. To the typical businessperson, government regulation is burdensome. Antipollution controls, for example, require vast expenditure of funds by many companies. Equal opportunity regulations influence the ways in which companies employ and treat people. The newly complex legal environment of business is due in part to increase government regulations which foster suits against corporations for perceived violation of regulations (Steiner & Steiner, 1991:32-33).

Therefore social responsibility forms part and essence of the mining industry for doing business and of the fulfilment of their licence conditions.

The **social environment** includes such diverse forces as changing values, education, religion, labour union activities and the customs and habits of people. Values are enduring beliefs that people hold about morals, equality, freedom, democracy, patriotism and so on. Values do not change easily but over time they do change. When values change, the impact is felt in the ways in which business, government and society operate and how they interrelate (Steiner & Steiner, 1991:34).

We therefore can continue by saying that three of the four major environments play a major role in mining industry, especially basing it on the social responsibility.

Corporate Social Responsibility is defined by Robbins [South African Journal of Business Management, 2001:32(1)] as: '... a business firm's obligation, beyond that required by the law and economics, to pursue long-term goals that are good for society'. Boone and Kurtz state that: 'Social responsibility is management's

acceptance of the obligation to consider profit, consumer satisfaction and societal wellbeing of equal value in evaluating the firm's performance'. The concept of corporate social performance needs to be distinguished from corporate social responsiveness and corporate social performance although all three concepts are closely related.

Kotler and Lee (2005:3) describe Corporate Social Responsibility as a commitment to improve community well-being through discretionary business practices and contributions of corporate resources.

Frederick et al. (1992:33) further explores two principles of corporate social responsibility. These two principles, namely the **charity principle** and the **stewardship principle**, were the results of early ideas on how business expanded its role in society. These principles have shaped business thinking about social responsibility during the twentieth century. They are the historical foundation for the modern idea of corporate social responsibility. Charity Principle means a kind of participation in community affairs – making paternalistic, charitable contributions. However, charitable giving is not the only form corporate social responsibility takes. On the other hand Stewardship Principle entails a situation where today's corporate executives see themselves as stewards or trustees who act in the general interest of the public. Although their companies are privately owned and they try to make profits for the stockholders, the company is managed and directed by professional managers who believe they have an obligation to see that everyone – not only those in need – benefits from the company's actions.

Social responsibility is widely expected of business, but it has limits. The main limits are cost, efficiency, relevance and scope. As a result of these constraints, the amounts and kinds of social actions pursued by business are sometimes less than the public wants to see (Frederick, 1992:39).

When considering the problem statement the following problem statement could be formulated: **What is the attitude of the South African business and community towards social responsibility focusing on Impala Platinum Limited?**

1.3 GOALS AND OBJECTIVES OF THE STUDY

Given the challenges faced by the mining industry and in particular those in the Rustenburg area as stated above, the primary goal of this study is to give guidelines on how to manage corporate social responsibility of the mining companies in the Rustenburg area and making sure that it is effectively managed. The research will assess the attitude of the South African government through its state organ, the Department of Minerals and Energy, business society as well as the community. Furthermore the research will explore the legislative obligation and the economic issue driven by Corporate Social Responsibility.

The following objectives can be identified:

- E To identify and explain the impact of Impala Platinum's corporate social responsibility in the Rustenburg area
- E To develop and validate an instrument that could be used to assess the perception and opinion on corporate social responsibility as exercised by the mining company or organisation
- E To identify and discuss the current corporate social responsibility projects associated with society and mines

1.4 RESEARCH METHODS

1.4.1 Literature study

The literature study is based on the research and integration of literature which exists on corporate social responsibility as well as the social responsibility of the organizations researched. The researcher will use all relevant literature, both national and international, as well as information from the Internet. The incorporation of figures and tables will give more clarity about corporate social responsibility in mining companies.

According to Balsley and Clover (1989:76-77) and De Wet, Monteith, Steyn and Venter (1981:39), the literature study consists of three distinctive phases, namely:

- Gathering useful references;
- Researching these references; and
- Studying these references.

Social Change Theory

Appelbaum (1970:2 cited from Du Plessis 2004:14) defines the term “social” as residing mainly in the individual, in the interaction between individuals, as an emergent property of large groups, and in the symbols that characterize human interaction.

Landis (1995:363) writes that social change occurs and affects the ways individuals and groups relate to one another. Furthermore, he says that social change is rapid and extreme, the organization of society may break down; therefore social disorganization may result.

According to the Concise Oxford Dictionary (1982:1006), the term “social “ denotes living in companies or organised communities, gregarious (man is a social animal); not fitted for or not practising solitary life; interdependent, co-operative, practising division of labour; existing only as member of a compound organism.

In the Longman Dictionary of Contemporary English (1995:1365) “social”, which is used interchangeably with the word *society*, denotes human society and its organization.

The word *change* denotes transformation or taking on a new form, thereby with the concept of social change it should be understood as an activity within the society to transform the particular society and/or to reorganise the society’s activities differently so as to meet the changing demands.

Senior (2002), in his introduction to part one of his book, writes that change in organizations does not happen in a vacuum. If nothing happened to disturb organizational life, change would be very slow and perhaps merely accidental. However, many commentators on organizational life warn that the pace of change is accelerating and all organizations must be prepared to respond to and even anticipate change.

According to Jordan and Pile (2002:109-110), sociologists use the term revolution to encompass a very wide range of social phenomena, from political coups to thoroughgoing social upheavals of a whole society or civilization and even fundamental changes in intellectual systems which might appear to have little impact on society in general and certainly no violent implications.

Change will not disappear or dissipate. Technology, civilization and creative thought will maintain their ever accelerating drive onwards. Managers and the enterprises they serve, whether public or private, service or manufacturing will continue to be judged upon their ability to effectively and efficiently manage change (Paton & McCalman, 2000:5).

1.5 EMPIRICAL RESEARCH

The empirical study is the most important part of this study. The following research instruments will be used to conduct the research:

1.5.1 Population

In order to achieve the primary as well as the secondary goals a research group that is a representative sample of Impala Platinum Limited, this is one of the major mining companies in Rustenburg Municipal area. The study includes an empirical component comprising questionnaires and interviews with Senior Mines personnel, Senior Municipal officials and Senior Community members (community structures) in the Rustenburg Municipal Area.

The sample will also take into consideration the following groupings:

- community members from informal settlements living in close proximity to the mining houses,
- community members in the Rustenburg township areas;
- community members of the Royal Bafokeng Nation including its constituencies as classified by the Rustenburg municipality as rural areas;
- the Rustenburg residential and business area;

- beneficiaries of Impala Platinum Limited corporate social responsibility e.g. NGO's (non profit organization).

This sample will include associations or organizations who are assisted by Impala Platinum whilst certain individuals might be employed by Impala Platinum but might be fulfilling a different social position. The sample group will total 300 questionnaires including 5 interviews. It must also be placed on record that Greater Rustenburg Municipality is demarcated into 35 wards. However, for purposes of this research, only areas that fall within a 20 km radius of the Rustenburg Central Business District were considered.

1.5.2 Statistical Analyses

In conjunction with Dr Suria Ellis from the North West University and Indirani Naidoo from the University of KwaZulu-Natal, appropriate techniques were decided upon for data analysis. The data will be statistically analyzed by means of the SAS®-Programme (SAS Institute Inc., 2001).

The programme will be used to determine the following:

- The Alpha Cronbach inter-item correlation coefficients will be used to assess the reliability of the measuring instruments (Clark & Watson, 1995:309-319).
- Descriptive statistics (e.g. means and standard deviation).
- Effect sizes will be used to determine whether a practical significant percentage of the same effect exists for different groups. The effect size d = where a cut-off point of 0,5 (medium effect, Cohen, 1988:224) will be set for a possible practical significance between means and large effects d as practical significant.
- Two-way frequency tables and correspondence analysis are used to determine whether a relationship exists between variables. The practical significance of these relationships are given by the effect size w = where a cut-off point of 0,5 (medium effect, Cohen, 1988:224) will be set for a possible practical significance between means and large effects w as practical significance.

1.6 STRUCTURE AND CLASSIFICATION OF RESEARCH

In **Chapter one** the discussion is based on the introduction of ideas, problem statement, and objectives of the study and methods of research. A few definitions of key words exist which will be used throughout the research.

Corporate Social Responsibility (CSR) is becoming one of the most important challenges for organizations, with company reputations increasingly related to social, environmental and performance. Since 1999, society's expectations for CSR have grown in many countries. Many companies have been working to improve their CSR performance by expanding their CSR efforts, investing in staff and integrating CSR into corporate strategy. But public perceptions of corporate performance on CSR have worsened CSR performance ratings for industry have decreased since 2001. The widening gap between expectations and performance is a challenge for anyone managing corporate reputation (Brand Strategy, September 2005).

According to Farmer and Hogue (1985:1), some people say that high corporate profits are evil. They say to be socially responsible a firm must voluntarily spend much of what would otherwise be profits and taxes to benefit parties other than its stockholders, managers and sometimes workers. The percentage of profits to be spent and the projects on which it should be spent is a matter that such advocates cannot agree on. Nevertheless, they all think that actions by a firm to further its own profits cannot be socially responsible.

Chapter two will outline the relevant theory related to this research which is the 'Social change theory'.

The chapter will endeavour to give meaning to the concept "social changes" and that of all the related concepts.

- Social

Appelbaum (1970:2 cited from Du Plessis 2004:14) defines the term "social" as residing mainly in the individual, in the interaction between individuals, as an emergent property of large groups, and in the symbols that characterize human interaction.

- Change

Change is an organizational reality. Handling change is an integral part of every manager's job. Change is an alteration in people, structure or technology (Robbins & Coulter, 1996:420).

According to the Concise Oxford Dictionary (1982:1006), the term "change" denotes making or becoming different; substitution of one for another.

Change, according to Appelbaum (1970:7 cited from Du Plessis 2004:15), is the process through which entities are changed. Various distinctions are useful, namely:

- E The **magnitude of change** will reflect a number of characteristics of the units affected, the size and centrality (or strategic character) of the units affected; the proportion of affected units in the system; the susceptibility of the affected unit to change (its degree of resistance to change); the degree of alteration involved by change, and the suddenness of the onset of the impetus to change.
- E **Time span of change.** Long-term v/s short-term change. The length of the period over which change occurs is clearly an important distinction.
- E **Effect on the changing unit:** Process v/s structural change distinguishes between those processes that serve to maintain a system and those that cause structural changes in it.

Chapter three will give more information on the concept of social responsibility, the background to social responsibility, as well as the model that can be used.

The Conference Board of Canada from their consultation paper 'Corporate Social Responsibility and Socially Responsible Investment' (Secretariat des commissions, May 2002:5) provides one of the best definitions of **corporate social responsibility** as *the overall relationship of the corporation with all of its stakeholders.*

These include customers, employees, communities, owners/investors, government, suppliers and competitors. Elements of social responsibility include investment in community outreach, employee relations, creation and maintenance of employment, environmental stewardship and financial

performance. Furthermore, socially responsible investment, as will be discussed below, or social investment, may also be defined as follows: socially responsible investment (SRI) is a commitment to achieving public good through investment.

Socially responsible investors consider a double bottom line: a company's financial performance and its social performance.

Chapter four explores the role players in corporate social investment with all the relevant legislation or related legislative stipulations.

The Mineral and Petroleum Resources Development Act No. 28, 2002 (MPRDA), which came into effect in May 2004, effectively severed the South African mining industry's ties with the apartheid era and placed it firmly in line with international practice. The watershed Act not only provides for private ownership of South Africa's mineral rights to be terminated in favour of state custodianship of mineral resources – making government the grantor of prospecting, exploration and mining and production rights – but also opens the door for historically disadvantaged South Africans to participate in the industry, specifically beyond the extraction phase (Mining, June-Sept. 2006:3).

The empirical study and interpretation chapter is **Chapter five**. The purpose of this chapter is to describe how the research was designed and how the data were collected, arranged and analyzed. Specifically to be outlined will be the methods to be applied. This will include the motivation behind using these methods. The next part will deal with the investigation of how the sample was taken, including the procedure that was followed in selecting the research population analyzed.

Chapter six concludes all findings and research as well as any recommendations concerning the theme of the study.

SOCIAL CHANGE THEORY

2.1 INTRODUCTION

O'Donnell (2002:303) says societies change for many different reasons. There may be physical conditions such as drought, flooding or crop failure which necessitate a change in production and living patterns. The degree to which societies come into contact with others will also influence the degree of change, both in terms of ideas and technological innovations. These in turn have brought proportionately even more rapid change to other countries through colonialism.

According to Parton (1996:15-16), growth of new technology allows for a number of changes in the organization of work in the contemporary society. Central to the changes are moves to create the flexible organization of different work pattern lines of accountability and forms of decision-making. The growth of managerialism in recent years is seen as the connecting thread linking markets, partnerships, an emphasis on customers and the re-composition of the labour.

Parsons (1970:75) explains the term *organization* as a broad type of collection which assumes a particular important place in modern industrial societies – the type to which the term *bureaucracy* is most often applied.

Furthermore, organizations change and have to change in order to survive as a result of changes in the environment and expected future changes. It is clear that an attitude to change is essentially concerned with and informed by an external and futuristic orientation (Human & Horwitz, 1992:58).

Landis (1995:363) claims that social change occurs and affects the ways individuals and groups relate to one another. Furthermore, he says that social change is rapid and extreme, the organization of society may break down; therefore social disorganization may result.

Jick (1993:1) stresses that change in its broadest sense is a planned or unplanned response to pressures and forces. Hence, there is nothing new about change or the need for it. Technological, economic, social, regulatory, and political and competitor forces have caused organizations to modify for decades – if not for centuries. Change is such a potent issue these days. However, pressure can become the norm. Therefore Pettinger and Frith (2000:227) say that those responsible for designing organization therefore have to create conditions in which change is a fact of life. Innovation, development and change have to be accepted and valued in the future, just as order and steadiness were in the past.

Knowledge of the social system has become as imperative as understanding business, its culture and how it operates, as well as influence in the social system. This knowledge will better inform the need for and strategy of social corporate investment.

2.2 “SOCIAL CHANGE”

This subsection will endeavour to give meaning to the concept “social change” and that of all the related concepts.

2.2.1 Social

Appelbaum (1970:2 cited from Du Plessis 2004:14) defines the term *social* as residing mainly in the individual, in the interaction between individuals, as an emergent property of large groups, and in the symbols that characterize human interaction.

According to the Concise Oxford Dictionary (1982:1006), the term *social* denotes living in companies or organised communities, gregarious (man is a social animal); not fitted for or not practising solitary life; interdependent, cooperative, practising division of labour; existing only as member of a compound organism.

In the Longman Dictionary of Contemporary English (1995:1365) *social*, which is used interchangeably with the word *society* denotes human society and its organization.

2.2.2 Change

Change is an organizational reality. Handling change is an integral part of every manager's job. Change is an alteration in people, structure or technology (Robbins & Crulter, 1996:420).

According to the Concise Oxford Dictionary (1982:1006), the term *change* denotes making or becoming different; substitution of one for another.

Change, according to Appelbaum (1970:7 cited from Du Plessis 2004:15), is the process through which entities are changed. Various distinctions are useful, namely:

- The **magnitude of change** will reflect a number of characteristics of the units affected, the size and centrality (or strategic character) of the units affected; the proportion of affected units in the system; the susceptibility of the affected unit to change (its degree of resistance to change); the degree of alteration involved by change, and the suddenness of the onset of the impetus to change.
- **Time span of change.** Long-term versus short-term change. The length of the period over which change occurs is clearly an important distinction.
- **Effect on the changing unit:** *Process versus structural change distinguishes* between those processes that serve to maintain a system and those that cause structural changes in it.

Paton and McCalman (2000:3) postulate that successful exploitation of a change situation requires:

- Knowledge of the circumstances surrounding a situation
- Understanding of the interactions
- Awareness of the potential impact of associated variables

According to Ansari and Jackson (1995:35), the way to treat everyone the same is by accepting and valuing differences required in a process of individual and organizational change. This change is viewed either as an adjustment to external and internal pressures or as an initiative anticipating future developments, but the main objective is still to increase the effectiveness and competitiveness of the

organization. The change is not only required in the cultural environment of the organization but also in:

- individual values, attitudes and behaviour,
- an increase in individual awareness and knowledge,
- *developing individual skills to communicate effectively in a cultural diverse team.*

The degree to which societies come into contact with others will also influence the degree of change, both in terms of ideas and technological innovation. Some traditional societies have not changed much for thousands of years. (O'Donnell, 2002:303).

2.2.3 Characteristics of change

According to Moore (1974:2), change can be summarized by a set of generalizations:

- For any given society or culture, rapid **change occurs frequently** or “constantly”.
- **Changes are neither temporally nor spatially isolated** – that is changes occur in sequential chains rather than as “temporary” crises followed by quiet periods of reconstruction, and the consequences tend to reverberate through entire regions or virtually the entire world.
- Thus, because **change probable is “everywhere”** and its consequences may be significant “everywhere”, it has a dual basis.
- The **proportion of change that is either planned** or issues from the secondary consequences of deliberate innovations is much higher than formerly.
- Accordingly, the **range of material technology and social strategies is rapidly expanding** and the net effect is additive or cumulative despite the relatively rapid obsolescence of some procedures.

- The **normal occurrence of change affects a wider range** of individual experience and functional aspects of societies in the modern world – not because such societies are in some respects more “integrated” but because of normality of change.

2.3 FACTORS RELATED TO SOCIAL CHANGE

Various attempts have been made to relate social change to other factors in the physical and social environments. A more realistic approach might hold that people who differ by race or ethnicity have different social and cultural patterns, and that particular mixtures of these types of people in a given society could lead to greater or lesser conflict and, correspondingly, greater or lesser social change (Landis, 1995:369). Furthermore, Nash (2005:101) postulates that where society is widely seen by social actors in terms of struggle and conflict – again, not necessarily assimilated to class struggle – sociological explanations which treat the reproduction of the social order as practically inevitable are likely to be discredited, even to be seen as complicit with the status quo. This has been the fate of Marxism, now seen as over-deterministic and insufficiently sensitive to the possibilities of radical changes at the micro-sociological level.

According to Kerbo (1996:94-95), Marxian theory is one of dynamics, social change and conflict rather than one of social equilibrium and order, as with functional theory.

The Marxian theory will receive further attention later in the chapter. We also need to take cognisance of the fact that Corporate Social Responsibility has a certain impact on the society, and the theory will attempt to address what influence changes have in the society.

Jordan and Pile (2002:28) further explain that the physical form of cities is bound up with the social division of labour and the distribution of work within the cities. Changes in the organisation of work and of home had meant that people relied on selling their labour to cities. Urban dwellers relied on their personal skills to get jobs within the division of labour.

Ideological and technological factors are related to social change. The appearance and commitment to ideas of socialism, democracy, Christianity, science, or progress in general have led to major social changes. It is easy to point at the dramatic inventions that affect societies, probably because their emergence seems sudden rather than slow and less obvious. The self-starter on cars aided in the emancipation of women allowed women to use cars as easily as do men. The invention of the elevator made possible the construction of tall apartment buildings.

These examples suggest that one probably cannot single out any one element or invention in a culture and then attribute change to it alone (Landis, 1995:370-371).

Cities are places where social relations are being continuously experimented with. This is not simply about the wild possibilities of fun and excitement but also about the ways in which cities manage and organize social relations and indeed social change (Jordan & Pile, 2002:36).

Social change is introduced into a culture through two processes: invention and diffusion. Invention refers to the creation of a new object or idea. Diffusion refers to the spread of objects or ideas from one society to another. In sum, social change represents the coming together of a number of events: the conditions in a particular culture at a given time in history and the change agent or catalyst (Landis, 1995:371).

2.4 SOCIAL CHANGE AS A PROCESS

According to Paton and McCalman (2000:8), the key point is that change is an ongoing process, and it is incorrect to think that a visionary end state can be reached in a highly programmed manner.

Social change refers to a change in the social structure or social organization of a society. It is concerned with change as it affects a significantly larger number of individuals in a given society (Cohen & Orbuch, 1990:143).

Jordan and Pile (2002:xiv) write that social change is, as the phrase implies, about the investigation of the times and places when and where society becomes different.

Vago (1999:9) cited from Du Plessis (2004:16) defines social change as follows: social change is conceptualized as the process of planned or unplanned qualitative

or quantitative alterations in social phenomena that can be analyzed in terms of five interrelated components. These components are called identity, level, duration, magnitude, and rate of change.

The components are described as follows:

- **Identity of change** refers to a specific social phenomenon undergoing transformation such as a definite practice, behaviour, attitude, interaction pattern, authority structure, productivity rate, voting pattern, prestige, and stratification system;
- **Level of change** delineates the location in a social system where a particular change takes place. Several levels may be designated such as individual, group, organization, institution, and society;
- **Duration refers** to the question of how long a particular change form endures after it has been accepted. It may refer to the life span of long-term or short-term (transitory) change phenomena;
- **Magnitude** reflects phases on the three-part scheme of incremental or marginal, comprehensive, and revolutionary changes; and
- **Rate of change** may be based on any arbitrary scale such as fast or slow, continuous or spasmodic, orderly or erratic.

According to above-mentioned definitions, social change can be described as an omnipresent, constant phenomenon or process that brings about change in the structure of individuals, groups and communities and in the normative behaviour patterns of those that are influenced. Individuals are exposed to new situations to which they must react.

2.5 THE DIMENSIONS OF SOCIAL CHANGE

In the study of social change, there are a number of considerations which, for purposes of the study, shall be designated as dimensions of the problem of change. According to Edari (1976:3-4, cited from Du Plessis 2004:17), these include:

2.5.1 Isolation of units of analysis

The first of these and perhaps the most important consideration is the isolation of units of analysis. These units represent the social entities to establish generalizations taking into account the dynamic properties and relationships within and between them over time. The units may be more concrete, as in the case of families, or more abstract, as in the case of societies. Generally speaking, the more abstract the social entities, the larger the problem of establishing generalizations about them empirically.

2.5.2 Specification of determinate relationships

Having isolated the units of reference, one wish to know how and why these units and their relations change over time. This involves the specification of determinate relationships. Some of these relationships may be casual and some merely statements of associations or tendencies. Statements of association constitute the bulk of generalizations that have been made about social change. However, a number of these generalizations often contain an implied direction of causality, or incorporate causality in the process of interpretation of observed regularities between social phenomena. In the effort to unravel the causal agents of change a variety of "causes" such as geography, technology have been isolated, religion, and division of labour. Others have abdicated the search for causes by resorting to the notion of "immanent change". This perspective instructs us to look for causes of family change within the family itself rather than tracing causes to external forces such as technological change.

2.5.3 Magnitude and intensity of change

The magnitude of change refers to the size and number of social entities affected, while the intensity of change refers to the degree to which previous social arrangements have been altered. Social change may be said to be drastic to the extent that it results in a profound alteration of social arrangements over a short interval of time. Such situations are observed after disasters and revolutions.

2.5.4 Time

The study of social change must take a time factor into account, for it is by ordering social phenomena with respect to time that we can establish whether something has changed.

Two uses of time in studying social change can be isolated:

- the use of time to establish points of reference within which certain social events are presumed to have taken place, which in turn gives us an idea of what has happened; and
- the use of time to communicate about the movement of social phenomena, for instance when we speak of rates of change or types of trends.

2.5.5 Direction and trajectory of change

Direction refers to some future position of the entity relative to its initial position, while trajectory describes some hypothetical path obtained by joining the successive points of the entity at different times.

2.5.6 Planned and unplanned aspects of change

A good deal of contemporary social change is planned, in the sense that it is a result of conscious deliberation. Across the world people aspire to the “good life”, both materially and socially. To that extent, they participate in planned programmes which result in profound changes in their material conditions of life and social relationships.

The unanticipated (or unplanned) aspects of these programmes of action are social structural changes such as the change in the system of social stratification.

2.6 ELEMENTS OF SOCIAL CHANGE

According to Zaltman and Duncan (1977:13-15 cited from Du Plessis 2004:19), change may take on a variety of forms. Change may simply be an idea or concept

that may or may not lead to a different practice and may or may not manifest itself in a physical product or service. Furthermore, a change may be radical or routine, and it may be an ultimate goal or simply a mechanism or instrument to achieve some other specified change. Change has many elements, irrespective of whether it is routine or radical, instrumental or ultimate, and conceptual only or physical manifested. Some of these elements are the following:

- **Relative advantage:** this element refers to the unique benefit the change provides compared to other ideas, practices, or “things” that do not provide at all or as well. This element is important in the interest and evaluation stages of the adoption decision process. It is necessary for the change agent to diagnose what improvement the target system needs and wants, incorporate this improvement in the change, and make the target system aware that the needed improvement is inherent in the change.
- **Impact on social relations:** many changes may have a persuasive impact on social relationships within the target system and those between the target system and persons and groups in the outside environment. An organizational development programmer may create entirely new relationships and alter communication patterns within a group.
- **Divisibility:** refers to the extent to which change can be implemented on a limited scale. Divisibility is important at the trial stage of adoption. It greatly facilitates the trial use of a change.
- **Reversibility:** is closely related to divisibility. It refers to the ease with which the status quo can be established if a change is introduced but is later rejected. It is an important element at the adoption stage.
- **Complexity:** the greater the degree of difficulty in using and understanding change, the less the likelihood that it will be adopted voluntarily. This element is important in the evaluation and use stages.
- **Compatibility:** the “goodness of fit” a change has with the situation in which it is to be used is very important. This situation includes psychological, sociological, and cultural factors.

- **Communicability:** the ease with which information regarding a change can be disseminated is another critical element. Communicability is important at the awareness and interest decision-making stages.

2.7 A PROGRAMME: SOCIAL CHANGE

When trying to define something as abstract and complicated as a programmer, one needs to take a group of theories of social control and determine what the elements of this pseudo-sample have to tell us about the objectives they reveal and the principles they put into practice. In reviewer's view, such an analysis would enable one to distinguish four or five main types of theories of social change. In every case, the objective of the programmer is to bring out regular patterns or show their existence. The form and nature of these regular patterns, however, vary from type to type. A succinct description of these four or five types of theories, with supporting examples, will make it possible to describe the crudest features of the implicit programmer common to theories of social change (Boudon 1986:10-21):

2.7.1 Type 1

The aim of certain of these theories is **to point out and demonstrate the existence of more or less general and irreversible trends**. It is supposed, for example, that the division of labour will become increasingly sophisticated, that modern societies will have a larger bureaucracy, that relationships between individuals are doomed to become more and more impersonal. It is not hard to imagine any number of propositions of the same kind. Nowadays, these are generally called trends.

2.7.2 Type 2

Theories of the second type **take the form of what are generally known as conditional laws**, or propositions of the type 'if A, then B', or, if cast in a probability form, 'if A, then (usually) B'. In the very first sentence of the foreword to his *L'Ancien Regime et la Revolution*, de Tocqueville says that his plan was not to write a history of the French Revolution, but a 'study'.

The formulation of conditional laws is undeniably an important part of the implicit research programme to which theories of social change are linked. The theory of political mobilization provides many examples, and these are listed, presented and discussed in a frequently quoted article by James Davies.

Others take the view that collective violence is likely to occur when there is a fairly sudden and universal improvement. It might well be that this improvement makes it easier to protest, as de Tocqueville envisaged. It could also give rise to expectations that the system is incapable of fulfilling, as Durkheim thought.

The search for conditional laws does not of course only take place in the field of political mobilization. Indeed, it is a basic pattern in the theory of the 'social change' programme. A famous 'law' owing its origins to Parsons suggests, for example, that the effect of industrialization is to make the nuclear family of the couple and their children the normal or modal type.

2.7.3 Type 3

The first two types of theory are characterized by conclusions or diagnoses which could be described as empirical (although whether or not they have a proper empirical basis remains an open question in as far as they refer to certain states or stages of society, maintaining, for example, that in a semi-feudal system innovation will very likely be rejected, that if industrialization begins, the extended family tends to give way to the nuclear family, that when mobility stops increasing, **social conflicts usually tend to take on the characteristics of class conflicts, and not the content of change**. One or two brief examples will suffice here. In his *The Structure of Scientific Revolutions*, the philosopher and historian of science, Thomas Kuhn, suggests that scientific progress generally follows a three-phase process. In the first phase, that of normal science, a range of more or less coherent intellectual patterns, a 'paradigm', serves as a frame of reference for the community of researchers attached to this or that discipline or this or that branch of scientific activity.

2.7.4 Type 4

The fourth type of theory **deals with the causes or factors of change**. Because of the existence of causal feedback, the notion of cause can be very ambiguous when it is used in the analysis of social change. This can be shown by one or two examples. Let us suppose that the government takes measure A. This causes reaction B, which leads the government to modify measure A and introduce measure B in its place. In this very ordinary example of causal feedback, it is quite legitimate to attempt to trace the causes of A, provided that in this case one does not see A as a single factor, as the government and the reaction it produced are conjointly and inevitably also causes of it. In other cases, it is quite impossible to impute a cause. A government might be convinced that a political problem can be solved by a measure of a technical nature. This is tried, but no technical measure produces the desired result.

From this danger of ambiguity there arises a problem of demarcation, namely that of defining the circumstances in which propositions of that type can be taken as unambiguous.

Max Weber's *The Protestant Ethic and the Spirit of Capitalism* is undeniably a very important book, but it is perhaps not his most polished or fault-free work, even though it is his best known and perhaps even his most popular.

TABLE 1: THE ANATOMY OF A PROGRAMMER: FOUR TYPES OF THEORIES OF CHANGE

	Definitions	Examples
Type 1	The search for trends	Parsons: the trend towards universalism Comte: the three stages Robstown: the stages of growth
Type 2	(a) Conditional laws	Parsons: industrialization – nuclear family Dahrendorf: industrialization – disappearance of class conflicts
	(b) Structural laws	Nukes: vicious circle of poverty Bhaduri: reproductive nature of semi-feudal relations of production
Type 3	The forms of change	Hegelian triad Kuhn: scientific revolutions
Type 4	The causes of change	Weber: the Protestant ethic McClelland: the achieving society

Boudon 1986

2.8 VARIETIES OF CHANGE

Senior (2002:38-40) maintains that it is possible to differentiate a number of characteristics of change.

- The **first** of these he defines as '**smooth incremental change**'. Smooth incremental change is change which involves slowly into a systematic and predictable way. Grundy maintains that this type of change is mainly reminiscent of the UK situation from the 1950s to early 1970s, but that this situation would be relatively exceptional in the 1990s and the future. It is important to note that, in Figure 2.1 the vertical axis represents *rate* of change,

not *amount* of change. Thus, smooth incremental change does involve an amount of change but this happens at a constant rate.

- The **second** variety of change Grundy terms '**bumpy incremental change**'. This is characterised by periods of relative tranquillity punctuated by acceleration in the pace of change. He likens the 'bumps' to 'the movement of continental land masses where the "fault" enables periodic readjustment to occur without cataclysmic effect'. He says that the triggers for this type of change are likely to include those from both the environment in which organisations operate and internal changes such as those instigated to improve efficiency and ways of working.
- Grundy's **third** variety of change is "**discontinuous change**" which he defines as 'change that is marked by rapid shifts in strategy, structure or culture, or in all three'. An example given is that of the privatisation of previously public owned utilities, for instance electricity generation and distribution. The opportunities offered by the development of the internet and being able to access this, not only through the computers but also through television sets and mobile telephones are most likely to lead to forms of discontinuous change in many organisations.

The nature of change

According to Rye (2001:6), it would seem that the characteristics of modern-day change are that:

- change is vital if a company is to avoid stagnation;
- change is a process and not an event;
- change is normal and constant;
- the pace of change has increased and is likely to increase further in our fiercely competitive business world and with the speed of technological development;
- change can be 'natural', that is, evolutionary

2.9 THEORIES OF SOCIAL CHANGE

Is there any pattern to social change? Is its direction or speed predictable? These questions have fascinated people for ages, and scientists and philosophers have applied themselves energetically to the task of unravelling the mysteries of social change. Numerous theories have emerged. We will briefly examine **five types of theories: cyclic, evolutionary, functional, conflict, and neo-evolutionary** (Landis, 1995:372).

2.9.1 Cyclic theories

One way of understanding social change is in terms of cycles. Chinese historians gave world history neither a beginning nor an end, but inserted saw periods of order and disorder, of prosperity and decline. A 14th century Arab scholar, Ibn Khaldun, based his theory of change on the clash between nomadic and sedentary peoples. Desert nomads seek the luxuries of the city and therefore continually attack cities and towns. The sedentary city-dwellers are no match for the fierce nomads and are quickly conquered. The conquerors form a new empire, but as they settle in the cities they become comfortable and sedentary like those before them, and they are eventually overrun by a new horde of nomads.

Not all primitive societies become civilizations; those that do, do so because of their response to the challenge of adverse conditions, such as a difficult physical environment, land that has not been settled and tilled, sudden military defeats, and continuing external threats. Two factors are crucial: the severity of challenge and the development of elite to manage the response. Most of the society is tied to the past but led by the elite; the civilization can grow by responding successfully to continuing challenges. Eventually civilizations come apart, dividing into several groups, which later end up battling with each other. For Toynbee, civilization's cycle included birth, growth, stagnation, and disintegration.

According to Landis (1995:372), when he looked at the future of Western civilization, Toynbee identified several problems or challenges he felt we had to solve: war, class conflict, population growth, and abundance of leisure time. The ideational culture emphasizes feelings and emotions; it is objective, scientific, materialistic, profane,

and instrumental. The idealistic culture is an intermediate stage emphasizing logic and rationality. Change from one type to another happens because change is normal and continual in any active were an “overripe” sensate culture. He suggested that the future looks bad for us, what with loss of freedom, growth of tyranny, deterioration of the family, and loss of creativity. But good things are ahead: “the magnificent peaks of the new Ideational or Idealistic culture”.

2.9.2 Evolutionary theories

Many scholars have seen social change as linear – a line going in one direction, and usually that direction was progress. Auguste Comte viewed societies as moving through three stages: the theological, or fictitious; the metaphysical, or abstract; and the scientific, or positive. Each stage represents a higher level of existence with the ultimate – the positive stage – resulting in the emergence of priest – sociologists who lead society to a harmonious existence! Comte felt that population increase and destiny was especially important in influencing change. Herbert Spencer, another evolutionist, likened society to an organism, always growing and increasing in complexity, with its parts dependent on each other. Emile Durkheim saw societies moving from mechanical solidarity (small, primitive, homogeneous) to organic solidarity (large, complex, and specialized). As all these theories differed, so did the various views of the future: Comte saw increasing progress, with sociologists leading the way, and Spencer saw opportunities for progress or regress (Landis, 1995:373).

2.9.3 Functional Theories

Functional analysis sees society as a system of interrelated parts, and it tends to emphasize social equilibrium, stability, and integration of the various pieces. Social change is difficult to accept, given this basic perspective. Functional theorists such as Talcott Persons and Neil Smelser suggested that there are tremendous forces resisting change and that these forces may perhaps be overcome slowly and adaptively because of changes outside the system, growth by differentiation, and internal innovations. Generally, however, stability and inertia triumph, and change is viewed as deviant and traumatic (Landis, 1995:373-374).

The theory above ties up with a subsection in Chapter 4 in which, according to Frederick et al. (1992:30), corporate social responsibility means that a corporation should be held accountable for any of its actions that affect people, their communities and their environment. It implies that business impacts on people and that society should acknowledge and correct it if at all possible. It is clear that all parts of society are interrelated.

2.9.4 Neo-evolutionary Theories

Some theorists have begun to drift back to and rework the evolutionary ideas of yesteryear. Early evolution theories explained or analyzed change by focusing on one central factor in a nonlinear approach. This broke down when the theory did not fit the facts of a particular culture and when various theorists came up with different central factors. Modern, or neo-evolutionary, theorists still suggest that societies move through a series of evolutionary stages, but now the process is seen as multilane. By this they mean that change is influenced by varied factors and that although there are similarities or parallels, not all cultures change in the same direction or at the same speed. The newer evolutionary theories also place more importance on cultural borrowing and diffusion than did the earlier ones. Gerhard Lenski is a contemporary evolutionary theorist. He believes that society's move through a series of forms (hunting and gathering, horticultural, agrarian, and industrial) based on their mode of subsistence (Landis, 1995:375).

The process of change for Lenski is: Diversity among societies which causes them to change at different rates; they develop increasing needs for resources and increasing competition among societies. This in turn leads to the survival of some societies and extinction of others. Because societies with the more advanced technologies are more likely to survive, and because technological changes are basically responsible for other changes, technology becomes the crucial factor in social change. Although the technological advances of the past 150 years have generally raised the levels of freedom, justice, and happiness for people in industrial societies, Lenski is not wildly optimistic about the future. His concern with the continuing destruction of the environment, with rapid population growth (especially in Third World nations), and with increasing international tensions and the growing potential for nuclear war leads

him to conclude that societies must take a more active role in planning their futures. They must learn to control population and technology rather than continuing to be the victims of uncontrolled growth (Landis, 1995:376-377).

2.10 SOCIAL DISORGANIZATION

Social disorganization

Social disorganisation refers to the breakdown of norms and roles with the result that customary ways of behaving no longer operate. Suppose the star halfback in the weekend football game is given the ball to run through the opposing team's line. The spectators are aghast. Several plays later, a player is running with the ball (in the right direction) only to be tackled by the referee. Again consternation, because "that's not the way the game is played." The norms are so well known that when they are flagrantly violated and seem to be breaking down, effects on participants are marked. So unusual are these events that the "norm violators" occasionally become famous. In a college game some years ago, a football player had broken loose on a touchdown run. No one had a chance to get him. Suddenly an opposing player, who was out of the game and sitting on the bench, raced onto the field and tackled the ball carrier. The incident made the sports pages throughout the country the next day, and the two players (ball carrier and tackler from the bench) appeared on a nationwide television program a few days later to describe the great event (Landis, 1995:379).

The social disorganisation above will lead to what is called change and transition management and, according to Paton and McCalman (2000:12), although the transitional management model is specifically related to large-scale organisational change, has some interesting insights into what triggers change in organisations. It suggests that four interlocking management processes must take place both to implement and sustain major organisational changes. These processes operate at different levels and may involve different actors in the organisational hierarchy.

The four layers, according to Paton and McCalman (2000:13), are:

- **Trigger layer** Concerning the identification of needs and openings for major changes deliberately formulated in the form of opportunities rather than threats or crises.
- **Vision layer** Establishing the future development of the organisation by articulating a vision and communicating this effectively in terms of where the organisation is heading.
- **Conversion layer setting** out to mobilize support in the organisation for the new vision as the most appropriate method for dealing with the triggers of change.
- **Maintenance and renewal layer** Identifying ways in which changes are sustainable and enhanced through alterations in attitudes, values and behaviours, and regression back to tradition is avoided.

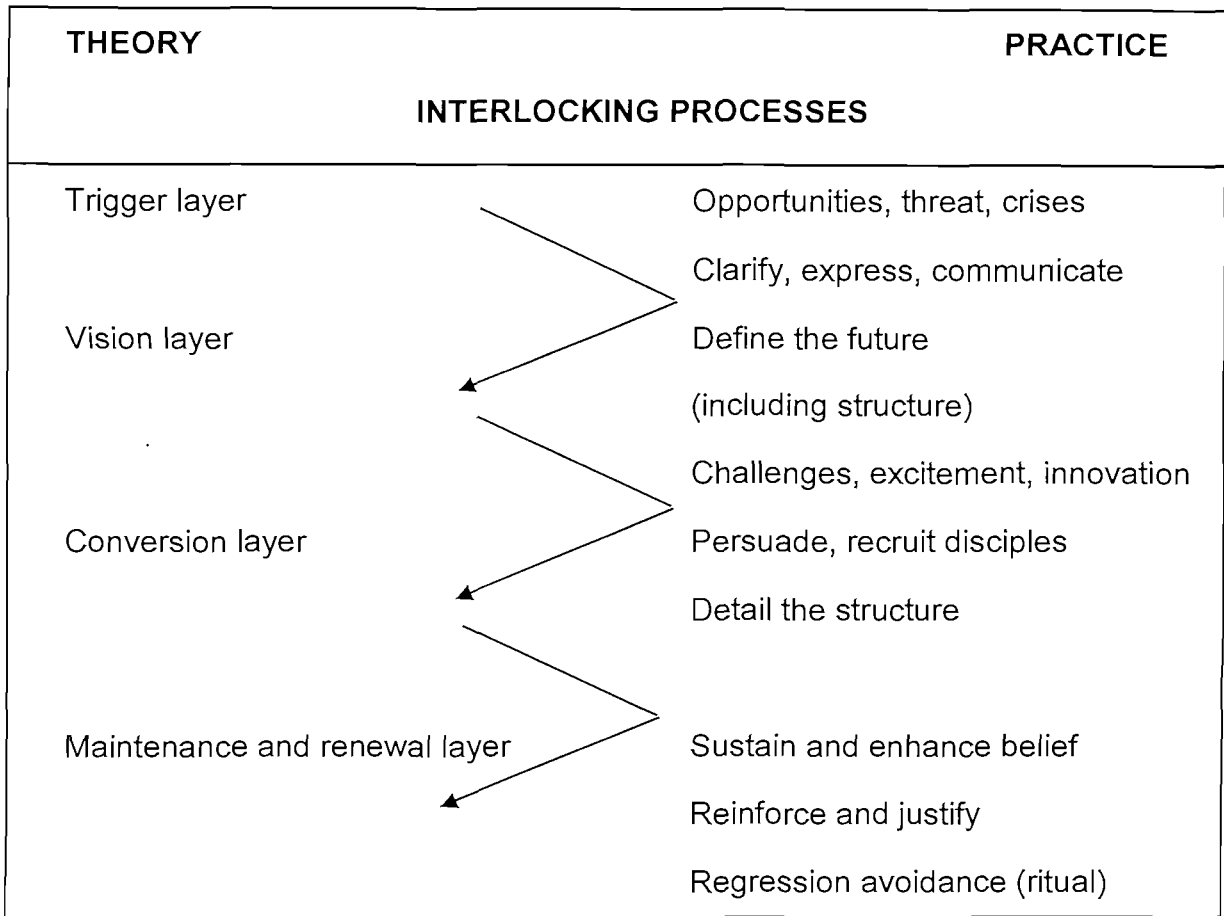


FIGURE 2.1: BUCHANAN AND MCCALMAN'S MODEL OF PERPETUAL TRANSITION MANAGEMENT (BUCHANAN & MCCALMAN, 1989:198)

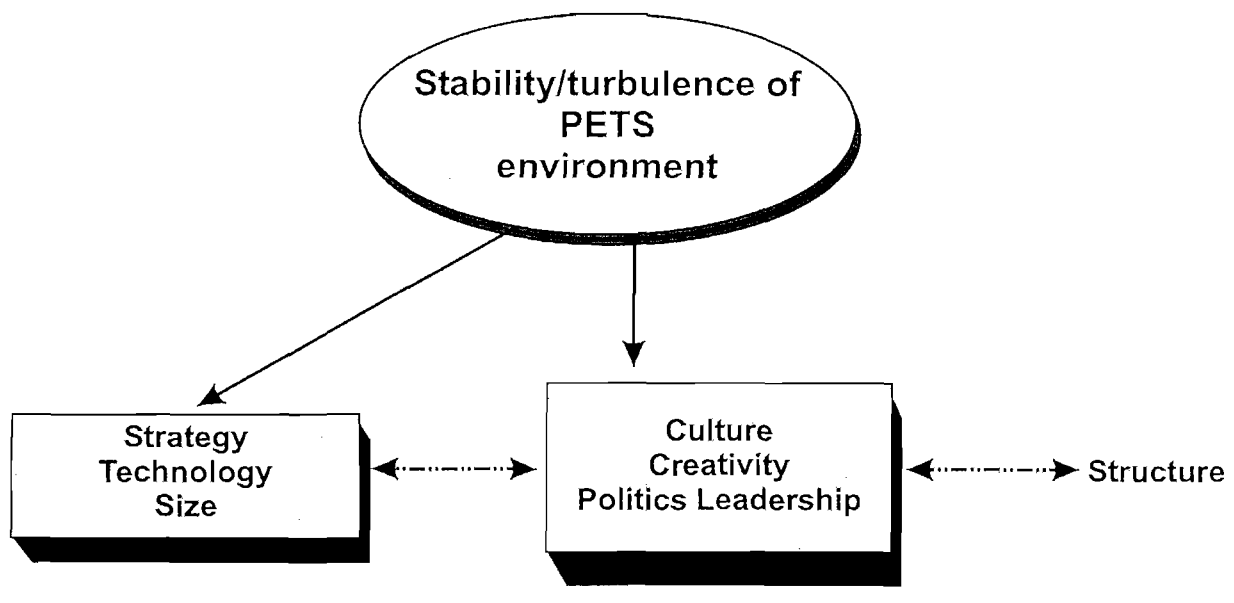
2.11 STRUCTURAL-FUNCTIONAL THEORISTS

2.11.1 Background

According to Wallace and Wallace (1989:524), society tends towards a condition of equilibrium. Structural-functional theorists use their stance to explain both how society will change and how it will remain the same.

Structural-functionalism is the most influential theoretical perspective. It is a theoretical orientation emphasizing the functions or contributions made to society by existing social structures (Philips, 1979:109) and according, to Senior (2002:94), one

of the most important links is the relationship between organisational strategy and organisational structure – as an organisation changes its strategy to respond to political, economic, technological or socio-cultural changes in its external environment, so should its structure change to maintain the strategy-structure relationship. What is less tangible is the role that organisational culture and politics have on decisions to structure one way rather than another. That is why, in Figure 2.2. below, these two factors are shown as mediating variables rather than as direct influences.



**FIGURE 2.2: THE DETERMINANTS OF ORGANISATIONAL STRUCTURE
(SENIOR, 2002:95)**

Harper (1993: 90) states that structural functionalism assumes that a society is a system of interrelated parts and subsystems that ‘function’ in ways that promote the survival of the whole system. The initial focus of much functional thinking is to define activities that are necessary for the survival of the entire system.

Appelbaum (1970:54) is of opinion that the principal link between evolutionism and functionalism is the concept of “differentiation”, by which is meant the development of functionally specialized social structures.

To account for social change in a structural-functional context, Vago (1999:60) maintains the following principal tenets of this approach:

- Societies must be analyzed “holistically as systems of interrelated parts”,
- Cause and effect relations are “multiple and reciprocal”,
- Social systems are in a state of “dynamic equilibrium” in such a way that adjustment to forces affecting the system is made with minimal change within the system;
- Perfect integration is never attained so that every social system has strains and deviations, but the latter tend to be neutralized through institutionalization;
- Change is fundamentally a slow, adaptive process, rather than a revolutionary shift;
- Change is the consequence of the adjustment of changes outside the system — growth by differentiation; and
- The system is integrated through shared values.

2.11.2 Talcott Parsons (1902-1979) and the structural–functionalist theory

Parsons viewed society as naturally being in a state of equilibrium. By “equilibrium” he meant that society tends towards a state of stability or balance. According to his equilibrium model, as changes occur in one part of society, there must be adjustments in other parts. If this does not take place, the society’s equilibrium will be *threatened and strains will occur* (Schaefer & Lamm, 1998:369 cited from Du Plessis 2004:32).

Parsons suggests change is introduced from two major sources: the environment and internal strains of the society. An innovation might be introduced to cope with a change in physical environment or to cope with a change due to contact with another culture (Wallace & Wallace, 1989:525 cited from Du Plessis 2004:33).

According to Parsons (Churton, 2000:27; Ritzer, 2000:97 cited from Du Plessis 2004:33), a function is a complex of activities directed at meeting a need or needs of the system. Using this definition, Parsons believes that there are four functional

imperatives that are necessary for (characteristics of) all systems. In order to survive, a system must perform these four functions.

The basic functions are:

- **Adaptation (A):** A system must cope with external situational exigencies. It must adapt to its environment and adjust the environment to its needs.
- **Goal attainment (G):** A system must define and achieve its primary goals.
- **Integration (I):** A system must regulate the interrelationship of its component parts. It must also manage the relationship among the other three functional imperatives (A, G, L).
- **Latency (L):** A system must furnish, maintain, and renew both the motivation of individuals and the cultural patterns that create and sustain the motivation (Harper, 1993:90; Ritzer, 2000:97).

According to Ritzer (1996:102 cited from Du Plessis 2004:34-35), Parsons found his answer to the problem of order in structural-functionalism, which, in his view, operates through the following set of assumptions:

- Systems have the property of order and independence of parts.
- Systems tend toward self-maintaining order, or equilibrium.
- The system may be static or involved in an ordered process of change.
- The nature of one part of the system has an impact on the form that the other parts can take on.
- Systems maintain boundaries with their environments.
- Allocation and integration are two fundamental processes necessary for a given state of equilibrium of a system.
- Systems tend towards self-maintenance involving the maintenance of boundaries and of the relationships of parts to the whole, control of environmental variations, and control of tendencies to change the system from within.

If the social structure fails to solve these problems to a certain extent, it will cease to exist as an independent entity. Steyn and Uys (1998:372) provide the following diagram to explain the four functions (Figure 2.3).

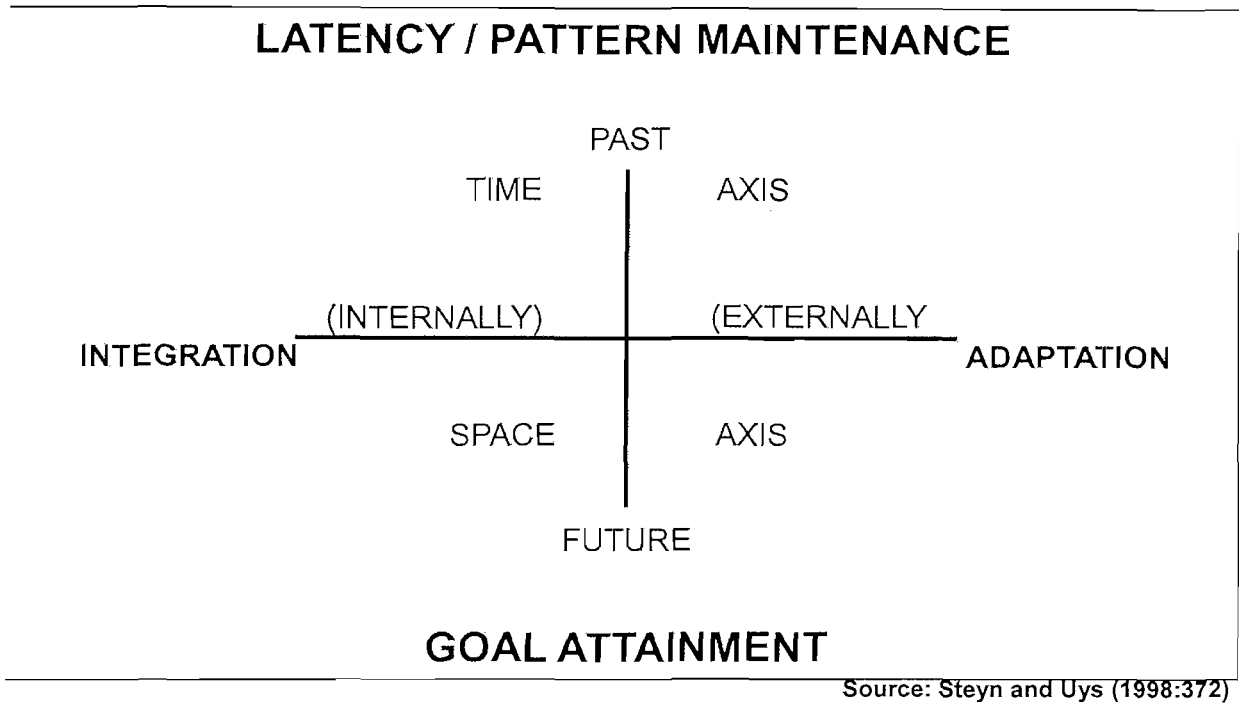


FIGURE 2.3: FUNCTIONS OF SOCIAL SYSTEM

Social action takes place in certain time and space dimensions: past versus future (time) or internally versus externally (space).

- **Past:** members bring certain expectations, needs, goals, ideals and personality traits to the group. This is where the first problem, namely pattern maintenance sets in. Stress resulting from these expectations should be managed in order to maintain the collective norms. The actors should make compromises and should be motivated to live according to the norms of the groups.
- **Future:** it focuses on the goals to be reached – the reasons for the group’s existence as well as the group’s needs and the required resources.
- **Internal:** this means the effective organization and integration of contributions in the group itself.

- **External:** groups must determine which resources they need for goal attainment. These resources come from their external environment. This is the fourth and final function adaptation.

The next section will focus on the conflict theory and its proponents. Early in the chapter Boudon (1986:12) type 2 theory indicates that social conflicts usually tend to take on the characteristics of class conflicts, and not the content of change. This will also seek to create a further understanding of the theories as discussed in 2.10. The theories will form a foundation on tackling the research questionnaire.

2.12 CONFLICT THEORISTS

2.12.1 Background

Conflict is universal in the world, and as a force leading to change, it figures in several of the theories. Current conflict theories spring from the ideas of Karl Marx who viewed the economic structure to be the foundation of society; changes or contradictions in the economic realm led to changes in other social relations. Capitalist systems were especially liable to produce conflict. The conflict would come from within as the society polarizes into two antagonistic groups: the rulers (bourgeoisie) and the ruled (proletariat). Ultimately the outcome of this struggle between classes would be a revolution and the emergence of a classless society (Landis, 1995:374).

We can define conflict as processes that begin when one party perceives that another party has negatively affected or is about to negatively affect something that the first party caress about (Robbins, 1996:505 cited from Senior, 2002:196).

Conflict can be a disagreement, the presence of tension or some other difficulty between two or more parties. ...Conflict is often related to interference or opposition between the parties involved. The parties in conflict usually see each other as frustrating or about to frustrate their own goals (Tosi, Rizzo & Carrol, 1994:436 cited from Senior, 2002:197).

Vago (1999:53) argues that conflict theory assumes that social behaviour can best be understood in terms of tension and conflict between groups and individuals. It suggests that society is an arena in which struggles over scarce commodities take place.

Edari (1976:28 cited from Du Plessis 2004:36) argues that a necessary condition for conflict is taken to be the hierarchical arrangement of social positions or roles into strata, constituting the different levels of life chances, material affluence, status and power.

Conflict theorists, such as functionalists, focus their attention on society as a whole, studying its institutions and structural arrangements (Van der Zanden, 1993:55). Yet the two perspectives are at odds on a good many matters:

Where functionalists depict society in relatively static terms, conflict theorists emphasize the processes of change that continually transform social life;

- Where functionalists stress the order and stability to be found in society, conflict theorists emphasize disorder and instability;
- Where functionalists see the common interests shared by the members of a society, conflict theorists focus on the interests that divide;
- Where functionalists view consensus as the basis of social unity, conflict theorists insist that social unity is an illusion resting on coercion;
- And where functionalists often view existing social arrangements as necessary and justified by the requirements of group life, conflict theorists see many of the arrangements as neither necessary nor justified.

The conflict theories are categorized in two groups, namely Marxism and Neo-Marxism with Karl Marx as one of the most important proponents of the Marxism theory and Ralf Dahrendorf of the Neo-Marxism theory.

2.12.2 Karl Marx (1818 -1993) as proponent of the Marxist theories

The Marxist theories of social change begin with the assumption that matter in motion is the basis for social existence. Thus, social existence ultimately represents

the continuation of natural history, which has resulted in the ascendance of man from more primitive forms of organic life (Edari, 1976:28 cited from Du Plessis 2004:37)

Marx identified two principal classes: the industrial working class, or proletariat, and the owners of the means of production, or bourgeoisie (Popenoe, Cunningham and Boulton. 1998:55). Marx predicted that the conflict between these two classes would eventually lead to the revolutionary overthrow of capitalist societies, with a classless society as the final outcome.

The relationship between the two classes is an exploitative one. The bourgeoisie control the production process and the proletariat exchanges their productive rights for wages. By carefully controlling the productive process to keep costs low and profits high, the bourgeoisie are able to exploit the proletariat. The proletariat are unable to withdraw their labour because they depend on the capitalist wage to support their families in a consumer society where goods are exchanged for capital (Churton, 2000:7).

Marx's materialism is founded (Ray, 1999:64) on the claim that production involves cooperation, in the course of which class relations emerge, ownership and non-ownership of the means of production. Several consequences follow from this: non-owners work for others; their livelihoods depend on their relations with superiors; dominant classes have direct rights over the economic product; owners extract a surplus from the process; the class system is inscribed into political, cultural and legal forms.

2.12.3 Ralf Dahrendorf (1929-) as proponent of the Neo-Marxism Theory

According to Vago (1999:57 cited from Du Plessis 2004:38), Dahrendorf saw all groups in society as divided into those who have authority and those who do not. Dahrendorf maintains that social conflict has a structural origin and is to be understood as a conflict concerning the legitimacy of relations of authority.

Dahrendorf sees authority as crucial, for the mere existence of authority is enough to create conflict. He looks at sources of authority and the impact that such authority has on individuals and the social structure, and finds that power and authority are

divisible as those in power seek to maintain their position and those without power seek to gain it (Charton, 2000:20).

According to Ritzer (1996:130) and Churton (2000:21), Dahrendorf distinguished three broad types of groups:

- The “quasi”–group or aggregates of incumbents of positions with identical role interests.
- These are the recruiting ground for the “interest group”. Dahrendorf described the two groups:
- Common modes of behaviour are characteristic if interest groups recruited from larger quasi–groups.
- Interest groups are groups in the strict sense of the sociological term; and they are real agents of group conflict. They have a structure, a form of organization, a programme or goal and members.
- From all the many interest groups, emerge conflict groups, or those that actually engage in group conflict.

Harper (1993:98 cited from Du Plessis 2004:39-40) maintains the thought that Dahrendorf shares a number of assumptions about society and change with Marx.

- Conflict and “malintegration” are viewed by both as pervasive and as normal conditions within society (in contrast with the functionalist’s assumption about the normality of “equilibrium” and social integration).
- Such conflict is presumed by both to be caused by opposing “interests” that inevitably occur in the structure of society.
- Opposing interests are viewed by both as “reflections” of differences in the distribution of power among dominant and subjugated groups.
- For both, interests tend to polarize into two conflict groups.
- Both thinkers view conflict as dialectical, so that the resolution of one conflict creates a new set of opposed interests, which, under certain conditions, will generate further conflict.

- Social change is seen by both as a pervasive feature of social systems, resulting from the dialectic of conflict between various “interest groupings” within any system.

Dahrendorf provides a link between conflict groups and social change. He argues that *intense conflict leads to radical change*.

If violence is involved, this change will be sudden. The potential for social change is omnipresent because the legitimacy of authority is precarious (Churton, 2000:21).

2.13 CYCLICAL THEORISTS

2.13.1 Background

In contrast to the evolutionary theorists, who see change as continuous progress, there are the cyclical theorists, who view change as an enormous circle (Wallace & Wallace, 1989:523 cited from Du Plessis 2004:40).

Strasser and Randall (1981:60 cited from Du Plessis 2004:39-40) suggest that the cyclical model of society is based upon the idea that a cultural theme is adopted, developed, and elaborated upon until it is exhausted, and the opportunities for structurally effective achievements and further growth will be limited. The consequence is, it is held, general discontentment with the present society which is accompanied by growing disorder until the old cultural pattern is destroyed and society moves on to the next phase of the cycle.

2.13.2 Pitrim Sorokin (1889-1968) as proponent of the cyclical theory

The core of the original theory around which Sorokin’s work is constructed consists of a form of idealistic organism. For Sorokin, the basic facts of sociology are “mentalist by nature” and can only be understood in terms of “man’s socio-cultural universe as a whole” (Martindale, 1981:123; Harper, 1993:80 cited from Du Plessis 2004:41).

According to Ritzer (2000:58 cited from Du Plessis 2004:41), Sorokin saw societies as oscillating among three different types of mentalities – sensate, ideational, and idealistic.

Societies dominated by sensatism emphasise the role of the senses in comprehending reality; those dominated by a more transcendental and highly religious way of understanding reality are ideational; and idealistic societies are transitional types balancing sensatism and religiosity.

Sorokin (Strasser & Randall, 1981:60 cited from Du Plessis 2004:41) described their major cultural themes or fundamental social forms which alternate with each other rhythmically.

- The **'sensate'** system dominated by reason, realism, materialism, ethic of success, and empirical orientation;
- The **'ideational'** system characterized by mysticism, strong beliefs, and symbolism to which an orientation based on sentiment and an ethic of conviction corresponds, and
- The **'idealistic'** system represented by a combination of sensate and ideational elements.

Three kinds of value systems thus characterize cultures, societies, and personalities. According to Appelbaum (1970:101), the three super systems that emerge are empiricism (science), supernaturalism (religion), and rationality (logic). Thus, within each super system, empiricism, faith, or rationality will be seen as the key to knowledge.

2.14 CHANGE MODELS

According to Armstrong (2001:267) and Tosi et al. (2000:491) cited from Du Plessis 2004:42-44, the best-known change models are those developed by Lewin (1951) and Beckhard (1969). Other important contributions to an understanding of the mechanisms for change have been made by Thurley (1979), Bandura (1986) and Beer et al. (1990).

The change models of Lewin and Beckhard will briefly be discussed.

2.14.1 Lewin

Kurt Lewin, according to Tosi, Mero and Rizzo. (2000:492), Armstrong (2001:267) and Hellriegel, Jackson and Slocum. (2002:317), identified three stages of the change process – unfreezing, changing, and refreezing.

- **Unfreezing:** Management plans and prepares the members of the organization for a major transformation. A primary objective in this stage is to convince members of the organization of the need for change and to reduce their tendency to resist the change. This process must also take inherent threats that change presents to people and the need to motivate those affected into account to attain the natural state of equilibrium by accepting change.
- **Changing:** Change occurs when a plan or program is implemented to alter existing activities or relationship. Change efforts can range from minor to major programmes. Learning new skills through a training program or installing new equipment are examples of minor changes. Radically restructuring the organization is a major change because many organizational members are involved.
- **Refreezing:** Stabilizing the change by introducing the new responses into the personalities of those concerned. New attitudes, values, and behaviours are established as the new status quo. The new ways of operating are cemented and reinforced.

Lewin's model proposes that for change efforts to be successful, the three-stage process must be completed. Failures in efforts to change can be traced back to one of the three stages. Successful change thus requires that old behaviours be discarded, new behaviours be introduced, and these new behaviours institutionalized and rewarded (Nelson & Quick, 2000:618; Cummings & Worley, 2001:23).

2.14.2 Beckhard

According to Beckhard (Armstrong, 2001:267-268), a change programme should incorporate the following processes:

Setting goals and defining the future state or organizational conditions desired after the change;

Diagnosing the present condition in relation to these goals;

Defining the transition state activities and commitments required to meet the future state;

Developing strategies and action plans for managing this transition in the light of an analysis of the factors likely to affect the introduction of change.

2.15 RESISTANCE TO CHANGE

Organizational change involves moving from the known to the unknown. Because the future is uncertain and may adversely affect people's competencies, worth, and coping abilities, organization members generally do not support change unless compelling reasons convince them to do so. Similarly, organizations tend to be heavily invested in the status quo, and they resist changing it in the face of uncertain future benefits (Cummings & Worley, 2001:156 cited from Du Plessis 2004:44).

According to Clarke (1994:15) and Armstrong (2002:174), change is complex by nature. Also, it consists of strong turbulent and disturbingly unpredictable force that leads managers to make decisions that have dramatic implications. These forces include other role players – the external forces that cause change in an organization. These can include competition from an organization's rivals, the necessity to form mergers, relocate or close as result of the escalating financial coats of the organization. Resistance can be overt, implicit, immediate, or deferred. It is easiest for management to deal with resistance when it is over and immediate (Robbins, 2001:545 cited from Du Plessis 2004:44-47).

2.15.1 Stages in the change process

According to Lussier (2000:223), people go through four distinct stages in the change process. The four stages of the change process are denial, resistance, exploration, and commitment.

- **Denial:** when people first hear the rumours through the grapevine that change is coming, they deny that it will happen at all, or to them.
- **Resistance:** Once people overcome the initial shock and realize that change is going to be a reality, they resist the change – resistance to change is part of human nature.
- **Exploration:** When the change begins to be implemented, employees explore the change, often through training, and understand more about how it will affect them.
- **Commitment:** Through exploration, employees determine their level of commitment to making the change a success. The level of commitment can change.

2.15.2 Sources of resistance to change

According to Robbins (2001:545-548), Ivancevich and Matteson (2002:632-633) and Mullins (2002:822-824), sources of resistance are categorized in two groups, namely individual and organizational sources.

2.15.2.1 Individual resistance

Individual sources of resistance to change reside in basic human characteristics such as perceptions, personalities and needs (Robbins, 2001:545-548; Ivancevich & Matteson, 2002:632-633; Mullins, 2002:822-824). The following is a summary of the five reasons why individuals might resist change.

- **Habits:** Human beings are creatures of habit and do not need to consider the full range of options for the hundreds of decisions they have to make every day. To cope with this complexity, they rely on habits or programmed responses.

When they are confronted with changes in their daily programmers, it can build up to resistance to change.

- **Security:** People with a high need for security are likely to resist change because it threatens their feeling of safety.
- **Economic factors:** Another source of individual resistance is concern that changes will lower one's income. Changes in job tasks or established work routines can also arouse economic fears if people are concerned that they will not be able to perform the new tasks or routines according to their previous standards, especially when pay is closely linked to productivity.
- **Fear of the unknown:** Changes substitute ambiguity and uncertainty with the known. Employees in organizations develop a negative attitude because they are uncertain about how to deal with the unknown.
- **Selective information processing:** Individuals shape their world through their perceptions. So individuals are guilty of selectively processing information in order to keep their perceptions intact.

2.15.2.2 Organizational resistance

According to Robbins (2001:545-548), Ivancevich and Matteson (2002:632-633) and Mullins (2002:822-824), six major sources of organizational resistance have been identified.

- Structural inertia: Organizations have built-in mechanisms to produce stability. For example, the selection process systematically selects certain people in and certain people out. Training and other socialization techniques reinforce specific role requirements and skills. Formalization provides job descriptions, rules, and procedures for employees to follow. The people who are hired into an organization are chosen for being fit. They are then shaped and directed to behave in certain ways. When an organization is confronted with change, this structural inertia acts as a counterbalance to sustain stability.
- Limited focus of change: Organizations consist of a number of interdependent subsystems. For example, if management changes the technological presses

without simultaneously modifying the organization's structure to match, the changes in technology are not likely to be accepted. Limited changes in subsystems tend to get nullified by the larger system.

- Group inertia: Even if individuals want to change their behaviour, group norms may act as a constraint. An individual union member, for instance, may be willing to accept changes in his job suggested by management. But if union norms dictate resisting any unilateral change made by management, he's likely to resist.
- Threat to expertise: Changes in organizational patterns may threaten the expertise of specialized groups.
- Threat to established power relationships: Any redistribution of decision-making authority can threaten long-established power relationships within the organization. The introduction of participative power relationships within the work teams is a kind of change that is often seen as threatening by supervising and middle managers.
- Threat to established resource allocations: Those groups in the organization that control sizeable resources often see change as a threat. They tend to be content with the way things are. Those who benefit most from the current allocation of resources often feel threatened by changes that may affect future allocations.

2.16 GENERAL REASONS FOR RESISTANCE TO CHANGE

Fear of the unknown: Employees may resist change because they are worried about how it will affect their work and their lives. Change requires new ways of doing tasks and challenges people to develop new competencies (Swanepoel, Erasmus, Van Wyk and Schenk. 2000:756-758).

- *Self-interest*: People will resist change if they think that it will cause them to lose something. The biggest fear is job losses. Mechanization translates into

replacing manpower with machinery. Job losses are inevitable in some cases and this could lead to resistance.

- Failure to recognize the need for change: People may resist change because they do not fully understand its purpose. Failure by management to explain the need for change and to get buy-in from employees, usually leads to resistance.
- General Mistrust: Even though people may understand the reason for change, they may not trust the motives of those advocating the change.
- Structural Inertia: Traditionally organizations are designed to maintain order and stability. Any suggestion of change that threatens this stability will be met with resistance, and cause structural inertia.
- Threat to existing power relationships: Certain individuals may resist change because they fear the loss of their power base.
- Threats to expertise: Individuals and groups within the organization develop certain specialized expertise which may be threatened by organizational change, causing resistance to the change.
- Previously unsuccessful change effects: Organization members who went through previously unsuccessful change efforts may resist change.

Impediments to change

Resistance to change could also emanate from various organizational impediments which, if not timely dealt with, could serve as a deterrent to the introduction of change in an organization (Smit & Cronjé, 1997:254; see also 6.4.2.2) cited from Du Plessis 2004:47. The following are some potential deterrents:

- **The existing organizational structure** incorporating the managerial hierarchy the number of organizational layers within the structure, the number and type(s) of departments – whether organic or mechanistic in design.
- **The span of Traditional – and possibly bureaucratic** – procedure according to which work must be done. This could also express itself in the form of outdated production methods.

- **Obsolete technology**, whether it relates to manufacturing or computerization processes, it would be a potential hindrance to the introduction of change.
- An inappropriate **management style and philosophy** which expresses itself in the form of inflexible leadership. This invariably implies a lack of the required level of commitment – on the part of top management – which is needed to implement the desired change successfully.
- **A lack of groups' cohesiveness** within the organization, which complicates the coordination and facilitation of the change process.
- **An inadequate reward system** which, if not addressed and suitably adjusted, could undermine the implementation of change.

Overcoming resistance to change

Resisting change is a human response and management should take steps to counteract it. Robbins and Coulter (1996:426-427) as well as Smit and Cronjé (1997:267-268) and Schermerhorn, Hunt and Osborn. (2000:401-402) are of opinion that reducing resistance may cut down on the time needed for change to be accepted. A number of methods useful in decreasing resistance to change are examined below:

- **Education and communication:** People should be educated about upcoming changes before they occur. The nature as well as the logic behind the change should be communicated to employees. This can be done by means of one-on-one discussions, presentations to groups or reports and memos.
- **Participation and involvement:** Participation gives employees the opportunity to express their fears about proposed changes. It is also important in bringing together those affected to help implement the change. People are asked to contribute ideas and advice or to work on task forces or committees that may lead the change.
- **Facilitation and support:** Facilitation involves providing the necessary resources (emotional and material) employees need to carry out the change and properly perform their jobs. This often includes decentralizing authority.

Support is more psychological in the sense that it involves listening to problems and being understanding.

- **Negotiation and agreements:** Negotiated agreements involve giving something to the other party to reduce resistance. Negotiation as a tactic may be necessary when resistance comes from a powerful source.
- E Manipulation and cooptation: It makes use of covert attempts to influence others, selectively providing information and consciously structuring events so that the desired change occurs.
- E Explicit or implicit coercion: It employs the force of authority to get people to accept change. Often, resisters are threatened with a variety of undesirable consequences if they do not go along as planned. Employees are threatened with job loss, reduced promotion opportunities or loss of privileges. This type of behaviour often creates bad feelings or hostility. Some managers use more subtle, covert tactics to implement change.

Each of these six approaches has advantages and drawbacks that need to be carefully considered. Managers can use them in different situations and in various combinations. Use of any of the six approaches depends on a systematic analysis of the particular situation. Often this involves the use of a model or framework to help provide guidelines and an overview of the situation (Smit & Cronjé, 1997:256).

According to Visagie (1997:294), it is evident that various techniques for dealing with resistance to change exist, but no single approach to managing change will always be successful. In larger businesses, employees are much more part of the change process and the following model may prove quite useful in most organizations.

In many organizations the need for change goes unrecognized until some major catastrophe occurs. The employees strike or seek the recognition of a union before the management finally recognizes that the need for change must be acknowledged by some means; and once that need has been recognized, the exact nature of the problem must be diagnosed. If the problem is not properly understood, the impact of change on people can be extremely negative (Ivancevich & Matteson, 2002:637).

2.17 SUMMARY

Change is everywhere and is an ongoing process in the wider world we live in. There are new ideas to assimilate, new procedures, new technologies, and fresh opportunities to grasp or ignore.

This chapter has focused on what social change is in defining the terms: social, change and social change.

The dimensions, characteristics and elements of social change were briefly discussed. The causes that generate changes in society have been identified, namely technology, ideology, demographic influences, competition, conflict, individuals as agents for change, policy and economical factors.

The evolutionary theory was characterized by the fact that all communities experience different periods of development and change as seen in the viewpoints of Auguste Comte and Herbert Spencer. Comte does not emphasize conflict and he anticipates that in the final Positivist stage of history, a consensus on the basis of technical, scientific knowledge will prevail. On the other hand, Herbert Spencer compared human societies to organisms; both evolve from simple to complex forms, governed by the law of 'survival of the fittest'

The social functionalist theory emphasizes the way in which each part of a society contributes to the whole so as to maintain social stability. A proponent of this theory is Talcott Parsons, and his AGIL-model was briefly discussed.

Conflict theory assumes that social behaviour can be best understood in terms of tension and conflict between groups and individuals. It suggests that society is an arena in which struggles over scarce commodities take place. Theories of Marx (Marxist theory) and Dahrendorf (Neo-Marxist theory) were explained.

The cycle theory sees change as a circular process and Sorokin's way of viewing the cyclical theory was discussed.

Change is generally a response to some significant threat or opportunity arising from outside the organization. Organization that does not change due to ignorance will be the first to fail. For organizations to survive and thrive they need changing in order to move in the right direction.

Lewin described the change process as having three stages: unfreezing, changing, and freezing. The major elements in managing the change process are recognizing the need for change, preparing for change, unfreezing the organization, managing the actual change, and freezing the organization afterwards.

In the second section of this study we focused on social organization – the social fabric of society. There is a tendency in studying social organization to emphasize the constant, recurring, normal, stable nature of society. In fact, however, all is not as organized, predictable, and fixed as the two previous sections may have implied. Change and deviance are present in all societies, and this section addresses itself to those topics. This chapter dealt with the concepts of social change and social disorganization. Social change occurs at varying rates in all societies; on this at least there is general agreement. On some other issues there is more debate: Which factors, if any, are related to change? Is change automatic and inexorable, or subject to intervention and control? We have examined cyclic, evolutionary, functional, conflict, and neo-evolutionary theories explaining social change. One conclusion is that social disorganization is the condition that occasionally results when norms have broken down and behaviour becomes unpredictable. Although there is some disagreement over the usefulness of the concept *social disorganization*, the term is often helpful in describing what may happen in periods of rapid and traumatic social change.

Functional analysts and conflict theorists have differing viewpoints on social change, as can be seen in the section on theories of social change. Typically, conflict theory is much more applicable to the topic of change. Conflict among groups with different interests, to be expected in any social situation, is an important cause of change. Functional analysis, on the other hand, emphasizes stability and order; social change becomes of peripheral interest. The “data” of the theorists were analyses of historical records and archives, which led them to their impressions about stages (cyclical and evolutionary) societies undergo. Toffler and Naisbitt and Aburdene also analyze this type of data, thereby emphasizing current conditions. For his earlier publication, *Megatrends*, Naisbitt used local newspapers, analyzing more than two million articles on events in American cities and towns over a 12-year period. This is another type of non-reactive survey.

In Chapter 3 social responsibility will be discussed by way of definitions on social responsibility; arguments against and for social responsibility as well as a discussion of the responsibility of the organization towards the stakeholders.

3.1 INTRODUCTION

Several generations of business students have been educated under the assumption that the primary duty of a public organization's management is to maximize stockholder wealth by increasing the value of its common stock. According to leading finance scholars, this emphasis resulted and the widespread use of employee compensation packages that tie incentives such as bonuses to stock performance. Nonetheless, an essential question remains: "How do we balance social concerns against the need to create value for our shareholders?" (Business and Society Review 108:339).

According to Cannon (1992:31) much of the current literature on corporate responsibility takes a simplified view of the role of business in society. It is sometimes implied that aim of good business is to make 'you...feel good about yourself'.

The Corporate Social Responsibility (CSR) construct describes the relationship between business and the larger society. An exact definition of CSR is elusive since beliefs and attitudes regarding the nature of this association fluctuate with the relevant issues of the day. As such, viewpoints have varied over time and occasionally are even oppositional. Consequently, the use of organizational mental resources for the larger good, such as donating to charities, is detrimental to firms since it may decrease profitability or increase product prices or both. (Business and Society Review 108:340)

The above postulation is supported by the introduction in Chapter 2 which states that organizations try to keep up with all these changes hence change is dynamic in nature.

Critics of this perspective argue that business exists to serve direct beneficiaries of the company's operations as well as the greater community. Accordingly, CSR may be defined in general terms as "the obligation of the firm to use its resources in ways to benefit society, through committed participation as a member of society, taking into account the society at large and improving welfare of society, taking into account the society at large and improving welfare of society at large independent of direct gains of the company. Consistent with this approach, Carroll identified four components of CSR: economic, legal, and discretionary or philanthropic. The economic component is *business's fundamental responsibility to make a profit and grow*. The legal component is *their duty to obey the law and play by "the rules of the game"*. The ethical component is *their obligation to follow the norms placed on them by society*. Finally, the discretionary component involves philanthropic activities that support the broader community. (Business and Society Review 108:340 – 341)

Similarly, a company's image or reputation is now considered an important intangible asset that must be protected and promoted. A company's reputation may give it an edge over the competition. Also, businesses sometimes have no choice about applying the concept of social responsibility. They are heavily pressured to do so or "threatened" with tighter regulations. (Secretariat des commissions, May 2002:8):

A number of factors explain growing interest in corporate social responsibility (Secretariat des commissions, May 2002:8):

- New concerns and expectations of citizens, consumers, public authorities, and investors in times of globalisation and industrial change.
- The increasing influences of social criteria on the investment decisions of individuals and institutions, as investors or consumers.
- Growing concern about environmental degradation.
- The impact of new information and communication technologies on the transparency and circulation of information on business activity.

3.2 CORPORATE SOCIAL INVESTMENT DEFINED

Corporate Social Responsibility is defined by Robbins as: '...a business firm's obligation, beyond that required by the law and economics, to pursue long-term goals that are good for society' [South African Journal of Business Management, 2001:32(1)]. Boone and Kurtz (2000) state that: 'Social responsibility is management's acceptance of the obligation to consider profit, consumer satisfaction and societal wellbeing of equal value in evaluating the firm's performance'. The concept of corporate social performance needs to be distinguished from corporate social responsiveness and corporate social performance although all three concepts are closely related.

Kotler and Lee (2005:3) describe Corporate Social Responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources.

According to Frederick et al (1992:30) Corporate Social Responsibility means that a corporation should be held accountable for any of its actions that affect people, their communities and their environment. It implies that business impacts on people and society should be acknowledged and corrected if at all possible. It may require a company to forgo some profits if its social impacts are seriously harmful to some of the corporation's stakeholders or its funds can be used to promote a positive social good.

The conference Board of Canada from their consultation paper 'Corporate Social Responsibility and Socially Responsible Investment' (Secretariat des commissions, May 2002:5) provides the definition of **corporate social responsibility** as *the overall relationship of the corporation with all of its stakeholders.*

These include customers, employees, communities, owners/investors, government, suppliers and competitors. Elements of social responsibility include investment in community outreach, employee relations, creation and maintenance of employment, environmental stewardship and financial performance. Furthermore socially responsible investment as will be discussed hereunder or social investment may also be defined as follows:

socially responsible investment (SRI) is a commitment to achieving public good through investment.

Socially responsible investors consider a double bottom line: a company's financial performance and its social performance.

Furthermore according to Kawamura (NLI Research Institute 2002. No 106) the definition of **Socially Responsible Investment** is an investment approach which, in addition to conventional financial criteria, evaluates and selects companies based on social and ethical criteria such as legal compliance, employment practices, human rights, consumer issues, contribution to community and environmental issues while seeking stable returns. However, SRI also includes financing motivated by social justice and community contribution and the exercise of shareholders' rights.

3.2.1 How corporate social responsibility began

In South Africa, the context and definition of CSR is influenced by the legacy of colonialism and apartheid. For a start, big business has been implicated in the history. Though there is much debate about the extent and manner of this involvement, it is clear, for instance, that mining companies played a role in initiating important aspects of the colonial and subsequent apartheid system, including rural land taxes and the migrant labour system. At the same time, some South African companies tried to ameliorate some of the worst elements of the apartheid state and also played a role in the transition to democracy. A further implication is that big business, especially, is often faced with significant distrust from civil society organisations. (AICC¹, 2004:12)

Some of the wealthiest business leaders – steelmaker Andrew Carnegie is a good example – became great philanthropists who gave much of their wealth to educational and charitable institutions. Others like automaker Henry Ford developed paternalistic programmes to support the recreational and health needs of their employees. The point to emphasize is that these business leaders believed that business had a responsibility to society that went beyond or worked in parallel with

¹ "AICC African Institute of Corporate Citizenship

their efforts to make profits. As a result of these early ideas about business's expanded role in society, two broad principles emerged. These principles have shaped business thinking about social responsibility during the twentieth century. They are the historical foundation stones for the modern idea of corporate social responsibility. (Frederick et al, 1992:33)

- **The Charity Principle:**

For many of today's business firms, corporate social responsibility means this kind of participation in community affairs – making paternalistic, charitable contributions. However, charitable giving is not the only form that corporate social responsibility takes. The founders of the doctrine also had another principle in mind. (Frederick et al, 1992:34)

It is also suggested by Burke (1999:3-4) that two reasons stop companies from pursuing their business goals and strategies and these are, first, the psychological contract which is the implicit expectations that companies and communities have for each other – has changed. Second, the definer or who determines a company's license or freedom to operate has changed.

The psychological contract, unlike a social contract, which is explicit, contains both the explicit and unwritten expectations that companies and communities have for each other. It remains beneath the surface of relationships and is dynamic in character, continually changing and frequently acknowledged. It is the manifestation, too, of the ideals – ego ideals – that one party to the contract has for the other. (Burke 1999: 4)

It needs to be recognised the contribution the mining industry have in the society and the principles involved in its management. Therefore Business and Environment (March 2006, Vol. XVII, No. 3:2) postulates that the mineral industry must remain viable to contribute to sustainable development. The industry requires a strong work force and managers, access to capital, social license to operate and the opportunity for a return on investment. The industry requires land. The minerals sector can contribute to alleviating poverty and is challenged to have frameworks for the creation and management of mineral wealth... balancing local and national benefits.

Mining sector planning for health and education of the local community needs to extend beyond the time of active mining.

The above paragraph make mention that planning by the mines must extend beyond the life span of the mine and this is further discussed in chapter four in terms of the Social and Labour Plan which gives an indication on the development of the portable skill as well as legislation governing mineral rights and the requirements to have a mining licence.

- **The Stewardship Principle:**

Many of today's corporate executives see themselves as stewards or trustees who act in the general public's interest. Although their companies are privately owned and they try to make profits for the stockholders, the company is managed and directed by professional managers who believe they have an obligation to see that everyone – not just those in need – benefits from the company's actions. According to this view, corporate managers have been placed in a position of public trust. They control vast resources whose use can affect people in fundamental ways. Because they exercise this kind of crucial influence, they incur a responsibility to use those resources in ways that are good not just for the stockholders alone but for society generally. In this way, they have become stewards or trustees for society. As such, they are expected to act with a special degree of social responsibility in making business solutions. (Frederick et al, 1992:35)

The above is a clear indication of the companies entering into a social contract with the society as suggested by Cooper (2004:25-26) that Social Contract Theory is where a contract, usually considered to be implied or hypothetical, is made between citizens for the organization of the society and as a basis for legal and political power within that society. Social contract theory has been applied to the question of business in society in a similar fashion considering 'what conditions would have to be met for the members of such society to agree to allow corporations to be formed.

Furthermore Carroll and Buchholtz (2006:19) describe **social contract** as a set of two-way understandings that characterize relationship between two major institutions – in our case, business and society. The social contract is changing and this change is a direct outgrowth of the increased importance of the social environment. The

social contract has been changing to reflect society's expectations of business, especially in the social and ethical realms.

3.2.2 The actual and expected corporate social performance gap

Carroll and Buchholtz (2000) present a model of the actual and expected performance CSP gap indicated in Figure 3.1.

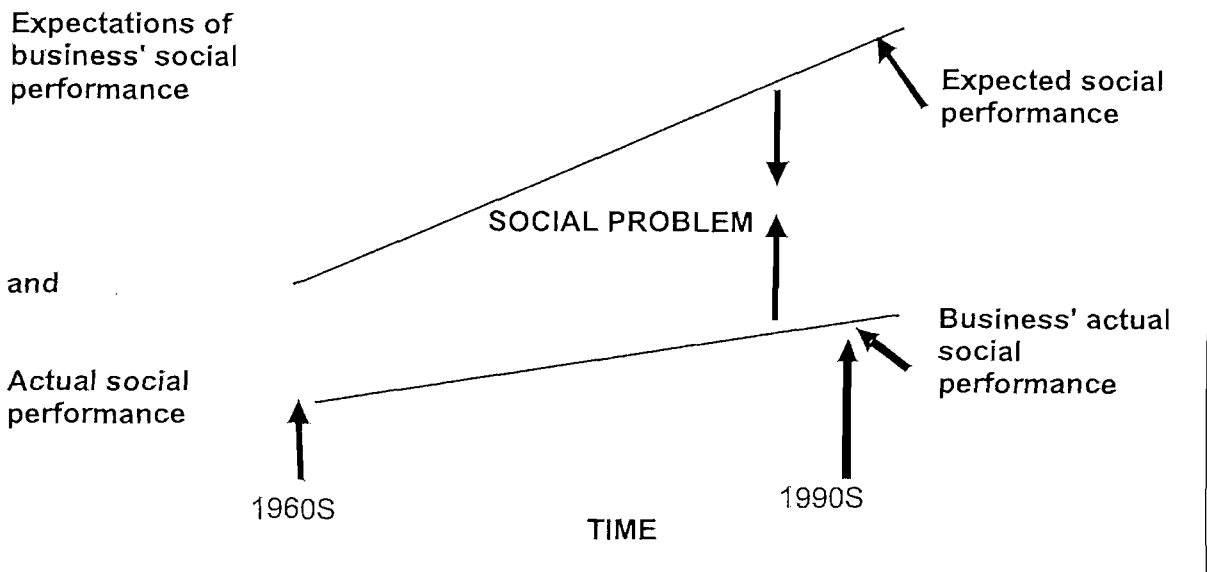


FIGURE 3.1: SOCIETY'S EXPECTATIONS VERSUS BUSINESS' ACTUAL PERFORMANCE (ADAPTED FROM CARROLL AND BUCHHOLTZ, 2000)

Figure 3.1 illustrates a 'revolution of rising expectations'. This can be defined as *the belief that each succeeding generation expects to have a standard of living and quality of life that is higher and therefore that its expectations of business CSP² is higher, than that of the preceding one*. The gap between actual and expected business social performance has widened in the last 30 years. However, although the upward trend of rising expectations continues, the widening gap has been tempered to some extent by increasing levels of crime, poverty, unemployment, homelessness, environmental pollution and AIDS. The increase in social problems of these kinds has had the effect of dampening the upward trajectory of rising

expectations since people are beginning to recognise the fact that a constant rise in living standards to recognize the fact that a constant rise in living standards may not be realistically possible. The model presented is plausible but is based on largely historical evidence which authors have analyzed. The level of corporate social responsibility, this model refers to the problem created by the gap between society's expectations of business' social performance and its actual social performance. [South African Journal on Business Management. 2001, 32(1)]

3.3 REPRESENTATION OF CSR

Carroll (1979) first delineated the now-familiar four categories of CSR in a paper on corporate social performance, depicting them as order layers which he labelled economic, legal, ethical and discretionary responsibility. (see figure 3.2)

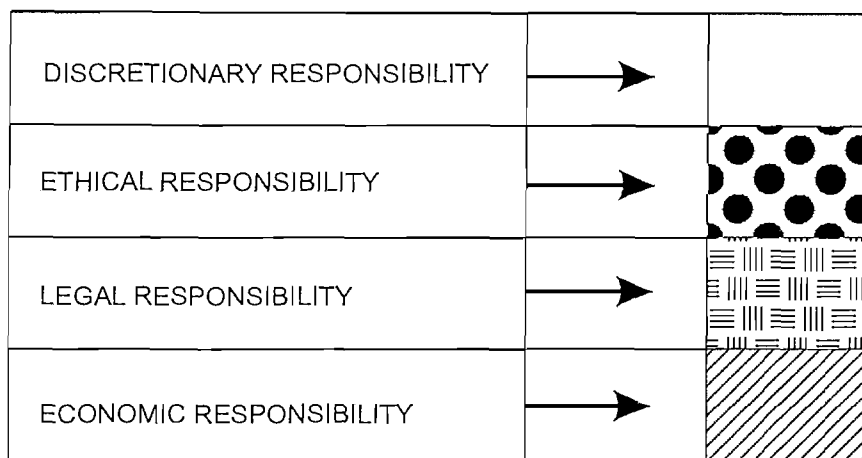


FIGURE 3.2: SOCIAL RESPONSIBILITY CATEGORIES (CARROLL, 1979)

Carroll (1979) explained that the four classes “are simply to remind us that motives or actions can be categorised as primarily one or another of these four kinds”. The order and relative weighting was “to suggest what might be termed their fundamental role in the evolution of importance”.

In its first conception, therefore, the framework took a retrospective developmental perspective, based on the claim that “the history of business suggests an early

² CSP means Corporate Social Performance

emphasis on the economic and then legal aspects and a later concern for the ethical and discretionary aspects.

3.4 SOCIALLY RESPONSIBLE INVESTMENT OVER THE YEARS

3.4.1 Socially Responsible Investing

Corporate social responsibility is not a new concept. In fact, a number of large companies have assumed some degree of social responsibility in the past. Their interest focused mainly on the social sphere and was purely voluntary. Corporate philanthropy is one good example of this. (Secretariat des commissions, May 2002:6)

Although a positive relationship between corporate social responsibility and financial performance has not been substantiated, a growing number of investors in mutual and other investment funds are attracted to those with portfolios of socially responsible companies. The record of these funds is mixed. In some years, some funds do better than the Standard and Poors index of stock prices and others do not. One study company a five – year span between four of the major socially oriented funds and all mutual funds showed that one fund did better (by a small margin) but the others did not, several by wide margins. (Steiner and Steiner, 1991:136)

Crowther and Rayman-Bacchus (2005:103) cites that while economies of scale are a way of achieving economic efficiency, these results point out that it is unwise corporate political strategy. It would appear that an industry's corporate political strength is dependent on the depth of local support that it can garner. Just as diversification is wise a strategy for the investors, firms need to diversify their bases of power in playing the political and social game of public policy.

It seems fair to conclude that, over time, the socially oriented funds are not likely to do any better or worse than typical funds. But they offer a needed investment that supports their social views. Funds that screen for social responsibilities are growing in numbers and portfolio value. However, they are so small that they exert no pressure on corporations that offend their values. (Steiner and Steiner, 1991:136)

3.4.2 Pressures on Institutional Investors

Usually, large institutional investors resist such pressures and prefer to invest for maximum financial return, arguing that it is a fiduciary duty to institutional clients to do so.

But occasionally, enough political pressure is created to force a change in investment policy. Since 1983, for instance, a number of states and municipalities have passed resolutions requiring disinvestment of holdings in American firms doing business in South Africa. (Steiner and Steiner, 1991:137)

Activist disinvestment groups seek to substitute social and political objectives for prevailing policies of maximum return. They attempt to control institutional capital for their own social ends. Of course, once a precedent is established for buying or selling stocks for social reasons, a case can be made for avoiding investment in virtually any company. A political or social disinvestment standard could expose an institutional investor to huge financial losses, including brokerage fees, opportunity costs, or worse. So far there has been little apparent adverse impact on either the performance of institutional investors or corporations from divestment of securities for social reasons. (Steiner and Steiner, 1991:137)

A researcher at the United Nations Research Institute of Social Development identified in 1992 Earth Summit as a turning point in launching the current wave of interest in corporate social responsibility. Reconciling economic growth and environment protection was the theme of this summit, where partnership and co-regulation over confrontation. (Secretariat des commissions, May 2002:6)

In some respects, the current wave of interest in corporate social responsibility differs from past experience. No longer limited to social concerns, socially responsible investment now takes environmental issues into account. The tools for practicing corporate social responsibility – codes of conduct and accounting mechanisms, in particular – have also developed significantly. In sum, the once limited concept has become much more all encompassing. Firms are no longer asked simply to act as good corporate citizens by complying with the rules and regulations in force, but to assume greater responsibility toward society and the environment. (Secretariat des commissions, May 2002:7)

3.4.3 Business and Major Social Problems

Business is not solely responsible for solving social problems:

Business is a predominant instrumentality in society for dealing with major social problems, but it is not the institution of sole or last responsibility. It is government that has the central role in dealing with such problems. Business has incentives for working on these problems, as noted previously. It has great talents that it can exert, such as the development of new equipment to reduce pollution of various types or the free contribution of managerial knowledge to government agencies. A central issue in dealing with social problems concerns the extent to which government should provide incentives for business to become involved in solving social problems when it does not appear to business to be profitable to do so. It also must be pointed out that other institutions in society, such as universities, labor unions, and religious institutions, and people themselves, individually and in groups, can make valuable contributions to overcoming major social problems. (Steiner and Steiner, 1991:138)

Social cost business should bear:

Social costs are the total costs of business activity, including immediate costs of production plus all other costs. For instance, a factory dumping pollutants into a clear stream incurs two kinds of costs. One is the cost of its operation; the other is the cost that results from changes in the stream's ecology – perhaps human and animal disease, perhaps the destruction of natural beauty. To the extent that business does not bear these external costs they must be borne by others. (Steiner and Steiner, 1991:138)

These “other costs” include a spectrum of elements. They may involve direct and indirect losses to third persons, such as reduced real estate values from nearby factory noise. They include human damage in the form of disease, accident, unemployment, disturbance of social relationships, and changes in the lifestyle of groups. They include defaced landscapes, ugly buildings, or traffic congestion. (Steiner and Steiner, 1991:137-138)

Kotler and Lee (2005:5) indicates that Cone/Roper's Executive study in 2000, exploring cause initiatives from the corporate perspective, found that 69 percent of companies planned to increase future commitments to social issues.

3.5 CURRENT TRENDS

3.5.1 The Current Business Environment

The total business environment is composed of many forces, as shown in Figure 3.3. The chart suggests that environmental forces influence one another and, potentially, every important functional area in a company. John Muir, the great conservationist, once said, "When we try to pick out any thing by itself, we find it hitched to everything else in the universe". So it is in business. Any force that affects it turns out to have roots extending over a wide area. Economic forces, for example, can influence every one of the areas in the outer circle and every one of the areas in the middle circle of Figure 3.3. (Steiner and Steiner, 1991:27)

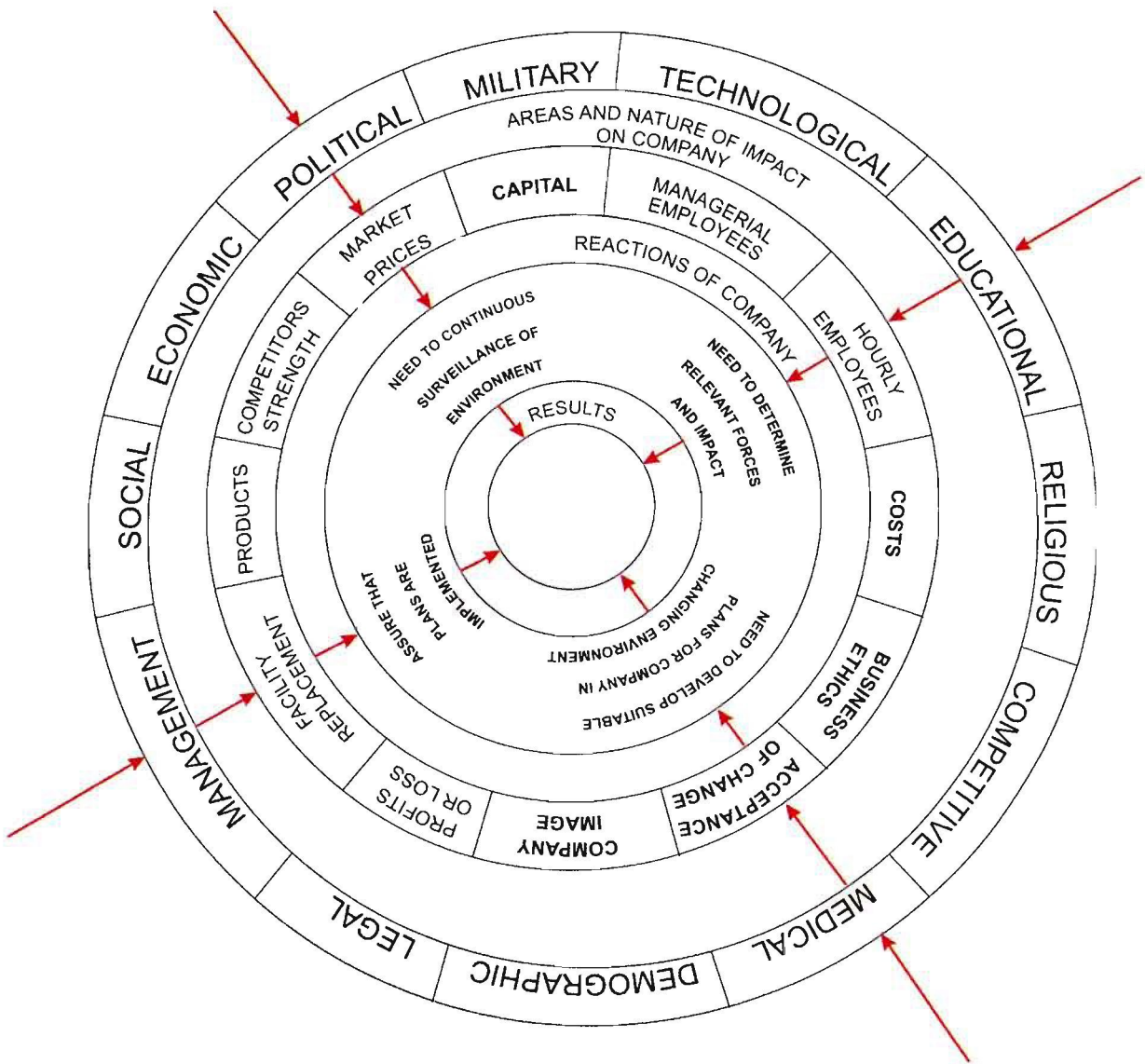


FIGURE 3.3: ENVIRONMENTAL IMPACTS ON COMPANY PLANNING.
(SOURCE: REPRINTED WITH PERMISSION OF THE FREE PRESS, A DIVISION OF MACMILLAN, INC., FROM TOP MANAGEMENT PLANNING BY GEORGE A. STEINER. COPYRIGHT © 1969 BY THE TRUSTEES OF COLUMBIA UNIVERSITY IN THE CITY OF NEW YORK.)

This chart shows only selected external environmental forces. There are also internal environmental forces. Some of these are done in an organisation, the systems and methods employed in a company, the skills of people, and the values which

managers and employees hold. All of these are called in its operations, including how it formulates strategy and whether the strategy can be implemented properly. Business is not helpless in the face of environmental forces. Business can influence them, often powerfully. Also, business is an extremely flexible institution and can generally adapt to current and future environmental forces such a fashion as to maintain its strength and vigour in the face of adverse changes. (Steiner and Steiner, 1991:29)

Up to this point, we have spoken of environmental in general. Our discussion will be simplified if we now narrow the focus to the four major external environments of business and to its internal environment (see Figure 3.4). Other environments may, from time to time, affect a business and, for a particular business at some point in time, may be of critical importance. Some of them are shown in Figure A, and some will be discussed later. Each of these environments has international as well as domestic dimensions. (Steiner and Steiner, 1991:29)

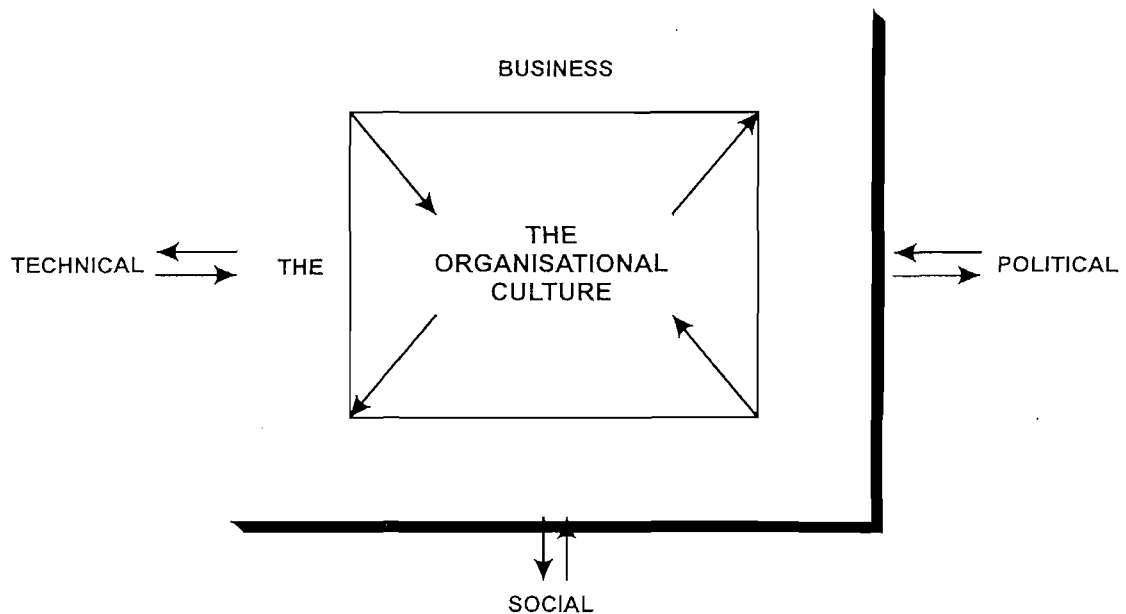


FIGURE 3.4: THE MAJOR ENVIRONMENT OF BUSINESS

(Source: Steiner and Steiner, 1991)

Even a very large company cannot make a penetrating assessment of all the current and evolving domestic and international environments that conceivably might affect it.

There are simply too many forces involved. But it is not necessary for a company to make such a comprehensive evaluation. What is necessary is for a company to choose those significant forces in the environment that will likely have an important impact on its operations and devote as much energy as possible to understanding and projecting them. Today's business environment is challenging managers in far more sophisticated and uncertain ways. It is no wonder that business executives are spending more of their time, indeed most of their time, dealing with environmental forces affecting their business. The requirement today is that managers throughout an organisation, not just the chief executive officer and staff, be continuously committed to understanding and adapting to environmental developments that can affect the organisation. (Steiner and Steiner, 1991:30)

3.5.2 The Economic Environment

The economic environment covers a vast territory and is, of course, of arresting significance to business. The economic forces of concern to a company range from overall economic activity, as measured by the gross national product (GNP), to what a competitor is doing in a local market. (Steiner and Steiner, 1991:30)

3.5.3 The Technological Environment

New technology can and often does change the entire way of life, thinking, values, habits, and even the political processes of a nation. The automobile is a classic example of a new technology that enormously affected every aspect of life in this and many other countries of the world. For example, in computer science, biotechnology, medicine, robotic factories, telecommunications, and microelectronics, to mention just a few, technology is new. (Steiner and Steiner, 1991:31)

3.5.4 The Political Environment

This political environment covers a range of subjects, from federal government regulations to local party politics. The greatest concern to business in the area is, of course, the actions of governments. But the legal system and our pluralistic society

also are of high interest to business. These three aspects of the political environment will now be examined very briefly. (Steiner and Steiner, 1991:32)

- **The Governmental Environment**

There is today practically no aspect of business that governments cannot and will not regulate if the occasion arises and popular or legislative support exists. In recent years, governments have responded affirmatively to a wide range of public concerns about such matters as product safety, product labelling, advertising, minority employment, honesty, pollution, and worker safety, to mention a few. Accordingly, laws have been passed to deal with these concerns. These, when added to the accumulated volume of laws in the past, have resulted in more government control of business than at any peace time period in our history. Furthermore, the direction of many of these laws has been to involve government in detailed managerial decision making. (Steiner and Steiner, 1991:32)

Chapter 4 reflects broadly on the legislative pieces supporting the paragraph above and further supports chapter 2 subsection 2.5.6. which indicates that a good deal of contemporary social change is planned, in the sense that it is a result of conscious deliberation. All over the world people aspire to the "good life", both materially and socially. To that extent, they participate in planned programmes which result in profound changes in their material conditions of life and social relationships.

- **The Legal Environment**

The newly complex legal environment of business is due in part to increased government regulations, which foster suits corporations for perceived violations of regulations. (Steiner and Steiner, 1991:33)

- **Pluralism**

United States of America is a pluralistic society, which means that it is composed of many semiautonomous and autonomous groups through which power is diffused. These groups exert pressure on governments to act in their interest, and much of the legislation that they influence governments to enact impacts on business. They also exert pressure directly on business to act on their behalf. (Steiner and Steiner, 1991:34)

In the distant past, business managers could be successful if, working within the rules of the game laid down by government; they tried to satisfy only customers and stockholders. Today the managers of a large corporation must pay attention to a growing number of constituent groups. Pluralism will be discussed at some length in the next chapter. (Steiner and Steiner, 1991:34)

3.5.5 The Social Environment

The social environment includes such diverse forces as changing values, education, religion, labour union activities, and the customs and habits of people. (Steiner and Steiner, 1991:34). Furthermore according to Ansari and Jackson (1995:35) in Chapter 2 indicates that the change is not only required in the cultural environment of the organization but also in individual values, attitudes and behaviour.

Carrol and Buchholtz (2006:10) furthermore states that many factors in the social environment have created a climate in which criticism of business has taken a place and flourished. Some of these factors occur relatively independently but some are interrelated with others. In other words, they occur and grow hand in hand.

- ***Changing Values***

Values are enduring beliefs that people hold about morals, equality, freedom, democracy, patriotism, and so on. Values do not change easily, but over time they do change. When values change, the impact is felt in the ways in which business, government, and society operate and in how they interrelate. (Steiner and Steiner, 1991:34)

- **Individualism**

Older beliefs associated with individualism centred on the freedom of the individual to pursue interests relatively unimpeded by government. Each individual, in this view, had an opportunity to achieve ends through his or her own efforts. Today, the older view of unrestrained individualism has been modified by concepts of equality, government protection of the individual against market forces, and more participation of individuals in organizations. (Steiner and Steiner, 1991:35)

- **Equality**

Closely related to individualism, equality traditionally meant the elimination of inequalities among people with respect to opportunities for social, political, and economic growth. It meant that conditions should permit individuals, whatever their origins (although in the nineteenth century colour was considered to be a question of another order and women were not in reality in the same position as men), to make a life on the basis of ability and character. It was the idea that everyone should have “an equal place at the starting line.” (Steiner and Steiner, 1991:36)

Chapter 4 will further explore equality in relation to Chapter 2 of the Constitution of South Africa’s Bill of rights.

In recent years, the concept of equality has broadened to include rights to receive a wide range of political economic and social demands. The concept has further broadened to mean equality of results, or an equal outcome for all. While CSR seems unexceptional, it actually assigns to business a new role and purpose. Under a CSR regime, businesses are supposed to embrace corporate citizenship and run the affairs in close conjunction with an array of different stakeholders, so as to promote the goal of sustainable development. Economics, social life and environmental desires are all part of a triple bottom line to which businesses must adhere. (The American Enterprise, Jan/Feb 2006:45)

3.6 THE DIVERSITY OF THE SRI INVESTMENT CRITERIA

Investors and money managers have a variety of views regarding SRI investment criteria. In particular, the practice of eliminating from consideration companies related to alcohol, tobacco, gambling, weapons and nuclear energy is called negative screening. Another approach called positive screening actively seeks out companies that excel in specific categories such as contribution to society or environmental preservation. (NLI Research Institute 2002. No. 160:14-15)

For historical reasons, many funds in the U.S.A. practice negative screening for tobacco, alcohol and gambling; in particular, almost all funds shun tobacco investments.

Moreover, many funds have adopted criteria on the environment, human rights, employment, and weapons, as well as on issues related to labour, animal testing, and community (Figure 2). In actual practice, approximately 90% of funds have adopted criteria in three to four categories, while few have adopted only a single category. (NLI Research Institute 2002. No. 160:15)

TABLE 3.1: INVESTMENT CRITERIA OF SRI FUNDS IN THE USA

Adopted by at least 50% of funds	Adopted by 30% to 50% of funds	Adopted by less than 30% of funds
<i>Tobacco</i>	<i>Working conditions</i>	<i>Executive compensation</i>
<i>Environment</i>	<i>Use of animals in experiments</i>	<i>Abortion</i>
<i>Human Rights</i>	<i>Investment in community</i>	<i>Contraception</i>
<i>Employment</i>	<i>Contribution to community</i>	<i>International labor standards</i>
<i>Gambling</i>		
<i>Alcohol</i>		
<i>Weapons</i>		

Source: Social Investment Forum, 2001 SRI Trends Report.

In Europe as well, similar investment criteria have been established as in the U.S., though not as broadly. In the U.K., a specified negative screening is combined with several categories of criteria. On the continent, the emphasis on labour issues is somewhat stronger (working conditions, work environment, participation in management, job stability, training & development, etc.), and there is also opposition to recombinant DNA foods and global companies (such as automobiles and aerospace). (NLI Research Institute 2002 No. 160:15)

3.7 CHANGE IN SRI CRITERIA

Let us examine changes in SRI criteria over the years by looking at the U.S. case. As mentioned earlier, SRI first appeared a century ago when Christian denominations decided to avoid certain industries when investing their assets. While this basic negative screening approach still exists today, investment criteria have changed significantly in response to changes in society. (NLI Research Institute 2002. No. 160:15)

In the late 1990s, distortions caused by globalisation in the post-Cold War era became apparent. Global companies that had moved their factories to developing countries were seen as exploiting local workers with deplorable working conditions and cheap wages. Labour unions and human rights groups monitored companies' activities, and urged consumers to boycott products of offenders. A sensational case was Nike's use of Vietnamese child labour. This revelation drew protests from members of Congress, and quells the problem as quickly as possible; Nike was forced to raise the minimum wage and working age of employees in Asia. (NLI Research Institute 2002. No. 160:16)

3.8 THE 3 TYPES OF SRI

While the above discussion has focused on SRI funds, there are actually three categories of SRI. However, the three are mutually related, and cannot always be implemented separately. (NLI Research Institute 2002. No. 160:16)

3.8.1 Screening

This refers to the practice by investment trusts such as mutual funds of selecting companies for investment based on specific social, ethical, or environmental criteria. There are generally two types of screening: positive screening, or actively seeking out companies that are favourable from the perspective of social responsibility as well as expected returns, and negative screening, or deliberately eliminating from consideration companies that, for example, make products or conduct activities that are environmentally damaging.

3.8.2 Shareholder advocacy

Shareholder advocacy refers to the exercise of shareholders' rights to make companies act more socially responsible. More specifically, it means directly confronting management on social or environmental issues, as well as earnings, by applying pressure or support. Voting rights are also exercised at shareholders' meetings as needed. Shareholder advocacy is increasingly being implemented in conjunction with screening. (NLI Research Institute 2002 No. 160:16)

According to Cooper (2004:179) there is a need for companies to consider a broader range of stakeholders and to engage with their needs, if there is to be an increased level of accountability.

3.8.3 Community investment

Community investment, also called targeted investment, refers to financing community development in cases where financial institutions would not ordinarily provide any.

Investors provide financing at market interest rates or less (or even at zero interest) for improvement projects in these communities. Project objectives can include creating jobs, extending loans to low-income households or small businesses, expanding the housing supply, providing child care, and so forth. (NLI Research Institute 2002 No. 160: 17)

3.9 BUSINESSES AND SOCIAL RESPONSIBILITY

There are two completely opposite views regarding whether businesses should have to show social responsibility. On the one hand, some uphold the concepts of absolute shareholder primacy and profit maximization.

This view limits company responsibility. On the other hand, a vast majority of the public now believes that businesses must certainly seek profits, but their responsibility is not limited to maximizing shareholder returns. They must also be open to the interest of other groups in the society. Unlike the first view, the second

has many vague aspects to it. In fact, laws or regulations do not cover corporate social responsibility. (Secretariat des commissions, May 2002:13)

3.9.1 Business gain from being social responsible

The voluntary application of the principles of corporate social responsibility indicates that firms somehow gain from it. Some researchers have shown that being socially responsible can improve a business's financial health. Taking into account the interests of the stakeholders can have a positive effect on the firm's long-term reputation, work relations, access to credit, product perception, and customer and supplier loyalty. (Secretariat des commissions, May 2002:13)

3.9.2 Social responsibility reporting by businesses

Even if businesses adopt social responsibility policies, they still face the major challenge of reporting their performance in this area. There is concern regarding company transparency and the unverifiable of certain statements. On the one hand, it is questionable whether businesses should be forced to draw up a social and environmental report to account for their performance. (Secretariat des commissions, May 2002:13)

3.10 ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY

South Africa's history has left its mark on the current social and economic context, and this also affects CSR. This legacy includes racially skewed participation and ownership of the economy, structural unemployment, widespread poverty and low levels of education and training. Furthermore, the South African state has since embarked on a transformation programme to redress some of the injustices of apartheid and this has had important implications for business. In South Africa, government plays a more proactive role in influencing the social role of business than in most other countries. (AICC,2004:13)

The international mining industry itself is undergoing transformation. Over the past decade dynamic mining companies have begun to restructure their operations in response to new opportunities arising from the liberalization of investment regimes for mining in many developing countries, to develop and acquire new production technologies and to respond to heightened environmental awareness and scrutiny of their operations. This bungle of technological and organizational changes has the potential, if effectively managed, to contribute to economic growth and improved environmental performance in developing countries. Since 1989 over seventy-five countries have liberalized their investment regimes for mining. Economic and political reforms have opened up new opportunities to the international mining industry in areas that were formerly closed, either because of *de jure* political restrictions or closed *de facto* since economic and political risks were sufficiently high to deter prudent investment. Private investment flows to developing countries have increased in response to these opportunities, with mining playing a significant role as a proportion of the total direct investment. (Corporate Social Responsibility and the mining industry, Presentation to Euromines. June 4th 1998, Brussels)

In this context the development and/or acquisition of cleaner production technologies could be especially attractive to governments in developing countries since they hold the promise of reducing environmental damage costs while at the same time maintaining the social and economic benefits of mining (e.g. jobs, taxes, foreign exchange earnings, skill and technology transfer, royalty payments). The opportunities for technological leapfrogging through the transfer of innovation production techniques are rapidly expanding as many less developed countries encourage large exploration programmes and design new mining laws while establishing codes of environmental practice. (Corporate Social Responsibility and the mining industry, Presentation to Euromines. June 4th 1998, Brussels)

However, while mining companies during this recent phase of globalization have contributed towards improved social development, through providing jobs, paying taxes, building and industrial base, enhancing efficiency, earning foreign exchange and transferring technology, they have also been linked publicly to interference in sovereign affairs, deepening disparities in wealth, poor labour conditions, corruption,

transfer pricing, pollution incidents, health and safety failings and the disrespect of human rights.

The effects of mining companies on environmental social development can be categorized within three spheres: economic, social and bio-physical (see figure 3.5).

In this model, the industrial project can be considered the 'input' and the health and well-being of affected stakeholders are 'outputs'. Furthermore, this model links social, environmental and economic performance by suggesting that corporate social responsibility should not be considered independently of effects over time within the bio-physical and economic spheres. Environmentally responsible production is therefore a part of corporate social responsibility. (Corporate Social Responsibility and the mining industry, Presentation to Euromines. June 4th 1998, Brussels)

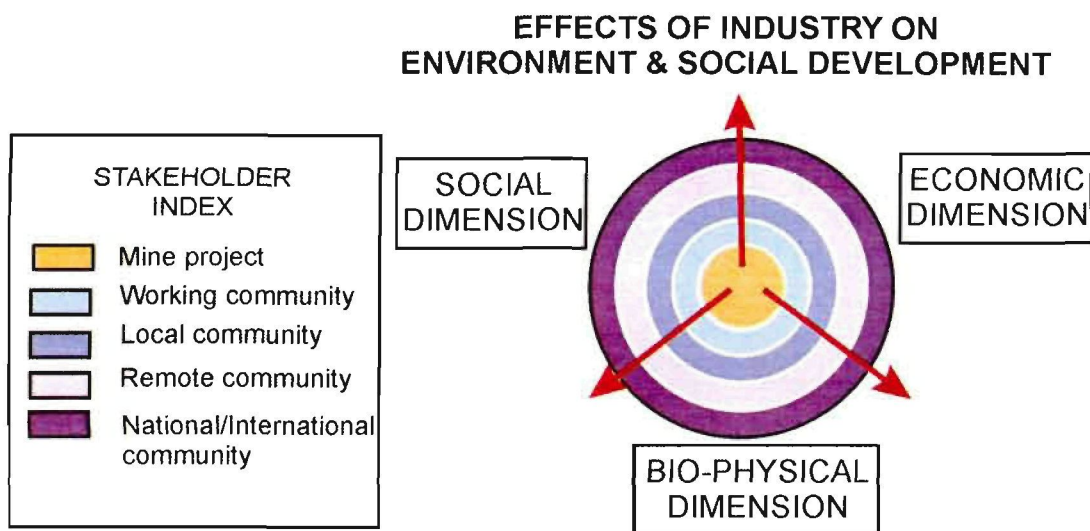


FIGURE 3.5: EFFECTS OF INDUSTRY ON ENVIRONMENT & SOCIAL DEVELOPMENT. (WARHURST AND LUNT, 1997)

- (1) The **Biophysical Sphere** includes effects over time on the health of the ecosystem, on biodiversity conservation, on clean air and water and the physical base of health livelihoods: marine resources, minerals, forests and agricultural soils,

- (ii) The **Economic Sphere** includes effects over time on relative economic benefits, wages/salary rates, the distribution of natural resources-based commodity rents (taxes, royalties etc) between central and regional state agencies and economic effects on local and remote community livelihoods.
- (iii) The **Social Sphere** includes:
 - (a) Socio-political effects over time on the rights of individuals and groups and their capacity to organize. It also includes effects on human health and working conditions.
 - (b) Socio-cultural effects over time on the cultural heritage of individuals and groups on their spiritual and cultural well-being on their attitudes and behaviour and with respect to their education. (Warhurst and Lunt, 1997)

Evidence suggest that mining companies will increasingly be obliged through public pressure to make pledges and set **targets** regarding environmental and social responsibility within these spheres. Chapter 4 which deals with Legislation and will reflect on the requirements of the Mineral and Petroleum Resources Development Act No. 28, 2002 (MPRDA).

They will need to define robust strategies to achieve these goals, to evaluate their performance over time and to report coherently and comprehensively the results to their different stakeholders, both within and external to the firm, at the local, national and international level.

Failure to address these public interest concerns at this detailed level is likely to results in an increase in the imposition on mining companies of evaluations and rankings of environmental and social responsibility made by public interest groups through initiatives which the companies themselves have not participated e.g. work by Earthscan, Intergrity Works, World Development Movement, Business in the community, etc. (Warhurst and Lunt, 1997).

3.11 TRADITIONAL AND PRO-ACTIVE APPROACHES OF MINING COMPANIES

The approach can be summarised as successfully running a business paying regard to the interests of employee, investors, suppliers and customers, while making charitable donations and social investment in the local community, in response to perceived moral imperative, as well to ensure the maintenance of healthy workforce. Some firms do more of this than others. It involves complying with regulation where required, and includes cleaning up pollution, managing incidents and treating other post-facto effects of mining after they have occurred. (Corporate Social Responsibility and the mining industry, Presentation. June 4th 1998, Brussels)

The traditional model also involves two forms of socially responsible practices: philanthropic giving and the implementation of codes of conduct. These approaches mitigate negative environmental and social impacts in response to '**moral imperative**' through **add-on** social spending measures. Such measures are often costly and non-productive. For example, cleaning up pollution once it has occurred usually means adding on expensive **end-of-pipe treatment** technologies, like water treatment plants, dust precipitators and smelter scrubbers (Corporate Social Responsibility and the mining industry, Presentation. June 4th 1998, Brussels)

3.12 THE GOVERNMENT'S ROLE IN PROMOTING CORPORATE SOCIAL RESPONSIBILITY

Governments could have a role in promoting corporate social responsibility for several reasons. Because they establish and monitor compliance with legislative and regulatory framework of private corporations, financial markets, and institutional investors, governments can encourage economic players to consider ethical, social, or environmental criteria.

As custodian of natural resources, the state must ensure that this collective wealth is used in compliance with the principles of sustainable development that underpin the concept of social responsibility. The public sector can play a role in increasing responsible investment. The public sector has considerable financial clout that could

be used to encourage corporations to consider social responsibility criteria. The public sector-particularly publicly owned companies-could also set an example for the private sector by applying the principles of responsible investing. Furthermore, through various programs, public authorities could promote the very complementary themes of corporate social responsibility and socially responsible investment. (Secretariat des commissions, May 2002:15)

Chapter 4 supports the statement above that the state is the custodian of the natural resources. The Mineral and Petroleum Resources Development Act No. 28, 2002 (MPRDA), which came into effect in May 2004, effectively severed the South African mining industry's ties with the apartheid era and placed it firmly in line with international practice. The watershed Act not only provides for private ownership of South Africa's mineral rights to be terminated in favour of state custodianship of mineral resources – making government the grantor of prospecting, exploration, mining and production rights – but also opens the door for historically disadvantaged South Africans to participate in the industry, specifically beyond the extraction phase. (Mining, June-Sept. 2006:3)

The basic question here is to what extent the state should be involved in matters of corporate social responsibility. Market forces and the pressures of civil society are already spurring companies to be socially responsible. But is this enough to make corporate social responsibility the norm? After all, the state already regulates businesses in many ways, including the social and environmental impact of their activities. (Secretariat des Commissions, May 2002:15)

In South Africa Corporate Social Responsibility is not legislated, however, in the Mineral and Petroleum Resources Development Act No. 28, 2002 (MPRDA) and the Social and Labour Plan this is subtly reflected. This will be reflected in Chapter 4.

3.13 SOCIALLY RESPONSIVE MANAGEMENT

3.13.1 Strategies of Response

As managers attempt to plan and implement business strategies, they frequently encounter pressures and problems from the external environment. Usually, external problems and pressures can be associated with other organizations, groups, or stakeholders. In societies where power is diffused and where individuals can freely make decisions in their own self-interest, managers are likely to find their actions challenged by others outside the organization. Some managers believe such outside interferences are illegitimate, and they respond with an attitude that R. Edward Freeman calls "blame the stakeholder." Government, environmentalists, and consumer activists are among the most popular villains. (Frederick et al, 1992:101-102)

There are however, other approaches for coping with a changing environment. Some firms steadfastly adhere to their plans, no matter how strong the opposition or pressure from other actors in society. Some firms change only when forced to do so by strong outside pressures. Others actively attempt to move society in directions that will be to the company's advantage. These approaches are referred to, respectively, as an inactive, a reactive, a proactive, and an interactive strategy of response to the environment. They are shown in Figure 5.1. (Frederick et al, 1992:101)

- ***An Inactive Strategy***

Many managers are apt to respond initially by resisting, altering their policies only as pressure and criticism mount. Occasionally, however, a company will absolutely refuse to change its behaviour in response to the concerns of others. For such companies, nothing less than a government edict, court order, or imprisonment of managers will force a modification of behaviour. (Frederick et al, 1992:102-103)

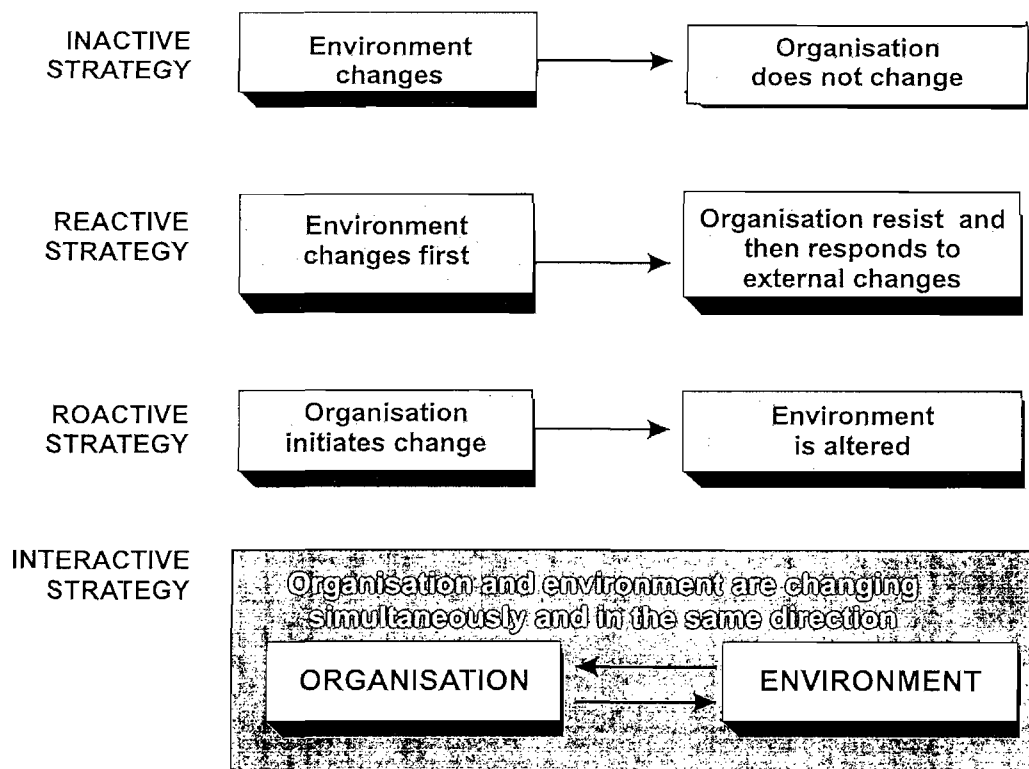


FIGURE 3.6 : FOUR BASIC STRATEGIES OF SOCIAL RESPONSE

(Source: Frederick et al, 1992)

A Reactive Strategy

Utilizing a reactive strategy, a firm tries to cope with an unanticipated change in its environment after the significant change has occurred. Often, company practices will be modified only as strong pressures are applied. (Frederick et al, 1992:103)

A Proactive Strategy

Companies utilizing proactive strategies are a step ahead of those that merely react, because they understand the need to “get ahead” of changes that are occurring in their environments. Such companies may try to manipulate the environment in ways that will be to their advantage. (Frederick et al, 1992:103)

An Interactive Strategy

When a company is able to anticipate environmental change and blend its own goals with those of the public, it has adopted an interactive strategy. An interactive strategy

promotes harmonious relations between a firm and the public by reducing the gap between public expectations and business performance. This is often accomplished through a serious management commitment to dialogue with its stakeholders. (Frederick et al, 1992:103)

Research has demonstrated that, under various conditions, the inactive, reactive, and proactive strategies may produce temporary, short-run successes for companies. However, evaluations of longer-term successes strongly suggest that an interactive approach brings greater, more lasting benefits for both business and society. Figure 3.6 describes an organization of companies that is pursuing an interactive strategy with leading environmentalists.

A strategy of response to the social and physical environment depends on how well a manager understands that the environment is changing and that a strategic approach is needed to respond to it. Only then can any of these specific responses be employed. "Major strategic shifts in the business environment require conceptual shifts in the minds of managers." Thus managers need to reexamine their assumptions and think about the present and future environment in a way that is accurate, practical, and up-to-date. (Frederick et al, 1992:105)

3.13.2 Formulating Socially Responsive Strategies

Social considerations permeate both the formulation and implementation of an organization's strategy. The strategy of a business involves basic decisions about its mission, purpose, and reason for being. These are value-laden decisions, affected by the values and ethics of management, the interests of various stakeholders, and the web of social issues and problems that are a vital dimension of the environment. In other words, a business strategy that will effectively guide an enterprise over time cannot possibly be formulated without taking company, stakeholder, and societal values and interests into account. The relationships are shown in Figure 5.2. (Frederick et al, 1992:105-106)

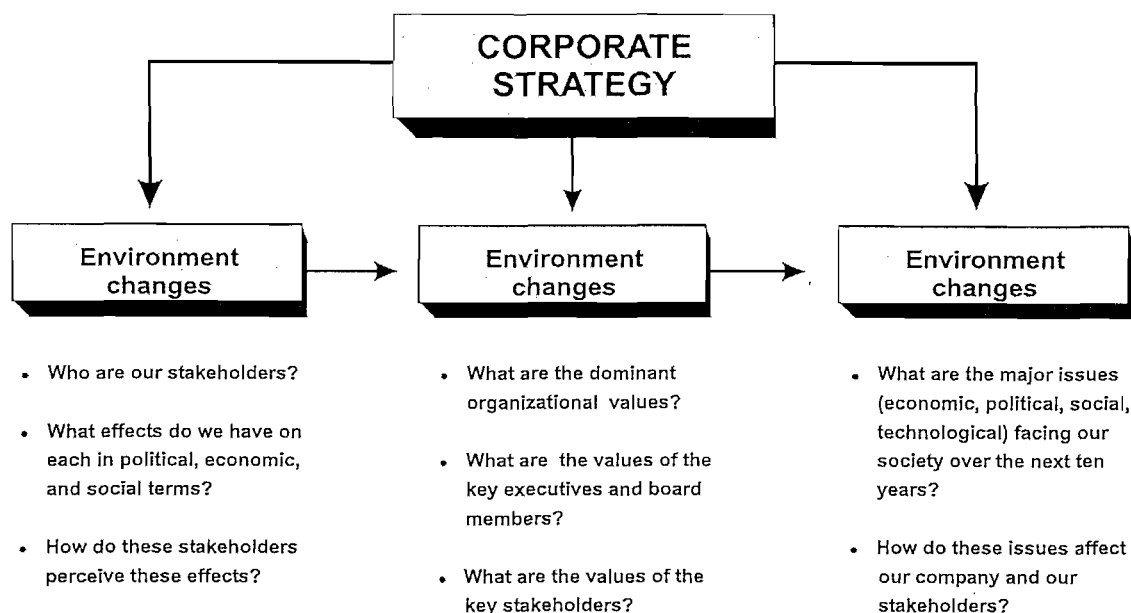


FIGURE 3.7: STRATEGY AND SOCIAL RESPONSIVENESS

(Source: Frederick et al, 1992)

3.13.3 The Relevant Environment

In order to begin formulating a socially responsive strategy, a framework of environmental information is needed. Managers must understand what is occurring in many sectors of the external world. According to two authorities, the environment that is relevant for business and their manager consist of four distinct segments: social, economic, political, and technological. The environment consists of an almost unlimited amount of information, including facts, trends, issues, and ideas. Each of these segments represents a focused area of information, a portion of which is important and relevant to the business. (Frederick et al, 1992:106)

The social segment focuses on information about (1) demographics, (2) lifestyles, and (3) social values of a society. Managers have a need to understand changes in population patterns, characteristics of the population, emergence of new life-styles, and social values that seem to be in or out of favour with the majority of the population. (Frederick et al, 1992:106)

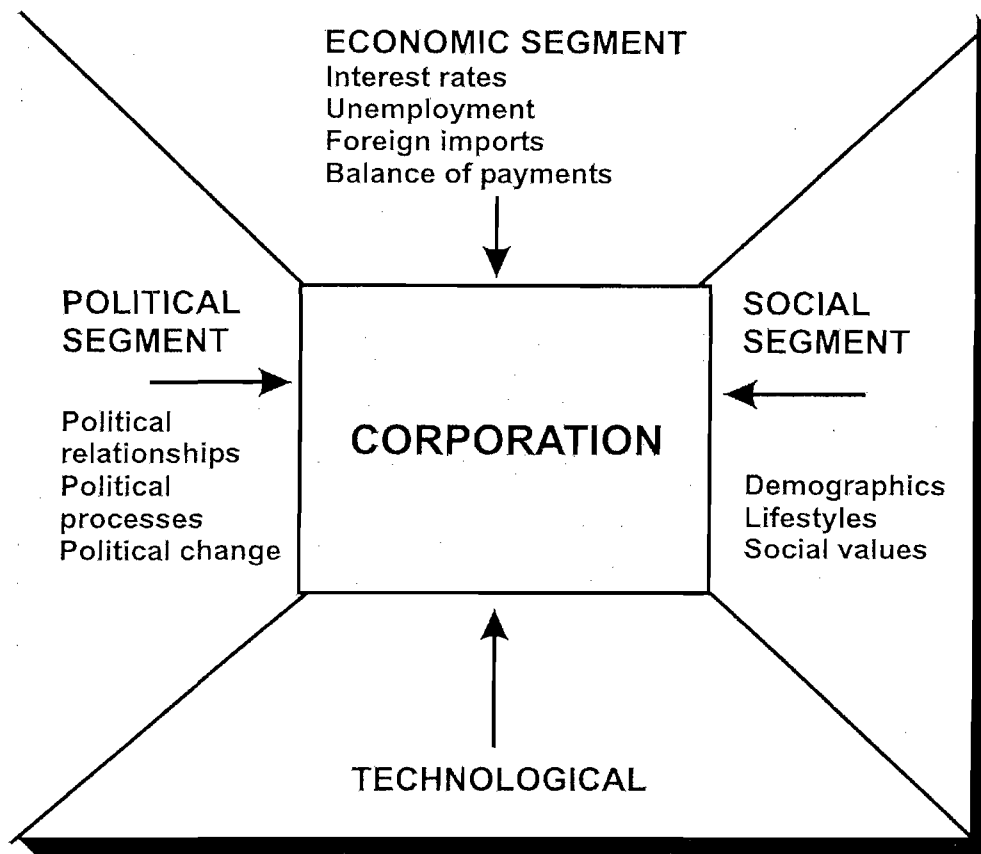


FIGURE 3.8: THE MACRO ENVIRONMENT OF BUSINESS

(Source: Frederick et al, 1992)

The economic segment focuses on the general set of economic factors and conditions confronting industries in a society. For example, information about interest rates, unemployment, foreign imports, and many other such factors is relevant to virtually all businesses. The economic segment obviously has a large impact on all business organizations. (Frederick et al, 1992:107)

The political segment deals with specific political relationships in society, changes in them, and the process by which society makes political decisions. Changes in the tax code, for example, redistribute income and tax burdens. This involves political relationships between various segments of society. The creation and dissolution of regulatory institutions that set standards for business behaviour are examples of changes in the political process. (Frederick et al, 1992:107)

The technological segment is concerned with the technological progress and potential hazards that are taking place in a society. New products, processes, or materials, including any negative social impacts; the general level of scientific activity; and advances in fundamental science (e.g., biology) are the key concerns in this area. (Frederick et al, 1992:107)

The macro environment, as presented in Figure 3.8, is a system of interrelated segments, each one connected to and influencing the others. The developments in genetic science, for example, occur in the technological segment. Their impact is evident in the economic segment, where new businesses are formed. They also affect the political segment, where regulation is discussed, and the social segment, where the ethical dimensions of genetic engineering are debated. By understanding each of these segments, their interrelationships, and those facts which are of direct and indirect importance to the corporation, a manager will improve his or her understanding of the relevant environment in which strategies must be formulated. (Frederick et al, 1992:107-108)

Because most corporations face many issues at one time, they need to set priorities for public issues in terms of their imminent development and / or their impact on the firm. In Figure 3.9 matrix presentation of emerging public issues is illustrated. The General Electric Company pioneered this type of environmental analysis in the 1970s and regularly updated its "high priority" issues list. This helps provide a guide to top management and the company's lobbyists as to where they should focus attention in the political arena. Issues analysis can be utilized with trend analysis to provide a more accurate picture of current issues and their probable future development. (Frederick et al, 1992:108-109)

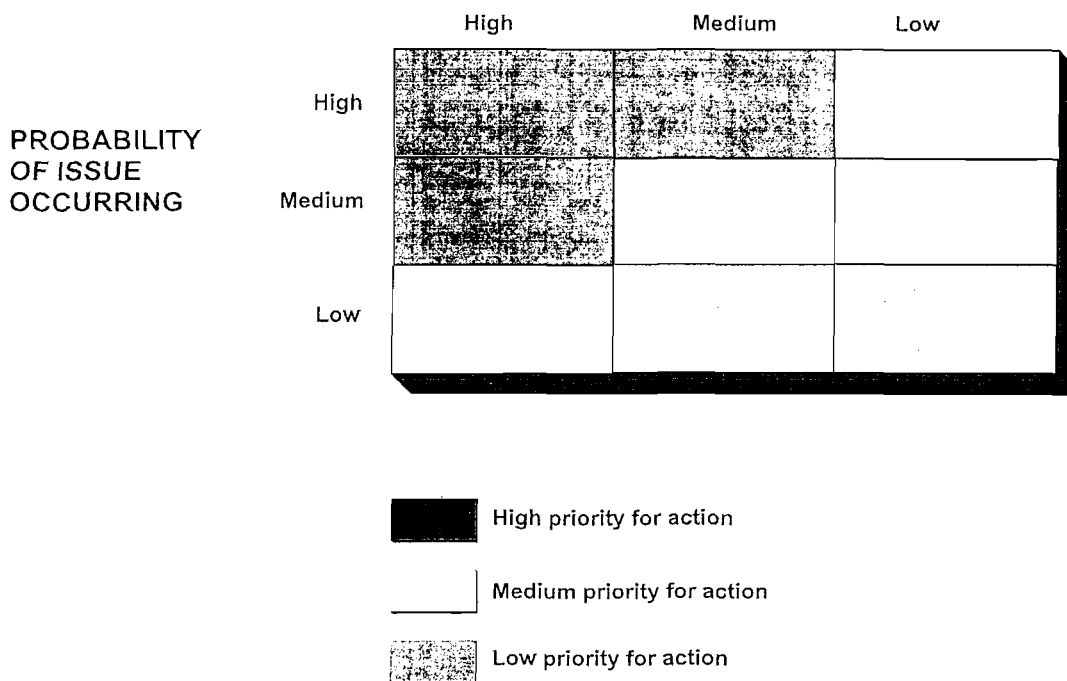


FIGURE 3.9: IDENTIFYING HIGH PRIORITY ISSUES FOR ACTION

(Source: Frederick et al, 1992)

3.14 IMPACT OF THE ISSUE ON THE COMPANY

Stakeholder analysis places the scanner’s focus on the people, groups, and organizations that populate the external environment. By trying to understand the issues that are of concern to the company’s primary and secondary stakeholders, managers are better able to predict what types of demands are going to be made in the months ahead. There are many ways to collect such information, ranging from professional reporting services that track leaders of activist groups to direct contacts and discussions with stakeholder representatives. Informal discussions with union leaders or local environmentalists can go a long way toward providing managers with an understanding of what is critical to these groups and why. (Frederick et al, 1992:109)

In practice, companies and managers try to integrate all three types of information into a complete view of the external environment. Some firms have large staffs that try to systematically tie all of the pieces together into a coherent report, often in conjunction with the company’s strategic planning effort. Others prefer a less formal,

and less costly, approach. Not surprisingly, companies which have had bad experiences or have been surprised in the past tend to pay attention to the external issues and problems to avoid repeating past experiences. (Frederick et al, 1992:109)

3.14.1 Four phases of environmental analysis

Some experts prefer to see scanning as part of a broader process of environmental analysis that includes other specific steps. For example, experts on corporate strategic planning believe that the process of environmental analysis occurs in four stages: identifying warning signals of potential environmental change or environmental changes already taking place, monitoring specific environmental trends and patterns, forecasting the future direction of environmental changes, and assessing current and future environmental changes. Figure 3.10 illustrates the relationships between the four phases of the environmental analysis process. (Frederick et al, 1992:109)

Phase 1.	IDENTIFYING Identify warning signals of environmental change
Phase 2.	MONITORING Track specific issues and trends in the environment
Phase 3.	FORECASTING <i>Anticipate the future direction of environmental change</i>
Phase 4.	ASSESSMENT Interpret the influence and importance of changes for the company

Source: Adapted from Liam Fahey and V.K. Narayanan, *Macroenvironmental Analysis for Strategic Management*, St Paul, MN: West, 1996

FIGURE 3.10: FOUR PHASES OF ENVIRONMENTAL ANALYSIS

Identification

Identification involves a general surveillance of all segments of the relevant environment to detect changes already under way and to identify hints of coming changes. It is both present-orientated and prospective, looking toward the “unknown future.”

Environmental scanners study newspapers, magazines, research reports, government publications, futurist publications, and obscure periodicals. They always look for basic trends and changes in the social, political, economic, and technological environments of business. Environmental scanning also involves contacting professional scientific, governmental, and special interest groups. (Frederick et al, 1992:110)

Monitoring

After potential changes and trends have been identified, sequences of events and streams of activities must be tracked and monitored. The monitoring activity allows the firm’s management to keep track of important developments and respond to them more quickly and effectively. It also allows managers to separate true signals from false signals. Signals picked up during the original scanning may hint at a trend or development; they need to be verified before organizational decisions are made.

Years may pass before a purported trend can be verified and understood, so the monitoring phase will be lengthy and complex. In general, effective monitoring by all companies should produce a specific description of environmental trends and patterns that are occurring, identification of specific trends that need further monitoring, and identification of areas that need further scanning. (Frederick et al, 1992:110)

Forecasting

Since strategic planning and decision making require an orientation toward the future, managers try to project, or forecast what will happen in the future as well as describe current events.

Forecasting can be conducted on two fronts. Some trends are more predictable than others; thus some forecasting is done in the realm of “the expected”. For example, much demographic information can be projected, with a small margin or error, for five

or ten years into the future. School enrollments, the number of entry-level jobs, and school dropout or graduation rates can be forecast with a reasonable degree of accuracy because of experience and the ability to double-check past forecasts.

Despite the problems and ambiguities involved in forecasting, most companies recognize its importance and value. Today, many corporations have discovered that new techniques enable managers to integrate forecasts into their strategic planning processes. (Frederick et al, 1992:111)

Assessment

Identification, monitoring, and forecasting produce information which is then assessed and interpreted to determine how the trends and developments might affect the company. The assessment phase therefore involves a great amount of interpretation and judgment on the part of the manager. Assessment requires identifying how, why, in what time frame, and to what degree certain predicted trends will affect the strategic plan of the company.

3.14.2 Implementing Social Responsiveness

Companies do not become socially responsive overnight. The process takes time. New attitudes have to be developed, new routines learned, and new policies and actions programs designed. Many obstacles must be overcome in implementing socially responsive strategies. Some are structural, such as the reporting relationships between groups of managers; others are cultural, such as a historical pattern of only men or women in a particular job category.

A Model of Corporate Social Responsiveness

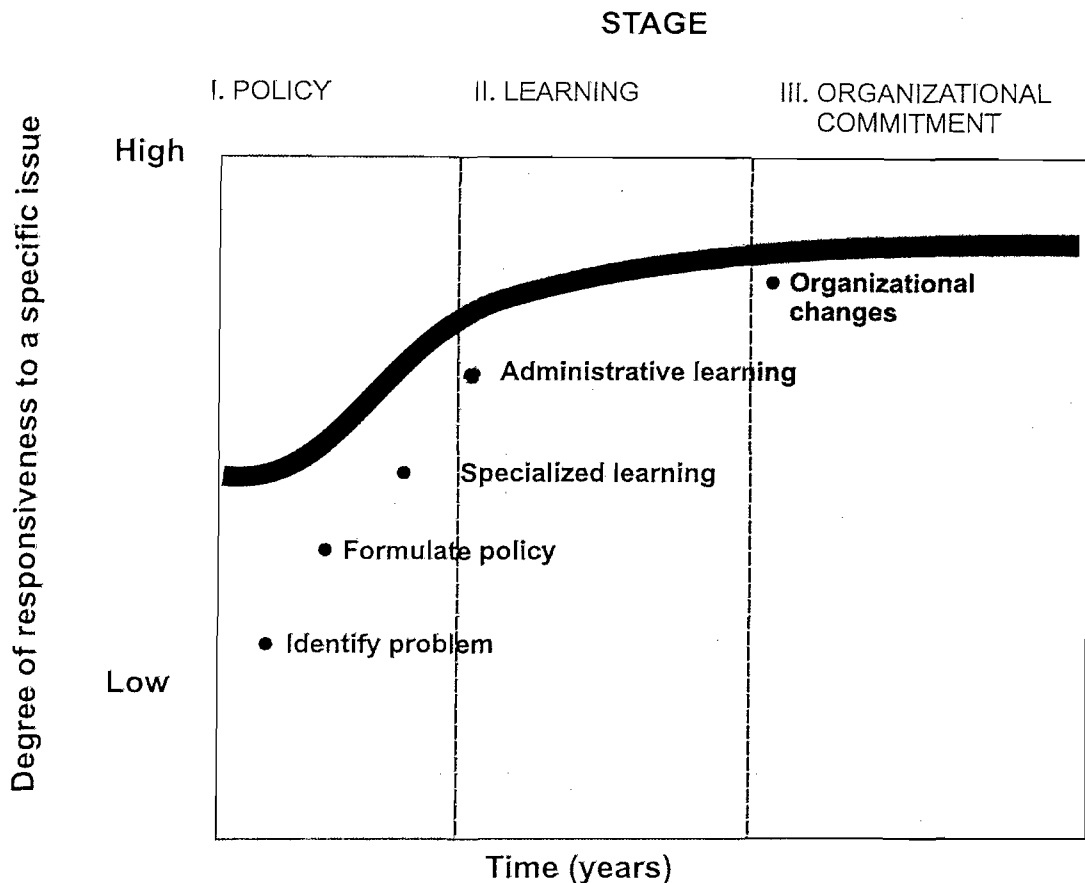


FIGURE 3.11: A THREE-STAGE OF CORPORATE SOCIAL RESPONSIVENESS

Source: Adapted from Robert W. Ackerman, *The Social Challenge to Business*, Cambridge, MA: Harvard University Press, 1975; and Robert W. Ackerman and Raymond A. Bauer, *Corporate Social Responsiveness: The Modern Dilemma*, Reston, VA: Reston, 1976. (Source: Frederick et al, 1992)

An early model of how large corporations effectively implement socially responsive policies is illustrated in Figure 3.11. There are three stages to the responsiveness process depicted in this model. Each is discussed below.

The policy stage

The first stage of social responsiveness involves being aware of which part of the surrounding environment needs to be responded to and acted upon by the company. The process may occur after stakeholder expectations change, or it may result from a systematic environmental analysis. Whether or not stakeholder pressure exists, a

company's management may think, based on the company's own environmental analysis, that a response is needed to emerging issues, concerns, or social trends.

For example, a group of Boston businesses announced a \$6 million program designed to guarantee financial aid to all graduates of the city's public high schools who get into college and to provide jobs for those who complete their education. This action reflected a continuing policy commitment by the chief executives of these companies. The business, mostly banks and insurance companies, were responding to statistics indicating that roughly 50 percent of the students in an entering high school class dropped out over the four year attendance period. Since the Boston school population was declining the number of graduating students had been decreasing drastically. This trend meant a drastic shortage of applicants for entry-level jobs at many of the local insurance companies and banks. The business formulated a plan to support local schools and education. In addition to the funds provided, 350 Boston area companies pledged to help provide jobs to high school graduates, and many offered to help pay for guidance counselors in the schools. This commitment served two purposes: the students and schools were helped, and the companies ensured themselves future pool of applicants for entry-level jobs.

Social responses need to be guided by policies that are carefully and deliberately developed by top management and the board of directors. Those policies provide a framework for shaping other aspects of the organization's response. New production policies, for example, may result in better quality control for consumer products, may remove job hazards, and may reduce water pollution all at the same time. (Frederick et al, 1992:113)

The learning stage

Once a social problem – for example, excessive numbers of high school dropouts – has been identified, and once a general policy – for example, an educational opportunity policy – has been adopted, the company must learn how to tackle the problem and make the new policy work. Two kinds of learning are needed: specialized learning and administrative learning.

Specialized learning occurs when a "sociotechnical" expert – for example, an inner-city educator who is thoroughly familiar with the culture, life-styles, motivations, and

special problems of high school youth-is employed to advise company officers and managers. The kind of specialized knowledge that the sociotechnical expert brings to the company is particularly helpful in the early stages of social problem, whether it be high school dropouts, prejudice against minorities in hiring practices, excessive pollution, or toxic chemical hazards.

Administrative learning occurs when a company's supervisors and managers – those who administer the organization's daily affairs – become familiar with new routines that are necessary to cope with a social problem. A technical expert can assist the company in taking its first steps to solve a problem but cannot do the whole job alone. Social responsiveness requires the full cooperation and knowledge of line managers as well as staff experts. Personal involvement is essential.

Managers of business involved in supporting the education systems in their cities have had to learn many new skills. For example, Dianne Sullivan, the president of Miraflores Designs in New York, pledged to help 60 East Harlem students. Then, the day before school started in September, she learned that they did not know which *junior high school they were supposed to attend*. Sullivan immediately telephoned the local school superintendent and worked to solve the problem. Had she not done so, many of the students might have missed the program's beginning. (Frederick et al, 1992:113)

The organizational commitment stage

One final step is needed to achieve full social responsiveness: an organization must "institutionalize" its new social policy. The new policies and routines learned in the first two stages should become so well accepted throughout the entire company that they are considered to be a normal part of doing business. In other words, they should be a part of the company and its standard operating procedures. For example, when managers respond to the needs of the local education system or to the students without having to rely upon special directives from top management, the socially responsive policy can be considered to be institutionalized.

The normal organizational pressures to resist change mean that both effort and time are needed to improve a corporation's responsiveness. In the past, it took large corporations an average of six to eight years to progress from the first stage to the

third stage on any given social issue or problem such as equal employment opportunity or pollution control. Yet some firms are more flexible than others, and some social problems are easier to handle than others, so the time involved may vary considerably. It is clear, however, that a combination of internal factors, especially management willpower, and external factors, especially continued stakeholder action on the problem is necessary for effective change to occur. (Frederick et al, 1992:115)

3.14.3 Making a Social Strategy Work

Countless obstacles impede effective implementation of management policy in the modern corporation. As illustrated in Figure 3.12, top management often changes the factors that most affect resistance to change: organizational structure. Companies that have demonstrated significant success in being socially responsive to their stakeholders and the environment have recognized that new structures, as well as new attitudes and new incentives, are needed. (Frederick et al, 1992:115)

3.14.4 Organizational Structure

A corporation cannot achieve any strategy if it is organized improperly. An organization's structure is the "architecture" that helps determine how it will look to others and how it will perform for its stakeholders.



FIGURE 3.12: "LEVERS" THROUGH WHICH A CORPORATION'S BUSINESS AND SOCIAL STRATEGY IS MANAGED

(Source: Frederick et al, 1992)

Board of directors

As shown in Figure 3.13, corporate response often begins with the board of directors. The board is responsible for the basic policy and strategy of the firm. Many corporate social actions are major ones that require broad approval. The board needs to improve its interaction with the environment in order to gain more social understanding. The directors need to learn what is happening in the social world in the same way that they historically have sought to know what is happening in the economic world. (Frederick et al, 1992:115)

The chief executive officer

The chief executive officer (CEO) is the link between the board's policies and the top management group that must put policies into action. CEOs often spend substantial amounts of time on external affairs that affect their companies. A study undertaken by the Conference Board revealed that the majority of top executives surveyed spend

one-quarter of their time managing external affairs and that a sizable percentage of them devote up to 50 percent of their workweek to such duties. An active and socially alert CEO can keep both the board and top management well informed, thereby increasing the firm's chances of responding meaningfully to external pressures.

Organizational Group	Required Action
Board of directors and top management	Improve interface with the environment and social inputs from it Develop social communicate policies for social action Establish necessary staff organization, such as a public affairs department Commit resources to social action Revise incentive system so that social performance is rewarded Review corporate social performance
Staff organization	Scan the environment for better social inputs Advise management in areas of social policy Monitor social performance in the organization Act as a change agent in areas of social policy and performance Develop and maintain suitable appraisal systems for managerial and corporate social performance
Operating departments	Maintain operating interface with the environment Revise operating procedures to conform to social philosophy and policy Communicate social policy to employees and supervise their performance Evaluate and report results to management

FIGURE 3.13: ORGANIZATIONAL GROUP AND REQUIRED ACTION

Top Management

While the board of directors and the CEO can work together to establish general social policies for a company, the top management group should translate these broad guidelines into operational plans and programs. (Frederick et al, 1992:117-118)

The staff role

Companies large enough to have staff units will depend on them for a number of support functions related to social policy. The staff is the firm's specialized organ for reaching out into the world and learning directions of social change so the firm may respond appropriately. Staff experts may advise top management on social developments, monitor the company's social performance from inside, and help evaluate how well the firm is meeting its social program objectives. The role of public affairs staffs, discussed below, is crucial to this effort. (Frederick et al, 1992:118)

Operating units

Change eventually affects operating departments, and usually its impact is greatest there. Since traditional ways of work must be revised to conform with new programs, change always brings some operating costs, regardless of the benefits that eventually may occur. In the case of social involvement, there often are high beginning costs, while the benefits are long-range, often indirect, and sometimes not very evident to an individual department. As a result, from a department's point of view a cost-benefit analysis may be negative; therefore, management faces an additional task of providing resources that can help departments to develop a long-term perspective. Nevertheless, it is the plant, the office, the mine, and the field location – where a company actually conducts its business – that top level social policies and goals either succeed or fail. (Frederick et al, 1992:118)

Rewards and Evaluation

Success or failure in social programming generally depends on the same kinds of factors that operate in normal business situations. Is there enough money allocated for the program? Is a qualified person in charge? Is there proper follow up and review? And, most importantly, are managers and employees motivated to be socially responsive? As Peter Jones, former senior vice president and corporate

counsel of Levi Strauss, a company that has often appeared among lists of the most socially responsive companies in America, stated the problem succinctly: "The key to getting the desired type of behavior in the modern corporation is providing enough countervailing pressures – either incentives or sanctions – to overcome the incentives to behave in the undesired way." (Frederick et al, 1992:118)

When Du Pont's chief executive, E. S. Woolard, committed the company to become a leader in corporate environmentalism, the compensation of all managers was tied to the speed and effectiveness of their environmental program. This approach is a vital way of convincing operating managers that the policy is not mere "window dressing"; if they wish to receive their "normal" bonuses; they must make environmental improvement part of their normal performance. (Frederick et al, 1992:118)

Administrative Systems

The flow of information, communication, and data is part of the administrative circulatory system in any organization. In order to evaluate its social strategy and social performance, a firm needs some form of specialized social performance reporting process. The study of a firm's social performance is conducted much like other management studies. What has been called a social audit provides like other management with information about the firm's social impact; it may be presented as a report for managers only or for the public as well.

Public disclosure of the data collected in a social evaluation is an important issue. At one time, only, financial performance data were presented in annual reports. By 1990, however, the pressure for greater disclosure of social performance information had led 90 percent of the top 500 corporations to include information about their social activities in the company's annual report to shareholders. A few companies, such as General Motors, Bank of America, and Atlantic Richfield, published special yearly reports detailing the company's efforts to be a socially responsible member of the community. In the insurance industry, the clearing house for Corporate Social Involvement has collected and published reports about member companies' performance in such socially important areas as equal employment opportunity, inner-city investments, and charitable contributions.

Perhaps the most visible example of systematic social reporting by United States companies involved reports filed by more than 100 companies that agreed to abide by the Sullivan Principles on South Africa. The principles specified standards of conduct toward black workers in hiring, wage rates, and working conditions. Companies that signed an agreement to abide by the principles publicly reported on their performance annually.

Social performance reporting in general is done on a mostly voluntary basis in the United States, but it is required in nations such as Germany, France and Spain. Social performance reporting is more highly advanced in Europe because of the commitment of both government and companies (e.g., the Swiss company Migros) to its implementation, and because of pressure from activist trade unions and national political parties. (Frederick et al, 1992:118)

Corporate Culture

The culture or climate in an organization affects employees and the stakeholders with whom they deal. In companies with a strong commitment to social strategy, top management uses a variety of tools to encourage a climate of respect for social values and stakeholder interests. These may include a demonstrated personal commitment by top-level managers to desirable social goals, symbolic company actions (such as developing and enforcing a code of conduct) to dramatize a strong social commitment, and training programs that teach employees and managers how to respond positively to stakeholders' demands. Additionally, creation and maintenance of a socially responsive culture can be achieved by using many of the tools mentioned above.

As illustrated previously in Figure 3.12, a corporation's culture is directly, and critically, linked to the social strategy top management is trying to achieve. Moreover, it is indirectly but clearly connected to the organization's administrative systems, rewards and evaluation activities; and structure. All of these areas of organizational life contribute to the development of a corporate that "stands for something" in the eyes of the employees, customers, community members, and other stakeholders. The corporate culture is the practical means that managers have for translating their social and ethical "vision" into actions that reach all of the corporation's stakeholders. (Frederick et al, 1992:118)

3.15 SUMMARY

The Corporate Social Responsibility (CSR) construct describes the relationship between business and the larger society as discussed earlier in the chapter. An exact definition of CSR is elusive since beliefs and attitudes regarding the nature of this association fluctuate with the relevant issues of the day. Therefore this gives an indication that this has become a business imperative.

As part of contributing to the communities the mining industry has made one or other form of contribution. We therefore need to recognise the contribution the mining industry have in the society. *Business and Environment* (March 2006, Vol. XVII, No. 3:2) postulates that the mineral industry must remain viable to contribute to sustainable development. *The industry requires a strong work force and managers, access to capital, social license to operate and the opportunity for a return on investment.*

It would appear that an industry's corporate political strength is dependent on the depth of local support that it can garner; this gives a clear indication that some form of co-operation between communities and the companies is important. Just as diversification is wise a strategy for the investors, firms need to diversify their bases of power in playing the political and social game of public policy.

The above paragraph ties with this one in the sense that business is not helpless in the face of environmental forces. Business can influence them, often powerfully. Also, business is an extremely flexible institution and can generally adapt to current and future environmental forces such a fashion as to maintain its strength and vigour in the face of adverse changes.

Community investment, also called targeted investment, refers to financing community development in cases where financial institutions would not ordinarily provide.

Investors provide financing at market interest rates or less (or even at zero interest) for improvement projects in these communities. Project objectives can include creating jobs, extending loans to low-income households or small businesses, expanding the housing supply, providing child care, and so forth.

Governments could have a role in promoting corporate social responsibility for several reasons. Because they establish and monitor compliance with the legislative and regulatory framework of private corporations, financial markets, and institutional investors, governments can encourage economic players to consider ethical, social, or environmental criteria.

A corporation cannot achieve any strategy if it is organized improperly. An organization's structure is the "architecture" that helps determine how it will look to others and how it will perform for its stakeholders.

Chapter 4 will expatiate further on the expectations placed on companies to fulfil their social investment obligation either mandatory or voluntarily.

Today, social responsibility is no longer the purview of just a handful of managers concerned with the social or environmental impact of their firm's operations. Quite often, it is part of the overall business strategy. Economic and political concerns are at the heart of this movement. Companies can benefit considerably from applying the concept of social responsibility. Specifically, company productivity may rise when new, more environmentally friendly technologies are adopted.

Chapter 4 will give the detail of what companies will do as part of legislative imperative to give further account of what the previous paragraph suggest in terms of drivers in social responsibility. One of the primary goals in chapter 1 which is to identify and explain the impact of the mines' corporate social responsibility in the Rustenburg area will be outlined in chapter 4 when we discuss Impala Platinum's response to aspects of the mining charter.

CHAPTER 4

CORPORATE, COMMUNITY AND LEGISLATORY CHALLENGES

4.1 INTRODUCTION

According to Dr CJ Fauconnier (Coaltrans SA Conference, 2004:1), the challenges and opportunities facing the modern South African mining industry are today as diverse as they are many. On the eve of celebrating 10 years of constitutional freedom in South Africa, South African citizens were all working together to become, to quote President Mbeki, a “winning nation”. The mining industry, as a committed corporate citizen, is contributing just as wholeheartedly. However, there are a number of challenges that need to be addressed for the industry to play its role successfully. The mining industry has probably gone further than most other undertakings in the private sector to ensure that previously disadvantaged South Africans empower themselves and become very much part of South Africa’s mining future.

Later in the chapter a reflection will be given on the issue of empowerment mentioned in the previous paragraph. This will be based on the Mineral and Petroleum Resources Development Act (No 28 of 2002) (MPRDA) and BEE Charter for Mining Industry, 2002.

South Africa is one of the world’s and Africa’s most important mining countries in terms of the variety and quantity of minerals produced. For more than a century, South Africa’s mineral industry, largely supported by gold, diamond, coal and platinum production has made an important contribution to the economy. In 2004, mining contributed 7.1% to the country’s gross value added (Department of Minerals Energy 2004-2005).

4.1.1 Mining Legislation: a strenuous voyage of discovery

The Mineral and Petroleum Resources Development Act No. 28, 2002 (MPRDA), which came into effect in May 2004, effectively severed the South African mining industry's ties with the apartheid era and placed it firmly in line with international practice. The watershed Act not only provides for private ownership of South Africa's mineral rights to be terminated in favour of state custodianship of mineral resources – making government the grantor of prospecting, exploration, mining and production rights – but also opens the door for historically disadvantaged South Africans to participate in the industry, specifically beyond the extraction phase (Mining Magazine, June-Sept. 2006:3).

The Act heralded a new dispensation founded on the notion that South Africa's minerals belong to all South Africans. The MPRDA was created to serve four main objectives (Mining Magazine, June-Sept. 2006:3):

- To ensure that all South Africans have an opportunity to benefit from the country's mineral and petroleum resources;
- To facilitate equitable access to these resources while addressing imbalances arising from past discriminatory practices;
- To ensure a stable supply system and proper infrastructure, protect interests and give security of tenure where extensive capital investment has already been made;
- To ensure that the environment is protected.

The above is supported by the Charitable Principle (refer to 3.2.1) that the mineral industry must remain viable to contribute to sustainable development. The minerals sector can contribute to alleviating poverty and is challenged to have frameworks for the creation and management of mineral wealth... balancing local and national benefits. Mining sector planning for health and education of the local community needs to extend beyond the time of active mining. This is further entrenched in the Social and Labour Plan.

As explained above, the purpose of the Mineral and Petroleum Resources Development Act (No 28 of 2002) (MPRDA) is, amongst others, to transform the

mining and production industries. In order to ensure effective transformation in this regard, it requires the submission of the Social and Labour Plan³ as a pre-requisite for the granting of mining or production rights. The SLP requires applicants for mining and production rights to develop and implement comprehensive Human Resources Development Programmes including Employment Equity Plans, Local Economic Development Programmes and processes to save jobs and manage downscaling and/or closure (DME⁴, Social and Labour Plan Guidelines for the Mining and Production Industries, 2004).

The paragraph above links up with one of the primary goals of this research which is to identify and explain the impact of the mines' corporate social responsibility in the Rustenburg area with particular reference to Impala Platinum. Furthermore, Chapter 2 explored the concept of the magnitude of change which refers to the size and number of social entities affected, while the intensity of change refers to the degree to which previous social arrangements have been altered. Social change may be said to be drastic to the extent that it results in a profound alteration of social arrangements over a short time interval. Such situations are observed after disasters and revolutions. Therefore the Mining Charter seeks to bring a greater magnitude of change to the social society.

The programmes mentioned above are aimed at promoting employment and advancement of the social and economic welfare of all South Africans whilst ensuring economic growth and socio-economic development. The management of downscaling and/or closure is aimed at minimizing the impact of commodity cyclical volatility, economic turbulence and physical depletion of the mineral or production resources on individuals, regions or local economies. To this effect, the Department deemed it appropriate to provide guidelines for the development of the Social and Labour Plan in tandem with the objectives of the MPRDA and the National Social plan (DME, Social and Labour Plan Guidelines for the Mining and Production Industries, 2004).

³The Social and Labour Plan to be referred to as SLP

⁴ DME refers to the Department of Minerals and Energy

The above reflects on the discussion in Chapter 2 which states that many changes may have a persuasive impact on social relationships within the target system and those between the target system and persons and groups in the outside environment. An organizational development programmer may create entirely new relationships and alter communication patterns within a group. The chapter further explains that change is generally a response to some significant threat or opportunity arising from outside the organization. An organization that does not change due to ignorance will be the first to fail. For organizations to survive and thrive they need changing in order to move in the right direction.

It should also be noted that Chapter 3 reflects that the environment covers a range of subjects, from federal government regulations to local party politics. The greatest concern to business in the area is, of course, the actions of governments. But the legal system and our pluralistic society also are of high interest to business. This shows that the government is one of the very important role players in this relationship.

Together with the Mine Health and Safety Act (No. 29 of 1996) and related environmental legislation, the MPRDA will regulate the future of mineral development in South Africa. In terms of the Act, new mining rights may be registered, transferred and traded, while existing operators are guaranteed security of tenure. Mining rights are valid for a maximum of 30 years, renewable for another 30 years, while prospecting rights are valid for up to five years, renewable for another three years (Mining Magazine, June-Sept. 2006:4).

Chapter 2 clearly states that there is always an element of benefit that change brings as well as the impact it will have. The world is becoming a single economy, and factors such as increasing world-wide free trade, changing taxes, and Asian consumers boom, and few wars have fuelled growth. For South Africa to reposition itself in the global economic village, some fundamental changes needed to take place; thus the inclusion of all sectors of society was crucial; hence the change in legislation.

4.1.2 Catalysts for Change

The question in 2004 was: What have ten years of democracy meant for the corporate sustainability agenda? This section looks back at what have been the main catalysts for change since 1994, the trends where substantial progress has been made and the key areas where companies still lag international best practice.

- **LEGISLATIVE REFORM**

The wave of legislative reform initiated by the post-apartheid government fundamentally changed the landscape of corporate sustainability. Between 1994 and 2004, approximately 60 entirely new or substantively revised statutes were introduced which had direct implications for corporate management of safety, health, environment, socio-economic development, labour, governance and ethics issues. Some of these, such as employment equity and black economic empowerment, reflected the aspirations of the ANC's pre-election Reconstruction and Development Programme (RDP) agenda, while others, such as sustainable development and corporate governance, strongly echoed international trends.

Building on the ANC's Reconstruction and Development agenda (which in turn was based on the Freedom Charter), human rights, sustainable development and corporate transparency became enshrined in the 1996 constitution and embedded in what is widely regarded as some of the most progressive legislation in socio-economic and environmental development in the world. For example, the environmental rights now enshrined in the Bill of Rights are hailed world-wide (Bowes, Pennington and Lundy. 2004).

The MPRDA also laid the groundwork for secondary law to smooth the way for implementation of the new Act. This comprises the regulations to the MPRDA that give specifics on the administration of rights: the Mining Charter to be outlined under 4.2, which is aimed at addressing the past inequities by giving historically disadvantaged South Africans access to mineral resources and the score-card that measures compliance with the Mining Charter. A separate statute, the Mining Titles Registration Act, provides for registering mineral rights and interests for security of tenure purpose (Mining Magazine, June-Sept. 2006:4).

Two more pieces of legislation will also make an important impact – those covering mineral and petroleum royalties and a separate statute dealing with beneficiation of South African mineral production. Publication of a revised draft Royalty Bill is imminent and it will impose a royalty on holders of mining rights granted under the MPRDA. The Precious Metals Act (No. 37 of 2005) governs the acquisition, possession, local beneficiation and disposal of precious metals (Mining Magazine, June-Sept. 2006:4).

In relation to the improvement in legislation comes Chapter 2 of the Constitution of the Republic of South Africa which is the Bill of rights. As will be reflected in the preamble to the BEE Charter the imperative of redressing historical and social inequalities as stated by the Constitution of the Republic of South Africa in, inter alia, Section 9 on equality (and unfair discrimination) in the Bill of Rights

This Bill of Rights is a cornerstone of democracy in South Africa. It enshrines the rights of all people in our country and affirms the democratic values of human dignity, equality and freedom. In terms of Section 26 of the Bill of Rights in the Constitution of the Republic of South Africa, Act 108 of 1996.

E everyone has the right to have access to adequate housing

E the state must take reasonable legislative and other measures, within its available resources to achieve the progression of this right.

The above can be synchronised with Section 4.3.1 of the Broad-based Socio-Economic Empowerment Charter for the Mining Industry as covered under the Mineral and Petroleum Resources Development Act (No 28 of 2002).

- **GLOBALISATION**

At the same time, South Africa's re-entry into the international stage forced many companies to raise sustainability standards to meet global market expectations. As a direct result, there was a substantial increase in environmental management certification and sustainability reporting, in companies such as BHP Billiton, Anglo American and Old Mutual. (Journal of Corporate Citizenship: Special Issue on Africa. Issue nr 18. Summer.2005:4)

Given these pressures to demonstrate their corporate sustainability, South African companies have followed the international trend of codification, i.e. adopting standards and guidelines as a form of voluntary self-regulation on social, ethical and environmental issues ... they include the listing of requirements of primary stock exchanges (pertaining to risk management, for instance), scrutiny by large institutional investors and international non-governmental organisations (NGOs), socially responsible investment funds and indices such as ISO 14000 and the Global Reporting Initiative (GRI). With regard to the latter, it is suggested that an ISO⁵ standard for GRI may streamline or encapsulate other standards and it may complement initiative such as the GRI, which is focused on reporting, rather than management systems (AICC, 2004:6).

Recently, important market-based incentives for CSR have developed in South Africa as well. The most prominent of these are the King Report on Corporate Governance for South Africa 2002 (King II) and the recently launched Johannesburg Securities Exchange (JSE) Socially Responsible Investment Index (AICC, 2004:6).

4.1.3 Trends

Over the past decade, corporate sustainability has steadily broadened from an initial focus on philanthropy and environmental management towards including health, safety, labour, community and broader socio-economic issues. By the time Trialogue surveyed top companies in 2004, 100% regarded corporate citizenship (reflecting the contemporary broad definition of corporate sustainability) as priority, with 52% giving absolute priority status and 32% high priority. (AICC,2004:6)

- **CORPORATE PHILANTHROPY ENVIRONMENTAL MANAGEMENT**

According to Engineering News (March 2006), new environment-impact assessment (EIA) regulations, which will come into effect on April 1, 2007, will smooth the way for the development of future mining projects. Instead of completing a number of environmental assessments on different aspects of a project - for instance its effects on air quality, water quality and biodiversity – mining companies in future may apply

⁵ ISO means International Standards Organisation

to perform only one overarching EIA, known as a class application. In addition, there is agreement between the Department of Minerals and Energy (DME) and the Department of Environmental Affairs and Tourism (DEAT) that mining is listed in the new EIA regulations and that, over the next year, a law-reform process will be undertaken to ensure alignment between the provisions of the Mineral and Petroleum Resources Development Act (MPRDA) and the National Environmental Management Act (NEMA). It will be the first time that the environmental assessment aspects of mining and related activities will fall under the same regulatory system as those of other kinds of projects.

- **SOCIALLY RESPONSIBLE INVESTMENT (SUSTAINABILITY REPORTING**

According to the Journal of Corporate Citizenship: Special Issue on Africa (Issue nr 18. Summer. 2005:8-9) the data compiled from KPMG's annual sustainability surveys since 1997 and presented in table 4.1 gives a good impression of the development of corporate sustainability reporting as a trend in South Africa. Furthermore as of 9 September 2004, there were only 24 South African companies listed on the website of Global Reporting Initiative (GRI) as having declared their use of their Sustainability Reporting Guidelines. However, Trialogue's research in among the top 300 companies in 2004 shows that more than 40% claim to already be using the Guidelines (with almost 15% claiming full use/participation and nearly 30% partial use/participation), while a further 50% claim that they intend to use them in future. Despite this clear progress, indications from KPMG's triennial sustainability reporting surveys suggest that South Africa still lags global trends.

4.1.4 Sustainability Report

In some areas of corporate citizenship, such as legislation, corporate governance, stakeholder consultation and SRI, South Africa might even claim some measure global leadership, whereas in other aspects, such as levels of sustainability reporting, stakeholder capacity and regulatory enforcement it is clearly significant and is still required.

TABLE 4.1 SUSTAINABILITY REPORTING TRENDS BY THE TOP 100 COMPANIES IN SOUTH AFRICA

	1997	1998	1999	2000	2001	2002
Annual financial reports						
Environment	48%	49%	52%*	55%	49%	68%
Health & Safety (including HIV/AIDS)	-	-	-	52%	40%	81%
Social / Community Investment	-	-	-	60%	45%	75%
Code of ethics / Code of Conduct	-	-	-	84%	87%	77%
Human Capital Development / Training	-	-	-	81%	-	85%
Sustainability Issues	-	-	-	57%	-	85%
Separate Public Reports						
Environmental, Social or Sustainability Reports	-	-	-	10%	16%	20%

*top 100 industrials

Source: The Journal of Corporate Citizenship: Special Issue on Africa (Issue nr 18. Summer, 2005)

TABLE 4.2: CORPORATE CITIZENSHIP INDEX PARTICIPATION OF INTERNATIONALLY LISTED SOUTH AFRICAN COMPANIES

	BitC Environment Index 2003 (Rankings)	BitC Corporate Responsibility Index 2003 (Rankings)	FTSE4 Good Global Index (as at 26/8/2004)	Dow Jones Sustainability Index (as at 30/6/2004)
Anglo American	116	57	--	√
BHP Billiton	3	20	√	√
Lonmin	100	47	√	-
Old Mutual	172	-	√	-
SABMiller	151	-	√	-
Sasol	-	-	-	*

*Sasol participates annually in the DJSI but did not make the list of selected companies as at 30 June 2004

4.2 THE MINING CHARTER

This section will address one of the objectives of this study as reflected in Chapter 1, which is to identify and discuss the current corporate social responsibility projects associated with society and mines. Aspects of social responsibility will be dealt with in tandem with the legislative imperatives driving these issues.

The Broad-based Socio-Economic Empowerment Charter for the Mining Industry is a key piece of legislation which is covered under the Mineral and Petroleum Resources Development Act (No 28 of 2002) and this will be outlined in detail hereunder as opposed to other legislative pieces of which only snippets were quoted. In essence it is imperative that the entire piece be outlined to show all the components.

Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry (BEE Charter for Mining Industry, 2002).

• **VISION**

All the actions and commitments set out below are in the pursuit of a shared vision of a globally competitive mining industry that draws on the human and financial resources of all South Africa's people and offers real benefits to all South Africans.

The goal of the empowerment charter is to create an industry that will proudly reflect the promise of a non-racial South Africa. (BEE Charter for Mining Industry, 2002:1)

• **PREAMBLE**

Recognising:

- The history of South Africa, which resulted in blacks, mining communities and women largely being excluded from participating in the mainstream of the economy, and the formal mining industry's stated intention to adopt a proactive strategy of change to foster and encourage black economic empowerment (BEE) and transformation at the tiers of ownership, management, skills development, employment equity, procurement and rural development;
- The imperative of redressing historical and social inequalities as stated by the Constitution of the Republic of South Africa in, inter alia, Section 9 on equality (and unfair discrimination) in the Bill of Rights;
- The policy objective stated in the Mineral and Petroleum Resources Development Act to expand opportunities for historical disadvantaged persons to enter the mining and minerals industry or benefit from the exploitation of the nation's mineral resources;
- The scarcity of relevant skills has been identified as one of the barriers to entry into the mining sector by historically disadvantaged South Africans (HDSAs);
- The slow progress made with employment equity in the mining industry compared to other industries.

Noting that:

- It is government's stated policy that, whilst playing a facilitating role in the transformation of the ownership profile of the mining industry, it will allow the market to play a key role in achieving this end and it is not the government's intention to nationalize the mining industry. The key objectives of the Mineral and Petroleum Resources Development Act and that of the Charter will be realized only when South Africa's mining industry succeeds in the international market place where it must seek a large part of its investment and where it overwhelmingly sells its product and when the socio-economic challenges facing the industry are addressed in a significant and meaningful way.
- The transfer of ownership in the industry must take place in a transparent manner and for fair market value.
- That the following laws would also assist socio-economic empowerment:
 - E The Preferential Procurement Framework Act (No. 5 of 2000)
 - E The Employment Equity Act (No. 55 of 1998)
 - E The Competition Act (No. 89 of 1998) [Also ref. to the Amendment Act No. 35 of 1999 and subsequent amendments]
 - E The Skills Development Act (No. 97 of 1998)

The signatories have developed this Charter to provide a framework for accelerating the empowerment of historically disadvantaged South Africans in the Mining and Minerals Industry. The signatories of this Charter acknowledge: Section 100 (2) (a) of the Mineral and Petroleum Resources Development Act, which states that, to insure the attainment of Government's objectives of redressing historical social and economic inequalities as stated in the Constitution, the Minister of Minerals and Energy must within six months from the date on which this act takes effect develop a Broad-Based Socio-Economic Empowerment (BBSEE) Charter.

The above also reflected on the Skills Development as set out in the Skills Development Act of 1998 as further outlined in the Social and Labour Plan. Chapter 2 of the SLP indicates that the primary objective of human resource development programme is to ensure the availability of mining and production operation specific skills and competencies of the workforce, and skilling employees for portable skills utilizable by the employees outside the life in the mining or production industries. Therefore as discussed in Chapter 3 which discusses Corporate Social Responsibility and, according to Frederick et al. (1992:30), corporate social responsibility means that a corporation should be held accountable for any of its actions that affect people, their communities and their environment. It implies that business impacts on people and society should acknowledge and correct it if at all possible. It may require a company to forgo some profits if its social impacts are seriously harmful to some of the corporation's stakeholders, or its funds can be used to promote a positive social good.

4.2.1 Scope of Application

The Charter applies to the South African mining industry. (BEE Charter for Mining Industry, 2002:2)

4.2.2 Interpretation

For purposes of interpretation, the following terms apply:

Broad-Based Socio-Economic Empowerment (BBSEE) refers to a social or economic strategy, plan, principle, approach or act, which is aimed at:

- Redressing the results of past or present discrimination based on race, gender or other disability of historically disadvantaged persons in the minerals and petroleum industry, related industries and in the value chain of such industries; and
- Transforming such industries so as to assist in, providing for, initiating, facilitating or benefiting from the:

- E Ownership participation in existing or future mining, prospecting, exploration and beneficiation operations;
- E Participation in or control of management of such operations;
- E Development of management and scientific, engineering or other skills of HDSAs;
- E Involvement of or participation in the procurement chains of operations;
- E Integrated socio-economic development for host communities, major labour-sending areas and areas that, due to unintended consequences of mining, are becoming ghost towns by mobilizing all stakeholder resources.

The term **Historically Disadvantaged South Africans (HDSAs)** refers to any person, category of persons or community, disadvantaged by unfair discrimination before the Constitution of the Republic of South Africa (No. 200 of 1993) came into operation.

HDSA Companies are those companies that are owned or controlled by historically disadvantaged South Africans.

Major Labour-sending Areas refer to areas from where a significant number of mineworkers are or have been recruited.

Ghost towns refer to areas of which the economies were dependent on mining and therefore could not survive beyond the closure or significant downsizing of mining activities.

Ownership of a business entity can be achieved in a number of ways;

- A majority shareholding position, i.e. 50% + 1 share
- Joint ventures or partnerships (25% equity plus one share)
- Broad-based ownership (such as HDSA dedicated mining unit trusts or employee share ownership schemes).

Schaeffer and Lamm (1994:511) describe social change as a process through which patterns of social behaviour, social relationships, social institutions, and systems of stratification are altered over time. This is further enshrined in the Constitution of the Republic of South Africa, (No. 200 of 1993) to do away with unfair discrimination and participation of HDSAs. The SLP further addresses this in the Employment Equity Plan accompanied by a plan on how the mine would achieve the ten percent (10%) women participation in mining and forty percent (40%) HDSA participation in management within 5 years from the commencement of the MPRDA.

4.2.3 Objectives

The objectives of this charter are to: (BEE Charter for Mining Industry, 2002:2-3)

- Promote equitable access to the nation's mineral resources to all the people of South Africa;
- Substantially and meaningfully expand opportunities for HDSAs including women, to enter the mining and minerals industry and to benefit from the exploitation of the nation's mineral resources;
- Utilise the existing skills base for the empowerment of HDSAs;
- Expand the skills base of HDSAs in order to serve the community;
- Promote employment and advance the social and economic welfare of mining communities and the major labour-sending areas; and
- Promote beneficiation of South Africa's mineral commodities.

4.2.4 Undertakings

All stakeholders undertake to create an enabling environment for the empowerment of HDSAs by subscribing to the following:

4.2.4.1 Human Resource Development

The South African labour market does not produce enough of the skills required by the mining industry. Stakeholders shall work together in addressing this skills gap in the following manner:

- Through the standing consultative arrangements they will interface with statutory bodies such as the Mines Qualifications Authority (MQA) in the formulation of comprehensive skills development strategies that include a skills audit;
- By interfacing with the education authorities and providing scholarships to promote mining-related educational advancement, especially in the fields of mathematics and science at school level;
- By undertaking to ensure provision of scholarships and that the number of registered learnerships in the mining industry will rise from the current level of some 1 200 learners to not less than 5 000 learners by March 2005; and
- Through the MQA shall undertake to provide skills training opportunities to miners during their employment in order to improve their income earning capacity after mine closure.

Government undertakes:

In its bi-lateral relations with relevant countries, to secure training opportunities for staff of HDSA companies, as well as exchange opportunities with mining companies operating outside South Africa;

Through the MQA and in the collaboration with academic institutions, DME associated institutions, NGO's, and the Gender Commission, to provide training courses in skills of mining entrepreneurs;

Companies undertake:

- To offer employees the opportunity to become functionally literate and numerate by the year 2005 in consultation with labour;

- To implement career paths to provide opportunities to their HDSA employees to progress in their chosen careers; and
- To develop systems through which empowerment groups can be mentored as a means of capacity building.

4.2.4.2 Employment Equity

Companies shall publish their employment equity plans and achievements and subscribe to the following:

- Establish targets for employment equity, particularly in the junior and senior management categories. Companies agree to spell out their plans for employment equity at the management level. The stakeholders aspire to a baseline of 40 percent HDSA participation in management within 5 years;
- South African subsidiaries of multinational companies and South African companies, where possible, will focus their overseas placement and/or training programmes on historically disadvantaged South Africans;
- Identification of a talent pool and fast tracking it. This fast tracking should include high quality operational exposure;
- Ensuring higher levels of inclusiveness and advancement of women. The stakeholders aspire to a baseline of 10 percent of women participation in the mining industry within 5 years; and
- Setting and publishing targets and achievements.

4.2.4.3 Migrant Labour

Stakeholders undertake to:

- Ensure non-discrimination against foreign migrant labour.

4.3 MINE COMMUNITY AND RURAL DEVELOPMENT

Stakeholders, in partnership with all spheres of government, undertake to:

- Cooperate in the formulation of integrated development plans for communities where mining takes place and for major labour-sending areas, with special emphasis on development of infrastructure. (BEE Charter for Mining Industry, 2002:4-6)

4.3.1 Housing and Living Conditions

Stakeholders, in consultation with the Mine Health and Safety Council, the Department of Housing and organized labour, undertake to:

- Establish measures for improving the standard of housing including the upgrading of hostels, conversion of hostels to family units and the promotion of home ownership options for mine employees; and
- Establish measures for improving the nutrition of mine employees.

4.3.2 Procurement

Procurement can be broken down into three levels, namely capital goods, services, and consumables.

Stakeholders undertake to give HDSAs a preferred supplier status, where possible, at all three levels of procurement. To this end stakeholders undertake to:

- Identify current levels of procurement from HDSA companies;
- Commit to a progression of procurement from HDSA companies over a 3 to 5 year time frame reflecting the genuine value added by the HDSA provider;
- Encourage existing suppliers to form partnerships with HDSA companies, where no HDSA Company tenders to supply goods or services; and
- commit to helping develop HDSA procurement capacity and access Department of Trade and Industry (DTI) assistance programmes to achieve this.

List of suppliers: It is envisaged that information on all HDSA companies wishing to participate in the industry will be collected and published. All participants in the

industry will assist the DTI in compiling such a list that will, inter alia, be published by government on the internet and updated regularly.

Chapter 3 indicates that business is a predominant instrumentality in society for dealing with major social problems, but it is not the institution of sole or last responsibility. It is government that has the central role in dealing with such problems. Business has incentives for working on these problems, as noted previously. It has great talents that it can exert, such as the development of new equipment to reduce pollution of various types or the free contribution of managerial knowledge to government agencies. A central issue in dealing with social problems concerns the extent to which government should provide incentives for business to become involved in solving social problems when it does not appear to business to be profitable to do so. It also must be pointed out that other institutions in society, such as universities, labour unions, and religious institutions, and people themselves, individually and in groups, can make valuable contributions in overcoming major social problems (Steiner & Steiner, 1991:138).

Further discussed in Chapter 3 is that Community investment, also called targeted investment, and refers to financing community development in cases where financial institutions, would not ordinarily provide any. Investors provide financing at market interest rates or less (or even at zero interest) for improvement projects in these communities. Project objectives can include creating jobs, extending loans to low-income households or small businesses, expanding the housing supply, providing child care, and so forth.

Section 3 of the SLP discusses Local Economic Development Programme with the primary objective of the LED⁶ programme to ensure poverty eradication and community upliftment in the area within which mining or production operations take place and in areas from which majority labour is being sourced. The local economic development programme includes sustainable projects which the Mine or Production Operation will initiate, implement and support financially or otherwise (DME, Social and Labour Plan Guidelines for the Mining and Production Industries, 2004).

The Mine or Production Operation, in accordance with the local economic development programme, must ensure cooperation with the formulation of the integrated development plans of the areas within which they operate; and cooperate with government in the implementation of the integrated development plans for communities where the operation takes place and for major labour-sending areas (DME, Social and Labour Plan Guidelines for the Mining and Production Industries, 2004).

To this effect, the Mine or Production Operation must, through consultations with communities and relevant authorities, and participation in existing and emerging development structures/forums, provide the Mine or Production Operation local economic development programmes in line with the integrated development plan of the district municipality within which the operation takes place (DME, Social and Labour Plan Guidelines for the Mining and Production Industries, 2004).

4.3.2.1 Ownership and Joint Ventures

Government and industry recognize that one of the means of effecting the entry of HDSAs into the mining industry and of allowing HDSAs to benefit from the exploitation of mining and mineral resources is by encouraging greater ownership of mining industry assets by HDSAs. Ownership and participation by HDSAs can be divided into active or passive involvement as follows:

⁶ LED refers to the Local Economic Development

Active Involvement

- HDSA controlled companies (50 per cent plus 1 vote), which includes management control.
- Strategic joint ventures or partnerships (25 per cent plus 1 vote). These would include a Management Agreement that provides for joint management and control and which would also provide for dispute resolution.
- Collective investment, through ESOPS (Employee Share Ownership Programme) and mining dedicated unit trusts. The majority ownership of these would need to be HDSA based. Such empowerment vehicles would allow the HDSA participants to vote collectively.

Passive Involvement

- Larger than 0 percent and up to 100 percent ownership with no involvement in management, particularly broad-based ownership such as ESOPs.
 - E In order to measure progress on the broad transformation front, the following indicators are important:
 - E The currency of measure of transformation and ownership could, inter alia, be market share as measured by attributable units of South African production controlled by HDSAs.
 - E That there would be capacity for offsets which would entail credits/offsets to allow for flexibility.
 - E The continuing consequences of all previous deals would be included in calculating such credits / offsets in terms of market share as measured by attributable units of production.
 - E Government will consider special incentives to encourage HDSA companies to hold on to newly acquired equity for a reasonable period.

In order to increase participation and ownership by HDSAs in the mining industry, mining companies agree:

- To achieve 26% HDSA ownership of the mining industry assets in 10 years by each mining company; and
- That where a company has achieved HDSA participation in excess of any set target in a particular operation, such excess may be utilized to offset any shortfall in its other operations. All stakeholders accept that transactions will take place in a transparent manner and for fair market value. Stakeholders agree to meet after 5 years to review the progress and to determine what further steps, if any, need to be taken to achieve the 26% target.

4.3.2.2 Beneficiation⁷

This Charter will apply to mining companies in respect of their involvement in beneficiation activities, specifically activities beyond mining and processing. These include production of final consumer products.

Mining companies will be able to offset the value of the level of beneficiation achieved by the company against its HDSA ownership commitments.

Mining companies agree to:

Identify their current levels of beneficiation.

Indicate to what extent they can grow the baseline level of beneficiation.

4.3.2.3 Exploration and Prospecting

Government will support HDSA companies in exploration and prospecting endeavours by, inter alia, providing institutional support.

⁷ Beneficiation means something to benefit from.

4.3.2.4 State Assets

Government will ensure compliance with the provisions of the Charter and be exemplary in the way in which it deals with state assets.

4.3.2.5 Licensing

To facilitate the processing of licence conversions there will be a score-card approach to the different facets of promoting broad-based socio-economic empowerment in the mining industry. This score-card approach would recognize commitments of the stakeholders at the levels of ownership, management, employment equity, human resource development, procurement and beneficiation. These commitments have been spelt out in Sections 4.1 to 4.9 above.

The HDSA participation required to achieve conversion within the five year period on a company specific basis will be specified in the score-card, hereto attached as Annexure A.

4.3.2.6 Financing Mechanism

The industry agrees to assist HDSA companies in securing finance to fund participation in an amount of R100 billion within the first 5 years. Participants agree that beyond the R100 billion – industry commitment and in pursuance of the 26 per cent target, on a willing seller – willing buyer basis, at fair market value, where the mining companies are not at risk, HDSA participation will be increased.

4.3.2.7 Regulatory Framework and Industry Agreement

Government's regulatory framework and industry agreements shall strive to facilitate the objectives of the Charter.

4.3.2.8 Consultation, Monitoring, Evaluation and Reporting

It is recognized that the achievement of the objectives set out herein entails an ongoing process.

Companies undertake to report on an annual basis their progress towards achieving their commitments, with these annual reports verified by their external auditors. A review mechanism will be established which again provides flexibility to the company commitments.

Parties hereto agree to participate in annual forums for the following purposes:

- Monitoring progress in the implementation of plans;
- Developing new strategies as needs are identified;
- Ongoing government/industry interaction in respect of these objectives;
- Developing strategies for intervention where hurdles are encountered;
- Exchanging experiences, problems and creative solution;
- Arriving at joint decisions;
- Reviewing this Charter if required.

As a prelude to the next chapter, a comprehensive discussion on the relevant pieces of legislation have been outlined and discussed and will now be applied to Impala Platinum and reflect on their response to the Mining Charter as discussed earlier and other supporting legislation.

- Beneficiation:

Another of government's legislative and regulatory intentions that has attracted the detailed attention of the Chamber is the proposed Promotion of Beneficiation Bill. The Chamber recognises that an increase in the current level of beneficiation would have advantages for South Africa and that it should be supported. However, beneficiation should not be perceived as a panacea to add considerable value to mineral commodities and to create a large number of new jobs (Coaltrans SA Conference, 2004:4).

Beneficiation is a commonly misunderstood process with extractive mining operations at one end of the value chain and differently skilled manufacturing entities at the other. Rather than attempting to force mining companies to move into manufacturing, the Chamber believes that a major focus of the Promotion of

Beneficiation Bill should be to create a regulatory environment in which rewarding incentives are offered to manufacturers so that they will be encouraged to invest in downstream activities in South Africa (Coaltrans SA Conference, 2004:4).

- The Social Environment

Mining is doing more than most other industries to achieve this goal by improving the lives of its employees and their families by, having given appreciable real wage increases for many years, continually improving accommodation options, expanding health care initiatives to even “off-mine” communities, boosting retirement funding, enhancing skills development and significantly contributing to rural development, amongst others (Coaltrans SA Conference, 2004:4).

In the context of the social environment, sustainability is crucial for mining companies, given that they are dependent on finite mineral resources. The general definition of “sustainability” is *‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’*. The essence of this definition is that development should be pursued but in a manner that is tempered by a balancing of the needs of both current and future generations (Coaltrans SA Conference, 2004:5).

There is a growing demand from stakeholders for companies to integrate the sustainability concept into their business activities and report thereon. Here in South Africa, the King II Report on Corporate Governance is a major driver for sustainability reporting, recommending that every company should report at least annually on its social, transformation, ethical, safety, health and environmental management policies and practices (Coaltrans SA Conference, 2004:5).

- The Economic Environment

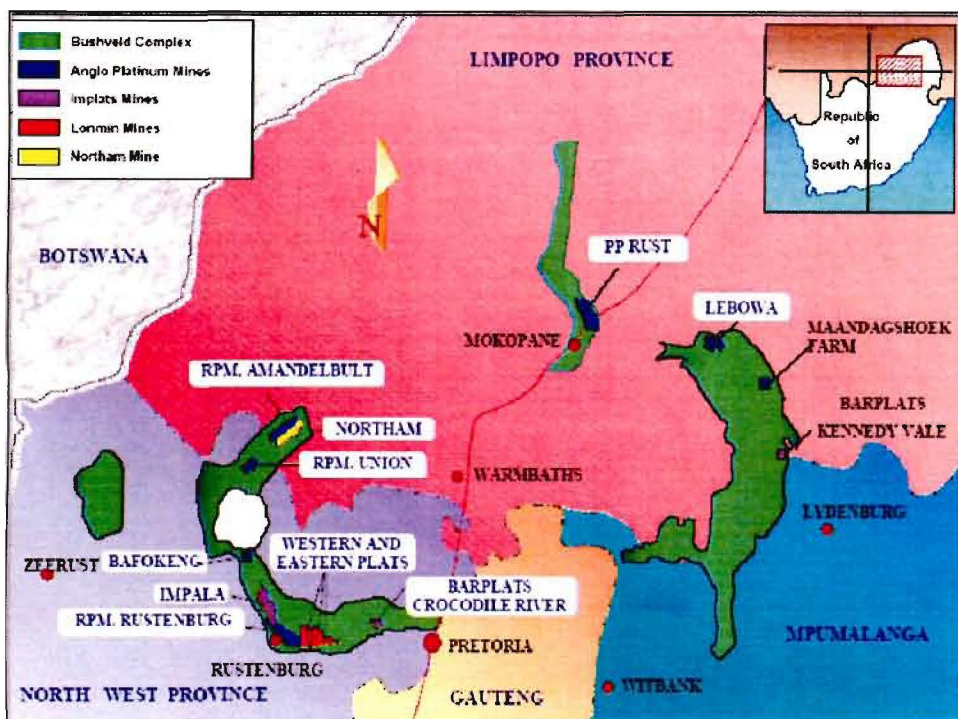
The centrality of mining in South African economy is evidenced by its consistent domination of national export earnings, its provision of direct employment to well over 400 000 people and the fact that it accounts for more than 40 percent of the market capitalisation of the JSE Securities Exchange South Africa. Additionally, it is a major private-sector supplier of social infrastructure including schools, clinics and other

essential facilities in parts of the country where poverty is endemic (Coaltrans SA Conference, 2004:6).

4.4 IMPALA PLATINUM AND CORPORATE SOCIAL INVESTMENT

4.4.1 Company background

For purposes of this research, the emphasis will be on the platinum industry, in particular Impala Platinum Limited. South Africa holds 55% of global PGM reserves (M. Bendi, 2004). These reserves are located in one of the largest layered mafic intrusion in the world, the Bushveld Igneous Complex. The PGM resources of the Bushveld Igneous Complex (BIC) were discovered by Hans Merensky and Andries Lombaard in 1924 (Cawthorn, 1999). Within the complex, three horizons, namely the Merensky Reef, UG2 Chromatite and the Plat reefs are mined for PGMs. The Plat reef is only found on the northern limb of the BIC and the other two are found on both the eastern and western limbs of the BIC (Fig 4.1).



**FIGURE 4.1: THE BUSHVELD COMPLEX
(SOURCE: LONMIN PRESENTATION)**

World demand for Platinum was forecast to climb by 8 per cent to 3.86 million ounces in 2005 for auto catalyst, and by 5 per cent to 1.615 million ounces for industrial applications. For jewellery manufacture, demand for platinum was forecast to drop by 6 per cent to 2.02 million ounces (www.platinum.matthey.com) (see Figure 4.2).

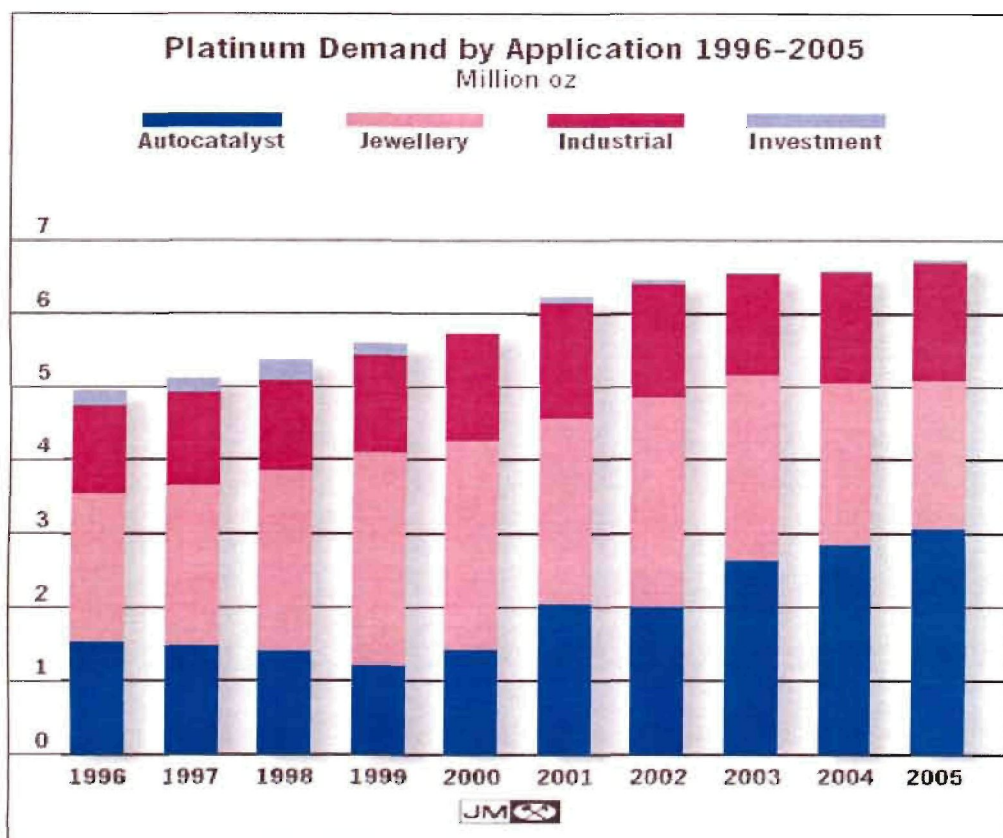


FIGURE 4.2: PLATINUM DEMAND 1996-2005

Source: www.platinum.matthey.com/publications/1132062873.html

For Palladium on the other hand, demand for auto catalyst was forecast to drop by 1 per cent to 3.69 million ounces, for jewellery manufacture, demand for palladium was forecast to rocket to 1.43 million ounces in 2005, an annual increase of 55 per cent. Virtually all the growth will come from China. In other applications demand for palladium was forecast to rise by 2% to 620 000 ounces in 2005 (www.platinum.matthey.com) (see Figure 4.3).

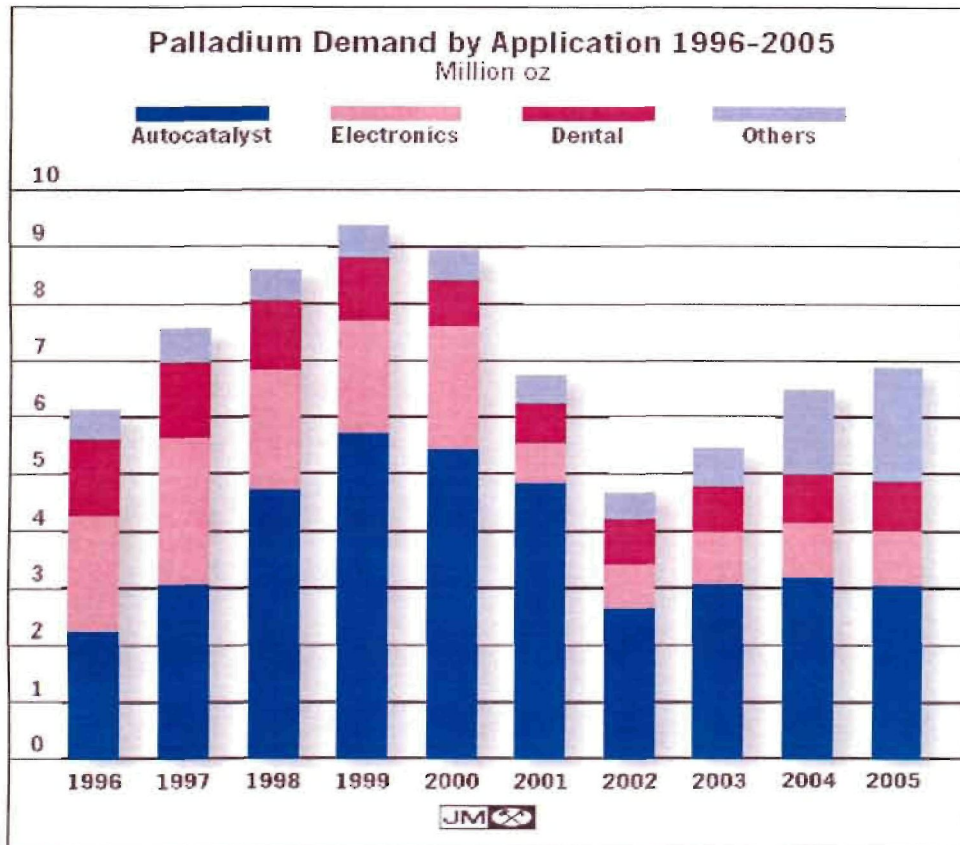


FIGURE 4.3: PALLADIUM DEMAND 1996-2005

(Source: www.platinum.matthey.com/publications/1132062873.html)

As for the rest of the PGMs, rhodium is forecast to increase by 9% to 790 000 oz, ruthenium by 9% to 743 000 oz and iridium by 10% to 131 000 oz.

This increase in demand for the PGMs meant that the South African platinum industry had to continue to expand at an unprecedented rate in order to meet the projected increase in demand.

Implats is one of the world’s leading primary producers of platinum and PGMs, Implats’ annual primary output amounted to 1,85 million ounces of platinum and 3,55 million ounces of PGMs during the reporting period. Implats’ four mining operations are Impala Platinum and Marula Platinum in South Africa; and Zimplats and Mimosa in Zimbabwe (Implats Corporate Responsibility Report, 2005:10).

Impala Platinum comprises mining and mineral processing facilities outside Rustenburg in the North West Province (known as our Rustenburg operations); and Base Metals (BMR) and Precious Metal Refineries (PMR) located at Springs in the

province of Gauteng (known as Refineries). The Rustenburg operations constitute our major production unit and comprise 13 operational shaft systems and five decline projects, three of which are under construction, across a 27, 573 hectare lease area. A further three shafts were planned for full production in 2006 (No. 12 North Shaft), 2008 (No. 20 Shaft) and 2009 (No. 16 Shaft) respectively; and the mineral processing (concentrating and smelting) plants (Implats Corporate Responsibility Report, 2005:11).

According to the Implats Annual Report (2006:7), Implats employs approximately 31 500 people across its operations and is one of the most efficient and lowest cost primary producers in the world.

At Refineries, the BMR produces copper and nickel while the PMR recovers the five PGMs and gold. Mining activities are focused on two reefs, the Merensky Reef and the UG2 Chromillite Layer, which are contained in the Rustenburg Layered Suite – a well layered igneous succession of the Bushveld Complex. Operations extended to a depth of around 1,000 metres below surface, with the majority taking place at an average depth of 635 metres. Approximately 16 million tons of ore are mined each year, yielding more than 1 million ounces of platinum and 1,9 million ounces of PGMs (Implats Corporate Responsibility Report, 2005:11).

According to the Implats Corporate Responsibility Report, (2005:11) by 30 June 2005, these operations had total ore reserves of 17,7 million platinum ounces and total mineral resources of 59,7 million platinum ounces, allowing production at current levels to be sustained for at least the next 30 years. Impala currently provides employment to approximately 27 405 employees and 8 345 contractors (35 750 in total).

4.4.2 CSI – No PR exercise, no handouts

Gone are the days when corporate social investment (CSI) was just a public relations exercise or all about handouts fuelled by painful parochial pity. Corporate South Africa has, especially in the past decade, been baptized into a new way of doing business. It has found itself wrenched from a position of comfortable isolation and

thrust into the bosom of communities – communities that have needs, demands, hopes and aspirations.

The need for the corporate to grow up swiftly has been fuelled not only by exposure to increased global trade and business practices that look to adopt more responsible and sensitive approaches to doing business, but also by local factors such as democratization of the country, which has seen the emergence of a more robust labour movement and the accompanying pressure of compliance to an acceptable code of practice enforced by the government's mining charter.

The following subsections will address certain aspects which will be reflected against one of the primary goals of this research as indicated in Chapter 1 subsection 1.3. which is to identify and discuss the current corporate social responsibility projects associated with society and mines.

4.4.3 Upliftment Projects

Mining companies have by and large adopted this attitude and have thrown their weight behind projects that address the key social upliftment objectives in the country. These include education and appropriate skills development, entrepreneurial skills, women empowerment, housing and commitment to responsible retrenchment processes.

- **IMPALA'S RESPONSE TO HIV AND AIDS:**

According to Implats 2006 Corporate Responsibility Report (2006:10), Implats aims at optimising the health and wellness of its employees and their dependants by managing their health risks while simultaneously providing access to comprehensive occupational, preventative and curative healthcare facilities. The group has responded proactively to the HIV/AIDS epidemic by implementing a number of programmes to minimise the incidence of infection within the organisation and the communities in which it operates; as well as providing comprehensive care and treatment for those individuals who are infected with the virus.

Furthermore, the test data from our Rustenburg operations show that the prevalence rate amongst employees remains stable at 16%. The experience gained in Impala's

internal employee programmes has been applied to community programmes through the non-governmental organisations (NGOs) and community-based organisations (CBOs) that they sponsor. This includes educational initiatives to ensure that individuals fully understand the risk behaviour that may lead to contracting HIV, as well as to help employees who are already HIV-positive to prevent or delay the progression of their infection to AIDS, individuals diagnosed as HIV-positive are provided with access to treatment (including antiretroviral treatment (ART)) and regular monitoring of the illness, which is co-ordinated by Implats wellness programme. The number of patients who have started on ART increased by over 50% to 164 in FY2006, while over 2 300 HIV-positive patients are currently enrolled on Impala's Wellness Programme (Implats 2006 Corporate Responsibility Report, 2006:13).

4.4.4 Housing

Another of the CSI responsibilities that have had to be revised radically involves housing strategies. The single-sex hostel housing system is one of the apartheid ghosts that still haunt the mining industry. Unions and government have continued to push for a phasing out of hostels in favour of family style housing units.

Mines have responded by trying to restructure hostels to incorporate greater privacy and to create, as a minimum upgrade, better village atmosphere with more amenities in hostel housing complexes. Where mines have ventured into housing projects and offered employees the support and option to own houses, their success has often only had mixed success.

One of the major problems is that many miners, who are migrant labourers, are not keen to purchase properties in places they do not believe they will retire in. Many miners who have lived in hostels for years are also not properly empowered to run their own houses and prefer living in a fully paid for hostel.

- **IMPALA PLATINUM HOUSING AND LIVING CONDITIONS:**
- The company subscribes to the ideal that employees should reside with their families in a stable healthy environment within commuting distance of their workplace.

- A housing forum, established on 18 February 2004 and comprising representatives of management and unions, is investigating all accommodation issues, including upgrading company houses and hostels and promoting home ownership through the in-house
- In the 2006 Corporate Social Responsibility Report the following achievements under housing and living conditions were recorded:
 - E A housing policy has been implemented at operations level and provides a framework for actively promoting home ownership and assisting employees to become home owners.
 - E Local recruitment – In addition to fulfilling employment equity targets, recruitment activities focus on targeting local labour source.
 - E Downscaling hostels – A sizeable portion of our labour-force is migrant and will thus continue to need hostel accommodation for the foreseeable future. Targets are nevertheless in place to reduce hostel occupancy to zero by 2016.
 - E Partnering local housing developers and participation in local economic development – Our operations work with local government, landowners and, where necessary, financial institutions to extend the low cost housing projects in the area. Impala has committed funds totalling R200 million over the next five years as collateral for a project that will add 5 000 houses to the stock pool.
 - E Home ownership scheme – Impala aims to assist more employees in becoming homeowners by facilitating employee access to appropriate finance (through financial institutions).

4.4.5 Empowering people

CSI involving black economic empowerment is another area that needs to be pulled into sharper focus. Empowerment cannot be about enriching a small core of the usual suspects. Mines need to do more homework to find the ventures they can support to stimulate wealth creation for more people.

- **IMPALA PLATINUM'S EMPOWERMENT TO SOUTH AFRICAN SOCIETY:**

Implats is committed to the transformation of the South African economy through black economic empowerment (BEE) and has embraced the principles of the Broad-Based Socio-economic Empowerment Charter for the Mining Industry (the Mining Charter), as contemplated in Section 100 of the Minerals and Petroleum Resources Development Act (No. 28 of 2002). The group's progress (in particular Impala) towards achieving the recommendation of the Mining Charter is summarised below (Implats 2006 Corporate Responsibility Report, 2006:18-20):

- Opportunity for employees to be functionally literate
 - E 7 434 employees have attended ABET courses since 2000
 - E Full-time and part-time classes are available in Rustenburg
 - E 23% of the employees are estimated to be functionally literate and numerate at Rustenburg operations
 - E 950 employees participated in ABET (FY2005:772)
 - E 303 employees completed Introduction to Basic Computer courses
 - E Cost of ABET - R8,4 million
- Career paths and skills development plans for HDSA employees
 - E Expenditure on skills development training amounted to 4,1% of the payroll, i.e. R104 million (FY2005: R115 million).
 - E Rustenburg operations: 146 HDSA employees are presently enrolled in accelerated programmes
- In December 2005, Impala Platinum signed a R5.5 billion empowerment deal in which it was to sell a 49% stake in its refining business for R3.4 billion, to the Royal Bafokeng Nation, and establish a community trust worth R340 million, and an employee share scheme worth R1.8 billion (Seccombe, 2005).

4.4.6 Environmental Responsibility

Another truth that CSI has to face is that of its environmental responsibility. Mining continues to be perceived as one of the dirtiest industries and has impacted negatively on the environment. The test now is for mines to adopt and implement higher international standards and greater commitment and investment in retro-fitting, using cleaner operational technologies, cleaning and dealing with waste at source as far as possible and engaging with stakeholders more meaningfully.

Mining activities are now covered by the Environment Conservation Act and are included as a listed activity in the draft environmental impact assessment (EIA) regulations that were published for comment by the Department of Environmental Affairs and Tourism.

Though the draft EIA amendments have still to be thrashed out, the inclusion of the mining sector does mean that the industry will be forced through legislation to face its environmental responsibilities.

- **IMPALA'S RESPONSE TO ENVIRONMENTAL RESPONSIBILITY:**

An Environmental Management System (EMS), based on the international ISO 14001 standards, has been developed and is being rolled out across all operations. In keeping with an intention to migrate to the new ISO 14001:2004 across the group, Rustenburg operations, Refineries and Zimplats have converted their certification to the new requirements. Marula Platinum and Mimosa have started to implement this standard (Implats 2006 Corporate Responsibility Report, 2006:15).

- Implats operations uphold Implats' safety, health, environmental and quality (SHEQ) Policy, which provides the framework for best practice. The key commitments of the SHEQ Policy are (Implats 2006 Corporate Responsibility Report, 2006:15):

- E compliance with all applicable laws, regulations and standards;
- E pollution prevention; and
- E continual improvement in environmental performance.

4.4.7 Impact of Retrenchments

But as a mine shuts down, it is the human cost of retrenchments that needs to be dealt with. CSI has really been challenged in mitigating the trauma of loss of work and the huge economic and social impacts of lay-offs. Effective management of the retrenchment process cannot simply be about offering superficial training and making a tidy, once-off payment.

- **IMPALA'S RESPONSE TO ENVIRONMENTAL RESPONSIBILITY:**

Impala has incorporated the SLP portable skill to assist employees who are incapacitated or to assist employees in case of mine closure.

4.5 SUMMARY

The mining industry, as a committed corporate citizen, is contributing just as wholeheartedly. However, there are a number of challenges that need to be addressed for the industry to play its role successfully. The mining industry has probably gone further than most other undertakings in the private sector to ensure that previously disadvantaged South Africans empower themselves and become very much part of our mining future. The influence of the new dispensation played a pivotal role in this transition; hence the promulgation of new legislation.

Later in the chapter a reflection was given on the issue of empowerment mentioned in the previous paragraph. This will be based on the Mineral and Petroleum Resources Development Act (No 28 of 2002) (MPRDA) and BEE Charter for Mining Industry, 2002.

The Act heralded a new dispensation founded on the notion that our minerals belong to all South Africans. The MPRDA was created to serve four main objectives (Mining Magazine, June-Sept. 2006:3).

- To ensure that all South Africans have an opportunity to benefit from the country's mineral and petroleum resources;
- To facilitate equitable access to these resources while addressing imbalances arising from past discriminatory practices;

- To ensure a stable supply system and proper infrastructure, protect interests and give security of tenure where extensive capital investment has already been made;
- To ensure that the environment is protected.

The above ensured the realisation of transforming the mining industry and addressing the imbalances of the past.

Recently, important market-based incentives for CSR have developed also in South Africa. The most prominent of these are the King Report on Corporate Governance for South Africa 2002 (King II) and the recently launched Johannesburg Securities Exchange (JSE) Socially Responsible Investment Index. This supports the realisation of ensuring transformation and fundamental contribution to social development.

It is government's stated policy that, whilst fulfilling a facilitating role in the transformation of the ownership profile of the mining industry, it will allow the market to play a key role in achieving this end and it is not the government's intention to nationalize the mining industry. The key objectives of the Mineral and Petroleum Resources Development Act and that of the Charter will be realized only when South Africa's mining industry succeeds in the international market place where it must seek a large part of its investment and where it overwhelmingly sells its product and when the socio-economic challenges facing the industry are addressed in a significant and meaningful manner.

Cooperate in the formulation of integrated development plans for communities where mining takes place and for major labour-sending areas, with special emphasis on development of infrastructure. Chapter 3 links closer to the fact that an industry's corporate political strength is dependent on the depth of local support that it can garner as reflected in this chapter.

Section 3 of the SLP discussed Local Economic Development Programme with the primary objective of the LED⁸ programme to ensure poverty eradication and

⁸ LED refers to the Local Economic Development

community upliftment in the area within which mining or production operations take place and in areas from which majority work-force is being sourced. The local economic development programme includes sustainable projects which the Mine or Production Operation will initiate, implement and support financially or otherwise (DME, Social and Labour Plan Guidelines for the Mining and Production Industries, 2004).

Mining is doing more than most other industries to achieve this goal by improving the lives of its employees and their families by, having given appreciable real wage increases for many years, continually improving accommodation options, expanding health care initiatives to even “off-mine” communities, boosting retirement funding, enhancing skills development and significantly contributing to rural development, amongst others (Coaltrans SA Conference 2004:4).

Mining companies have by and large adopted this attitude and have thrown their weight behind projects that address the key social upliftment objectives in the country. These include education and appropriate skills development, entrepreneurial skills, women empowerment, housing and commitment to responsible retrenchment processes.

In conclusion, CSI involving black economic empowerment is another area that needs to be pulled into sharper focus. Empowerment cannot be about enriching a small core of the usual suspects. Mines need to do more homework to find the ventures they can support to stimulate wealth creation for more people.

Clearly indicated in Chapter 2 subsection 2.17 Change is generally a response to some significant threat or opportunity arising from outside the organization. Organization that does not change due to ignorance will be the first to fail. For organizations to survive and thrive they need changing in order to move in the right direction. Therefore it significantly points out that these opportunities will move organisations in the right direction and benefit all. Furthermore Chapter 3 subsection 3.2 stresses that (Frederick et al, 1992:30) Corporate Social Responsibility means that a corporation should be held accountable for any of its actions that affect people, their communities and their environment. It implies that business impacts on people and society should be acknowledged and corrected if at all possible. It may require a company to forgo some profits if its social impacts are seriously harmful to some of

the corporation's stakeholders or its funds can be used to promote a positive social good. The imperative of redressing historical and social inequalities as stated by the Constitution of the Republic of South Africa in, inter alia, Section 9 on equality (and unfair discrimination) in the Bill of Rights;

In the preamble of the Mining Charter it is clear that it is imperative of redressing historical and social inequalities as stated by the Constitution of the Republic of South Africa in, inter alia, Section 9 on equality (and unfair discrimination) in the Bill of Rights and creating opportunities within the ambit of CSI also assist in the process and ties in with what was indicated in the paragraphs above.

5.1 INTRODUCTION

This chapter is to analyse and reflect the results of the empirical research as well as to put the aims of this study in perspective. The chapter will further describe how the research was designed and how the data was collected, arranged and analysed. Structured questionnaires will be employed as a research method for the collection of data regarding the mining industry's corporate social responsibility, in particular the Platinum Mines in the Rustenburg Area.

The chapter will further explore the use of structured questionnaires including the advantages and disadvantages thereof. Furthermore, the structure of the questionnaire as well as the design and use will be outlined.

5.2 GOALS AND OBJECTIVES

This chapter will further provide an introduction to survey methods and specifically offer practical guidance on how to conduct surveys – firstly, it looks at types of surveys. Second, it considers the logic of survey method and sampling. Third, it outlines the stages in questionnaire construction, including types of questionnaires and finally, it considers analysis, as well as methodological issues associated with this method.

5.3 RESEARCH DESIGN

5.3.1 Social Surveys: Design to analysis

5.3.1.1 The logic of survey methods

Ary, Jacobs and Razavieh (1990:407) states that the survey is an important and frequently used method of research for sociology, business, political science, government as well as education.

According to Neuman (2003:35) survey techniques are often used in descriptive or explanatory research. A survey researcher asks people questions in a written questionnaire or during an interview, then records answers, furthermore Ary et al. (1990:403) indicates that surveys can be classified into two broad categories which are descriptive and explanatory. Descriptive surveys focus on determining the status of a defined population with respect to certain variables.

They basically inquire into the status quo; they attempt to measure what exists without questioning why it exists. An explanatory survey is a form of causal-comparative research. It goes beyond merely describing the variables; it attempts to determine whether the variables of interest covary and/or under what conditions they covary. The explanatory survey seeks to explain attitudes and behaviour on the basis of data gathered at a point in time. Explanatory survey usually begins with a hypothesis that directs the data gathering.

Surveys have their origin in the positivistic tradition. Survey research employs a methodology that has logical similarities to that used by physical scientists. While some surveys explicitly set out to test theories and some aim to construct theories, all begin with at least some kind of theory. Good survey research follows a common process in the testing and development of a theory whereby a hypothesis or hypotheses will be formed.

A *hypothesis* is conjecture which is deduced from a theory which, if found to be true will support the theory. Conversely, if found to be false, will falsify all or part of the theory (May, 1997:83).

According to Marshal and Gretchen (1999:130), survey research is the appropriate mode of inquiry for making inferences about a large group of people from data drawn on a relatively small number of individuals from that group. The basic aim of survey research is to describe and explain statistically the variability of certain features of a population as also explained by Ary et al. (1990:407) earlier in this section.

Sample surveys consist of the collection of data in a standardized format, usually from a probability sample of the population. The survey is the preferred method if the researcher wishes to obtain a small amount of information from a large number of subjects (Marshall et al., 1999:130).

5.3.1.2 Sampling

Surveys through the use of questionnaires, measure some characteristics or opinions of its respondents (May, 1997:85). Depending on its aims, the procedures it adopts and the number of people who are interviewed, generalization can then take place from the sample of people interviewed to the population as a whole.

A survey may therefore be defined as:

A method of gathering information from a number of individuals, a "sample", in order to learn something about the larger population from which the sample is drawn. Thus, a sample of voters is surveyed in advance of an election to determine how the public perceived the candidates and the issues. A manufacturer makes a survey of the potential market before introducing a new product (Ferber et al., 1980:3).

May (1997:87) further explain that it is very important that the sample characteristics will be the same as those of the population. For this reason the way sampling is done is central to survey design. There are many types of samples but all samples are either **probability samples** (often called random samples) or **non-probability samples**. Strictly speaking, only probability (or random) sample allow a statistical generalization from sample to population. However, for reasons described below, it is not always possible to use such a sample.

- **PROBABILITY SAMPLES:**

Probability samples are so called because it is possible to express the mathematical probability of sample characteristics being reproduced in the population. An important principle is that each person in the population of interest has an equal chance of being part of the sample. What is vital for a probability sample is that a complete (or as complete as possible) list of the population exists. The 'list' is called a *sampling frame* and from that a sample is randomly selected. Hence the other name for this type of sampling is "random". Random in this case does not refer to a haphazard selection of names, or addresses, but means mathematically random whereby each person/address etc., in the sampling frame is given a unique number starting at one, and a mathematically random selection of sample is then made. Usually this is done with the aid of a computer or specially produced random number tables. The *ratio* of sample size to population will depend on the level of statistical "error" that is acceptable versus the resources available.

Many probability samples are what is known as 'simple random sampling', but often it is not possible to simply select a sample from a sampling frame.

In this case one might use *multistage cluster sampling* whereby our initial sampling frame might be districts, or electoral wards within the country. Sometimes the researchers' concern is that the group they are interested in is fully represented in the sample.

In this case a *stratified random sample* may be used whereby a stratification according to characteristics such as age group, gender, type of housing, etc. is first made and then a random sample drawn from each of the stratified lists. This allows researchers to weight, the sample in other words over-represent a particular characteristic. Lastly a probability sample which has a number of pitfalls, but is sometimes the only procedure practically available, is that of *systematic random sampling*. Here the researcher begins by selecting a random number as a start and then systematically sample every *n*th person/household, etc. the most important difficulty here is that the very systematic nature of the sampling can build in sample bias. For example, the way a sampling frame is constructed may mean every fifth person who will have particular common characteristics.

- **NON-PROBABILITY SAMPLES:**

Probability sampling requires the existence of some sort of sampling frame, even if that sampling frame is just a number of particular locations. Importantly, the size of it must be known. This is not always the case or, if it is, then no sampling frame is readily available. In these cases the researcher must use a non-probability sample. Indeed and particularly in theory building, it is not always the case that generalization from sample to population is required. In other cases – particularly in market research, the statistical accuracy of probability sampling is less important than the criterion of “fit for purpose”. Finally, when a population is underlay distributed or elusive, such as homeless people or intravenous drug users, snowball sampling may be the only way of obtaining survey data. In this approach initial contact may be made with a member of the population who will lead the researcher to other members of the same population.

5.3.2 Design and Use of Questionnaires in Research

The questionnaires used for this study were based on the theoretical study of this research work. Different questionnaires were designed to address the aims and objectives of this research. Advice on the design of these questionnaires was received from the North West University (Potchefstroom Campus) Department of Economic Sciences and the Department of Statistics

5.3.2.1 The questionnaire as a research measure instrument

Questionnaires present a series of questions as a vehicle for data collection (Churton, 2000:194). There are several types of questionnaires, varying in degree to which they are structured. Examples include postal questionnaires that are mailed by the researcher and returned after completion.

Wolf (1997:478) describes a questionnaire as a research instrument that constitutes a self-reporting instrument for the collection of a variety of information that is relevant to the researcher. A questionnaire consists of a number of questions or items respondents read and answer.

Gall, Borg and Gall. (1996:289) defines a **questionnaire** as a document that puts the same question to all the respondents in the sample. Respondents then provide a written response to every question in the questionnaire, and as a consequence every researcher verifies the process of data collection. Therefore, respondents are able to complete the questionnaire in their own time, answer questions in any order, and do not have to complete the questionnaire at any specific point in time.

According to Churton (2000:194), questionnaires tend to be administered by means of a research sample so that generalizations and inferences can be made with regard to the wider populations. Because of this, sample selection is an important factor in questionnaire style of research.

Questionnaires typically entail several questions that have structured response categories and may include some that are open-ended. The questions are examined (sometimes quite vigorously) for bias, sequences, clarity, and face validity. Questionnaires are usually tested through administration to small groups to determine their usefulness and, perhaps, reliability (Marshall et al., 1999:129–130).

5.3.2.2 Structure of the Questionnaire

The questionnaire has to be accompanied by a covering letter as a source of information to the respondents. However, this covering letter will determine whether or not respondents will complete the questionnaire. The structure of the questionnaire should meet certain requirements (Ary et al., 1996:429; Jankowicz, 2000:287):

- A statement of purposes of the questionnaire.
- Questionnaires should not be too long.
- Questionnaires must provide adequate information.
- Questionnaires should be interesting.
- Questionnaires should be structured in a meaningful way so that they are simple to complete.
- Items on the questionnaires and the pages should be arranged numerically.

- The questionnaire should contain brief and clear instructions.
- An expression of gratitude in anticipation.

5.3.2.3 Advantages and Disadvantages of Structured Questionnaires

The use of questionnaires as a research method has advantages and disadvantages to be explained as follows (Gall et al., 1996:289–291; Neumann, 1997:251–252; Churton, 2000:199–200):

The Advantages of Structured Questionnaires

- Respondents can complete the questionnaires easily and quickly.
- The answers of the respondents are simpler to compare.
- Answers are easier to codify and analyse statistically.
- Respondents are more willing to answer more sensitive questions in this manner.
- Irrelevant and confusing answers to questions are mostly excluded.
- Repetition is easier to prevent.
- A large group of people may be reached more easily.
- Respondents may remain anonymous.
- The researcher can hand questionnaires directly to respondents or mail questionnaires to them with instructions.
- Questionnaires are more reliable as a measuring instrument than colloquiums as the personal judgment of the researcher is eliminated.
- Respondents can complete questionnaires when it suits them.
- It is relatively easier to plan, compile and administer.
- Instructions are normally standardized and respondents know exactly what is expected of them.
- Objective opinions can be obtained because personal contact is minimized.

The Disadvantages of Structured Questionnaires

According to Gall et al. (1996:289–291), Neumann (1997:251–252) and Churton (2000:199–200), structured questionnaires also have the following limitations:

- E Wrong ideas that do not actually exist among respondents might be proposed in the questionnaire.
- E Respondents with no knowledge regarding a particular topic answer questions instinctively.
- E The respondents may become frustrated when the answer they would like to give is not one of the choices.
- E A large variety of response choices may sometimes be confusing.
- E Respondents may be forced to make choices they will not normally make in practice.
- E The validity and reliability of questionnaires are difficult to determine.
- E Various respondents may interpret questions differently.
- E The length of the questionnaire may give rise to inaccurate responses.
- E The researcher cannot visually observe the reaction of respondents to questions.
- E Various questions may be understood incorrectly.
- E The clarity of the questions is difficult to determine.

5.3.2.4 Types of Questionnaires

The type of population, the nature of the research question and resources available will determine the type of questionnaire to be used (Tim, 1997:89).

According to Brace (2004:54–55), any question in an interview can be classified in a number of different ways:

- Open or closed, depending on whether or not the answer can come only from a finite number of possible responses;

- Spontaneous or prompted, depending on whether respondents are asked to reply in their own words or given a number of options from which to choose a response;
- Open-ended or pre-coded, depending on whether the answer is recorded verbatim or against one or more of a number of predetermined answers.

Here, we are using the definition of an open-ended question that is commonly used in market research, which is that the responses are recorded verbatim, and distinguishing it from an open question, which seeks a response that may or may not be recorded verbatim. Whether a question is open-ended or pre-coded is determined by how responses are recorded rather than the question itself.

- **OPEN AND CLOSED QUESTIONS**

An open question is one where the range of possible answers is not suggested in the question and which respondents are expected to answer in their own words. An open question may expect a short answer, as in 'Which brand of breakfast cereal did you eat today?', where the anticipated answer would simply be a brand name, or it may expect respondents to talk as long as possible using their own words in order to give their answer in full, as in 'Why do you eat that brand of breakfast cereal more than any other?' Open questions always seek a spontaneous, that is unprompted, response. In conversation, one person trying to start another person talking about a topic would use an open question.

The responses may be recorded verbatim as an open-ended question ('Why do you eat ...?') or, with interviewer-administered surveys, a list of the most commonly given responses may be provided that can be coded ('Which brand did you eat ...?').

Closed questions, on the other hand, tend, in conversation, to bring it to a stop. This is because there is a predictable and usually small set of answers to a closed question that the respondent can give. Any question that simply requires the answer 'yes' or 'no' is a closed question, and not helpful in opening out a conversation. An evening spent with a new acquaintance with both of you asking only closed questions would be very dull indeed. In a research interview, closed questions also include any question where the respondent is asked to choose from a number of alternative answers (Tim, 2004:55–56).

- **SPONTANEOUS QUESTIONS**

A spontaneous question is any question that the respondent is not given a repertoire of possible answers from which to choose. All open-ended questions are by their nature spontaneous, but not all spontaneous questions need be open-ended.

Spontaneous question will be used when the questionnaire writer does not know what the range of responses is likely to be, or wants to collect the response in the respondent's own words. These will then be open-ended questions with the response recorded verbatim for later coding. The decision whether or not to formulate a spontaneous question is determined by the amount of effort respondents are prepared to make with spontaneous questions. It varies depending on how interested they are in the subject and on the medium of the interview (Tim, 2004:57).

5.3.2.5 The Analysis of Questionnaires

Having obtained data from completed questionnaires, it is necessary to analyse them. This section is a brief introduction to the process of data analysis.

Levels of Measurement:

According to Neuman (2000:173) levels of measurement is an abstract but important and widely used idea. Basically, it says that some ways a researcher measures a construct are at a higher or more refined level and others crude or less precisely specified. The level of measurement depends on the way in which a construct is conceptualized that is, assumptions about whether it has particular characteristics.

According to Tim (2004:101–102), the methods of analysis depend upon the data produced. In order to use some statistical methods legitimately it is necessary that data are of a certain type.

Broadly speaking there are three levels of measurement applicable to the social sciences: nominal, ordinal and interval. Nominal variables are simply those which are identified by names such as 'religious affiliation'. Ordinal variables rank the differences in replies. For example, answers to the degree of difficulty of a particular undergraduate course or the agree-disagree continuum of the Likert scale. However, ordinal scales cannot specify that the differences between each of the scores will be

identical (agree and agree strongly is the same as the difference between disagree and disagree strongly). For this purpose, measurement at an interval scale is required. Examples of true interval scales would be number of children in a family, or age in years. Nevertheless, in the former example an interval scale could be replicated by asking respondents how strongly they feel (for example) about a topic on a scale of 1 to 10 where 10 represents the strongest expression of feeling. In the social sciences most variables are of an ordinal form and for that reason statistical techniques which require an interval level of measurement are frequently invalid. In order to overcome these limitations, researchers have devised sophisticated statistical analysis techniques specifically for social research.

With these issues in mind, this section is only a brief introduction to analyzing the relationship between two variables; other, more sophisticated techniques are available that allow the analysis of relationships between several variables.

Brace (2004:70–74) explains these levels as follows:

- **Nominal data** are data that are classified into discrete categories by name, e.g. male, female; New York, Chicago, Los Angeles; purchaser of pizza, non-purchaser of pizza. Depending on the type of data collection system used, a number will often be assigned to each category. However, that number is purely arbitrary and implies no value that can be given to the response category. The numbers are given for identification purposes only.
- **Ordinal data** are usually found in questionnaires as ranking scales, otherwise known as 'comparative scales'. Respondents are asked to put nominal categories in order according to a criterion contained in the question. This is often order of preference, as in:

Please put the following flavours of yoghurt in the order in which you prefer them, starting with 1 for your first choice through to 5 for least preferred:

Blackcurrant	3
Black cherry	1
Peach	4
Raspberry	5
Strawberry	2

- **Interval scales** provide for a rating of each item on a scale that has a numerically equal distance between each point, and an arbitrary, and therefore meaningless, zero point. Such scales are used in order to determine the relative strength of relationships between items. The five flavours of yoghurt could be individually rated on a scale from 1 to 10 for how much each is liked. There is an equal interval between each point, but a score of 8 does not necessarily mean that the item is preferred twice as much as another item scored 4, nor does a score of 2 given to a flavour imply that it is thought to be twice as good as one with a score of 1.

The advantage of the interval scale over the ordinal scale is that the researcher can tell whether an item is liked or disliked (or thought to be sweet or not, etc.) by its rating. It will, however, not always be possible to assign a rank order for the items from this information.

TABLE 5.1: CHARACTERISTICS OF THE LEVELS OF MEASUREMENT

Levels of Measurement	Characteristics
Nominal level measurement	
<ul style="list-style-type: none"> • Involves classification of events into categories that must be distinct, unidimensional, mutually exclusive, and exhaustive 	<ul style="list-style-type: none"> • Names and classifies data into categories • It does not have a zero point • It cannot be ordered into a continuum of low-high • It produces nominal or categorical data • It assumes no equal units of measurement
Ordinal level measurement	
<ul style="list-style-type: none"> • Involves not only elements into groups but also ordering of data and ranking of variables in a continuum ranging according to magnitude – from the lowest to the highest point 	<ul style="list-style-type: none"> • It refers to ranks based on a clear order of magnitude of low and high signifying that some elements have more value than others • Numbers have actual mathematical meaning as well as having identification properties • It is essentially a quantitative measurement • It shows a relative order of magnitude

Levels of Measurement	Characteristics
Interval level measurement	
<ul style="list-style-type: none"> Provides information about distance between the values, and contains equal intervals, ordering subjects into one of them 	<ul style="list-style-type: none"> It includes equal units It is essentially a quantitative measurement It specifies the numerical distance between the categories It does not have a zero point
Ratio level measurement	
<ul style="list-style-type: none"> Includes all the attributes the other free forms offer, plus the option of an absolute true zero (0) as its lowest value. 	<ul style="list-style-type: none"> Allows to make statements about proportions and ratios – relate one value to another Employed mainly when measuring demographic variables Inappropriate for measuring attitudes and opinions

Source: Sarantakos (1993:71–74) and Kerlinger and Lee (2000:631–635)

• LEVELS OF SCALES

Scales vary not only in their level of measurement but also in their aims and their method of construction. Some are constructed by means of a very complicated process, while others are built in a relatively simple manner. According to Sarantakos (1993:82), scales are used for a number of reasons.

Apart from general methodological motives, the following reasons are most common:

- E *High coverage*: scales help to cover all significant aspects of the concept.
- E *High precision and reliability*: scales allow a high degree of precision and reliability.
- E *High comparability*: the use of scales permits comparisons between sets of data.

- E *Simplicity*: scales help to simplify collection and analysis of data.

5.4 RATING SCALES AND ATTITUDE MEASUREMENT

5.4.1 Attitude Measurement:

According to Brace (2004:78) the measurement of attitude poses more problems than does the measurement of behaviour. Respondents are able to respond relatively easily to behavioural questions, limited only by their memory of events, the amount of effort they are prepared to give to answering the questions and the degree to which they are prepared to be truthful. It is easier for respondents to say how they travelled here today, which brand of pasta sauce they last bought or which phone company they are with than it is for them to describe their attitude towards the government's transport policy, to say how they feel about the use of convenience foods or to describe their perception of the telephone company's brand image. Respondents need to be helped to express attitudes and describe images, particularly to describe them in a formal manner that we can analyse. The most commonly used approach to measuring attitude is the itemized rating scale.

5.4.2 Attitudinal Rating Scales

A number of forms of rating scale have been developed specifically to address responses to a series of attitudinal dimensions. The three most commonly used are:

- E Likert scale;
- E Semantic differential scale;
- E Staple scale.

5.4.2.1 Likert scale

According to Brace (2004) the Likert scale (frequently known as an 'agree-disagree' scale) was first published by psychologist Rensis Likert in 1932. The technique presents respondents with a series of attitude dimensions (a battery), for each of

which they are asked whether, and how strongly, they agree or disagree, using one of a number of positions on a five-point scale (see Figure 5.4).

With face-to-face interviewer-administered scale batteries, the responses may be shown in turn.

With telephone interviewing, the respondent may occasionally be asked to remember what the response categories are, but preferably would be asked to write them down. The technique is easy to administer in self-completion questionnaires, either paper or electronic, and may often be given to respondents as a self-completion section in an interviewer-administered survey. Responses using the Likert scale can be given scores for each statement, usually from 1 to 5, negative to positive, or -2 to +2. As these are interval data, means and standard deviations can be calculated for each statement.

TABLE 5.2: USE OF THE LIKERT SCALE

Below are a number of statements regarding attitudes to shopping. Please read each one and indicate whether you agree or disagree with it by ticking one box for each statement.

	Disagree Strongly	Disagree	Neither agree nor disagree	Agree	Agree strongly
				<input type="checkbox"/>	<input type="checkbox"/>
Being a smart shopper is worth the extra time it takes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Which brands buy makes little difference to me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I take advantage of special offers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I like to try new brands.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I like to shop around and look at displays.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Factor analysis can be used to create a factor score for each respondent on each of the underlying attitudinal dimensions, thereby reducing the data to a small number of individual scores. These data are then often used in various forms of cluster or

segmentation analyses, in order to segment the data into groups of respondents with similar attitudes.

There are four interrelated issues that questionnaire writers must be aware of when using Likert scales:

- E Order effect;
- E Acquiescence;
- E Central tendency;
- E Pattern answering.

The order arises from the order in which the response codes are presented. It has been shown that there is a bias to the left on a self-completion scale. Acquiescence is the tendency for respondents to agree rather than disagree with statements, also known as 'yea saying'. The negative end of the scale is placed to the left, to be read first. With the 'Agree' response to the left, the order effect and acquiescence would compound each other. With the 'Disagree' response to the left, there is a possibility of the biases going some way to cancelling each other.

Central tendency is the reluctance of respondents to use extreme positions. It has been shown that a two-stage question elicits a higher proportion of extreme responses. This work used the question:

For each of the statements listed below, indicate first the extent of your agreement and second how strongly you feel about your agreement.

'A product's price will usually reflect its level to quality'.

agree _____ neither agree nor disagree _____ disagree _____

How strongly do you feel about your response?

very strong _____ not very strong _____

With a large number of dimensions to be evaluated, this approach may be too time-consuming for most studies, but the questionnaire writer should be aware of this approach and of the different response patterns that it is likely to give. This approach

is particularly appropriate for telephone interviewing, where the complete scale cannot be shown.

Pattern answering occurs when a respondent falls into a routine of ticking boxes in a pattern, which might be straight down the page or diagonally across it. It is often a symptom of fatigue or boredom. The best way to avoid it is to keep the interview interesting for the respondents. To minimize pattern answering, both positive and negative statements should be included.

The respondent then has to read them or listen to them carefully in order to understand the polarity and to give consistent answers. Conflicting answers from the same respondent will identify where pattern answering has occurred.

5.4.2.2 Semantic differential scale

The semantic differential scale is a bipolar rating scale. It differs from the Likert scale in that opposite statements of the dimension is placed at the two ends of the scale and respondents are asked to indicate which they most agree with by placing a mark along the scale. This has the advantage that there is then no need for the scale points to be semantically identified. Any bias towards agreeing with a statement is avoided, as both ends of the scale have to be considered.

With semantic differential scales, the statements should be kept as short and precise as possible because of the need for the respondent to read and understand fully both ends of the scale. Attitudes can be difficult to express concisely, and it is sometimes difficult to express concisely, and it is sometimes difficult to find an opposite to ensure that the scale represents a linear progression from one end to the other. For these reasons semantic differential scales are usually better suited to descriptive dimensions.

TABLE 5.3: USE OF A SEMANTIC DIFFERENTIAL SCALE

Below are pairs of statements. Each one may or may not apply to the advertisement you have just seen. Please read each pair and indicate which of the statements you agree applies to the ad by ticking one box for each pair of statements.

For example, if you agree strongly that the advertisement was 'mundane', you would tick the box closest to that statement, but if you only agree slightly, then you should tick a box further away from the statement.

Example:

Fascinating Mundane

Please complete the remaining items according to how you feel about the ad:

Boring Interesting

Important Unimportant

Relevant Irrelevant

Exciting Unexciting

Unappealing Appealing

Involving Uninvolving

Means Means a
nothing lot to
me

Scale items taken from Zaichkowsky (1999).

TABLE 5.4: USE OF THE STAPEL SCALE

Please indicate how accurately you feel each of the following words and phrases describes the GingerBread Store. Select a positive number for the phrases you think describe the store accurately. The more accurately you think it describes it, the larger the number you should choose. Select a minus number for the phrases you think do not describe it accurately. The less accurately you think the phrase describes the store, the larger the negative number you should choose. You can select any number from +5 for words and phrases you think are very accurate to -5 for words and phrases you think are very inaccurate.

The GingerBread Store

+5	+5	+5
+4	+4	+4
+3	+3	+3
+2	+2	+2
+1	+1	+1
Is well laid out	has helpful staff	is attractive
-1	-1	-1
-2	-2	-2
-3	-3	-3
-4	-4	-4
-5	-5	-5

5.4.2.3 Stapel scale

With the Stapel scale, named after Jan Stapel, the dimension or descriptor is placed at the centre of a scale that ranges from -5 to +5. Respondents are requested to

indicate whether they agree positively or negatively with the statement, and how strongly, by selecting one of the points on the scale.

The advantage of this type of scale over semantic differential scales is that it is not necessary to find an accurate opposite to each dimension to ensure bipolarity. The data can, however, be analysed in the same way as semantic differentials, and the scale, with 10 points, has the potential to provide greater discrimination than a five-point scale. By having no centre point, these scales also avoid the issue of whether or not there should be an odd or even number of points on the scale. Stapel scales are, however, not widely used as they are thought to be confusing for respondents. They must be self-administered if the researcher is to be confident that the respondent has properly understood the task. This has limited their use in telephone interviewing and with much face-to-face interviewing. However, with imaginative layout, they could work well with online Web-based interviewing.

5.4.2.4 Graphic scales

A graphic rating scale is a continuous bipolar scale with fixed points at either end, which can be simply represented as a line.

TABLE 5.5: GRAPHIC RATING SCALE

Please indicate by marking on the line how you rate the GingerBread Store for each pair of statements below:		
Well laid out	_____	Poorly laid out
Has helpful staff	_____	Has unhelpful staff
Attractive window display	_____	Unattractive window display

The distance from the end points of the respondent's marks is measured to provide the score for each attitudinal dimension. Essentially this is a continuously rated semantic differential scale, which provides a larger degree of precision and avoids the issues of numbers of points on the scale. It is a simple way of measuring attitudes and image perceptions, but is impractical to use with paper questionnaires.

Measuring the position marked on hundreds of paper questionnaires, with possibly dozens of scales on each one is not viable for most commercial projects. This technique cannot be used with telephone interviewing.

5.5 VALIDITY AND RELIABILITY OF DATA MEASURING INSTRUMENTS

The validity and reliability of data measuring are crucial to scientific research.

5.5.1 Validity

Validity refers to the potential of a design or an instrument to achieve or to measure what it is supposed to achieve or measure. It is concerned with what of data collection procedures and measures. The following validity criteria have been developed (Bless & Higson-Smith, 1995:82, 136-139):

- **Content validity** usually refers to the correctness and appropriateness of the questions included in a test or questionnaire. It is advisable to test the correctness, relevance and lucidity of the questions in a pilot investigation. Duplication of questions can thus be avoided. The results of a pilot investigation will also help determine whether or not the questions included are relevant to the research problem.
- **Criterion-related** validity involves testing whether an instrument (A) selected for data collection measures what it is expected to measure and whether it can be compared to another instrument (B) which is known to be valid. If the data collocated through both instruments closely matches, then instrument (A) is also valid. The stipulated is that the two sets of data should be collected from the same group of subjects.
- **Construct validity:** A measurement technique has high construct validity if it uncovers the information, which it was designed to uncover. For example, questions for a questionnaire should be specifically designed to obtain the desired information.

- **Face validity** is concerned with the way the instruments appear to the participants. For example, they view it as so simple, childish and boring that they experience it as an insult to their intellect, or does it appear so difficult that the participants give up even before starting? Face validity is therefore based on the subjective judgement of the researcher and the respondents for whom a specific instrument is intended.
- **External validity:** Depending on the representatives of the sample, and the study being a simulation of the real world and real-life situations, the conclusions reached with the research should be applicable to similar problems.

5.5.2 Reliability

Reliability pertains to the accuracy and consistency of measures. The same instrument must be able to produce the same data at a later stage under similar conditions, e.g. by means of a test-retest. With Cronbach's (1951) alpha, researchers were able to assess the internal consistency reliability of their instrument that had different scoring and response scales (Kerlinger & Lee, 2000:656). Cronbach's alpha will further be discussed under section 5.9.

According to Sarantakos (1993:79) there are several methods for testing reliability on an instrument. The most common methods are the following:

- Test-retest method
- Split-half method
- Inter-item test
- Item scale test
- Alternate-form reliability

5.6 DESIGN OF THE INVESTIGATION

This Section focuses on the design of this work, and will discuss five aspects related to the investigation. They are:

- Research population
- Problem encountered
- Questionnaire
- Processing data.

5.6.1 Research population

In order to achieve the primary goals, a research group that is a sample of Impala Platinum Limited employees which is one of the major mining companies in Rustenburg Municipal area was chosen including the community and the municipality. When the questionnaires were distributed, purposive sampling was used whereby only those respondents who best met the purposes of the study were selected (Bailey, 1987:94). The study includes an empirical component comprising questionnaires and interviews with Senior Mine personnel, Senior Municipal officials and Senior Community members (community structures) in the Rustenburg Municipal Area.

The sample will also take into consideration the following groupings:

- Community members from informal settlements living in close proximity to the mining houses,
- community members in the Rustenburg township areas;
- community members of the Royal Bafokeng Nation including its constituencies as classified by the Rustenburg municipality as rural areas;
- community members of the Rustenburg urban area;
- beneficiaries of Impala Platinum Limited corporate social responsibility

This sample might or might not necessarily include associations or organizations who are assisted by Impala Platinum whilst certain individuals might be employed by Impala Platinum but might be fulfilling a different social position. The sample group will total 300 questionnaires including interviews. It must also be placed on record that Greater Rustenburg Municipality is demarcated into 35 wards; however, for purposes of this research only areas that fall within a 20 km radius of the Rustenburg Central Business District were considered.

5.6.2 Limitations of the study

The problems experienced were the following:

- **TIME**

As indicated above, time was always a factor, mainly because the Rustenburg residential area is widely scattered, especially the Royal Bafokeng residential area. Therefore great care was taken to use all the time available especially over weekends or during the week at lunch breaks as well as at home after work.

- **RESPONDENTS**

As much as the respondents wanted to complete the questionnaire, they preferred doing this at their own leisure and in some instances this created practical problems. Some respondents took much longer than others to complete the questionnaire than anticipated.

5.6.3 DISTRIBUTION OF QUESTIONNAIRES

Respondents were notified personally and where practically impossible, telephonic communication was implored. Arrangement for this exercise was made in advance so as to ensure that interference was kept at its minimum. Copies of the questionnaires were then delivered to the respondents and left with them for completion at their own leisure without disturbance. Some respondents received their questionnaires electronically via e-mail. They would then be given ample time to complete the questionnaire.

5.6.4 PROCESSING DATA

During the process of data collection the researcher engaged in what is referred to as a *preliminary analysis* of the data. This process involves discarding that which is not relevant to the research project and retaining only the relevant data. Once the data collection is completed, an in-depth analysis of the data is made by means of data filtering, mind mapping (which can also be used during the process of data collection with a view to eliminate irrelevant data), and integration of views of different authors. This process will lead to formulating a concept which will clarify and answer the research question.

Content validity was used which refers to the correctness and appropriateness of the questions included in a test or questionnaire. It is advisable to test the correctness, relevance and lucidity of the questions in a pilot investigation. Duplication of questions can thus be avoided.

Reliability of the questionnaire was also measured using the Cronbach Alpha. Reliability pertains to the accuracy and consistency of measures. The same instrument must be able to produce the same data at a later stage under similar conditions, e.g. by means of a test-retest.

In conjunction with the Indirani Naidoo from the University of KwaZulu-Natal, appropriate techniques were decided upon for data analysis. The data was statistically analyzed by means of the SAS® Programme (SAS Institute Inc., 2001).

The programme will be used to determine the following:

- The Alpha Cronbach inter-item correlation coefficients will be used to assess the reliability of the measuring in instruments (Clark & Watson, 1995:309-319).
- Descriptive statistics (e.g. means and standard deviation).
- Effect sizes will be used to determine whether a practical significant difference in means of the same construct exists for different groups. The effect size $d =$ where a cut-off point of 0,5 (medium effect, Cohen, 1988:224) will be set for a possible practical significance between means and large effects d as practically significant. ($d \geq 0.2$ is small effect, $d \geq 0.8$ is large effect and of practical significance)

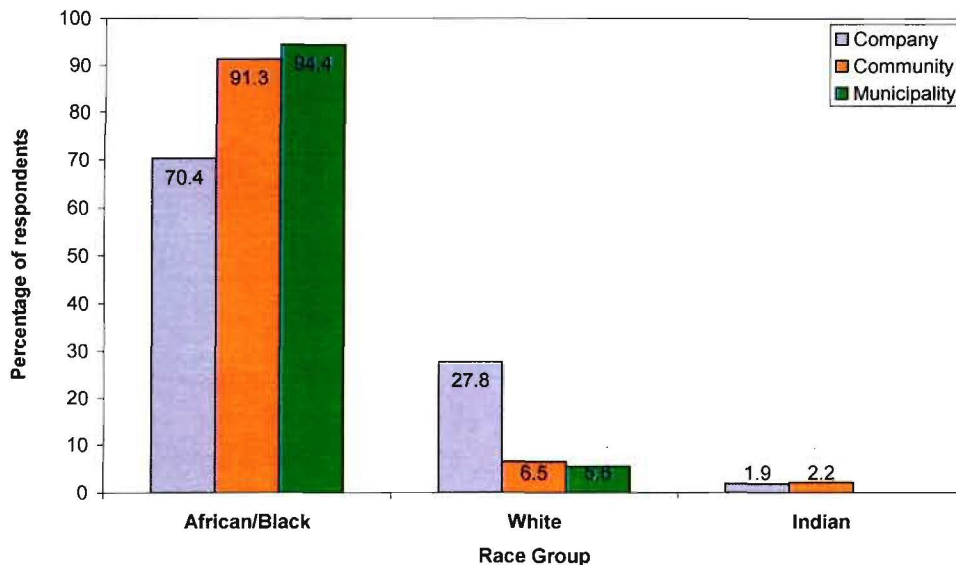
- Two-way frequency tables and correspondence analysis are used to determine whether a relationship between variables exists.

5.7 ANALYSIS AND INTERPRETATION OF THE RESULTS

5.7.1 Biographical particulars

5.7.1.1 Race, gender and age group

The biographical data gives relevant information into the various aspects of the population researched.



HISTOGRAM 1: RACE GROUP

Histogram 1 above shows the race differentiation from the three entities researched and what is eminent is the fact that Africans form a large group of the research population in terms of the company, community and municipality which were researched. Therefore the table below confirms the fact in terms of the company which is Impala Platinum Holdings Limited a greater number of employees are indeed employed by the company and a smaller number of whites and Indians respectively.

In Chapter 2 we noted that diffusion refers to the spread of objects or ideas from one society to another (Landis, 1995:371). It is therefore important to understand the spread of the population group, and according to Dr CJ Fauconnier in Chapter 4 (Coaltrans SA Conference, 2004:1), the mining industry has probably gone further than most other undertakings in the private sector to ensure that previously disadvantaged South Africans empower themselves and become very much part of our mining future. Therefore this was further supported in Section 3 of the SLP⁹ which discussed Local Economic Development Programme with the primary objective of the LED¹⁰ programme LED programme being to ensure poverty eradication and community upliftment in the area within which mining or production operations take place and in areas from which majority work-force is being sourced.

TABLE 5.6: KEY LABOUR-SENDING AREAS FOR COMPANY WORK-FORCE AT IMPALA PLATINUM LIMITED AS AT NOVEMBER 2004

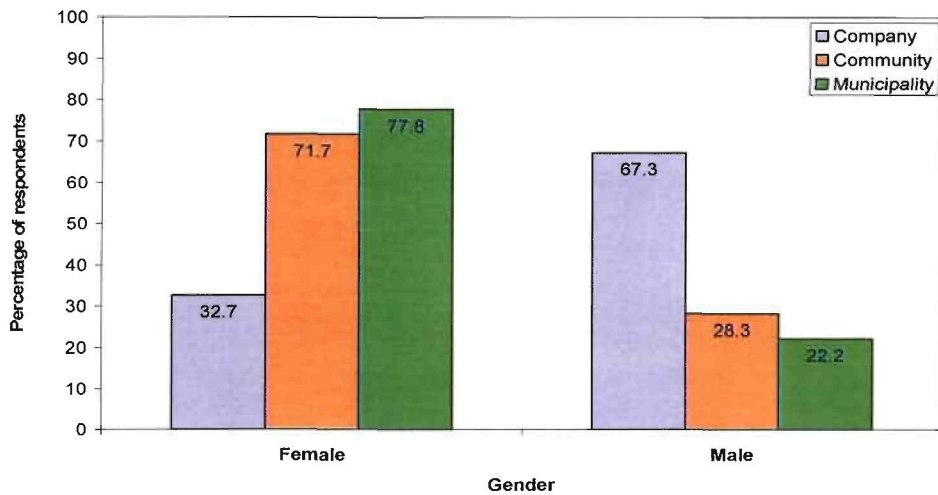
OCCUPATIONAL CATEGORY	African	Coloured	Asian	White	African	Coloured	Asian	White	Total
Legislators, senior officials, managers and owners managers	50	7	11	344	8	1	6	56	483
Professionals	147	3	3	145	60	1	3	62	424
Technicians and associated professionals	772	4	4	495	40			21	1336
Clerks	129	1		18	98		2	118	366
Service workers, shop and market sales workers	177			2	10			2	191
Agricultural and fishery workers									0
Craft and related trade workers	1790	4	3	510	9	1		4	2321

9 Social and Labour Plan

10 LED refers to the Local Economic Development

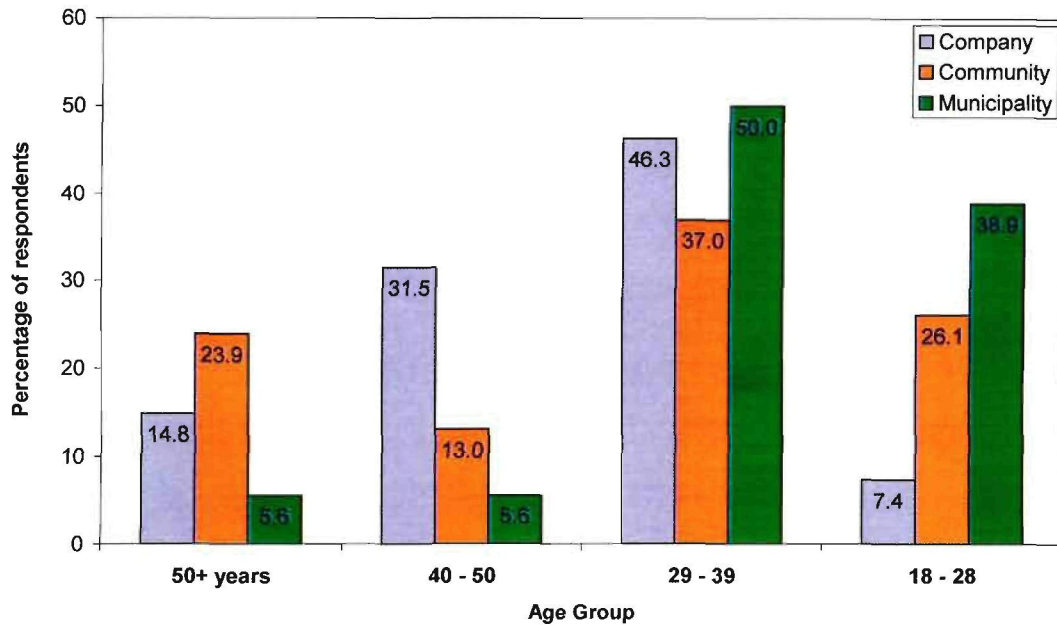
OCCUPATIONAL CATEGORY	African	Coloured	Asian	White	African	Coloured	Asian	White	Total
Plant and machine operators and assemblers	2813	1	3	143	41			1	3002
Labourers and related workers	19229	6	10	56	170				19471
Apprentices and Section 18 learners	80	1		31	9				121
TOTAL	25 187	27	34	1744	445	3	11	264	27 715

(Impala Social and Labour Plan, 2006)



HISTOGRAM 2: GENDER

Further biographical information, as indicated in Histogram 2 above, shows that a higher percentage of female respondents from the community and municipality part of this research i.e. 71,7% and 77,8 % respectively while in the company 22,2% male respondents were employed with females at 67,3%. This reflects the diverse nature of the respondents. Histogram 3 below gives a break-down of the age category of the respondents.



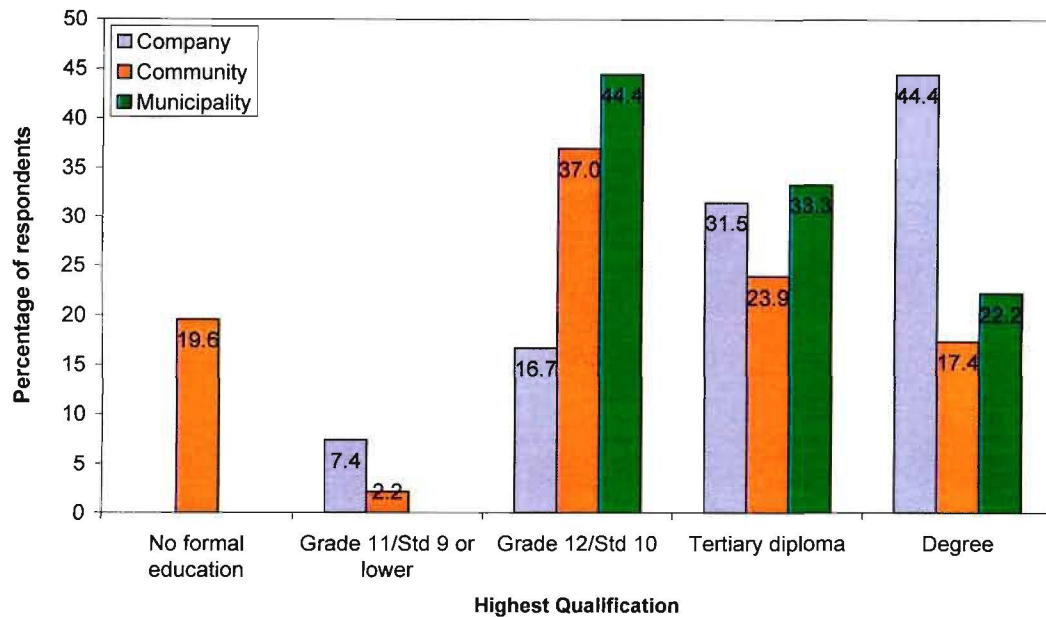
HISTOGRAM 3: AGE GROUP

According to Histogram 3, a larger group of respondents are in the 29-39 age category while 38% from the municipality group are in the 18-28 age category.

5.7.1.2 Qualifications and place of origin

In terms of Histogram 4, comparatively speaking the respondents from the company which is 44% (the same as those from the municipality) have at least a degree whilst those in the community have only Grade 12 and 37% of those in the community have Grade 12. Furthermore 19,6% of the respondents is indicated on the graph as not having formal education.

According to Chapter 4 subsection 4.2.4.1, the South African labour market does not produce enough of the skills required by the mining industry. Stakeholders will work together in addressing this skills gap. The companies apply this principle to the community through bursaries, learnerships, school assistance programmes which include extra Mathematics, Science and English classes for Grade 10-12 whilst teachers also receive enrichment programmes. The employees receive study aid and development opportunities.



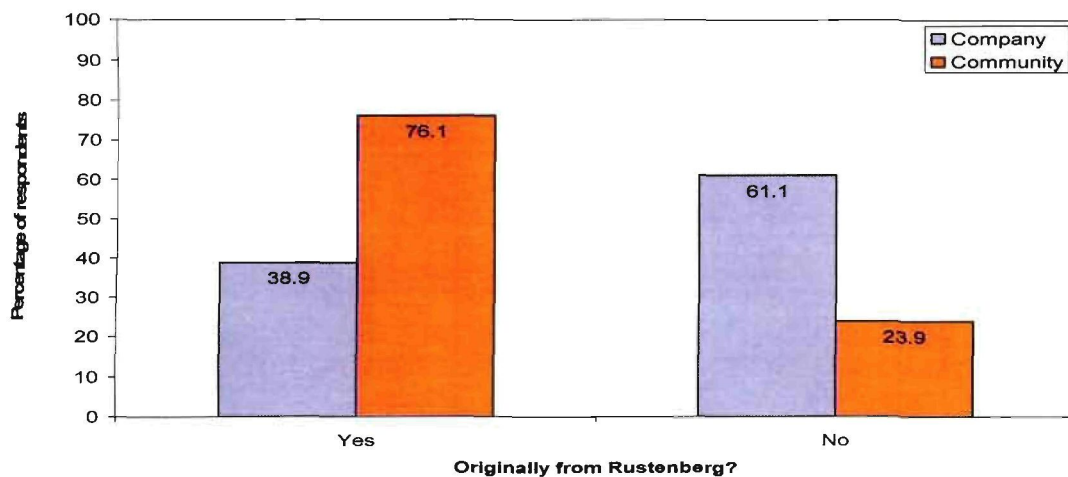
HISTOGRAM 4: QUALIFICATIONS

61,1% of the respondents from the company are not from Rustenburg, according to Histogram 5 below. Some might be from the labour-sending areas even though the questionnaire did not prompt for this. While, according to the Mining Charter, a major labour-sending area refers to areas from where a significant number of mine workers are or have been recruited, as discussed in Chapter 4 subsection 4.2.2. Histogram 5 below further indicates that 76,1% of the respondents from the community are indeed from Rustenburg.

Chapter 3 indicates that business is predominant instrumental in society for dealing with major social problems, but it is not the institution of sole or last responsibility. It is government that has the central role in dealing with such problems. Business has incentives for working on these problems, as noted previously. It has great talents that it can exert, such as the development of new equipment to reduce pollution of various types or the free contribution of managerial knowledge to government agencies. A central issue in dealing with social problems concerns the extent to which government should provide incentives for business to become involved in solving social problems when it does not appear to business to be profitable to do so. It also must be pointed out that other institutions in society, such as universities,

labour unions, and religious institutions, and people themselves, individually and in groups, can make valuable contributions in order to overcome major social problems (Steiner & Steiner, 1991:138).

Further discussed in Chapter 3 is that Community investment, also called targeted investment refers to financing community development in cases where financial institutions would not ordinarily provide any. Investors provide financing at market interest rates or less (or even at zero interest) for improvement projects in these communities. Project objectives can include creating jobs, extending loans to low-income households or small businesses, expanding the housing supply, providing child care, and so forth.



HISTOGRAM 5: PLACE OF ORIGIN

5.7.2 Corporate Social Responsibility

5.7.2.1 Understanding Corporate Social Responsibility

In Chapter 3 subsection 3.2, Kotler and Lee (2005:3) describe Corporate Social Responsibility as a commitment to improve community well-being through discretionary business practices and contributions of corporate resources.

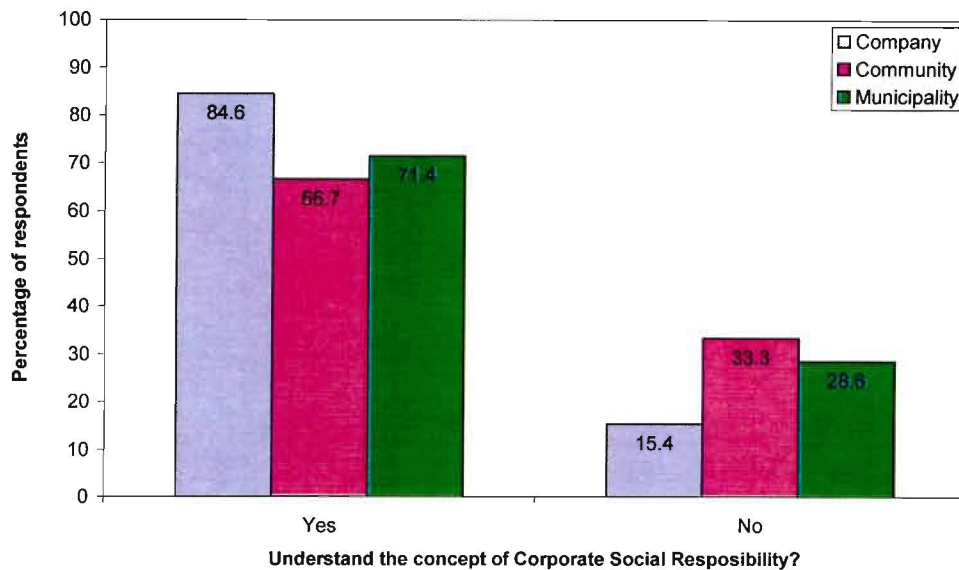
According to Histogram 6, respondents from all population groups which include the company, community and municipality think they have a fairly good understanding of

Corporate Social Responsibility as a concept, with the percentages being 84,6%, 66,7% and 71,4% respectively.

The following represent some of the respondents' understanding of the concept:

- Social responsibility refers to a company's contribution to the community which is in its vicinity through training, job creation, etc.
- A company's responsibility towards social upliftment of employees and surrounding communities.
- The role that has to be played by the company within which it is operating as far as the development of that community is concerned.
- The responsibility of corporate SA is to contribute to the general economic and social upliftment of communities where corporate business is conducted.
- It is what the company does to develop the community in which it operates, in other words by creating good relations with the public and giving something back to the community

The Charity Principle of Chapter 3 page 64 refers to the fact that the mineral industry must remain viable to contribute to sustainable development. The minerals sector can contribute to alleviating poverty and is challenged to have frameworks for the creation and management of mineral wealth ... balancing local and national benefits. Mining sector planning for health and education of the local community needs to extend beyond the time of active mining. This is further entrenched in the Social and Labour Plan.



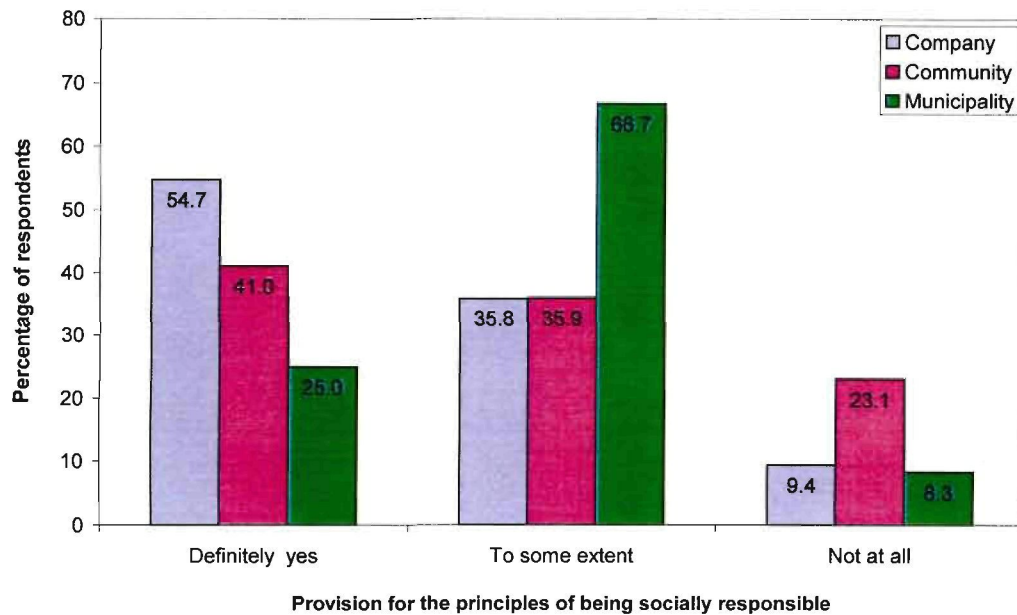
HISTOGRAM 6: CORPORATE SOCIAL RESPONSIBILITY CONCEPT

5.7.2.2 Principles of social responsibility

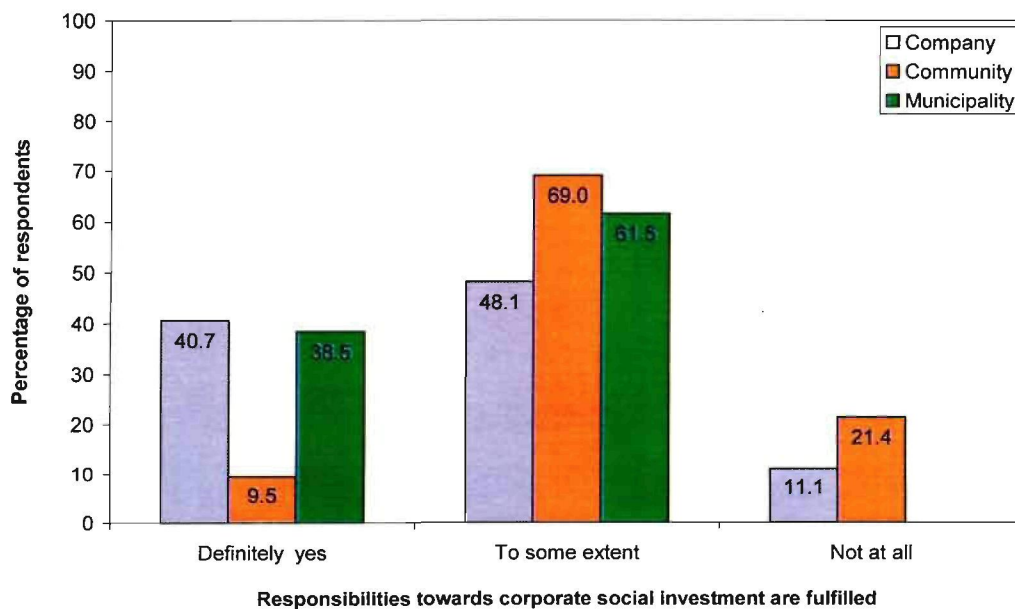
In Histogram 7 below, 66,7% of the respondents from the municipality believe that the company displays a limited provision on the principles of being socially responsible, while 54,7% of the company respondents and 41% of the community respondents definitely agree that the company fulfils the provisions of principles of being socially responsible. Furthermore, Histogram 8 reflects a different picture in that all three groups believe that there is a limited extent to which the company illustrates a sense of responsibility towards corporate social investment. The company, the community and the municipality respondents represent 48,1%, 69% and 61,5% respectively. 40,7% of the company respondents respondent definitely yes and that the company displays a great provision on the principles of being socially responsibility.

The paragraph above relates to the primary goal of this research, as outlined in Chapter 1 paragraph 1.3 which is to identify the expectations of the community concerning the mine's corporate social responsibility. It is therefore clear that there is a satisfactory positive response to the principles of being socially responsible which is the base of CSI. An improvement must be made on the sense of responsibility

towards corporate social investment, especially when it relates to the community in which the mine is operating.



HISTOGRAM 7: PROVISION FOR THE PRINCIPLES OF BEING SOCIALLY RESPONSIBLE



HISTOGRAM 8: RESPONSIBILITY TOWARDS CORPORATE SOCIAL INVESTMENT

5.7.3 Company contribution.

A Social and Labour Plan (SLP) is a prescribed requirement of the new minerals legislation (the Mineral and Petroleum Resources Development Act (28/2002) (MPRD Act) to be in place for the remaining life of every mining right. The SLP is required to be more than a statement of intent with regard to Human Resource Development, Local Economic Development and the management of downscaling and retrenchment. The plan is a summary of principles and policies to guide the implementation of specific programmes which aim to aid socio-economic development and economic growth in the mine's area of operation and labour-sending areas on an on-going basis. Progress with regard to the specific projects and the mine's contributions to socio-economic development will be reported on annually in the SLP Reports to be submitted to the regional Department of Minerals and Energy. The objectives of the SLP (Section 41 of the Regulations) are to:

- Promote employment and advance the social and economic welfare of all South Africans;
- Contribute to the transformation of the mining industry;
- Ensure that holders of mining rights contribute towards the socio-economic development of the areas in which they are operating (Impala Platinum Holdings Limited Social and Labour Plan, 2006).

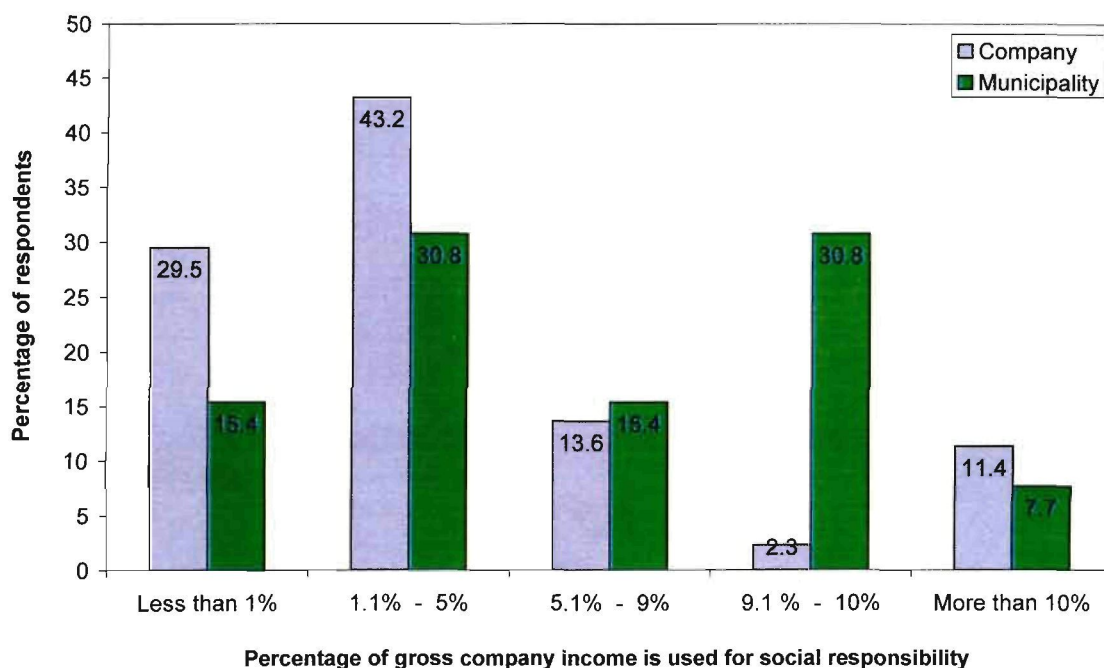
It is evident from the above that companies by virtue of the SLP are obliged to ensure that holders of mining rights contribute towards the socio-economic development of the areas in which they are operating.

Chapter 3 page 66 states that Carroll and Buchholtz (2006:19) describe **social contract** as a set of two-way understandings that characterize relationship between two major institutions – in our case, business and society. The social contract is changing and this change is a direct outgrowth of the increased importance of the social environment. The social contract has been changing to reflect society's expectations of business, especially in the social and ethical realms.

The fact that companies have certain expectations and understanding of one another constitutes a social contract.

43,2% of the respondents from the company are of opinion that between 1,1% and 5% of the company's gross company income should be used for social responsibility while 29,5% believes less than 1% should be used and 30,8 of the respondents from the municipality believe that the company should spent either 1,1%-5% or 9,1%-10%.

Chapter 3 it suggested that business is a predominant instrumentality in society for dealing with major social problems, but it is not the institution of sole or last responsibility. It is government that has the central role in dealing with such problems. Social costs are the total costs of business activity, including immediate costs of production plus all other costs.

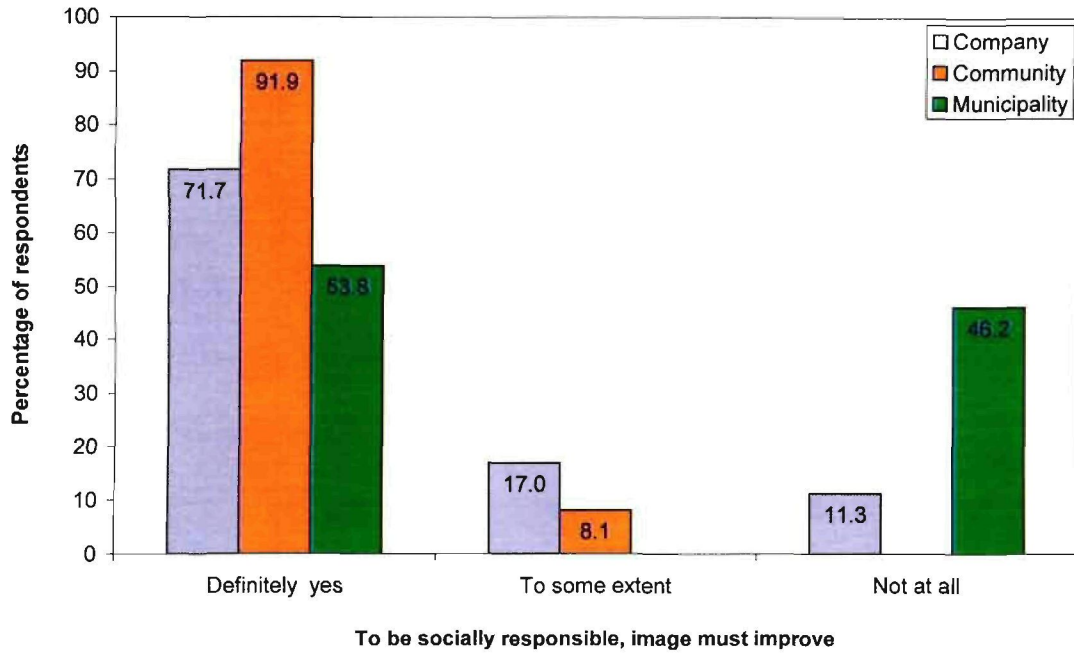


HISTOGRAM 9: PERCENTAGE OF THE GROSS INCOME USED FOR SOCIAL RESPONSIBILITY

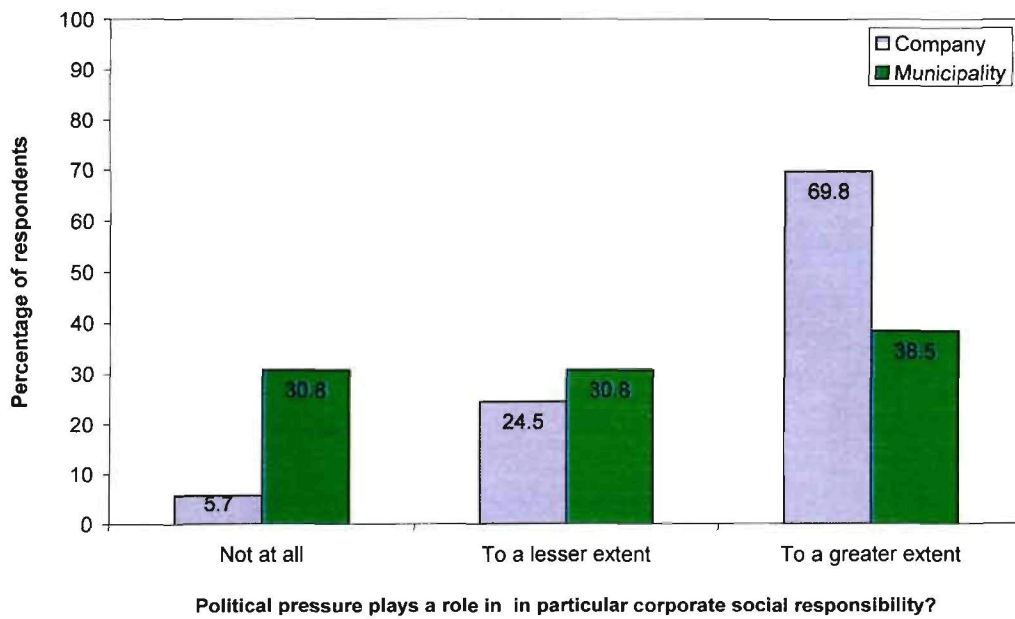
5.7.4 Political pressure and image

Histogram 11 below illustrates the role of political pressure in Corporate Social Responsibility. 69,8% of the respondents from the company believe that political pressure plays a role in Corporate Social Responsibility, whilst 38,5% of the municipality respondents also have to a greater extent a believe that this is the case. 30,8% of the company respondents believe that there is no pressure and the same percentage believes this happens to a lesser extent. Furthermore, 71,7%; 91,9% and 53,8% of the respondents in Histogram 10 from the company, the community and municipality respectively believe that Corporate Social Responsibility improves the company image.

Chapter 3 outlines that today there is practically no aspect of business that governments cannot and will not regulate if the occasion arises and popular or legislative support exists. In recent years, governments have responded affirmatively to a wide range of public concerns. Furthermore, Chapter 4 discusses relevant legislative pieces and one of those is The Mineral and Petroleum Resources Development Act (No. 28 of 2002 (MPRDA)), which came into effect in May 2004 and effectively severed the South African mining industry's ties with the apartheid era and placed it firmly in line with international practice. The Broad-based Socio-economic Empowerment Charter for the Mining Industry is a key piece of legislation which is covered under the Mineral and Petroleum Resources Development Act (No 28 of 2002).



HISTOGRAM 10: SOCIAL RESPONSIBILITY IMPROVE IMAGE



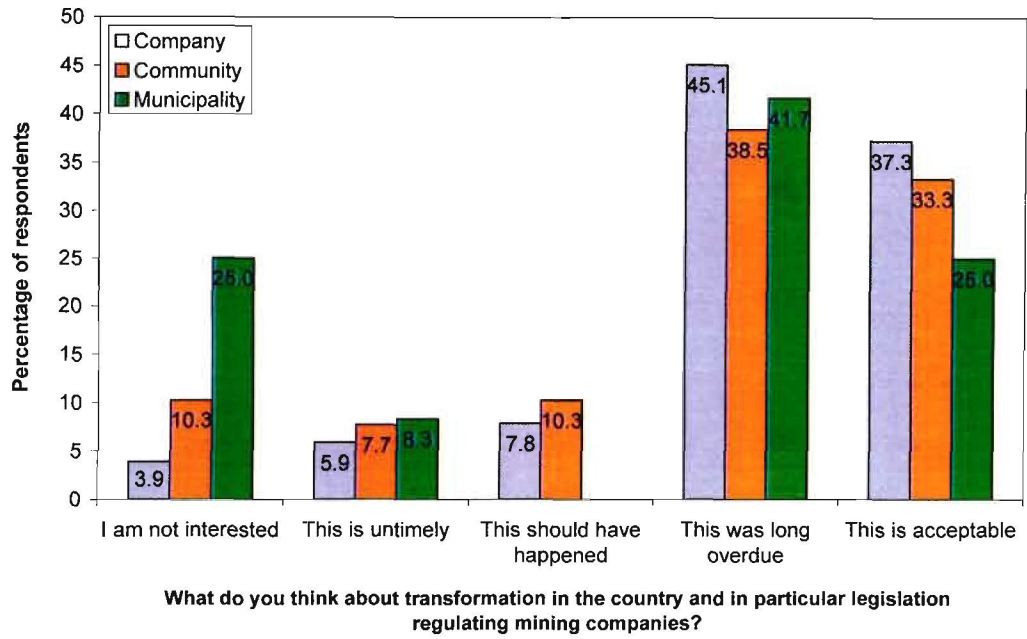
HISTOGRAM 11: ROLE OF POLITICAL PRESSURE

5.7.5 Transformation

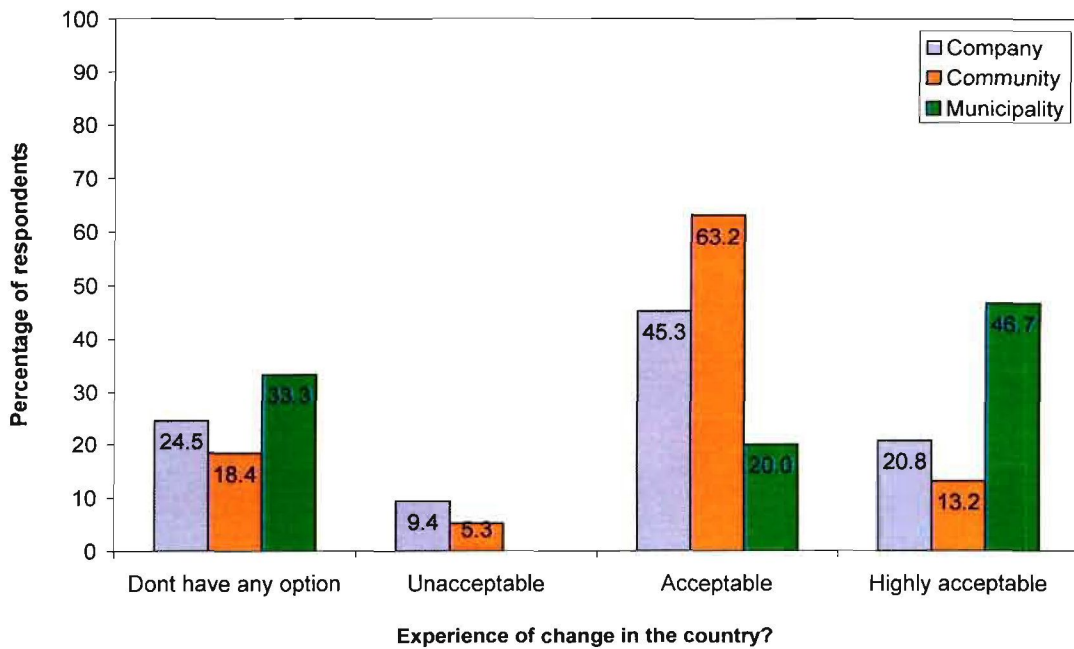
A large number of respondents agree that the transformation in the country, and in particular legislation regulating the mining companies, is long overdue. 45,1% of the company respondents, 38,5% of the community respondents and 41,7% of the municipality respondents support the statement at the beginning of the paragraph as shown in Histogram 12. Furthermore, 46,7% of the respondents from the municipality, as displayed in Figure 13 experience change as highly acceptable whereas 45,3% of the respondents from the company view change as acceptable and 63,2% of the respondents from the community also view it as acceptable.

Structural–functionalism is the most influential theoretical perspective. It is a theoretical orientation emphasizing the functions or contributions made to society by existing social structures (Philips, 1979:109), and according to Senior (2002:94), one of the most important links is the relationship between organisational strategy and organisational structure – as an organisation changes its strategy to respond to political, economic, technological or socio-cultural changes in its external environment, so should its structure change to maintain the strategy-structure relationship. What is less tangible is the role that organisational culture and politics have on decisions to structure one way rather than another.

As reflected in Chapter 2 change affects us all in different ways but the reality is that dealing with change is a complex and stressful process.



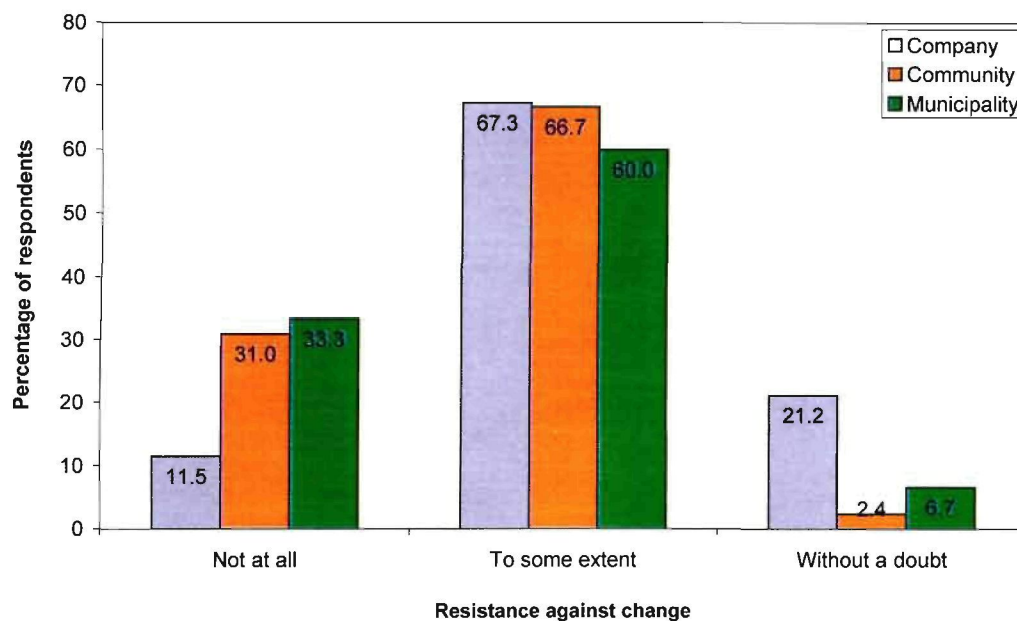
HISTOGRAM 12: TRANSFORMATION IN THE COUNTRY



HISTOGRAM 13: EXPERIENCE OF CHANGE IN THE COUNTRY

5.7.6 Resistance to and acceptance of change

Resistance is one of the stages in the change process as indicated in Chapter 2 subsection 2.16.1 which means once people overcome the initial shock and realize that change is going to be a reality, they resist the change – resistance to change is part of human nature. Therefore 67,3% of the respondents in the company and 66,7% of the respondents in the community as well as 60% of the respondents in the municipality displayed resistance to change to some extent as reflected in Histogram 14 below.



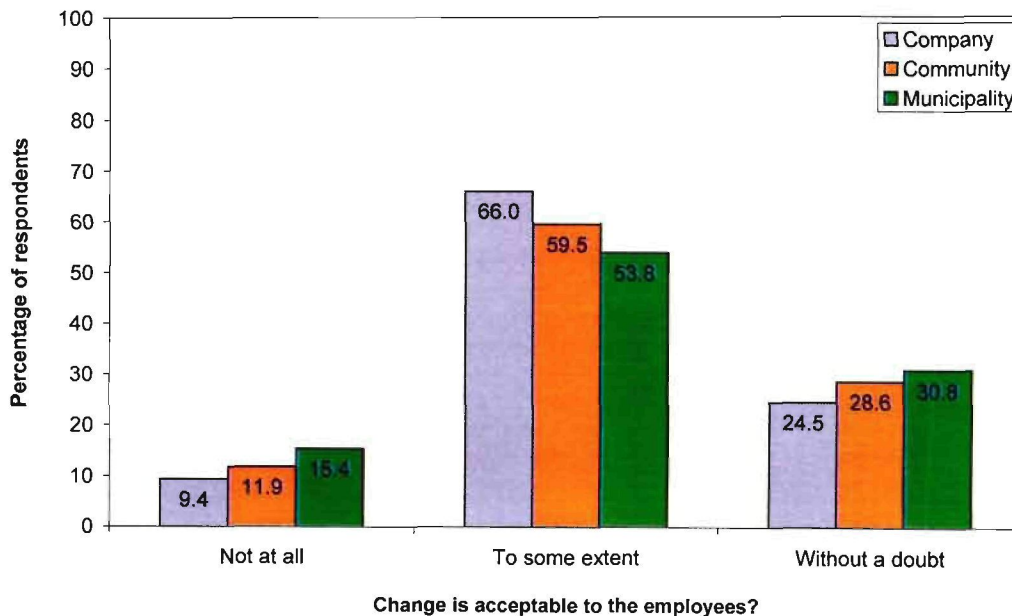
HISTOGRAM 14: RESISTANCE TO CHANGE

It is evident that a larger group of respondents demonstrated a certain degree of resistance to change. Histogram 15 below therefore counteracts Histogram 14 to the same extent, which shows that a larger number of respondents accept the facts that change is acceptable to employees. This means that even though there is some element of resistance to change the respondents do accept the fact that change is imminent; hence a large number accepts change to some extent.

According to Chapter 2 subsection 2.16.1, the final two stages in the change process indicate the following:

- **Exploration:** When the change starts being implemented, employees explore the change, often through training, and understand more about how it will affect them.
- **Commitment:** Through exploration, employees determine their level of commitment to making the change a success. The level of commitment can change.

Therefore a stronger sense of commitment to change is required to make it succeed.



HISTOGRAM 15: ACCEPTABILITY OF CHANGE TO EMPLOYEES

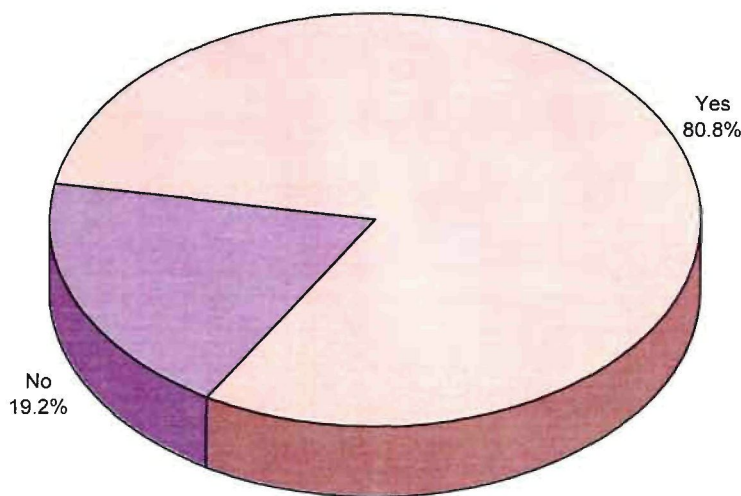
5.7.7 Transformation

Chapter 2 gave an account of the fact that an organization changes and has to change in order to survive as a result of changes in the environment and expected future changes. It is clear that an attitude to change is essentially concerned with and informed by an external and futuristic orientation (Human and Horwitz, 1992:58).

Paton and McCalman (2000:3) postulate that successful exploitation of a change situation requires:

- Knowledge of the circumstances surrounding a situation
- Understanding of the interactions
- Awareness of the potential impact of associated variables

80,8% of the respondents agree that the company encourages transformation, whereas 19,2% of the respondents do not agree with this statement, as illustrated in Pie chart 1 below. The wave of legislative reform initiated by the post-apartheid government fundamentally changed the landscape of corporate sustainability. This is an indication that change is inevitable.

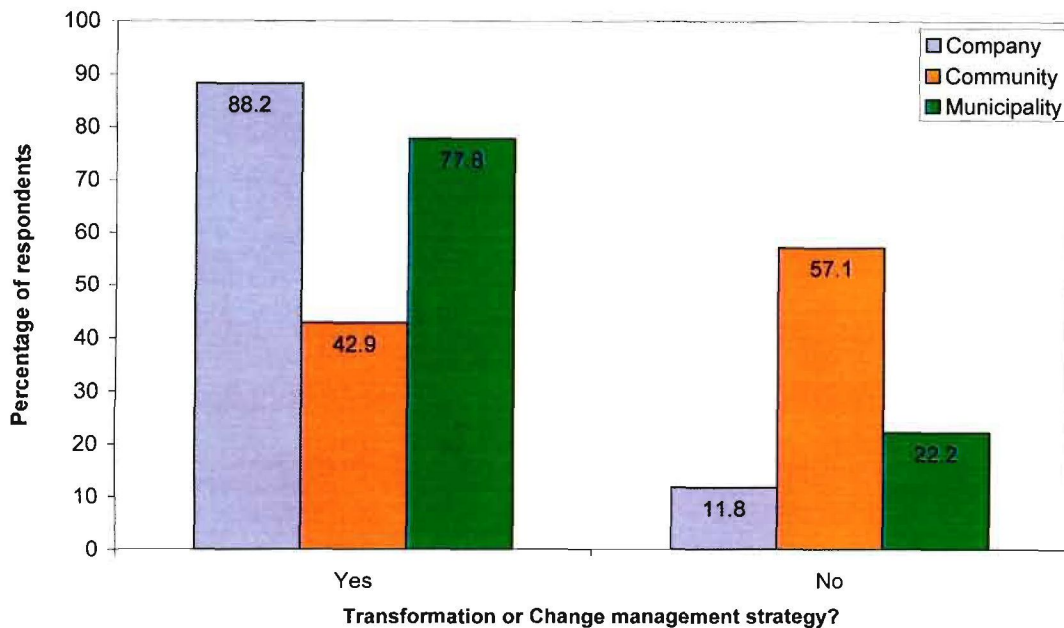


Does the company encourage transformation?

PIE CHART 1 : DOES THE COMPANY ENCOURAGE TRANSFORMATION?

The paragraph above indicates that the respondents agree that the company encourages transformation, Histogram 16 shows that 88,2% of the respondents from the company and 77,8% of the respondents from the municipality believe that the company has a change management strategy, whilst 57,1% of the respondents from the community do not agree.

It is therefore important to realize that as much as there is encouragement for the company's transformation the strategy should be communicated widely.



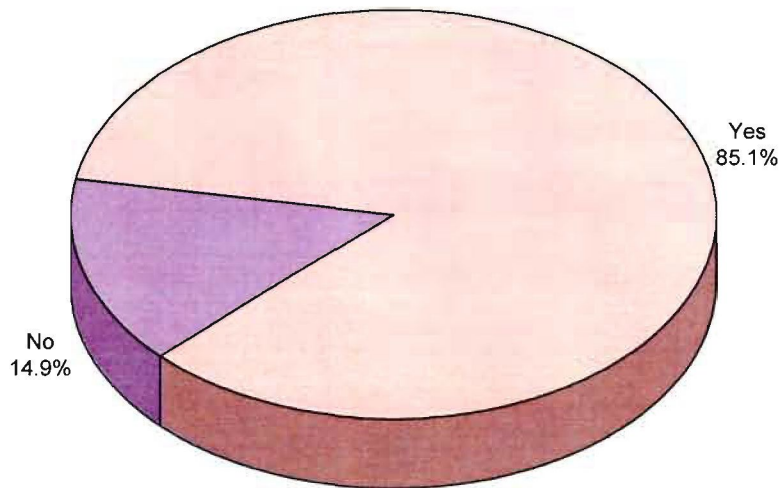
HISTOGRAM 16: TRANSFORMATION OR CHANGE MANAGEMENT STRATEGY?

5.7.8 CSI drivers

Pie chart 2 portrays that 85,1% of the respondents believe that transformation strategy is driven by legislation. Chapter 4 supports this and indicates that in relation to the improvement in legislation comes Chapter 2 of the Constitution of the Republic of South Africa which is the Bill of Rights giving further affirmation to this. Furthermore this will be reflected in the preamble of the BEE Charter, that is the imperative of redressing historical and social inequalities as stated by the Constitution of the Republic of South Africa in, inter alia, Section 9 on equality (and unfair discrimination) in the Bill of Rights

This strategy seeks to assist in redressing past imbalances and this could be done at different levels. **Level of change** delineates the location in a social system where a particular change takes place. Several levels may be designated such as individual,

group, organization, institution, and society. What must be remembered is the fact that CSI is not legislated as it finds its way by default in other acts.



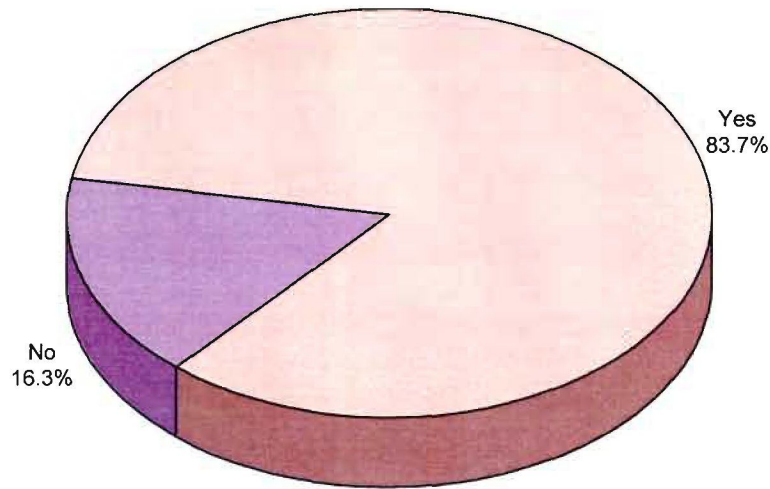
Is strategy driven by some form of legislation?

PIE CHART 2: IS STRATEGY DRIVEN BY SOME FORM OF LEGISLATION?

5.7.9 Transformation as part of CSI

Even though 83,7% of the respondents believe that transformation forms part of Corporate Social Responsibility, there is no legislation, as indicated in the previous subsection, which drives CSI.

In some respects, the current wave of interest in corporate social responsibility differs from past experience. No longer limited to social concerns, socially responsible investment now takes environmental issues into account. The tools for practicing corporate social responsibility – codes of conduct and accounting mechanisms, in particular – have also developed significantly. In sum, the once limited concept has become much more all-encompassing. Firms are no longer requested to simply act as good corporate citizens by complying with the rules and regulations in force, but to assume more responsibility towards society and the environment (Secretariat des commissions, May 2002:7).



Does transformation or change form part of Corporate Social Responsibility?

PIE CHART 3: TRANSFORMATION AS PART CORPORATE SOCIAL RESPONSIBILITY

5.8 CRONBACH ALPHA

With Cronbach's (1951) alpha, researchers are able to assess the internal consistency / reliability of their instrument that had different scoring and response scales (Kerlinger & Lee, 2000:656).

Interrelated items may be summed to obtain an overall score for each participant. Cronbach's coefficient alpha estimates the reliability of this type of scale by determining the internal consistency of the test of the average correlation of items within the test. SAS Manual

The importance of aspects and the reliability, according to Cronbach alpha reliability (0,7 = very reliable), is the following which includes three groups of respondents namely the company, municipality and the community:

- Section D (Employer Obligation) Reliability: 0.92
- Section D (Community Obligation) Reliability: 0,95
- Section E (Question 37-44: Statute)

Reliability is 0,46 which indicates that this section is not reliable. It was then clear that question 41 did not correlate with the rest of the question and this was mainly because the question was not phrased properly therefore it prompted an irrelevant response.

By removing question 41 from the set of questions asked, a Cronbach Alpha reliability of 0.54 was obtained. In essence a reliability rating of 0,5 and above it is considered acceptable.

- Section E (Question 45-55: CSI and Attitude Rating) Reliability: 0,85

5.9 EFFECT SIZE FOR THE DIFFERENCE BETWEEN MEANS

A natural way to comment on practical significance is to use the standardised difference between the means of two (or more) population i.e. the difference between the means divided by the estimate standard deviation. Ellis and Steyn (3003:51-53) introduced a measure that is called the effect size, that not only makes the difference independent of units and sample size, but also relates it with the spread of the data,

$d = \frac{|\bar{x}_1 - \bar{x}_2|}{s_{\max}}$, where $|\bar{x}_1 - \bar{x}_2|$ is the difference between \bar{x}_1 and \bar{x}_2 without taking the

sign into consideration and s_{\max} = maximum of s_1 and s_2 , the sample SD's (Standard deviations).

Cohen (1988:222-225) gives the following guidelines for the interpretation of the effect size:

- (a) small effect: $d=0.2$, (b) medium effect: $d=0.5$ and (c) large effect: $d=0.8$.

We consider data with $d \geq 0.8$ as practically significant, since it is the result of a difference having a large effect.

Due to the fact that availability sample was used the p value is not relevant. Only in random sampling will the p value be relevant. **We will therefore not generalise the results of this research to the larger population.**

TABLE 5.7 : CSI AND ATTITUDE RATING

CSI and Attitude Rating											
Community			Company			Municipality			Total		
Mean	N	Std Deviation	Mean	N	Std Deviation	Mean	N	Std Deviation	Mean	N	Std Deviation
2,90	38	0,87	3,26	49	0,86	2,70	12	0,92	3,05	99	0,88
Statute											
Community			Company			Municipality			Total		
Mean	N	Std Deviation	Mean	N	Std Deviation	Mean	N	Std Deviation	Mean	N	Std Deviation
3,26	41	0,65	2,97	52	0,79	3,62	12	0,69	3,16	105	0,75

CSI and Attitude Rating: The rating for the company indicated in practice a possible higher rating than the municipality (medium effect , $d=0,60$) or the community (medium effect , $d=0,41$). It is an indication that the company shows a more favourable rating of on the application of Corporate Social Investment than municipality or community.

Statute: There is a difference in statute rating which shows the municipality rating as being higher in practice than that of the community(large effect, $d=0,81$) and possibly higher than that of the company (medium effect, $d=0,52$) This is so because the municipality is an organ of state dealing with implementing regulations and legislation.

TABLE 5.8 : EMPLOYER AND EMPLOYEE OBLIGATION

Employer obligation											
Community			Company			Municipality			Total		
Mean	N	Std Deviation	Mean	N	Std Deviation	Mean	N	Std Deviation	Mean	N	Std Deviation
2,71	32	0,79	2,75	47	1,27	2,57	7	1,63	2,72	86	1,14
Community Obligation											
Community			Company			Municipality			Total		
Mean	N	Std Deviation	Mean	N	Std Deviation	Mean	N	Std Deviation	Mean	N	Std Deviation
3,09	35	0,94	2,74	43	1,52	2,25	6	1,95	2,85	84	1,35

Employer obligation: No practical significant difference between means of groups. This therefore means that the community, the company and the municipality respondents agree that CSI promise was half kept.

Community Obligation: the effect size between community and municipality is medium ($d=0,43$) which means the community agree to a larger extent that the promise were kept than the municipality. No practical significant differences between other groups were found. Overall the means shows a reasonable acceptance that the obligations were reasonably met.

5.10 SUMMARY

The research design was discussed in the earlier section of the chapter and it involved the questionnaire as a research measuring instrument, the advantages and disadvantages of a structured questionnaire, types of questionnaires, analysis of the questionnaire as well as rating scales and attitude measurement, pilot study, population and statistical method.

Questionnaires present a series of questions as a vehicle for data collection (Churton, 2000:194). There are several types of questionnaires, varying in degree to which they are structured. Examples include postal questionnaires that are mailed by the researcher and returned after completion. Furthermore having obtained data from completed questionnaires, it is necessary to analyse them. This section is a brief introduction to the process of data analysis.

Later in the chapter the responses were interpreted and discussed.

The objective of the chapter was to reflect the results of the empirical research in order to determine the attitude of the Rustenburg business and community towards social responsibility focusing on Impala Platinum Limited.

The data was analysed in graphs and histograms to illustrate the outcome of the questionnaires. Histogram 7, 66,7% of the respondents from the municipality believe that the company displays a limited provision on the principles of being socially responsible, while 54,7% of the company respondents and 41% of the community respondents definitely agree that the company fulfils the provisions of principles of

being socially responsible. Furthermore, Histogram 8 reflects a different picture in that all three groups believe that there is a limited extent to which the company illustrates a sense of responsibility towards corporate social investment. The company, the community and the municipality respondents represent 48,1%, 69% and 61,5% respectively. 40,7% of the company respondents respondent definitely yes and that the company displays a great provision on the principles of being socially responsibility.

In Chapter 6 conclusions are drawn from the study and recommendations made regarding corporate social responsibility by Impala mine.

CHAPTER 6

SUMMARY AND RECOMMENDATION

6.1 INTRODUCTION

Corporate Social Investment has evolved since its inception in organisation and the approach has also changed. Business world have started to have an increased interest in sustainable programmes to assist communities they operate in.

There are a number of challenges still facing the mining industry, and especially where it relates to transforming the industry, some legislation drives these issues. Suffice to note that the mining industry has probably gone further than most other undertakings in the private sector to ensure that previously disadvantaged South Africans empower themselves and become very much part of our mining future, as indicated in the paragraph.

This final chapter will serve three important purposes. Firstly, it will summarize this treatise by reflecting on some of the major and important issues raised in previous chapters. Secondly, it will compare the results of the study with the objectives as set in Chapter 1. Finally, recommendations will be made on the problems or findings of stability and purpose of this study. This study will display qualitative bankruptcy if it fails to go beyond mere statement of problems.

It should, however, be stated that this study does not purport to be the ultimate solution to the problems faced in the Corporate Social Investment. There is need to further conduct research and investigations on some issues related to social investment, as will be suggested in this chapter.

6.2 SUMMARY

- The mining industry is under constant scrutiny by the government and various role players therefore this necessitates the mine to play a pivotal role in the

communities they find themselves in. There is also great potential to improve the lives of the communities the mine serves and to the improve those of their employees.

- A change management strategy is crucial for better and long-term results. The various stakeholders must be prepared and understand why the intervention is instituted. Change must not happen in isolation to the company's strategy, e.g. relationship with the clients, employees, etc. The various stakeholders must show commitment to this intervention, and those who champion this activity must play an active role for it to succeed.
- Seeing that there is no legislation governing social responsibility, companies must formulate strategies dealing with this aspect of work. All stakeholders must be consulted regarding these aspects and also play an active role in respect of this strategy. Consultation must be one of the key drivers of this strategy. Companies must promote social responsibility at all times without necessarily trying to comply with the legislative requirements. Social responsibility policy and strategy must be formulated by the company of which commitment to its realization must be given. Companies must also recognize their obligation to the socio-economic development by providing opportunities that ensures sustainable growth. There should be a clear understanding between the company, the community and the government on the objectives, responsibility and the reporting of both CSI and the socio-economic development plan. Taxation benefits from government can also be beneficial to the company. The company must recognize CSI and socio-economic development as the right thing to do and not as simply another point-scoring activity or even just compliance. The company must also contribute by establishing sustainable projects towards civic and charitable organizations or non-profit organization. The company must also set up initiatives within the company to foster social investment.
- The three parties, i.e. the company, the government and the community must set up a collective structure to address CSI or socio-economic issues. Projects chosen must have significant impact on the community, and skills development for managing these projects must be considered.

6.3 REALIZATION OF THE AIMS AND OBJECTIVES OF THE STUDY

This section attempts to answer research questions in relation to the outcomes of the empirical study:

- *Identify and explain the impact of Impala Platinum's corporate social responsibility in the Rustenburg area and secondly identify and discuss the current corporate social responsibility projects associated with society and mines*

RESPONSIBILITY IN THE RUSTENBURG AREA

According to Chapter 4 subsection 4.4.3 Implats aims at optimising the health and wellness of its employees and their dependants by managing their health risks while simultaneously providing access to comprehensive occupational, preventative and curative healthcare facilities. Furthermore in the same Chapter subsection 4.4.4 indicates that another of the CSI responsibilities that have had to be revised radically involves housing strategies. The single-sex hostel housing system is one of the *apartheid ghosts that still haunt the mining industry*. Unions and government have continued to push for a phasing out of hostels in favour of family style housing units.

The paragraph above and the one below further illustrates some of the impacts Impala Platinum CSI had in the area.

Implats is also committed to the transformation of the South African economy through black economic empowerment (BEE) and has embraced the principles of the Broad-Based Socio-economic Empowerment Charter for the Mining Industry (the Mining Charter), as contemplated in Section 100 of the Minerals and Petroleum Resources Development Act (No. 28 of 2002). The group's progress (in particular Impala) towards achieving the recommendation of the Mining Charter is summarised below (Implats 2006 Corporate Responsibility Report, 2006:18-20):

- Opportunity for employees to be functionally literate
 - E 7 434 employees have attended ABET courses since 2000
 - E Full-time and part-time classes are available in Rustenburg

- E 23% of the employees are estimated to be functionally literate and numerate at Rustenburg operations
- E 950 employees participated in ABET (FY2005:772)
- E 303 employees completed Introduction to Basic Computer courses
- E Cost of ABET - R8,4 million
- Career paths and skills development plans for HDSA employees
 - E Expenditure on skills development training amounted to 4,1% of the payroll, i.e. R104 million (FY2005: R115 million).
 - E Rustenburg operations: 146 HDSA employees are presently enrolled in accelerated programmes

In December 2005, Impala Platinum signed a R5.5 billion empowerment deal in which it was to sell a 49% stake in its refining business for R3.4 billion, to the Royal Bafokeng Nation, and established a community trust worth R340 million, and an employee share scheme worth R1.8 billion (Seccombe, 2005).

An Environmental Management System (EMS), based on the international ISO 14001 standard, has been developed and is being rolled out across all operations. In keeping with an intention to migrate to the new ISO 14001:2004 across the group, Rustenburg operations, Refineries and Zimplats have converted their certification to the new requirements. Marula Platinum and Mimosa have started to implement this standard (Implats 2006 Corporate Responsibility Report, 2006:15).

Implats operations uphold Implats' safety, health, environmental and quality (SHEQ) Policy, which provides the framework for best practice. The key commitments of the SHEQ Policy are (Implats 2006 Corporate Responsibility Report, 2006:15):

- E compliance with all applicable laws, regulations and standards;
- E pollution prevention; and
- E continual improvement in environmental performance.

Impala have incorporated the SLP portable skill to assist employees who are incapacitated or for assisting employees in case of mine closure.

- **Develop and validate an instrument that could be used to assess the perception and opinion on Corporate Social Responsibility as exercised by the mining company or organization.**

Chapter 5 gave a detailed outline of instruments used in data gathering. The chapter further described how the research was designed and how the data was collected, arranged and analysed. A structured questionnaire was employed as a research method for the collection of data regarding the mining industry's corporate social responsibility, in particular the Platinum Mines in the Rustenburg Area.

The questionnaires used for this study were based on the theoretical study of this research work. Different questionnaires were designed to address the aims and objectives of this research. Advice on the design of these questionnaires was received from the North West University (Potchefstroom Campus) Department of Economic Sciences and the Department of Statistics

Wolf (1997:478) describes a questionnaire as a research instrument that constitutes a self-reporting instrument for the collection of a variety of information that is relevant to the researcher. A questionnaire consists of a number of questions or items respondents read and answer.

During the process of data collection the researcher engaged in what is referred to as a *preliminary analysis* of the data. This process involves discarding that which is not relevant to the research project and retaining only the relevant data. Once the data collection is completed, an in-depth analysis of the data is made by means of data filtering, mind mapping (which can also be used during the process of data collection with a view to eliminate irrelevant data), and integration of views of different authors. This process will lead to formulating a concept which will clarify and answer the research question.

In Chapter 5 subsection 5.7.2.2 Histogram 7, 66,7% of the respondents from the municipality believe that the company displays a limited provision on the principles of being socially responsible, while 54,7% of the company respondents and 41% of the community respondents definitely agree that the company fulfils the provisions of principles of being socially responsible. Furthermore, Histogram 8 reflects a different picture in that all three groups believe that there is a limited extent to which the company illustrates a sense of responsibility towards corporate social investment. The company, the community and the municipality respondents represent 48,1%, 69% and 61,5% respectively. 40,7% of the company respondents respondent definitely yes and that the company displays a great provision on the principles of being socially responsibility.

The paragraph above illustrate an element of positive attitude and understanding of the principles of Corporate Social Responsibility.

The paragraph above relates to the primary goal of this research, as outlined in Chapter 1 paragraph 1.3 which is to identify the expectations of the community concerning the mine's corporate social responsibility. It is therefore clear that there is a satisfactory positive response to the principles of being socially responsible which is the base of CSI. An improvement must be made on the sense of responsibility

6.4 EMPIRICAL RESEARCH

Chapter 6 discussed findings and further reflected the results of the empirical research in order to assess the attitude of the Rustenburg business and community towards social responsibility focusing on Impala Platinum Limited. Reference was made to the company, which meant Impala and the research design was discussed and the questionnaire as a research measuring instrument was motivated. The structure of the questionnaire as well as advantages and disadvantages were commented on, including the process of the pilot study.

6.5 CONCLUSION AND RECOMMENDATIONS

- Due to the fact that there is no legislation relating to CSI, it is important for companies to put in place both a strategy and a plan of action.
- Government must put legislation in place which will specifically govern CSI and socio-economic upliftment.
- A clear distinction should be drawn between CSI and socio-economic intervention.
- Socio-economic intervention should be the brief of the District municipality and CSI that of the local municipality.
- The District Municipality must set up a collective body which will govern all socio-economic intervention and the municipality should do the same. The body must comprise all mining houses in the area with someone seconded from the municipality to run the affairs of such body for proper monitoring and management.
- Councils must be empowered to know what this intervention is all about and how mileage will be awarded.
- The government must also give credit to collective handling of projects and this will eliminate unnecessary competition between mining houses.
- Communities must form structures which will have to apply to the collective body for recognition. This will eliminate fly by night community committees.
- National government must be an implementer of legislation and the provincial *government a monitoring role.*

6.6 RECOMMENDED CORPORATE SOCIAL RESPONSIBILITY PROCESS

This section explains how companies can go about taking steps in ensuring success in Corporate Social Responsibility:

- Step 1 Explain the CSI framework and identify business imperative for engaging in CSI as well as practical aspects that go with it.
- Step 2 Link CSI to the company strategy which also reflects the vision and mission of the organization.
- Step 3 Identify CSI and LED projects in consultation with the relevant stakeholders
- Step 4 The board and CEO must be custodians of CSI and commitment must be cultivated in the organization.
- Step 5 Report annually on the successes of the company's CSI and socio-economic development including a review of the action plan for projects not met.
- Step 6 Appoint an operational person as a link between a joint CSI committee (includes the company, municipality and the community).

The joint CSI committee must be driven by its own independent manager.
- Step 7 The CEO must receive quarterly reports to report to the company Board on progress and functioning of CSI.

6.7 RECOMMENDED FURTHER RESEARCH

- CSI reporting model for stakeholders.
- Cooperation mechanisms for collective mining houses CSI.
- A model or strategy to link both CSI and socio-economic interventions.

- Joint financing structure for the company, municipality, provincial and national government.
- Capacity building for sustainability of CSI projects.

6.8 CONCLUDING REMARKS

The community has expectations as far as Corporate Social Responsibility is concerned and if they do not see any noticeable impact they will not respond positively to CSI projects. It is therefore important to involve them right from inception of such projects. However, the community must also realize that CSI is funded from the company budget and demands must be within the constraints of the company budget.

It is crucial to have a working alliance between all stakeholders for success of CSI projects. Coordination of these projects as well as capacity building remains important.

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QUESTIONNAIRE (COMMUNITY)

RESEARCHER: M.G NKAGISANG (Ph.D.)

RESEARCH QUESTIONNAIRE FOR DATA GATHERING

Questionnaire number

INSTRUCTIONS:

- ❖ Answer all questions.
- ❖ Mark with a cross (x) and give your opinion where required.
- ❖ All questions will be treated as private and confidential and will under no circumstances be used against you.
- ❖ It is not necessary to write your name on this questionnaire.

SECTION A: BIOGRAPHICAL INFORMATION

1. What is your gender?

- | | |
|--------|---|
| Female | 1 |
| Male | 2 |

2. What is your race group?

- | | |
|----------------|---|
| African/Black | 1 |
| White | 2 |
| Indian | 3 |
| Coloured | 4 |
| Other(specify) | 5 |

3. What is your age group?

50 + years	1
40 - 50	2
29 – 39	3
18 - 28	4
Less than 18 years.	5

4. Are you originally from Rustenburg?

Yes	1
No	2

If not, where are you originally from?

4.1. In what area of Rustenburg do you stay?

5. What is your position in the family?

Father	1
Mother	2
Child without dependants	3
Child with dependant (s)	4

6. What is your employment status?

Employed	1	Yes
Unemployed	2	No

If answered unemployed how long have you been?

More than 11 years	1
6 – 10 years	2
3 – 5 years	3
Less than 3 Years	4
Was never employed before	5

6.1 If answered unemployed, how do you make a living?

7. In what salary category are you if answered yes to number 6?

More than R30 000 per month	1
R15100 – R30 000 per month	2
R5100 – R15 000 per month	3
R2600 – R5000 per month	4
Less than R2600 per month	5
I don't want to disclose	6

8. What is your highest qualification?

Degree	1
Tertiary Diploma	2
Grade 12 / Std 10	3
Grade 11 / Std 9	4
No formal Education	5

SECTION B: SOCIAL RESPONSIBILITY

9. Do you understand what corporate social responsibility means?

Yes	1
No	2

If answer is yes, give brief description of your understanding.

If answered no, how would you go about familiarising yourself with this concept.

9. In which of the aspects do you think the mining houses should exercise social responsibility?
(Choose only 3 in order of importance)

Assisting NGO's community project	1
Provision of housing units for employees	2
Provision of housing units for employees	3
Bursaries	4
Provision of resources for the community	5
Assist the community when requested.	6
Financial beneficiation for communities	7
Other(specify)	8

10. Do you think the mining houses in your area have policies that foster corporate social responsibility?

Definition Yes	1
To some extent	2
Not at all	3

11. Do you think mining companies exercise responsibilities for the following reasons? (Choose two)

Legislative compliance in general	1
Forms part of company culture	2
Beneficiation	3
Community involvement	4
The company is requested to do so	5
The company does not have other options but to do so	6

12. Do you believe that the mining companies fulfil its corporate social responsibility fully?

Definitely Yes	1
To some extent	2
Not at all	3

13. Where do you think most money should be spent by mining companies in terms of their social responsibility? (Choose only three)[Rank your answers from 1-3]

Assisting communities in labour sending areas	1
Assisting communities in NW but outside Rustenburg	2
Assisting communities in Rustenburg	3
Assisting the municipality as part of the integrated development plan	4
Assisting the NGO's	5
Setting up community development centres	6
Assisting the Royal Bafokeng Communities	7

Provision of Bursaries	8
Assisting when requested	9
Other (Specify)	10

14. Have you seen any impact brought about by corporate social responsibility in your community?

Yes	1
No	2

If yes name few examples _____

15. Are mining houses communicating with the community to explain their corporate social responsibility strategy?

Yes	1
No	2

If yes how will it improve? _____

16. Are you of the opinion that to be socially responsible and co-operating with communities will improve the image of these mining companies?

Yes	1
No	2

If yes how will it improve? _____

17. Do you think political pressure plays a role in the mines compliance with the mining charter and in particular corporate social responsibility?

- | | |
|---------------------|---|
| To a Greater extent | 1 |
| Not at all | 2 |
| To a lesser extent | 3 |

18. What is your opinion question 17?

19. Would you like to take part in corporate social responsibility projects?

- | | |
|----------------|---|
| Definitely Yes | 1 |
| Maybe | 2 |
| Not at all | 3 |

What role would you play (explain)

20. Which of the following do you see as issues that mining companies must be involved with as part of social responsibility towards the community? (Choose only three)

1. Improvement of living standards
2. Bursaries
3. Housing
4. Sponsorships
5. Assisting NGO's
6. Skills development for the community
7. Assisting in community projects
8. Assisting the municipality with their Integrated Development Plan
9. Assisting on request

If none of the above or any additions please specify.

21. What is your overall comment about the mines corporate social responsibility?

SECTION C: - INFLUENCE OF CHANGE

22. What is your opinion about the political climate in the country?

23. What is your opinion about transformation in the country?

- | | |
|---------------------------|---|
| This is untimely | 1 |
| I am not interested | 2 |
| This should have happened | 3 |
| This was long overdue | 4 |
| This is acceptable | 5 |

24. How does your community experience the change in the country?

- | | |
|-----------------------|---|
| Highly acceptable | 1 |
| Acceptable | 2 |
| Unacceptable | 3 |
| Don't have any option | 4 |

25. Do you experience resistance against change in your community?

- | | |
|-----------------|---|
| Without a doubt | 1 |
| To some extent | 2 |
| Not at all | 3 |

26. Are you of the opinion that change is acceptable by the community?

- | | |
|-----------------|---|
| Without a doubt | 1 |
| To some extent | 2 |

Not at all 3

27. What is your opinion of Question 26?

28. Which of the following do you see as most important factors that could contribute to resistance of change (Choose three only)

Political climate	1
Economical conditions	2
Cultural differences	3
Personal fears	4
Organisational structures	5
Labour legislation	6
Traditional values	7
Managerial skills	8
Existing work climate	9

29. Why does your organisation transform?

Legislative requirements	1
Political pressure	2
Original image /publicity	3
Other (specify)	4

30. Does mining company communicate their transformation or change management strategy?

Yes	1
No	2

If not why not

31. If answered yes to question 30, do you concur with the way they implement transformation?

Yes	1
No	2

If not why not _____

32. What is your overall opinion of transformation?

SECTION D: Experience of the psychological contract

The purpose of this part is to establish your experience of expectations and obligations associated with social responsibility.

EMPLOYER OBLIGATIONS

Indicate if the following promises were made to you or your community by the mining organisation and in what way were they kept. Please make a visible and clear mark over your choice of rating, with a cross (x):

0 = No promise not kept at all	1 = Yes, promise only kept a little	2 = Yes, promise half kept	3 = Yes, promise largely kept	4 = Yes, promise fully kept
-----------------------------------	--	-------------------------------	----------------------------------	--------------------------------

- | | | | | | | | |
|----------|---|---|---|---|---|---|---|
| 1 | To assist you to develop and contribute to community development. | 0 | 1 | 2 | 3 | 4 | 5 |
| 2 | To have responsibility towards the community. | | | | | | |
| 3 | To assist the community when requested to do so. | | | | | | |
| 4 | Provision of housing units for employees or accommodation. | | | | | | |
| 5 | Provision of resources for the community. | | | | | | |
| 6 | Financial beneficiation for communities. | | | | | | |
| 7 | Assisting NGOs community projects. | | | | | | |
| 8 | Provision of funding for studies community members. | | | | | | |

	0 = No 1 = Yes, promise not kept at all	2 = Yes, promise only kept a little	3 = Yes, promise half kept	4 = Yes, promise largely kept	5 = Yes, promise fully kept
9	Provision of financial assistance for studies for employees.				
10	Setting up community development centres.				
11	The organisation will assist the Royal Bafokeng communities.				
12	To have influence on how things are done in my environment.				
13	To be able to give my opinion.				
14	To receive support and help to achieve the organisational goals on CSI.				
15	To have responsibility towards my community through the assistance of the organisation.				

Overall, how well has the organisation fulfilled its commitment?

COMMUNITY OBLIGATIONS

Indicate if the following promises were made to you or your community by the mining organisation and in what way were they kept. Please make a visible and clear mark over your choice of rating, with a cross (x):

0 = No promise not kept at all	1 = Yes, promise only kept a little	2 = Yes, promise only kept a little	3 = Yes, promise half kept	4 = Yes, promise largely kept	5 = Yes, promise fully kept
--------------------------------------	---	---	----------------------------------	-------------------------------------	-----------------------------------

1	Protect the organisation's image and contribution.	0	1	2	3	4	5
---	--	---	---	---	---	---	---

2 Deal honestly with the organisation.

3	Assist to foster good relations between the stakeholders.	0	1	2	3	4	5
---	---	---	---	---	---	---	---

4 Participate in social activities of the organisation.

5	Provide advice on matters relating to activities stakeholders engage in.	0	1	2	3	4	5
---	--	---	---	---	---	---	---

6 Follow the organisations norms and policies.

7	Assist the organization in fulfilling the organisation's CSI obligations.	0	1	2	3	4	5
---	---	---	---	---	---	---	---

8 Be a good team player.

9	Encourage social upliftment.	0	1	2	3	4	5
---	------------------------------	---	---	---	---	---	---

10 Provide good services.

		0	1	2	3	4	5
--	--	---	---	---	---	---	---

Overall, how well have the commitments being fulfilled?

		0	1	2	3	4	5
--	--	---	---	---	---	---	---

		0	1	2	3	4	5
--	--	---	---	---	---	---	---

SECTION E: GENERAL

Rate the following in terms of the scale below:

- 5. Definitely yes
- 4. Yes
- 3. Average
- 2. No
- 1. Definitely no

e.g.

		1	2	3	4	5
2	Do you know statutes		X			
		1	2	3	4	5
37	Do you think legislation is important					
38	Is Your personal goals determined by transformation					
39	Do you feel as part of S.A.'s future					
40	Are you concerned that Corporate Social Investment is not important					
41	Do you think mines don't have future					
42	Mines are only too concerned about profits					
43	Corporate Social Investment is just window dressing					
44	Transformation benefits contain people					

Rate the following in terms of terms of the scale below:

- 5. Very high
- 4. High
- 3. Average
- 2. Low
- 1. Extremely low

e.g.

		1	2	3	4	5
2	How do you rate our mines		X			
		1	2	3	4	5
45	How do you rate the application for Corporate Social Investment					
46	How do you rate your attitude towards Corporate Social Investment					
47	How do you rate your attitude towards transformation					
48	How do you rate the fairness of transformation					
49	How do you rate stakeholders involvement					
50	How do you rate the application of legislation by the various stakeholders					

QUESTIONNAIRE (COMPANY)

RESEARCHER : M.G. NKAGISANG (Ph.D)

RESEARCH QUESTIONNAIRE FOR DATA CATERING

Questionnaire number

INSTRUCTIONS:

- ❖ Answer all questions.
- ❖ Mark with a cross (x) and give your opinion where required
- ❖ All questions will be treated as private and confidential and will under no circumstances place your work or position in jeopardy.
- ❖ It is not necessary to write your name on this questionnaire.

SECTION A: BIOGRAPHICAL INFORMATION

1. What is your gender?

Female	1
Male	2

2. What is your race group?

African/Black	1
White	2
Indian	3
Coloured	4
Other(specify)	5

3. What is your age group?

50 + years	1
40 - 50	2
29 – 39	3
18 - 28	4
Less than 18 years.	5

4. What is your position in the company?

Executive Director : Operations	1
General Manager	2
Senior Manager	3
HR Manager	4
Mine Manager	5
Ops manager	6
Senior ops manager	7
Other (Specify)	8

5. Identify the section or department where you operate from?

Entire operation	1
Shaft	2
Plant	3
HR	4
Finance	5
Mining series	6
Material services	7
Other specify	8

6. How long have you been with the company?

More than 20 years	1
11- 19 years	2
5-10 years	3
Less than 5 years	4

7. What is your highest qualification?

Degree	1
Tertiary diploma	2
Grade 12/ Std 10	3
Grade 11/ Std 9 or lower	4
No formal education	5

8. In what salary category are you?

- | | |
|----------------------------|---|
| More than 30 000 per month | 1 |
| R15100 – R30 000 per month | 2 |
| R5100 – R 15 000 per month | 3 |
| R2600 – R5000 per month | 4 |
| Less than R2500 per month | 5 |
| I don't want to disclose | 6 |

9. Are you originally from Rustenburg?

Yes 1 No 2

If not, where are you originally from?

10. In which area of Rustenburg do you stay?

SECTION B: SOCIAL RESPONSIBILITY

11. Do you understand the concept of corporate social responsibility?

Yes	1
No	2

If answered yes give a brief description of your understanding.

If answered no, how would you go about familiarizing yourself with this concept?

12. In which of the following must your company be socially involved with? (Choose three in order of priority by writing 1 to most important choice, 2 to next important choice and 3 to third important choice)

1. Community involvement
2. Legislative compliance
3. Ethical justification
4. Provision of employment opportunities
5. Financial benefication
6. Creation of better image for the company
7. Effective use of resources
8. Assisting NGO on behalf of communities

13. Does your company make provision in its policies for the principles of being socially responsible towards the community/ employees?

- | | |
|----------------|---|
| Definitely yes | 1 |
| To some extent | 2 |
| Not at all | 3 |

14. Is your company complying with the principles of social responsibility for one of the following reasons? (You may choose two)

- | | |
|--|---|
| Legislative compliance in general | 1 |
| Forms part of the company culture | 2 |
| Beneficiation | 3 |
| Community involvement | 4 |
| The company is requested to do so | 5 |
| The company does not have other options but to do so | 6 |

15. Do you believe that your company fulfils its responsibilities towards corporate social investment?

- | | |
|----------------|---|
| Definitely yes | 1 |
| To some extent | 2 |
| Not at all | 3 |

16. What percentage of gross company income is used for social responsibility?

- | | |
|---------------|---|
| More than 10% | 1 |
| 9.1 % - 10% | 2 |
| 5.1% - 9% | 3 |
| 1.1% - 5% | 4 |
| Less than 1% | 5 |

17. Where do you think most money is spent in terms of social responsibility? (Rank the following from 1 – 3)
(Choose only three)

1. Assisting communities in labour sending areas
2. Assisting communities in North West but outside Rustenburg
3. Assisting communities in Rustenburg
4. Assisting the municipality as part of the integrated development plan
5. Assisting NGOs
6. Setting up community development centers
7. Assisting Royal Bafokeng Communities
8. Other (place specify)

18. What is your opinion on your company's corporate social responsibility strategy?

19. Are you of the opinion that to be socially responsible, your company can improve its image?

Definitely yes	1
To some extent	2
Not at all	3

20. Do you think political pressure plays a role in complying with the mining charter and in particular corporate social responsibility?

To a greater extent	1
Not at all	2
To a lesser extent	3

21. What is your opinion of question 20?

22. Do your employees take part in social responsibility projects of your company?

Never	1
Seldom	2
Occasionally	3
Always	4
They are never asked	5

23. Which of the following do you see as part of the social responsibility of your company towards its employees (Choose only three)

1. Housing
2. Improvement of living
3. Study bursaries for employees' dependants
4. Employment of disabled employees
5. Employee benefits
6. Education of employees
7. Assist communities where employees stay
8. Sport and recreation for employees
9. Other (specify)

24. Which of the following do you see as part of the social responsibility of your company towards the community? (Choose only three)

1. Improvement of living standards
2. Bursaries
3. Housing
4. Sponsorships
5. Assisting NGOs
6. Skills development for community
7. Assisting in community projects
8. Assisting the municipality with their integrated development plan
9. Assisting on request

If none of the above or any additions please specify.

25. Choose any four issues that you think hinders your social responsibility strategy? (Choose only three)

1. Insufficient communication between community and company
2. No benefits for the company from the government
3. The lack of capital
4. Lack of enough personnel to drive CSI
5. The lack of infrastructure
6. Not enough knowledge on social responsibility
7. Minimal knowledge by the community on social responsibility
8. Disintegrated plan between the municipality, the community and the companies
9. Other (specify)

SECTION C:-INFLUENCE CHANGE

26. What is your opinion about the political climate in the country?

27. What do you think about transformation in the country and in particular legislation regulating mining companies?

- | | |
|------------------------------|---|
| This is untimely | 1 |
| I am not interested | 2 |
| This shouldn't have happened | 3 |
| This was long overdue | 4 |
| This is acceptable | 5 |

28. How does your company experience the change in the country?

- | | |
|-----------------------|---|
| Highly acceptable | 1 |
| Acceptable | 2 |
| Unacceptable | 3 |
| Don't have any option | 4 |

29. Do you experience resistance against change in your company?

- Without a doubt 1
- To some extent 2
- Not at all 3

30. Are you of the opinion that change is acceptable to the employees?

- Without a doubt 1
- To some extent 2
- Not at all 3

31. Does your company encourage transformation?

- Yes 1
- No 2

32. Why does your organization transform?

- Legislative equipments 1
- Political pressure 2
- Organizational image / publicity 3
- Other (specify) 4

33. Does your company have a transformation or change management strate

- Yes 1
- No 2

If not, why not?

34. If answered yes to question 33, is your strategy driven by some form of legislation?

- Yes 1
- No 2

If yes, name the legislation or act

35. Is the company's transformation strategy aligned to the overall company strategy?

- | | |
|-----|---|
| Yes | 1 |
| No | 2 |

Explain in detail

36. How do you deal with pockets of personnel who subtly disregard transformation?

37. Does transformation or change form part of your Corporate Social Responsibility part?

- | | |
|-----|---|
| Yes | 1 |
| No | 2 |

38. What is your overall opinion of transformation?

SECTION D: Experience of the psychological contract

The purpose of this part is to establish your experience of expectations and obligations associated with social responsibility.

EMPLOYER OBLIGATIONS

Indicate if the following promises were made to you or your community by the mining organisation and in what way were they kept. Please make a visible and clear mark over your choice of rating, with a cross (x):

0 = No promise kept at all	1 = Yes, promise only kept a little	2 = Yes, promise half kept	3 = Yes, promise largely kept	4 = Yes, promise fully kept	5 = Yes, promise fully kept
----------------------------	-------------------------------------	----------------------------	-------------------------------	-----------------------------	-----------------------------

		0	1	2	3	4	5
1	To assist you to develop and contribute to community development.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	To have responsibility towards the community.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	To assist the community when requested to do so.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Provision of housing units for employees or accommodation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Provision of resources for the community.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Financial beneficiation for communities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Assisting NGOs community projects.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	Provision of funding for studies community members.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	Provision of financial assistance for studies for employees.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	Setting up community development centers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	The organisation will assist the Royal Bafokeng communities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	To have influence on how things are done in my environment.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	To be able to give my opinion.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14	To receive support and help to achieve the organisational goals on CSI.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15	To have responsibility towards my community through the assistance of the organisation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Overall, how well have the commitments being fulfilled?

COMMUNITY OBLIGATIONS

Indicate if the following promises were made to you or your community by the mining organisation and in what way were they kept. Please make a visible and clear mark over your choice of rating, with a cross (x):

0 = No	1 = Yes, promise not kept at all	2 = Yes, promise only kept a little	3 = Yes, promise half kept	4 = Yes, promise largely kept	5 = Yes, promise fully kept
--------	----------------------------------	-------------------------------------	----------------------------	-------------------------------	-----------------------------

0 1 2 3 4 5

1	Protect the organisation's image and contribution.						
---	--	--	--	--	--	--	--

2 Deal honestly with the organisation.

3	Assist to foster good relations between the stakeholders.						
---	---	--	--	--	--	--	--

4 Participate in social activities of the organisation.

5	Provide advice on matters relating to activities stakeholders engage in.						
---	--	--	--	--	--	--	--

6 Follow the organisations norms and policies.

7	Assist the organization in fulfilling the organisation's CSI obligations.						
---	---	--	--	--	--	--	--

8 Be a good team player.

9	Encourage social upliftment.						
---	------------------------------	--	--	--	--	--	--

10 Provide good services.

--	--	--	--	--	--	--	--

Overall, how well have the commitments being fulfilled?

--	--	--	--	--	--	--	--

--	--	--	--	--	--	--	--

SECTION D: GENERAL

Rate the following in terms of the scale below:

- 1. Definitely yes
- 4. Yes
- 3. Average
- 2. No
- 1. Definitely no.

e.g.

		1	2	3	4	5
2	Do you know statutes		X			
		1	2	3	4	5
37	Do you think legislation is important					
38	Is Your personal goals determined by transformation					
39	Do you feel as part of S.A.'s future					
40	Are you concerned that Corporate Social Investment. is not important					
41	Do you think mines don't have future					
42	Mines are only too concerned about profits					
43	Corporate Social Investment is just window dressing					
44	Transformation benefits contain people					

Rate the following in terms of terms of the scale below:

- 5. Very high
- 4. High
- 3. Average
- 2. Low
- 1. Extremely low

e.g.

		1	2	3	4	5
2	How do you rate our mines		X			
		1	2	3	4	5
45	How do you rate the application for Corporate Social Investment					
46	How do you rate your attitude towards Corporate Social Investment					
47	How do you rate your attitude towards transformation					
48	How do you rate the fairness of transformation					
49	How do you rate stakeholders involvement					
50	How do you rate the application of legislation by the various stakeholders					

QUESTIONNAIRE (MUNICIPALITY)

RESEARCHER: M.G. NKAGISANG (Ph.D.)

RESEARCH QUESTIONNAIRE FOR DATA CATERING

Questionnaire number

INSTRUCTIONS:-

- ❖ Answer all questions
- ❖ Mark with a cross (x) and give your opinion where required.
- ❖ All questions will be treated as private and confidential and will under no circumstances place your work or position in danger.
- ❖ It is not necessary to write your name on this questionnaire.

SECTION A: BIOGRAPHICAL INFORMATION

2. What is your gender?

- | | |
|--------|---|
| Female | 1 |
| Male | 2 |

3. What is your race group?

- | | |
|-----------------|---|
| African / Black | 1 |
| White | 2 |
| Indian | 3 |
| Coloured | 4 |
| Other (Specify) | 5 |

4. What is your age group?

50 + years	1
40 - 50	2
29 – 39	3
18 - 28	4
Less than 18 years.	5

5. What is your position in the organisation?

5. Identify the section or department where you operate from e.g finance (Bojanala municipality)

6. How long have you been with the company?

More than 20 Years	1
11- 19 years	2
5- 10 years	3
Less than 5 years	4

7. What is your highest qualification?

Degree	1
Tertiary Diploma	2
Grade 12 / Std 10	3
Grade 11/ Std 9 or lower	4
No formal education	5

8. In what salary category are you?

More than R30 000 per month	1
R15100 – R30 000 per month	2
R5100 – R15 000 per month	3
R2600 – R5000 per month	4
Less than R2600 per month	5
I don't want to disclose.	6

SECTION B: SOCIAL RESPONSIBILITY

9. Do you understand the concept of corporate social responsibility?

- | | |
|-----|---|
| Yes | 1 |
| No | 2 |

If answered yes give a brief description of your understanding.

If answered no, how would you go about familiarising yourself with this concept?

10. In which of the following do you think mining companies must be socially involved with?

(Choose three in order of priority by writing 1 to most important choice, 2 to next important choice and 3 to third important choice)

1. Community involvement
2. Legislative Compliance
3. Ethical Justification
4. Provision of employment opportunities
5. Financial beneficiation
6. Creation of better image for the company
7. Effective use of resources
8. Assisting NGO's on behalf of communities

11. Does your organisation ensure that the partnerships and /or regulatory mechanisms with the mining companies are in line with the principles of corporate social responsibility?

- | | |
|-------------------------------|---|
| Definitely Yes | 1 |
| To some extent | 2 |
| Not at all | 3 |
| If not at all explain why not | 4 |

12. In your opinion what do you think are the mining companies reasons to comply with the principles of social responsibility: (You may choose two)

1. Legislative compliance in general
2. Forms part of the company culture
3. Beneficiation
4. Community involvement
5. The company does not have other options but to do so
6. The company does not have other options but to do so

13. Do you believe that the mining companies in the Rustenburg area fulfil their corporate social responsibility mandate?

- | | |
|-----|---|
| Yes | 1 |
| No | 2 |

If Yes substantiate and if no why not

14. What in your opinion is an acceptable percentage expenditure of the mining companies' gross income on social development?

- | | |
|---------------|---|
| More Than 10% | 1 |
| 9.1% - 10% | 2 |
| 5.1% - 9% | 3 |
| 1.1% - 5% | 4 |
| Less than 1% | 5 |

15. Where do you think most money should be spent by mining companies in terms of their social responsibility? (Choose only three)[Rank your answers from 1-3]

1. Assisting communities in labour sending areas
2. Assisting communities in NW but outside Rustenburg
3. Assisting communities in Rustenburg
4. Assisting the municipality as part of the integrated development plan
5. Assisting the NGO's
6. Setting up community development centres
7. Assisting the Royal Bafokeng Communities
8. Provision of Bursaries
9. Assisting when requested

10. Other (Specify)

16. Do you think the mine's corporate social responsibility is showing some reasonable impact in the community?

Yes	1
No	2

If yes name a few examples

If not why not

17. As the department / municipality what is your opinion of corporate strategy in working and assisting the community?

18. Are you of the opinion that to be socially responsible and co-operating with communities will improve the image of these mining companies?

Yes	1
No	2

If yes how will it improve?

19. Do you think political pressure plays a role in complying with the mining charter and in particular corporate social responsibility?

To greater extent	1
Not at all	2
To a lesser extent	3

20. What is your opinion of question 19?

21. Would you like to take part in corporate social responsibility projects?

- | | |
|----------------|---|
| Definitely Yes | 1 |
| Maybe | 2 |
| Not at all | 3 |

What role would you play (explain)

22. Which of the following do you see as issues that mining companies must be involved with as part of the social responsibility towards the community? (Choose only three)

1. Improvement of living standards
2. Bursaries
3. Housing
4. Sponsorships
5. Assisting NGO's
6. Skills development for the community
7. Assisting in community projects
8. Assist the municipality with their integrated development plan
9. Assisting on request

If none of the above or any additions please specify.

23. What is your overall comment about the mines corporate social responsibility?

SECTION C : - INFLUENCE OF CHANGE

24. What is your opinion about the political climate in the country?

25. What do you think the transformation in the country and in particular legislation regulating mining companies? (Choose only one)

- | | |
|------------------------------|---|
| This is untimely | 1 |
| I am not interested | 2 |
| This shouldn't have happened | 3 |
| This was long overdue | 4 |
| This is acceptable | 5 |

26. How does your organisation experience the change in the country?

- | | |
|-----------------------|---|
| Highly acceptable | 1 |
| Acceptable | 2 |
| Unacceptable | 3 |
| Don't have any option | 4 |

27. Do you experience resistance against change in your community?

- | | |
|-----------------|---|
| Without a doubt | 1 |
| To some extent | 2 |
| Not at all | 3 |

28. Are you of the opinion that change is acceptable by the organisation?

- | | |
|-----------------|---|
| Without a doubt | 1 |
| To some extent | 2 |
| Not at all | 3 |

29. Which of the following do you see as most important factors that could contribute to resistance of change (Choose three only)

- | | |
|---------------------------|---|
| Political climate | 1 |
| Economical conditions | 2 |
| Cultural differences | 3 |
| Personal fears | 4 |
| Organisational structures | 5 |
| Labour legislation | 6 |
| Traditional values | 7 |
| Managerial skills | 8 |
| Existing work climate | 9 |

30. Why does your organisation transform? (Choose one)

- | | |
|-----------------------------|---|
| Legislative requirements | 1 |
| Political pressure | 2 |
| Organisational public image | 3 |
| Other (specify) | 4 |

31. Does your company leave a transformation or change management strategy?

- | | |
|-----|---|
| Yes | 1 |
| No | 2 |

If not why not _____

32. If answered yes to question 31, is your strategy driven by some form of legislation.

- | | |
|-----|---|
| Yes | 1 |
| No | 2 |

If yes name the legislation or act _____

33. Is the company transformation strategy aligned to the overall company strategy?

Yes	1
No	2

Explain in detail _____

34. How do you deal with pockets of personnel who subtly disregard transformation?

35. Does transformation or change form part of your corporate social responsibility report?

36. What is your overall opinion of transformation?

Yes	1
No	2

SECTION D: Experience of the psychological contract

The purpose of this part is to establish your experience of expectations and obligations associated with social responsibility.

EMPLOYER OBLIGATIONS

Indicate if the following promises were made to you or your community by the mining organisation and in what way were they kept. Please make a visible and clear mark over your choice of rating, with a cross (x):

0 = No promise kept at all	1 = Yes, promise only kept a little	2 = Yes, promise half kept	3 = Yes, promise largely kept	4 = Yes, promise fully kept	5 = Yes, promise fully kept
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		0	1	2	3	4	5
1	To assist you to develop and contribute to community development.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	To have responsibility towards the community.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	To assist the community when requested to do so.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Provision of housing units for employees or accommodation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Provision of resources for the community.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Financial beneficiation for communities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Assisting NGOs community projects.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	Provision of funding for studies community members.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	Provision of financial assistance for studies for employees.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	Setting up community development centres.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	The organisation will assist the Royal Bafokeng communities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	To have influence on how things are done in my environment.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	To be able to give my opinion.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14	To receive support and help to achieve the organisational goals on CSI.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15	To have responsibility towards my community through the assistance of the organisation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Overall, how well has the organisation fulfilled its commitment?

COMMUNITY OBLIGATIONS

Indicate if the following promises were made to you or your community by the mining organisation and in what way were they kept. Please make a visible and clear mark over your choice of rating, with a cross (x):

0 = No	1 = Yes, promise not kept at all	2 = Yes, promise only kept a little	3 = Yes, promise half kept	4 = Yes, promise largely kept	5 = Yes, promise fully kept
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0 1 2 3 4 5

1	Protect the organisation's image and contribution.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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2 Deal honestly with the organisation.

3	Assist to foster good relations between the stakeholders.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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4 Participate in social activities of the organisation.

5	Provide advice on matters relating to activities stakeholders engage in.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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6 Follow the organisations norms and policies.

7	Assist the organization in fulfilling the organisation's CSI obligations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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8 Be a good team player.

9	Encourage social upliftment.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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10 Provide good services.

11		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Overall, how well has the organisation fulfilled its commitment?

12		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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13		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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14		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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SECTION E: GENERAL

Rate the following in terms of the scale below:

- 6. Definitely yes
- 4. Yes
- 3. Average
- 2. No
- 1. Definitely no.

e.g.

		1	2	3	4	5
2	Do you know statutes		X			
		1	2	3	4	5
37	Do you think legislation is important					
38	Is Your personal goals determined by transformation					
39	Do you feel as part of S.A.'s future					
40	Are you concerned that Corporate Social Investment is not important					
41	Do you think mines don't have future					
42	Mines are only too concerned about profits					
43	C.S.I is just window dressing					
44	Transformation benefits contain people					

Rate the following in terms of terms of the scale below:

- 5. Very high
- 4. High
- 3. Average
- 2. Low
- 1. Extremely low

e.g.

		1	2	3	4	5
2	How do you rate our mines		X			
		1	2	3	4	5
45	How do you rate the application for Corporate Social Investment					
46	How do you rate your attitude towards Corporate Social Investment					
47	How do you rate your attitude towards transformation					
48	How do you rate the fairness of transformation					
49	How do you rate stakeholders involvement					
50	How do you rate the application of legislation by the various stakeholders					