

**A study to determine to what extent companies in  
South Africa are prepared to use Corporate Social  
Responsibility as a developmental tool to alleviate  
poverty**

by

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## **Declaration**

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## ABSTRACT

The negative impact of poverty on development and security in South Africa has been exacerbated by high food prices. However, high food prices have also had a positive effect in that it galvanised civil society into coalescing and finally playing an activist role. Looking at the development of corporate social responsibility and how it was shaped by external influences exerted on it by society, the thesis argues that high food prices might be one of those triggers that might change the implementation of corporate social responsibility from that as a business tool to one that is more developmental in its intent. This argument is one that has been proposed by developmental theorists, but has been resisted by companies for various reasons herein discussed. In the same way that corporate social responsibility is shaped by external factors, development is also determined by the macro (economic) policies and state capacity in which the company operates. State incapacity has led the citizens looking at companies increasingly to fulfil a more developmental role. In this regard there are problems attendant to the private sector assuming the responsibilities of the state and the thesis argues that the private sector should rather play a complementary role to development interventions of government.

The combination of the factors highlighted above has led to increased pressure on the private sector to play a more developmental role, and there appears to be a degree of acknowledgment from the private sector. This thesis looks critically at some approaches to corporate social responsibility and uses one particular company to illustrate, not only some of the critical factors of successful engagement with development through CSR, such as leadership and context specific interventions, but also to show that development and, particularly, poverty alleviation is compatible with running a profitable organisation.

## OPSOMMING

Die negatiewe impak van armoede op ontwikkeling en veiligheid in Suid-Afrika is vererger deur hoë kospryse. Hoë kospryse het egter ook 'n positiewe uitwerking aangesien dit die burgerlike samelewing aangespoor het om saam te span en die rol van aktiwis te speel. Die skripsie argumenteer, dat gegewe die rol wat eksterne faktore komende van die samelewing gespeel het in die ontwikkeling van korporatiewe sosiale verantwoordelikheid (KSV), dat hoë kospryse moontlik 'n deurslaggewende faktor mag wees wat daartoe kan lei dat die toepassing van KSV mag omskep van 'n besigheidsinstrument na 'n instrument, wat ontwikkeling nastreef. Voorstanders van ontwikkeling, agiteer al 'n geruime tyd vir sodanige toepassing, maar tot tot op hede het maatskappy dit om verskeie redes teengestaan. Net soos KSV gevorm is deur eksterne faktore, so ook speel die makro (ekonomiese) omgewing en die kapasiteit van die staat 'n beduidende rol om die omvang van ontwikkeling te bepaal. Veral die gebrek aan kapasiteit, het daartoe gelei dat burgers toenemend van maatskappye verwag om die baadjie van ontwikkeling aan te trek. Daar is probleme daaraan verbonde en die skripsie argumenteer dat die private sektor eerder aanvullend en komplimentêr tot die staat in ontwikkeling betrokke moet raak.

Die kombinasie van die voorafgaande faktore, het daartoe gelei dat die druk op die private sektor om 'n groter rol in ontwikkeling te speel, toegeneem het. In hierdie opsig blyk dit asof die private sektor tot 'n mate erkenning verleen aan hierdie verwagting. Die skripsie kyk krities na sommige van die maniere waarop KSV implementeer word, en gebruik dat 'n gevallestudie van 'n spesifieke maatskappy om die kritiese sukses faktore uit te lig wat nodig is vir die suksesvolle toepassing van KSV as 'n instrument om ontwikkeling te bevorder. Sodanige faktore sluit in leierskap, en konteks gedrewe ingrepe. Terselfdertyd, toon die gevallestudie aan dat dit moontlik is om 'n maatskappy winsgewend te bedryf, en terselfdertyd 'n bydrae te maak aan ontwikkeling en armoede verligting.

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We must address the issues of poverty, want, deprivation and inequality in accordance with international standards which recognise the indivisibility of human rights. The right to vote, without food, shelter and health care will create the appearance of equality and justice, while actual inequality is entrenched. We do not want freedom without bread, nor do we want bread without freedom. We must provide for all the fundamental rights and freedoms associated with a democratic society (Mandela, 1993).

## 1. INTRODUCTION

Can corporate social responsibility (CSR) in its existing guise or format play a developmental role in poverty alleviation? What are the constraints militating against CSR fulfilling such a role; can they be overcome, and if so, by which means? Would it require legislation or can one argue that, as in the past, a severe shock or pressure from civil society might or will trigger companies to rethink their contribution to society? What is the divide that companies will have to cross if they want to change from the model of CSR as a business tool to a developmental one? These are some of the questions this thesis attempts to address. To set the context:

Corporate social responsibility (CSR) as a business tool is distinct from CSR as a development tool. CSR emerged among leading firms and business schools as a public relations tool, a way to deflect criticism, engage critics and potentially capitalise on emerging business opportunities associated with doing and seeing to be doing good. This is a far cry, however, from constructing corporate strategies that are aligned with the pressing need to tackle poverty and social exclusion across the majority of the world (Newell and Frynas, 2007:670).

The question of

...whether CSR can play the significant role in poverty reduction in developing countries is only the latest manifestation of a longstanding debate [which] has ebbed and flowed, through periods when corporations extend their control and periods in which society attempts to regulate the growth of corporate power and corporations attempt to re-establish their legitimacy in the face of public criticism (Jenkins, 2005: 526. 527).



The state of the debate at present, for example, is driven by the 'rise in corporate power and influence at the cost of governments' and the impact thereof on development and poverty alleviation in particular' (Crane and Matten (2004: 57). Singh (2003: 50) refers to 'a new agenda for corporate social responsibility [that] must include the issues of poverty reduction and the informal sector'.

CSR or in its new guise of corporate citizenship (CC) implies a 'civic duty to [address] issues that have a dramatic impact on the future of the world, [such] as poverty and access to food', has always been the product of the dynamic interaction between the world of business and the larger environment that it operates in (Schwab, 2008: 112). Frankental (2001: 20) traces the root of CSR to the Victorian era when it manifested itself in 'paternalistic gestures to consolidate company relationships with particular communities'.

Kolk and Van Tulder (2006:789) resonate with this view, pointing to the extent to which companies are prepared to engage in corporate social initiatives is determined by 'pressure from civil societies' that dictates the minimum level of CSR that a company might engage in. Dunning (2003: 42) refers to 'triggers' that 'lead to the upgrading of CSR', and identifies 'regulatory compliance/incentives, market signals, reputation/status pull, societal ethics', and of particular interest to this study, 'shocks and crisis'. More pointedly, given the current meltdown of financial institutions, is Jenkins's (2005: 526) reference to the impact the Great Depression of 1930 had on the development of CSR.

Webster (2007: 265 - 268) cites 'social pressures on the triple-bottom-line, multinational bargaining, codes of conduct and ethical trading and consumption' as 'some of the pressures' that have precipitated a 'new discourse on the need for greater corporate social and environmental responsibility' (CSER). This thesis argues that the confluence of poverty and the food crisis adds another trigger, namely pressure from civil society. Hopefully, it will lead in the context of CSR to a 'deepening engagement of business' with society' (Schwab, 2008: 110).

The question though pertains to the nature of the engagement echoing the blithe tone of Antonio Vivos of the Inter-American Bank:

CSR by its very nature is development done by the private sector, and it perfectly complements the development efforts of governments and multilateral development institutions (cited in Jenkins, 2005: 524).

However, there is no consensus on the substance and purpose of this synergy. A cursory glance at the title of this thesis implicitly highlights the problematic role envisaged for companies, i.e. what is 'development', and how does one define 'poverty'?

CSR is equally problematic and is described as 'a revolving concept', a 'vague and intangible term, which can mean anything to anybody, and therefore is effectively without meaning' (Frankental 2001:20), a 'concept shrouded in controversy' (Idemudia, 2008:91) and a 'slippery concept' (Hamann, 2006: 178). According to Standing (2003: 52), it is 'dangerously public-relations-orientated'. The problematic nature of CSR is further compounded by the vagueness that afflicts it due to the combined effect of its 'complexity' and the 'absence of consensual definitions of [both] CSR and development' (Idemudia, 2008: 94).

Consequently, this thesis commences with a brief look at the triumvirate – development, poverty and CSR (in Chapter 2), before proceeding (in Chapter 3) by looking at the way CSR is developing, not only in South Africa, but also globally. The purpose of the review is to contextualise the development of CSR, spotlighting the dynamic interaction between companies and society that condition CSR environmental adaptation.

The literature study deals extensively with the (compelling) arguments, calling for a developmental role for companies. Consequently, specific attention is devoted to certain key developmental texts that investigate the 'relationship between CSR and development' in the overriding context of the 'relationship between business and society' (Idemudia, 2008:91). 'Companies' interests are not always at odds with those of development' (Blowfield. 2003: 518). CSR in this context can play a critical role to 'help companies redefine the meaning of food business practice in the interest of the poor and marginalized' on the one hand, and on the other hand, it can assist 'development practitioners manage the possibilities and consequences of global capitalism for poor countries more effectively'.

The theory that CSR developed and was triggered by 'pressure from civil society' and 'shocks and crisis' is discussed in Chapter 4 in the context of the contemporary crisis of rapidly rising food prices. Invoking Unger (2006), 'the basic rhythm of modern societies has been transformation with slaughter and peace with stupefaction'. It is for this reason that the world has developed a 'dependence on crisis [in order to effect] change'. Arguably, the escalation of food prices, especially against the background of pervasive poverty, presents the world, and particularly the Government of South Africa, with a crisis. This begs the question: are we looking at possible deliverance by companies or disaster?

Chapter 5 focuses on the constraints militating against a proactive/developmental role for companies. Constraints highlighted include company resistance flowing directly from the perception of its primary function, reinforced by the dearth of conclusive proof of the link between CSR interventions and (broader/wider) developmental goals. Specific challenges for CSR in the South African context are discussed, ranging from poverty and macroeconomic policy to state capacity or incapacity. State capacity is referenced to its primary role of driving development and its role as enabler.

It is proposed that the inability of governments to address these issues successfully without private sector assistance, lends new urgency to CSR and its implementation. The food crisis discussed in Chapter 6 also lends fresh impetus to the plea from especially the developmental theorists that CSR has to change to encompass 'development', in general, and poverty alleviation in particular (Kolk and Van Tulder, 2006).

This thesis is methodologically qualitative, profiled through a case study of a food retailer (Pick 'n Pay). Mouton (2001: 161) describes this approach as one involving

... the use of predominately qualitative research methods to describe and evaluate the performance of programmes in their natural settings, focusing on the process of implementation rather than (quantifiable) outcomes.

The purpose of the case study<sup>1</sup>, as derived from Mouton (2001: 150), is inter alia to test the expectation implicit in the thesis topic and evaluate the CSR interventions of Pick 'n Pay. It further serves as an examination of the practical implementation/outcomes of CSR in a sector that absorbs a disproportionate percentage of the disposable income of the poor. The case study is located in 'contextual constructivism' frame (Bloor, 1007: 235), amplifying the limits and constraints of positivist/normative approaches that are devoid of engagement with the conflicts and ambiguities of real social life. Rather than fixing the future that is guided by precedents and grand ideas, the research method subscribed to herein locates CSR policy and implementation in the 'intricate web of social relations, power dynamics and organizational culture interacting within constant socioeconomic realities, rather than driven [primarily] by policy [and ideal]' (Rajak, 2006: 192).

The research imagination inspired by contextual constructivism may not sit easily with those enslaved by mainstream approaches to CSR with its constraints as identified by those writing from a developmental (political economy) perspective; i.e. the inability of the former to coherently problematise poverty, inequality and power. Conversely, the latter stands accused of being unable to articulate practical and feasible interventions within real world constraints. Cognisant of these limitations, the thesis mines both schools with the view to surfacing convergences in seemingly disparate discourses. With poverty alleviation and inclusive growth increasingly coming to dominate public policy, both schools are reaching out to each other, coalescing around the most fundamental questions of politics and business of the belly. The point of entry into the belly is multiple, and our negotiation of the topic will no doubt expose us to the criticism of neglecting to engage with nuances and subtleties of either or both schools. In reply we can only but retort that the intention is to provoke debate in a way that pushes the boundaries and unsettles comfort zones of both schools.

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<sup>1</sup> It behoves at the outset to underscore that the deployment and presentation of the case study follows a slightly unconventional route, in that the text intertwines direct quotations of Ackerman, supplemented by footnotes to avoid detracting from the flow of the logic, with an abbreviated case study in Chapter 7.

This is due to the provisional and not entirely systematic nature of Pick 'n Pay's engagement with dilemmas and debates associated with the contemporary rethinking and recasting of CSR in very fluid times. In short, Pick 'n Pay not only taps into the conventional notions of CSR (the business case), but also tries to push the boundaries in what 'appears' to be an attempt to engage with a developmental role in poverty alleviation (the emerging citizenship and activist approaches). Highlighted as well is the pivotal role played by the declared philosophy of Raymond Ackerman (Ackerman), the founder and now chairman of Pick 'n Pay, in trying to address larger social issues.

With this backdrop, the CSR interventions that Pick 'n Pay has engaged with historically, as well as their response to (the crisis of) high food prices is investigated, to measure their approach to CSR constitutes a new developmental model/partnership with society and government, or whether it is merely pushing at the boundaries of convention. Potential (additional CSR) interventions, garnered from the literature, are subsequently suggested.

The fact that Pick 'n Pay, as Fig (2007: 182) points out, is one of the few listed food companies that has a prominent CSR profile, renders it a suitable choice for a case study. The case study amplifies the critical approach to CSR as lifted from the literature and the envisaged developmental role as proposed by some development theorists, in the context of company responses to the challenges presented by poverty and the rise in food prices in particular. The objective then is to elaborate and/or tease out the mutual dependency of state and private sector developmentalism, i.e. they rise and fall together. In short, this thesis highlights the not only different, but also supportive and changing roles in contemporary commerce between business and the state with reference to the issues relating to development, and in the instance of this study, poverty alleviation.

The conclusion identifies some areas of possible future research, as well as a few of the key constraints that militate against companies embracing a more developmental

role. Prior to any meaningful discussion of these interrelated matters, we will grapple with the highly contested concepts of CSR, poverty and development.<sup>2</sup>

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<sup>2</sup> Although the writer where possible refers to CSR, other terminology is employed by some writers such as corporate citizenship and corporate social investment. Moreover, Utting (2007b: vi), in this regard, writes that CSR is frequently 'used interchangeably with notions of corporate citizenship'.

## 2. DECONSTRUCTING THE BUZZWORDS AND FUZZWORDS<sup>3</sup>

Ongoing discussions and debates on CSR, poverty and development, raise awareness that their content might depend, amongst others on whether you are listening to a state official, a development theorist or a chief executive officer (CEO). They are, accordingly, in the words of W. B. Gallie (1956), 'essentially contested concepts...that combine general agreement on the abstract notion that they represent with endless disagreement about what they might mean in practice' (cited in Cornwall, 2007: 472).

### 2.1 POVERTY

Poverty is of the three concepts, herein discussed,

...perhaps the most compelling in its normative appeal; as John Toye notes, the 'idea that *poverty reduction* itself has a luminous obviousness to it, defying mere mortals to challenge its status as a moral imperative' (Cornwall, 2007:472, original emphasis).

This 'obviousness' however obfuscates the lack of consensus about the definition and measurement of poverty, leave alone tackling it. Given this lack of consensus, it becomes very difficult to 'determine' with any clarity what companies can or should do to alleviate poverty. Although it is tempting to think of 'poverty [as no] more than lack of income; there are often multiple forms of deprivation and social exclusion at work' (Newell and Frynas, 2007: 673).

Warnholz (2007:14) agrees that 'definitions of poverty are wide ranging', but cites Mohammed Yunus of the Grameen Bank, who cautions against 'overly broad definitions of the poor' and argues, in support of the above writers, that poverty alleviation efforts will not have any effect unless the cloud of 'conceptual vagueness' is cleared.

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<sup>3</sup> Phrase borrowed from Cornwall (2007).

It is thus unfortunate, as Bisseker (2008: 50) alerts, 'that South Africa has never had an official definition of poverty, nor a consistent national measure'. This has led to researchers relying on 'their own personal assumptions, leading to contradictory conclusions'. Although Stats SA's decision to determine a poverty line does not appear contentious at the outset<sup>4</sup>, an argument soon ensued pertaining to definition. Those opposing the setting of a poverty line argued that it 'reduced [poverty] to a technical exercise and number crunching' without taking into account 'what kind of amenities a person needs to live with dignity'. On the other hand, treasury defends a poverty line definition on the basis that it is only 'one of many important indicators of poverty, and in that measuring poverty levels, it is important not to have one but several ones' that can guide policy. The result of the foregoing at this stage seems to be inconclusive and poverty in a South African context (as yet) remains undefined.

Given the 'overwhelming evidence to suggest that income poverty, inequality and poverty in South Africa has increased since 1995'<sup>5</sup> and (in view of the fact) that it is also the 'focus of the United Nations (UN) Millennium Goals', this will be the definition of poverty used in this thesis (Bhorat and Khanbur, 2006: 4). **Get definition**

Irrespective how one defines the term, 'poverty [remains] a messy, complicated, embarrassing social problem' that impacts on everyone, not only the poor (Boyle and Boguslaw, 2007: 101). The threat that poverty poses for the security of any country, renders the alleviation thereof a 'major objective, [not only] of national governments, [but also] international organisations, non-governmental organisations and local communities' (Ite, 2005: 913).

Distressingly, poverty alleviation has proven very resistant to 'traditional efforts' to address it, accounting partly for the reluctance of companies to play a more active role in its alleviation. This however seems to be changing as companies are beginning to realize the impact of poverty not only on 'economic success', but also on societal 'goals such as peace and sustainability' (Boyle and Boguslaw, 2007: 101, 102). This has led to companies 'increasingly [using] CSR to establish a framework

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<sup>4</sup> Albeit one that resulted in '53% of South Africa's population falling below it in 2000 (Bisseker, 2008).

<sup>5</sup> Using a 'poverty line of £2 a day' (Kanbur, 2004: 2)



for broader private sector involvement in poverty alleviation [and a] strong advocacy' is developing driven by 'global leaders and other organisations' that companies should be at the forefront of poverty alleviation, 'especially in developing countries' (Ite, 2005: 913-914).

Unfortunately, and addressed at length in Chapter 5,

...there has been limited business involvement in the debate due to the lack of clarity regarding the role of business, and the absence of detailed and explicit exploration of the links between poverty and business at the level of the individual firm, or of the role that individual business can play in poverty reduction (Ite, 2005: 913-914).

Whether CSR, that 'can be anything you want it to be', is up to the task is another matter (Newell and Frynas, 2007: 673).

## **2.2 CORPORATE SOCIAL RESPONSIBILITY**

At the outset, a few institutional definitions serve to clarify CSR's ambiguity. The World Business Council for Sustainable Development defines CSR as the 'continuing commitment by business to behave ethically and contribute to economic development, while improving the quality of life of the workforce and their families as well as of the local communities and the society at large' (Chonca, 2007:23). The European Commission defines CSR as 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis'<sup>6</sup> (Newell and Frynas, 2007: 673).

In the South African context, perhaps the best know definition is that of the King 2 Report (King Report on Corporate Governance for South Africa, 2002) that states

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<sup>6</sup> Commission of the European Communities. 2001. Promoting a European Framework for Corporate Social Responsibility. *Green Paper*, European Commission, Brussels.

...business decision making linked to ethical values, compliance with legal requirements and respect for people, communities and the environment proved by a comprehensive set of policies, practices and programmes that are integrated throughout business operations and decision making processes that are supported and rewarded by top management.

One should not, though, be misled by these seemingly neat and concise definitions; CSR is a house with many rooms. Schwab (2008: 107) points out that CSR encompasses 'a host of concepts and practices', ranging from 'corporate governance structures to philanthropy'. The usage of the 'single term "corporate social responsibility"' does not acknowledge the complexity of the concept, resulting in 'a great deal of confusion' (Ibid).

In view of this state of confusion, Schwab (2008:108) views CSR mostly as compliance by companies, as 'meeting or exceeding what is required' and not harmful to anyone because it follows the 'rules'. In essence, it is self regulatory.<sup>7</sup> He does concede though, that there is room for the possibility that a company might act more proactively by 'even doing good by going beyond the mandated minimum'.

Utting (2007b: vi) agrees with Schwab that CSR lends itself to a multitude of interpretations. However, he sees a much more extended role for it:

[CSR] is often defined in very broad terms,...the ethical behaviour of a company toward society, greater responsiveness on the part of owners and managers to the concerns of a company's stakeholders, or voluntary initiatives that go beyond philanthropy and the minimum standards set by law, [such] as initiatives associated with occupational health and safety, education and training,<sup>8</sup> labour and other human rights, anti-corruption and environmental management, as well as company support for community

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<sup>7</sup> 'Corporate governance is how a company behaves when no one is looking' (Schwab, 2008).

<sup>8</sup> Pick 'n Pay started a 'countrywide literacy and numeracy programme' after management found out that 'more than 40% of their employees were either functionally or totally illiterate' (Prichard, 2001:318). In this regard, Pick 'n Pay follows the trend. Friedman et al (2008:194) points out that 'education has tended to take the biggest slice of [CSI]'.

development projects. [However, CSR] is also associated with new management tools and institutions, such as codes of conduct, reputation management, socially responsible investment, life cycle analysis, product stewardship, triple-bottom line reporting on social, environmental and financial performance, stakeholders dialogues, and public-private partnerships.

Rogregger (2006: 1) points out that CSR can refer to both the 'relationship between business and society' and the 'role the firm plays in a society that lie beyond the mere economic aspect'.

Hamann (2006: 177-178) also highlights the multiple guises of Corporate Citizenship (CC) and its use as an analytical tool that attempts to 'prove a relationship between a company's social performance and its financial performance'. Additionally, its 'normative injunction' is propagated by codes such as the 'Global Compact and much of the grey literature [which] claim that business should act responsibly and contribute to development'. It is also a 'management doctrine' which manifests itself in initiatives such as the 'Global Reporting Initiative' [and] 'International Organization of Standardization'. Finally, it is used as an 'object of critique'. In the first instance, 'it gets into the way of what business should be doing'<sup>9</sup>; secondly, that 'the CSR discourse amounts to an attempt by business to legitimize its hegemonic position and to pre-empt more radical changes to the system, in particular in the form of stricter government legislation'.<sup>10</sup>

The second argument is also the stance of Davison (2004: 2) who argues that CSR is essentially a cynical initiative of companies, enabling them to

...block attempts to establish the mandatory international regulation of companies' activities. Its basic argument is that CSR shows how committed companies already are to behaving responsibly and that introducing

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<sup>9</sup> This aspect is addressed in Chapter 4.

<sup>10</sup> Utting (2005b:15) points out the 'business often oppose multi-stakeholder initiatives, arguing that self-regulation is sufficient to meet the challenge of improving company social and environmental performance'. He refers specifically to the WSSD in Johannesburg 'when business rallied against certain proposals for "corporate responsibility" arguing that their involvement in company reporting and public-private partnerships obviated the need for harder regulatory action'.

mandatory regulation would destroy this good will. Business leaders are also constantly saying that regulation is bad for their profits.

According to Jonker and Marberg (2007:1), the 'dialogue' that has evolved around the role of companies in society has developed is rooted in the realisation that due to a 'variety of sustainability issues, be it social or environmental', companies are becoming increasingly intertwined with their 'constituencies and the environment'. They argue that 'real proponents of CSR' are not content to merely talk about it - they 'are seeking a fundamental shift in the way businesses do business'. In contrast to the traditional view held by Milton Friedman<sup>11</sup>, 'profit seeking generating profit', such a shift would entail not one of 'harming stakeholders', but a proactive role not limited to the wellbeing of the employees of a company; i.e. it extends to the 'communities in which they operate'.

This proposed fundamental shift, however, ignores the 'lack of consensus between company lawyers and corporate theorists' or, differently worded, 'between those who defend a corporate decision rule of "profit maximisation within the law" (Parkinson, 2003: 24), and those who argue that companies owe a broader set of responsibilities', which could lead to the interests of shareholders being compromised.<sup>12</sup>

Jonker and Marberg (2007: 107-108) builds on this theme, highlighting the 'different vocabularies [<sup>13</sup>] [that] academia, business and government use when discussing the content and objective of CSR, or as they refer to it, 'the idea' of CSR, as 'one of the primary reasons for the conceptual vagueness of CSR'. According to them, a power struggle has emerged, particularly between 'academia and business' wherein both

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<sup>11</sup> Milton Friedman's view will be discussed in more detail in Chapter 5 pertaining to the constraints that militates against a developmental role for CSR.

<sup>12</sup> In this regard, the following anecdote about Ackerman, Chairman of Pick 'n Pay, who quite clearly subscribes to the second view, is very apposite. When asked by the *Financial Week* about whether 'he had the right to donate R1 million from the point of shareholders'; he responded: I absolutely did and was happy to be challenged on the point because social peace was so critical in South Africa' (cited in Prichard, 2001:192).

<sup>13</sup> This aspect will be dealt with in more depth in Chapter 3.

are 'trying to convince others that its version of CSR is best for society'. However, what is very important to note is that these 'conflicting opinions' is a product of the

...lens through which these actors view the world and the philosophy that shapes their judgements, beliefs and actions are fundamentally different, making the discourses difficult to reconcile. [<sup>14</sup>]

Similarly, Hamann (2006: 179) cautions us to the 'inherent limitations' that CC and CSR may be hampered by a 'history that gives them connotations that may be difficult to shake off', for example, that it is indistinguishable from corporate philanthropy, 'with little understanding of the more complex interactions between business and society'. It is this 'conservative character' of CSR that 'stifles the systemic changes that seem necessary for improved livelihoods in Africa'.

The Introduction of the thesis highlighted the dynamic interaction between business and society, shaping CSR's development. This evolutionary process also has implications on how we define it. Brady (2005: 22) points out that it is unlikely that 'CSR as a concept will ever have an explicit definition, [in view] of the fact that global, economic, social and environmental conditions are in a constant flux and as such CSR is constantly evolving to meet this changing agenda'.

In South Africa the 'nature and content of CSR' was 'fundamentally shaped by the apartheid state' (Bezuidenhout et al, 2007: 14), apparently spawning a form of CSR that assumes a broader responsibility to society at large. Habib (2008: 32) agrees that the 'corporate sector's recognition of its complicity in the establishment and maintenance of apartheid', their so called 'apartheid guilt' has made them realise the 'political necessity to be seen to be making amends for it'<sup>15</sup>.

Bezuidenhout et al (2007: 37) aver that 'South Africa's peculiar history of CSR' has not only impacted on content, but also on terminology. This is evidenced in the

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<sup>14</sup> See also discussion by Blowfield (2003:501) elaborated in Chapter 3.

<sup>15</sup> On a positive note, Habib (2008:20-21) points out that 'there is already substantial anecdotal, and some empirical evidence to suggest that significant resources flow to development and poverty alleviation from a variety of stakeholders in South Africa. A study of corporate social investment per capita by the country's corporate sector was on par, if not higher than their North American counterparts in the United States and Canada'.

rejection of the term corporate social responsibility, with its implied 'obligation' to atone for 'past misdeeds' under the apartheid era, by [some] companies, in favour of 'corporate social investment ('CSI'). Paradoxically this has led, albeit fortuitously to some companies 'embracing broader developmental objectives by means of social investment initiatives'.

Mokhethi Moshoeshoe, the former director of the Southern African Grantmakers' Association, however, points out that the term 'corporate social investment' is in itself problematic in that 'there [is] no measure of what the social returns would be' for targeted communities, 'because it [does] not [form an] integral part of the business'. He continues that often the term 'investment' was a misnomer and that the interventions are more akin to 'philanthropy or charity' (cited in Bezuidenhout et al, 2007:37).

In South Africa the messiness of our history and politics, ironically at strategic moments, forced an activist role on business at the height of social and political unrest and state repression, admirably accounted for by Ackerman when reflecting on the impact of (ex-) President P.W. Botha's Rubicon Speech in 1984 on the South African economy:

To those of us who had been working hard for years to argue against and prevent disinvestment, it was becoming increasingly difficult to counter the bad news coming out of South Africa with positive facts. As internal unrest, violence and act of sabotage edged us ever closer to anarchy, they also made the case against South Africa increasingly persuasive (Prichard, 2001: 197-198).

He highlights the iniquitous effects of the job losses that followed the withdrawal of American companies and asks the question of whether

...those that have incomes and food and security, really have the right to say that poor people in South Africa should suffer to further the case of isolation (Ibid)?

Drilling the point home more forcefully, he cites the statistic that

...for every black migrant worker retrenched from work in the city or down a mine plunged an average of nine dependents into abject poverty and hunger (Ibid).

How did Ackerman respond to these dynamics and forces? Upon his return from Washington, he

...called an emergency board meeting. We resolved to slash profit margins on a broad range of foodstuffs, and immediately release a sum of R10 million to reduce the prices of a wide range of food and other lines. Negotiations with suppliers raised contributions of R2 million towards our efforts at putting a cap on price increases (Ibid).

Post-apartheid, this historical development has been, and continues to be so, overlaid by a 'new dynamic' (Bezuidenhout et al, 2007: 14) associated with South Africa's reintegration with a globalizing economy and the interaction between local and supranational interests. Pertinent here is the question of '[whether or to] what extent CSR has been effective in South Africa' in delivering a 'more equitable post apartheid transformation' (Fig. 2005: 616). Fig (2005) is less than optimistic and points out that companies 'have taken limited initiatives to introduce new social practices' and that 'even these have been selective, uneven and slow' (616).

How then has CSI developed in the ('new') post-apartheid South Africa? Friedman et al (2008: 186) alert to the perception that during the period 1994 to 1998

...companies began to form CSI trusts and link CSI slowly to business strategy. CSI became a mechanism to help negotiate change and the 'triple bottom' line gained importance. In this view, between 1998 and 2002 it became more coherent and a professionalised approach emerged. The Business Trust (BT), a business-government partnership, [suggests] a turn to funding<sup>16</sup>] within government policy which could fit comfortably in the minds of business decision-makers with notions of 'corporate citizenship', although a

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<sup>16</sup> See in this regard the reparations initiative in 2003 under the auspices of the National Business Initiative who proposed the 0.2 percent tithe by all contributors be utilised the address the damage done by apartheid (Prichard, 2005: 82).

good corporate citizen is not necessarily one who works within government policy but one who also responds to wider pressures.

Friedman et al (2008:187) assert that

...the sustainability issue rapidly moved up the agenda with social responsibility maturing to become an integral part of business strategy. This was accompanied by changes in the way in which projects were managed. From 2002 this process continued with boards and executive management seeking ways to align CSI more closely with corporate goals and strategy. Corporate citizenship became the new buzz word and CSI became linked to corporate strategy.

Friedman et al (2008:187) argues that although 'CSI patterns have evolved out of interplay between external pressures and internal influences... [t]he former have arguably been dominant'. Fig (2005: 2) agrees, and highlights the 'improvements in Corporate Citizenship practice of large organisations' dating from South Africa's re-engagement with the international community in the 1990s and the impact of sustainability reporting.

Bezuidenhout et al (2007: 43) confirm that the South African 'discourse often draws on global debates', but point out how ostensibly honourable goals are susceptible to manipulation and perversion by company agendas. Furthermore,

...the shifting meanings of concepts is also influenced by the way in which they are used: altruistic philanthropy becomes strategic and self serving CSI; the language of the RDP is used on one level, but opposed on another; privatisation is often euphemistically packaged as an exercise in partnership; the concept of sustainable growth and business is usually repackaged as CSR. In light of the shifting meanings attached to a number of discourses, it is important to disaggregate concepts and to ground them in everyday experience.

Hamann (2006: 179, 180) argues, that notwithstanding the South African challenges, not being 'unique in Southern Africa', they 'have a special character and severity, and that shapes the definition and implementation of CC-related activities'.



Consequently, these activities must 'respond to the development challenges particular to the region, rather than the vision of sustainable development [<sup>17</sup>] prominent in developed countries'.

Guided by this insight, and the heightened contemporary policy focus of poverty alleviation in the second decade of democracy, this study focuses on the impact of rising food prices. The focus of the study then shifts to an examination of how a particular company is incorporating CSR in its core business activities attune to societal and basic needs. These challenges will be addressed in Chapter 4.

Amplified in this thesis is that '[a]mbitions of improved conduct expressed in global programs such as the Global Compact, are just a starting point', and still 'have to be translated into practice' (Newell and Frynas 2007: 676, 677). The 'technical and [box ticking] approaches' that often typify these codes and compacts, are unlikely to 'make a meaningful contribution to development'. Shoring up these limitations, Newell and Frynas (2007) draw attention to the 'conflicting logics of CSR as business tool and CSR as developmental tool'. Additionally, reporting (often for the sake of reporting) does not translate into a developmental company focus or thrust.

Complicating matters further, is that although many large companies take their commitment to developing local communities very 'seriously', the 'economic impacts' of their interventions 'are often not fully understood by the companies' making it difficult for them to report in a meaningful manner (Freemantle, 2005: 27). In response they revert to 'economic indicators listed in the GRI or some more abridged set of criteria' giving rise to shallow sustainability reporting rather than 'investigating and reporting on impacts on a deeper level' (Ibid). In a similar vein, Fig (2003: 12) points out that large South African companies that focus on export or those with

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<sup>17</sup> The concept of sustainable development entered the United Nations discourse in 1987, when the World Commission on Environment and Development (WCED), also known as the Brundtland Commission published its report entitled *Our Common Future* (World Commission on Environment and Development, 1987). The WCED attempted to reconcile the concepts of environmental protection and economic development. The context was one of Northern environmentalists arguing for minimisation of consumption to cut back on natural resource use. In the South, the developing countries argued that reducing consumption was not the answer, and the overcoming poverty meant extending people's ability to consume (Bezuidenhout et al, 2007: 41).

global presence are leading and implementing [CSR] in a very limited way, so as to simply demonstrate compliance with international trends. Bezuidenhout et al (2007: 69) also highlight the impact of 'increasing [external] pressure on the [larger organisations] to comply with codes of conduct.

On the flipside, Fig (2005: 6, 12) writes of the expansion of CC in South Africa, from a narrow 'initial focus on environmental responsibility, to an inclusion of health and safety, and social and economic issues'. Hansen and Ryan (2007: 48, 52) report that 'South Africa has exhibited the capacity to install robust corporate governance mechanisms that support active corporate citizenship'. Notable here is the King Code 2 (King Committee on Corporate Governance, 2002), the soon to be published King Code 3 with its increased emphasis on sustainability, and the JSE listing requirements.<sup>18</sup> Visser (2005: 38) concur that South Africa have followed the trend of using global standards and codes, but aver that the 'debate still rages about the extent to which these standards and codes represent an adequate corporate response to the world's social ...challenges'.<sup>19</sup>

Visser (2005a: 118) suggests 'ten key messages'<sup>20</sup> that companies must embrace if they are to engage successfully with the CC agenda', as identified by the World Economic Forum's 2003 global CEO survey on corporate citizenship. Interestingly

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<sup>18</sup> 'The JSE Index seeks to measure corporate social responsibility generally. But CSI is one aspect. Participation is voluntary, but the "carrot" is the prospect that inclusion has the "potential to provide firms with a competitiv edge. (Fig, 2005: 9 as cited in Friedan et al, 2008: 185)

<sup>19</sup> Bezuidenhout et al (2007: 4 -62) highlights some of the roles that voluntary initiatives play.

They may take the form of self-regulation by groups of firms, often sectorally based. Adherence might bring rewards, such as a licence to operate in a particular jurisdiction or eligibility for contracts and markets. They may set standards and give firms incentives to apply best practice in relation to technologies or stakeholders. South Africa has had important recent experience of a number of voluntary initiatives enhancing [CSR, such as] reporting, certification, Black economic empowerment and fair trade.

<sup>20</sup> These ten points with their scores as allocated by Visser (2005a: 118) are the following, 'the power of personal leadership (5/10), strength in collective action (9/10), linking citizenship to corporate governance (8/10), a challenge for companies everywhere (7/10), making the "business case" (6/10), employees and government as key drivers (8/10), prioritizing critical issues (9/10), embedding citizenship and emphasising internal processes (7/10), engaging external stakeholders (8/10), and reporting publicly with verification (7/10).

though is that while he hails the Millennium Development Goals (MDG) as - 'an expanded vision of development: one that vigorously promotes human development as the key to sustaining social and economic progress in all countries, and recognises the importance for creating a global partnership for development' - they are referred to only once in his (successful) CC engagement diagnostic tool kit ('messages').

Returning to South Africa, Visser (2005a) rates us as 'world class' in some areas of CC, but notes room for improvement in the fields of 'personal leadership, embedding corporate citizenship, making the business case and sustainable reporting' (Visser, 2005a: 120). Secondly, and here noting our 'impressive track record of philanthropy' and the recognition of the limitations of Western derived notions, companies regrettably tend to gauge 'their performance against global benchmarks [<sup>21</sup>] such as the Global Reporting Initiative rather than more regionally relevant measures' aimed at addressing the most pressing needs of our communities. These 'relevant measures' include companies' articulating

...citizenship indicators in terms of the eight core aspirations of the Millennium Development Goals, namely, the eradication of poverty, the achievement of universal primary education<sup>22</sup>, the promotion of gender equality and the empowerment of women<sup>23</sup>, the reduction of child mortality, the improvement of maternal health, the combating of HIV/Aids, malaria and other diseases,<sup>24</sup>

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<sup>21</sup> Fig (2003: 11) agrees and points out that CSR practices in South Africa 'has generally been driven by standards, codes and listings criteria operating more strongly in Northern markets to which the more globally orientated South African corporations feel a need to adhere'.

<sup>22</sup> Pick and Pay runs a literacy program for its employees, Vuselela, the campaign of 'rebirth'. (Prichard, 2005: 168)

In the financial year 2007/2008 Pick 'n Pay spent 'R60 million which represents 6.4 % of post tax profits on social initiatives that included providing diverse training and development of historically disadvantaged individuals, promoting preferential procurement and investing in enterprise development and related initiatives' (Pick 'n Pay – Sustainability Report 2008).

<sup>23</sup> Women are granted nine months maternity leave and councillors assist with problems relating to the abuse of women and children (Prichard, 2005: 171).

<sup>24</sup> In respect of health issues, Pick 'n Pay,

the ensuring of environmental sustainability and the development of global partnership for development<sup>25</sup> (Visser, 2005a: 120).

At one step removed, but influential in the comprehension and dissemination of CSR - the milestones, keystones and measures – are business schools. Daniel Malan (2008), a senior lecturer in Business Ethics and Corporate Governance at the University of Stellenbosch Business School, comments:

The way in which CSR is dealt with at business schools is to treat it as a business tool. There has been a shift away from treating CSR as a peripheral/philanthropic activity to viewing it as something that should inform a company's strategy. On the USB's MBA programme, CSR would be introduced to students as part of the "Sustainable Leadership" module, and from 2009 certain components will be incorporated into a new module entitled "Business Environment" (2008).

From the foregoing it is clear that there is a lack of clarity about what CSR entails (Uttting, 2007b: vi; Schwab (2008: 107). Some commentators perceive it as mere compliance with laws and regulations with the possibility of a wider role (Schwab, 2008), whilst others propose or advocate a wider responsibility (Jonker and Marberg, 2007). In South Africa large companies in particular, have aligned themselves with 'northern' notions of CSR that are in the main about compliance with codes and compacts. This modus operandi attract criticism for not taking into account specific South African challenges (Jonker and Marberg 2007:1; Visser, 2005: 120). Over and above the contest and sensitivity weakness of this approach, it fails to explicitly detail a company's role in development and is thus incapable of articulating strategies and

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has a company subsidized health scheme and resident occupational health practitioners are available to employees in each region to provide professional on-site counselling on health issues, in addition to holding briefing sessions on HIV//AIDS, drug and alcohol related problems. [The company has] developed a charter in order to help' their staff and their dependents. Large amounts of money from external social responsibility funds are also directed at HIV/AIDS education and alleviation programs throughout South Africa and its neighbouring countries. [Also envisaged] is building, equipping and running homes for children that are and will be orphaned as a result of the pandemic (Prichard, 2005: 172).

tactics for change and dynamic adaptation. (Newell and Frynas, 2007: 676, 677; Bezuidenhout et al, 2007: 14).

What needs to change to foster an enabling environment for CSR and why is it necessary for companies to address poverty? A necessary first step enjoining these issues or concerns is about clearing the air conceptually about the meaning of the word 'development'; which has 'become a "modern shibboleth", an unavoidable password which come to be used to convey the idea that tomorrow things will be better, or that more is necessarily better' (Cornwall, 2007: 471).

### **2.3 DEVELOPMENT**

Idemudia (2008:91, 95) points out that although the 'relationship between corporate social responsibility and development' is hotly debated 'between scholars concerned 'with the relationship between business and society', it unfortunately is without rigour. Parties in both camps neglect to clarify what kind of development they elaborate and/or champion, e.g. 'modernisation or human development'.

Sachs defines development as follows:

Development is much more than just a socio-economic endeavour: it is a perception which models reality, a myth which comforts societies, and a fantasy which unleashes passions (as cited in Cornwall, 2007: 417).

As a result, 'development', suffers the same affliction as CSR, namely, a 'lack of precise and universally accepted definitions' (Nelson 2007: 152, 153). However, there is a growing consensus that development can be defined as 'a multi-faceted, multi-disciplinary and multi-sector set of actions, interventions and institutions aimed at improving the quality of people's lives'. Pivotal to the ultimate success of these interventions is the reduction of poverty, 'both at household and national level' (Ibid).

Specific interventions poverty alleviating intervention refracted through the 'development' lens, requires

...improving people's access to products and services to meet their basic needs; improving opportunity and access to markets to enable people to build income and assets, including both economic and human capital; giving people an economic voice and enabling them to participate in and influence policy-making, decision-making and resource allocation processes that directly affect the quality of their lives; and ensuring people have sufficient financial and physical security or social insurance to enable them to better survive natural and economic crisis and conflict (Nelson, 2007: 153).

Not everyone, though, is positively disposed to the concept of development, its 'implied methods and goals', especially as it is espoused by the experts in the employ of the International Monetary Fund (IMF), World Bank, and the United Nations (UN). Easterly (2007:1) decries the existing situation where 'development, has its own intelligentsia' of which Jeffrey Sachs with his promises of 'overnight poverty reduction' is arguably the most prominent member. Easterly continues and argues that this 'ideology of development is not only about having experts design your free market for you, [but] also about having the experts design a comprehensive, technical plan to solve all the problems of the poor'. Poverty alleviation in this context is 'seen a purely technological problem, to be solved by engineering and the natural sciences, (that are able to provide the definite complete answers) ignoring messy social sciences such as economics, politics and sociology'. This approach does not allow for the inputs of local actors, who are the recipients of 'its cost and benefits'.

Easterly (2007: 3-4) favours 'home grown paths to success' where people 'bear the cost and reap the benefits of their own choices....when they are free to make them'. In contrast to the 'accountability free', scientifically driven developmentalism of the intelligentsia, Easterly proposes that the 'answer' to poverty reduction is freedom from being told the answer.

Friedman et al (2008: 199) resonate when they point out that the same approach is appropriate/preferable in the case of CSR:

[I]nnovation is the most desirable goal for a CSI programme for two broad reasons. First, greater development effectiveness is far more likely to emerge

by trial and error, by attempting new approaches and by leaning from the attempt to implement them, than by adoption of development fashions. Second, private companies can afford to experiment in a way which public institutions cannot and are thus ideally placed to try new approaches which may enrich development practice.

In the context of sustainable development - with its explicit tension between the desires of the north and the needs of the south, environmental protection versus the improvement of the quality of people's lives - Bezuidenhout et al (2007: 41) suggest that the pendulum is swinging towards the southern viewpoint. Increasingly, sustainable development is 'being used as a synonym for poverty eradication' rather than primarily reflecting environmental concerns.

This brings us to our next question, and in the words of Utting (2007b: ix), '[h]ow can [CSR] become an instrument that amounts to more than a band-aid for development, or one that essentially legitimises business as usual? Can it become an instrument for promoting a more transformative model of development'; or as Blowfield (2003: 515) asks; 'are business and development happy bedfellows?'<sup>26</sup>

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<sup>26</sup> According to Blowfield (2003), we must not only ask 'how CSR affects company behaviour in developing countries, it also requires us to ask if, and how business is affecting the meaning of development itself' (501).

### **3. BUILDING A CASE FOR DEVELOPMENT**

Everyone is in agreement that the ‘world is crying out for repair’ (Margolis and Walsh, 2003: 268), but who should be responsible to address issues such as poverty? Some would argue that the ‘only legitimate actors to address societal problems are democratically elected governments’ (Ibid), whilst others see a pivotal role for companies. In this regard, Makandawire (2003: 4) highlights how the concerns of the ‘international development community have developed from an initial focus on ‘the role of the state in developing countries in 1960’s and 1970’s, and in particular the frequency with which ‘development projects failed’, shifted to the examination of the ‘role of civil society organizations in development and issues of people’s “participation” during the 1980’s and 1990’s’ and more recently finally came to increasingly pivot on the ‘role of the private sector in social and sustainable development’.

#### **3.1 ROLES, RESPONSIBILITIES AND REDRESS**

Ashman (2001: 1097) points out that ‘in the context of declining legitimacy of government to provide basic services, pressures on private actors in civil society and the market to address social demands are increasing’. Newell and Frynas (2007: 672) also refer to the combination of declining confidence in the ‘role of the state as an agent for development’, and ‘the global deregulation from the 1980’s that [resulted] in a diminished economical role for the state’.

Schwab (2008) illustrates how a series of factors have served to give credence to the argument that companies should assume more responsibility in the sphere of development. He lists, amongst others, and in support of Ashman (2001), the diminished role of the nation state and the intensified pace of globalization as the most significant factors in the weakening influence of the state. This has been compounded by a ‘lack of global leadership’ and an overall weakening of ‘public governance’ (at all levels). As he points out, ‘even the best leaders cannot operate successfully in a failed system’. This has resulted in the expansion of ‘the sphere of



business' at the cost of 'state power'. 'This shift in the global power equation' has not gone unnoticed by 'communities and citizens' who increasingly are looking at companies to step into the shoes of government, for both 'answers and leadership.'

Can there be 'leadership' without accountability? There are grave dangers in allowing companies to determine 'economic and social policy' (Margolis and Walsh (2003: 268), given that their constituency and interests (see also Senser, 2007 and Crane and Matten, 2004). Although they are 'organs of society, they are specialized economic organs [and] not public interest institutions'. It follows that you cannot expect the 'responsibilities of companies to mirror that of the state' (Ruggie, 2008: 16). In this respect Habib (2008: 40-41) is adamant that 'the state must be seen as the primary actor' and that 'a socially responsible state and political regime is an absolute necessity to address poverty and underdevelopment'.

Rohregger (2006: 4) argues that 'CSR as a new form of governance cannot be regarded as an alternative or new form to government regulations and mechanisms in order to mitigate the effects of growing economic globalisation'. Since most CSR 'activities are voluntary, discretionary and dispersed across various nation states', accountability in any sense may be impossible to secure (Boyle and Boguslaw, 2007: 114). They argue that 'while companies may be galvanized into action by the 'severity of the poverty issue' and 'expand the scope of their citizenship activities to directly address poverty', their efforts 'should not exceed that for which they can be held accountable' (Ibid).

This pragmatism is not well received to those that object to government farming out/downloading 'key developmental functions' to 'a range of civil society and market actors' (Ashman, 2001: 1097). Standing (2003: 52, 53) contends it is 'dangerous if firms step outside and become social policy advocates and get plaudits for doing things that it would be much better is the state were forced to take responsibility for'. Friedman et al (2008: 197-198) warn about the dangers attendant to blurring the divide between state and the private sector. According to them, and in part support of Standing (2003) above,

...material development is arguably best undertaken by governments, which are meant to command the capacities to deliver on a far greater scale than

anyone funded by CSI. If government does not have that capacity, it seems more appropriate to encourage its development than to substitute for it. [<sup>27</sup>] While government spending should seek to be consistent with goals endorsed by political majorities, corporate giving should be governed by principles such as innovation and diversity if it is to play its appropriate role, which is to focus on some of the priorities which government cannot or will not fund.

Alternatively, if government requires additional funding from the private sector for development, it 'may do so by raising taxes', thereby not absolving government from its responsibility to set development priorities. (Friedman et al 2008: 201).

Although Newell and Frynas (2007: 677, 679) are in agreement in as far as 'designing anti-poverty strategies and trade and investment policies that will help to contribute to poverty alleviation remains the responsibility of the state', they hold a contrary view about the relationship between government and the companies; i.e. roles, responsibilities and duties. They envisage a dual role for CSR 'initiatives' and argue that the CSR can contribute the most effectively through 'reinforcing state-led development policies' by '[grafting] onto, enhancing and amplifying] the impact of exiting pro-poor initiatives'.<sup>28</sup> On the other hand, some counter this proposal on the grounds that it could potential sap CSR's potential to innovate in respect of or fund both 'essential parts of social life that government cannot or will not fund', and the provision of social needs deemed 'essential' to society, but which are inappropriate destinations for government funding' (Friedman et al 2008: 201).

However, irrespective of the format of engagement of companies in development and poverty alleviation strategies, the harsh reality in South Africa, as elsewhere, is that

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<sup>27</sup> In this regard it is gratifying to read that the ANC agreed at their Alliance Economic Summit that 'there was a need for a high level planning, evaluation and monitoring capacity in government' and that certain steps are being taken to address some of the ongoing problems with development (Statement of the Alliance Economic Summit, 19 October 2008).

<sup>28</sup> However, this does not preclude them from making their own 'contributions in their own right, but it is contradictory to give companies discretion to spend CSI and then demand to determine how that discretion should be exercised' (Friedman et al, 2008: 197-198).

...in a world where the richest people command far greater resources than many of the world's governments, where some multinational corporations have a greater turnover than some nations GDP, and where the state's control over the policy arena is increasingly challenged by international financial and political agendas, multinationals corporations and civil society, an exclusive focus on the state is intellectually unsustainable (Habib 2008: 20).

Debates, nuances and subtleties aside, the general consensus is that companies have an important contribution to make to development, and that it is inevitable that they should do so (Schwab, 2008). Similarly, Senser (2007: 79) points out, that even if the 'proper guardians of public interest are governments', it can be argued that in order to 'attain its goals in the global economy, CSR needs the help from governments'.

Midway between the pragmatic and radical views of CSR and the roles and responsibilities, proposed here is that the private sector work with governments, either by supporting existing initiatives or by initiating incentives that complement existing strategies by government. This does not preclude them from devising their own strategies that allows for more innovation and experimental interventions. At all times they can have a major impact in the role of activist to challenge government on policies considered not conducive to development.

Summarily, successful development and effective poverty alleviation are a function of dynamic intervention between state and business. Rohregger's (2006: 4) words are apposite:

CSR as a new form of governance cannot be regarded as an alternative or new form to government regulations and mechanisms in order to mitigate the effects of growing economic globalisation. It can provide an important complementary role to the state in political, social and environmental concerns.

This leads us to our next question; namely, what constitutes good ‘anti-poverty’ policies and how can companies engage with them? As with the discussion on development and CSR only broad brush conceptual strokes are possible.

### **3.2 HOW?**

Newell and Frynas (2007: 677) assert that that the design of ‘anti-poverty strategies and trade and investment policies that will help to contribute to poverty alleviation remains the responsibility of the state.’ Nelson (2007) elaborates the components of the government’s role and responsibilities as follows:

- The centrality of pro-poor and environmentally sustainable economic growth;
- The foundation of good governance and effective institutions;
- The shared responsibility of developed and developing country governments as development partners;
- The active participation of the poor themselves<sup>29</sup>; and
- The importance of private sector development (155).

Consequently, ‘there can be no ‘doubt that the private sector is central to efforts to tackle poverty’, but how should this role be played out? Newell and Frynas (2007: 672) ask the pertinent question whether it be ‘performed through business-as-usual practices, voluntary and through the market, or does it need to be regulated and driven by broader state-led development priorities’.

#### **3.2.1 PUBLIC PRIVATE PARTNERSHIPS**

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<sup>29</sup> On the issue of the role of South Africans in transformation, Gill Marcus is reported as saying ‘ that although it was up to government to provide a framework for transition, it was up to all South Africans to make it work’ (*Business Day*, 17 October 2008).

One possibility could be in the guise of public-private partnerships as proposed in United Nations (UN) Millennium Project that envisage the 'development of a 'global partnership' in which there is a role for companies. Recommendation 3 of the Key Recommendations of the UN Millennium Development Project<sup>30</sup> proposes that 'private sector firms and organisations should contribute actively to policy, transparency initiatives and where appropriate, public-private partnerships' that are directed to poverty reduction strategy. (Kolk and Van Tulder, 2006: 789).

Sachs (2007) in this regard is quite adamant that the MDG targets can 'only be achieved through the active partnership of government together with business and civil society'. The promotion of 'effective and novel forms of government-business-civil society partnerships', Sachs (2007) states are 'key' to addressing the 'challenges' of poverty, hunger and disease'.<sup>31</sup>

Newell and Frynas (2007: 677) are more sceptical about the potential of public-private partnerships:

[M]uch has been said, both internationally and locally about the desirability of public-private partnerships, but very little of the discourse has dealt with specifics. How does government envisage these partnerships, and what will be the quid pro quo for companies to engage in them, and for shareholders to be content with some of profits being redirected for purposes that fall outside the ambit of the companies. [It is furthermore frequently argued that] state and private initiatives poorly cohere or lack co-ordination.

Irrespective of their effectiveness, UNRISD (2004: 2) in an optimistic vein notes that

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<sup>30</sup> UN Millennium Project. 2006c. *10 Key Recommendations*. Available at: <http://www.unmilleniumproject.org/reports/recommendations.htm> [Accessed on 1 July 2008]

<sup>31</sup> Sachs (2007) sees the 'Green Revolution' has a major role in the alleviation of the 'case of hunger, especially the goal of increased food productivity'. Private companies can 'provide the large-scale seed multiplication, fertilizer and water management equipment needed for a continent-wide doubling or tripling of food production'. Public sector financing and private sector technologies mobilizes via partnerships is the 'only route' to deliver the 'long sought after African Green Revolution'.

...the speed at which various UN bodies and trans-national companies have embraced the partnership approach [is indicative that companies are] channelling more resources toward social and sustainable development [and] that corporate citizenship with its emphasis on shared values, is progressing.

The rationale for companies to support the MDGs is largely about their contribution to market development and expansion.

The Goals are ends in themselves, but for households they are also capital inputs – the means to a productive life, to economic growth, and to further development. A healthier worker is a more productive worker. A better educated worker is a more productive worker. Improved water and sanitation infrastructure raises output per capita through various channels, such as reduced illness. So, many of the goals are part of capital accumulation, defined broadly, as well as desirable objectives in their own right (UN *Millennium Project*, 2006a, 01).

The MDGs are also very specific in the roles, not only accorded the government and the private sector, but also civil society. It sees ‘strong civil society engagement and participation as crucial’, acting as ‘watchdogs for the development and implementation of government policies’. Governments needs to focus on ‘the rule of law’; secure private property and tenure rights, ensure the personal safety of citizens, govern honestly and transparently, practice sound economic policy, etc. Apart from the proposed public-private partnerships, the role envisaged for the private sector, is essentially one of compliance with the codes such as the UN Global compact and a proposed “Millennium Development Scorecard” (UN *Millennium Project*, 2006b, 01)

### **3.2.2 A ROLE FOR CORPORATE SOCIAL RESPONSIBILITY**

If public-private partnerships are fraught with difficulties, what about CSR?

Rohregger (2006:2-3) points out that inclusion of CSR in the Millennium Development Goals is 'indicative for the growing role attributed to economic growth in development, as well as the role of business in the development of social good'. However, many remain highly critical of the 'alliances' forged between companies and 'development practitioners', on the grounds of them being predominantly public relations exercises to 'improve the image of the firm' and/or to 'appease and incorporate the voices of concerned civil society'. Alliances between the world of business and 'international organisations and development NGO's is also seen as a contested objective because it creates the space for business to 'influence' these organisations unduly and as such hijack the development process' at the cost of civil society.

Countering these critics is the argument which suggests that CSR 'can indeed ensure real benefits for development', but it would need to venture 'beyond the geographic and organisational radius of the firm' and involving employees, their extended families, local communities and the 'nation state as a whole' (Rohregger, 2006:3-4).

Repeating this mantra, the United Nations Research Institute for Social Development (UNRISD, 2003:5), argues that companies should rethink CSR beyond compliance issues. This 'broader' perspective could commence 'a vision of what society and development might look like from the standpoint of human rights and social justice' and using this to define companies' roles and responsibilities.

Encouragingly, companies are coming around to revisiting their contribution to a role in society in response to a diverse set of economic, social and institutional pressures from local to international levels. Bezuidenhout et al (2007: 13) points out that the combination of a 'global economy that is dominated by a few corporations' and social movements which oppose/reject the neo-liberal policies' of the World Trade Organisation ('WTO') and the International Monetary Fund ('IMF'), has alerted 'some business leaders' to the possibility that it is possible for companies to run their business' in a responsible fashion that will positively impact on 'sustainable development'.

Whether this change in attitude is indicative of an acceptance of a 'broader perspective' is unclear. When one looks critically at what the World Bank in 2006 saw as the role for companies to intervene in and address malnutrition, the business case<sup>32</sup> was packaged and sold. It is debatable whether companies can ever have a significant developmental impact, if it can only be sold on the basis of the bottom line (IBLF, 2007).<sup>33</sup>

In 2007, Harvard University's Kennedy School of Government and IBLF drafted a report proposing a course of action that focused on the role of the private sector as a key partner in addressing the challenges confronting governments in developing countries. Of importance for the purpose of this thesis is the role that they envisage for the private sector as a 'valuable partner that can play a vital role in many of these solutions'. Corporate leadership attributes emanating from disparate companies combine 'core business activities, products and services with cause related marketing and public health messages, philanthropic contributions and engagements in public policy dialogue, advocacy and institution building'. To a large extent the above report resonates with the Millennium Goals that emphasises a multiplicity of interventions considered essential to stamp out malnutrition<sup>34</sup> (IBLF, 2007).

Implied herein is not a universal acceptance that companies should jump in and actively become involved in development. Indeed, when bounced against the current CSR agenda, notable for Jenkins (2005: 528), is that 'the current CSR agenda' does not engage 'explicitly with the poverty impacts of business activities. This omission has led some commentators to push to a 'more development orientated approach'.

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<sup>32</sup> 'Investment in proven technologies and interventions to tackle malnutrition offer potentially very high economic returns' (IBLF, 2007).

<sup>33</sup> This aspect will be addressed in more detail in Chapter 5.

<sup>34</sup> Envisaged are '[i]nstitutional innovations, new partnerships and better coordination between donors, between government agencies and within developing countries, and between the public and private sector and civil society' (IBLF, 2007).



The rationale motivating this push are located in CSR perspectives that fail to spotlight poverty, privileging instead 'an indirect approach (Boyle and Boguslaw, 2007: 10, 107), through the 'emphasis of other social problems' instead. This is compounded by the failure of initiatives such as the GRI Social Indicators and the UN Global Compact to address poverty explicitly. This lacuna functions to reinforce an approach to CSR that is 'fragmented and company-specific rather than comprehensive or coordinated'.

A similar approach was followed by the South African Financial Charter. Clause 13 sets a target of 5% per annum of tax operating profits to corporate investment and proceeds to define it as 'projects aimed primarily at black groups, communities and individuals that have a strong developmental approach and contribute to transformation'. Such projects 'may include, but not limited to' education, training, arts and culture and job creation. Nowhere, however, is poverty alleviation expressly mentioned (2005:13). This is a particularly glaring omission, especially in light of UNRISD's view that the financial sector has an important role to play in development (2004:4).

Should a company want to make a difference, what is the kind of interventions that it can employ? Boyle and Boguslaw (2007: 107-108) differentiate between three different approaches or 'domains of action' which companies make use of or rather can make use of to meet 'expectations to [contribute to poverty alleviation]'. The 'economic' approach works through 'reducing poverty' via enterprises expanding their market base - the so called 'untapped market' [or] 'bottom of the pyramid method' - or using 'core business activities' of the company or its 'supply chain'. It also encompasses other interventions such as 'community enterprises' of which the 'Grameen Bank' is a good example. Another approach is to encourage the poor to be more proactive and create or build their own businesses'.<sup>35</sup>

Arguably, the 'business-development relationship' referred to above implies a level of accountability, but there is little evidence of meaningful engagement in a manner

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<sup>35</sup> The writer argues in Chapter 4 that it appears as if government and probably in light of the lack of success of conventional interventions, is starting to stress this approach to poverty alleviation.

headlining 'social development indicators such as ...income levels and poverty reduction' (Blowfield (2003: 517).

The economic approach in turn is contrasted by Boyle and Boguslaw (2007: 107 - 108) to the 'citizenship approach where profit is [no longer the] primary goal' and which targets 'poverty more directly'. Examples of such interventions are

...public private partnerships' that occurs under the umbrella of community development, and cost companies money and are entered into with explicit social goals and business goals; corporate foundations; voluntary investments'; and finally, engaging in research to 'determine the impact of the [company] on poverty. <sup>36</sup>

Lastly, there are 'activist or socialist approaches', which is uncharted terrain for companies in that it expects of them to 'engage in the policy process' rather than problem solving. Interventions in this instance could entail 'taking a stand on corruption or human rights', inducing 'public policy changes' and being supportive of 'existing governmental organisations' (Boyle and Boguslaw, 2007: 109).

Using a somewhat different approach from Boyle and Boguslaw (2007), Maxwell, (2008) outlines a hierarchy 'for effective engagement' of companies with the MDG. Similarly, to Boyle and Boguslaw (2007) the evolution of CSR from a business tool to a developmental tool, from conventional philanthropy to actively becoming involved in such critical issues such as food security is evident.

- The first step is business engagement in the community where businesses provide money to support good causes, but also involve staff in fundraising activities or working on project sites. The good cause might be an orphanage, a theatre-workshop, or a social enterprise. The relationship is essentially philanthropic;<sup>37</sup>

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<sup>36</sup> Hamann (2006: 184) holds a contrary view, and warns against seeing 'economic, ethical and institutional approaches of CSR as distinct' - 'it is important to realize that they are closely interrelated, with an overarching role for the institutional dimension'.

<sup>37</sup> In this regard Pick 'n Pay has a long history of assisting in a wide range of interventions to alleviate the plight not only of local communities, such a shack dwellers that are exposed to catastrophic flooding every year, but

- The second is to integrate corporate social responsibility into the heart of companies and committing them to better behaviour. The best example is the UN Global Compact, with ten core principles, derived from the Universal Declaration of Human Rights, [but is also includes] other instruments covering human rights, labour standards, the environment, and anti-corruption;<sup>38</sup>
- [The third instance would be where companies look critically at every aspect] of their activity, to ask whether development impact can be improved - often, this involves the supply chain. For example, a hotel can commit to buy supplies from small-scale producers rather than large ones, to create more and better jobs for poor people;
- An emerging fourth step on the ladder; involving business in global public policy - water is a good example, where food companies, in particular, are working together on frameworks for managing shortage.

Against the background of the various approaches set out above, let us interrogate the following very revealing excerpt out of *Hearing the Grasshopper Jump* that relates to an attempt by Ackermann to intercede in Government policy because he feared the consequences of an announced hike in the bread price during the era of (ex-) President P.W Botha. The rise in the bread price was the result of the Government announcing an increase in the price of white and brown bread coupled with a rise in General Sales Tax (Prichard, 2001: 192).

Ackerman was concerned about the impact of the increase of the price of bread on the poor, pointing out that, 'there was no getting away from the fact that for the very

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also assisting in flood relief in Mozambique in 2000. A system of regional budgets and accounting autonomy ensures that the funds for humanitarian assistance of a regional basis are instantly available (Prichard, 2005: 149).

<sup>38</sup> 'The Pick 'n Pay philosophy rests on a central metaphor which Ackerman derived from educators and mentors such as W. H. Hutt (Department of Commerce, University of Cape Town) and Bernardo Trujillo (a US marketing expert). Ackerman speaks of

...applying Trujillo's concept of four legs of a table, supporting a healthy business people, merchandise, promotion (incorporating social responsibility) and administration. Each leg is vital to maintaining a healthy balance but the consumer atop the table and the principles of consumer sovereignty are always paramount, always providing the reason for the existence of the structure below. It is an absolute fact, that the more we ploughed into staff benefits, the more we gave to charity, the more profits rose (Prichard, 2005:114-115).

poor people of South Africa, there was no issue of greater importance than what they had to pay for bread'. Apart from that 'the consequence of putting up the price of bread in the face of the serious unrest sweeping the country seemed dire to me'. He had been to see the then Minister Owen Horwood, 'hoping to convince him to rescind the increases at that sensitive time, but he had barely been interested, having just returned from a dramatic meeting with the international Monetary Fund, which was under pressure to call in South Africa's foreign loans'. A meeting with P.W Botha ended disastrously and Ackerman then 'put together a plan calling on other food chains to join Pick 'n Pay in setting up a private bread subsidy'. According to Ackerman 'if we all agreed to put R1 million into the fund, we could easily hold bread prices down for the foreseeable future. Here again, [according to him his] approaches fell on stony ground'. He got no support from the other food chains and in the end Pick 'n Pay 'went ahead with their own R1 million subsidy' (Prichard, 2001:191-192).<sup>39</sup>

The above anecdote is a very good illustration of Pick 'n Pay's use of more than one approach to address a problem; discarding an intervention if it proves ineffective - in this instance an 'activist or social approach - and when it fails, engage with Ackerman's view that 'social responsibility should be woven right through a business person's whole existence' (Prichard, 2005: 148).

On a different note, it must be said that the refusal by the other food chains to respond to Ackerman's 'civil approach'<sup>40</sup> was not unexpected. In this regard Friedman et al (2008: 186) point out that 'while CSI within companies apparently is often shaped by champions, cross-company championing and peer pressure seems relatively insignificant'. This failure of cross-sector collaboration is explained by the 'need to compete that always win(s) over good intentions' (Doane (2003: 28). It is this overriding competitive spirit that results in competitors determining the 'ceiling when it comes to being involved in alleviating poverty'. Companies are not prepared

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<sup>39</sup> Words in quotation marks are those of Ackerman while the rest is paraphrased out of the relevant book by Prichard.

<sup>40</sup> Zadek in Utting, 2005b:3

to go beyond this 'maximum level' unless their efforts are matched by their competitors. When examining the impact that CSR can have in development, it is thus imperative that one 'should focus on the whole sector and not on one individual company'. This leads to the situation where companies are not prepared to go beyond this 'maximum level' unless their competitors do so as well, and as such, they argue, 'the focus should not be one individual company, but rather the whole sector' (Kolk and Van Tulder, 2006: 789).

Given the deficiencies and myopia, should governments do more to compel companies to contribute to development? This route is ill-advised as the majority of today's business leaders feel besieged by society and are of the opinion that too much is expected of the business world (Jonker and Marberg (2007: 107). They argue that 'regulating business activities to live up to new (social) responsibilities would result in decreased or poor financial performance. This would negatively impact the continuity of the firm and thus all constituencies' (Ibid). This echoes the argument that is the thorn in the flesh of organisations such as Christian Aid (discussed earlier).

It would appear as if companies have been effective in repositioning CSR to suit their requirements in the light of Fig's (2005: 2, 4-7) contention that although the role of 'legislative reform'<sup>41</sup> is discussed, it would appear that 'more recently the business case seems to have a more dominant rationale for responsible business practice than legal compliance'. He questions whether 'codes' are concerned, both globally and in South Africa, 'represent an adequate corporate response to the world's social and environmental challenges. While indicative of a more encompassing engagement with 'CC practice', the jury is still out whether the 'significant changes' contained and conceived by these codes and standards translate into substantial improvements/changes (Ibid).

UNRISD (2004: 4) highlights the 'difficulties of scaling up codes of conducting and voluntary reporting, auditing and certification systems', and instead argues that more

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<sup>41</sup> He cites in support of his contention legislation such as the Reconstruction and Development Fund (1994), Broad Based Black Economic Empowerment Act (2003), Employment Equity Act (1998) and Skills Development Act (2004) (Fig 2003: 3)

attention should be focused on complaints procedures to 'detect', name and shame companies 'publicize [and] prosecute and otherwise deal with' companies that breach 'agreed standards'. UNRISD avers that unless 'governments, multilateral organisations, civil society organisations and other movements' act in a concerted manner and compel 'companies to behave responsibly, effective business regulation will not occur'.

Utting (2007: 14) alerts to the problem of passivity amongst these groups in effecting purposive change. The main challenge of CSR thus resides in mobilising the social and political forces, 'and building the broad based coalitions and networks required to promote institutional change conducive to inclusive governance'. This calls for a high energy politics of 'reconnecting activism with democratic politics and processes, and forging links between campaigns and different types of activism – notably trade unions and NGO's, as well as North and South'.

Fig (2005: 617), endorsing this position, observes that it is 'imperative for other sections of civil society' to remain vigilant and to force business to 'take real responsibility for social and ecological rehabilitation'. Unfortunately, in so far as stakeholder activism is concerned, Visser (2005: 33) is of the opinion that 'there is not a strong culture' in this regard. However, the food crisis has revived civil society activism, with the trade unions (amongst others) becoming increasingly militant over soaring food prices and diminishing incomes. This militant unrest might just be the trigger that forces companies to take up the developmental baton.

If increased stakeholder activism fails to galvanize action, the mismatch between state responsibilities/duties – as defined in the constitution – and capacity presents us with another set of problems. Provocatively though, Hamann (2006: 181) proposes a more [pro]active role as envisaged by the Constitution'. This implies that CSR in South Africa cannot follow the 'voluntary business initiatives as is common from the definitions from developed countries' and that the state should indeed play 'an important role in enforcing and motivating CC'; i.e. legislation (Ibid). Whether government has the capacity to not only draft, but also implement and enforce such envisaged legislation, is addressed in greater detail in Chapter 4.

In summary, as the argument that companies should play a more developmental role gains increasing momentum, there is a lack of consensus on its execution. Whilst the MDGs stress the role of public-private partnerships, this approach has its detractors who see it as just another means by which business can influence development to suit their agenda. In order for CSR to be effective, not only will companies have to undergo a major change in mindset regarding their role in society, they will also have to address the numerous constraints discussed below, the most important, arguably being that of accepted economic theory about their primary responsibility to their shareholders.

Doubts also exist whether regulation will be effective to change companies' behaviour, and in this instance it seems as if some writers are of the view that a coalition of forces, whether it is between government and companies, or government and civil society, is likely to be more effective in ensuring compliance and delivering change. Another option would be to increase the vigilance with which existing codes and regulations are monitored and enforced. Keeping the above in mind, let us look at some of the challenges facing South Africa, firstly those of a more general nature and then proceeding to look at the food crisis, in particular, and the impact thereof on the poor.

## 4. SOUTH AFRICAN DEVELOPMENTAL CHALLENGES

What are the specific challenges that South Africa confronts and what are the constraints that militate against the various role players engaging in a concerted and coordinated effort to address them? In other words, what are the 'critical components that are likely to achieve more equitably and sustainable patterns of development and to tackle poverty' (Nelson, 2007: 155-156)?

### 4.1 POVERTY AND INEQUALITY

The paramount development challenge that South Africa has to resolve is that of 'social and economic exclusion of black South Africans' that was the result of 'colonial and apartheid social engineering' (Fig, 2003: 10). The inequality gap as 'measured in terms of the Gini-coefficient and other indices' confirms South Africa's unenviable status as one of the 'most unequal societies in the world'; and which is comparable to that of Brazil (Ibid).

Hamann (2006: 180) also identifies 'deepening poverty' as one of South Africa's 'pressing development challenges'.<sup>42</sup> What is even more disheartening, and as pointed out by Hassen (2008b: 26), is that 'structural poverty and the inequality trap remain resistant to government's best efforts'. The extent of poor people's anger about the deprived living conditions recently surfaced in 'violent protests over service delivery, and more recently the xenophobic attacks' (Ibid). Arguably, these protests are indicative of a 'political system' [that does not] allow the poor to have a voice and leverage that will enable [them] to influence the 'political elites to become responsive to their interests' (Habib, 2008: 40-41).

This pre-existing situation has now been exacerbated by the food crisis. Ndungane (2008: 9) encountered the severity of the problem first hand when he conducted a series of poverty hearings. The extent and depth of poverty warranted him calling out

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<sup>42</sup> The other challenges identified by Hamann (2006: 180) includes 'high levels of unemployment and increasingly vulnerable livelihoods, high levels of urbanisation, severe housing backlogs and lack of basic services, environmental degradation and the spread of HIV/AIDS and other diseases'.



for the declaration of a 'state of emergency'. He substantiated his viewpoint by referring to two of the testimonies given at the hearings. In the first instance he quotes a young 14 year girl as saying, 'Since I was born poverty has been following me'. The other instance not only sketches a harrowing tale of hunger, but also highlights the constraints of the existing social safety net. In this regard, a young woman told the inquiry, that because she was not the legal guardian of her siblings, she was unable to access any benefits from the social benefit system. Sometimes, 'they go days without food and the small children end up eating cow dung'<sup>43</sup>.

At the root of the prevailing persistent poverty lies the lack of jobs.<sup>44</sup> Hausmann (2008: 3) writes that the 'difficulty in the South African labour market is the fact that there has been very large declines in the absolute number of jobs'. In agriculture, for example, 112 352 jobs were lost between 1994 and 2004, translating into a decrease of 12.1 percent. The dire consequence of these losses were further compounded by the greatest negative impact on unskilled labour sectors, in other words, the relative decline has affected primarily the job prospects of people with no or little literacy.

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<sup>43</sup> This echoes this response given by Emma Makhaza, a rural woman living in KwaZulu-Natal, in the previous poverty hearings in 1998

I am having seven children and nothing to depend on. I am making bricks and sometimes it rains and then I can't do it. And I collect food and take it to people. I fetch wood and collect cans of cold drink and sell them. When I am without food then I go next door and if they don't have then the children will have empty stomachs and I cry. Yesterday I left with my children fast asleep because they will ask me what we are going to eat. I am very thin because when I bought a bucket of mealie-meal, I won't eat it all if I am thinking of the children. They say: "Mum, you are going to die" (cited in *the People's Voice*, 1998: p,17)

<sup>44</sup> Hausmann (2008:1-2) point out

...during the first decade of democracy GDP per capita grew by only 1.1 percent per year. The combination of this rather modest rate of per capita GDP growth, uncertainty about the implications of changing labor market rules, a structural change in the economy away from low-skilled jobs, and a significant increase in the proportion of South Africans looking for jobs caused a very large increase in unemployment from close to 15 percent in 1995 to over 27 percent in 2004. Furthermore, reflecting a history of exclusion, income inequality has remained very high, ranking third in a sample of 86 countries for which data existed for circa the year 2002...[Since] 2004 unemployment has begun to decline from its peak in 2002 to a level close to 25 percent in spite of a very rapid increase in the number of South Africans seeking jobs.

Bhorat and Kanbur (2006: 13) observe an ‘increase in both absolute and relative income poverty’ during the period 2002 to 2006 in response to which ‘the government devised a strategy document, ASGISA, toward the end of 2005 which explicitly shifts government’s objectives toward ‘share[d] growth’, and in accordance with the stated goals of MDG, halving unemployment and poverty by 2014, a very (Makgetla and Van Meelis, Forthcoming publication)

ASGISA mirrors Sach’s<sup>45</sup> stress on the strategic importance of partnerships, acknowledging though that the ‘goal of...halving the poverty rate to less than one-sixth of households will not be achieved without ...effective partnerships between government and stakeholders such as labour and business’. Sadly, in the South African context, partnerships formation is not without significant problems given the ‘deficiencies in state organisation, capacity and leadership’ (The Presidency, n.d.).

Recent upheavals both in government and the ANC have also not assisted matters, as is evident of the uncertain fate of government’s *Toward and Anti-Poverty Strategy for South Africa – A Revised Framework*. Matabogo (2008:29) writes that the ‘strategy [<sup>46</sup>], that was meant to get government and civil society to work together, [and which was] supposedly to be launched by Nedlac on Friday, 19 September, was delayed due to the fact that the deputy-president, Phumzile Mlambo-Nquka, who was in charge of the project resigned’.

Constraints militating against companies playing a more developmental role will be discussed in Chapter 5. It is noteworthy, though, how little we have progressed evidenced in the quotation below, written by a CEO during the apartheid era. According to him

...the Government [in South Africa] face[d] ‘extraordinary challenges’, and one of the greatest factors affecting business’s ability to face the challenges that

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<sup>45</sup> See discussion in Chapter 2.

<sup>46</sup> Some of the issues addressed in the *Strategy* are ‘basic income security, basic services, access to assets, human resource development, comprehensive healthcare, creation of economic opportunities and social inclusion’ (The Presidency, 2007/2008).

confront it is determined by the way in which [a] government behaves 'while one of the greatest influences on [a] government's ability to face its challenges is the way in which business behaves (Whittaker cited in Friedman et al (2008:183).

In view of the argument that that government has an important role to play in creating an enabling environment for CSR, we look, firstly at: the negative impact of the acknowledged lack of capacity of government, and secondly at: at the macro-economic policies that have been followed by the ANC-led government post 1994, and the extent to which it impacted on the poor.

## **4.2 LACK OF STATE CAPACITY**

If the state is to play an active developmental role, it needs to be able to plan over the medium and longer term, to coordinate its own efforts while mobilising the widest range of national energies, and it needs to be able to monitor and evaluate what it is doing, Reviewing our own state reality, it is clear that we have a long way to go (Cronin, 2008a).

The constraints identified by Cronin stand in stark contrast to the utopian world envisaged by the UN Millennium Project (2006b. 01) that envisages a 'vibrant private sector', supported by 'strong public systems' furnishing the 'human capital and infrastructure needed for firms to thrive and have access to world markets'. Companies in turn can 'support the Goals by making investments to increase productivity and create jobs'. In the instance of 'major international businesses they are expected to support the Goals through 'philanthropy, such as donations of life-saving technologies and differential pricing to enable the poor to gain access to needed technologies'.

As pointed out above ASGISA contains many of the goals spelt out in the MDG. Hausmann (2008: 4), however, is critical of the growth strategy of ASGISA, and views it as a strategy 'based on the people that South Africa wished it had, [and not]

based on the people that [it] has'. To the foregoing one could add, more specifically, based on the leadership and institutions it has, rather than those that it has.<sup>47</sup>

In light of the capacity deficiencies, Hamann et al (2005:13) posit the argument of business assuming developmental and regulatory responsibilities left by government's 'void'. Visser (2005a: 121)<sup>48</sup> also questions 'government's capacity to enforce its progressive legislation'. Even more disconcerting is Barnard's (2008) contention that 'state interventions with a development mandate are more often part of the problem and not the solution'<sup>49</sup>.

In view of UNRISD's (2004: 4) contention that 'many of the problems associated with CSR result from patterns of ownership that concentrate wealth and abuse the property rights of the relative powerless', it is particularly distressing that the ANC-led government has been so ineffective in effecting meaningful changes in ownership in South Africa. Rumney (2003: 418) argues that these ownership patterns should be changed through 'land reform, land tenure, creating a market of RDP houses and boosting the market for township houses', and not through BEE as it has been implemented to now.

In this regard, even though BBE was the only charter that put procedures in place, there are real concerns about the outcomes<sup>50</sup> (Makgetla and Moolis, Forthcoming publication). Rumney (203: 418) question the 'continual emphasis on direct equity,

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<sup>47</sup>With reference to the various instances of mismanagement and corruption at development agencies and the Land Bank, Barnard (2008) asks:

What has happened to the notion that development work needs to be underpinned by a sense of commitment, ethics and serving others.

<sup>48</sup> See also Bezuidenhout et al. (2007: 80)

<sup>49</sup> In this regard he points out that in recent weeks 'the CEO's of two national development agencies, [namely], the Small Enterprise Development Agency and the Universal Service and Access Agency of South Africa were fired or suspended for incompetence or misconduct (Barnard, 2008)'.

<sup>50</sup> "The reality is that a few of us were empowered at the expense of the majority" – Millionaire and ANC treasurer-general Mathews Phosa, in support of a forum – to be hosted by the black business community – to review and and redefine BEE policies in the *Business Times*, cited in They Said it..., *Sunday Times*, 19 October 2008,

on black groupings and already empowered individuals'. In this regard, '(then) ANC Secretary General, Kgalema Motlanthe, also protested to the Black Management Forum that a small elite of black businessmen were the beneficiaries of one deal after the another and proposed that once an individual had been empowered, he or she should no longer be regarded as historically disadvantaged', echoing the 'widespread perceptions [amongst] ordinary South Africans, that the government's BEE strategy has done little more than promote the good fortunes of a small black elite (Southall, 2006, 175, 197). In this respect, Hassen (2008b: 26) in a possible over exaggerated tone, comments that it is debatable whether the majority of black empowerment deals created even a single job.

The above happened 'in spite of government's scorecard approach that demands a range of changes along with equity' and the implementation inevitably raises questions about 'pressures from vested interests, the black middle class' (Rumney, 2003: 418).

Cronin (2008) harshly refers to the 'doleful history of BEE' and sums it up as

...excessively compradorist and parasitic, reliant on special share deals, affirmative action, BEE quotas, fronting, privatisation and trading on its one real price of capital - access to state power - establish itself.

Hausmann's (2008: 16) assessment of BBE and his views thereof echoes both Friedman et al (2008) and Easterly (2007) with their emphasis on bottom-up interventions. His recommendation regarding black economic empowerment reads as follows:

Add elements to the existing scorecard, giving firms flexibility to decide where to focus their empowerment initiatives. [These] elements should focus explicitly on bottom up empowerment interventions and economic growth elements such as employment of firm creation, learnerships, apprenticeships and training and spatial development.

The proposed approach to BEE potentially presents companies with real opportunities to intervene successfully and contribute to poverty alleviation.

Arguably, Pick 'n Pay has attempted to rise to the challenge through literacy programs and community development via the creation of small businesses that not only create jobs, but actually give people ownership thereof.

### **4.3 MACRO (ECONOMIC) CONSTRAINTS**

Economic policy plays a very important role in facilitating or rewarding companies to invest in development. It is accordingly a major concern that CSR is informed by a world dominated by 'neo liberalism and policy frameworks that cultivate business practices that can have perverse developmental impacts (UNRISD, 2003: 5).

Utting (2007: 13 and 2007a: 701) points to the 'strong neo-liberal current that the CSR agenda has to swim against', manifested in the restriction of 'certain state functions' and the promotion of 'deregulation and labour market flexibility that often have the effect of lowering standards' He argues that unless there is a real will to question the 'fundamentals' of the policy, we can only expect attempts to 'modify' [some] of its aspects'. In the process of attempting to 'curb specific types of malpractice' or improving 'selected aspects of social performance' one runs the risk of implementing 'contradictory policies and practices that can have perverse consequences in terms of equality and equity'.

This results in the situation where unencumbered and unrestricted by the state, large companies cherry pick CSR interventions they want to engage in

...while simultaneously lobbying for macroeconomic labour market and other social policies [to abet] labour market flexibilisation; deregulation and fiscal reform, that can result in the weakening of institutions and system of social protection; [or]... privatisation schemes relating to basic services, which in some developing countries have had negative implications in terms of affordability for low income groups (Utting, 2007a: 701).

In our context, it is particularly ironic given the policy that the ANC-led government has followed since 1994, and its impact on job creation and poverty alleviation that

(ex-) President Thabo Mbeki (2003) is quoted by Mohamed (2007: 14) as saying in the following:

If we are to follow the prescriptions of neo-liberal market ideology, we would abandon the masses of our people to permanent poverty and underdevelopment. That would be a betrayal of everything for which the masses of our people have engaged in struggle for nine decades, under the leadership of the ANC (2003).

Mohamed (2007: 14) writes that 'notwithstanding this strong rejection of neoliberal ideology, [the ANC-led] government has remained strongly committed to its neoliberal economic policies'. Habib (2008: 19) agrees and points out that 'poverty has also been the product of post-apartheid policy that prioritizes the interests of business community and black entrepreneurs' that led to the creation of an 'elite alliance between business, Government and organized labour'.<sup>51</sup>

Mohamed (2007: 1-2) highlights the fact that

...the notion of good governance has become extremely influential in prescriptions for economic development in developing countries. The OECD, IMF and World Bank generally recommend that developing countries emulate governance systems of developed countries for development, and to attract direct foreign investment and other capital flows. [<sup>52</sup>] [South Africa's] acceptance of this main stream approach to economic governance has negatively affected its economic development through [government's adoption] of neoliberal economic policies that have entrenched the industrial structural problems of the economy.

Bezuidenhout et al (2007: 23-24) concur and point out that as a result of 'influences and exigencies of a globalizing world' the ANC government 'since 1994 and more

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<sup>51</sup> Given the turmoil of the existing political situation that ensued after Thabo Mbeki resigned it is difficult to speculate what changes in policy are going to be affected in future.

<sup>52</sup> See discussion of Easterly's (2007) critique of this approach in Chapter 2 (s.3).

intensely since 1999, jettisoned most of its populist or progressive agenda and consolidated a neo-liberal agenda, moving steadily to the centre’.

According to Bezuidenhout et al (2007: 24), ‘policy making became ‘[a] more traditional top-down process<sup>53</sup> [and] government committed itself to the [implementation] of more rigorously neo-liberal measures such as privatization, deregulation and trade liberalisation. All of which had negative consequences for job creation’, which in turn impacted negatively on any attempts to alleviate poverty.

With respect of abrogation of government’s responsibilities and obligations, privatisation of essential services led to the state

...shedding capacity, and in some areas lost its ability to regulate the private sector effectively. It began to encourage private-public partnerships, instead of safeguarding the state’s traditional exclusive role in the delivery of water, sanitation, energy, waste collection, health care and other essential services (Bezuidenhout et al,2007: 25) .

This neo-liberal policy delivered a double whammy to the poor, ‘not only did [it] result in job losses and lower pay, but the services, when managed for profit, excluded the poorest sectors from access. Thus the state actively forfeited its role as an agent of redistribution in a country whose levels of wealth and poverty are extreme (Bezuidenhout et al, 2007: 25).

As a ‘consequence [of the above] the government turned directly to business to help compensate for its diminishing capacity in numerous fields’ and started to

...put the onus on the private sector to invest more in education, health and food security projects. Realising that its regulatory functions would be weaker, the state also encouraged more voluntary initiatives in the private sector (Bezuidenhout et al, 2007: 25).[<sup>54</sup>]

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<sup>53</sup> See further in this regard - Amandla Editorial Collective (2007).

<sup>54</sup> Idemudia (2008:96) raises the important point that unless the state plays the necessary facilitating role and create the right environment, companies will be hobbled in what they are able to do or not. He is of the opinion that ‘while government failure is acknowledged to have been responsible for an increase in the



This situation is to be regretted, especially, in view of Hamann's (2006: 186) contention that 'the role of the state in CC is perhaps a particularly significant issue in developing countries'; similarly the 'public sector [has] a potential role in providing an enabling environment for CC'.<sup>55</sup>

Given the 'weak regulatory capacity of the [South African state in particular] when it comes to enforcing existing legislation' (Bezuidenhout et al, 2007: 80, see also Fig 2005), and the business sector's full knowledge of it, has 'allowed corporate lobbyists to push for recognition by the state of less formal regulation and more co-regulation and voluntary initiatives'. This 'limited state power' (Bezuidenhout et al, 2007: 28) has also led to the exploitation of the situation by companies for their benefit.<sup>56</sup>

Government's failures both as a dynamic developmental force and as provider of adequate basic services and infrastructure is exposed in a biting critique by the Amandla Editorial Collective (2007), wherein they address the whole gamut of problems, ranging from the inability to address poverty, 'in spite of substantial levels of expenditure compared with many semi-industrialized countries', which loops back to government's self-confessed lack of capacity,<sup>57</sup> the lack of service delivery; the electricity crisis and the manner in which it will be addressed, that will 'reinforce and environmentally destructive accumulation path orientated to the needs of big capital and dependent on cheap labour'.

Alluded to previously, was the expectation of government for business to step into the vacuum created by, inter alia, problematic government policy and programmes and implementation technologies. In respect of poverty alleviation, in particular, and at an *imbizo*, Thabo Mbeki was reported as saying that 'government did what it could

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demands put on business, how government failure mediates the impact of business contribution is rarely acknowledged'.

<sup>55</sup> In this regard, Hamann (2006: 187) identifies four functions, 'mandating, facilitating, partnering and endorsing'.

<sup>56</sup> As illustrated in South Africa by the collusion between two large mills to fix the price of bread (Visser, A. 2008).

<sup>57</sup> The Presidency (n.d)

to eradicate poverty, but that the private sector had a bigger responsibility'. He continued and said, 'It's them who must create these jobs, but it is also us, the communities, who must become the private sector – to take advantage of all the opportunities that arise from this development' (Hartley, 2007).

This somewhat self-exculpatory rhetoric has not gone away. At a briefing of the media at the launch of the World Bank's Commission for Growth and Development, Finance Minister, Trevor Manuel is paraphrased as saying that

...government's anti-poverty interventions will not succeed unless the poor demonstrate a willingness to improve their circumstances. In this regard he referred specifically to the rural poor that no longer engage in productive activities such as farming because they were now receiving grants (Sapa, 2008).

The above is symptomatic of the state's uncertainty regarding its developmental role, the role of the private sector, and the role of communities. The poor are now being admonished and told to reinvent themselves as entrepreneurs, often in marginalised poor communities where there are limited possibilities if any at all to assume such a role (Du Toit, 2007). Relevant here is Hassen's point about the poor being ensnared in poverty and inequality traps that are resistant to change.

What the position will be post the 'Polokwane earthquake' is uncertain. The pertinent question is whether 'internal developments in the ANC will bring about the necessary shift away from top-down pro-business development' that entails 'defeating a class project'. The scale of this project is different from overturning 'an out-of touch leadership' (Amandla Editorial Collective, 2007).

As is illustrated by the quote ascribed to Mbeki above, rhetoric comes easily. Hassen (2008) argues that 'equal societies grow more quickly and poverty is reduced'. In the South African context, 'government needs the private sector in the implementation of any developmental strategy' and unless both state and companies subscribe to the ideal of a 'more equitable society' we will perpetuate the exclusionary and socially marginalising class project.

In the light of the changes on the political front that Barnard (2008) describes as the 'most dramatic in the South African history [since 1994), the 'ongoing calls by trade unions and various political and civil societies for the adoption of pro- poor policies', he, expresses the hope that the 'same urgency to which the political landscape is being transformed' in the guise of 'business unusual' will find its expression' across all sectors and agencies within the state whose mandate it is to improve the lives of people.

## 5. WHAT INHIBITS THE SYNERGY BETWEEN CSR AND DEVELOPMENT?

Friedman et al (2008: 174-175) opine the point that

...it is trite but true that steady economic policies will only be maintained in a transition to a democracy if they are accompanied by adequate development. [58] This requires business to play a developmental role.

Turok (2007: 22) agrees that the 'private sector is crucial in that it 'controls much of [South Africa's] capital, productive capacity and know-how, [but points out] that it shows little appetite for substantial effort to boost all-round economic advance'.

What then are the inhibiting factors that militate against companies playing a developmental role? The factors discussed below range from company resistance to more structural constraints.

### 5.1 ECONOMIC THEORY

The argument that revolves around 'economic theory' is based on the 'instruction to managers to maximise shareholders' wealth' (Margolis and Walsh, 2003: 268). Companies are 'driven by market forces and competitive pressures and are judged by markets primarily and according to financial indicators - profits, earnings per share, etc' (Frankental, 2001: 19). Accordingly, companies are under intense pressure to prioritize "business as usual" practices and shareholder interests over other stakeholders' (Utting, 2005b: 18). Hamann (2006: 183) also highlights the impact that the 'persistent pressures [on companies to deliver] short-terms returns to shareholders' have on the '[willingness] of companies to change their business models'.

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<sup>58</sup> The importance of this statement is clearly underscored by the following response by a young man from Gauteng during the poverty hearings

A hungry stomach knows no law (Ndungane, 2008:9).

It is indeed strange that CSR theorists have yet to confront instead of ignoring what companies

...claim as certain basic rights, [or what he calls non-negotiable rights] such as the 'right to make a profit, the universal good of free trade, the freedom of capital, the supremacy of private property and the superiority of markets in determining price and value...have added to their unquestioned legitimacy (Blowfield, 2003: 520).

Moreover, there is also a 'risk that by putting social justice issues into an arena for public debate while ignoring others, we are allowing the interests of company managers and investors to redefine what justice can or cannot mean' (Ibid). The result, according to him, is that CSR has 'fostered change in those areas in which it has been willing to negotiate over'. This 'dominance of the fundamental values of business over competing ones, has led to the emphasis on the "business case" which implies that [unless they] make a "commercial case" for [CSR] there is no obligation on 'companies to seek to deliver benefits'. He finds this approach problematic on two grounds, firstly; because it makes no provision for legitimisation of 'goals for which there is no business case' and secondly; how it creates a 'business-like mindset', that determines how we 'think about development and the consequences [thereof] for the poor and marginalized' (Blowfield, 2003: 520-521).

Tempting it is to think that the market will reward companies that do the 'right thing' and that there is potential to scale down the existing prominence of the business case as justification for CSR interventions that impacts on a company's profits, these view probably suffer from a surfeit of idealism. According to Doane (2003: 28), 'ethical research has consistently shows that customers are relatively passive' and that one cannot make the assumption that they will become more pro-active. Similarly, Frankental (2001: 19) points to the lack of 'overwhelming evidence that a company's share price is affected by a lack of social responsibility, even in the instance 'when this results in reputational damage'. He is of the opinion that 'CRS will only take root when it is rewarded by financial markets.

A further problem with 'non-negotiable rights' and especially the fiduciary duty to shareholders is that companies are 'institutionalised in legal structures' (Utting,

2005b: 18). This provides companies with a dilemma. Although it is expected of them to assume responsibility for their wider impact on society, these 'wider responsibilities are not reflected in the accountabilities of companies with regards to the UK Company Law' nor in South African Company Law, which stresses the fiduciary responsibility to shareholders (Frankental, 2001:19).

Love and Higgens (2007:20), reiterating the view of Blowfield above observe that though

...lack of any serious questioning of the [Milton] Friedman-type understanding of business and society has important implications for both the theory and practice of [CSR in its envisaged role as an agent for development]. Not only do these understandings play directly into the hands of those who argue that corporations are motivated only to deflect attention from other damaging activities, [the argument of particularly Christian Aid], but they also potentially water down the notion that business organisations have moral responsibilities to the communities in which they operate. If a philanthropic act contributes to business objectives, is it a matter of good business or a discharge of an organisation's responsibility?

Zadek (2007:1) argues that

...the classical separation of roles that sees business as 'legalized poacher' responsible for financial capital [and the] state as 'paternalistic gatekeeper' accountable to the people is no longer a tenable lens in which to understand the changing world around us. The classic differences and associated roles of these players no longer reflect how we would re-organise the rules and the game given some reasonable debate and choice in the matter.

Ackerman's viewpoint resonates with that of Zadek. He emphatically rejects Milton Friedman's theory. This does not mean that one should negate the notion 'that profits are the main stream of the economic world' but rather that it should coexist with 'social responsibility [that] should be woven through a business person's whole existence' (Prichard, 2004: 146-147).

However, in the interim and in an attempt to reconcile the goal of the maximizing of shareholder growth and the 'promotion of social justice, empirical research has focused on establishing a positive connection between corporate social performance and corporate social performance', the so called 'business case' for CSR. This approach, however, is problematic because it 'restricts the development of a more expansive approach to understanding the relationship between organizations and society' (Margolis and Walsh, 2003: 273). In this regard, Jenkins (2005: 540) points out that the prioritizing by of the 'business case', companies are unlikely to adopt actions to reduce poverty. Zadek (2007:17) unequivocally dismisses the business case as 'misguided' – it is 'foolish', he writes, of the existing 'view that there is a stable relationship between sustaining human rights and profitability'.<sup>59</sup>

Evident here is the failure of the diverse role players involved in the debate surrounding the role of companies or business in development to engage with the primary constraints that militates against companies taking on this responsibility, i.e. their fiduciary duties to their shareholders and the obligation on them to generate profits. Even more problematic is the entrenchment of this view as a result of the dominance by companies in the discourse which has led to the construct of the 'business case,' which limits the type of CSR interventions companies can/may/will engage in.

It is tempting that this dilemma can be overcome by a collective mind shift companies and, in particular, their shareholders, one must be cognisant, sent with reference to the view of Zadek (2007), that the legislative status quo does not reflect the needs of modern society. Rather what is required is legislation that extends companies fiduciary duties to a more inclusive group of stakeholders, versus the existing emphasis on shareholders which frequently has huge social and human costs.

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<sup>59</sup> Not everyone agrees with the viewpoint highlighted above. O'Brady (2005:41) makes the contribution, that 'trust is the business case for responsibility. It is simple psychology: if people trust a business, they will do business with it; they will "elect" it as their partner of choice'.

Utting (2007: 706) argues that

...there are strong grounds for assuming that CSR reinforces corporate power. Implicit in the so-called business case for SCR and the fact that it is many of the world's largest TNCs that have engaged more proactively with this agenda. [It is] explicit in a body of political economy analysis that draws on Gramscian theory [that] suggest that the CSR agenda is an feature of a mode of domination that has enabled large corporations and business elites to fend off criticism and regulatory threats and to reinforce their power and influence by actually accommodating certain oppositional demands, intervening proactively in the CSR arena, and attempting to lead the CSR movement. It has also been suggested that CSR is an important feature of 'new ethicalism', that is, the turn to morals and ethical norms as a means of shoring up the neoliberal agenda in a context where legal and other institutional arrangements have proved insufficient.

Newell and Frynas (2007: 669) also highlight the danger that 'by basing developmental policies around a business case, we might 'fail to tackle, or worse, deepen, the multiple forms of inequality and social exclusion that characterise contemporary forms of poverty'.

Blowfield (2003: 517, 523) acknowledges that although

...there are pragmatic reasons for using financial reasons to promote CSR, both to business and development audiences, but it should not blind us to the risks involved in basing discussions about social justice solely on economic arguments. [<sup>60</sup>] There will always be gaps even when CSR makes a positive contribution to developments goals that need to be tackled by government and civil society.

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<sup>60</sup> As an example he cites

...labour standards that are an increasingly common part of buyer-supplier contracts in certain industries that guarantee basic worker rights but implicitly accepts the right of companies to lay off workers and close down facilities without compensation. Thus CSR offers certain basic protection to workers, but at the same time indirectly shield companies from any responsibility for the consequences of disinvestment (Blowfield, 2003: 517).



## 5.2 DOING THEIR BIT?

Companies' often contend that they are already contributing to development by 'doing what they do best'; i.e. through 'business as usual' via creating employment and paying taxes. Companies' charge that '[d]eliberate interventions by governments and donors [that are] aimed at harnessing business towards the aims of poverty alleviation is misplaced'. This argument is not devoid of merit as 'existing research demonstrates that some of the most significant poverty-related impacts of business have little or no direct association with the CSR activities of [companies]' (Newell and Frynas, 2007: 671, 674). Jenkins (2005: 528) argues that companies are disingenuous in this respect because they avoid dealing with the 'impact of their business activities on poverty such as tax avoidance or the abuse of market share'.

Newell and Frynas (2007: 673, 674) assert that 'contributions to poverty alleviation' resting solely on 'doing what they do best' are limited in addressing underlying causes of poverty, which exclude people from the market place in the first place'. They propose a more 'sophisticated [approach that takes into account] that both CSR and non-CSR activities of a [company] can have a bearing on poverty, even if the latter are far more significant in overall social and economic terms'. Du Toit (2007) although agreeing with the second part, questions the assumption of exclusion, arguing instead, that the problem for the ('excluded') poor resides in adverse market incorporation rather than exclusion of the main stream economy. This calls into question the materiality of the 'sophisticated'.

The other argument of companies centres round philanthropy, the other side of the 'business case'. Companies claim that through their philanthropic endeavours, which does not form part of their core business, they make a valuable contributing to the alleviation of social ills. Pick 'n Pay is no exception in this regard and established, amongst other initiatives, The Ackerman Foundation, whose express purpose is to 'undertake philanthropic projects, [which] are not necessarily linked to the priorities of Pick 'n Pay' (Fig, 2007: 190)<sup>61</sup>. While philanthropy does indeed contribute to social

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<sup>61</sup> The Ackerman Foundation was set up in 1997 to 'commemorate [the 30<sup>th</sup> anniversary of Pick 'n Pay] and to honour and perpetuate that name of Raymond and Wendy Ackerman, and to ensure the ongoing philosophy of philanthropy'. In order to do so 'the Board of Directors of Pick 'n Pay Stores Limited resolved to set aside a

well being, it is 'an easy target for criticism because [it does] not affect the way companies go about their business' (Hamann, 2006: 188).<sup>62</sup>

Newell and Frynas (2007: 674) argue and without denigrating the good that philanthropy can do, that

...whether it is altering the sustainability of local livelihoods or bringing cleaner production processes and improved technologies, displacing local industry or boosting it, fuelling war through investment in conflict zones or providing much needed resources to resolve such conflict, it is the day-to-day management of the [company] and through the taking on key investment decisions that development gains come to be realized and denied, rather than in the well intended, but isolated and discrete activities of [companies] in developing areas.

Brady (2005:21), although conceding that 'giving money to charity is a good thing', questions whether it is 'really the most effective/efficient way to spend money if your ultimate objective is societal or environmental improvement'. He proposes that companies should 'examine its own societal footprint and by striving to reduce the negative implications of the footprint, is likely to have a more positive impact on society'.<sup>63</sup>

Rajak (2006: 190) refers to the 'veiled power of the gift to empower the donor while oppressing the recipient' and quotes the following response by a worker from South Africa's platinum mines, 'As long as we are dependent on hand-outs from the mines, we will be their slaves'. Chonco (2007: 23) also highlights the danger of 'dependency', but adds that the 'piecemeal approach' of most philanthropic endeavours 'leads to negligible pockets of success that do not act as catalysts for

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substantial sum of money to create a fund for philanthropic purposes' (Pick 'n Pay Ackerman Foundation, 2008). This is an example of what Boyle and Boguslaw (2007: 108-109) term a 'citizenship approach'. They contrast it to the 'economic approach' of CSR, in that 'profit is not the primary goal. For them, the aforesaid Foundation would qualify as a 'emerging citizenship approach [directed at addressing] poverty more directly'.

<sup>62</sup>In this regard, Ackerman points out that at the time that Enron began to unravel, the company was renowned for its philanthropic support for scores of charities and causes (Prichard, 2001: 148).

<sup>63</sup>This view corresponds to what Boyle and Boguslaw (2007) term the 'citizenship approach' which highlights the importance of research to determine the impact that a company has on poverty.

development, but leads to dependency'. Rajak (2006: 196) is also cynical about the attempts to supplant 'the traditional notion of corporate philanthropy with a 'partnership paradigm'. She opines that the rationale underlying the shift to partnerships, many a times equals 'legitimation' (Ibid).

Bezuidenhout et al (2007: 39) alerts us to the fact

...that whereas CSI or philanthropy concerns the way a certain proportion of profits is spent on worthy causes, [CSR] is primarily about how those profits are made in the first place. [In this regard,] the preference for South African businesses for the terminology of social investment, however, often diverts attention from the debate about whether business should take any responsibility for methods of accumulation.

Habib (2008: 40) argues that

...philanthropy on its own cannot address the problem of poverty alleviation and development. Indeed it is worth noting that poverty, inequality and underdevelopment are problems that have worsened at a time when civil society and philanthropy have greatly expanded in the world. Nowhere is it more evident than in South Africa where we have had poverty and inequality increasing simultaneously with an expansion in philanthropy and in state expenditure on social and economic services. The emphasis on add-on strategic philanthropy might constrain the ability of South African companies to respond to international demands for the incorporation of sustainability into core strategy. The constraint might be manifested in terms of managerial and employee attitudes and other forms of institutional inertia.

Now that we have dealt with economic theory, and the 'do good factor', we turn to the problem of causality. The following section asks three questions, firstly; can it be shown that CSR interventions have the potential to alleviate poverty; secondly, is sustainability reporting and compliance to codes helpful as yardsticks or do they detract from the required deeper/structural interrogation; and lastly, to what extent do

the 'architects' of CSR interventions interrogate the specific problem at hand before framing the 'solution'?<sup>64</sup>

### 5.3 A PROBLEM OF CAUSALITY?

Whilst Newell and Frynas (2007: 700) state unequivocally that the 'market is a critical vehicle for tackling poverty', other writers are less convinced, and quite understandably so, given the lack of a direct link between market interventions and poverty alleviation. Notwithstanding this, 'companies, development agencies and governments have made significant claims about the benefits of CSR, not least from a development standpoint'. However, there is a dearth of concrete evidence of the 'actual impact of those it is intended to benefit' (Blowfield, 2007: 383, 684). Utting (2007: 209) opines that there are 'major gaps between the gulf that continues between words and deeds that characterise the CSR agenda'; the 'crucial components of equality related to empowerment and redistribution remains marginal'.

Utting (2003:7) writes that

...if we are to assess CSR from a developmental perspective, we cannot simply assess CSR on its own terms, i.e. by considering the extent to which corporate performance related to a limited number of social and environmental issues has improved. If CSR is to mean anything, and if large corporations are to contribute in a meaningful way to social and sustainable development, the CSR agenda needs to address the central questions of structural and policy determinants of underdevelopment, inequality and poverty.

Ite (2005: 913) concurs, supported by the following assertion

...the lack of clarity regarding the role of business, and the absence of detailed and explicit exploration between poverty and business at the level of the

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<sup>64</sup> See also in this regard Easterly (2007) in the discussion on 'development' in Chapter 2.3.

individual firm, or of the role that individual businesses can play in poverty reduction has also limited involvement by business in the debate.

Conversely, Blowfield (2007:683, 684) contends - probably due to the dominance of business in determining the rules of CSR - it is easy to assess the impact of 'CSR on business itself'. However, we are in the dark when assessing 'how CSR affects the major societal issues' it intended to tackle. The mere fact that there is a perception that CSR can 'benefit' development does not necessarily make it true. He suggest that this lack of empirical proof might account for the tendency of companies to focus on 'outputs instead of outcomes' in the way of compliance with guidelines and standards such as the Global Reporting Initiative Sustainability Reporting Guidelines, the UN Global Compact, etc.

Blowfield (2007) is not alone in his scepticism of the value of guidelines and codes to measure the level and effectiveness of companies' engagement with development. UNRISD (2003: 6) points to a growing perception that the promotion of 'company triple line reporting' has resulted in 'reporting for the sake of it, rather than reporting that can be tied to some form of accountability'. KPMG (2006: 2) spotlights the danger of 'mindless compliance and lip service' that does not 'ensure more meaningful participation in governance standards'.

The dangers attendant to the 'smoke and mirrors aspect' of codes and reporting resonates with quite a number of other writers. Parkinson (2003:1) highlights the limitations of soft interventions such as the 'obligation to report', in that it does 'not prescribe change in the underlying behaviour of the organisation' and unless it 'triggers some additional response'; the behaviour of the company will not change. Rohregger (2006: 2) in an even more condemning tone argues that international standards and their voluntary nature 'makes it easy for companies to evade their responsibilities at all or choose to adhere to a very few, which would render their poverty alleviating impact highly questionable'.

Rohregger (2006) raises a further concern, questioning the relevance of existing codes - 'largely developed by industrialised nations' - to 'local conditions in developing countries that translate to 'different concerns' (2). This transposition of Northern concerns on developing countries also pre-empt what Roberts (2003: 261,

263) refer to as the 'dialogue with those different others who are themselves most vulnerable in the effects of corporate conduct'.

The limitation of 'glossy sustainability reports and emerging accounting systems' as a tool to measure whether CSR can make a difference' is accentuated by Hamann (2006:190). This failure militates against building a compelling argument that CSR can or should play a developmental role. He concedes, however, that 'social issues [relating] to CC ambitions, are difficult to measure'. Moreover, 'assessment becomes even more complex if extended to the level of the private sector in general in a country'. The difficulty however, should not deter the investigation of the issue in view of the fact that the business discourse on CC goes hand-in-hand with forceful lobbying for business-friendly policies'.

Blowfield (2003: 518-519) highlights another concern, namely that the increasing calls for 'extending the ambit of codes and strengthening the legal framework affecting CSR.....are based on the assumption that any weakness in CSR can be addressed by technical problem solving'. The emphasis on a technical solution or as Rajak (2006: 192) writes, 'the perfect policy', has led to 'the neglect by researchers of the relationship between these frameworks and the practices that they are assumed to drive and legitimise'.

In sum, the existing problems that relate to the implementation of CSR and the over reliance on the enforcement of and compliance with codes are firstly; that the outcomes are not necessary conducive to development and poverty alleviation, and secondly; their failure to deliver clear evidence that CSR interventions contributing to development, does not, on the other hand, further the argument that companies should take the lead in poverty alleviation, especially in developing countries, as argued before in Chapter 3.

Dunning (2003: 41) emphasises the two distinct outcomes of 'top-down' [upgrading] of codes (typified by the 'Global Compact and legislation), versus 'bottom-up' - as represented by 'spontaneous upgrading of CSR and activism by stakeholders, investors, workers and by civil society'. The 'former approach is more likely to reduce "bad" behaviour and the latter more likely to foster "good" behaviour'. In both

instances the materiality of 'behaviour' is not questioned. This viewpoint resonates with the opinion of Easterly (2007).

With reference to the focus of the study, it is pointless to frame possible CSR interventions, without looking at, not only the underlying reasons for the present food crisis, but also possible policy interventions proposed by government. Is there possible synergy between companies and governments to obtain the maximum leverage from these interventions through support from the private sector (and Pick 'n Pay in particular) where they lack capacity? How can companies influence government policy, either by supporting interventions that will impact positively on poverty alleviation, or opposing those that they regard as ineffective or iniquitous?

## 6. THE FOOD CRISIS

### 6.1 TRIGGER FOR CHANGE?

In the opening pages of this thesis, attention was drawn to the dynamic interaction between CSR and the larger society, and similarly, how changes in CSR in the past has often been triggered by crisis that forced companies to rethink their obligation to society. Robert Watson, director of the International Assessment of Agricultural Science and Technology for Development postulates:

Business as usual will hurt the poor. It will not work. We have to applaud global increases in food production, but not everyone has benefitted. We have not succeeded globally (cited in Vidal, 2008: 36).

Simon Maxwell, the director of the Overseas Development Institute (ODI), makes the following impassioned plea:

High food prices hurt the poor, and derail development efforts in poor countries if import bills and the cost of safety nets both rise. As we have seen, rising prices also lead to political unrest. We need to highlight the threat that rising food prices pose to poverty reduction efforts: progress over the past seven years may be reversed (ODI, 2008a).<sup>65</sup>

However, neither of them is from the business sector, testifying, to some extent, the reluctance of business to engage in the debate about the society's expectations of them. This is disconcerting, because escalating food prices is exerting increased pressure on business to 'formulate a position on how they see their role in addressing the situation, or put differently, 'how do they perceive their CSR' (Kolk and Van Tulder, 2006: 789).

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<sup>65</sup> Hunger destabilises societies, as is eloquently demonstrated by the following quote from an 'angry young man' at the recent poverty hearings in Cape Town: 'Hunger creates hatred. I see people with money and I want to rob them' (cited in Ndungane, 2008).



This thesis posits that high food prices are perhaps the powerful trigger to reinvent companies' perceptions of and engagement with CSR. The discussion below focuses precisely on this.

What are the impact of rising food prices, both on people and countries? 'Rising food prices will hit poor countries and consumers, that typically spend 50 to 80% of their income on food, the hardest', and will present an obvious impediment to the Millennium Development Goal of halving poverty by 2015 (Evans, 2008: 6).

Relevant to South Africa is the FOA's (2008:16) comments that countries 'with high levels of poverty and food insecurity and large population groups that spend 70-80 percent of their household income on food are particularly vulnerable'. Apart from the negative way it impacts on the nutritional value of the food purchased - given dependence on 'low-cost high-energy foods to maintain level of productivity'<sup>66</sup> - it also forces them to make trade-offs between 'health care, education and other non-food expenditure'.

In this regard, Smith and Edwards (2008) observe that the 'profile of the new hungry poor is also urban, which is new'. Although surrounded by food availability in shops, they are too poor to buy it – the 'new face of hunger'. World Bank President Robert Zoellick warns that 'a doubling of food prices over the past three years could push 100-million people in poorer developing countries into poverty and governments must step in and tackle the issue' (*Mail & Guardian*, 14 April 2008).<sup>67</sup>

Governments have a very vested interest to address and solve the crisis; hungry people are angry and violent people. The ODI (2008b) points out that

...the most visible consequences of economic impact are the social unrest and food riots that have taken place on continents, recently, primarily in urban

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<sup>66</sup> Schonfeldt of the University of Pretoria's School for Food and Agricultural highlights that the knock on effect of the over reliance on starch may result in a generation of South Africans with bodies with distinguishing features as a result of food deficiencies (De Waal, 2008b:14).

<sup>67</sup> Available online:

[http://www.mg.co.za/articlePage.aspx?articleid=336908&area=/breaking\\_news/breaking\\_news\\_business/](http://www.mg.co.za/articlePage.aspx?articleid=336908&area=/breaking_news/breaking_news_business/)

areas where people have felt the brunt of the impact of soaring food prices and rising fuel costs. [<sup>68</sup>]

What is the extent of the problem? The World Bank posits that 'global food prices have risen by nearly 75% since 2000, while wheat prices have increased by 200%' (Smith and Edwards, 2008). Most alarmingly, is that the 'move to current price levels has also been unusually sudden'. Since 2005, the price of 'corn is at its highest level in eleven years, rice and soya at their highest level in 34 years and wheat has recently reached its highest level ever' (Evans, 2008:2). This begs the question: What are the underlying factors that have led to food prices and shortages spiralling out of control?

## 6.2 UNDERLYING FACTORS

'How can one third of earth's population be undernourished, with millions dying of starvation every year, when there is more than enough food to feed everyone on this planet'? Frankental (2001:18) responds to (t)his question as follows:

...hunger is a political phenomenon relating to systems of power, a sociological phenomenon relating to social structure, and an economic phenomenon relating to laws of supply and demand and the behaviour of markets.

Fig (2007: 173), alerts to the dichotomy that of overproduction (on the one hand) and hunger/starvation (on the other). Similarly, 'while developed countries subsidise food

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<sup>68</sup> 'At least two dozen deaths have been reported in riots sparked by a sharp increase in food and fuel prices around the world, most recently in Egypt, Senegal, Cameroon and Côte d'Ivoire' (*Mail & Guardian*, 11 April 2008). Other countries that have also suffered riots include Indonesia, Madagascar, the Philippines and Haiti (*Sake24*, 14 April 2008). 'In Haiti, protestors chanting "We are hungry" , forced the prime minister to resign and in Egypt the president 'ordered the army to start making bread' (*The Economist*, 19 April 2008). 'Mexico had tortilla riots and in Yemen children marched to highlight their hunger'. Rising prices also impacts on the activities of the United Nations World Food Programme, that 'provides food hand outs to 73 million people in 72 countries, [and which will be] facing rations this year'. (*Sunday Herald*, 14 April. Available online: [http://www.sundayherald.com/news/heraldnews/display.var.2104849.0.2008\\_the\\_year\\_of\\_global\\_food\\_crisis.php](http://www.sundayherald.com/news/heraldnews/display.var.2104849.0.2008_the_year_of_global_food_crisis.php) [Accessed on: 14 April 2008]

producers and stockpile what cannot be sold, developing countries are faced with the question of ensuring basic food security' (Ibid).

Hattingh (2007) attributes the present iniquitous situation – and by extension the food crisis – to the slavish obedience to certain policies:

[O]ver the last 30 years almost all states across the world have adopted neo-liberal economic policies. These policies have favoured giant corporations' virtual monopoly over the human food chain. Through this, these corporations have made massive profits. Part of the monopolisation over the human food chain has involved multinational firms from the US and EU using the global free trade regime to swoop into South to take over entire markets or set up export operations.<sup>[69]</sup>

Rising food prices are beginning to raise (or sharpen) questions about the status quo spotlighting the need to revisit the neo-liberal wisdom of markets producing efficient outcomes. Even if we suspend the structural questions, the human casualty is most unfortunate and one is left asking why there are no contingency plans in place to deal with 'abnormal events' (ODI (2008b)).<sup>70</sup>

The policy considerations dealt with above, have been exacerbated by what the Food and Agriculture Organisation of the United Nations (FAO, 2008: 5-6)<sup>71</sup> term the

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<sup>69</sup> In the South African context in particular, Parmalat and Nestle

...used neo-liberal policies to enter [the country] through buying existing local dairy companies. Initially, they subsidised their ventures through their international operations. This allowed them to start a price war, which eventually drove many small-scale producers out of business. Through this they gained a virtual monopoly over dairy industry in South Africa. Once they had achieved this, they began raising the prices of their products. In South Africa, Parmalat and Nestle were directly involved in price fixing. At one end they paid small-scale farmers, who had managed to remain in production, a pittance for their dairy products. Once processed, Parmalat and Nestle colluded to charge consumers exorbitant prices at the retail end (Hattingh, 2008).

<sup>70</sup> One of their suggestions is that the 'world's rich nations may need to reinvest in strategic stocks to offset sudden shocks' (ODI, 2008b). However, to what extent the wealthier countries have excess funds available after the extensive state aid to financial institutions, is debatable.

<sup>71</sup> However, it is debatable whether the findings and proposals of the FAO are awaited with baited breath, especially by the developing world. According to Abdoulaye Wade, Senegal's president, '[the organisation] is a bottomless pit of money, largely spent on its own functioning', and that it should be scrapped (cited in *The Economist*, 10 May 2008).

‘unique developments that that have been observed over the last two seasons’ – distinguishing here between ‘supply and demand forces’. On the supply side, there has been a confluence of ‘weather related production shortfalls, the gradual reduction of stock levels and increasing fuel costs’. In turn, the reduction of stock levels is the result of a ‘number of changes in the policy environment since the Uruguay Round Agreements [that have impacted on] the size of the reserves held by public institutions; the high cost of storing perishable products, the development of other less costly instruments of risk management; increased in the number of countries able to export; and improvements in information and transportation technologies.’ Evans (2008:3) adds that apart from climate change, there are three more ‘scarcity issues likely to become significant’ that relating to agricultural input costs, to wit ‘energy, water scarcity and land availability’.

On the demand side, its changing structure – not unrelated to growth in developing and emerging countries (such as China and India) and the bio fuels market, has led to increasing prices in world markets and in turn to high food prices (FOA, 2008: 7). Evans (2008:2) points out that ‘historically demand for food has been about 1.5% per year, but has now risen to 2% per year and... is estimated to rise to 2.6% within a decade’. Other factors driving up prices include:

...short-term policy actions [<sup>72</sup>], exchange rate swings and operations in financial markets. Derivatives markets based on agricultural markets offer an expanding range of financial instruments to [speculative investors that enable them to] increase portfolio diversification and reduce risk exposure (FOA (2008: 12-13) [<sup>73</sup>].

The FAO (2008: 16) highlights some of the effects of food scarcity or even perceived scarcity and the unintended effects of policy interventions where ‘importing countries

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<sup>72</sup> In this regard they point to the rice markets, where ‘important exporting companies introduced bans and increased export taxes’, [which] exacerbated the short-run volatility of international prices (FAO, 2008: 12-13).

<sup>73</sup> Brown, E. cites an ‘investment newsletters that features headlines such as “How you can make profit from the Global Food Crisis” as an example of this new form of ‘investment in starvation’. (2008. Speculating in Hunger: Are Investors Contributing to the Global Food Crisis, Available online: <http://www.webofdebt.com/articles/global-food-crisis.php> [Accessed on: 7 July 2008])

panic buy' to try and ensure adequate supplies of major cereals. Simultaneously, 'major exporters' efforts to keep domestic cereal prices "in check", block or impose serious impediments to imports, that negatively impact on world market trade (Ibid).

### 6.3 PROPOSED INTERVENTIONS

Evans (2008: 8) sees the food crisis as an opportunity and postulates that

...development advocates may find that the emergence of food as a top ranked political issue provides them with an opportunity to form new alliances, new coalitions and new drivers for change. Stressing the reality that we have the power to make choices about the kind of food system we want is a good starting point. In that light we might find that "food democracy" is a more useful frame than "food security" – both in the kind of think that it engenders and in the policy options and approaches that it implies.

Whether the various interventions proposed below, will work toward the long term strategy, implicit in Evans's view, is debatable. Evans, however, is not alone, with various other institutions also suggesting that some good can come out of the present crisis. Higher prices can serve as a launch pad for renewed 'agricultural investment and increase[d] agriculture productivity in developing countries' (FAO, 2008:16).<sup>74</sup> Although conceding that some benefits might flow from the crisis to farmers of the developing world, the ODI (2008b) hinges on three conditions; namely, that global price movements are transmitted to local markets, farmers [must be in a position to] respond<sup>[75]</sup>, and local policies [must] support farmers. In this regard they argue that 'transmission can be muted by policies on domestic prices, and by transport costs'. They point out that non-farming households will not benefit

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<sup>74</sup> 'In Bangladesh, for example, one of the most vulnerable countries, the new rice crop is up 10%, prices are about four times production costs and wages for landless peasants are soaring' (*The Economist*, 10 May 2008, pp.65-66).

<sup>75</sup> This is one of the constraints that Government wishes to respond to in their Five Point Plan, discussed later in this chapter.

and 'overall the economy suffers' as 'reduced consumer spending on other goods and services puts a brake on economic growth'.

The ODI suggests 'that the food price crisis can be managed, [and sees it as] an opportunity to refocus development efforts'. Important to this thesis is the acknowledgement that 'different partnerships, other than those of rich country governments and international agencies are needed to support agricultural growth' (ODI Media Release, 2008). ODI policy recommendations include

...immediate action to alleviate the distress caused by the price spikes, such as transfers to the poor or general food subsidies. In the medium term, growth can boost incomes to compensate for high food prices, but the right policies are needed to help farmers to produce more food. Ensuring that small farmers can respond to higher prices is a familiar policy challenge now made all the more pressing. Public investment in infrastructure and agriculture research would pay dividends; as would support for institutions giving small farmers access to finance, inputs and information' (2008b). [<sup>76</sup>]

FAO (2008: 16-17) recommendations include

...the immediate adoption of a twin track approach aimed at (1) alleviating the impacts of high food and fuel prices on the weakest population groups through direct transfers and safety nets, while (2) implementing policies and programmes to promote agricultural and rural development both in the short and long run.<sup>77</sup>

FAO are similar to those of the International Monetary Fund (IMF, 2008:2), namely

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<sup>76</sup>This appears to be the route that the South Africa Government has also belatedly decided to adopt as is apparent from their Five Point Plan that will be discussed below.

<sup>77</sup> *The Economist* (10 May 2008, pp.65-66) is less than flattering about the world's response (and the proposals of the FAO) to high food prices, calling it 'incoherent' and 'muddled'. Monbiot (2008) is openly cynical about the proposal of the FAO and states unequivocally that 'a rootless, half-starved labouring class suits capital very well'.

...expansion of domestic agricultural production by improving infrastructure, and distribution and storage systems, increasing competition, removing policy distortions and removing barriers to trade. Temporary shocks [can] be mitigated by temporary and targeted subsidies.

Most of these policy interventions overlap and entails short term relief targeting existing need, coupled with longer term interventions geared towards stimulating agriculture, especially in developing countries. However, the latter intervention will not be successful if not underpinned by targeted interventions, be it improvements to infrastructure or changes to existing policy that militates against farmers from developing countries competing with their 'developed cousins'. Lastly, and probably most importantly, these farmers need the support of their governments, which can range from financial relief to policy programmes aimed at stimulating agricultural development.

Having extensively commented on the impact of chronic hunger on the poor, and the interventions presently circulating in international policy circles, there is an urgent need for a state and private sector to reflect and respond to the crisis of hunger. It is even more so imperative in South Africa, not unrelated to the constitutional injunction that 'Government has a constitutional responsibility to guarantee the right to have access to sufficient food and water as stated in Section 27 of the South African Constitution' (Fig, 2007: 201).

#### **6.4 SOUTH AFRICAN CONTEXT: FOOD SECURITY**

The idea of South Africa as a developmental state has been dusted off by the ANC leadership. The position of the incumbent ANC government is quite clearly set out in the media statement that accompanied the release of *Towards a Fifteen Year Review*, where it states that

...whatever is done going forward, the main elements of strategy would need to revolve around some core ideas: speeding up growth and transforming the economy; fighting poverty; building social cohesion and state legitimacy; international cooperation, and building an effective developmental state

(South African Government Communication and Information Services, 1 October 2008).

As pointed out above, the capacity for companies to play a developmental role is determined by a confluence of factors, the most important of which is arguably the macro-economic environment. The question posed by Fine (2008): 'Can South Africa be a developmental state', is accordingly of pivotal importance when one pursues the argument that companies should shoulder a larger burden and play a more developmental role.

Harvey (2007) sees the 'whole notion of a "developmental state" [as] largely rhetorical, because there is little substantial evidence for it'. In a similar vein, Fine (2008b) bitingly, and with reference to ANC policy, states that 'just because you talk about a state as "developmental" does not necessarily make it true'. In view of the foregoing, and without belabouring the point further, the companies would have to play a more developmental role if they want to ensure an environment conducive to their businesses operations and continual profitability.

Of immediate concern to us here is whether the South African brand of developmentalism responds to deepening the access of the poor to sufficient food and/or offers an environment that is receptive and responsive to the interventions recommended and suggested by the FAO and ODI (amongst others).

Fig (2007: 173) then points out that developing countries must deal with a host of challenges that 'directly influence' the present high food prices, i.e. 'inequitable land ownership, mass unemployment, open access to more competitive imports, declining terms of trade, and steep food price inflation'.

Two aspects must accordingly be examined; firstly, how has existing government policies impacted on South Africa's ability to produce its own food and accordingly on its food security; and secondly, what policies is government proposing to address the challenges, both in the interim and in the long term?

Jeremy Cronin of the SACP points out that since '1996 the message to farmers have been to liberalize, which has resulted in more than a million farm workers – and



dwellers have been evicted, not because farmers are racist but because of market forces' [sic] (Du Toit, 2008: 11). In this respect, Fig (2007: 177) points out that the [entire] food industry itself has suffered a 'declining trend in employment since 1990. Official figures have estimated a net loss of 52 000 jobs between 1990 and 2000, and a further 46 000 between 2000 and 2003'<sup>78</sup>.

*Farmer's Weekly* editor, Chris Burgess, quoted in Dugmore (2008) says the following, 'we are heading for a catastrophe and the cracks are already showing because our government under President Mbeki did not treat food production as a national priority'<sup>79</sup>. He proceeds and point out that South Africa 'changed from a net exporter to a nett importer [in 2008] which opens [South Africa] up to extreme economic and political insecurity' [sic].<sup>80</sup> Needless to say, this is not an enviable position to be in with 'high food prices' worldwide. Further problems Burgess highlights are those relating to land reform and restitution.<sup>81</sup> The solution proposed by Burgess is that government 'should wake up and draw on the expertise at our [farmers] disposal.'<sup>82</sup>

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<sup>78</sup> Apart from the loss of jobs for farmworkers, Le Roux (2008) quotes figures from Agri SA [that] show a drop in the number of commercial farmers in SA from 65 000 almost twenty years ago to fewer than 40 000 now.

<sup>79</sup> This is spite of the fact that, even its reduced state, 'agriculture , linked to fishing and forestry, was the largest contributor to the gross domestic product in the second quarter of this year'. Furthermore, the industry provides jobs for about one million people and there was add on employment in areas such as the production of fertilizer, processing of products and packaging' (Roberson, 2008).

<sup>80</sup> Le Roux (2008) points out that 'the latest trade figures put farm exports in the year to March at R33.7bn while imports rose to R34bn'. This situation, according to him, is directly 'attributed' to the dismantling of 'state support to farmers and tariffs on agricultural commodities [that] left farmers at the mercy of state-subsidised competition from the European Union and the US in particular while being battered by a volatile currency'.

<sup>81</sup> Problems in this regard include 'the verification process of land claims', the difficulties attendant to the obtaining of credit once there is a claim registered against your land, and finally the 'lack of support and guidance for emerging farmers' According to him, 'they have been hit by a double whammy. Trying to cope with the volatility of trade liberalisation, while dealing with a department of agriculture that does'nt have any capacity to support them' (cited in Dugmore, 2008 - words in quotations are those of Burgess, the rest is paraphrased from the article).

<sup>82</sup> 'We undoubtedly have some of the best farmers, researchers, and agriculturists in the world with more than enough expertise to turns things around. Without [farmers] we run the risk of running out of food and then we will start experiencing instability such as we have never known' (cited in Dugmore, 2008 - words in quotations are those of Burgess, the rest is paraphrased from the article).

However, changes seem afoot. Le Roux (2008) writer of a 'radical about turn' in the ANC who now 'acknowledge the strategic significance of agriculture' as evidenced by a 'discussion document prepared for a tripartite economic summit that was held on the weekend of the 18-19 October 2008'. The document proposes the resuscitation of 'agricultural production particularly in the context of global food prices. As far as land reform is concerned, and quoting directly from the document, there is an acknowledgement that:

Complex issues need to be resolved in doing so. This includes confronting certain trade-offs such as those between land restitution and growth in agricultural production, as well as between the desire to promote a small-scale agricultural class and the role of commercial agriculture in production, exports and employment (cited in Le Roux, 2008).<sup>[83]</sup>

Government is also finally realizing the impact that agricultural policies have had on food prices and food security:

Given that we are far away from major producers, importing food has implications for the cost of food. In general, if we are a net exporter, we are less impacted upon by global price changes than if we are a net importer. The lesson is simply that if we produce more, prices are likely to fall or grow by less than if we produce too little. It is a cause of concern that South Africa has become a net food importer for products such as wheat, rice and meat. For much of the past decade, too little policy attention has been focused on how we could increase agricultural production. This goes for both large-scale

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<sup>83</sup> To what extent this will entail a change from the following resolution expressed in the 'Letter from the President' penned to the nation, by the President (in *ANC Today*, 11-17 January 2008) and with special reference to the Polokwane resolutions relating to poverty, will only become clear with implementation thereof.

It was resolved that the market-driven land reform should be discarded and principle of willing-buyer, willing seller be reviewed to accelerate equitable distribution of land. The ANC would need to review the adequacy of post- settlement support in all land reform programs so that the recipients of land are able to make productive use of the land.

commercial farms and for small-scale subsistence farmers. Higher prices provide the opportunity for our country to feed our people and to earn export revenue by increasing production (Trevor Manuel, Minister of Finance, 2008).

Apart from the negative impact that Government policies have had on food production, it has also failed to 'get agriculture moving' and working for the rural poor (Scoones, et al, 2005). Trevor Manuel sidesteps this, preferring to palm blame on 'social grants' which he believes is a disincentive to or has resulted in rural population no longer farming (2008). This lack of consistency (government failure to support big and small farmers versus blaming the poor) is explored shortly.

How does government intend to address the problem? In this regard, Trevor Manuel (2008), following the (essentially two-pronged approach) of the IOD, the World Bank and the FAO, states unequivocally and here repeated at length:

Public policy responses to rising food prices should focus on two main areas - income support to the most vulnerable of our people and efforts to increase production. The social relief or distress grant is a temporary social grant aimed at dealing with precisely these types of emergencies. Government could also increase the coverage of school feedings schemes and increase support to NGOs and CBOs that run soup kitchens and similar feeding schemes. Continuing efforts to broaden the social security net by raising the threshold on means tests will further assist the poor to mitigate the effects of rising food prices.

On the production side, the legislative framework is in place for small-scale farmer cooperatives to club together to procure services jointly, to purchase tractors or fertilizer and to get their products to markets. Government can do more in rural areas to support small scale farmers. On the commercial side, while production increased this season, it is concerning that investment over a long period in the commercial agricultural sector has fallen. It is important to get a better understanding of why farmers are not investing to boost production.

The two policy options that are not recommended at this point in time are price controls and direct food subsidies. Price controls are likely to work in the

short term but they are likely to impact negatively on the supply response resulting in higher prices in the future. Subsidising food is a feasible option but has a number of disadvantages including the likelihood that the subsidy is captured somewhere along the supply chain before the food reaches the consumer. Ensuring that the poor or the end user benefits [are] neither easy nor straightforward.

Steyn (2008) describes Trevor Manuel's response as to the food price crisis as 'callous', particularly his response to the idea of 'food vouchers'<sup>84</sup>:

Will each of us be able to check to ensure that the vouchers will be distributed and used for food only, and not to buy alcohol and other things? If we don't have those kinds of measures, I say talk is cheap (Trevor Manuel cited in Steyn, 2008).

Steyn (2008) responds as follows to the Minister's callousness as follows:

If [Trevor] Manuel supports putting extra money into people's pockets, why is he so scathing about vouchers? Who can guarantee that the extra money won't be spent on alcohol, or not at the grocery store, but at a drinking hole?

The response to government's proposals have been lukewarm, According to Jooste, an agricultural economist food, security has three legs: availability, affordability, and the nutritional value of the food. At present the only short term interventions are welfare benefit schemes and school feeding programs. Although he is cautiously optimistic about the State's Land and Agricultural Reconstruction Program, it is a long term solution (cited in De Waal, 2008b: 14).

As far as possible interventions are concerned, a quick scan of the public policy suggests that the poor will have to do it for themselves. According to Trevor Manuel,

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<sup>84</sup> Food vouchers will enable the poor to get a certain amount of food at a discount or for free.

‘poor South Africans should be encouraged to protect themselves by resuming the subsistence agriculture that was a part of the country’s heritage’ (cited in Boyle et al, 2008). ‘South Africans’, he said, should ‘not sit back and wait for the international community to act.... [but has] to go back to working the land to counter the global food crisis’ (cited in Boyle, 2008).

This devastating impact of high food prices on South Africa’s poor and working poor, has galvanised civil society in to action. The Congress of South African Trade Unions (Cosatu) observes: ‘For over a year now food prices have been rising much more rapidly than overall inflation’ (*Cosatu Today*, 9 April 2008). This coupled with ‘single digit wage growth over this period and the fact that low-income households spend a far greater proportion of their income on food than the rich – food price increases are fuelling economic and social inequality at a faster pace than the State social security system has been set to address’ (Ibid).

Cosatu also alerts to the price collusion between the major food manufacturers and retailers, and in particular the collusion between the ‘big four bread producers’ which has resulted in prices ‘beyond the reach of the majority of the workers and poor people’ (*Cosatu Today*, 9 April 2008). Cosatu’s outrage over the price collusion is justifiable. ‘Price fixing [especially of something like bread] most negatively affects the poor’ and unless ‘monopoly capital’ is broken, ‘structural poverty and inequality’ will persist (Hassen, 2008a).<sup>85</sup>

In response to the food crisis Cosatu (*Cosatu Today*, 9 April 2008) formulated a set of demands directed at ‘agriculture, food manufacturing and retailing companies as well as government’, of which the following are of particular important for a group such as Pick ‘n Pay:

- An end to super profits and super salaries for executives<sup>[86]</sup>;

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<sup>85</sup> One can accordingly not agree with the view of Kramer (2008), who acknowledges that ‘companies should take responsibility’ for their social and environmental impact, as well as practices in their supply chain, but claims that their ‘linkage to the food crisis seems more attenuated’.

<sup>86</sup> Of particular relevance to Pick ‘n Pay, given the fact that Sean Summers of Pick ‘n Pay got R10.19m per annum which is 790 times that of the minimum wage at Pick ‘n Pay of R400 per month. Apart from the

- An immediate reduction in basic food prices and the freeze in future food price increases;
- Dismissal of CEOs in agricultural, food manufacturing and retailing companies found guilty of collusive practices, and other anticompetitive conduct;
- Suspension of CEO's in agricultural, food manufacturing and retail companies being investigated for collusive practices and if their companies are found responsible, we call on their impeachment from serving as directors in future;
- State-owned enterprise or more of these, operating across the value chain of staple food products such as maize meal, bread, milk, some vegetables, etc be set up within the next two years;
- Calling on government to set up a National Food Price regulator to determine prices for those staple food products;
- We demand the nationalisation of the maize-meal, bread and milk value chains; and
- That agricultural, food manufacturing and retailing companies as well as government and departments of Trade and Industry, Treasury, State Enterprises, Social Development, and Land and Agriculture, engage in negotiations on price regulation of basic foods and enhancement of household food security at NEDLAC.

In an attempt to address the wide ranging outrage and protest about the high food prices, and calls for government action, (ex-) President Thabo Mbeki announced the creation of a national food control agency to monitor food prices and to provide advice to government on how to overcome the resultant problems. This initiative is seen by Mbeki as a way to address the problem of high food prices in a systematic

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foregoing, he also sold of some of his shares worth R13.5m in the year under review (*Cosatu Today*, 9 April 2008).

fashion and would be coupled with a campaign against poverty that would, inter alia, entail the identification of neighbourhoods most in need. Households in these particular areas will then be visited by a team of researchers and community workers to address ways in which they can be supporting them in a coordinated and sustainable manner (Assakani, 2008: 1).<sup>87</sup>

Tony Ehrenreich, the Western Cape Provincial Secretary of Cosatu, is less than sanguine about the initiative; especially a lack of clarity relating to the control agency's role, team composition, etc. Once again, says Ehrenreich, it is a way for the President to park a crisis. This will not, he asserts, dissuade them to proceed with protest marches and strikes (De Wee, 2008a:4).

Subsequently, Cosatu spearheaded mass protest marches in all the major cities on the 6<sup>th</sup> of August 2008. In Cape Town, this resulted in the biggest Cosatu march ever, supported by religious institutions and other civil society organisations, amongst others, The Organisation of the Roman Catholic Churches, The Western Cape Council of Churches and the Muslim Juridical Council (*Die Burger*, 2008, 7 August: 4). As to the gravitas and seriousness of intent, there can be no doubt when they state their intention to bring government to 'its knees' if it does not address their demands (De Wee, 2008b:4). Arguably, and excitingly, the effective mobilisation by Cosatu, that included a diverse set of stakeholders, hold promising opportunities for stakeholder activism as 'an important force for challenging mainstream [CSR] in South Africa' (Fig, 2005: 4).

Cosatu's protest action had the desired results and galvanized Government into devising a five point plan that borrows extensively from the recommendations of the FAO and the IMF<sup>88</sup>. Essentially it envisages an increase, in the medium to long term

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<sup>87</sup> Given the turmoil in government and Mbeki's subsequent resignation, it is unclear whether any of these initiatives have been/ will be executed.

<sup>88</sup> In this they seem to disregard the warning of Rodrik (2007) that 'the best designed policies are always contingent on local conditions, making use of existing advantages and seeking to overcome domestic constraints'.

food production as a measure to counter rising food prices. This is to be achieved by a combination of measures. Firstly, and most importantly, will be the support of small and emerging farmers; secondly, the improvement of the existing rail infrastructure; thirdly, promotion of trade in agricultural products and review of import duties; fourthly, the implementation of the Lima/Litsema Project to ensure the transfer of land to certain communities, and fifthly; and finally; to encourage of households and communities to start their own vegetable gardens' (Strydom, 2008: 1). Evidently, the plan combines a spectrum of interventions encompassing 'technical fixes, market, and institutional fixes and policy fixes' (Scoones et al (2005).

The actions by Cosatu illustrates very appositely the view expressed by Maxwell (2008) who highlights the fact that

Business interests do not always coincide with social interests. But interests do not have to be perfectly aligned for a productive partnership to develop. Opportunities must be seized to build new kinds of relationships with the private sector. The key is to maintain the pressure and manage engagement and the prize is a new contribution by business to poverty reduction and sustainable livelihoods.

Having established the importance not only of poverty alleviation, but also the disproportionate impact that rising food prices has on the poor, as well as Government's proposed interventions and their expectations of the private sector, the thesis proceeds to examine Pick 'n Pay's engagement with CSR. Following will be a discussion of the manner in which they are addressing the high food prices in particular, and in the final section, we conclude with some tentative suggestions/proposals, that could potentially impact positively on poverty alleviation.



## **7. PICK 'N PAY – DEVELOPMENT OR BUSINESS AS USUAL?**

### **7.1 INTRODUCTION**

In the world generally gradualism is associated with superficial change and deep change with revolutionary transformation, but this is a false association that we must break by combining piecemeal but cumulative change with formulative stamina (Unger interviewed by Wheatly, 2007).

This thesis argues that Pick 'n Pay is a good example of a company that has from the outset engaged with a wider set of stakeholders than its employees and shareholders. This is evident in their mode or pattern of interaction with the apartheid regime, and since 1994 incorporating innovative approaches to BEE. Interwoven is an ongoing CSR program that seeks not only the improvement of the livelihoods of employees, but also society at large through the support of community projects and empowerment initiatives. Pivotal to this engagement are the numerous roles played by Ackerman, not only as champion of what he perceives as the ethical way to manage the company, but also as philanthropist, and finally, as activist to bring about changes to regulation and legislation viewed inequitable. As such the thesis argues, that Pick 'n Pay, has in many respects extended the boundaries of traditional CSR, and actively engages with a few of the numerous challenges of poverty alleviation.

The next section will now examine this hypothesis with reference to some of the key points highlighted in this thesis and amplified with specific examples of Pick 'n Pay's CSR initiatives.

### **7.2 CONTEXT**

Both the concepts of corporate social responsibility and development are contested concepts that are always context bound. As a result one should be loathe prescribing one solution, or a meta-narrative to be imposed on every company irrespective of

where it operates or in which sector. This is a view that Easterly (2007) holds in respect of development and similarly, Friedman et al (2008), in respect of corporate social responsibility realm. In this regard Newell and Frynas (2007: 674) point out that the 'challenge....is to explore the potential and limitation of CSR in specific settings' and that one must be sensitive 'to key differences that determine success'.

Relatedly, Bezuidenhout et al's (2007: 86) 'study of the food and drink sector' reveals that these sectors have 'taken very little responsibility to ensure food security within South Africa', which

...would entail taking an interest in supporting land restitution, small-scale agriculture, adequate extension for small farmers, low input and organic farming practices, affordable food prices and the like. Apart from some limited forays into short-term hunger relief, the food and drink industry remains aloof from taking such broader responsibilities.

Monbiot (2008) points out that

...big business is killing small farming. As it captures both the wholesale and retail markets, it seeks to reduce its transaction costs by engaging only with major sellers, [particularly] with growers in the poor world. As developing countries sweep away street markets and hawker's stalls and replace them with superstores and glossy malls, the most productive farmers lose their customers and are forced to sell up. The rich nations support this process by demanding access for their companies.

Two issues of relevance are raised by the Bezuidenhout et al and Monbiot above, the first, being the essentially philanthropic and short term nature of the food and drink industries' forays into CSR referenced to addressing the needs of the poor; and secondly, the impact of large food chains, not only farmers, but also hawkers, and small storeowners.

The problem highlighted by Monbiot is eloquently illustrated by A. Du Toit's, case study (2007) of a small village in Eastern Cape. In Mt. Frere, there is only one store that is locally owned, and the only store (as well) that is 'willing to purchase local products' (15). The national supermarket chains, which include Boxer, a subsidiary of Pick 'n Pay, 'invariably bypass local production', but supply cheaper food than that which is locally sourced or procured (Ibid).<sup>89</sup>

What is Pick 'n Pays' scorecard in respect of the contestation and allegation raised above? With respect to the contestation, Du Toit's (above) findings of the food industry, albeit in a specific context, is challenged by the information gathered from their company records (*Pick 'n Pay Sustainability Report, 2008*). The *Report* shows a commitment of 'R30 million for the period 2007 to 2010 to enterprise development projects that will become part of [their] supply chain. These include community owned projects' such the 'Organic Freedom Project'; an 'enterprise development bakery, Support Bakery, that at the end of 2008 had 6 Close Corporations employing 181 employees; the [implementation] of electricity and water at 8 out of 15 farms at the Winterfeldt urban settlement; as well as the ongoing sourcing of apples from the Bethlehem Farmers Trust' (*Pick 'n Pay Sustainability Report, 2008*).

With respect to the allegation above ('killing small farming'), Pick 'n Pay would, conversely, argue that by providing cheaper and better quality food (versus locally sourced and 'inferior' food), they are benefitting the local community. They would further counter that, and although it appears not to be the instance in Mt. Frere, that they make a real attempt to support small suppliers. In the words of Ackerman:

Despite popular perceptions, the plain fact is that Pick 'n Pay has always tried to look after the small suppliers. Far from predated current government strictures that require retailers to accommodate small independent retailers,

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<sup>89</sup> Utting (2007a: 701) In short, 'CSR generally attempts to curb specific types of malpractice and improve selected aspects of social performance without questioning various contradictory policies and practices that can have perverse consequences in terms of equality and equity'.

regional Pick 'n Pay offices have, for many years, submitted for my personal scrutiny lists of such suppliers with whom business is being done, complete with details of the price structures under which their goods are being purchased. It is company policy to try and give small traders an easier ride. Quite often they are paid in cash, or at least within 10 days rather than the usual 40-45 days (Prichard, 2005: 96).

### 7.3 THE IMPORTANCE OF LEADERSHIP

The importance of 'decisive leadership' that 'can think [creatively] when engaging with the threat that food security poses to the world' is stressed by Yach (cited in De Waal, 2008c, 3). This view is also held by the *Economist* (2007) that identifies the leaders in CSR, as companies that have a

...committed CEO who champions the policy, a chief officer for corporate responsibility, or sustainability, who reports to the boss and a cross-functional board committee to ensure that strategy is coordinated throughout the company.<sup>[90]</sup>

It is therefore disconcerting, that although Visser (2005a: 118)<sup>91</sup> is in agreement as to the importance of personal leadership as a driver of CC in South Africa, he scores South African leaders very poorly (5/10). He laments the lack of such leaders in the contemporary period, and is not optimistic of the present leaders taking over this legacy of 'exemplary leadership', as personified by Ackerman. He substantiates his view by emphasizing Ackerman's position as 'one of the 50 global executives that formed the Business Council for Sustainable Development and the report he 'issued' at the 1992 Earth Summit titled *Changing Course: A Global Perspective on Development and Environment*.

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<sup>90</sup> See the ensuing discussion on Ackerman's leadership below.

<sup>91</sup> Chapter 2 (s 2).

Mentioned before was the point that effective leadership mobilizes entire sectors, with particular reference to the hike of the bread price in the eighties. The failure of Ackerman to mobilise the food sector was highlighted, as well as the reasons underlying his lack of success in this instance. Anecdotal evidence seems to suggest that the importance of entire sector involvement with regard to CSR interventions is at least tacitly acknowledged by companies in the food sector.<sup>92</sup> Arguably, this realization is the direct result of the prominence that high food prices on the public agenda and the role of civil society to highlight the effect on the poor and the contested role companies play in food affordability.<sup>93</sup>

The pivotal role that Ackerman has played in entrenching ethics as a core value and developing CSR interventions that address wider societal concerns (addressed further below) is admirable, but raises doubts about whether his principles will survive his retirement. Although a succession plan does not necessarily translate into the implementation thereof, it is a positive indication that Ackerman has actively participated in succession planning to ensure that ‘the core values and ethics on which [Pick ‘n Pay] has been built and sustained’ will endure (Prichard, 2005: 178).

Friedman et al (2008: 190) consider Ackerman’s role problematic for another reason, but one which also raises doubts whether the company’s present CSR approach will continue after Ackerman’s retirement. Friedman et al (2008: 190) contend that ‘the company’s social investment is widely seen as the product of decisions by the founder, Ackerman, whose strong personality and his preference for “hands-on” decision making make him the archetypical whimsical chairman’ (Friedman et al, 2008: 190).

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<sup>92</sup> De Waal (2008c) cites the marketing director of the Shoprite Group who describes the present situation, and in particular to the high food prices, as one where ‘everyone seems to be waiting for someone in the private sector to take the first step.

<sup>93</sup> Utting (2007a: 701) In short, ‘CSR generally attempts to curb specific types of malpractice and improve selected aspects of social performance without questioning various contradictory policies and practices that can have perverse consequences in terms of equality and equity’.

#### **7.4 PHILANTHROPY AND PUBLIC RELATIONS POSING AS EMBEDDED CSR?**

It would be incorrect to say that companies do not already contribute to poverty alleviation, be it through employment or paying taxes, philanthropic initiatives or by the setting up of a separate trust. In respect of the argument that centers round employment, Newell and Frynas (2007: 673, 674, see also Du Toit, A. 2005) make the point (as stated before) that this per se does not address the 'underlying causes of poverty, which exclude people from the market place in the first place'. Instead, they call for an approach that include both CSR and core business activities. They propose a more 'sophisticated [approach that takes into account] that both CSR and non-CSR activities of a [company] can have a bearing on poverty, even if the latter are far more significant in overall social and economic terms'.

Detractors of philanthropy often argue that the voluntary and piece meal nature of it results in outcomes that foster dependency and only benefits a small percentage of the larger population. In this regard, Newell and Frynas (2007: 679) argue that although '[p]hilanthropy, standards and codes of practice and engagement in partnerships make potentially important contributions to development, in and of themselves, however, they are inadequate'.

Typical examples of philanthropic interventions would be the awarding of bursaries or the building of homes for employees. In this regard, Pick 'n Pay is no exception, as has been highlighted before, but this thesis argues that the company also uses philanthropy as a developmental tool that engages with a wider group of stakeholders than merely their employees or their dependents. An example of this is Pick 'n Pay's initiative to

...help local education. [In this respect] Pick 'n Pay's subsidiary Score Supermarkets provide accessible basic adult education in literacy and numeracy through the provision of free learning materials for customers (Prichard, 2005: 154).

In this instance Christian Aid, is particularly condemning about the developmental potential of CSR especially the 'voluntary nature of it', and regards it as 'merely a branch of PR' (Davison, 2004:2). Frankental (2001:23), although conceding this might be the case, presents a more nuanced case and states that one must look at

...where [companies] locate this function within the organizational structure [to] determine the value they attach to it. It is usually located within external affairs, corporate affairs or community affairs. In other words, is seen as an adjunct of PR, a function of a company's external relationships, a peripheral activity, and not something that needs to be embedded across the organization horizontally and vertically.

Ackerman emphatically denies that CSR is only another marketing tool of Pick 'n Pay and says the following:

It is ethical, not politically correct, to pay attention to what happens to the environment and what effect industry has on the conditions all people share. Helping society with housing, bursaries, medical care or any of the myriad needs of contemporary community life is not a device to garner the approval of the public, the state or the stock market; it is an adherence to our core values and the obligation of ethical corporate governance (Prichard, 2005:84).

This commitment is reiterated by the present CEO, Nick Badminton, In the *Pick 'n Pay Group's Sustainability Report* (2008), where he says the following about their engagement with communities

...we continue to maintain our long history of being active in our communities and in protecting the interest of our customers. We are encouraged by our progress in providing diverse opportunities for training and development of historically disadvantaged individuals, promoting preferential procurement and investing in enterprise development and related initiatives. Our contribution this year towards social initiatives was

R50 million, which represents 6.4% of post-tax commitment to community development.

In the same *Report* Tessa Chamberlain, General Manager: Sustainability, identifies the focus of social development as a 'corporate social investment plan focusing on various funds across the Pick 'n Pay Group, and investment in community owned projects'. She continues and point out

...in terms of transformation of our value chain, we will proactively work towards ambitious targets looking ahead to 2017, expand our Franchise Academy and launch our Retail Academy to fast-track executive management development. Our commitment to social development will focus on our continued investment in the upliftment of local communities, aligning our funds on specific social issues, skill development and job creation.

This commitment has also been acknowledged by the industry. Upon receiving the award for the Number One Company in the Food Retailers Sector in the Top 500: South Africa's Best Companies Publication recently, marketing director, Jonathan Ackerman responded as follows

Social investment has always been at the heart of Pick 'n Pay. It will always remain a core value and is a critical part of our social governance. We have always played an active role in supporting and building local communities; and we commit major resources to social investment initiatives each year. We strive to develop long-term sustainable partnerships with all beneficiaries, focusing on lasting commitment rather than one-off projects' (*Retail South Africa*, 2008).

In Chapter 2.2 the thesis also dealt with CSI which some writers see as a cynical way by companies to buy off their guilt about the benefits that they enjoyed under the apartheid regime and that it remains a way of legitimizing other activities of the company (Bezuidenhout et al, 2007).



In this respect, although in no way supporting the view that Pick 'n Pay did not benefit from the apartheid regime, there are numerous anecdotal examples where Ackerman confronted the previous government about its policies<sup>94</sup>. In this regard, he highlights the realization by him in the 1970's and early 1980's of the impact of price control on food prices and the negative way that it impacted on the poor. This led to him investigating the 'role of cartels, price-fixing, monopolies and the role of manufacturers on basic foodstuffs'. He collated his findings in a dossier that he presented to the then government.

Although the present format of sustainable reporting can be problematic, the nature and content of a company's reporting can still serve as an indicator of the value it attaches to CSR. In the instance where 'non-financial measures of progress play an important part in the overall assessment of the company's performance' it can serve as proxy of the particular company 'seeking to "embed" CSR in the business' (*Economist*, 2007:21). Pick 'n Pay is not an exception given its explicit avowal to 'poverty reduction' contained in its *Sustainability Report 2008*.

Referring to UN guidelines, Boyle and Boguslaw (2007: 105) contend that companies should

...invest in creating opportunities for deductions in both asset poverty and income poverty; construct solutions that are comprehensive and sustainable, not quick fix; collaborate with public and non-profit sectors to create complementary and integrated solutions; and explicitly identify the issue of poverty reduction as crucial to businesses and advocate for anti-poverty.

It is of paramount importance to bear in mind the argument, that companies should do more in respect of development, and especially the alleviation of poverty, does not warrant the assumption that they should take over the responsibilities of government. As Newell and Frynas (2007: 679) points out, 'it remains the role of

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<sup>94</sup> This aspect has also been addressed in Chapter 4 (s 2) that dealt with macro-constraints.

governments, supported by donors and working with both [companies] and civil society groups, to enable the implementation of the CSR agenda that look at impacts upon poverty and the potential of all actors'. As such government policies play an important role in determining the contribution by CSR. It is for this reason that the thesis dealt quite extensively with government policies, both by way of their impact on the evolution and development of CSR in South Africa, as well as their impact on food security and the present food price crisis.

In the South African context the thesis argues that it is especially in the pursuit of government's BEE goals that the private sector can make a valuable contribution. As far as social development is concerned, they follow a two pronged approach, a 'corporate social investment plan which comprises various funds that focus on welfare issues, skills development and job creation in communities, 104 bursaries that they allocate for the development of their employees and families, and commercial BEE initiatives to supply our stores' (*Pick 'n Pay Sustainability Report, 2008*).

In this regard, the thesis has dealt with existing initiatives in this regard, both in this chapter and previous chapters and will suffice at this stage to highlight some future developments, such as the continuation of share ownership by employees<sup>95</sup> and the identification and nurturing of 'historically disadvantaged individuals through the establishment of a Retail Academy that will fast track 12 candidates (*Pick 'n Pay Sustainability Report, 2008*).

Pick 'n Pay also intends to increase their 'affirmative procurement practices, with the longer term aim of ensuring [their] entire supplier base is BEE compliant', at the

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<sup>95</sup> At present, 13000 Pack n Pay employees own shares or share-options in the Company (*Pick 'n Pay Sustainability Report, 2008*). In the words of Ackerman:

The giving of share options in our company culture is hugely important to the maintenance of morale and commitment. What receiving a batch of shares means to the lives of people employed in packing shelves or sitting behind the cashier's till is something to be seen to be believed – people are empowered in the most meaningful ways (Prichard, 2005: 790).

same time they will work towards increasing their 'black owned and black female owned supplier base'. The company will 'maintain a focus on identifying opportunities for promoting BEE enterprises. This will be done by the expansion of the 'Franchise Academy over the next five years to create 100 new entrepreneurs, the [conversion] of 83 stores to independent black owned Pick 'n Pay franchise formats over the next two years, and the [expansion] in the years ahead [of their] Support Bakery with an additional three Close Corporations, creating further employment (*Pick 'n Pay Sustainability Report, 2008*).

Once again, there are plans to gear up these initiatives. They intend to extend the model of the Support Bakery to the Western Cape; further develop the farms of Winterfeldt so that all 15 original farms have electricity and water; [and, continue] to support the Bethlehem Farmers Trust initiative through Pick 'n Pay stores procurement'. A new project that will be initiated is the 'Weskus Ubuntu Farmers Union "Wikufu" [that will entail] funding five farms to start up a farming project'.

Quite evidently, Pick 'n Pay engages in a meaningful fashion with BEE as is apparent from the specific initiatives highlighted above. In this regard the thesis argues that their interventions resonate with the proposals contained in the Recommendations of the International Panel on Growth (Hausmann, 2008: 16), which arguably is at some distance from the present thrust and implementation of BEE, i.e. the empowerment of a small black elite.

## **7.5 LEGALIZED POACHER<sup>96</sup> OR CORPORATE CITIZEN**

Zadek (2007) maintains that meaningful engagement with CSR presupposes a mindset change related to how companies view their responsibilities. For too long the emphasis has been on maximizing shareholder value rather than engaging with the society at large. This has led to the tortuous argument that there is a business case to be made for social corporate responsibility. There are two problems with this

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<sup>96</sup> Borrowed from Zadek (2007:1)

view from a developmental viewpoint; the first is that it is extremely difficult to translate CSR initiatives into monetary value and as such reflect it as a credit in the balance sheets of companies, in other words, there is a problem with the measurement of the impact. Secondly, the so-called business case precluded companies from engaging meaningfully with the potential of CSR as a tool for development. Blowfield (2003: 522) warns in this regard that the emphasis on the business case model, allows companies not only to determine the parameters and discourse of CSR, but also to negotiate what should form part of CSR and what does not.

How does Pick 'n Pay conceptualize CSR? In the words of Ackerman (cited in Prichard, 2005: 147):

Profits are the bloodstream of the economic world, but social responsibility should be woven right through a business person's whole existence.....the basis of Friedman's theory deeply shocking – at least to my mind – opinion, that rested on the theory that the sole job of business executives was to maximize profits for shareholders, while it was the job of governments to look after issues of social responsibility, funded from company taxation. Social responsibility ranks among the most revered of the core values on which Pick 'n Pay has been built, and on which the company is sustained.

From the foregoing it is clear that Pick 'n Pay sees its engagement as more than mere compliance with laws, regulations or voluntary codes. It actively seeks a wider role in society and has engaged with specific South African challenges such as illiteracy, HIV/AIDS, job creation and the empowerment of historically disadvantaged groups, both through BEE initiatives for its employees and community initiatives that emphasises job creation through empowering and supporting local community entrepreneurship and innovation.

The company also engages with a multiplicity of interventions that range from philanthropic endeavours; pro-actively piloting training and literacy programs that have a direct impact on poverty alleviation; engaging government in policy

formulation; mobilizing sectorally; and, embedding CSR in its core business through initiatives in its supply side initiatives. As such the company utilize all three approaches identified by Boyle and Boguslaw (2007: 107-108), as well as the 'four steps' identified by Maxwell (2008) for 'effective engagement of the private sector in efforts to reach the MDGs'. Lastly, and with specific reference to the 'stages' of CSR identifies by Zadek<sup>97</sup> (cited in Utting, 2005b: 3), the thesis argues that Pick 'n Pay's approach, is essentially 'civil, in that they encourage 'their peers to address the issue and operationalise this latter stage is by participating in multi-stakeholder initiatives'. However, what are they doing about high food prices?

## 7.5 ADDRESSING HIGH FOOD PRICES IN PARTICULAR

In its 2008 financial results the company acknowledges the increasing food prices and says amongst others that, 'we are very aware of the inflationary pressure on basic foods and are doing everything we can do to minimize its impact on customers' (Retail South Africa, 2008c).

*Retail South Africa* (2008b) reports that the chief executive Nick Badminton has already met finance minister Trevor Manuel to discuss how the retailer could 'help' curb prices. In this regard the article reports, that 'Pick 'n Pay will be keen for the ANC-led government to help diffuse growing consumer anger over food prices among its constituency, [especially in view of the Cosatu protests over high food prices] and the existing dispute with unionised workers over working conditions, ahead of wage negotiations that will be particularly tricky because of the rise in living costs'.

Pick 'n Pay spokesperson, Tamra Velej, places the blame on high food prices squarely on the shoulders of manufacturers. According to her, Pick and Pay's profit

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<sup>97</sup> The other stages identified by Zadek includes 'defensive, in which they deny that they are part of the problem; compliance in which they adopt a policy which is seen as cost; managerial, in which the issues are adopted in their core management processes; and strategic, where the problem is seen as good for business' (cited in Utting, 2005b: 3).

margins on food stuffs are minimal and do not exceed 1.9% on the goods that they purchase. The company tries its utmost to absorb rising food costs, inter alia, by buying in bulk when they become aware of planned hikes in prices. This enables them to sell such goods at the old price for a longer period of time. Apart from the foregoing they also sell milk, bread, rice and cooking oil at cost. She is supported in her contention by Pick 'n Pay's marketing director who confirms that they often sell goods under cost (De Wee, 2008a).

The undertaking to sell basic food items at cost was reiterated in their 2008 Company Report. Furthermore, Pick 'n Pay alleges that their basket of basic food items have been the lowest of all its competitors for the past six months (De Waal, 2008c). However, not everyone is impressed by Pick 'n Pay's initiatives. According to Abri du Plessis, the chief investment officer at Gryphon Asset Management, the group's strategy by 'extending discounts on items that were mostly loss leaders anyway' was merely an attempt 'to pre-empt consumer anger' (*Retail South Africa*, 2008b). During a subsequent informal interview with Du Plessis (2008), he conceded that of all the major food chains, Pick and Pay's basic food basket are consistently the lowest, and that in many instances they sell basic items such as bread and mealie meal at cost or below cost.

Apart from subsidizing some basic foodstuffs as mentioned above, the board of Pick 'n Pay also announced that they intend to utilize an amount of R500 million - budgeted for share buy-backs - to invest in building up inventory to shore up prizes. Ackerman was quoted in this regard as saying that although he does not object in principle to the buying back of shares it should not be done at the cost of the consumer (De Waal, 2008c: 2).

It would then appear as if they are addressing the issue, but what are the interventions that they can engage in, taking into account the policies of Government relating to high food prices. In this regard the writer would argue that Pick and Pay can play an important role, not only in the support of government's statement of intent to empower and promote small and emerging farmers in accordance with their Five Point Plan, but also in addressing Government's lack of capacity when it comes

to enforcement of legislation that impacts directly on food prices. Lastly, they can offer their existing infrastructure to support social welfare initiatives by government.

Friedman et al (2008: 199) argue that CSR offers innovation possibilities that may not be available to government interventions and sees this as the 'most desirable goal for [CSR]'. In a similar vein, Hamann (2006: 182) argues that 'some of South Africa's socio-economic challenges may actually present innovative companies with important business opportunities', although 'this quest for innovative products and services that benefit the poor, rarely [carries] the label of CC [of CSR]'.

It is in this context that the writer would like to look at what Pick 'n Pay might do in the future that is not only innovative, but also developmental in that it addresses poverty alleviation and food prices in particular.

## **7.7 POSSIBLE INTERVENTIONS**

### **7.7.1 SUPPORTING SMALL AND EMERGING FARMERS**

Apart from playing the good corporate citizen, should Pick 'n Pay support small farmers? Monbiot (2008) makes the salient point that there is 'an inverse relationship between the size of the farms and the amount of crops they produce per hectare. The smaller they are, the greater the yield.'<sup>98</sup>

As is apparent from the extracts of *Pick 'n Pay's Sustainability Report (2008)*, they are already involved in community projects that benefit and support poorer communities which lends credence to Bezuidenhout et al's (2007: 84) viewpoint that apartheid has installed in 'South African companies a more socially sensitive attitude'. However, the writer will argue that there is room for the expansion of these projects.

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<sup>98</sup> 'In some cases the difference is enormous. A recent study of farming in Turkey, for example, found that farms of less than one hectare are 20 times as productive as farms of more than 10 hectares' (Monbiot, 2008).

Firstly; by investigating the possibility to provide small and emerging farmers with financial assistance, perhaps in a public-private partnership with Government. 'Food companies and financial institutions have the financing that could enable small farmers to dramatically improve their productivity (Kramer, 2008).<sup>99</sup>

Secondly, by implementing pilot projects that to investigate and interrogate the impact of their activities on the existing economy of small communities. In this instance they need not look any further than Mt. Frere, discussed by Du Toit, A. (2007). This would enable them to understand their impact and the repercussion of their policies on society and livelihood strategies. Pilot projects that investigate the food chains of their major suppliers could also serve as a valuable tool to compel them to improve the livelihoods of their employees, or otherwise risk losing their contracts with Pick 'n Pay.

It is apparent from their *Pick 'n Pay Sustainability Report (2008)* and there are ongoing plans to extend their existing initiatives to empower communities. The thesis would argue, and with reference to the pilot projects suggested below, that there should be a concerted effort by Pick 'n Pay to identify those communities that are particularly excluded and marginalized for possible future interventions. Arguably, this would be the kind of intervention envisaged by Utting (2008b: x) that will enable CSR to 'become part of an agenda for transformation and poverty reduction, rather than a palliative for a pattern of development that continues to be characterized by high levels of social exclusions, inequality and environmental degradation.

### **7.7.2 MAKING USE OF EXISTING INFRASTRUCTURE**

Hess et al (2002: 1) makes the point that

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<sup>99</sup> An example of this is Walmart that 'guarantees purchases of market-driven agricultural products from Guatemalan farmers, thereby greatly increasing the prices and predictability of cash crops' (Kramer, 2008)



Many of new corporate social initiatives are taking on aspects more commonly associated with corporate strategy than community relations; they are grounded in the core competencies of the firm and related to the firm's long term strategy. Moreover, many firms are becoming key providers of aid to civil society.<sup>100</sup>

How can Pick 'n Pay emulate this role? South Africa's Minister of Finance, Trevor Manuel, raised the point that 'ensuring that the poor or the end user benefits [is] neither easy nor straightforward'. However, it is a problem that will crop up every time government contemplates raising pensions or child grants. Lester (2008) argues that instead of giving more money that 'gets swallowed up in Lotto tickets, airtime and booze, [rather] give coupons toward basic foodstuffs. Furthermore, the 'redemption of Government Issue welfare stamps for the needy' can be administrated through the facilities that are already available at 'megastores' that allow us to do our banking, buy airtime, electricity, etc.

Lester's proposal as set out above is not only a workable option of public-private partnership, but also makes maximum use of Pick 'n Pay's existing facilities, that will entail minimum setting up costs.

### **7.7.3 PLAYING THE ACTIVIST**

As is apparent of the historic interventions done by especially the now chairman of Pick 'n Pay Ackerman, and which has been addressed in the thesis, the company is no stranger to engage in a more activist role. As is clear from Nick Badminton's meeting with Trevor Manuel, referred to above, Pick 'n Pay is still prepared to engage to try and influence government policy. However, there is another front on which they can intervene and exert pressure.

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In this regard they cite the example of the United Parcel Service that [have] used its existing resources to become an important actor in the delivery of humanitarian aid on an as-needed basis'.

In the previous chapter, the thesis dealt with Cosatu's ire at the fixing of the bread price by cartels. Watkinson and Masemola (2008: 11) points out the following

White maize meal is a staple food product to [South Africa]. At present four South African processing companies (Premier Foods, Pioneer Foods, and Tiger Brands and Foodcorp), and seven grain handlers control white maize and grain processing. These companies have a long history of monopoly in the agricultural history.

In fact, 'Albany was fined R98,8 million [in July 2008] after a price-fixing investigation by the [Competition] Commission that found that Tiger Brands, Premier Foods (Blue Ribbon) and Pioneer Foods (Sasko and Duens) had colluded to raise bread prices before Christmas in 2006' (Marud, 2008). In this regard Tiger Foods reached a settlement with the Competition Commission and paid a fine of R100 million. The bread monopoly was exposed when distributors complained to the commission that all the bakeries, not only raised the price of bread, but also reduced their commissions on the same day. (Visser, A. 2008).

Bread is of great importance to the poor as Ackerman already pointed out during the eighties (Prichard, 2001: 192). Accordingly, the writer would argue that given the clout of Pick and Pay in the market (turnover of R45.4 billion) (*Retail South Africa*, 2008c), they can play an important role monitoring the price of bread and anti-competitive behaviour. As such it can play an invaluable role in assisting Government in stamping out monopolies, especially given the questions that exist about Government's capacity to enforce legislation raised in the previous chapter.

## 8. CONCLUSION

In the authoritative words of Utting (2007b), CSR in South Africa

...is constrained by the macroeconomic policy framework, a weak regulatory or deregulatory environment, the ideology of voluntarism and the politics of CSER, which is heavily dominated by organised business interests. Moving from a disabling to an enabling environment for CSER would require what some refer to as a developmental policy framework – that is, one that is less fixated on economic stabilisation and liberalisation, and more on economic diversification, the promotion of small enterprise and redistribution that goes beyond current approaches to BEE. It would also require greater attention to the notion of corporate accountability, which implies that large companies should not only have to answer to different stakeholders, but also bear some sort of cost in cases of non-compliance with agreed standards. This implies not only a strengthened role for state regulation but exploring the potential for combining or articulating softer and harder regulatory approaches' (ix-x).

Can business use CSR as a developmental tool or is it forever doomed to be tainted by the moniker of 'green washing' or selective philanthropy? Will it be hijacked by large companies through the 'creative use' of sustainability reporting to detract attention from what it was doing and how it was making its money or strait-jacketed by codes that enforce a mindset that reward 'box-ticking- and punish 'thinking out of the box'.

Fortunately, the brief overview of the development of CSR alerts us not only to its dynamic nature, but also its sensitivity to pressures exerted by the larger environment that companies operate in. As such the increasingly globalized nature of 21<sup>st</sup> Century commerce has left its mark through the inception and promotion of the Global Code on Conduct and its sidekick the Global Reporting Initiative. Although the engagement with these initiatives are indicative of an increasing concern with 'seeing to be doing the right thing', its detractors would argue that it primarily serves the interests of entrenched power relationships, and does not acknowledge the needs and interest of developing countries.

Global trade has also highlighted the unequal playing field, which relegates the south to the injury bench, whilst the north determines the rules of the game (and is also the referee). This tension has been dramatically surfaced by the food crisis; a crisis that is a combination of factors (amongst others); policies that entrench the interests of northern farmers at the cost of their southern cousins and their poor populations, a (misguided) hailing of bio fuels as the new holy grail, changing weather patterns, and manipulative markets.

Whilst the impact of high food prices on the poor is and continues to be devastating, the crisis has been very effective to alert governments, markets, civil societies and communities to the importance of food security and the threat that hunger (and poverty) poses to the security of societies everywhere and the legitimacy/authority of governments. This vulnerability was bought home by global food demonstrations and drastic measures imposed by governments to secure (what they thought would be adequate) food reserves for its citizens and, which more often, than not only served to worsen the situation. Institutions, such as the World Bank, the ODI and the FAO, have all devised strategies that in essence propose a two pronged approach; short term relief for the desperately poor in the form of aid, and a longer term plan that involves the resuscitation of small farming sector and food self-sufficiency.

South Africa, the victim of neo-liberal policies, found itself at the beginning of 2008, a net importer of food rather than the converse. Simultaneously, the high prices of food started to impact meaningfully on the lives of the poor. Contrary, to the conventional view that South Africa suffers from a dearth/declining of social activism, the rising food prices led to protests that mobilised a wide range of organizations. Probably mindful of the violent protests in other countries triggered by food riots, government managed to articulate policies that echoed that of the institutions highlighted above.

Unfortunately for South Africa, the threat of food insecurity, is further compromised by its messy history, and must be combined with ambitious plans of tenure reform and land restitution; none of which will translate into increased food security, unless there is adequate support for small and emerging farmers. Compounding this challenge is the lack of capacity of the state to deliver, or put differently, play the

developmental role required of it. In its defense, it must be said, that governments worldwide are becoming less able to provide what their citizens expect or need, and are increasingly farming out their 'traditional' functions to the private sector. The impact of this incapacity on government's ability to drive development and poverty alleviation, has been addressed in the body of the thesis, and suffices to say, that it has not served the poor well.

It is in the above context that the question of companies' role in society has entered the CSR discourse. Development theorists have long argued that companies should re-examine their role in society, and that the 'loyalty' to shareholders' interests are impacting negatively on the long term wellbeing of society at large. The arguments for and against a more developmental role for companies have been dealt with at some length in this thesis. Two aspects, of this debate, deserve reiteration at this stage, firstly; the extent to which business has determined the parameters of the debate, and secondly; the impact of the lack of clarity of the meanings of 'CSR', 'development' and to a lesser extent 'poverty'.

Notwithstanding, these constraints, this thesis has shown, albeit anecdotally, that companies, and in particular one South African company, Pick 'n Pay, can use CSR to engage in development that is sustainable and that addresses poverty, instead of short term interventions aimed at building its brand or detracting from its real impacts on society. The case study further illustrates very clearly some of the critical success factors that ensures an engagement that does not translate into 'business as usual', but recognises its role as development agent, namely; the role of effective leadership; the importance of engaging in context specific interventions; the wide ranging nature of CSR approaches that can (and should be) followed and which is dependent on the challenge at hand; and lastly, the commitment to long term interventions that signifies commitment, and that not only builds capacity, but also empowers the recipients/beneficiaries to manage their futures.

Pick 'n Pay is not perfect, and some of the company's blind spots and warts were highlighted in Chapter 7. Given the context specific nature of many of their interventions, the company can also not serve as a 'development' template for other

companies, but core to its developmental bent, this thesis argues, is its founder and chairman's philosophy, one must always balance profit and your obligation to society; without a functioning society, a company will have no profit.

In conclusion, and with reference to the quote from Utting above, this thesis has only tugged the tail of the lion; the brave that want to stroke its head, can examine the potential of public-private partnerships with all its attendant difficulties (that was briefly alluded to in this thesis); the even braver, can venture into the lion's den and examine the role of legislation to compel companies to engage more actively in development; and the foolhardy, can put their head into its head and examine the role of business in envisaged/unfurling 'developmental state' context<sup>101</sup>.

## **Postscript**

The completion of this thesis coincided with the international meltdown of financial markets. In this respect the writer can only concur with Woodhead (2008: 9) who fears that the 'financial crisis [might] bump poverty right off the world's agenda'. He pleads 'that with every government focused obsessively on the financial crisis, there has never been a more urgent time for ordinary people to stand up and demand that poverty stays at the top of the world's agenda'.

However, Europe had two devastating wars in the first half of the 20<sup>th</sup> century. 'Bumper harvests' are being predicted worldwide, it is hoped that it 'shall not lull us into a false sense of security and dull our vigilance to monitor what is happening to our food and our poor' (Sherry, 2008: 46).

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<sup>101</sup> Hamann (2006: 192) contends that the 'need for research is apparent because existing research on CC and the role of business in development is scarce and inconclusive, particularly in the African context. Given recent enthusiasm of multinational organisations and others for involving business in development, this gap must be filled. There is a special requirement for more empirical research in particular'.

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