

Corporate social investment as an enabler for local economic development in Gauteng

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ABSTRACT

Purpose of the study: In South Africa, corporates are annually spending billions of rands on corporate social investment (CSI) initiatives, while municipalities are challenged with regard to local economic development (LED). Research problem: It is not known if companies collaborate with municipalities during the design and development of CSI initiatives, nor whether LED officials communicate with corporates to collaborate or invest in community projects. Primary objective was to determine whether corporates design and implement their CSI initiatives to link to municipalities' LED strategies for communities. Indicate the aim of the study and justify the significance of undertaking the study.

Design/methodology/approach: Following mostly a qualitative research approach, in-depth interviews were conducted with organisations with CSI projects (19), CSI consultants (4) and LED officials (4) of municipalities in the Gauteng province. Electronic notes and transcribed interviews were analysed using both thematic analysis and descriptive statistics.

Findings: It seems that CSI projects tend to first fit the business strategy of the corporates and then target community needs that fit the corporate's area of focus. Although most of the participating corporates and all the CSI consultants are aware of the South African National Framework for LED (NFLED), the majority have never used its guidelines for CSI planning.

Recommendations/value: It provides insight into the relationship, or the lack thereof, between corporates, CSI consultants and LED officials at municipal level with regard to the design and development of community social projects.

Managerial implications: Through collaborating with LED officials, private corporations can form a productive partnership aligning their corporate social investment projects with LED projects that would contribute to the development of the communities where some of their stakeholders are situated.

Keywords

Corporates; Corporate social investment; Local economic development; Municipalities; Stakeholder theory

Classification: JEL: R5; R58

1. BACKGROUND

"In 2019, corporates spent R10.2 billion on corporate social investment (CSI) initiatives (Trialogue, 2019:33), while in 2020, there was a nominal increase of 4.9 percent to R10.7 billion" (Trialogue, 2020:25). "In 2020, the three main sectors receiving CSI spend were (as in previous years) education (50%), social and community development (15%) and health (9%), with urban and peri-urban projects dominating CSI spend (57% compared to 39% for rural projects)" (Trialogue, 2020:25). The CSI spend on education seems to be increasing, from 44 percent in 2018 (Trialogue, 2018) to 50 percent in 2020 (Trialogue, 2020).

The distribution of CSI differs by region, with the Gauteng province receiving the largest share. Corporates increasingly seemed to shift from channelling their CSI through non-profit organisations (NPOs) to government institutions, for example, directly funding education programmes in government schools (Trialogue, 2016). Through CSI, the private sector continues to improve local communities' access to income-generating initiatives (Chitiga-Mabugu *et al.*, 2013). However, dynamic local economic development (LED) can only happen if all local community issues – politics, economy, social security, welfare, and environment – are addressed holistically and in an integrated manner (Meyer, 2014). In South Africa, despite some LED successes, challenges remain, especially in terms of implementing some activities outlined in the National Framework for LED (NFLED) 2017-2022 (Department of Cooperative Governance and Traditional Affairs (CoGTA), 2017). One of the stumbling blocks to the successful execution of LED projects is the lack of funds at municipal level (Hofisi *et al.*, 2013).

If government strengthens its partnerships with the private sector, it could ensure coordinated developmental initiatives that could supplement existing ones (Mlambo, 2013).

Private corporations can contribute to development and halt the plight of unemployment in South Africa (Paver *et al.*, 2019), through corporate social responsibility (CSR). The CSR framework is underpinned by the triple bottom line concept representing three pillars of sustainability – people, planet, and profit (Carby-Hall, 2016). CSR refers to a company's relationship with society in its way of doing business to fulfil its economic development responsibility of pursuing profits while being guided by ethics to remain a good corporate citizen (Zainal & Zainuddin, 2013). CSR aligns with the stakeholder theory, advanced by Edward Freeman, who proposes that organisations build their competitive advantage and profit while their operational strategies consider different stakeholders and acknowledge moral, ethical, and legal fundamentals and boundaries (Friedman, 1970). An important strategic factor is having a solid relationship with principal stakeholders and understanding that, over time, their needs may diverge (Qi *et al.*, 2013).

Rampersad and Skinner (2014) describe CSR as providing mechanisms that can contribute to skills development initiatives while addressing community needs through CSI projects. Although CSR and CSI are sometimes used interchangeably, CSI is a sub-component of CSR and refers to the application of a company's resources to community development initiatives (Fourie & Van Dyk, 2015). With their CSI initiatives, companies strive to create long-term value, contributing to local economic stability and thereby reducing long-term investment risk (Chitiga-Mabugu *et al.*, 2013). However, most CSI initiatives are not evenly distributed across different regions and not aligned with any government planning process (Besharati, 2013).

The partnership between government, local communities, and the private sector has a major influence on the delivery of services, and the different levels at which these role-players interact can determine the effective deployment of resources to improve the provision of services (Meyer, 2014). It follows that the execution of LED requires improved governance performance at a local level and tightened cooperation and partnerships between government, local communities and the private sector (Meyer, 2014).

2. LITERATURE REVIEW

In the literature review an exposition of the NFLED is followed by explicating LED challenges. The link between corporate social investment and LED is elucidated, followed by a discussion of the relationship between LED and private corporate funding. The design and management of corporate social investments is elucidated.

2.1. National framework for local economic development

Various government acts and policies guide the private sector in interacting with local communities in which its businesses operate. Since South Africa's first NFLED 2006-2011, the Department of Provincial and Local Government (2006) sought to empower municipalities to stimulate economic development at the local level. The National Framework for LED 2017-2022 (CoGTA, 2017) encourages municipalities in their LED strategies to be innovative in creating inclusive economies that can maximise local opportunities to address local needs, while still contributing to the national development objectives by focusing on six developmental pillars, namely: Building diverse and innovation-driven local economies; developing inclusive economies; developing learning and skilful economies; developing and supporting enterprises; governing the economy and infrastructure; and strengthening local systems of innovation. The NFLED further encourages municipalities to strengthen links with institutions of higher learning, community-based organisations, businesses, and the private sector (CoGTA, 2017). One of the major stumbling blocks to the successful execution of LED initiatives has been municipalities' inability to access funds because of their limited internal capacity to engage with potential investors (Hofisi *et al.*, 2013).

2.2. Local economic development challenges

Municipalities continue to face broad and systemic challenges that hinder the effective planning of LED initiatives and the overall promotion of LED as a mechanism to uplift local communities (Mashamaite & Lethoko, 2018). Accomplishments at local municipal level have often been clouded by poor governance, very limited civic engagement, and the lack of specialised skills to efficiently carry out the complex work required for sustainable LED (Hot, 2018). There has also been little success in finding ways to maximise local resources and expert knowledge to benefit inhabitants of a certain geographic area when implementing NFLED strategies (Meyer, 2014).

Solutions to these challenges require linkages with resourceful partners, improved capacity for LED practitioners, and the availability of experienced municipal personnel able to promote LED (Kamara, 2017). Though LED has been defined and demarcated in the NFLED, some of the challenges hampering the implementation of LED has been poor intergovernmental relations in LED initiatives and insufficient platforms to promote productive partnerships for sustainable funding for LED programmes (Walaza, 2017). To achieve meaningful levels of LED, requires a positive business climate and the involvement of various municipal role-players (Leigh & Blakely, 2013). These elements create an enabling environment in which partnerships are created that add to local resources, while municipalities still play a vital role in providing governance for LED projects and formulating innovative solutions to solve local challenges. Some local communities have seen a degree of upliftment through LED projects that came about as a result of a highly devolved municipal structure that enjoys a substantial degree of autonomy while implementing national policies (Tait & Euston-Brown, 2017). According to Marais (2016), LED appears to receive more support in the larger urban agglomerations, and this contributes towards successful implementation.

2.3. Corporate social investment and local economic development

Whereas CSR refers to an organisation's total responsibility towards the business environment in which it operates, Moyo and Sowa (2015) distinguish CSI as one of its sub-components. They argue that CSR describes a company's broader solution to issues affecting the triple bottom line, namely profit, people and planet, while CSI is one of the many community upliftment activities with which a company responds to its CSR strategy. Although CSI initiatives, particularly in some large organisations, are evolving to become more strategic, there is unevenness, particularly in terms of investment location and project selection (Mahomed, 2015). Some stakeholders are cynical about CSI initiatives, specifically about project planning, corporate intentions and the proposed impact on communities (Mahomed, 2015). There is an overall need for the government, at different levels, to improve its engagement with the private sector to ensure the alignment of CSI with public development priorities and community needs (Besharati, 2013). Rogerson and Rogerson (2012) acknowledge the need for local government to build a favourable business environment to attract private sector investment as one of the key strategies for LED. However, the authors identify a general disconnection between the priorities of the private and the public sector when it comes to development. They argue that this disconnection is influenced by the strong

mistrust that is perpetuated by conflicting ideological beliefs between the two sectors (Rogerson & Rogerson, 2012). There are growing concerns regarding weak cooperative governance practices that often undermine dynamics between municipalities, communities and their leaders (Nel *et al.*, 2014).

Companies adopt different approaches to and structures for CSI project design and implementation but always expect a return on their investment. Although Betancourt (2016) identifies two main approaches, social-positioning and market building, some companies follow a business-orientated approach by mixing elements from both social-positioning and market building. Companies increasingly adopt a more strategic approach to CSI, balancing potential benefits for the beneficiaries with benefits for the company (Mersham & Skinner, 2016). Some organisations are not concerned about the impact their initiatives have on the beneficiaries as much as they are about the scales of efficiency and productivity of these initiatives. As a result, there would be very little effort to fully understand the beneficiary community culture and their needs, which often results in irrelevant or detrimental social investment initiatives (Barkemeyer, 2009).

2.4. Local economic development and private corporate funding

When government partners with the private sector to advance economic development and there is a common goal, it provides an opportunity to develop public infrastructure and improve the quality of services (Maseko, 2014). The private sector can provide resources and skills that governments may not have in-house, while project risks are shared. The South African government is interested in collaborating with the private sector to effectively deliver services and build infrastructure. In 1998, government established the Municipal Infrastructure Investment Unit with the mandate to facilitate the inflow of private funds to assist municipalities with the provision of basic services (Kamara, 2017). The unit enables municipalities to implement economic development projects using private sector models, thereby ensuring efficient management of resources and improved project management (Kamara, 2017).

In 2000, government introduced the Municipal System Act (2000) to guide public-private partnerships in advancing service delivery (Maseko, 2014). However, the terms of engagement in the Act seemed to allow for government interference (Maseko, 2014). Key private sector partners feared that government interference would in the long run have unintended consequences regarding revenue generation for the municipalities. Although

some companies withdrew from participating in LED programmes, they continued their engagement with government to amend the law to allow municipalities to have more freedom to engage in partnerships with the private sector (Maseko, 2014). Motivation for private companies to partner with various spheres of government may differ at each level. One success has been the Business Adopt a Municipality (BAAM) project, which allows private companies to identify local municipalities with which to partner for fire-brigade services and disaster risk-management projects (Van Niekerk *et al.*, 2015).

Municipalities that have aligned their visions and actions with those of entrepreneurs are likely to attract private companies' support for many of the projects they initiate (Morisson, 2017). Local leaders who are entrepreneurial will endorse partnerships with private companies to create local economies that are innovative (Morisson, 2017). Businesses' contribution to LED has, in some cases, seen a prioritisation of platforms that enable collaboration between the local municipality and private companies and support for small businesses (Biljohn, 2013).

The voluntary transfer of resources from private companies must be planned with local authorities, and be systematic in order for it to contribute to social, environmental and other interests of local residents (Pagotto-livia *et al.*, 2018). Communities are common stakeholders as beneficiaries for both CSI and LED projects, and they can be informants regarding the needs of local communities (Pagotto-livia *et al.*, 2018). Elements that play an important part in designing CSI and LED strategies include the roles assigned to people within local communities and the depth of participation (Harrow & Jung, 2016).

Companies need to understand their own rationales and motivations for engaging in CSI when designing their strategies (Gautier & Pache, 2015; Hadani & Coombes, 2015). Municipalities have an opportunity to facilitate meaningful stakeholder engagement that supports the needs of local communities while at the same time linking and engaging with private companies regarding LED objectives and exploiting natural synergy to support regional and national development goals (Broomes, 2013). Whereas businesses invest in industries that have higher productivity levels to achieve investment/return equilibrium, the same would apply to their social investment. Successful development through private sector funding vehicles would require partnerships with municipalities that can adjust and differentiate themselves through high performance and transparency (Malpezzi, 2014). Malpezzi (2014) argues that though capital from the private sector can prove vital in LED projects, they still require solid, modern

public infrastructure, knowledgeable human capital at the local level, and the willingness to share project risks in order to succeed.

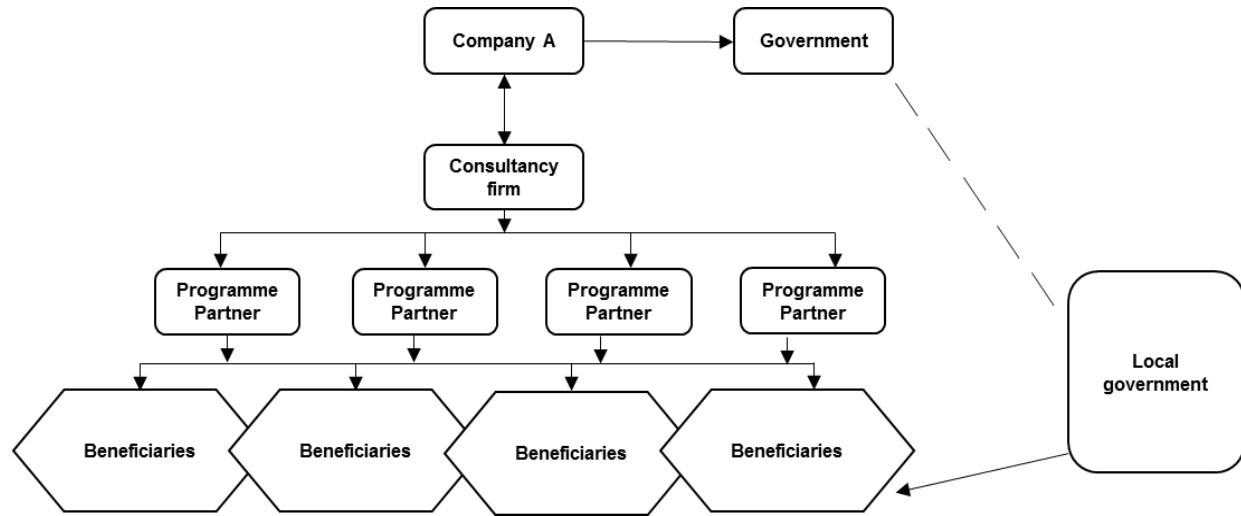
Though the private sector is willing to invest resources, knowledge and expertise in the local economy, over the years, poor governance and lack of responsible leadership have caused a general lack of trust between the private sector and local municipalities (Meyer & Meyer, 2016). Municipalities can improve their overall image and advance their strategic LED vision through formal partnerships with the private sector and organised business by providing managerial and technical training and support (Avis, 2016).

What motivates the private sector to fund teaching and learning activities through CSI? Mestry and Verster (2014) argue that this motivation happens through proven business cases and the desire to fulfil corporate citizenship duties in building an educated nation. However, strict guidelines should be followed during funding evaluation, such as the insistence on audited financial statements. It is, therefore, in the interest of government to identify CSR domains and processes, particularly CSI channels, that can be adopted to leverage the capacities of private companies that suit the municipal developmental agenda (Opon, 2018).

2.5. Design and management of corporate social investment initiatives

South African companies adopt different approaches to the design and management of CSI community development projects. Some companies take full responsibility for their entire CSI programme, from design and development to implementation and tracking. Some other companies design and develop their CSI strategy in-house and then appoint programme partners for the implementation and tracking of and reporting on the CSI initiatives. A third option is that a company outsources the CSI fund management to a consultancy that specialises in CSI strategy development and implementation (Figure 1). Companies that subscribe to a fully outsourced CSI fund management structure generally recognise national government's developmental priorities, as some funds are directed to government to administer through its LED structure. Once the strategy has been approved, the CSI consultancy can appoint programme partners to select beneficiaries and execute the strategy.

Figure 1: Outsourcing of corporate social investment fund management



Source: Constructed by authors

The problem is that neither companies nor consultants nor programme partners seem to have either no or limited interaction with LED officials, even though they have some common interest to deliver a service to the beneficiaries who are ordinary community members (Betancourt, 2016). There seems to be a lack of collaboration between companies and consultancies, and the LED officials in the local municipality where beneficiaries are located. Beneficiaries only have contact with programme partners at the implementation stage.

It is not known whether companies align the design and implementation of their CSI initiatives with government developmental projects, especially at a municipal level. There appears to be no research in South Africa assessing the linking of private companies' CSI projects to align with the National Framework for LED. If such collaboration would be possible, it would provide critical corporate resources such as finance and project management skills for LED departments and officials while uplifting communities.

The primary objective of the research is to determine whether companies design and implement their CSI initiatives to link to LED strategies at a municipal level. This primary objective is unpacked into three secondary objectives:

- To determine whether companies and their CSI consultancies interact with municipalities when designing CSI

- To assess the level of understanding and support by companies or their consultants of the NFLED through their CSI initiatives, and
- To determine whether municipalities approach private companies for funding and other assistance for LED project implementation

3. RESEARCH METHODOLOGY

Adopting the philosophy of pragmatism and a descriptive approach, a qualitative research method was employed to collect data by means of in-depth interviews using a discussion guide with open questions (Saunders *et al.*, 2019).

The study included the three groups that could be involved in collaborative LED projects: organisations with CSI projects (19), CSI consultants (4) and LED officials (4), all from Gauteng. From a list of companies drawn from the databases of two leading CSI consulting companies, 70 companies and foundations that had implemented a CSI project in Gauteng were identified. From these companies' CSI reports, 35 companies had implemented a CSI project linked to an LED pillar in the previous five years. All 35 companies were invited to participate. Using purposive sampling, 19 company representatives who had been involved with the CSI strategy development, planning and implementation were selected.

Secondly, for the Gauteng companies that have outsourced their CSI strategy development and implementation to external consultants, representatives from all four of the consultancies involved with CSI strategy development were interviewed. Thirdly, all five municipal LED officials in the Gauteng province were invited to participate, but only four responded; one each from each of the three metropolitan municipalities and one from a local municipality.

Owing to the coronavirus pandemic (Covid-19) lockdown in 2020, mostly virtual meetings via Zoom and Skype were arranged, but some participants preferred telephonic interviews or WhatsApp video chats. The MSWord interview schedule was pilot tested with five corporate CSI managers to test for anomalies and superfluous questions; no adjustments were needed. Electronic notes and transcribed interviews were analysed using both thematic analysis and descriptive statistics. Care was taken to ensure trustworthiness by attending to credibility, authenticity, transferability and dependability (Creswell & Creswell, 2018).

4. FINDINGS

First the profile of the participants is presented, followed by the findings pertaining to the interaction between companies, CSI consultants and municipal officials, as well as the reasons for companies collaborating with LED officials. The discussion of the awareness among corporate participants of the NFLED is followed by a description of the views of municipalities of CSI projects to elucidate both perspectives.

4.1. Profile of participants

The study included three groups: organisations with CSI projects (19), CSI consultants (4) and LED officials. All 19 participants from organisations with CSI projects were directly involved with the management of CSI initiatives and could provide valuable insights and details regarding their organisation's management and implementation of CSI. As different industries participated in the study, varying as well as common experiences emerged. In the CSI consultant group, three were consultants and one an account manager, all having worked on CSI projects from both large and medium-sized role-players.

All three metropolitan municipalities in Gauteng were represented, and one of the three local municipalities. All these LED officials had substantial professional experience within their economic development departments, which are responsible for LED initiatives. In summary, these three groups of respondents had the necessary experience to provide the relevant information to address the three objectives.

4.2. Interaction between companies, CSI consultants and municipal officials

First, it was necessary to establish whether the different companies involve municipalities during the CSI project design to understand the different drivers of CSI project design and the key stakeholders during this phase.

4.2.1. Drivers of CSI initiatives

Of the 19 corporate participants, 16 stated that the overall business strategy guides the development of CSI initiatives. All the participants added that the socio-economic profile and needs of the targeted beneficiaries should be considered when designing CSI initiatives. These findings are supported by a Trialogue (2018) study that found that 74 South African companies spent about 44 percent of their combined annual R8 billion CSI budget on projects

strictly aligned to business and 34 percent on projects targeting social outcomes. The remaining 14 percent and 8 percent were spent on charitable grants and other projects, respectively.

The top five drivers informing these companies' decisions during CSI project design are business strategy (16 participants), needs/socio-economic profiling (13 participants), company focus areas (8 participants), legislation/regulation/compliance (5 participants) and sustainability of projects (5 participants). The participants who listed more than one of these drivers specifically identified the overarching driver and how it linked with other drivers. For example, participants from companies whose CSI design is guided by overall business strategy mentioned that beneficiary needs are also considered and whether these can be satisfied by a CSI initiative that fits within the company's focus area, which is within their overall business strategy. The country's development needs across different spheres of government were another driver that emerged. The national development agenda, as set out in the National Development Plan (NDP), was the main consideration, rather than regional and local development plans. According to Trialogue (2018), in 2018, nearly half (44%) of total CSI expenditure was channelled to projects administered by spheres of government higher than the municipal sphere.

Legislative, regulatory and compliance requirements were identified as drivers mainly by companies operating within highly regulated sectors. While companies from the banking and finance sectors are governed by the financial authority, mining companies have to comply with the Mining Charter, with community development and engagement being requirements for the issuance of mining licences

4.2.2. *Interaction between companies, CSI consultants and LED officials during CSI design*

Of the 19 corporate respondents, six confirmed that they interact with LED officials during the CSI design phase, while a further six did not interact with LED officials. The remaining seven respondents indicated that they occasionally interacted with LED officials as and when required. All four of the CSI consultants indicated that during the CSI design phase, they coordinate some level of interaction with key stakeholders, such as municipalities, on behalf of their organisations. Two of the consultants mentioned that the coordination of stakeholder engagement is an essential part of impact management and forms an integral part of their key

offerings to these organisations. Following these findings, it was necessary to understand why some companies, when strategising their CSI initiatives, consider input from stakeholders such as municipalities, while others do not. These are discussed in the following subsection.

4.3. Reasons for collaborating with LED officials

The six respondents (32%) who responded that they do meet with municipal LED officials and CSI consultants when they design their CSI initiatives indicated that they do so mainly as part of broader stakeholder engagement and as part of seeking opportunities to align and collaborate with municipalities. For these six companies, overall business strategy was the main driver of their CSI strategies. Stakeholder engagement is a key aspect of success within the context of CSR framework implementation as it offers an opportunity to communicate company intentions and gain support (Lansbury Hall & Jeanneret, 2015).

The six respondents who indicated that they do not meet with municipal LED officials during CSI development all noted that their CSI initiatives are mostly aligned with the NDP. Among this group of companies, corporate behaviour towards societal needs was strongly guided by specific industry charters rather than regional development plans.

The seven respondents who indicated that they sometimes meet municipal LED officials during CSI design provided several reasons for meeting with these officials:

- To set expectations,
- To map out community needs alongside municipalities,
- To make municipalities aware of the development activities in which the companies are engaged,
- To facilitate collaboration in terms of local CSI projects that might fall outside of company mandate, and
- To negotiate access to public resources.

Generally, government officials or structures have some influence within some communities, which may affect the extent to which companies can have meaningful engagements with these communities (Idemudia, 2014). Furthermore, societal expectations and the ability of government to meet those expectations can influence the relationship between companies and surrounding communities (Idemudia, 2014).

In summary, most companies seem to align CSI projects with their overall business strategy. As a result, CSI projects are targeted towards critical company needs. During the CSI project design stage, the main reason for interaction with external stakeholders such as municipalities is for compliance with a broader stakeholder engagement strategy. External stakeholders are rarely consulted for design inputs. However, companies whose operations are likely to affect surrounding communities generally seem to engage municipalities during CSI design to ensure compliance with industry regulations. In the final analysis, the business's priorities are the key determinants of the CSI focus areas.

4.4. Awareness of the National Framework for Local Economic Development

The NFLED is a key document guiding the municipal developmental agenda. It is, therefore, necessary to determine whether companies understand the NFLED and consider its guidelines during CSI development or implementation.

4.4.1. *Companies' and consultants' awareness of the National Framework for Local Economic Development*

To assess respondents' level of knowledge of the NFLED, they had to choose between four possible responses. The responses were as follows:

- I know about it but have not made use of it – 9 respondents
- I have incorporated its principles in the design of CSI projects – 7 respondents
- I know about it and have considered complying with it – 2 respondents
- Never heard of it – 1 participant

Although 18 of the 19 company representatives are aware of the NFLED, nine had never used it. Of the remaining nine respondents, two had considered complying with it, while seven said their company's CSI design had incorporated some principles of the NFLED. Only one participant indicated that they did not know about the NFLED.

All four CSI consultants are familiar with the NFLED to various degrees:

- Consultant 1: It guides government initiatives to help develop sustainable local economies
- Consultant 2: It helps to determine social issues and solutions. However, it somewhat limits community voices if they are excluded from articulating what their needs are

- Consultant 3: It is the guiding framework for how economic development should be structured
- Consultant 4: It is a method by which municipalities aim to address economic development through partnerships

The consultants recognised the NFLED as an important enabler in fostering LED. These consultants agreed that it would be more effective to meet communities' development needs if implemented with the full support of LED officials and other spheres of government. One consultant indicated that communities themselves should be engaged in proposed solutions to ensure that their needs are addressed.

4.4.2. Consideration of LED projects

Company representatives were asked whether they consider municipal LED projects when they design their CSI initiatives. Only four respondents always take LED into consideration during CSI planning and added that existing opportunities for collaboration were explored to align implementation of projects able to achieve similar outcomes.

The majority (12 of the 19 companies) sometimes consider LED during CSI design for the following reasons:

- LED projects would be considered based on their expected outcomes.
- Certain CSI projects are run past the LED unit to evaluate whether a similar project within the unit would contain a similar implementation approach, thereby mapping out areas in which synergies can be explored.
- Certain flagship projects require the use of public facilities that may be controlled by municipalities and would consider developmental projects within municipalities as part of a broader stakeholder engagement approach.
- When higher spheres of government with whom many companies have relationships with endorse certain local developmental projects, companies would consider these projects
- Community-based implementing partners may sometimes influence companies regarding how they consider certain LED projects.

Only three of the companies never consider LED while designing their CSI because, they said, their design processes were mainly driven by internal rather than external stakeholder priorities. A participant from a multinational technology company shared the following reason:

Our CSI business strategy is the main priority over anything. Most of our flagship projects are complex and tailored to our industry in tech business. As a result, most of the LED projects would fall short in terms of their magnitude and sophistication of our projects, which often makes it difficult to collaborate.

All the CSI consultants always consider LED when they propose CSI solutions to the different organisations to whom they consult. They advised that this should be the starting point for CSI strategies and that organisations should know the priorities of municipalities regarding community needs before they embark on CSI to avoid duplication.

4.4.3. Relationship between companies and municipalities

Company representatives were asked whether they have contact with municipal officials responsible for the areas in which CSI projects are implemented to explore their experiences when engaging with municipalities regarding CSI design and implementation. Of the 19 respondents, only six had regular meetings with municipal officials, while nine respondents would sometimes meet with the municipal officials on a case-by-case basis. Four respondents had never met with municipal officials, but one had considered meeting with them.

With regard to any challenges experienced in dealings with municipalities, the four respondents who had met with municipalities and the nine respondents who occasionally met with them revealed that although it was important to build relationships, the engagements had not been without challenges, such as:

- Political interference
- Dictation of implementation terms by municipal officials
- Misalignment of focus areas
- Municipalities preferring projects that are not aligned with the broader CSI strategy and approach
- Disagreements relating to the preferred implementing partners
- Lack of specialised sector knowledge from municipalities
- Inadequate project development, implementation and evaluation skills at municipal level
- General lack of availability and commitment from municipal officials
- Municipalities not having sufficient human resources capacity

The three representatives who had no intention of meeting with municipalities, maintained that municipal issues are not prioritised and that these would not have had any effect on their CSI projects. They all reiterated that CSI related mainly to overall business strategy and secondly that LED might have been shunned for engagement with higher spheres of government rather than local.

It seems that including the municipal sphere as a CSI stakeholder presents several challenges. Of concern to most of the companies was the inevitable possibility of political interference and the concomitant risk. Individual interests in political power within municipal structures have been identified as a major impediment to LED in South Africa (Hofisi *et al.*, 2013).

A few companies indicated that they had relationships with community-based organisations that had a better connection to and in-depth understanding of community needs compared to municipalities. Respondents noted that in their experience, municipal officials sometimes interfered in the selection of community-based implementation partners, and this interference resulted in significant delays.

The respondents identified another key challenge as the mismatch of development priorities between companies and LED departments. In addition, the company representatives doubted whether the projects that municipalities insisted on implementing would be able to achieve their intended objectives. One participant summarised it as follows:

These municipalities would present their pet projects to the company for support. This behaviour has resulted in some companies and consultants not being too keen to interact with municipal officials beyond mere stakeholder management efforts.

Municipal structures are dysfunctional, and communities have also lost confidence in them. To associate directly with municipalities on developmental projects may not always be well received by the communities whom we intend to serve.

The findings of this study, on which the article is based, seem to support Rogerson and Rogerson's (2012) observation that limited involvement by non-state actors in LED initiatives has been perpetuated by mistrust in internal municipal processes to effectively provide solutions to development issues.

In summary, companies seem to know the NFLED, yet it is not a key reference point for CSI design although it is considered by some companies during the implementation of CSI projects. These companies mainly partner with the municipal sphere for projects that fit within their CSI framework and focus areas.

CSI approaches adopted by companies may differ from LED approaches adopted by municipalities. This is one of the reasons for companies turning to community-based organisations and representatives – rather than municipal officials – to ensure local representation. The involvement of community-based organisations and representatives was said to yield productive results. Despite the challenges identified, the companies do seem to be interested in engaging the municipal sphere as key stakeholders during the CSI project design and implementation.

4.5. CSI projects: Perspectives from municipalities

The objective was to investigate whether municipalities consider companies' CSI projects when implementing their own LED projects and the partnership opportunities.

4.5.1. Municipality LED project experience

All participating municipalities were asked to relate their NFLED implementation experiences during the preceding five years. The municipal respondents agreed that their implementation strategies would depend on the nature of the project, human resource capacity and budget.

For two of the four municipalities, their focus has been on establishing and forging partnerships, especially with private sector role-players and public development partners, to ensure that key projects are rolled out and to secure implementing partners that can provide both funds and skills. In the other two municipalities, partnerships with private companies were still in the early stages and had not produced any tangible results.

With regard to the main challenges hindering the effective implementation of LED activities, the four municipalities mentioned the following:

- Limited funding (all four mentioned this)
- Inadequate project development and performance monitoring skills
- Limited support from private sector companies
- General limited human resource capacity to optimally drive project development and implementation

- Internal inefficiencies
 - Long turnaround times for approval of projects
 - Delays in appointment of key personnel within the department
 - Lack of commitment from internal staff
 - Often inflexible in-house procedural processes that sometimes result in efficiencies

More specifically, there seemed to be a general lack of sufficient budget allocated to LED project implementation and capacity building. Two of the municipalities identified inadequate project development skills, lack of human resource capacity to drive projects and internal inefficiencies as barriers to successful collaboration with the private sector. This seems to corroborate evidence from company representatives who ascribed their reluctance to engage in LED projects and with municipal officials during CSI strategising owing to perceived lack of skill in the public sector. In addition, company respondents mentioned that most of the LED flagship projects are not considered scalable projects.

Municipal officials were asked to highlight their biggest successes in terms of LED implementation during the past five years, and only a few were related, which is hardly surprising considering the number of challenges listed above. Capacity building and forging partnerships with public development agencies and interested private companies were noted as success stories. In two of the municipalities, these partnerships had already started showing results such as incubation project sustainability and community involvement in and support for certain projects. One of the municipalities reported that their switch from typical or traditional LED projects to non-traditional, atypical, relatively unexplored ones (for instance, in the creative industries) unlocked opportunities to approach private companies outside of the usual sectors with which government does business. Municipalities recognised an urgent need to address capacity and skills issues within their LED units and the lack of partnerships with private sector companies.

These findings are consistent with those of Hofisi *et al.* (2013) regarding strategic challenges confronting LED in South Africa. The authors argue that LED implementation is constrained by a general lack of capacity at municipal level, lack of funding for LED activities, poor LED networks and unsustainable knowledge platforms. Local municipalities with a weak revenue base and limited internal capacity often struggle with accessing standard concessional financial instruments to build a portfolio of exemplary projects to attract LED project implementation partners (Hofisi *et al.*, 2013:).

4.5.2. *Public-private partnerships for LED projects*

Municipalities were asked whether they collaborate with any private sector companies when they implement NLED projects. Only two municipalities collaborate with private companies. The other two municipalities explained that most of their LED initiatives were supported through their own budgets and some assistance from provincial development agencies. The main challenge they faced was the lack of internal frameworks and guidelines for their interaction with external stakeholders regarding sponsorship and financial assistance. Owing to this absence, they had to engage with private companies on a case-by-case basis. Where these frameworks existed, they were sometimes unnecessarily rigid.

Turnaround time from LED project proposal to approval by municipal councils and other municipal bodies was mentioned as a challenge within these two municipalities. Both indicated that the internal processes are usually not efficient, which might have discouraged private companies interested in supporting some projects. Rogerson and Rogerson (2012) refer to this major disconnect between the public and the private sector in South Africa, a disconnect that is most evident at the local (as opposed to national) government level and a fundamental shortcoming for LED.

The two municipalities that consistently collaborated with private companies claimed that opportunities existed to explore beyond working only with specific organisations that had direct operations within the municipality's jurisdiction. These two municipalities were both members of a highly functional chamber of commerce, and both had found it easy to take advantage of existing public-private partnerships through the chamber.

4.5.3. *Possible contribution of the private sector to LED projects*

To assess municipalities' understanding of CSI and whether the private sector can contribute to the implementation of the NFLED, municipalities were asked to recommend how the private sector can contribute to the implementation of NFLED.

All four municipalities firstly identified the major barriers to the successful implementation of the NFLED, namely the lack of financial support and skills development/transfer. They all indicated project development and implementation to be at a much higher level in the private sector than in the public sector and ascribe this to the quality of staff in the CSI departments compared to LED units. They suggested that this can be partly contributed to the investment

training and upskilling personnel in the private sector compared to the public sector. The municipalities acknowledged these differences and displayed a willingness to partner with private companies to share knowledge that could result in LED project improvement.

All four municipalities believed private companies stand to gain from supporting the NFLED projects through their CSI initiatives. The chamber of commerce members said many companies that supported municipal projects realised quantifiable business growth opportunities. These companies had access to community profiles and assessments conducted by the municipality, which the municipal officials deemed potentially useful for companies needing an in-depth analysis of target communities.

The two municipalities that were yet to fully exploit public-private partnership opportunities noted that multiple business exposure opportunities exist for companies that support LED projects. One of the municipalities noted that companies collaborating with them could benefit from access to public facilities. Long-term relationships with municipalities were also noted as beneficial to accessing community-based organisations within specific jurisdictions that may be pivotal for CSI's success.

It seems that private financial support is an important requirement for LED programmes, which seems to support Besharati's (2012) argument that private sector partnerships are a key success factor in the development landscape. Financial support and skills transfer from the private sector can help government meet the needs of the communities it serves through the NFLED. This finding seems to support Meyer's (2014) argument that maximising financial resources and utilising mentorship opportunities from partnerships with the private sector can improve LED in South Africa.

In summary, all four municipalities are aware of CSI and keen to seek opportunities to partner with different companies during the implementation of their LED projects. The limitation of funds to implement LED projects seems to be a challenge for all municipalities, though this seems to vary depending on the size or type of municipality. It seems that municipalities still have much to do in terms of fostering collaborations with private companies in terms of local development projects. The capacity to design LED projects that are at an equal level of complexity to CSI projects is another key challenge that has somewhat limited the opportunities for municipalities to partner with private companies.

5. CONCLUSIONS

The primary objective was to determine whether companies design and implement their corporate social investment initiatives to link to government's local economic development strategies for communities. The study included three groups: organisations with CSI projects (19) in Gauteng, CSI consultants (4) and LED officials (4) from Gauteng.

5.1 Level of interaction during CSI design

Although it emerged that most CSI initiatives align firstly with the company's overall business strategy, interactions take place between some companies and external stakeholders, mainly CSI consultants and some national and municipal officials.

Apart from the overall business strategy being the main driver in designing CSI projects, other key drivers include the socio-economic needs and the company focus areas. It seems that CSI projects tend to first fit the business strategy and then target community needs that fit the company's area of focus.

An equal number of companies indicated that they meet with LED officials during CSI design as those who occasionally meet with municipal officials and those who do not meet with them at all. Although the reasons for meeting with municipal officials differ, the willingness to meet presents an opportunity for municipalities to strategically position their LED agenda to allow CSI resources to advance the LED course.

CSI consultants emerged as facilitators who play a critical role in linking companies with stakeholders and beneficiaries during CSI design. They can link municipalities to companies regarding LED projects that require private sector support.

5.2 Awareness of the National Framework for Local Economic Development

Although most of the participating companies and all the CSI consultants are aware of the NFLED, most of the respondents have never used its guidelines for CSI planning. Nevertheless, several companies have considered LED projects for a number of different reasons, and these represent a starting point for partnerships with municipalities.

Companies that have tried to engage with municipalities have experienced a number of challenges, such as inadequate project development, implementation and evaluation skills at

municipal level; lack of availability and commitment from municipal officials; lack of human resource capacity at municipalities and political interference.

5.3 Municipalities' consideration of CSI projects

The four local LED officials expressed an interest in collaborating with private companies in terms of the implementation of the NFLED. Some of the municipalities have identified potential private partners with whom to collaborate to implement the NFLED projects, and all four are in favour of public-private partnerships to the benefit of both parties. They highlighted the main limitations hindering the effective implementation of LED projects as follows: Limited funding, inadequate project development and performance monitoring skills, limited human resource capacity to optimally drive project development and implementation, internal procedural inefficiencies, and lack of commitment of staff.

These limitations at the municipal level align with the challenges that the respondents experienced when trying to collaborate with municipalities. For a partnership to function, government needs to create an enabling environment, the local community needs to be engaged, and the private sector needs to contribute the investment tools (Ani *et al.*, 2018:503).

6. RECOMMENDATIONS

The NFLED mandates municipalities to strengthen local systems of innovation through linking with the private sector, among other players. The lack of capacity at municipalities militates that they exert some effort to ensure the private sector embraces and increases its support of the NFLED projects. Municipalities should be proactive in identifying public-private partnership opportunities that can be leveraged to advance the LED agenda in creating inclusive local economies. The NFLED acknowledges that the private sector will only invest in LED initiatives once it realises the potential benefits and competitive advantages. Municipalities can create an environment in which private companies will consider making investments that can benefit communities at large.

Community-based organisations and CSI consultants have direct access to companies implementing CSI projects and can act as intermediaries between the public and the private sector. By engaging such intermediaries, municipalities expand their human resource capacity. The limitation of this research is that the impact of collaborative projects between corporate and municipal LED divisions could not be analysed. Therefore, the research on

which this article is based identified that future research could explore the impact of the alignment of CSI projects with LED initiatives to the benefit of both parties. The contribution of this study is that it provides insight into the challenges of aligning CSI initiatives with municipal LED strategies for possible joint ventures as public-private partnerships.

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