

STOCKHOLM SCHOOL OF ECONOMICS MASTER THESIS – FALL 2013

THE SANDVIK COMMUNITY CASE STUDY

EXPLORING THE CHARACTERISTICS OF CORPORATE-COMMUNITY
COLLABORATION WITH A FOCUS ON THE SOUTH AFRICAN MINING
INDUSTRY

Keywords: cross-sector collaboration, sustainable community development, corporate-community collaboration, corporate social responsibility, stakeholder dialogue, value

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DEFENCE: December 19, 2013

Abstract

The role of multinational corporations has become prominent in society and both high expectations and demands are placed on them to act accordingly. Furthermore, collaboration across sectors has also become increasingly important in order to address societal issues that no actor can solve alone. Relations between corporations and local communities have long been a topic of interest and concern due to their problematic nature. Hence, a Minor Field Study was carried out in South Africa to examine the relations between a Swedish supplier to the mining industry and local mining communities. Within this context, a qualitative case study was conducted with the aim of exploring the role of business in society and the possible value that can arise from corporate-community collaboration. Furthermore, an integrated model that brings forth the key elements of the theoretical frame was created to help understand and analyse the findings. The case study identifies the ways in which corporations and communities interact, as well as the factors that enable and prevent value arising from collaborations within the South African mining industry. The study also shows that the external environment, particularly in a developing country such as South Africa, greatly influences whether or not the environment is conducive to responsible business practices. The sources of value, potentially realized by both corporations and communities, are identified, while application of the integrated model provides managerial implications and best practice for the extraction of said value. Contributing to a wider body of research, this paper offers a number of questions and topics that provide the basis for further study.

M A N Y T H A N K S

Susanne Sweet

Stockholm School of Economics

for your inspiring tutoring, support and time given to our questions

David Van Wyk

Bench Marks Foundation for CSR

for your invaluable help

Chris Molebatsi

Community Monitor for Bench Marks Foundation for CSR

for sharing your story

Freek Cronjé

Bench Marks Centre

for great advice and sharing your knowledge

Bench Marks Centre for CSR

Carina, Suzanne, Charity, Eddie

for helpful guidance in South Africa

Theo Jaekel

Swedwatch

for sharing valuable insight on communities

Sandvik

for enabling us to carry out the study

SIDA

for the financial support that made this Minor Field Study possible

Emmet King & Delphine Gauthier

for your moral support

TERMINOLOGY AND ABBREVIATIONS

ANC: African National Congress, Governing political party, South Africa

B-BBEE: Broad-Based Black Economic Empowerment

BEE: Black Economic Empowerment

CCI: Corporate-community involvement (interchangeable with corporate-community interaction and corporate-community collaboration)

CSI: Corporate Social Investment

CSR: Corporate Social Responsibility

DMR: Department of Mineral Resources

HDSA: Historically Disadvantaged South African

Integrated model: Refers to the corporate-community collaboration value model

Local Community: Also referred to as local mining community

MFS: Minor Field Study

MPRDA: Mineral and Petroleum Resources Act

NWU: North-West University, Potchefstroom, South Africa

Sandvik: Sandvik South Africa

SLP: Social and Labour Plan

Value: Refers to mutually benefiting economic or societal improvements and developments

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1.Introduction

The first chapter will start with a brief presentation of the topic continued by the overall purpose and previous studies within the area of corporate-community relations. Thereafter the study's research aim and question will be presented as well as the study's delimitations. The chapter ends with a disposition of the thesis.

1.1 Background

In today's globalized economy the role of multinational corporations (MNCs) in developing countries has received critical attention from the media, governments, and non-governmental organizations (NGOs) to respond to the challenges of corporate responsibility. Corporate indiscretions that negatively affect the surrounding environment no longer escape the scrutiny of these actors and of socially aware consumers. The mounting pressure on the MNCs role has also been in the context of the shift in relationship from *business and society* to *business in society*, allowing for new thinking in terms of empowering or deteriorating development. (Muthuri et al, 2012) Furthermore, dealing with the intensified moral complexity from a multitude of sources has driven organizations to recognize the need of building long-lasting and mutually beneficial relationships with stakeholders (Maak, 2007).

MNCs in the mining industry are no strangers to these growing pressures and the sector is heavily challenged on many fronts. The nature and distribution of development benefits that occur as a result of mining are an important point of discussion. While the mining sector does create employment opportunities for some and drive business development in communities it also brings with it a "grand disruption". Through the sudden flow of capital and labour there is a rapid development that can completely uproot the lives of individuals, due to extreme changes such as resettlement. Furthermore, other negative social and environmental impacts as well as working conditions are questionable effects of mining (Kemp and Owen, 2012). Given these issues, the industry has for over two decades acknowledged the need for and the emergence of community relations to address corporate social initiatives aimed at sustainable development (Kemp and Owen, 2013).

However, simply acknowledging the necessity of community relations and corporate responsibility is not enough. As recently as 2012, the South African mining industry was shaken by and put on the spotlight after the Marikana tragedy in the North West province, where South African police shot 34 mineworkers to death during a strike. (Sullivan, 2012) Furthermore The Economist (2012) explains

how this event inspired unrest in several other mines; strikes and protests take place almost every week and concern the lack of basic necessities such as housing, water or electricity.

The local mining communities' constant protests clearly indicate that relations between corporations and communities still must be reviewed. The current community relations do not seem to be addressing the basic needs of those affected by the mining operations. There is hence an urgent need to set a new sustainable foundation for mining in order to advance the relationships between the stakeholders and allow for an all-encompassing development of the industry.

1.2 Overall purpose

Given the changing role of businesses in society, how it is developing and how new responsibilities emerge in connection to expectations in society it is interesting to explore the possible value that can arise from corporate-community collaboration. Further, as issues become increasingly complex the solutions also entail greater involvement from multiple stakeholders. In this study value refers to mutually benefiting economic or societal improvements and developments. We seek to examine these relations in practice within the mining industry, specifically how corporations work towards these issues and the communities, and how the issue of collaboration across sectors adds value. A case study on the company Sandvik and its activities in South Africa is carried out in order to achieve this. The role of the company as a developer and partner in the community is examined, as well as the external environment that influences the current interactions and relationships between the corporation and the communities. Through this we want to increase the overall understanding of corporate-community collaboration and its relation to a sustainable and profitable environment. This study also adds value to Swedish international supplier firms present in South Africa and how they can make use of the collaborations in local areas.

In order to conduct this study and review the relations between corporations and communities we received a Minor Field Study (MFS) scholarship. This is a Swedish International Development Cooperation Agency (SIDA) financed scholarship aimed at deepening international competence within international development cooperation. It allowed us to carry out research in the South African mining industry during eight weeks in June, July and August 2013.

1.3 Previous studies

The purpose of presenting previous research conducted within the area of corporate-community relations is to provide an initial overview of the topic. Presenting current research and identifying the gaps of what needs to be examined will more clearly define the need for this study.

Kemp and Owen (2012) argue that the role of business in society has to gain more attention and so does the challenge for business to facilitate the process of contributing towards developing communities. Muthuri et al. (2009) view the community as heterogeneous and organized into processes and structures with social interaction among multiple actors with differences in values, norms and ideologies. With the actors' different approaches to solving social problems the community becomes an arena of power relationships yet still interconnected around mutual interests and issues (Muthuri, 2008). Thus, the authors argue that by viewing a community in the interactional sense will highlight the activities of actors pursuing specific goals and the issue of power imbalances. This will also encourage firms to view the communities not as "objects" that receive their philanthropy but as actors with the rights to equally participate in sustainable development processes (Muthuri et al, 2012).

Humphreys (2000) claims that there is an emergent need for corporations to incorporate the issues connected to community relations into their strategy and business practices. Waddock and Boyle (1995) similarly argue that the greatest value for firms (stemming from CSR) can be achieved through implementing philanthropic activities that are closely connected to the core business. The authors claim that companies forfeit great opportunities of value creation for both local communities and themselves as long as they keep their charitable activities separate from business. Humphreys (2000) further states that specifically in the mining industry, being a capital-intensive industry, many costs are derived from poor community relations and that there are huge benefits to be gained by managing community relations more efficiently.

Muthuri et al. (2012) suggest that adopting a relational approach for engagements in local communities will foster a cooperative environment and will unearth possibilities for innovative processes that benefit the business, the local communities and remaining stakeholders simultaneously. Additionally, Kapelus (2002) argues that in order to increase the corporation's legitimacy outwards the company should employ a more consistent and timely implementation of the CSR agenda. Kemp and Owen (2013) further claim that community relations and development functions will allow corporations to more efficiently manage their relationships with key stakeholders and create shared value for society and business. Additionally, they suggest mining companies should reconsider their transactional approaches

towards communities and in connection re-evaluate the importance of the community relations and development function within the company.

Thus, keeping in mind the interactional view of community and actors within the industry, further study of the current role of business in society, as well as on how the stakeholders interact, will add to current knowledge. As context has such a huge influence over the relations we believe it is more interesting to analyse a specific case. There is an on-going discussion concerning corporate-community relations and there is a shared rationale implying that a collaboration approach will benefit many stakeholders. More practical issues of what kind of value corporations and communities will gain through interaction are further interesting to explore. Given this, our MFS sets out to explore the role of businesses in society and the possible value that can arise from corporate-community collaboration. An additional objective is to examine the interaction between corporations and communities in a specific environmental context. By incorporating both a community and a corporate perspective and by studying the enabling and preventing factors in a critical environment, the challenges and opportunities of collaboration will come forth.

1.4 Research question

The following research questions are used to achieve the aim of the thesis:

Research aim: To explore the role of businesses in society and the possible value that can arise from corporate-community collaboration.

Research Questions:

- *What enables or prevents value in corporate-community collaboration in the South African mining industry?*
- *How do communities and corporations currently interact with each other and for what reasons?*

1.5 Delimitations

To investigate the possible value that can arise from corporate-community collaboration we have limited our research to investigating one Swedish supplier firm active in the South African mining industry and nine local mining communities. Since the MFS is strongly dependent on the context some further delimitations were necessary. Due to time constraints and practical difficulties encountered in South Africa the field research is limited to nine local mining communities in the Gauteng and North West province of South Africa. These areas were chosen based on the large amount of gold and

platinum mines present in these regions and on the network of our contact person in South Africa. Additional interviews with the corporation and in different communities could have enhanced the research and provided broader views concerning the current relations.

1.6 Disposition

The thesis is divided into six chapters. Chapter two aims at describing our methodological approach. A presentation of the pre- and main study approach as well as of the interview structures and the analysis approach is included. The chapter concludes with a discussion of the reliability and validity of the thesis. Chapter three presents our theoretical framework, which includes an overall description of the relevant theories: businesses role in society, enabling environment prerequisites and corporate-community interaction. These theories are used in order to analyse our empirical findings that are presented in chapter four. The Sandvik Community Case chapter includes a description of the research context and is followed by corporate and community perspectives concerning the environment, impact and interactions. The fifth chapter addresses the analysis part of our thesis. Here the theories are applied on the findings from chapter four. The final chapter contains the conclusion. Here we answer our research question as well as use our own model to fulfil the aim of the study. The final chapter will also contain a discussion about implications for Sandvik, critique of the study as well as suggestions for further research.

2. Methodology

This chapter will provide an explanation of the chosen research methods and design before elaborating on how the data was collected and analysed. The chapter finalises with a discussion of the study's quality aspects in terms of reliability and validity.

2.1 Research design

2.1.1 An abductive approach

Bryman and Bell (2011) depict the difference of deductive and inductive study approaches as deductive relying on a process that starts from theory and leads to observations and findings, while an inductive approach has the reversed connection. The study approach was based on an interchangeable process between the two and is known as an abductive study approach (Jacobsen, 2002). Given the fact that we continuously altered the framework in line with new empirical findings and theoretical insights, and by constantly relating our empirical findings to theories, we have been able to gain a deeper insight into the environment and relationships present in the case study context (Dubois and Gadde, 2002). The chosen study approach was justified due to its flexibility and the limitations of purely using one of the aforementioned (Suddaby 2006).

2.1.2 An explorative approach

There are, according to Yin (2003), three different research strategies that can be applied; exploratory, descriptive and explanatory. There are also different conditions as to when one should use the different strategies. The exploratory research design is most suitable for when the research problem is poorly understood and the research is “conducted to provide a better understanding of the situation” (Ghauri and Grønhaug, 2010). We chose to use an exploratory approach to better understand corporate-community collaboration and the value that can be achieved through it.

Qualitative research strategy

A qualitative research method usually focuses on words and text when collecting and analysing data (Bryman and Bell, 2011) and as well emphasizes developing a deeper understanding and gaining insights into the data (Ghauri and Grønhaug, 2010). Moreover, a qualitative approach is suitable when studying organizations and groups (Strauss and Corbin, 1994) and is commonly used for exploratory research (Ghauri and Grønhaug, 2010). In this study we have chosen a qualitative method, given the fact that the empirical material collected for this study is mainly made up of transcripts from qualitative interviewing, observations, and the collection and qualitative analysis of texts and documents.

The qualitative method can be time-consuming due to the large amount of data that is typically collected, such as in our case the transcripts that were compiled from the interviews. Due to this time consuming process, Patel and Davidson (1991) recommend to continuously analyse the material collected, which can be achieved through the qualitative method, a clear advantage over the quantitative method. Therefore it was important for us to document all thoughts that came into mind and conduct the analysis during the whole process. (Patel and Davidson, 1991)

2.2 Case study

According to Yin (2003) an exploratory study gives way for the authors to use any of the following five research strategies: experiment, survey, archival analysis, history and case study. Case studies are often associated with exploratory research and can be very useful when there is a need to investigate the phenomenon in its natural setting (Ghuri and Grønhaug, 2010). According to the conditions laid out by Yin (2003), our choice to pursue an exploratory case study is justified due to our research questions and how they are defined, the fact that we are not required to control behavioural events and that we aim to explore on-going events. The strengths of using a case study as research strategy is the multitude of evidence that can be used; incorporating everything from observations, interviews, documents and articles (Yin, 2003).

Important issues that are often linked to case studies are the objectivity in the reporting of evidence and the lack of basis for scientific generalization. However, the first issue was controlled by following guidelines provided by case study research literature. The second issue was overcome by the fact that the case study aimed to expand current theory, rather than "enumerate frequencies" (Yin, 2003).

2.2.1 Case study design and selection

The research design will help us in the process of collecting and analysing, as well as interpreting our observations (Nachmias and Nachmias, 1992). When designing the case study it is important to have in mind the feasibility of it; accessibility, time constraints and financial aspects are some of the factors that can affect the study (Ghuri and Grønhaug, 2010). In our case, the criteria and prerequisites for the firms we aimed to study were that the company was Swedish, a supplier to the mining industry in South Africa and present in South Africa. In this research, a single case study is both justified and sufficient to obtain the necessary information based on the fact that the company is active and present in most parts of the industry that the research was conducted in (Sandvik, 2013).

The case was selected with the help of Susanne Sweet, our tutor, at Stockholm School of Economics. The study is connected to an on-going research project initiated by the Bench Marks Centre for

Corporate Social Responsibility (CSR) at the North West University (NWU), Potchefstroom Campus, South Africa. Since our study needed in-depth qualitative data, a criterion for the case study was accessibility, as stated by Ghauri and Grønhaug (2010). Our tutor, as well as our contact person in South Africa, Professor Freek Cronjé, was involved in the additional research project, and was therefore able to assure us of the feasibility of the in-depth studies with all stakeholders included.

Our initial intention was to include two Swedish suppliers to the mining industry in the case study. We had been in contact with both Sandvik and Atlas Copco before conducting the MFS, but unfortunately Atlas Copco decided not to participate once we were on site in South Africa. A complete description of the actors and the case is found in section 3.4.

2.3 Data Collection

The data collection process had multiple facets. Firstly a pre-study of documents and articles focusing on the mining industry, its regulations and local mining communities was carried out. Subsequently the field-study and in-depth interviews formed the basis of the main study. Since the Sandvik Community Case is a study of the industry, its stakeholders and the relations within this network, we found it necessary to pursue an overall study in order to get perspectives from all sides. Finally, complementary sources were collected in order to strengthen the observations that were made during the field study.

2.3.1 Pre-study

A pre-study in the form of secondary sources was made before pursuing the MFS in South Africa. The two main objectives were to acquire knowledge about Sandvik's on-going social projects and to get an overview of the environment surrounding local mining communities and mining companies. Gaining this knowledge would enable us to discuss with others more competently and understand the environment better during our time in South Africa, which we considered especially important in preparation for the field visits. Furthermore, it also helped us prepare and conduct the interviews with a higher level of confidence.

By reviewing Sandvik's code of conduct, Annual report and CSR pamphlets we obtained information concerning Sandvik's projects, impact and interactions. Moreover, Bench Marks Foundation's report on the Rustenburg community (Bench Marks Foundation, 2011) and MS Action Aid's report "Financing economic apartheid" (Christiansen et al, 2010) provided us with an overall understanding of the issues surrounding the industry and how these concerns are present all over the country.

2.3.2 Primary sources

Our primary sources consist of in-depth semi-structured interviews and unstructured interviews with Sandvik, with members from the nine visited communities and a local NGO in South Africa.

Semi-structured interviews

In line with Ghauri and Grønhaug, (2010) semi-structured interviews became the natural choice of interview type since the topics, issues, questions and people we wanted to interview had been decided beforehand. Furthermore, semi-structured interviews were key to allow for follow-up questions that enriched the data collected and achieved the objective of exploring the gap and understanding the differences between the corporate and community perspectives (Philips, 1996). It was also important to make use of in depth interviews with the main interviewees as it allowed them to speak freely and not be constrained by few alternatives of answer (Ghauri and Grønhaug, 2010).

We prepared a different interview guide (see Appendix 1) for every interview in order to get the most relevant information possible and systematically collect the data needed for our research (Yin, 2003). Both of us were present at every interview to minimize individual biases (Voss et al, 2002) and enhance the opportunity of detecting any unexpected nuances in the findings (Eisenhardt, 1989). Moreover, at each interview one of the authors held the interview and was responsible for asking the questions and interacting with the interviewee, while the other took notes and made sure to provide any subsequent questions that could benefit the study. All interviews were held in places where the interviewees felt comfortable, and it was often the interviewee who chose or suggested where it should be held. Furthermore, to increase the ease of the interviewee we initiated all interviews with neutral background questions. On average the interviews lasted around one hour (see Chart 1 for detailed information). Finally, all interviews were recorded and thereafter transcribed within a week after the interview had been carried out.

Unstructured interviews

We also conducted two in-depth unstructured interviews and numerous unstructured interviews with community members. The first was carried out with a flexible and on-going approach while attending the same seminar as the interviewee during a couple of days in Johannesburg from 31st of June to the 3rd of July. The second was conducted in a continuous and informal manner over the course of several days during the community visits with the interviewee from the 15th to the 18th of July. In line with Bryman and Bell (2011) we utilized an *aide-mémoire* with a list of topics and issues that were covered. The interviewees were then allowed to respond freely and as Burgess (1984) points out the interview

was very similar in character to a conversation and therefore was not recorded. The unstructured interviews that were not in depth were carried out with numerous community members during our visits to the local mining communities.

The flexible interview process that was obtained with all interviewees is characteristic of semi-structured and unstructured interviews. Moreover, this process of responding freely allowed the respondents to answer in a way that reflected what they consider important, as well as pursue other topics of interest.

Interview participants

A short description of all the interviewees with whom we conducted in-depth interviews, and the relevance they add to our research, is provided below. The interviewees were chosen on the basis of what information was needed. By analysing our research question and figuring out what information was necessary to be obtained, we consequently could pin down who would be able to provide us with that information (Yin, 2003). The final interviewees were the ones who, according to us, were the ones that could provide us with the most relevant and valid information for our research. Chart 1 below provides a brief overview of the interviewees that were involved in the study.

Interviewees	Position	Place	Date	Duration
Miles Wakeford	In charge of CSR and CCI for Sandvik	Burgerspark Hotel, Pretoria	2013-07-01	1h30
Jan Prinsloo	General Manager Human Resources Sandvik	Sandvik offices, Johannesburg	2013-07-07	1h45
John de Beer	Communications Manager Sandvik	Sandvik offices, Johannesburg	2013-07-07	1h45
Chris Molebatsi	Community Monitor, Bench Marks Foundation	Utopia, Rustenburg	2013-07-18	1h
David van Wyk	Researcher, Bench Marks Foundation	Utopia, Rustenburg	2013-07-17	Informal over 4 days
Charity Chenga	Post-Doctoral fellow, Bench Marks Centre for CSR	Burgerspark Hotel, Pretoria	2013-06-31	Informal over 4 days
Freek Cronjé	Director of Bench Marks Center for CSR and Sociology professor, North West University	North West University, Potchefstroom	2013-08-06	1h30

Chart 1. Interview participants

For a more extensive description of all the semi-structured interview participants and unstructured interview participants with whom we conducted in-depth interviews, and the relevance they add to our research, see Appendix 2. Primary sources are hereby referenced to as following:

Sandvik Managers	Manager 1, Manager 2, Manager 3
Bench Marks Foundation/Centre for CSR sources	Community Monitor, Spokesperson 1, Spokesperson 2, Professor

Furthermore, we conducted numerous unstructured interviews with community members. Chart 2 provides an overview.

Place	Type	Interviewees	Date
Riverlea	Local community	10 community members	2013-07-15
Soweto	Local community	1 community member	2013-07-15
Tudor Shaft	Informal settlement	6 community members	2013-07-15
Majakaneng	Local community	1 community member	2013-07-17
Bapong Town	Local community	10 community members	2013-07-17
Segwaelane	Local community	2 community members, 1 tribe sub-chief	2013-07-17
Ikemeleng	Local community and squatter camp	1 mine worker	2013-07-18
Marikana	Local community and quatter camp	1 community member	2013-07-18

Chart 2. Community interviews

2.3.3 Secondary Sources

The study also includes secondary sources from Swedwatch’s report “Platinautvinning med risker: Vilket ansvar har svenska företag i Sydafrika?” (Jaekel, 2013). Swedwatch is a Swedish NGO, whose main purpose is to reduce the social and environmental impacts of Swedish and Swedish related companies in developing countries (Jaekel, 2013). This specific report focuses on, among others, Sandvik and Atlas Copco and the communities that surround these companies’ biggest clients, but also on attitudes and opinions of local mining communities towards mining companies and their suppliers. The field study was carried out in June 2013. A survey had explicitly been created for local community members. Approximately 20 respondents answered in each community. The following communities

were part of the survey: Mafenya, Marikana, Segwaelane, Chaneng, Luka and Ikemeleng. The selection of the communities was based on the presence of one of the three largest platinum mining companies.

2.3.4 Analysis approach

Structuring collected data according to themes

There are no well-defined techniques or strategies to analyse case study data, which complicates the process (Yin, 2003). There are, however, tools and analytical manipulations available to simplify the analysis. Miles and Huberman (1994) present two tools that we have used to analyse our case study data: putting information into different arrays and making a matrix of categories and placing evidence within such categories.

In order to better answer our research questions we chose to analyse our collected data by structuring it into three main themes: environment, impact and interaction. After each interview we compiled our notes and transcribed the interview, and thereafter proceeded with the structuring. By doing this immediately after the interview we made sure important impressions and perceptions we had gotten from the interview were kept in mind for our empirical findings. Within these themes we also chose to distinguish the corporate and community perspectives, in order for the different viewpoints to be clearer. Through this structuring we also found reoccurring themes within each perspective, which simplified the comparativeness of the different perspectives.

2.4 Credibility and Limitations

There are different ways to evaluate the quality of research and to guarantee the researcher uses appropriate information, of which reliability and validity are two important criteria (Bryman and Bell, 2011). According to Patel and Davidson (1991) the researcher has to focus on both terms because in order to obtain total reliability, total validity must also be attained. We will evaluate the quality of the research based on LeCompte and Goetz's (1982) adaptation, which examines the external and internal reliability as well as the external and internal validity.

External and Internal Reliability

External reliability refers to the degree to which a study can be replicated. In qualitative research however, it is quite difficult to repeat a study and obtain the same results, as it is impossible to 'freeze' the conditions and social settings in which the study occurred. (LeCompte and Goetz, 1982) Nonetheless, we believe that by providing a detailed account of our research methods as well as of the case setting and interview participants the external reliability of this study is enhanced. Furthermore,

we aimed to limit reliability issues and make the study more comparable by outlining our thought process in a clear manner (Voss et al, 2002).

Internal reliability on the other hand, is applicable when there is more than one person conducting the research and refers to whether members of the research team agree on what they see and hear. (LeCompte and Goetz, 1982) During an interview, the study's internal reliability is highly associated with the interviewer and the observer's capacity since it is very hard to avoid making personal judgment or misinterpretations when registering the answers and observations obtained. Some ways to ensure a higher reliability are that the interviewer and observer must be trained, that standardized interviews should be utilized or that another person can be documenting the answers to the interviews at the same time as the interviewer is asking the questions. (Patel and Davidson, 1991) As we lack formal training as interviewers we improved the reliability by taking into account the other methods; we used standardized interviews with guidelines as well as took turns documenting the answers while the other conducted the interview. The internal reliability was further strengthened because we concurred on all main aspects and discussed and related our understandings after each interview.

External and Internal Validity

External validity refers to the extent to which the findings and implications of this study can be generalized across social settings (Bryman and Bell, 2011). In our case high external validity is difficult to achieve as we have employed a case study and used small samples (LeCompte and Goetz, 1982). Furthermore, high external validity would imply that our conclusions might be applicable to other firms in similar or different industries as well as in other geographical locations. We therefore want to stress that the aim of our study is not to allow for generalizations; instead this exploratory study is more about finding other perspectives. On the other hand, we strived to enhance the external validity through the use of multiple sources of evidence as recommended by Yin (2003). Thus, we conducted several interviews within each participating body (Sandvik, Bench Marks Foundation, Bench Marks Centre for CSR, Communities).

Internal validity is the degree to which the findings accurately represent reality and make sense (Miles and Huberman, 1994). We gathered vast amounts of information from multiple sources to obtain a detailed understanding and consistent picture of the situation, thereby enhancing the validity. However, we did not ask the interviewees to read the transcripts and analysis, as this was considered time-consuming for them and the information was consistent and therefore perceived as credible.

Limitations

A limitation in this study could be that we conducted our community interviews accompanied by representatives of the Bench Marks Foundation. While in most cases the people we talked with were chosen randomly, a few of the interviews were conducted with community members that knew the foundation and the purpose of their work. Certain aspects may then have influenced the Bench Marks representatives' choice of respondents. Furthermore, some of the community respondents did not speak English for which we required the representative to translate the answers. These characteristics of our study may have lead to certain selective, distorted, and biased answers. However, we believe we have limited the biases by also relying on our own understanding of the setting based on research, and by randomly choosing respondents. Another limitation could be the use of a recorder because respondents may become guarded and uncomfortable to fully express their opinions. However, neither of us observed this behaviour, which can be attributed to the fact that the interviewees felt comfortable in the interview situation. As Alvesson (2011) emphasizes, feeling comfortable in the setting influences the respondents' sensitivity to the use of a recorder. Nonetheless, recording the interviews was key to transcribing and thereafter analysing the findings.

2.5 Presentation of case study participating bodies

In order to carry out this case study and obtain a high level of objectivity, multiple actors and stakeholders present in the mining industry of South Africa were involved.

Sandvik South Africa

Sandvik is an industrial company heavily involved in the international mining sphere. They are leading suppliers of equipment, tools and technical solutions for the mining industry and consequently have large mining companies as customers; both global mining companies and South African ones (Sandvik, 2013). For more information concerning Sandvik please see Appendix 3.

The Bench Marks Foundation

The Bench Marks Foundation is a South African church-owned non-governmental and faith-based organization, with its headquarters located in downtown Johannesburg (Bench Marks Foundation, 2013). The foundation's work has focused on, among others, the gap between policy and practice in the South African mining sector. The Policy Gap Series is a series of documents presenting research that emphasizes this gap as well as the legislative environment of the mining corporations (Bench Marks Foundation, 2013).

The Bench Marks Centre for Corporate Social Responsibility

The Bench Marks Centre for CSR is situated on the North West University campus in Potchefstroom and employs five academics in charge of research. It was established in 2012, after multiple collaborations between researchers and the Bench Marks Foundation on studies concerning the mining industry (Bench Marks Centre, 2013a). The centre is heavily implicated in the published Policy Gap series (Bench Marks Centre, 2013b).

Local Mining Communities

The Mineral and Petroleum Resources Development Act's (MPRDA) (further described under section 4.1.3) definition of communities in the mining industry is:

“A coherent, social group of persons with interest of rights in a particular area of land which the members have or exercise communally in terms of an agreement, custom or law” - Government Gazette, 2002

Within the context of the South African mining industry, local mining communities are the communities surrounding the mine that partake in the labour sending area. The labour sending area is the geographical area, which has been identified by the mine, to draw labour from. It is also to this area that the mines need to put in place the Social and Labour Plan (SLP) (further described under section 4.1.3) (Royal Bafokeng, 2013).

The mining communities which we visited from both Johannesburg (Gauteng Province) and the Rustenburg area (North West Province) were: Riverlea, Soweto, Tudor, Majakaneng, Bapotown, Segwalane Ikemeleng, and Marikana. In every community there were extreme social difficulties especially in terms of housing as they were composed of original villages, squatter camps or informal settlements. Furthermore in Appendix 4 we provide pictures of some of the communities and in Appendix 5 a map to visualize the location of these.

3. Theoretical frame of reference

As stated in Chapter 1 the aim of our thesis is to explore the role of business in society and the possible value that can arise from corporate-community collaboration. As part of that aim we have an objective to examine the interaction between corporations and communities in a specific environmental context.

To achieve this we have organized the theoretical section to follow a top-down approach ranging from the role of business in society to corporate community involvement. The chapter starts with an overview of the spectrum of views on the role of business in society as this leads to a greater understanding of the strong need for collaboration among different actors. Thereafter, the required elements for an environment conducive to responsible business are presented since they affect the external environment and its influence on corporate community interaction. The chapter continues with an overview of cross-sector collaboration and then more specifically corporate-community collaboration and interaction as these practices are increasingly used to solve complex societal issues that no actor alone can overcome. In the final section we present an integrated model that brings together the main aspects of the theoretical frame. Such a model is essential to provide a solid foundation for understanding and analysing our findings.

Figure 1 below presents an overview of the theoretical frame of reference.

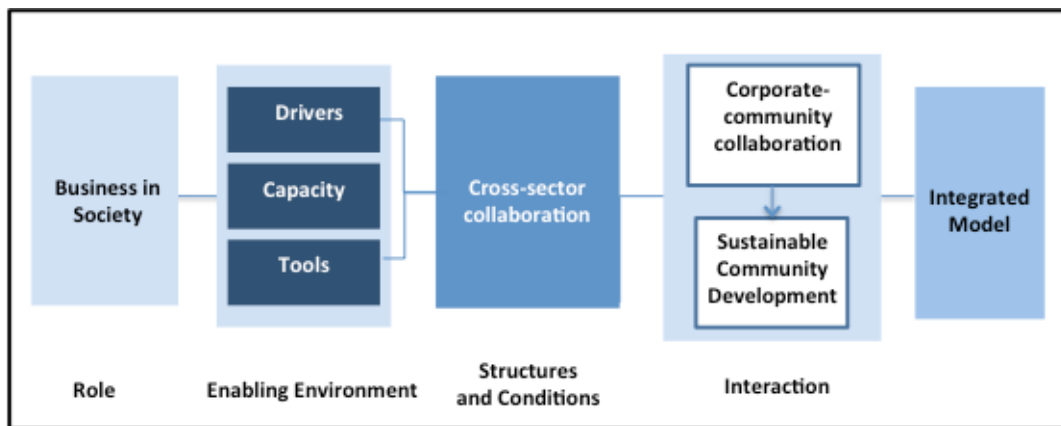


Figure 1. Overview of Theoretical Frame of Reference Chapter

3.1 What is businesses' role in society?

The heightened discussions on corporate responsibility have been stimulated by different segments of society, including the public, media, governments, consumers, and activists, to drive changes in corporate behaviour (Carroll et. al., 2012). These stakeholders have become skilled in holding firms accountable for the social and environmental consequences of their business activities. (Porter and Kramer, 2006). Business has progressively been seen as the root of many economic, social and

environmental issues, as well as to be prospering at the expense of society as a whole (Porter and Kramer, 2011) since in many cases corporations have inflicted costly externalities and caused unwanted change on communities and on the natural environment (Carroll et. al., 2012). Furthermore, given that organizations need the acceptance and support from society in order to be regarded as legitimate actors in the business they conduct (Furusten, 2013; Carroll et. al., 2012) and as well need society's resources to survive and expand, focus on corporate responsibility emerged as a widespread practice (Lantos, 2001).

Another factor that has influenced the emergence of corporate responsibility is that society's needs have surpassed the resources governments have to address them. Since governments cannot assume sole responsibility for addressing societal issues, the spotlight is increasingly placed upon the role of business in society. (Jamali and Mirshak, 2007) The World Bank defines CSR as: "the commitment of business to contribute to sustainable economic development – working with employees, their families, the local community and society at large to improve the quality of life, in ways that are both good for business and good for development (Ward, 2004). This definition draws on the idea of meeting the demands of several stakeholders through a set of management practices that ensures a company operates in a way that meets the needs and expectations society has of business (Waddock et al., 2002). Carroll (1979) proposes that society has economic, legal, ethical, and discretionary expectations of what businesses' responsibilities entail in society. In terms of economic expectations, society is aware of the design of the capitalistic economic system and therefore expects corporations to engage in the production of goods and services to sell them at a profit. However, while corporations make a profit, society also expects business to obey the law and work within the legal system's set framework of legal requirements. Furthermore, of growing importance is that society expects businesses to have ethical responsibility, meaning behaving in a certain way and following ethical norms and practices which extend beyond the legal system's requirements. Lastly, the discretionary responsibilities comprise voluntary roles that society expects corporations to assume. These are driven primarily by social norms and are not clearly defined, thus left to the judgment and choice of businesses and their managers. (Carroll, 1979)

An organization's orientation towards CSR and the reasons for which the organization decides to be socially responsible will affect how much the organization incorporates CSR in its activities (Tench et al., 2007). The complexity of CSR indicates that corporations can have many different arguments for establishing CSR activities, which is represented in the spectrum of views of businesses' role in society. Table 1 below also illustrates the change in the view of the role of business in society. On one

end is the economic position of CSR where focus is placed on the profitability of business without social involvement (Lantos, 2001), or in other words business and society (Jensen, 2013). In the middle is the philanthropic position of CSR where all stakeholders' interests are to be met and societal welfare is a main concern (Lantos, 2001), or in other words business in society (Jensen, 2013). At the other end, extending on the middle position of business in society, is the strategic view in which a win-win idea is implemented; organizations adopt policies and operating practices that benefit the firm while simultaneously improving the society and environment (Hillman and Keim, 2001; Halme and Laurila, 2008; Porter and Kramer, 2011).

Author	Position on business' role in society
Albert Carr (1996)	Solely profit-making view – business has an impersonal nature with lower standards of ethics than society and its only social responsibility is to obey the law
Milton Friedman (1996)	Profit-making view – the social responsibility of business is to increase profits while simultaneously adhering to legal and ethical responsibilities
R. Edward Freeman (2001)	Socially aware view – the interests of a business' stakeholders, defined as employees, financiers, customers, suppliers and communities, must be taken into account when managing the firm
Archie Carroll (2001)	Philanthropic view – business must be conducted to be economically profitable, law-abiding, ethical and socially supportive by using its resources for social good
Hillman and Keim (2001)	Strategic view – effective stakeholder management and sustainable organizational advantage may be obtained by investing in relationships with primary stakeholders but not in participating in social issues that are not directly related to the relationship with primary stakeholders
Halme and Laurila (2008)	Strategic/Innovative view – corporations take an environmental or social issue as a source of business innovation by aiming to develop products that alleviate these problems
Porter and Kramer (2011)	Strategic view – business and society are interdependent; CSR should be guided by ideas of core business to find sources of opportunity, innovation and competitive advantage that benefit both society and business

Table 1. Spectrum of viewpoints on the role of business in society (Lantos, 2001)

Interdependence of business and society

The socially aware view and strategic view of CSR focuses on the interrelationship between business and society as well as the strategies and activities companies pursue. Successful businesses and healthy societies rely on each other. While the former can improve standards of living through the creation of jobs and wealth, the latter can provide an educated workforce, efficient use of natural resources and a competent government. Therefore, this relationship of mutual dependence implies that both

corporations and society should work together to pursue the principle of shared value and benefits in their policies. (Porter and Kramer, 2006)

There are two forms of interdependence between a firm and society identified by Porter and Kramer (2006). The first is the inside-out linkage; how the operations of a company affect society. The activities in a firm's value chain have an impact on the surrounding communities, whether positive or negative, and depending on the location and the timeframe will have different social consequences. Thus it is important for corporations to continuously analyse and monitor these effects. The second form of interdependence is the outside-in linkage; how the external conditions impact a company. The external social conditions determine the context in which a company operates and can be divided into four general areas: (1) the amount of existing business inputs, including infrastructure and human resources; (2) the policies and motivations that control competition, including protection against corruption and of intellectual property; (3) the characteristics of local demand, including size and complexity; (4) the availability of supporting industries.

The external conditions in an organization's environment may thus foster or inhibit the improvement of societal issues and the emergence of responsible business practices. Furthermore, although maybe expected to do so, neither governments nor corporations alone can solve nor bear the cost of solving all issues present in society. There is thus a strong need for collaboration among actors. (Jamali and Mirshak, 2007; Porter and Kramer, 2006) Therefore, we continue the theoretical frame with a description of the elements that are necessary for an environment conducive to responsible business practices, as well as with an overview of cross-sector collaboration that has become prominent to solve societal issues that actors cannot solve on their own.

3.2 What elements create an enabling environment for responsible business?

Fox (2004) identifies three main pillars, the drivers, the capacities and the tools, that influence an environment to be conducive to CSR and collaboration. Identifying the elements within these pillars and understanding the environment in which corporations operate facilitates their sustainability. Figure 2 illustrates the main elements that influence and if present can lead to an enabling environment for corporate responsibility.

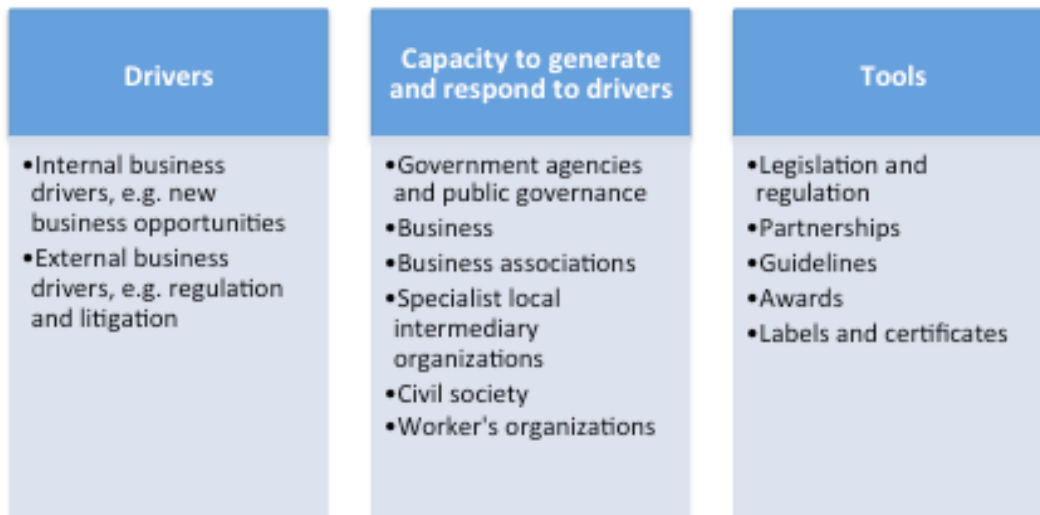


Figure 2. Fox's (2004) three pillars

Drivers

There are both internal and external drivers that create an enabling environment towards business activities and partnerships that seek to minimize environmental and social cost. Internal drivers can include the need to recruit and retain staff, to save costs, and to create new business opportunities through social and environmental innovation. (Fox, 2004)

On the other hand, the external drivers may come from a variety of sources such as pressure from NGOs or trade unions to act appropriately, threat of media exposure as well as enforcement of regulation and litigation (Fox, 2004). Idemudia and Ite (2006) further assert that implementing regulations that minimize the obstacles to CSR practices and maximize the incentives for CSR policies' is also conducive to an enabling environment.

However, the size, ownership structure, and strategies regarding visibility will stimulate and affect organizations' drivers towards CSR. Other important influencers are the sector in which an organization operates and the location of its businesses, whether in a developing or developed country. For example, a company operating in an area dominated by unemployment, weak local governments, feeble representation of trade unions and corruption will not find the environment conducive to responsible business practices and collaboration. The role of the state to work as a partner and facilitator is further critical for an enabling environment in developing countries. Fox (2004) brings up four crucial parts the public sector should play in order to strengthen CSR: (1) mandate laws and regulations; (2) facilitate through setting policies and acts which incentivize; (3) partner with public actors by combining resources; (4) endorse specific CSR practices. (Fox, 2004)

Capacity to generate and respond to drivers

The enabling environment's second pillar consists of the human and institutional abilities to develop and address the aforementioned drivers. These capacities need to be strengthened on several levels so that organizations can intervene and reinforce the drivers when necessary. More capable government agencies and public governance frameworks will guide the CSR agenda and enforce the existing regulation better. Moreover, businesses with an increased capability to address the drivers can encourage further good practice and provide support to domestic businesses in developing countries. Strengthening the ability of specialist local intermediary organizations can ensure the CSR agenda is sensitive to the local needs, can facilitate collaboration among actors and can ensure relevant advice is delivered to all actors. Finally, it is also important to build the capability of civil society and workers' organizations that can create additional force to drive the CSR agenda and can disseminate information to the public on business activities. (Fox, 2004)

Tools

The final pillar contains the tools of the CSR agenda, which need to be in line with the development needs of the affected actors. Legislation and regulation, labels and certificates, codes of conducts, partnerships and awards are all tools that can advance responsible business practices and collaborations. Attention must be drawn to issues with these tools that arise when a 'one-size-fits-all' model is applied to them or when they tend to benefit certain stakeholders. This can occur because the current CSR agenda is mainly concerned with large enterprises as well as predominantly determined by actors from developed nations. The tools' focus should rather be placed on supporting local needs and adjusted towards sustainable development (Fox, 2004).

By correctly identifying the drivers, aligning the tools and reinforcing the human and institutional capabilities that respond to the drivers, it is possible to create an environment that enables responsible business practices. Given the numerous actors that are involved in this process there is a strong need for collaboration across sectors. Consequently, we continue by presenting the dimensions, such as conditions and structures that are conducive to cross-sector collaboration and thus the creation of value.

3.3 What are the conditions and structures that govern collaboration across sectors?

Cross-sector collaboration has become increasingly prominent due to the emergent understanding that multiple sectors must work together in order to effectively solve more complex and challenging social and environmental problems (Bryson and Crosby, 2006). Furthermore, aspects such as scarce resources, rapid technological change and shared responsibility to act have lead to increased

organizational interdependencies (Thomson and Perry, 2006). Therefore, partnerships across sectors are considered a necessary part of organizations' strategies to tackle environmental and societal concerns.

Partnerships formed through cross-sector collaboration involve non-profit organizations, the public as a whole, communities, governments, and/or businesses (Bryson and Crosby, 2006). Bryson and Crosby (2006) define cross-sector collaboration as “the linking or sharing of information, resources, activities, and capabilities by organizations in two or more sectors to achieve jointly an outcome that could not be achieved by organizations in one sector separately” (Bryson and Crosby, 2006). Given the complexity that cross-sector collaboration entails it has many dimensions that will affect the success of its implementation and design. Bryson and Crosby's (2006) framework to understand cross-sector collaboration is presented in Figure 3 below:

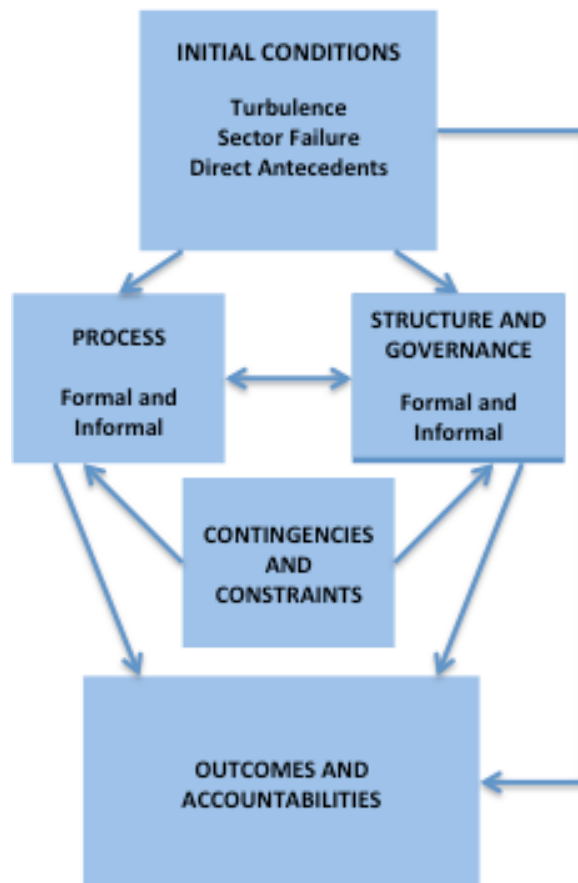


Figure 3. A Framework for Understanding Cross-Sector Collaboration (Bryson and Crosby, 2006)

Initial Conditions

Several aspects can cause the initial conditions that prompt collaboration. The surrounding environment determines the conditions and the normative, legal and regulatory elements that organizations must adapt to and manage in order to be regarded as legitimate actors in their business

(DiMaggio and Powell, 1983; Furusten, 2013). These demands are not static and are subjected to competitive pressures that increase the environmental complexity and turbulence, thus creating a stronger need to form partnerships. Furthermore, failure to single-handedly solve a problem or obtain what is needed triggers collaboration efforts. Finally, other antecedents that stimulate collaboration are acknowledging a high level of interdependence (Logsdon, 1991) and previous history, positive and/or negative, of interaction and efforts to collaborate (Ring and Van de Ven, 1994).

Process

Bryson and Crosby (2006) identify six aspects that are part of and affect the outcome of the process of collaborating. These include jointly reaching agreements, creating positions of formal and informal leadership, establishing legitimacy, continuously building trust, creating resources and tactics to equalize power and manage conflict, and planning. This understanding of collaboration as a process indicates that collaboration evolves as actors interact formally and informally over time. The process is then both iterative and cyclical given that organizations continuously negotiate, develop commitment, implement the commitments and finally assess all parts in a reciprocal manner. (Thomson and Perry, 2006)

Structure and Governance

Designating authority relationships, creating rules and standard operating procedures, dividing labour and specializing tasks are all elements of what structure entails within organizations (Bolman and Deal, 2003). In terms of collaboration, emphasis has been placed more on process rather than formal structural arrangements. Bryson and Crosby (2006) propose that factors such as the strategic purpose of the collaboration and the context within which it develops will affect the collaborative structure. Furthermore, given the complexity of the environment and of collaborations, the collaborative structure is likely to be dynamic and change over time. (Bryson and Crosby, 2006)

Governance in collaboration is not static either and when actors collaborate they have to jointly set the coordinating and monitoring activities that will govern their behaviour and interaction. While it may be very hard for every involved party to agree on a given solution, it is necessary to support the decision. (Thomson and Perry, 2006) The effectiveness and the degree of trust formed within the collaboration will be influenced by the established governing mechanisms (Bryson and Crosby, 2006).

Contingencies and Constraints

The process, structure and governance of cross-sector collaboration and its overall sustainability are furthermore influenced by factors such as the type of collaboration, power imbalances, and rival institutional logics. Depending on the type of collaboration for instance, there are different magnitudes of and depths to the negotiation process. (Bryson and Crosby, 2006) Moreover, one constraint that can prevent effective collaboration is the mistrust that arises with power imbalances, which is most likely to come forth when partners cannot agree on a mutual purpose (Huxham and Vangen, 2005). Therefore, it is important to account for this factor by developing tactics to deal with power issues through the governing mechanisms. Furthermore, within cross-sector collaboration it is likely to encounter competing institutional perspectives, each with its own set of norms, processes and structures that are considered legitimate. This enhances the difficulty of agreeing upon these aspects and may significantly affect the collaboration's outcome. (Bryson and Crosby, 2006)

Outcomes and Accountability

The outcome of cross-sector collaboration should be one that creates and maintains value and furthermore produces a set of rules and procedures that lead to mutual gain. Public value is most likely to be achieved when the weaknesses of each sector are diminished or defeated while simultaneously drawing on the strengths of each sector. (Bryson and Crosby, 2006) Furthermore, the creation of value will also be enhanced when Innes and Booher's (1999) first-, second-, and third order effects are positive. Examples of first-order outcomes are innovative strategies and the development of social, political, economic and intellectual capital. Moreover, second-order effects, which emerge when the collaboration has progressed, are characterized by changes in practices and perceptions, implementation of joint agreements, and shared learning. Finally, the third-order effects that might only be visible after a longer period of time, are based on new collaborations, new institutions and less destructive conflict. (Innes and Booher, 1999) Finally, a third factor that will positively stimulate public value from cross-sector collaboration is when partners regularly engage as well as re-evaluate the outcomes (Bryson and Crosby, 2006).

Given the complexity of collaboration across sectors it is often difficult to clearly determine which actor is accountable for what. Therefore, Bryson and Crosby (2006) suggest that developing a system that keeps track of the inputs, processes and outcomes will lead to more effective collaboration. Implementing such a system would furthermore require strong relationships among partners and the ability to use the information strategically. (Bryson and Crosby, 2006)

In order for cross-sector collaboration to be successfully created and then more importantly, sustained, the different dimensions of the framework must be in place or determined. The dynamic nature of cross-sector collaboration is implied given the differences as well as unique strengths and weaknesses of businesses, communities, non-profit organization, and governments. Furthermore, the above framework focuses on simplicity and does not focus on capturing the prevailing interdependence between the different dimensions that adds to the complex nature of collaboration. Moreover, organizations have little control over a mix of environmental factors that significantly influence the outcomes of collaborations. (Bryson and Crosby, 2006)

Given the different dimensions that must be in place for successful cross-sector collaboration we will now focus on the specific collaboration and interaction between corporations and communities that lead to the development of a sustainable community. Corporate community involvement is illustrated in detail as it presents an opportunity to create value that benefits both society and business.

3.4 How can corporations interact with communities?

According to Muthuri et al., (2009) "corporate community involvement (CCI) refers to business involvement in social initiatives by way of contributing financial, in-kind and human resources to meet the social and economic needs of the communities in which they operate" (Muthuri et al., 2009). CCI programs and practices are therefore intuitively contextual to the national, social, political, legal and economic environment of a country. Thus, they are particularly important in developing countries with weak institutions (Muthuri et al., 2009) where corporations may be seen as agents of development through their social initiatives (Goddard, 2005).

In the interdependent business-society relationships, development is more than an economic responsibility (Grillo and Stirrat, 1997; Manteaw, 2008; Sachs, 2010) as it also encompasses the social, cultural, ecological, human and political dimensions (World Bank, 2001). Community development is therefore a multidimensional concept in which the creation and maintenance of these dimensions can either be undermined or improved by corporate social action (Muthuri et al, 2012). Idemudia (2007) states that community development denotes:

"The process by which the efforts of the people themselves are linked with those of other agents and actors to improve the socioeconomic and cultural conditions of the community; this in turn, leads to people becoming more competent to fully contribute to national progress and able to live with and gain some control over local conditions and the changing world." (Idemudia, 2007)

In this context, resources have to be used with a sustainable and on-going approach. Thus, through community development, communities are then given the opportunity to play a role in using their resources adequately by meeting their current needs without compromising the community's future social, economic and cultural conditions. (Roseland, 2000) Accordingly, producing opportunities to tackle all relationships between business and poverty is the main drive of sustainable community development (Muthuri et al, 2012). The World Bank (2001) identifies a broadened understanding of poverty, which includes many forms, not only material deprivation but also low achievements in education, vulnerability and exposure to risk, and voicelessness and powerlessness.

Muthuri et al. (2012) propose a multidimensional approach to sustainable community development for which the main goals are as seen in Figure 4 (a) improvement in socioeconomic and cultural conditions of host communities, (b) capacity building and self-help in host communities, and (c) community empowerment in host communities (Muthuri et al., 2012; Idemudia, 2007). Thus, in order for corporate social action to contribute to the progress and maintenance of economic, ecological, social and human capital in local communities, it must effectively address the different forms of poverty as these restrain development (Muthuri et al., 2012).

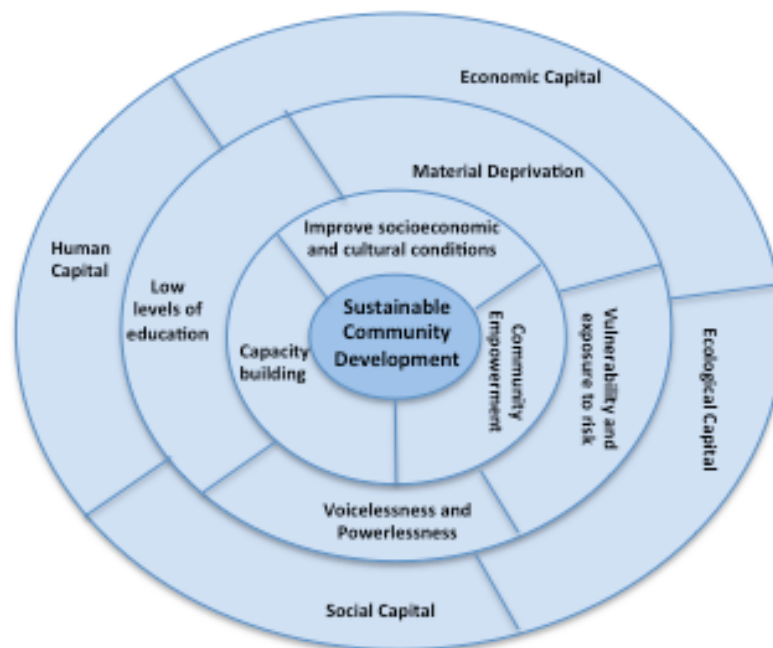


Figure 4. Sustainable Community Development (Muthuri et al., 2012)

The different elements in the model for sustainable community development interact and reinforce one another (Roseland, 2000), indicating that they are interdependent and should not be understood separately (Muthuri et al., 2012). For example, if CCI activities tackle material deprivation and low

levels of education within the community it would invariably contribute to improved socioeconomic and cultural conditions in the local community. This improvement would in turn be attained by participating in actions that build the community’s economic capital, such as job creation, investment in health care, and infrastructure development in the form of roads and housing as well as in those that build the human capital, such as education, experience and training for skills development. (Muthuri et al., 2012) Furthermore, as these improvements are based partly on capacity building it would stimulate community empowerment, which results in a higher ability to confront the issues of vulnerability and powerlessness. Overall, the multidimensional approach to sustainable community development suggests that corporative social actions towards any element will have secondary effects and help the community develop. (Idemudia, 2007)

By reconsidering their approaches to social partnerships and impact assessments, corporations will generate changes in the governance of sustainable community development. This in turn brings forward the strategies corporations adopt when interacting with communities in a particular governance field. (Muthuri, 2007) Corporations can contribute to sustainable community development by shifting the basis of the CCI strategy from short-term transactional-based commitment to long-term values based on building relationships with stakeholders. This can for example be achieved through a process-oriented approach (Calton and Payne, 2003) that empowers and gives a ‘voice’ to the local communities (Fox, 2004), through dialogic interaction (Calton and Payne, 2003) and stakeholder participation in decisions that affect them (Wheeler and Sillanpaa, 1997). Rowe et al. (2013) identify the main differences between the transactional and relational basis for CCI strategy, which is presented in Table 2 below.

Characteristics	Transactional	Relational
Focus	Reputation; avoid harm; business growth; reduce government regulation	Community values; community development and empowerment; engagement and commitment
Objective	Bottom line	Community participation; long term license to operate
Process	Corporate driven	Community driven
Form	Relatively standardized transactions, e.g. sponsorship of event	More personalized and flexible projects adjusted to the specific community needs
Relation	Customers, suppliers, business/employees, local government	Broad community
Time Line	Short term funding	Long term funding

Table 2. Comparative table of transactional and relational elements (Rowe et al., 2013)

Muthuri et al. (2009) contribute a process-oriented framework that conceptualizes CCI interaction and governance as “the structure, processes and rules that are socially constructed for organizing, coordinating and steering the collective actions of actors involved in CCI programs (Muthuri et al., 2009).” The actors from community and corporation then mutually define and reinforce their relationship (Muthuri et al, 2009), which adopts a more relational perspective of stakeholder engagement compared to a corporate-centric orientation. (Muthuri et al., 2012) The framework is provided in Figure 5 below:

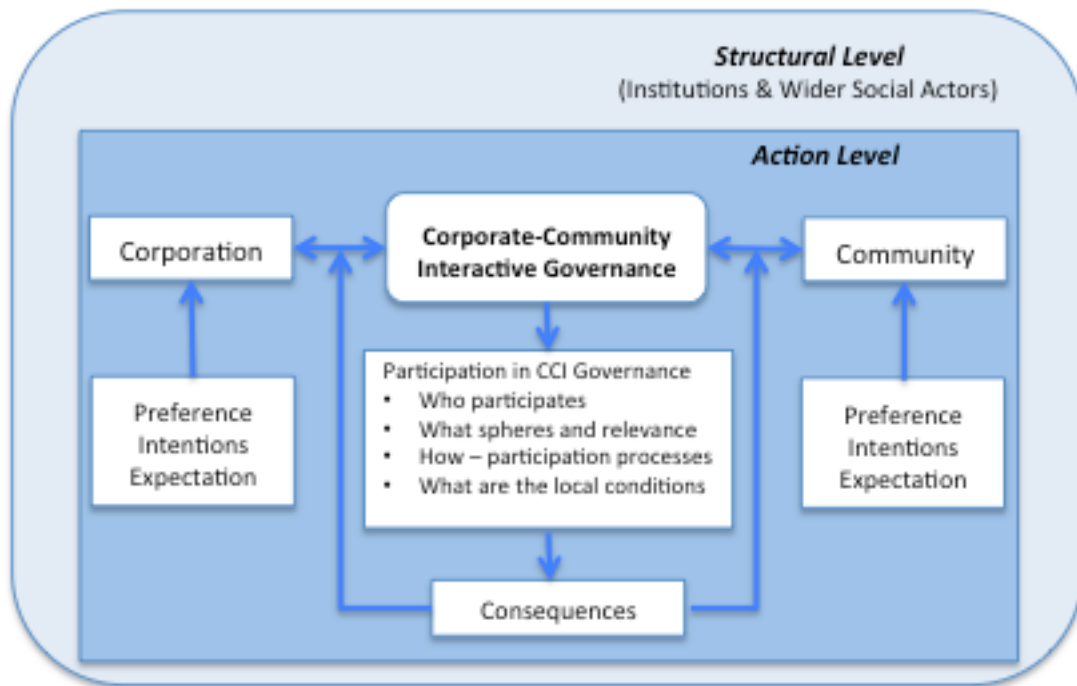


Figure 5. Framework of corporate-community interactive governance (Muthuri et al., 2012)

By increasingly engaging in social issues, creating opportunities and interacting through CCI, corporations enter into a governance relationship with communities; the so-called “realm of socio-political governance”. This realm is defined by Kooiman (1999) as: “All interactive arrangements in which public as well as private actors participate aimed at solving societal problems, or creating societal opportunities, and attending to the institutions within which these governing activities take place (Kooiman, 1999).”

There are both structural and action levels to socio-political governance as seen in the framework of corporate-community interactive governance (Kooiman, 2003). The structural level includes the institutions and wider social actors, such as government and civil society, in which the interaction happens. The current social, legal, political and cultural contexts as well as past interactions among actors are established in the structural context and determine the environment for current action. (Scott,

2001) The actors will then draw on the knowledge available in the structural level to define, make sense and evaluate their own and other's actions (Silverman, 1970). Given the institutions comprising the structural level, they can set boundaries by enabling or restraining interaction among actors (Kooiman, 2003).

The action level represents the interaction of the CCI actors, which is goal-oriented and affected by each actor's preferences, intentions and expectations. Within the preferences the actors can order alternative choices according to which they believe will produce the best outcomes. The intentions, goals and interests of the actors, as well as the expectations that arise from past experiences are important because they can be used to create the criteria for assessing the corporate community interaction. (Manski, 2000; Orlova, 1982; Silverman, 1970). The interaction between CCI actors changes over time and is influenced by the structural level. It is also through these interactions that the actors modify their preferences, intentions and expectations attached to CSR and CCI.

The action level can then be examined based on community participation, which is defined as "the process where the community takes part in CCI decision-making processes and influence behaviour of organizations that affect them," (Wilcox, 1994). As seen in the framework, there are several characteristics that determine the legitimacy of participation in CCI governance, including relevant participation, wide-ranging inclusion and processes and conditions that contribute to participation. Furthermore, this developmental-relational approach based on the creation of appropriate participatory processes and being completely clear about the rationale for participation, hence the stating of preferences, intentions and expectations, contributes to a sustainable decision-making process and, therefore, to sustainable community development. (Muthuri et al., 2012)

Organizing Corporate Community Involvement

Corporations have to decide whether their community relationships will be managed internally or externally in collaboration with other stakeholders. This decision will determine part of the strategy employed to implement CCI policies. The main difference between these models is that when managed internally the decisions are largely kept in-house and thus are very corporate driven while the external model involves shared decision-making. (Idemudia, 2009) Some companies prefer to incorporate their CCI functions as part of their environmental and sustainable work, while others as part of their public relations, communications, or external affairs departments. Another choice is to have one community development department that executes all the CCI functions. (Kemp, 2010)

Brammer and Millington (2003) also argue that the way firms organize their CCI will influence the nature of their corporate social activities and the way the firm delivers on its development goals. Firm and industry characteristics will in turn affect the choice of the CCI organizational structures, the allocation of responsibility for its management, its size and expenditure, and whether it is managed internally or externally. Additional factors that can play an important role in defining the nature of the CCI activities are the preferences and mindsets of society.

Idemudia (2009) concludes that the most positive effects on community development will be obtained by managing CCI externally rather than internally. However, the disadvantages associated with external management of CCI are important to take into account. One is the risk of “contracting out” obligations regarding responsibility, which may result in failure to integrate CSR concerns into the daily operations. Another disadvantage is that it reduces the employee feeling of engagement and commitment to important issues (Idemudia, 2009).

Criticizing Corporate Community Involvement

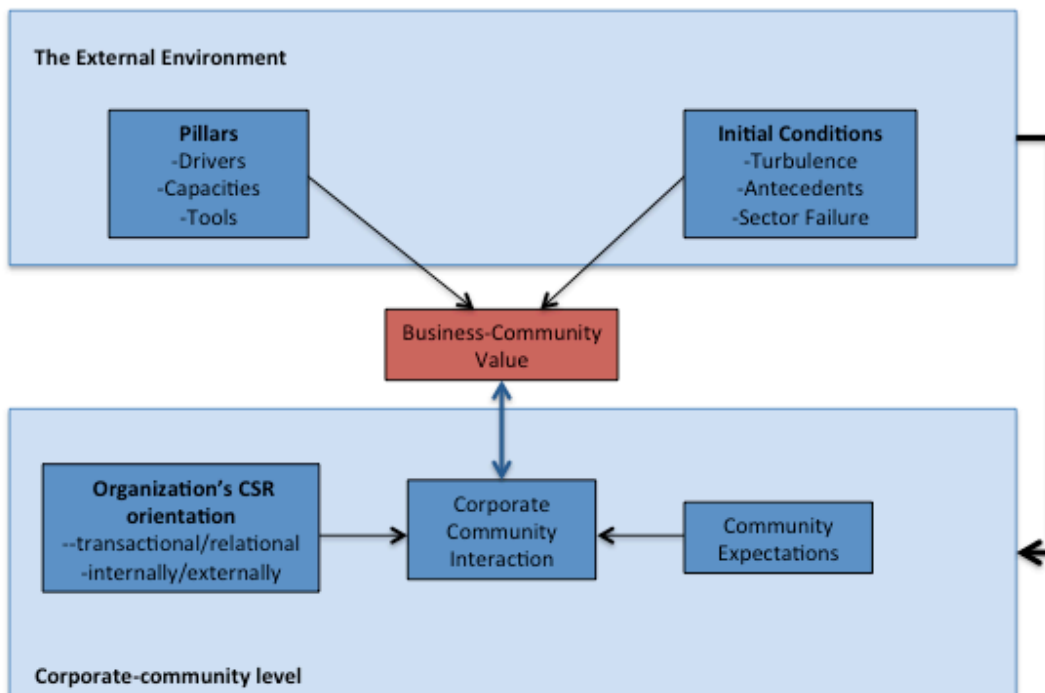
CCI practices face several criticisms as studies aim to assess the impact of corporate social activities on community development. The CCI agenda is still predominantly designed by the private sector (Fox, 2004) and influenced to a certain extent by a Western idea of optional responsibility (Carroll, 1991). Therefore, the business perspective is generally more prioritized than the community perspective (Newell, 2005) making the ‘business case’ for responsible business uneven and problematic for sustainable community development. This is because the business view of CCI practices does not tackle the origin of poverty and is often insensitive to the local communities’ main concerns (Fox, 2004; Idemudia, 2009). Further critique highlights the issue of broken promises by corporations, which undermines the creation of trust and fosters conflict between corporations and communities.

These criticisms not only reveal shortcomings of CCI practices but also emphasize the existing power imbalances between corporations and local communities. Huxham and Vangen (2005) argue that these power imbalances become most relevant when the actors cannot agree on a shared purpose. Furthermore, given that the balance of power favours business, communities through CCI, instead of becoming agents of their own development may become treated as objects of development (Besser, 2002). Communities may then seek to rectify such imbalances through actions that trigger conflicts with corporations (Kemp et al., 2011), which leads to further challenges in establishing sustainable community development (Idemudia and Ite, 2006). Recognizing and understanding the different dimensions of power within corporate community interaction can reduce these limitations of CCI

practices and lead to a more successful implementation of stakeholder engagement (Muthuri et al., 2012).

3.5 An integrated corporate-community collaboration value model

Bringing forth the key elements from each section into an integrated model will help us to understand and analyse our findings regarding Sandvik and the local mining communities in South Africa. Through this model we ultimately aim to assess and analyse what possible value companies can achieve through corporate-community collaboration. Our model focuses on the external environment and factors affecting corporate community interaction, as the major contributors towards realising business-community value. The main aspects in the external environment that impact business-community value are the pillars that enable responsible business practices, as well as the initial conditions, characterised by turbulence and antecedents such as sector failure that increase the necessity of collaboration among actors. Moreover, the external environment also has great influence on the overall corporate-community level and thus on the approach and method of interaction between corporations and communities. Factors that determine corporate community interaction are the expectations communities have on business as well as an organization’s CSR orientation, i.e. whether the basis of its CCI strategy is transactional or relational, and managed internally or externally. The model, and the relationship between the different inputs, is illustrated below:



The corporate-community collaboration value model

4. The Sandvik Community Case

In this section we have chosen to use a descriptive method to present our findings, which address our research questions by examining the interaction between corporations and communities in a specific environmental context. Section 4.1 starts with a background description of our study's context, the issues and regulations tied to the mining sector and a short overview of Sandvik's approach to CSR including the current social initiatives; all the information is from the pre-study conducted prior to the MFS. The chapter continues with the presentation of the Sandvik Community Case Study, which is divided into three sections according to the research aim and questions' three main overall themes: environment, impact and interaction. Each topic is then described through both the corporate (Sandvik) and community (Bench Marks Foundation/Centre, local mining communities) perspective to allow for comparisons. The interviewees presented under methodology section 2.3.2 Primary sources are as stated earlier referenced to as following:

Sandvik Managers	Manager 1, Manager 2, Manager 3
Bench Marks Foundation/Centre for CSR sources	Community Monitor, Spokesperson 1, Spokesperson 2, Professor

4.1 Background to the Sandvik Community Case study context

This part includes an overview of the importance of the South African mining industry and a short description of how the legacy of apartheid influenced the sector. Furthermore, the issues tied to the mining communities as well as the most significant legislations regulating the mining industry are described. The section ends with a short outline of Sandvik's current social initiatives and the reasons for conducting CSR in South Africa.

4.1.1 The context of the South African mining industry

South Africa has become the most industrialized country in Africa and the mining industry has played a critical role in the growth and development of the national economy for over 140 years. Currently the fifth largest mining industry in the world, it directly accounts for more than 8% of South Africa's GDP. The mining sector also makes major contributions to the economy by attracting foreign direct investment and export earnings (Chamber of Mines, 2012), as mining amounts to over 50% of exports (Forrest et al, 2010). Furthermore, in 2012 alone, around 1.4 million jobs were created in the South African economy with the help of the mining sector, either directly from mining (500,000) or from industries that supply goods and services to the mining industry (900,000). Of the mining industry's total income more than 80% was spent in South Africa, circulating through the rest of the economy in sectors such as housing and financial services. Thus, the industry is rightly acknowledged as having the

capabilities to help the government in solving issues relating to poverty, inequality and unemployment reduction. (Chamber of Mines, 2012)

However, the mining sector and mining communities should not be discussed without first considering the political history of the sector. Unique to the South African context is the legacy of the apartheid regime, an aspect that communities and organizations still have to deal with. (Cronjé and Chenga, 2013). Even though the transition to democracy in 1994 was mainly political, socioeconomic structures remain deeply affected (Chamber of Mines, 2009) and the principles of apartheid are still visible in the mining industry (Cronjé and Chenga, 2013).

Of particular importance in the historical background is that due to the large scale of mining in South Africa the draconian system of migrant labour was enforced, paving the way for apartheid. In order to uphold high profitability, the mining industry acquired cheap labour from outside its borders (Schoofs, 2000). After gold was discovered in 1886, Schoofs (2000) argues that skilled white labour imported for their mining expertise felt black people posed a threat to their income level. White unions then pushed the industry and later government to impose the ‘colour ban’, an antecedent of the apartheid system that did not allow black families and workers to permanently settle in mining towns nor obtain skilled jobs. This background of migrant labour led to poor socio-economic conditions and development issues in mining communities that persist even today and are described in further detail in the following section (Cronjé and Chenga, 2013),

4.1.2 Issues within mining communities

There are major deficiencies in mining corporations’ responsibility actions. Resources are used in corrupt ways to improve the shareholder’s public image rather than develop proper standards of living (Bench Marks Foundation, 2011). Currently, the mining companies’ SLP exemplifies a potential tool to measure corporations’ contribution to local communities yet it is not always submitted to the South African Department of Mineral Resources (DMR). Thus, it could be questioned whether it contributes to the amelioration of local economic development (Christiansen et al., 2010).

Diminishing land rights of rural communities is another issue on the rise. Land provides the population with food, shelter and a source of capital. Therefore, diminished land rights do not only deprive individuals of the most basic needs, but also disrespect fundamental human rights (most of which are, in these local communities, linked to land). The threat of forced eviction is a constant source of concern for the local mining communities (Christiansen et al., 2010). Today the MPRDA requires mining

companies to either propose land for money or land for land to the communities. However, many community members have experienced that the offers have been less than negotiable but are often left with no other choice than accepting. Evictions are then justified with the fact that mining operations are necessary for the growth and development of South Africa. (Christiansen et al., 2010) Additional common issues within local communities are the following:

Issue	Cause
Unemployment	Mine subcontractors bringing their own preferred labour
Destruction of traditional economic activities	Traditional vegetable gardens, poultry and cattle grounds becoming mine dumping grounds or destroyed by mining expansion
Uneven distribution of wealth	Only few community members get business opportunities and hence grow richer, while the majority do not reap any significant benefits
Water, noise and air pollution	Stemming from contaminated rivers, mine blasting, network of railways and dust blows
New social problems such as crime, drugs and prostitution	Influx of mine workers in villages and the sudden increase in population. When mine workers are not provided housing from the mine they seek accommodation in nearby communities
Threat of xenophobic conflicts	Stemming from the large number of mine workers immigrating to the local communities and the consequential unemployment and poverty of locals
Unscrupulous councillors	Viewed as immoral by local communities because of the wide perception that they work for their personal business interest instead of the local communities

Table 3: Overview of issues (Bench Marks Foundation, 2011)

These persistent issues have led to social unrest, conflicts and segregation in the affected communities (Christiansen et al., 2010). Hence there is an identified need for partnerships as “it is widely recognized that partnerships are critical in contributing to meeting socio-economic development needs in the areas within which mines (and other industries) operate” (Mabuza et al., 2010). However, there is a lack of willingness to collaborate among these actors and the industry experiences a misuse of CSR by mining companies. The social initiative projects are carried out in order to boost reputation and maximize publicity, which partly explains why the current partnerships generally do not lead to any noteworthy development in the communities (Mabuza et al., 2010).

4.1.3 Regulations

Given the mining sector’s critical role in the South African economy and impact on communities it is heavily regulated and includes numerous acts, policies and legislations. Our findings show that there are specific regulations that are more relevant to Sandvik, thus we focus on these, as illustrated in Figure 6 below:

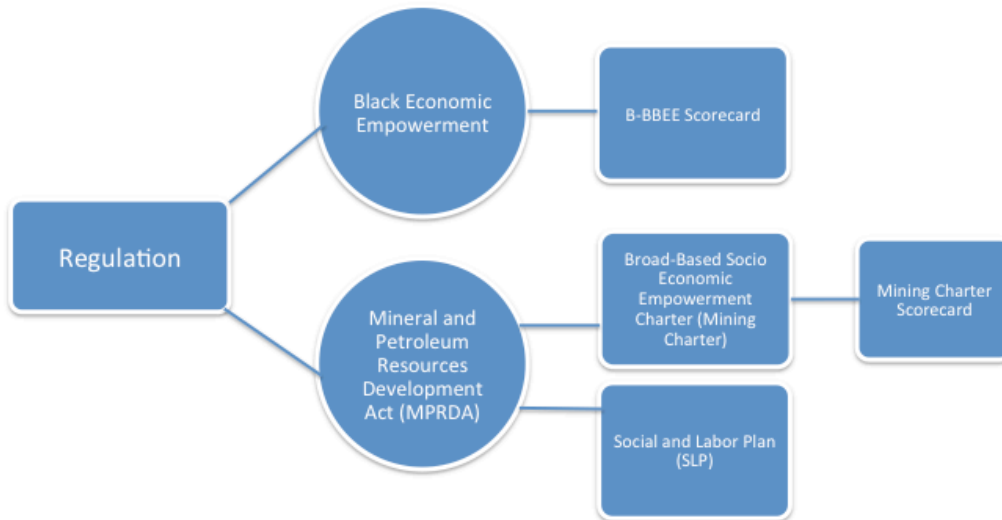


Figure 6. Regulations

First, South Africa’s policy of Black Economic Empowerment (BEE) aims to rectify the wrongs of the past by introducing a growth strategy to help bring the black majority into the economic mainstream (SA Info, 2013). The BEE is measured across all sectors of the economy through a standardized framework Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice. To achieve this the framework includes a scorecard, the B-BBEE scorecard, which covers seven components that can be measured (See Appendix 6 for scorecard).

Furthermore, there is legislation specific to the mining industry that has been placed by the DMR to ensure a positive social, economic and environmental development in the country. The DMR is further responsible for monitoring corporations’ efforts and implementations of social initiative projects. Below follows a description of the main regulatory act, the MPRDA, and its two key instruments for the industry (also the key instruments affecting Sandvik’s operations in South Africa): the Broad-Based Socio-Economic Empowerment Charter (hereafter referred to as the Mining Charter) and the SLP (which the mining companies carry out).

The main regulatory framework for the mining industry is the MPRDA, which came into effect in 2004 (Department of Mineral Resources, 2013). The act recognises the right of the State to control all mineral resources, including the use and disposal of, and access to, these resources. Its key objective is

to increase the mining industry's global competitiveness by making use of all human and financial resources in South Africa and at the same time ensuring that the whole population benefits from it (Government Gazette, 2002). An integral part is the elevation of historically disadvantaged South Africans (HDSAs)¹ as well as ensuring mining companies enact responsible business practices and contribute towards the social, environmental and economic development in the area where they are active (Government Gazette, 2002). The MPRDA provides tools (Mining Charter and SLP) that allow companies in the industry to establish targets and measure their performance concerning social development in their local and labour-sending communities² (Royal Bafokeng, 2013). Furthermore, mining companies need to meet the targets set by these tools to convert their old mining rights to new order mining rights. (Cronjé and Chenga, 2013).

The first instrument, the Mining Charter, is provided to companies as the main tool to be utilized to successfully comply with the MPRDA. The primary objective with the charter is to provide a framework that empowers and enables HDSAs to progress within the mining industry (Department of Mineral Resources, 2010a). The Mining Charter provides firms with a scorecard to assess their efforts and to develop a plan that must include the different steps towards fulfilling their obligations, including numerical goals, timetables and strategies (Department of Mineral Resources, 2010a). (For a simplified version of the scorecard view Appendix 6) The Mining Charter is to be assessed through the scorecard in relation to the extent of progress attained by the firm and reviewed within a five-year time frame (Department of Mineral Resources, 2013). The most crucial areas, according to the Department of Mineral Resources (2013), are community development, inclusion of local mining communities and increased black participation within management, investor and operating roles in the sector.

Secondly, the SLP is a prerequisite that mining companies have to fulfil in order to be granted mining and production rights (Department of Mineral Resources, 2010b). However, successful transformation of the mining industry relies on all companies developing and implementing different development plans, and not only reporting their progress in order to retain their mining licenses. These have to include "Human Resources Development Programmes, Mine Community Development Plan, Housing and Living Conditions Plan, Employment Equity Plan, and Processes to save jobs and manage downscaling and/or closure" (Department of Mineral Resources, 2010b).

¹ HDSA refers to Africans, Coloureds, Indians and Women

² "Labour sending area - areas from which a majority of mineworkers, both historical and current are or have been sourced" (Royal Bafokeng, 2013)

4.1.4 A description of Sandvik's projects

Here follows a short description of Sandvik's projects, for further description of the company view Appendix 3. Sandvik's (2013a) social projects are, according to their report Code of conduct, aimed at supporting culture, educational and humanitarian programs. Sandvik South Africa divides its CSR investments into three main themes: commercial investments, community investments and charitable donations. The commercial investments are an agricultural incubator, an artisan-training centre, a skills innovation hub and a day-care centre. The community investments consist of support to nine schools, an academy and a reading centre. Finally, the charitable donations are provided to three childcare centres and one NGO in Pretoria focusing on children with severe mental and physical disabilities (Sandvik, 2013b) For an overview of Sandvik's projects see Appendix 7).

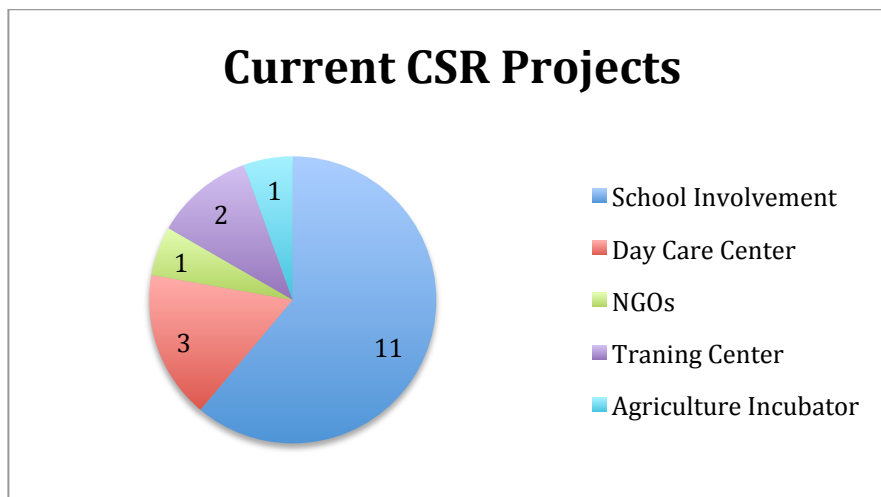


Figure 7. Sandvik's current projects

The three main reasons for which Sandvik is doing CSR are (stated by Manager 1):

1. Compliance with societal laws and norms
2. Compliance with its own state of objectives as an organization
3. Transparency; Society is aware of what companies do

4.2 The current environment

In order to fully understand the situation, impact, and relations and dialogues within the South African mining industry, a description of the current environment is necessary. Below, the perspectives of both the corporation and the community are presented. Also the surrounding factors of the industry, both governmental and social, are taken into consideration.

Corporate perspective

The environment in South Africa's mining industry today is particularly unstable. Manager 1 depicts the conflict between two major trade unions, which has led to an unsettled labour situation and great frustration for both the government and the industry. Moreover, huge changes in mines, pay structure changes and unions asking for wage increases dominate the industry. This situation is further complicated and strenuous given that most platinum mines today are working at a deficit. The overall unstable environment has led to consequences such as increased reluctance to invest in South Africa. At the same time the South African mining industry is very important for international actors, given that the world's platinum resources are found in the country.

Manager 1 further explains how the South African mining industry is strongly dominated by the need to comply with legislation, particularly because of the need to rectify the inequalities of the past apartheid system. Therefore, compliance has become a survival issue for the mines. However, the government has several tools to make it attractive for companies to comply with these legislations. The tools are, among others, the mining charter and the B-BBEE scorecard. According to Manager 2 the tools used by the government are not restrictive, but rather viewed as best practice and are both to the company's and communities advantage. By following these practices the companies get rewarded when it is time to renew their mining licenses.

In 2011 the government made adjustments to the mining charter, not only requiring mines to buy products in local communities, but also requiring them to purchase from suppliers with at least 26% black ownership. If the mine would prefer to use international suppliers that do not comply with the 26% black ownership law it has to ensure that the supplier puts 0.5% of their invoicing towards the mine's Corporate Social Investment (CSI). This, according to Manager 1, puts extra pressure on supplying companies, who are already pressured from a cost and revenue point of view.

Further, through the B-BBEE scorecard companies are scored in relation to their support for black-owned businesses. This applies to international supplier firms as well, and firms can cut costs by supporting these businesses. In the new scorecard (presented in August 2013) suppliers that want to acquire enterprise development recognition have to invest two thirds of their BEE efforts within their own supply chain. Manager 1 emphasizes that this change aims to create sustainability in firms' development actions.

Community perspective

According to Spokesperson 1 the current government somewhat ‘protects’ companies against democracy, and works in an inefficient and corrupt manner. The B-BBEE is not effective if legislation is not put in place and followed properly. In today’s environment the ruling parties and the big mining companies shift the blame to each other and there is no real development in terms of social responsibility.

In the mining charter there is a requirement that demands proper closure of a mine once it is not active anymore. However, in Johannesburg alone there are approximately 600 abandoned mines, illustrating, as Spokesperson 1 describes, that this law is seldom followed:

*“Mines are not closed down properly. As soon as the mine reaches the end of its life it is sold to another company cheaper. When that company realizes that it is not worth much it may sell again or abandon the mine and disappear. The Chamber of Mines then does not acknowledge ownership, and says they don’t know where the owner went or who it is, and leaves the mine in a neglected state” –
Spokesperson 1*

Spokesperson 1 also mentions how there currently exists a secrecy act that entails less transparency, which in some cases prevents the public from viewing certain information regarding companies’ costs. He furthermore believes that supplier firms need to take responsibility in all areas and find different ways to help improve the conditions in the mining communities. For example, by establishing specific requirements that customers (the mining companies) must comply with in order to be entitled to buy the supplier firms’ products. Some basic requirements could concern transparency, responsibility, health and safety. It is critical, according to Spokesperson 1, that the international firms involve themselves more, since the government does not enforce the laws sufficiently.

According to the Professor the environment surrounding mining companies and local mining communities is dependent on different relations. Relations with NGO’s, government and other stakeholders are critical for the development of the mining industry. However, between corporations and the government the circumstances are complicated. There have been extensive political developments and a consequence of that is former African National Congress (ANC) members dropping their involvement in politics in order to join mining companies. This becomes problematic when it comes to the existing legislation within the mining industry in terms of monitoring, regulation and application.

“For companies it was a nice partner to have one of the top guys from the ANC now on their board. Because that is what they need to get a social license, and it is more difficult for the government to monitor and nail them.” – Professor

The Professor also discusses the policies and acts created in order to push development. The intentions of these are positive, however the problem still lies in the application and monitoring of them. The corruption, lack of structure and capacity to monitor has led to a situation in which people that are supposed to benefit from these acts, mainly poor communities do not benefit from them.

“The whole issue in a nutshell is really this gap between policy and practice, monitoring, implementation” – Professor

The community monitor also mentions the aforementioned gap and claims:

“Politicians are corrupt. The legislations, we do have them, but they are useless because of corruption.” – Community monitor

The SLP is one of the policies put in place in order to advocate positive development within the mining environment. It contains three main issues that are central for companies to implement. The first one is human resource development; meaning there has to be some career development possibilities for all employees. The second one is economic development, which focuses on projects in collaboration with the local municipality. Finally, there is mine closure, which requires that when the company vacates the mine area, it must leave it in the same state as before the mining activity started. The SLPs have a major influence on mining companies' success. According to the Professor, mines need to have SLPs properly in place in order to obtain a new social license to operate.

“If you don't have SLPs properly in place you will most likely not get a social license to operate. Those are things that can seriously strike and affect negatively the companies' share value” – Professor

Other actors that play an important role in the mining industry are the NGOs that, according to the Professor, drive sustainability in the country and advocate sustainable projects. Several international and national organizations are active in South Africa, together with church and faith-based organizations. A lot of them are very critical towards the government, which has led to a severely strained relationship between them and the regime.

“The relationship is not that well, partly because the government is not doing its job. It is not only the corporate who needs to be responsible, but also the government and the community” – Professor

Further, the Professor depicts the relationship between NGOs and corporations as evolutionary. Early stages usually remain hard, but continuously improve when both parties realize that collaboration is necessary in order to succeed with their targets.

Finally, the Professor agrees with Spokesperson 1 and states that international suppliers should play a greater part in community development. They should act as partners and stakeholders in the whole sustainability setup. Since they are suppliers to the mining company, they are supposed to contribute to the economic development. He emphasizes that international suppliers can't say, "I am just being subcontracted, so Anglo is the main responsible stakeholder and role player so talk to him".

4.3 The impacts of mining activity

Mining operations have multiple impacts on the surrounding environment. The different perspectives provide both positive and negative impacts. In order to explore the difficulties faced in enhancing corporate-community value, it is important to know how the mining industry has impacted on the environment and the local communities.

Corporate perspective

According to Manager 1 the mines provide both economic and social development to the surrounding communities. The manager further states:

"Communities where there are no active mines there is no employment and adults leave to go work somewhere else. Mines create jobs" - Manager 1

There is a general perception among the managers that the mining industry has a positive impact on communities, providing them with employment, education and hospitals. Furthermore, Manager 2 also states that Sandvik does have a positive impact on the communities and that they do get a share in the profits.

*"The more money Sandvik makes, the more money can be ploughed back into the community. So yes, our success leads to their success. And their success leads to our success. So it is really integrated" –
Manager 2*

Community perspective

According to the Community Monitor most of the communities surrounding the mines are the rightful owners of the land where the mine is active. The encroachment of the mining companies into the communities' land, with little or no compensation, has led to great complications. In the earlier days

the local communities survived on farming activities, which were later destroyed by the apartheid government in their objective to develop other groups of society (notably Afrikaner). Spokesperson 2 describes how the removal of communities' land removes their identity. This particularly concerns women who then lose the possibility of providing food for their families. Also, as mentioned earlier, mining companies are obliged to properly close the mine once they have finished extracting from it. However, this is seldom respected and its consequences are illegal mining at the abandoned mines, child labour and a lack of safety regulations.

“The major impacts are the migrant labour and the encroachment of the mining companies into the communities' land without compensation. Government is not doing anything since some are sitting directly as seniors in mining companies. Civil servants become inefficient since they can't call their masters to order.” – Community monitor

According to the community monitor there are no real positive changes or opportunities after the introduction of a mine. Widespread unemployment remains a critical issue, as mining companies do not employ workers from the communities. Furthermore, the negative impact is to a large degree connected to migrant labour and the consequences of migrant labour entering a new community. One of these is prostitution, which has led to an increase in HIV/AIDS and another is insufficient housing and infrastructure, which has led to the development of informal settlements and squatter camps:

“The companies refuse to employ the local communities, and rather depend on a system of migrant labour, bringing men from far off provinces and then don't house them properly.” – Community Monitor

Spokesperson 1 provides a current example from the local mining community of Marikana:

“After the strike they finally achieved to get higher wages, women/prostitutes from all over the North-West Province migrated to Marikana increasing the HIV percentage in the area, the amount of illegal abortions, the violence against women, the alcoholism etc. If mining companies would only employ locals then there would be no influx of people. However, if you employ locals you need to take more responsibility as well as pay family wages not single man wages” - Spokesperson 1

The negative impacts that the Professor can identify are very much the same as the ones identified by the Community Monitor and the Spokesperson. The first of which is the disturbance of nature and livelihood of the community. The mines introduce a new activity, which often leaves an unnatural sort of community, neither rural nor urban. Further, the Professor also identifies the influx of people in the form of migrant labour as another contributing factor to the deteriorating situation. With that comes disruption of the family structure, substance abuse problems, alcoholism, and heavy demands on

already improper infrastructure and housing (such as squatter camps). These social problems are additionally associated with health problems such as HIV/AIDS and airborne related illnesses such as asthma.

“So the social problems: poverty, unemployment, crime... it’s really too much to mention. Despite what mining companies say more than 50% are dependent on migrant labour” - Professor

Furthermore, local mining communities are affected differently depending on the different stages of mining. During the initial stage, the mine is disrupting the nature of the community, and at the same time creating work opportunities to some extent. In the second phase, the full operation stage, the mine is obliged to let the community benefit from their operations, which rarely happens. Finally, the closing phase is hugely problematic as community members who have been able to get a job within the mine find themselves unemployed.

According to the professor, as long as the firm can exploit its workers, the negative mining effects for the firm are limited.

“As long as they can say, “Maybe it’s the government’s role to maintain roads, hospitals, and schools” then it’s not really affecting the company. However, an incident such as the one in Marikana, usually problematic in terms of labour unrest, terms of strikes, people being killed. It’s a negative effect up to the whole supply chain. “ – Professor

The positive impacts linked to mines and corporate activities are, according to the community monitor, limited. In terms of CSR he accuses mining companies of only doing what is necessary in order to amend their licenses. A significant issue is that once these companies have the licenses the social projects will often cease to support the local area. The Community monitor offers an example; a hydroponic farm project led by Lonmin³:

“The differences prior to and after the initiation of the project were limited, and the project only led to making Lonmin the first company ever to get a new mining license. They are not doing anything for the community, they are destroying it” – Community Monitor

According to the Community Monitor, multinational supplier firms also have great responsibility for the negative impacts. Their products, mainly tools and machines used for drilling, make way for blasting, which consequently results in the cracking of houses in communities. Another negative

³ A mining company in South Africa (Lonmin, 2009)

impact is connected to the trucking companies, mostly because of the deterioration of the roads, leaving them in a poor condition.

The Professor states that there has been positive impact due to the implementation of SLPs. He has witnessed many good projects work, and in other cases where the project has not been successful the good intention of the action has been evident. One of the positive developments is how the SLPs' goals bring stakeholders together, mainly the community, the local government and the mining company. It has given room to stakeholder dialogue, which definitely has positive effects and impacts.

4.4 The relations and dialogues

The interaction between community, corporation and supplier plays a major part in the development of corporate community relationships. The types of interactions and how they are perceived from both parties are described below.

Corporate perspective

There are different interactions between communities and corporations. Manager 1 describes the projects initiated by Sandvik as being based on the long-term goals of the company: to source skilled people from the areas where Sandvik works. According to the same manager the retention rate is better among people trained by Sandvik.

*“People out there that can give high efficiency to the industry. We don't go around and just give hand-outs; we understand that we need to teach you how to make bread. A hand-out is not sustainable” –
Manager 3*

Further, Manager 1 describes the Sandvik interaction process with communities. This process is based on a pipeline notion, which focuses on creating skilled people and jobs. Therefore the firm tries to make sure all of the chosen projects support this goal. Connected to this are Sandvik's own set of rules, called ESE (Education, Skill, Employment) that are applied to all the corporate social projects. This represents how the before mentioned pipeline notion is central in the company's social projects.

Manager 3 adds that Sandvik does have a CSR policy and strategy, which the company is obliged to follow by law. This comprises spending, type of project, who was responsible, and the overall contribution. Manager 1 also mentions additional rules and guidelines, which involve the requirement of integrity within each project in terms of non-corruption, accountability of funding and sustainability. Furthermore, every cent that is invested in projects will ultimately benefit the identified beneficiaries

(in this case the local communities, schools etc.). An important qualification for projects is also quality management:

“We look for quality management, if there is none we won’t go into the project since it will be a waste of money” – Manager 1

Manager 2 further confirms that most projects carried out by Sandvik are joint projects with mining companies. Additionally, according to Manager 3, the corporate community interactions depend on what issues Sandvik’s clients have identified through their community structure, since the clients have pertinent CSI/CSR requirements in the environment they operate and Sandvik does not. The strategy is not to go in and do something different unless it is a Sandvik owned project. The majority of the time it is the customer that does the social impact assessment. The clients are thus more aware of the needs of the community and know exactly what projects have been identified. The mine will then tell their suppliers what projects are available to choose from, and the supplier themselves have no connection with how these projects were chosen.

However, according to Manager 1 the projects are always relevant and necessary for the community and 90% of the social projects that are taken by Sandvik have been discussed at mining level, and approved by the DMR. Furthermore, according to Manager 1 the projects funded by Sandvik are not impersonal and require visibility. There should be continuous Sandvik representation on various sites in the form of a Sandvik champion, a local manager that makes sure everything is in order.

“The consultation with the community has been done so that we don’t go into a community and tackle a thing that the community doesn’t want” – Manager 1

“What you have to do is go through great detail discussing with communities, you have to have consensus before you get involved” – Manager 1

That is also the reason why Sandvik does not have a single CSR department, unlike the mines, the rationale being that Sandvik partners with them on their administration. The view from Sandvik, according to Manager 1, is that the owners of the projects are ultimately the mines and the community. Sandvik’s role is to be the sponsor.

Manager 2 emphasizes that Sandvik’s projects are heavily connected to education, both further education and adult education. They consider a great need in South Africa for adult education, due to the number of people who have reached a certain age, but because of the past different educational

systems, failed to progress to a higher level. These educational interactions are always focused on math and science, since it is a prerequisite of what is required in Sandvik's business and the company has seen a great shortage of that.

Simultaneously the concept of responsible social investment is always kept in mind. The main focus is on the invested schools producing technical expertise, and the second one being the quality of the schools in terms of decent toilets and minimum waste of water etc. However, the chosen projects should always suit both Sandvik and the mines.

“The money is not going to be used by the mine to fulfil its obligation, it will always be a project that Sandvik has value out of” – Manager 1

“The shared value that Sandvik gets out of what they do are qualified and educated people” – Manager 2

Manager 2 provides some concrete examples of Sandvik's interactions and projects in local mining communities:

“Sandvik has small businesses repairing certain items for the company. For these Sandvik makes sure the employees get training and have good health conditions so that the products are repaired properly. Sandvik also manages these South African companies' safety and quality programs as well as their health programs.” – Manager 2

Sandvik also offers support day-care centres for the students they admit, as well as night school/evening school classes in order to accommodate the students with families at home. Manager 1 further describes the situation as initially being quite strongly focused on the issue of having projects produce people that can be employed. However, in reality this has proven difficult and consequently agriculture has become a major component for Sandvik.

“Goal for any supply company – want to enhance their sales to a mine because of the support for the community, community support might enhance ones status as a supplier” – Manager 1

He further describes the CCI of Sandvik as very much connected to taking responsibility for what society, or the country itself, is not doing for itself. The costs of their CSR investments however are deeply connected to societal issues that to some extent are due to the mining activity.

“You go and say right, the country does not have enough hospitals, schools, old age homes etc. and that is when the industry puts its hand in its pocket and they can assist”- Manager 2

In terms of interactions between NGOs and government the relationships are restricted. Manager 2 explains how there is no direct collaboration between Sandvik and NGO's, but that the interaction normally goes through a tripartite where the NGO's come with one of Sandvik's customers or one of their projects.

The collaboration with governmental organizations is based on following rules and guidelines. Sandvik uses a second channel in some relations with the government, in the form of a representative for all Swedish member companies of the department of trade. This second vehicle brings all of the Swedish companies together (through the trade department of the Swedish embassy) which gives the suppliers a louder voice and a bigger vote. Sandvik has a say but they also need to comply with everything that is required by the government.

Community perspective

According to the Community Monitor the perception of corporate community interaction is extremely poor from a community point of view. The general attitude towards mining companies is negative and has deteriorated since the massacre in Marikana, creating an unsustainable situation.

The Community Monitor describes the projects that are being initiated as neither necessary nor relevant for the communities, given the conditions in which they currently exist..

“Even though projects such as hydroponic farms are carried through, we still ask ourselves why the mines do projects as such instead of building more houses” – Community Monitor

Further, according to the Community Monitor, companies do not negotiate nor consult personally with the communities. Often they will employ a consultant, which consequently leads to the outcome of the consultant's work being based on what they deliver. This has consequently led to unsatisfactory results for the communities.

“We are not saying to the mines to just give us money, they should take care of the communities and assess their impact properly” – Community Monitor

The main issue is companies not involving themselves enough, and there is a need for corporations to go beyond compliance to change the situation. The expectation on Sandvik, and other international suppliers, is that they take responsibility for the impact that their products have on the lives of the communities.

“Sandvik must not go to Lonmin but should do their own part” – Community Monitor

There are many schools around the communities and, according to the Community Monitor the illiteracy rate is not that high, especially up to matric⁴ level. Projects that would serve communities the most should seek to improve the appalling living conditions suffered by many, rather than merely increase the number of schools.

According to the Professor, what prevents the development in the area is still the gap between policy and practice.

“You look at sustainability and annual reports of companies and they apparently spend millions, then you go into the company and you are not really seeing it. However, give credit where credit is due. Especially after Marikana companies are under severe and strict scrutiny and under national and international lens.” – Professor

In terms of SLPs, community development is an important part. The mine must get involved in communities through development projects in the area where they are operating, but in collaboration with the institutional development plans of the local municipality. This is another contributing factor to a complex situation because local governments are operating at a low capacity and are incapable of doing an efficient job.

The Professor explains how companies are now supposed to collaborate on a local level with the local government, which in some cases is perceived as useless. The inefficiency of local governments in terms of simple things like service delivery on roads and houses makes the effort of the mine even less effective. The companies are working with good intentions but with an inept local government.

“There is quite a huge tension between local government and conditional authorities because they are not sitting, as we say in Afrikaans, around the same fire” – Professor

The base for every interaction should, according to the Professor, be that the value at the end of the day has to be shared. He emphasizes the fact that the nature of stakeholders can be complicated and that it can be difficult to work with the communities in most cases.

“The main point: it sounds like a cliché but it’s a proper stakeholder dialogue. I mean how would you know what the community wants? You must ask them! Sit with them like this and sit with more than one

⁴ Matric refers to High School

group. I am not saying that they (the companies) are not spending five million rand, but sometimes its misdirected” - Professor

Even if he agrees that mining companies do pursue philanthropic activities, these do not often target the critical areas.

4.5 Secondary sources

In order to strengthen the findings, additional evidence concerning corporate community communication is taken from Swedwatch’s report (Jaekel, 2013) on platinum extraction. Stakeholder dialogue is an important factor in order for corporate community relations to evolve, according to the Professor. Therefore, it is crucial for community members to have the possibility to express their opinions and complaints and for these to be acknowledged by the mining companies. The Swedwatch report argues that there is a significant deficiency in corporate community dialogue. The majority of the community members expressed that they had no way of communicating complaints or opinions. When asked whether they had any possibility of contacting the mining companies, the community members answered the following (Jaekel, 2013):

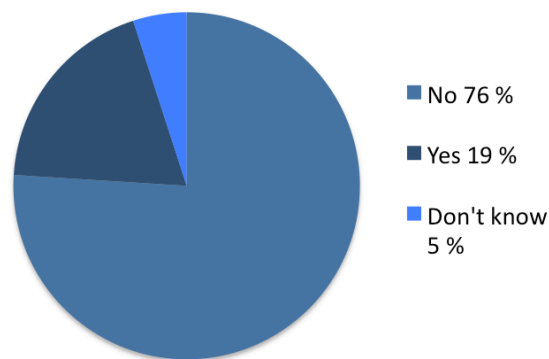


Figure 8. Possibility to contact (Jaekel, 2013)

Tied to the issue of dialogue is the communication from firm to community. The majority of community members are often unaware of what kind of projects mining companies and/or suppliers pursue in their community. When asked whether they are aware of any local development projects mining companies are establishing, or have established in their villages, they answered the following:

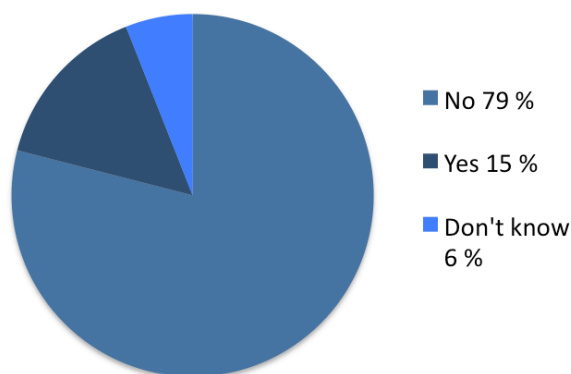


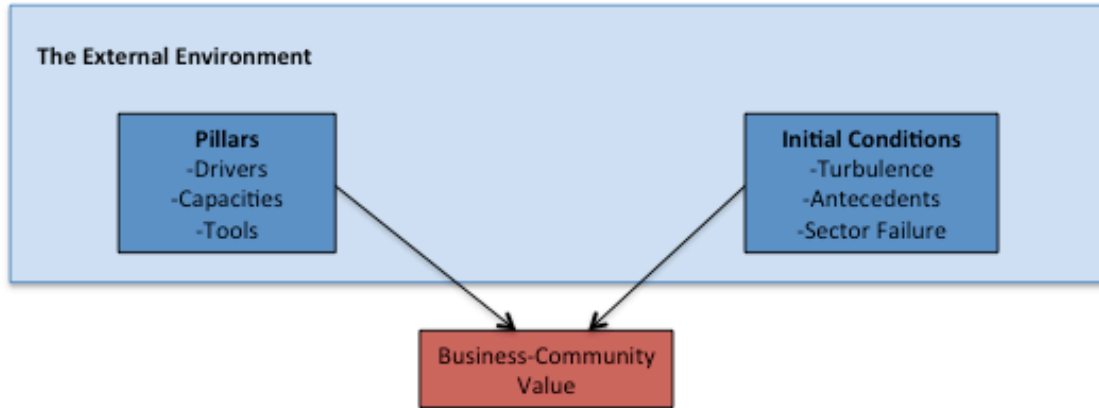
Figure 9. Awareness of local projects (Jaekel, 2013)

Today tribal chiefs are the main communication representatives, which is also one reason as to why community members feel that they are not properly represented and perceive a lack of proper communication. Tied to this is the fact that the tribal chiefs are the ones that officially own the land and therefore receive the fees from the mining companies; this system has in some cases lead to unequal distribution and wealthier tribal leaders at the expense of the rest of the community (Jaekel, 2013).

When assessing the role of business in society the expectations of communities on corporations play a key role. The expectations communities have for supplier firms (focus on Swedish firms in the report) are the same as the expectations put on mining companies. The creation of jobs, development of infrastructure, improvement of education, construction of roads, houses and clinics, improved accessibility of water, as well as help to improve the health of the community, are all expectancies. However, there is an overall common opinion in local communities that companies do not live up to the expectations that the communities have on them (Jaekel, 2013).

5. Analysis of the Sandvik Community Case

5.1 What enables or prevents value in corporate-community collaboration in the South African mining industry?



In order to identify the enabling and preventing factors for value, Fox’s (2004) theory of an enabling environment for responsible business is used. Since our analysis centres on corporate community interaction and the context of South Africa (a developing country), there are some factors that have to be taken into consideration. When applying the pillars of sustainable business practices we can define how the tools, drivers and capacities in the given context affect the advancement of corporate-community collaboration. The three pillars put into the context of the Sandvik community case are analysed in Figure 10 below:

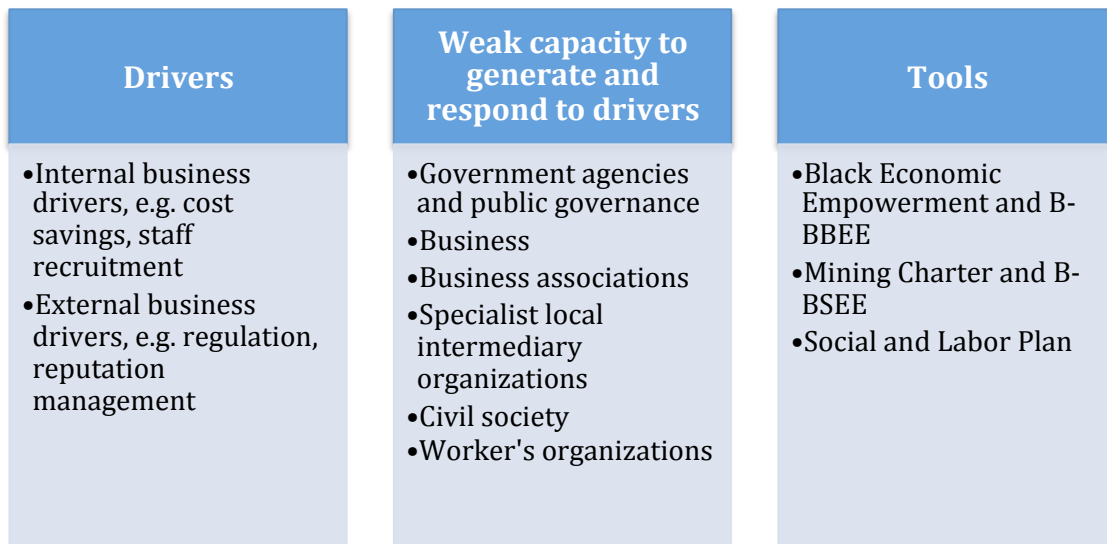


Figure 10: Fox’s three pillars applied on Sandvik (2004)

Drivers

According to our findings, an internal business driver in the case of Sandvik is the cost intensity of the industry that puts a strain on supplier firms in the mining sector. With extensive policies, guidelines and regulations on the mining industry, companies are pushed to seek solutions for sustainable CSR

initiatives that could benefit them as well as society. Manager 1 emphasizes that the policies and acts are mandatory in order for companies to acquire new mining licenses, and the mining charter requires international supplier firms such as Sandvik to invest 0.5 % of their invoicing towards their customers' CSR. Consequently, these regulations and policies should motivate both supplier firms and mining companies to invest in CSR efforts that are sustainable, developing and lead to valuable results.

An additional internal driver that influences Sandvik is the recruitment of staff. Manager 2 discusses the lack of education and skilled people in the country due to the earlier apartheid system, which prevented a large part of the population from obtaining proper education. It is therefore in the interest of Sandvik to develop the socio-economic environment and help provide access to education in the communities from where they are able to employ. This is because as stated by Manager 2 “the shared value that Sandvik gets out of what they do is qualified and educated people.”

According to the Professor the mining companies and the industry are under severe scrutiny, both under the national and international lens. External drivers such as reputational risk play an even greater role as these companies are increasingly being listed in overseas stock markets (Hamann and Kapelus, 2004). In the case of Sandvik, there is strong pressure from Swedish NGOs as well. Our findings show the awareness and proactivity of Swedish organizations (e.g. Swedwatch), through their reports on the activities and impact of MNCs, acts as a driver for enabling a good environment for CSR.

Furthermore, the regulations put on the industry actors are extensive. Even though Fox (2004) argues that in developing countries compliance could in some cases be voluntary, the South African mining regulation has a great impact on the efforts (or perceived efforts) of mining companies and their suppliers, as all major mining companies are required to develop SLPs to work towards socio-economic development. The ANC government has a development agenda with a clear target: ensuring a sustainable development and empowering HDSAs. This process has significantly changed the business environment in which the mining industry finds itself, and Manager 2 expresses the need to comply with the different legislations in order to advance in their industry as “a survival issue”. Additionally, as mentioned by Manager 1, Atlas Copco is viewed as one of the primary competitors since it already complies with the 26 % black ownership requirement, while Sandvik is still striving towards. The regulations are thus a significant driver within the industry.

There are additional factors influencing the drivers of Sandvik, which are highly connected to the second pillar “Capacity”. The location is, according to Fox (2004), a major influencer, mainly the

difference between being situated in a developed or a developing country. Environments with high unemployment and under-resourced or corrupt labour inspectorates tend to limit the perceived business benefits of social initiatives for companies. As the findings show that two of the main issues in local communities are unemployment and corruption, the entire environment might indirectly weaken the efforts made by Sandvik (as depicted in our integrated model, section 2.5).

A second influencer is the role of the state, especially in developing countries. Fox (2004) puts great emphasis on the fact that the state should play a significant role in the enabling of an environment conducive for responsible business practices and collaboration. In South Africa the state is able to fulfil both the mandating of laws and regulations and facilitate for companies through setting policies and acts, which incentivize the demanded business activities. As highlighted by Spokesperson 1, one factor restraining the government from acting as an incentivizing partner is the fact that former politicians join the boards of mining companies, which creates a conflict of interest. The greatest deficiency consequently lies in the lack of monitoring, regulation and implementation of the acts and policies as the former members may use their connections to neglect certain responsibilities. Additionally, there is still a need for the state to partner with public actors and combine resources. Today, as the Professor explains, the NGOs are not perceived as partners, but rather as watchdogs by both the state and many companies.

Capacities

As Fox (2004) claims, the human and institutional capacities develop and address the drivers. One prerequisite is capable government agencies and frameworks that will enforce the regulations and guide the CSR agenda. In South Africa there is a clear framework for the industry to follow, as the B-BBEE, MPRDA, Mining Charter, and SLP frameworks include the critical issues that need to be tackled. However, as our findings show, the reinforcement of these policies and how to carry them out in practical terms is at the base of the problem. There is no measuring tool or benchmark to ascertain whether or not the CSR is being implemented in the right way (Cronjé and Chenga, 2013). The lack of capable government agencies depends partly on the political landscape of the country. The interviewees state that as many of the main mining companies have politicians and ex politicians on their boards the corruption and inefficiency of policy enforcement is exacerbated.

Many community members claimed that they are either not aware of what projects companies are pursuing in their community, or that the present projects do not answer to their most crucial needs. The misdirection of projects and development plans, that do not answer to the communities' most critical

needs, shows the inability and absence of functioning specialist local intermediary organizations that can ensure that the CSR agenda is sensitive to the local needs. This affects the facilitation of collaboration among actors and inhibits the delivery of relevant advice to stakeholders.

Capacity to intervene and to reinforce the drivers is a prerequisite for an enabling environment. However, these capacities, and noticeably the capacity of CSO's and NGO's to intervene, are often weak in developing countries (Fox, 2004). As the Professor stated, the relationship between NGOs and business or NGO and government is usually very strained. This is due to the fact that many NGOs are extremely critical towards the government and mining companies. The lack of pressure on companies is evident and, coupled with the lack of support from government, the capacity to intervene is slim. As one of the main roles of NGOs active in the mining industry is to disseminate information to the public and successfully push the CSR agenda (Fox, 2004), there is a clear deficiency in the capacity and reinforcement of the drivers. For example the Professor argues, "the whole issue in a nutshell is really this gap between policy and practice, monitoring, implementation".

Manager 1 describes how the Swedish Chamber of Trade acts as a representative for Swedish firms in dialogues with the government. According to Fox (2004), business associations can act as an institutional ability to address the drivers. However, today the Swedish Chamber of Trade is mostly used for representing the interest of Swedish firms in regards to policies and regulations in South Africa. This is, nevertheless, if used properly a possible vehicle for engaging business organizations that can support good practice.

Tools

As stated by Fox (2004), the tools that advance responsible business practices and collaboration need to be in line with the development needs of the affected actors. The main tools according to our findings are the B-BBEE, Mining Charter and SLPs.

Fox (2004) emphasizes the importance of companies active in developing countries using tools that allow them to communicate important information to communities and employees, as well as increase transparency on a local level directly to affected stakeholders. Today many community members are, as stated above, seldom aware of the projects that are developed in their communities. This shows a defect in the way the tools are incorporated. Not only do the development projects fail to involve a large number of stakeholders, but also according to the Professor, the SLPs do not reach the DMR in some cases. Additionally, politicians today have the right to own shares in a mining company. As

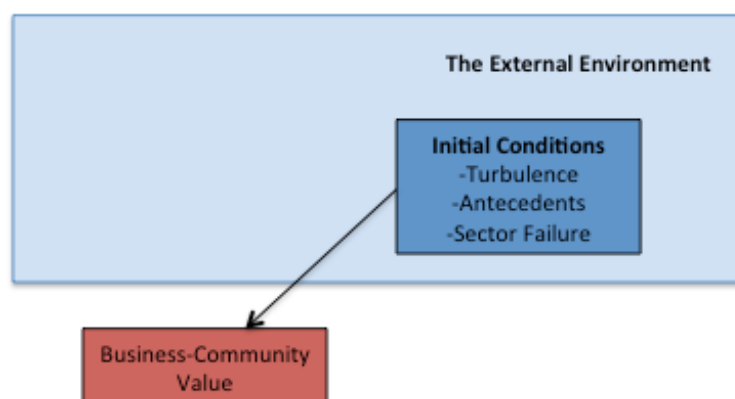
Spokesperson 1 expressed, this occasionally leads to the government protecting companies against democracy, becoming inefficient, working in a corrupt manner and reducing the efficiency of the tools.

However, the Professor also identifies positive consequences of SLPs. Since they are a prerequisite for companies applying for the renewal of their mining licenses, SLPs lead to increased stakeholder dialogue partly due to the fact that the mining companies need to develop these in collaboration with stakeholders.

In our findings, Manager 1 mentions the changes made to the B-BBEE scorecard. These changes developed the tool to better fit with an enabling environment for collaboration and sustainable business practices. The changes require companies who wish to acquire enterprise development recognition (support of small black owned businesses within scorecard) to invest two thirds of their BEE efforts within their own supply chain.

The above analysis of the influencing pillars allows us to better understand the environment Sandvik finds itself in. According to Fox (2004), the drivers need to be properly identified and aligned with the tools, and the human and institutional capabilities need to be reinforced in order to create an enabling environment for responsible business practice. The main deficiencies that influence the Sandvik Community Case are the lack of stakeholder dialogue and understanding of community needs, inefficient tools not supporting local needs nor adhering to the needs of company or community, and finally the state not taking responsibility to act as a partner and contributing towards the simplification of responsible business practice.

Initial Conditions

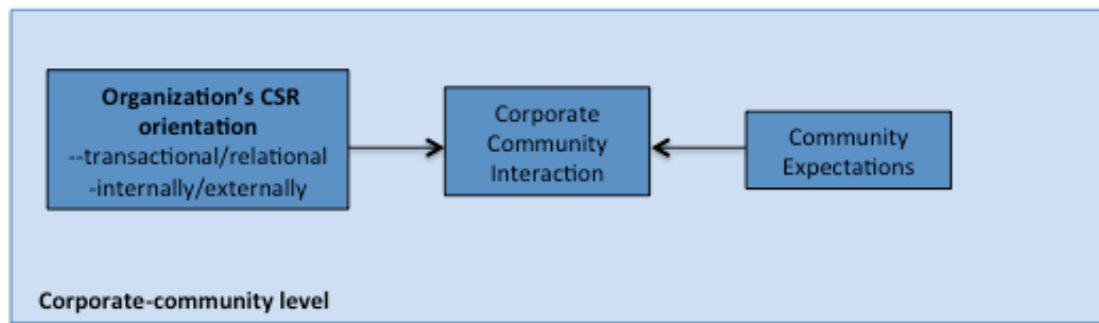


Bryson and Crosby (2006) emphasize that effective collaboration is prompted by certain initial conditions, such as turbulence in the environment or sector failure when participants have to “fail into their role in the collaboration”. Our interviews indicate that the environment of South Africa’s mining sector is unstable. Manager 1 discusses the conflicts between the two major trade unions as well as the cost pressures on the entire mining industry as elements contributing to a turbulent environment. Moreover, the Professor describes the mining sectors’ environment as “hot” given that mining disturbs the nature and livelihood of the community and creates an unnatural environment. The issues related to mining (presented under section 4.1.2) all contribute to an extremely turbulent environment in this sector. Our findings indicate that sector failure, failure to single-handedly solve the issues at hand (Bryson and Crosby, 2006), has led to a recognized need for collaboration. In particular, the Marikana massacre has, according to Professor 1 and Spokesperson 1, led to severe scrutiny on mining companies who now acknowledge to a larger extent that collaboration with NGOs and government is required to address the vast amount of problems.

Among others, Ring and Van de Ven (1994) argue that direct antecedents, such as previous history of efforts to collaborate, will affect the interaction among sectors. Where relationships have not existed in the past, the establishment of partnerships tends to develop more incrementally, and rely on agreements that do not demand the same amount of trust (Ring and Van de Ven, 1994). Given the negative impact the mining industry and its companies have had on the communities, the initial conditions that govern the relationship are extremely strained and it is hard for companies in the sector to rectify themselves. Previous relationships are thus a way for stakeholders to judge the trustworthiness and legitimacy of their partners and key stakeholders. This is particularly influential in the case of South Africa because as mentioned by Manager 1, the environment is dominated by the need to rectify inequalities stemming from the apartheid regime and thus by compliance (as mentioned previously). This consequently indicates that corporate responsibility is driven by compliance rather than strategy. Issues such as an underlying sense of no trust and lack of legitimacy therefore disturb the environment and positive development of stakeholder relationships and corporate-community collaboration.

Given the above analysis concerning the external environment, it is possible to position where Sandvik, the communities and the industry are in their relationship. The need for sectors to work together towards solving complex challenges (Bryson and Crosby, 2006) is not being implemented sufficiently and hence allows for a deteriorating environment.

5.2 How do corporations and communities currently interact and for what reason?



Interaction between corporations and communities

Muthuri et al. (2009) claim that CCI refers to the social initiatives in which corporations contribute financial, in-kind and human resources to improve the social and economic conditions. Our interviews indicate that Sandvik carries out CCI through financial investment in the communities affected by the operations of their customers. At the moment Sandvik invests in 19 projects in South Africa. The findings show that the investments go primarily to projects focused on education and skills training. This, as Manager 1 highlights, is connected to the fact that all social initiatives undertaken by Sandvik are based on a long-term pipeline notion: education, skills training and employment.

The pipeline idea is also in line with Roseland (2000) and Idemudia's (2007) understanding of community development. By providing education and skills training, Sandvik facilitates the process by which community members can become more competent, address the local conditions and contribute to the South African national progress. Sandvik recognizes that development is more than an economic responsibility and their goal also encompasses several other social, cultural, human and political dimensions. Therefore, Sandvik claims that all projects it participates in will try to follow the pipeline perspective. Manager 1 also highlights that the notions of responsibility, sustainability and quality management in projects are key, and argues that these are necessary in order for an investment to benefit all stakeholders.

Linking Sandvik's pipeline idea to Muthuri et al.'s (2012) multidimensional concept of sustainable community development provides an overview of what areas it aims to address and how they are connected to each other:

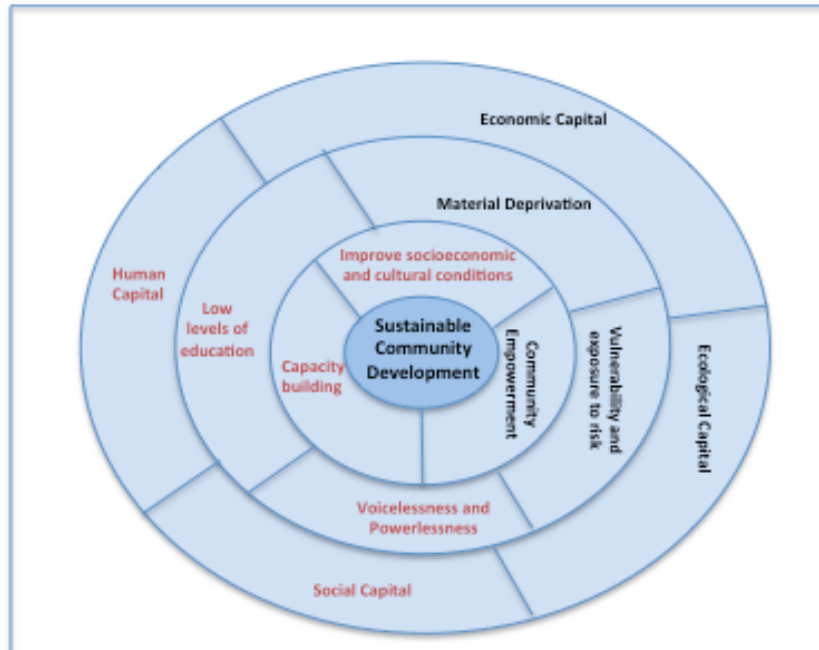


Figure 11. Areas of sustainable development Sandvik targets (Muthuri et al. 2012)

Our findings show that investments in projects regarding education are emphasized (eleven out of nineteen projects are “school involvement”, see Figure 6 in section 4.1.4.) given the historical context of South Africa and of previous discriminating educational system. Moreover, capacity building in areas of technical and engineering expertise, as well as agriculture, is also a primary goal for Sandvik since these projects are sustainable and lead to employment possibilities (three out of nineteen projects, see Figure 6 in section 4.1.4.). As seen in the red highlighted sections of Figure 11, by tackling the issue of low skills through capacity building, and the issue of low levels of education, the socioeconomic and cultural conditions are invariably improved. Furthermore, these actions lead to greater human capital in terms of increasingly educated and skilled individuals. Through these measures the social capital is also improved as the networks of employed individuals can help other community members obtain employment. Furthermore, during the community visits, we perceived a significant difference in the voice and influence of individuals, depending on their level of education, as well as differences in knowing who can be approached to discuss issues and share opinions. This further indicates that education and skills training reduce the issue of voicelessness and powerlessness as well as stimulate community empowerment.

The pipeline notion of education, skills training and employment addresses several of the issues that need to be overcome in order to achieve sustainable community development. However, our interviews with community members indicate that the projects in their communities do not address the critical needs. For example, the Community Monitor questions why agricultural projects are being initiated

instead of projects to improve the extremely poor housing conditions that in turn exacerbate other issues. This brings us to another important aspect of our findings, namely the lack of communication between corporations and communities. Moreover, in our interviews with community members, the attitudes towards mining companies and their level of corporate responsibility were negative. The findings show that the operations of mines have caused numerous societal and environmental problems that are further deteriorated by the mining companies' continuous operations and improper closure of mines. In order to properly assess the issues and needs, it is evident that corporations need to personally consult and negotiate with communities to improve the attitudes and maximize results.

It is interesting to analyse and link Sandvik's basis for the CCI strategy based on Rowe et al.'s (2013) transactional and relational characteristics. Our interviews with the Sandvik managers reveal that most projects Sandvik gets involved in are joint projects with mining companies. Thus the financial investments in social initiatives are often requested or part of a contract with the customer. Sandvik's contributions to projects are representative of the transactional-based commitment as they are often standardized in the form of financial grants.

Furthermore, it is the customer that conducts the social impact assessment. A list of necessary projects is identified and Sandvik thereafter decides to jointly invest with the mining companies in those that meet the aim of their pipeline notion. This indicates that Sandvik has an impersonal approach to most projects. The relation is hence also in line with the transactional basis because Sandvik links with their customers instead of with the broad community. This in turn reflects that the objective is more towards improving the bottom line rather than community participation. However, despite this, Manager 1 claims that Sandvik's connection to the projects is not impersonal as there *should* be Sandvik representation and visibility present at each project (for picture on Sandvik visibility in a school project in Bapong town see Appendix 8). From our findings, we can also see that Sandvik's process of CCI is relatively corporate driven, since communities do not feel they participate and claim mining companies often send consultants instead of personally carrying out the social impact assessment.

The fact that our findings indicate the approach towards communities is more transactional can be related to and influenced by Sandvik's CSR organizational structure (Brammer and Millington, 2003). Our interviews show that despite the vast extent of operations and indirect impact on communities throughout South Africa (Sandvik supplies to approximately every mine according to Manager 1), Sandvik does not have a single CSR department. Hence, it can be seen that the company does not allocate the necessary resources, or have the required structure, to administer the social impact

assessment alone. Our interview with Manager 1 reveals, “the owners of the project are ultimately the mines and the community” and Sandvik only plays the role of supporter and facilitator of the projects through their financial contributions.

The community perspective of interaction further reinforces this transactional approach, as the existing social initiatives are not regarded as relevant or personalized given the conditions in which community members live. The Community Monitor argues the lack of direct communication and consultation on behalf of the mining companies leads to community members finding these projects unnecessary and the process not community driven. Local community members want direct consultation with the mining company, not with an external consultant hired by the company, as is the case on several occasions. Swedwatch’s findings reinforce the lack of corporate community dialogue as 76% of the respondents answered that they had no form of communicating their concerns and 79% claimed to have no knowledge of corporations’ developing and/or contributing to a project in their community (Jaekel, 2013).

On the other hand, local communities do interact with NGOs such as the Bench Marks Foundation, who train community monitors to become the eyes and ears of the community. Through this approach communities interact with NGOs, who later act as both facilitators of crucial community projects and as an external pressure on corporations to behave responsibly.

Reasons for interaction

Whether the basis for CCI strategy is transactional or relational the reasons for interaction still highlight the interdependence between corporations and society. As Porter and Kramer (2006) identify, the operations of a firm will have an impact on the surrounding communities, and the existing societal conditions such as regulations, infrastructure and human resources, will impact organizations. Both of these aspects will also define to a certain extent the societal expectations on organizations.

Sandvik argues that three main reasons, highly influenced by the external social conditions identified in the previous section, lead to the engagement in CCI. Firstly, the findings show that Sandvik must engage in social initiatives in order to operate in South Africa and obtain or renew the social license to operate. Therefore, compliance with societal laws and norms in terms of corporate responsibility established by the government and the overall institutional environment is a necessity. Sandvik’s customers also place demands on which project they want their supplier to fund. Therefore, to obtain certain contracts, Sandvik may have to fund projects that were not ultimately chosen by them.

A second reason identified by Sandvik is compliance with the organizations' own objectives and code of conduct, and a third reason is transparency. Therefore, Sandvik considers it important to engage in CCI to "achieve and uphold" the pipeline notion in their projects and thus aim to strengthen South Africa's low level of education, and empower communities through capacity building programs that source skilled people. The purpose behind this is furthermore to increase, on a long-term basis, the pool of skilled people available to Sandvik. Manager 2 states that the educational focus is therefore placed on math and science, as those subjects are a prerequisite in Sandvik's business and competencies the company has seen a great shortage of. The idea of mutual value is therefore one of the objectives behind Sandvik's responsible social initiatives. As stated by Manager 2, "The money is not going to be used by the mine to fulfil its obligation, it will always be a project that Sandvik has value out of." The idea of interdependence is exemplified here as, given the lack of skilled people in South Africa that Sandvik can employ, the organization benefits from funding educational and skills-oriented projects that ultimately lead to shared value.

While there is a lack of interaction between corporations and communities according to the community perspective, our findings suggest the reason they strive for engagement and the expectations they have on organizations are clear. For example, the Community Monitor emphasizes that they expect corporations to do their part by assessing their impact properly. The only way to achieve this is through more stakeholder dialogue and employing a relational approach to communities. The current transactional-driven basis for CCI does not lead to an understanding of the critical needs of communities, which they expect organizations to play a role in addressing. Moreover, stakeholder dialogue is necessary to understand the arena of power relationships and different interests that a community is made up of. The external social conditions further influence both the reasons for engaging with organisations, and the expectations on those organisations as they determine which social initiative is key in which community.

6. Conclusion

This chapter will start by briefly answering the research questions that have guided this thesis. Then, a discussion of our overall aim will be addressed followed by managerial implications and criticism towards the study. Last, suggestions for future research are presented.

6.1 What enables or prevents value in corporate-community collaboration in the South African mining industry?

The enabling factors are primarily linked to the internal drivers of the company. Corporations acknowledge the need for skilled labour in order for the business to grow successfully. A shortage of well-educated prospective employees threatens the core business and therefore becomes an enabling factor as it drives the company to educate the population. The turbulent environment and complex issues further testify for the need of all stakeholders to collaborate in order to strive towards an environment conducive to future business, international investors, community development and the realisation of political goals. The context creates the need, and consequently becomes an enabling factor for corporate-community collaboration.

The lack of implementation from the government and directions on how to utilise the tools in practical terms are the primary preventing factors. This is reinforced due to weak human and institutional capacities in South Africa, which are a prerequisite for an enabling environment. Furthermore, a significant preventive factor is the legacy of apartheid, dominating the mining sector and creating a lack of trust from the community side to collaborate with the corporations or the government.

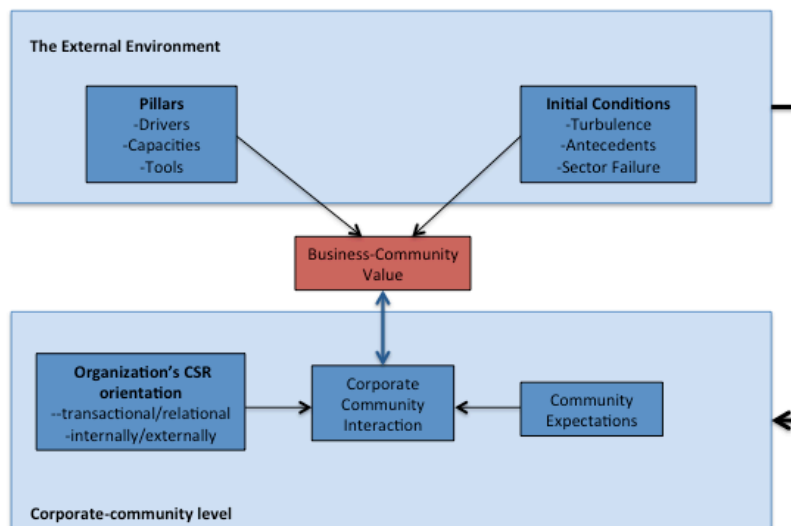
6.2 How do communities and corporations currently interact with each other and for what reasons?

Sandvik interacts mainly through joint projects initiated by mining companies and based on straightforward financial contributions. Furthermore it is the mining company that conducts the SLP and determines which projects are necessary in a given community. The projects however follow the pipeline notion of education, skills training and employment. As Sandvik in most cases does not engage directly with communities the interaction follows a transactional rather than a relational approach. Further, in most cases community members have no way of communicating or do not know how to get in touch with mining companies, nor their suppliers. Most companies' projects target issues that are not the most critical according to community representatives and NGOs; this further indicates that the interaction is deficient.

The reasons for Sandvik to pursue CSR were clearly defined in our findings: compliance, transparency, visibility and the need to strengthen South Africa’s pool of skilled people through education. Further, a main reason for pursuing interactions that enable development is the social license to operate. Sandvik seeks recognition from communities, since they view the acceptance as a critical factor for their success and attractiveness as a supplier.

6.3 Overall discussion of our aim and our conclusion

The purpose of this thesis, as outlined in our aim, is *to explore the role of business in society and the possible value that can arise from corporate-community collaboration* through a case study on Sandvik and mining communities in the South African mining industry. In order to achieve this, the two proposed research questions were answered, based on our findings, to understand how the external environment affects this interaction as well as how corporations and communities interact, both of which ultimately are determinants of the value that can be achieved. In addition, we utilize the integrated model that lifts the main aspects of the theoretical frame to address the aim of this study.



The corporate-community collaboration value model

In this study business plays a critical role in society and the interdependence between these agents comes forth in our findings. The socio-economic environment in South Africa, particularly in the mining industry, is characterized by a huge range of issues, from poverty and unemployment to inefficient and insufficient governance. These external conditions in society in turn affect the operations of a firm. Therefore, in this context business needs and is expected to take an active role in developing the country and improving the societal conditions in order to conduct its operations. The active participation by business is also implied given the heavy regulations that dominate the mining sector. Furthermore, Sandvik recognizes that, in order for its business to succeed and its competitiveness to improve, it must pursue a strategy that creates a healthy society in terms of, for

example, educated and skilled people. Given the interdependence between business and society, business should collaborate effectively with communities in order for this relationship to lead to value. However, as identified in the answers to our research questions the value that can arise is heavily dependent on the context of the environment, the enabling and preventing factors, and the way corporations and communities interact.

In the analysis we found that there is considerable value that arises from corporate-community collaboration, which can be examined at the corporation, community and country level. Important to recognize is that the analysis also reveals that the approach to corporate-community collaboration should be relational rather than transactional for the value to be mutually beneficial for both communities and corporations.

Through collaboration with communities, a corporations' value can increase in terms of cost savings, enhanced reputation, long-term mining licenses to operate, and skilled people. As regulated in South Africa, MNCs must help to improve the current socio-economic development and help in the elevation of the HDSA's. Following the regulations and diverse scorecards is then incentivized through cost savings for the firm. Moreover, by properly engaging and working with communities, organizations can ameliorate the often-negative attitudes towards organizations working in the mining industry. An enhanced reputation may not only lead to more contracts and sales but also to higher trust and legitimacy, which facilitates working with stakeholders. Collaborating effectively with communities can also secure the license to operate on a long-term basis, which is of great value to firms operating in a heavily regulated industry. As is the case for Sandvik, an organization's competitive advantage can be the people that work within it. Additionally, a critical factor for corporations' future growth and development is the supply of skilled people. In developing countries, and particularly South Africa given the previous system of apartheid and discriminating educational system, the pool of skilled labour is limited. Therefore, by working with communities and initiating projects that focus on, for example, education and skills training, there will be a larger pool of skilled people available to work for the company.

At the community level, successful corporate-community collaboration can lead to significant value when sustainable community development is achieved. Primarily through proper stakeholder dialogue, communities are given the opportunity to voice their concerns and raise awareness of their most crucial needs. The value that arises is then in terms of social initiatives that address these needs, for example housing projects and increased employment opportunities.

Corporate-community collaboration is intuitively contextual to the national, social, political, legal and economic environment of a country and leads to value on a national level. Collaborations between corporations and communities will create a more stable environment and could diminish the number of strikes and protests occurring in the mining industry. Furthermore, the overall socio-economic issues present would invariably improve and raise the standards of existing business inputs such as infrastructure and human resources. These factors in turn increase the willingness of foreign firms to invest in the country.

6.4 Managerial Implications

The findings of this study give valuable insights into how actors in the South African mining industry can influence the value that can be derived from collaboration. The application of the integrated model (see section 3.5) provides managerial implications and best practice for the extraction of said value. The current role of business in society implies that corporations and communities are interdependent and thus mutually supporting. Our findings show that Sandvik recognizes that a healthy society leads to a healthy business and vice versa. However, we see a mismatch between the aim and vision of the pipeline notion and the actual transactional basis of Sandvik's CCI strategy and organizational structure. This is an important implication that Sandvik can consider while addressing community development in the future.

In order to properly address the critical needs of local mining communities we believe it is important for organizations to adopt a relational approach. Furthermore, for social initiative projects to be successfully implemented according to this relational approach, organizations must take into consideration the advantages and disadvantages, as well as the consequences, of managing the CCI programs internally versus externally.

One aspect that our findings indicate is that corporations do not realize that other issues are necessary to target before education and skills training. In the communities we visited, the majority of the people lived in either informal settlements or squatter camps. This alone affects whether or not individuals can go to school and then later continue with skills training. Without proper living conditions it is very hard for individuals to educate themselves. Furthermore, it is imperative that the mining companies employ from the local community in which they base their operations. Acquiring cheap migrant labour is a primary factor that negatively affects and exacerbates all other community issues. Therefore it is also important to have a long-term perspective in mind when addressing the issues affecting communities.

Corporate-community collaboration with a relational approach is subject to several challenges that must first be overcome. Corporations must understand the importance of thinking long-term rather than short-term and bottom line. More equitable corporate-community collaboration in terms of engagement and dialogue requires a significant shift in power from company to community. Both parties must reveal their strengths and weaknesses to properly drive the social initiatives and understand the implications of working together. Furthermore, compromise is equally important and hard to achieve. While corporations must recognize the importance of collaboration and sustainable community development they also have to focus on their costs and operations. On the other side, communities must also recognize that corporations cannot take sole responsibility for solving all the issues, however as the Community Monitor stated in all fairness “The shared value is an understandable thing, we are not saying to the mines to just give us money, they should take care of the communities and assess their impact properly”.

6.5 Criticism of our study

This study is one of many that explore the relations between corporations and communities in the mining industry context. Despite this, the topic is still of great relevance and even more so when examining a supplier to the mining sector instead of a mining company that directly impacts communities with its operations. However, some critique in terms of study design and method can be raised and are described below.

There are several factors we feel could have been improved or would be done differently if we were now to decide to conduct an MFS. To begin with, we would have been based in a different location as it was extremely hard to move independently from Potchefstroom to any other area, more specifically to where the interviews took place: Rustenburg area and Johannesburg. Not only would this have helped overcome several of the practical limitations outlined in methodology but it also would have allowed for more in-depth research. Practical limitations involve time, financial expenses and difficulty in locating the individuals or material needed. Distances to travel in South Africa are long, which is why the financial aspect is critical. Furthermore, it is important to take into account that interviews can be hard to coordinate, as in our case when some of the respondents continuously cancelled. Proximity to the interviewees would have simplified the process.

Furthermore, we had hoped this study would have included Atlas Copco, which as mentioned decided not to participate while on site in South Africa. However given the practical difficulties outlined and

the scope of this study, we now feel it could have diminished rather than increased the quality of this study. Nonetheless, by including a larger sample of organizations it would have been possible to compare the outcomes of different approaches to CCI. Contrasting an organization with a relational method, to Sandvik's more transactional method, would have allowed us to examine to a greater extent whether a relational approach leads to higher possible value arising from corporate-community involvement. This may provide a better understanding than gained when just analysing one company's approach in regards to the theory. The same applies for comparing two organizations with different organizational structures in terms of CSR department and the way CSR is managed, whether internally or externally. Therefore by increasing the sample and using a purely deductive rather than abductive approach could allow for greater generalizations for companies working towards communities.

6.6 Suggestions for further research

After conducting this study, several concerns and questions can be raised. In general we feel the lack of communication and issue of power between corporations and communities is highly problematic, not only in the mining industry but even in countries such as Sweden with other minority groups. Giving way for proper stakeholder dialogue is key to addressing these issues, as well as a governmental role that not only protects these groups but also realizes that regulating for a healthy socio-economic environment leads to greater social, ecological, human and political capital in the long run.

Although there are various other factors in the field of relations between corporations and communities that would have been relevant for us to include, due to the scope of this thesis we were not able to address them in our study. The first has to do with a larger sample as stated in the criticism of this study. Another suggestion would be to quantify and compare the benefits of certain individual projects or schemes, of which half were developed with a relational method and half with a transactional method, to further address the question of value.

Finally, we would like to pose two interesting questions that could be relevant for future research:

Does the presence of organisations with developed relational CSR programmes encourage national and local government to further engage and address socio-economic issues, or does it lead government to become complacent and rely on the activity of corporations to tackle society's problems?

In the context of developing countries, with less stable governing bodies and institutions, does increased corporate-community collaboration lead to dependence on corporate involvement, rather than a strengthening of the interdependence between corporations and community?

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8. Appendices

Appendix 1: Interview Guidelines

Interview Questions

Note: this interview guide should be seen as an orientation document for interviewers, and not as a mechanical checklist.

Interview Guideline Sandvik

GENERAL (Employee Specific)

What is your position?

Which areas are you responsible over and which responsibilities do you have?

What tasks does your position entail?

How long have you been working for Sandvik?

COMPANY FACTS SOUTH AFRICA

How many offices does Sandvik have in SA?

How important do you believe the SA market is now and in the future?

How important do you believe Sandvik is for the mining industry in South Africa?

Which are your major competitors?

Which mining companies does Sandvik supply to?

Who are the largest customers?

In which mines is Sandvik most active?

EXTERNAL STAKEHOLDERS

Do you have any collaboration with NGOs, governmental orgs or other companies? List.

If yes: how long has this collaboration been taking place?

How do you collaborate with NGOs/governmental organizations in terms of development issues?

Are there any significant improvements stemming from these collaborations?

How does Sandvik define community?

Which mining communities are most affected (indirectly/directly) by Sandvik's operations?

What social, environmental issues in South Africa negatively affect your competitive positioning?

What governmental policies/issues in South Africa restrain Sandvik from creating new business opportunities?

OVERVIEW CSR

What is your understanding of CSR?

What is Sandvik's main incentive to conduct CSR?

What laws and regulations does Sandvik have to follow here in South Africa regarding CSR?

Does Sandvik conduct Social Impact Assessment (SIA) before deciding to supply to mining companies?

In what ways do you work with CSR?

If you communicate your CSR-efforts, how do you do this, in what ways?

-What value does communicating CSR efforts give to the company?

How does Sandvik South Africa capitalize on responsible business practice/CSR efforts? Is it in terms of monetary value or other advantages?

CSR – COMMUNITY INVOLVEMENT

How do you currently work towards communities? What specific projects does Sandvik South Africa have within Community Involvement?

Can you see an economic return with these projects? Can you see any other returns i.e. social?

Currently, what is more important or where is focus placed in community projects, long term goal or short-term goal of project?

What budget is given to initiate social projects?

How much of your costs derive from societal issues that resulted either indirectly/directly from your operations?

How do you believe these costs could be decreased?

Are you/Sandvik aware of the shared value strategy? If so, do you currently work with shared value strategies/projects? Have they been effective in terms of profitability and development?

-If not, what do you think could be a potential shared value project within communities based on Sandvik's operations?

BUSINESS MODEL

What other potential target markets does Sandvik see in South Africa now or in the future?

How is the customer demand in SA changing?

What is Sandvik SA cost structure?

What is Sandviks SA competitive advantage?

How can the current partner network be expanded upon to find new business opportunities?

Interview Guideline Bench Marks Centre and Bench Marks Foundation

GENERAL QUESTIONS

What is your name?

What is your profession?

What is your position at the Bench Mark Centre/Foundation as well as at the North-West University?

Which areas are you responsible over and which responsibilities do you have?

How long has CSR been your area of expertise?

How long have you been involved in questions regarding mining, communities, CSR?

COLLABORATIONS IN SOUTH AFRICA

How is the collaboration between NGOs and the government today (in broad strokes)?

How is the collaboration between NGOs and companies today (in broad strokes)?

How is the collaboration between the government and companies today (in broad strokes)?

(We have read a lot about different acts, policies, and plans that have been implemented) Have these been successful and if not why?

What is currently good/lacking in South Africa for government, NGOs and companies to work together?

SOCIAL AND LABOR PLANS

How do you develop the SLPs and what is their purpose?

Do they work? If no: What is lacking?

How do companies receive the SLPs? Do they have a positive approach?

What have they brought in terms of development for the communities?

How can they be improved so that they yield more satisfying results in terms of development of communities?

MINING COMMUNITIES

What are the greater problems in the mining communities?

What problems/needs of the communities have been caused by mining operations?

What are the challenges and needs surrounding these communities that affect companies, governments etc?

How have you viewed the development in these areas the last couple of years?

How are the communities affected during the different stages of a mining operation?

(Initial – during mining – when the mining has left the area)

Can you give some examples of the best CSR projects that companies have initiated? Where you perceive the greatest development and achievement?

What is the relation/attitude towards mining companies and the industry (suppliers etc)?

How/Why do firms currently work with/towards local communities?

What do you think the role of a supplier to the mining companies should be towards communities and community development?

SHARED VALUE

What is your general opinion?

What should companies think about while incorporating a shared value strategy (SVS)?

Would you consider such a strategy to be sustainable?

What do you think are aspects that must be present in terms of country specific factors, company specific factors and community specific factors in order for the SVS to work?

How would you from a community perspective believe SVS can work?

Do you have any knowledge about companies in South Africa working with this strategy?

Given the current relationship between mining communities and businesses do you believe such a strategy, i.e. making profit from CSR activities is possible/viable?

Do you have any knowledge about companies here in South Africa working with this strategy?

How can a supplier to mining companies incorporate this into their Business Model?

Given the current state South Africa's government, the communities and the companies are in today – do you believe it is possible for this strategy to work? i.e. A good collaboration to take place?

Interview Guideline for Community Monitors and Community Members

GENERAL

What is your name?

What is your current occupation?

How long have you been living here?

What are your responsibilities as a community monitor?

How long have you been a community monitor?

Why did you become a community monitor?

MINING IMPACTS / COMMUNITY ISSUES

What are the needs and challenges that your community faces? And then more specifically that derive from mining?

What negative impacts does mining have on your community?

What positive impacts does mining have on your community?

What actions from mining companies affect your community the most?

What are the main competencies/professions of the local residents?

Have jobs changed due to the establishment of mines in the area? How was it before and after?

What is the relation/attitude towards mining companies?

CURRENT CSR PROJECTS IN COMMUNITY

That you are aware of, what social projects have mining companies initiated in your community?

How have these projects made a difference?

Which projects would be most beneficial for your community?

Do you believe CSR is enough in order to develop the communities or do you think further involvement from different stakeholders is necessary?

Have companies properly assessed the social/environmental problems that exist?

(We have read a lot about different acts, policies, and plans that have been implemented) Have these been successful and if not why?

How would you feel towards projects initiated by companies that are mutually beneficial? (i.e. company gains profit while tackling a societal issue?)

What type of projects in your opinion would truly benefit your community?

Which areas are most critical to improve?

Appendix 2: Detailed information on interview participants

Semi-Structured interview participants

Manager 1 has been employed at Sandvik for 32 years, before retiring five years ago. His position was Human Resources Director, as well as being responsible for Sandvik's CSR. He was also responsible for the Black Economic Empowerment (BEE) program, as well as the procurement for black-hand suppliers within Sandvik. Still being contracted by Sandvik, he works full time and is implicated in most of the leading CSR projects and corporate social investment (CSI) issues for the company. His team manages all of the procurement, enterprise development and socioeconomic development, trying to keep these functions linked and simultaneously through that strengthen the company. *Manager 1's* knowledge is of high relevance to our study. He is particularly implicated in Sandvik's interaction with communities and through that offers both a current and historical description of the company's community relations. The focus of this interview was Sandvik's CSR and philanthropic activities.

Manager 2's position is General Manager Human Resources Sandvik Mining South Africa and he has been in the mining industry for 26 years. His responsibilities focus on the operational aspect and include total service delivery from an HR point of view; recruitment, technical employee development, employee wellness, planning, performance management and the Sandvik engagement process. This interview adds the operational level to our research. The focus of this interview was more operational and how the company works with its relations.

Manager 3 has been employed at Sandvik as Communications Manager since 2008. He is implicated in managerial and operational issues within the company and has diverse competence covering most facets of the company profile. The focus of this interview was also more operational.

The fourth interviewee currently works as a *Community Monitor* for the benchmark foundation. The community monitor's responsibilities cover leading the community, making sure the environment does not get polluted, that the companies are pursuing their CSR and CSI, protect the area and make sure the laws, acts and policies are respected. He has been a community monitor for eight years, and was earlier a land activist. As a land activist he helped communities and people who were being evicted and helped them to take legal action and/or protest towards the evictors (which was primarily white farmers who removed communities from their land). The benchmark foundation employed him in order to represent the community and its needs and for the foundation to more easily gather information. A community monitor's knowledge is of high relevance to our study since he represents the base of the community perspective, living in the local mining community of Rustenburg. The focus of this interview was to get an idea of how community members perceive the situation, relationships and interactions.

The Professor is the director of the Benchmark centre for CSR and also a trained sociologist, and is still part of the department of sociology at the North West University. In 2012 he was part of the team that formally launched the Benchmark centre. He is specialized in sustainable development and CSR and his responsibilities at the centre contain three core tasks: research, teaching and community engagement. Through these practical tasks he is aiding and guiding the three departments to get funding, research projects, coordinate the research and publish from their conferences. CSR and Sustainable development has been his area of expertise for the last 20 years, and much of his earlier research focused on the migration issues in the mining area. His knowledge and expertise is of high relevance for our study. The professor can add important insights regarding the development and position of the stakeholders connected to the mining industry over the last couple of years. The focus of this interview was to get an academic and objective view of the environment surrounding the mining industry.

Unstructured interview participants

Spokesperson 1 is the Bench Marks Foundations chief researcher. He has been a human rights activist since before the apartheid years ended in South Africa and is now currently highly implicated with all on-site research of the Benchmark foundation. Through his work he is often out on the field and visiting communities, and therefore holds important knowledge concerning the current impacts and relationships in the mining industry.

Spokesperson 2 is a Post-doctoral fellow of the Bench Marks Centre for CSR at NWU. She has been implicated in many community researches with the centre and has continuous contact with local mining communities. She adds value to this study through providing an objective view of the conditions in the South African local mining communities of today.

Appendix 3: Further description of Sandvik South Africa

Sandvik is an industrial company heavily involved in the international mining sphere. They are leading suppliers of equipment, tools and technical solutions for the mining industry and consequently have large mining companies as customers, both global mining companies and South African ones (Manager 1, 2013).

Sandvik South Africa is composed by three companies; Sandvik SA, working with hard rock, platinum and gold. Sandvik Mining and Construction Delmas, which is traditionally more focused on coal (Manager 2). Finally Sandvik PTY, which deals with the non-mining part, such as cutting tools and stainless steel. Three major sites and approximately 30 smaller sites comprise the business. The locations of the smaller sites are dependent on where Sandvik is operational in terms of contracts with the different mines (Manager 2). A lot of research and development has been pursued for the South African market, as it is viewed as an extremely important market for the company in the future (Manager 2). The work is predominantly within mining where the company has operations from hard rock to soft rock.

The major competitors are predominantly Atlas Copco (one significant factor being, according to Manager 1, that Atlas Copco fulfils the black ownership requirements) and lately smaller supplier firms entering the market. In terms of customers Anglo American, Samancor and Sasols are the most important ones (Manager 2). Furthermore, more or less all the mining companies are Sandvik's customers: *"If they are not buying machines they are buying tools"* (Manager 2).

Local mining companies have become increasingly important customers to Sandvik. However, this year Sasol (one of the bigger mining companies) has increased significantly in value for Sandvik. Additionally, Sandvik has been predominantly very large in platinum, but it is frequently cyclical based on the minerals that are being extracted (J. De Beer, personal communication, August 7, 2013). The company follows market trends when searching for potential target markets. E.g. if there is a demand for more cars, there will be a higher demand for platinum for catalytic converters. Further, Sandvik's competence centres on safety and the whole mining industry's spotlight is presently on safety (Manager 2)

Today the company employs around 2100 people in South Africa. This number might be higher since the company uses labour brokers when there is a need for larger volumes of staff, when the company does not have the infrastructure to recruit and when the areas where the employees are needed are not well known to Sandvik (Manager 1)

There is an overall emphasis on how the firm's greatest competitive advantage is the people they employ (Manager 3). CSR and philanthropy are currently incorporated in the business

model, and according to Manager 1 ensures the happiness, efficiency and contentment of the employees, as well as the satisfaction of customers.

Appendix 4: Pictures from community visits



Mine dump next to Soweto community, outside Johannesburg



Tudor Community squatter camp, outside Johannesburg



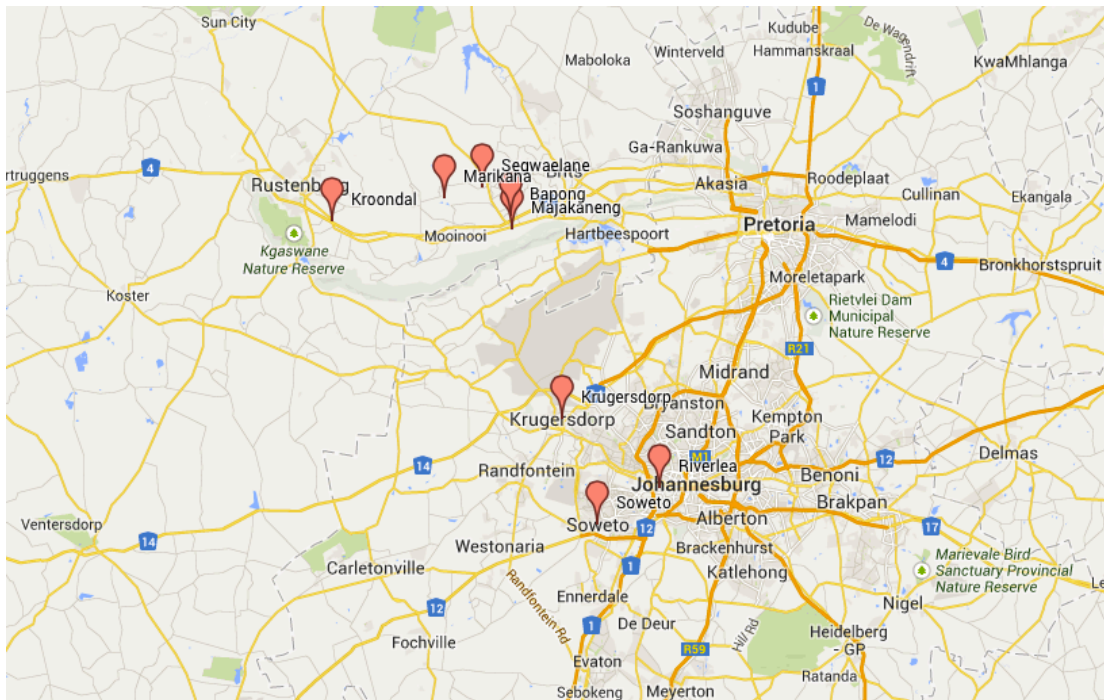
Marikana squatter camp, outside Rustenburg



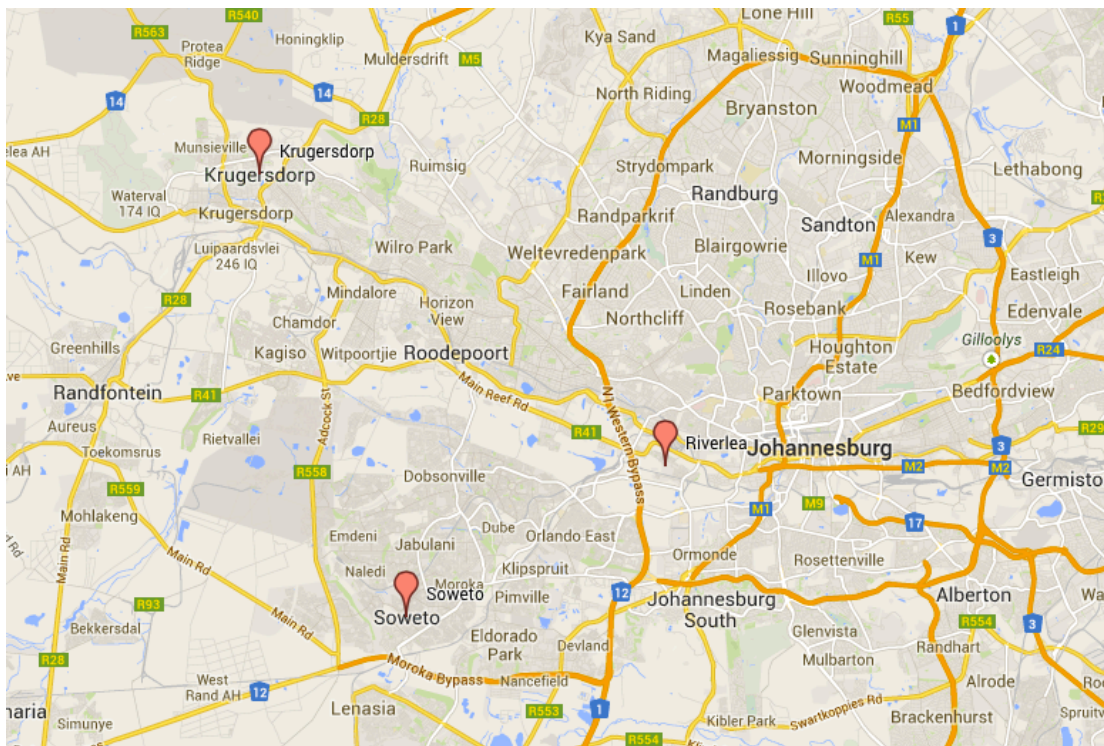
Unfinished toilet - mine CSR project, Segwaelane community

Appendix 5: Maps with overview of field research and location of communities

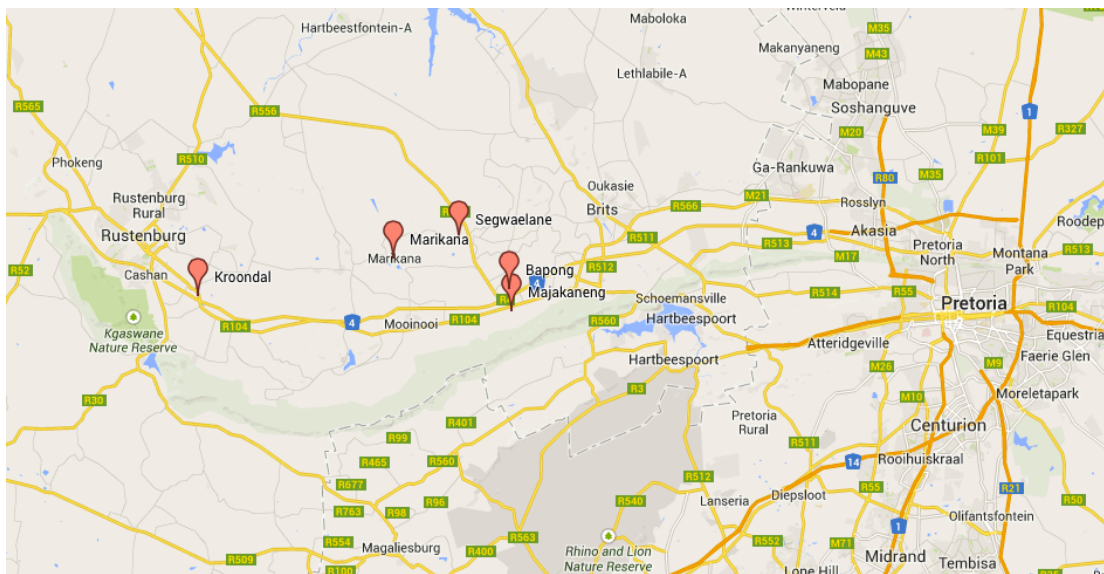
Overview of all visited communities in both Gauteng Province and North West Province



Overview of Communities in Gauteng Province



Overview of Communities in North West Province



Appendix 6: Scorecards

B-BBEE Scorecard
Ownership
Management Control
Employment Equity
Skills Development
Preferential Procurement
Enterprise Development
Social-Economic Development

Mining Charter Scorecard
Human Resource Development
Employment Equity
Migrant Labour
Mine community and rural development
Housing and Living Conditions
Procurement
Ownership and Joint Ventures
Beneficiation
Reporting

Appendix 7: Detailed overview of Sandvik's CSR projects

Project	Funding	Form
<i>Commercial Investments</i>		
Xtrata Eland Agriculture Incubator	Skill training, assistance and monetary donation	Xtrata mine project. Funding in terms of mine charter obligations
Artisan Training Centre	Monetary donation	Own project ⁵ , funding supports privately black owned business
Durnacol Skills Innovation Hub	Monetary donation (recruited 10 technicians via this programme)	Own project ⁵
Sam's Super Daycare Centre	Monetary donation	Involvement in support of Royal Bafokeng mining and Aquarius platinum mine
<i>Community Investments</i>		
Bonwa Udi School	Monetary donation	Request from de Beers Venetia diamond mine
Ankura Academy	Monetary donation	Contractual agreement with de Beers Venetia diamond mine
Thokampe High School	Monetary donation	Contractual agreement with de Beers Venetia diamond mine
Musina Primary School	Monetary donation	Contractual arrangement with de Beeras Venetia diamond mine
Tina Cowley Reading Centre	Monetary donation	Own project ⁵
Rietkol Primary School	Training andmMonetary donation	Request from mayor of Delmas as art of a larger community development programme
Limandia Primary School	Monetary donation	Own project ⁵
Kuilsville High School	Monetary donation	Own project ⁵
Rekgonne Bapo Special School	Monetary donation	Request from Lonmin
Gotyibeni Junior Secondary School	Monetary donation	Shared project with Laman
Madibane High School	Monetary donation	Request from a Mining Systems customer
<i>Charitable Donations</i>		
Hlobane Child Care Centre	Monetary donation	Own project ⁵
Villa le Temba	Monetary donation	Support after representations by one of the Jet Park finance department's staff
Pathways Pretoria	Monetary donation	Own project ⁵
Jedidiah Care Centre	Monetary donation	Own project ⁵

⁵ Based on the information handed from Sandvik in the Corporate Social Responsibility 2013 report, where it is not stated that the project was initiated by any other actor.

Appendix 8: Sandvik visibility in a school project in Bapong

