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Authentic Corporate Social Responsibility Based on Authentic Empowerment: An Exemplary Business Leadership Case

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Having just emerged from an unprecedented financial crisis partly caused, and certainly exacerbated, by corporate greed, there has been an overwhelming number of stories detailing the unethical actions highlighting corporate social irresponsibility (Pearce & Manz, 2011). Fortunately, there are also many examples of individuals striving to follow higher personal values, using their organizations as a way to work for the betterment of society and improve human well-being. These stories tend to get lost in a 24-hour news cycle driven by a need to shock in order to gain viewer market share. Cynical views of corporate actions are easily understood when the narratives filling headlines are constant reminders of the worst of the worst. Turning attention toward the best of the best, this paper highlights acts of corporate social responsibility (CSR) that extend beyond the traditional business case views of CSR.

The effects of businesses are far-reaching and represent a large component of the social fabric of our lives. Businesses have an unprecedented opportunity and, some would argue, even a duty, to positively impact their stakeholders. Stakeholders affected by organizations include not only individuals with a financial interest, but also those who work for the organization or live in the communities in which they operate. Much of CSR management scholarship has focused on cases which explore the economic justifications and outcomes of incorporating CSR into business practices and their implications for business ethics (Basu & Palazzo, 2008; Margolis & Walsh, 2003). While the corporate aspect of CSR has been developed over the past fifty years, there has been less emphasis placed on the social perspective. The potential social impacts of

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business and society relations are a critical component of CSR that has been largely missing from organizational scholarship.

CSR efforts certainly contribute to the bottom line (Margolis & Walsh, 2003), however, the impacts of these efforts on society and individuals are more difficult to measure. One way organizations can contribute to social well-being is to provide opportunities and environments that support empowerment both within the organization as well as in communities external to the organization. Indeed, an avenue for virtuous leadership can be authentic empowerment of employees and community members as an act of social responsibility in business. In this article, we present a specific case example of an organization that has relied on authentic empowerment as a CSR strategy to actively contribute to the overall well-being of their employees and their local communities.

**Empowerment and Leadership**

The word “empowerment” is bandied about in organizational literature, liberally at times, with little understanding of how it actually works. Empowerment is often used by theorists to explain organizational effectiveness, however, there are different definitions and views of what constitute empowerment. Often, it is assumed that empowerment is the same as delegating or sharing power with subordinates, or even equated simply with employee participation (Conger & Kanungo, 1988). In contrast, Lashley (1996) defines empowerment in relation to an individual organization’s reasons for using this strategy. Organizations may have specific empowerment aims, such as achieving greater employee commitment, gaining information from employees, improving the bottom line, and increasing responsiveness to customers. Taking yet another view, Kanter (1977) defines empowerment as the process of giving power to people who are at a disadvantaged place in an organization, and has also been used by other social scientists when dealing with issues of powerlessness of minorities (e.g., women, racial minorities, and the handicapped). Meanwhile, Conger and Kanungo (1988, p.474) define empowerment as “a process of enhancing feelings of self-efficacy among organizational members through the identification of conditions that foster powerlessness and through their removal by both formal organizational practices and informal techniques of providing efficacy information; it is a motivational process of employees.” More recently, Spreitzer, (1996) identified meaning, competence, self-determination, and impact as being the critical components of psychological empowerment – she posited that it is the perception of these four cognitions that determine the level of empowerment psychologically experienced.

Over the years, a number of popular management books have “sold” the idea of empowerment as a way of solving many organizational problems. Some of the most widely known ideas have been put forward by Rosabeth Moss Kanter (1990) and American management guru Tom Peters (1994). The concept of empowerment gained popularity in the early 1990s and there were those who claimed that it could transform staid, bureaucratic, and rigid organizations into flexible, dynamic, and entrepreneurial businesses (Foy, 1994). In many cases, it is proposed as no more than a motivational tool and the literature focuses on the impact of empowerment on the bottom line for the organization, not on the potential consequences for the individuals and other stakeholders who are involved.
In this paper, we take a broad view of empowerment. We recognize structural, contextual, psychological, developmental, and financial/ownership themes that can together create a powerful synergistic effect on those being empowered. And we also recognize the potential benefits this can return to leaders and organizations which may consequently enjoy the increased loyalty, commitment, and business sustainability empowerment can help create. Indeed, empowerment can have positive consequences if implemented in a way that focuses not only on the outcomes for the organization, but also on the outcomes for the employees and other stakeholders within the sphere of influence of the organization.

The leadership within an organization is an important component of creating a context of empowerment as well as reinforcing positive individual perceptions and experiences related to working in an empowering environment. Leadership that prioritizes the raising up and enabling of others can be viewed as an act of virtue. Virtuous leadership has been described “as distinguishing right from wrong in one’s leadership role, taking steps to ensure justice and honesty, influencing and enabling others to pursue righteous and moral goals for themselves and their organizations and helping others to connect to a higher purpose” (Pearce, Waldman, & Csikszentmihalyi, 2008, p.214). Pearce et al. (2008) identify the responsibility disposition of a leader as an antecedent to virtuous leadership, noting that virtuous leaders tend to recognize a responsibility to others as an important component of leadership.

Virtuous leaders can act as moral agents within organizations and their actions are driven not by external rules or systems, but rather by who they are, partly influenced by their dispositions to act in the interest of the social good (Weaver, 2006). Leader responsibility disposition is partly connected to power orientation which includes socialized and personalized power (House & Howell, 1992; Winter, 1991). Leaders with a higher responsibility disposition are focused on the good of the collective and tend to have a socialized power orientation (Winter, 1991). These leaders use their influence to further achieve goals that are beneficial to others (Pearce, Manz, & Sims, 2008). Socialized need for power can lead to virtuous actions as virtuous leaders are focused on the well-being of those around them more than on their own sense of power over individuals. From this view, empowerment can be a central aim and outcome of virtuous leadership.

**A Corporate Social Responsibility Continuum**

Modern CSR scholarship can be traced to Howard Bowen’s work, Social Responsibilities of Business, published in 1953 (Carroll, 1999). As a welfare economist, Bowen was concerned with the regulation of business for the good of society (Acquier, Gond, & Pasquero, 2011). His initial concept of social responsibilities entailed “the obligations of businessmen to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Bowen, 1953, p.6). Since that time, the ideas and concerns in his book have provided the foundations for scholars to develop the field of CSR, albeit haphazardly.

Over the past fifty-plus years there has been a lack of consensus regarding CSR as a concept, but it has taken hold in the management literature (De Bakker, 2005; Gond & Crane, 2008). The field of CSR can be characterized by a lack of agreement as to a
distinct definition to which all scholars adhere. Although there is not a specific accepted definition of CSR, most scholars start with Carroll’s definition: “The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time” (1979, p.500). This definition reveals the distinct dimensions that run throughout most uses of CSR and include the legal, economic, and ethical responsibilities that go beyond what is required of the firm. It also alludes to Bowen’s inclusion of societal objectives and values by indicating the “expectations that society has of organizations” as part of the definition.

CSR has been integrated throughout organizational scholarship and spans the management literature with contributions coming from areas as diverse as strategy, leadership, ethics, and corporate governance. Divergent theoretical underpinnings create another hurdle to developing a unified theory and specific definition. Here we adopt a view that is consistent with McWilliams and Siegel’s (2001) perspective that CSR is represented by an action that appears to further some social good, extends beyond explicit interests of the firm, and is not required by law. Further, we expand this view by including Bowen’s identification of societal values, specifically the values of organizational leaders who are critical in the development and implementation of organizational actions.

By using a process-oriented perspective, we can explore the interactive relationships between CSR, leadership, and empowerment. In looking at the development of CSR practices, Basu and Palazzo (2008, p.124) provide a definition of CSR from a leadership perspective, “the process by which managers within an organization think about and discuss relationships with stakeholders as well as their roles in relation to the common good, along with their behavioral disposition with respect to the fulfillment and achievement of these roles and relationships.” This definition combines the behavioral disposition of leaders as well as their views toward the common good and provides a base from which to incorporate the concepts of virtuous leadership and empowerment into an expanded understanding of CSR.

Attempts have been made to classify CSR theories in different ways, including describing them as instrumental, political, integrative, or ethical (Garriga & Mele, 2004), or presenting them as competing approaches, such as ethical, economic, and corporate citizenship (Windsor, 2006). The most evident divergence within CSR scholarship is between the economic and ethical perspectives. Numerous authors have highlighted the tensions between economic (instrumental) and ethical (prescriptive) views of CSR and sought ways to reconcile the differences with little success so far (Driver, 2006; Gond & Crane, 2008; Swanson, 1995; Windsor, 2001). There is evidence that engaging in CSR practices can have a positive impact on profits providing support for the instrumental use of CSR (Margolis & Walsh, 2003). Organizations can also engage in CSR practices based on ethics, such as ensuring that workers in factories are treated well and that no child labor is used in production facilities. What tends to be missing in the discussions surrounding CSR is an altruistic view of CSR that extends beyond instrumental and ethical reasons.

Caza, Barker, and Cameron (2004) propose a continuum of ethical integrity that includes unethical, ethical, and ethos. Ethos is characterized by virtuousness and is tied to flourishing, meaningful purpose and ennoblement. In Figure 1, we build on this
framework to develop a continuum of CSR based on integrity and ethics. At the left side of the continuum, Corporate Social Ir-Responsibility (CSIR) (Pearce & Manz, 2011), is tied to unethical social action and irresponsibility. In the mid-range, economic and ethical CSR is related to ethical and dutiful actions. Finally, on the right side of the continuum, Authentic CSR is tied to ethos and virtuous action.

**Figure 1**

![Ethics and Integrity Continuum](#)

Authentic CSR is connected to a virtuous disposition held by an authentic leader. Authentic leadership has been defined as “a pattern of leader behavior that draws upon and promotes both positive psychological capacities and a positive ethical climate, to foster greater self-awareness, an internalized moral perspective, balanced processing of information, and relational transparency on the part of leaders working with followers, fostering positive self-development” (Walumbwa, Avolio, Gardner, Wernsing, & Peterson, 2008, p.94). Authentic leaders who possess a virtuous orientation bring the best of both leadership styles to the table – influencing followers to foster positive self-development, connect to a higher purpose and have a greater positive impact both in the organization and in their own lives. This confluence creates opportunities for authentic empowerment.

**A Case of Authentic Empowerment – Leadership and Business Practices at The Fairview Trust**

*The Fairview Trust* (FT) in South Africa is a family-owned farming operation with wine and cheese as its principal products. It serves as an example of how an authentic leader with a virtuous orientation can enact authentic CSR. More specifically, at FT, CSR is founded on authentic empowerment for the benefit the organization, employees, and local communities.

In South Africa, the term “empowerment” is much used in the post-apartheid era. The apartheid system was in place from 1948 to 1994, although it had unofficially existed since colonial times with racially discriminatory regulations already in effect by the end of...
the eighteenth century (Henrard, 2003). Apartheid kept the majority of the country’s population disenfranchised, poorly educated, and disempowered, which has arguably contributed to potential negativity in the work ethic (Slabbert & Ukpere, 2011). The government has passed a number of acts and implemented programs with the goal of empowering disadvantaged groups. The Broad-Based Black Economic Empowerment Act of 2003 (BEE), aims to ensure black South Africans are significantly included in the ownership and management of businesses (for the purposes of these acts, “black” is a broader term referring to all those excluded by the practices and discourses of racism and white supremacy). There has been much debate, however, about the effectiveness of the BEE.

In the wine industry, it is widely believed that the BEE may have been abused when the mostly white-owned wine industry formed business alliances with key black members of South Africa’s urban elite in order to fulfill the requirements of the act without necessarily following the intent (Du Toit, Kruger, & Ponte, 2008). Organizations were formed by black business people intended to provide white-owned businesses an easy way to achieve black-owned status by affiliating with these newly formed organizations. This allowed white-owned organizations to fulfill government requirements regarding black ownership while marginalizing issues that would address the structural inequalities and relations that could empower black farm and winery workers.

Black-owned brands have become a feature of BEE in the wine industry, but may still rely on highly exploitative forms of labor while claiming legitimacy by being black owned. Many believe that these acts and programs intended to address the serious issues remaining after apartheid appear to have failed to empower the majority of black South African workers, and, in the case of the wine industry, instead lead to the de-racializing of exploitation (Du Toit, Kruger, & Ponte, 2008). However, there are many exceptions where workers have been genuinely empowered through working for visionary, virtuous leaders who believe that the government should not be solely responsible for righting the wrongs of the past. They believe that organizations also have a responsibility in that arena, should genuinely have the interests of their employees and the community in general at heart, and should function as role models to lead the way and to inspire others to follow.

Most of the literature on empowerment within organizations is written from a Western perspective. It may be argued that this is inadequate in the South African context, where leadership and management challenges are embedded in a very different cultural, political, economic, social, and historical context (Blunt & Jones, 1997). Individuals and communities who have previously been kept intentionally disempowered may find the concept of empowerment to be alien, and may therefore be either unwilling or unable to have it “thrust upon them.” While Western management advocates individualism, instrumentality, contractual relationships, justice, and individual rights as yardsticks for dispute resolution, African management embraces collectivism, cooperation, communal relationships, and restoration of harmony and reconciliation as the ultimate goals in dispute resolution (Mangaliso, Mangaliso, & Bruton, 1998). These characteristics are captured in the African philosophy of “Ubuntu,” defined as the “humaneness that individuals and groups display for one another” (Mangaliso, 2001: 24). Managing people within the African context therefore requires markedly different leadership approaches to those that have been found to be successful in the Anglo-Saxon world of North America.
and Western Europe. For these reasons a flatter, organic management style may be more appropriate and conducive to empowerment (Burns & Stalker, 1961), and it is indeed this style that is found in organizations where authentic empowerment is practiced.

For the purposes of this paper, we will examine one such organization to see how it is overcoming the odds seemingly stacked against it, through the authentic empowerment of its workforce and how this culture of empowerment is contributing to human well-being and flourishing. This organization is The Fairview Trust, owned by the same family since 1937, with a full-time workforce of over 500 people and whose main focus is the production of wine and cheese.

The South African wine industry employs approximately 275,000 people, of whom more than 160,000 are members of historically disadvantaged groups, at 582 wineries (Wines of South Africa, 2011). Winery workers often work in factory-style production facilities, within a rural agricultural setting, thereby isolating them from mainstream society. Traditionally, South African winery workers have lived on the farms on which they worked and in housing owned and provided by the farm owner or company. This is still largely the case today, making them heavily dependent on their employer. Conversely, this also creates a substantial responsibility on the wineries for the well-being of their workers, and many wineries recognize that this system is unsustainable.

The Fairview Farm in Paarl, 40 miles from Cape Town, was established in 1693 and has been owned by the Back family for three generations. Under the current leadership of third-generation winemaker, Charles L. Back II, The Fairview Trust has expanded its landholdings to approximately 1,500 hectares (ha) and concentrated its core business on viticulture (cultivation of grapes), wine production, and cheese production (which includes a dairy operation). Additional facets of the business include olive growing and olive oil production, as well as an expanding agri-tourism business with a restaurant, a bakery, and wine and cheese tasting rooms.

Fairview draws over 300,000 visitors per year, and is the most visited winery in South Africa. As one of South Africa’s most innovative winemakers, Back is also known for his commitment to social development of previously disadvantaged communities connected to the agricultural industry. In 1997, Back, using a combination of government grant funds and funds from The Fairview Trust, provided an 18 ha farm to over 50 Fairview workers and their families. He assisted them in establishing the Fairvalley Farm Workers’ Association which holds the title to the farm. Back also helped his workers establish their own wine brand, which they market through their own network of distributors, and which has helped them to fund the construction of homes on their farm.

Back believes that one must “be a true capitalist with a very strong social conscience” in order to create cohesion between the workers and the shareholders. He sees empowerment as the creation of equal opportunities for everyone, irrespective of background and education. To this end, The Fairview Trust evaluates the training needs of each individual, actively looking for latent talents and abilities so that employees can

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2 One of the authors is a relative of the focal leader in the case which allowed special access to the organization. The authors tried their best to maintain objectivity in reporting the case details, despite openly viewing the case as an exemplar of authentic CSR and leadership.

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be promoted into positions of responsibility and subsequently become an inspiration for others. Back states “training is important not just for imparting knowledge, but also for showing workers how much you value them by investing time and effort in them.” At Fairview, workers share in the success of the business, receiving a salary as well as a share of gross revenue rather than profit. Profit can be influenced by external factors such as exchange rates and interest rates, which are outside the workers’ sphere of influence and are susceptible to manipulation. Back also believes that an organization needs to show that profits are not going into the pockets of just the owners or shareholders. This is demonstrated, for example, by providing school activities, sporting events, and medical care, as well as giving land, homes, and shares in the organization to workers.

Empowerment is distinctively displayed in a variety of ways at Fairview. Management structures are flat so that management is not distanced from the workers, and workers’ opinions are always sought when formulating strategy. Workers’ proposals are taken into consideration and often implemented, even if management is not fully convinced they will work. This provides workers an opportunity to learn from their mistakes as well as experience a sense of accomplishment when their ideas are successful. It ensures that everyone is working towards the same goal and allows the organization to be adaptable and flexible, critical to businesses in today’s environment where reality can change from week to week. Internal public relations are also considered to be extremely important, and when something positive happens in the business it is celebrated with all who helped to achieve it.

The Fairview Trust has recently undergone a major corporate restructuring in order to distribute shares among its most senior management and personnel as a reward for long and outstanding service and as part of Charles Back’s empowerment and succession planning. Three new private companies have been created under the new structure: Fairview Cheese (Pty) Ltd – which had already been separated from the wine division, Fairview Wines (Pty) Ltd, and The Spice Route Wine Company (Pty) Ltd. As part of the restructuring, 10% of the shares in Fairview Cheese (Pty) Ltd was distributed to five employees. Fairview Wines (Pty) Ltd became the owner of the cellar buildings on the Fairview farm, 30 hectares of land around the buildings, cellar equipment, and vineyard equipment. This reconfiguration also attained control over debtors, employees, and all operational responsibility for the cellars. Additionally, it assumed lease agreements on a number of other cellars and vineyards either owned by, or previously leased to, The Fairview Trust. The plan allowed The Fairview Trust to retain 90% of the shares in Fairview Wines (Pty) Ltd with the remaining 10% distributed to six employees.

The Spice Route Wine Company (Pty) Ltd follows a similar model, becoming the owner of cellar buildings and 30 hectares of land around the buildings on the Klein Amoskuil farm. It will take over the lease agreement with De Leewenjacht Estates (Pty) Ltd on its tasting facilities as well as lease agreements on vineyards with The Fairview Trust and Charles Back Vineyards (Pty) Ltd. The Fairview Trust currently retains 90% of the shares in The Spice Route Wine Company (Pty) Ltd and the remaining 10% have been distributed to four employees.

Under Back, there are many other notable actions that have been undertaken by Fairview that reinforce its extensive empowerment practices. Fairview’s milk delivery
business has recently been sold to its employees, who now own that business and have a long-term contract with both Fairview Cheese (Pty) Ltd and a milk producer. Workers’ trusts are currently being established by FT in order to distribute additional shares for the benefit of laborers.

A number of workers who started at The Fairview Trust in low-level positions have achieved management positions or even left to start their own companies. A former dispatch employee is now the Payroll Manager. A laborer’s son is now the Marketing Manager for the workers’ own Fairvalley Wines. A former farm worker is now Winery Manager as well as a shareholder. A former factory floor worker in cheese production is now third in command and a partner in the business. A former marketing assistant has left to start his own spirits brand. The list goes on. Fairview is accredited by Fairtrade Label South Africa, although it chooses not to use the accreditation on all of its products. It is also accredited by the WIETA Agricultural Ethical Trade Initiative (SA) for fair labor practices. All FT workers are permanent employees, thereby creating a stable workforce. No seasonal or contract labor is hired – unlike many other agricultural businesses.

What is also notable is that it is difficult to find any public trumpeting of these programs and achievements by Fairview. “If you use these types of programs for marketing purposes,” states Back, “you’re doing it for the wrong reasons.” Under the leadership of Back, CSR based on authentic empowerment is the sincere aim and not the window dressing that so many other firms have used to create an impression of CSR that is unwarranted in any true sense of what the words “Corporate Social Responsibility” mean.

**Key Lessons for CSR-Based Authentic Empowerment**

An important aspect of this case is that it involves a situation where empowerment can specifically provide a solution to a significant challenge. South Africa entails a post-conflict context marked by disempowerment, based on specific economic and social structures. Apartheid contributed to an entrenched marginalization of specific groups. The post-apartheid social expectations within the country are focused on providing opportunities for healing and empowerment, and while this is highlighted by the BEE, in many cases businesses have made less than authentic attempts at meeting these expectations. In contrast, Back is a striking example of an authentic leader who has taken a variety of virtuous actions focused on meeting the intent of the social expectations by creating an empowering environment across many dimensions.

Fairview Trust serves as an especially vivid illustration of how authentic CSR intentions and efforts can provide a wide range of benefits to organization members and other stakeholders while contributing to sustainable success for the enterprise. In South Africa, the letter of the law may be followed, while the spirit of the law is disregarded. Other wineries have sometimes gained legitimacy by having a certain percentage of black ownership but otherwise doing little for employees. Under Back’s leadership, Fairview has created many genuine opportunities for his workers to truly experience empowerment, in terms of personal responsibility and development, career advancement, and financial benefits.

Virtuous leadership plays an important role in authentic empowerment. The business owner highlighted in this case provides an example of an authentic leader who has a
virtuous orientation and interest in contributing to human well-being and flourishing. Authentic empowerment rests on the intentions of the actors, as well as the actions they take. Back appears to be guided by an innate genuine drive to contribute to the common good and has discovered ways to improve the lives of his employees and other stakeholders. The impact of his efforts is reflected in the success of his firm and the authentic benefits enjoyed by his workforce. His leadership, and the thriving organization it has helped to shape, provides a living example of authentic CSR through genuine empowerment in business.

**Conclusion**

Authentic CSR reflects a linkage between empowerment and socially-responsible actions of authentic leaders (Walumbwa, Wang, Wang, Schaubroeck, & Avolio, 2010). Leaders concerned with human flourishing and well-being can find authenticity through an empowering leadership approach. Empowerment, in the broadest sense, involves structural, psychological, developmental, and financial components. We believe that the example provided herein is an exemplary illustration of an authentic leader and an organization following virtuous objectives through a broad approach to empowerment. The empowerment approach taken by Back and Fairview Trust have enabled the creation of a work context that provides opportunities for greater responsibility, advancement, financial benefit, and a psychological sense of meaning, competence, self-determination and impact. Indeed, one is left with the sincere hope that empowerment can be at the core of socially-responsible business endeavors that are authentically concerned with the well-being of society (including people and communities) as well as the organization proper.

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