INDICATORS OF CORPORATE SOCIAL PERFORMANCE IN SOUTH AFRICA

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SUBMITTED IN FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE

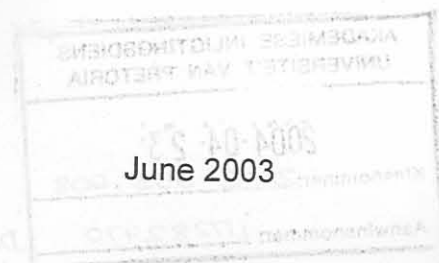## DOCTOR COMMERCII
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Without transgression, without the red boundary,
there is no danger, no risk, no frisson, no experiment,
no discovery and no creativity.
Without extending some hidden or visible frontier
of the possible, without disturbing something
of the incomplete order of things,
there is no challenge, no pleasure
and certainly no joy.

(Okri 1997:32)

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ABSTRACT

INDICATORS OF CORPORATE SOCIAL PERFORMANCE IN SOUTH AFRICA

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The first turbulent years of the 21st century have been characterised by globalisation, governance and the emerging issue of mainstreaming corporate social responsibility with core business practice and strategy. In South Africa (SA) corporate practices are increasingly being informed by the challenges of both social and economic transformation as well as a strong sense of "afro-centricity". With the advent of the King 2 Report on Corporate Governance that was launched in 2002 , the Mining Charter in 2002 and a possible Financial Charter in 2003, the SA landscape offers a challenging scenario whereby business leaders will have to embrace their role in social transformation. It is generally accepted in SA that the business sector is a sustainable contributor to the social and economic progress of SA by shaping the future of communities, individuals and the country as a whole.

Furthermore in the global marketplace consumers are increasingly making choices based on, or taking into account the environmental, social and ethical performance of organisations. This has led companies to reassess their social and environmental management, recognising that it is not only an area of moral responsibility, but also one that affects corporate identity and reputation and therefore the company's bottom line. By providing proof of good performance in these areas,

companies can differentiate themselves from their competition, manage their reputational risk and boost their corporate identity.

The need for indicators of corporate social performance in SA therefore emerged as the main reason for this study. Although on international front numerous indexes have been developed of which the Global Reporting Initiative is regarded as the leading provider of indicators and reporting guidelines, the need to develop indicators within the unique SA context became the key objective. There has been a surge of social and environmental reports, also known as sustainability reports, by the SA business sector the past three years. In order to integrate and align the variety of indicators used by these organisations in reporting on their social performance, the decision was made to conduct exploratory research on this phenomenon which is supported by relevant literature study as well as qualitative research methodology.

The literature reviews the current social development landscape in SA focusing on the uniqueness of the social construction of the business sector. This approach presents the starting point of the dissertation leading to the following chapters describing corporate social responsibility and presenting current definitions of corporate social performance and corporate citizenship. The literature thereafter reviews stakeholder engagement and partnerships as a fundamental element of corporate social performance. This section of the literature specifically states the importance of stakeholder engagement in social measurement and reporting. Finally the literature reviews the local and global frameworks and indexes in practice. This section of the literature review creates a theoretical basis for presenting the results of the research, namely the indicators of corporate social performance in SA. The literature section concludes with an exploration of the changing nature of business in SA and globally.

The research part of the study consisted of interviewing fifteen prominent persons in the public, private and civil society sectors who conduct their daily activities at the epicentre of the cultural space in which the corporate citizenship debate is playing itself out. The objective of these structured in-depth interviews was to determine what, in the informed opinion of these respondents, the key indicators might be that would accurately reflect a corporation's social performance in a SA context. The ultimate objective of analysing the interview data is to form coherent groupings of meaningful data that relate to the indicators of corporate social performance .

The indicators that are presented do not however suggest easy measurement of corporate social performance. They merely reflect a set of ten dimensions with associated indicators, a total of which twenty-seven were identified by the participants. These dimensions included compliance with accepted legislative voluntary norms and standards, corporate governance, stakeholder engagement, social development contributions, the integration and embedding of good corporate citizenship practices throughout the organisation, employee welfare, reputation, sustainability with specific focus on triple-bottom line reporting, contextual reality and finally the ability of an organisation to distinguish itself as a leader in corporate citizenship which others could regard as a benchmark.

Through a process of contextualisation within the South African landscape, the following indicators had significance:
- **Compliance with regulatory practices**
- **Stakeholder engagement performance**
- **Fulfilling stakeholder obligations**
- **Demonstrated stakeholder loyalty**
- **Reputation with stakeholders**
- **Level of cooperation with tri-sector (public, private and civil society) partners**
- **Integration of "triple bottom line" imperatives in management practices**
- **Sector and locality delimited indicators (e.g. Black Economic Empowerment)**
- **Achievements as a change agent for social transformation in South Africa**

The design of appropriate measurement protocols for each of the indicators associated with these dimensions will have to be developed and is regarded as a key recommendation of the study. A second recommendation is to integrate these indicators with global reporting frameworks and thus contribute to the global social measurement and reporting debate. The value of the study therefore results in local and international application with the major contribution towards the SA corporate social performance arena. The timing of the study is endorsed by the current significant strides in SA through recognising the importance of social performance by enshrining it in legislation and coming up with new initiatives to showcase its importance. The ultimate goal of business and communities is strengthened through these indicators which create a suitable avenue for foreign direct investment in SA.

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