

## CHAPTER 5

### CRITICAL ANALYSIS OF STAKEHOLDER ENGAGEMENT AND CROSS-SECTOR PARTNERSHIPS

#### 5.1 INTRODUCTION

Chapter 4 offered an overview of the meaning of corporate citizenship. The literature review in Chapter 4 strongly suggested that a fundamental building block of corporate citizenship is the ability of an organisation to engage with stakeholders and establishing partnerships, Chapter 5 therefore will present a literature review on stakeholder engagement and establishing partnerships. Increasingly, cutting edge developments and good practice are orientated to an inclusive approach, a form of governance based on engagement with stakeholders (Accountability 2003). The social reports produced by the Danish pharmaceuticals company, Novo Nordisk and the UK lottery operator, Camelot clearly indicate the importance of stakeholder engagement.

Stakeholders need to be taken into account in the governance structures of corporations and their interests need to be appropriately reflected... We believe in a broader stakeholder focus. We need to ask ourselves which stakeholders are not adequately consulting in our governance structures... New issues ... are being brought to our attention by stakeholders, and these issues should ... be incorporated in our learning processes. Therefore we will need to extend elements of governance to key areas of our activities that are not already covered or are not adequately covered. (Putting Values into Action: Environmental and Social Report1999, Novo Nordisk - [www.novo.dk](http://www.novo.dk).)

... We set up an independent Advisory Panel on social responsibility to oversee the social reporting process. They (the panel members) are professionals whose experience broadly equates to that of our stakeholder groups. Individuals on the panel took responsibility for a stakeholder group, examined the consistency of stakeholder consultation and reviewed and recommended acceptance of the social reporting methodology. Camelot appointed a paid non-executive director to advise the board on corporate social responsibility. She became the Chair of the Panel, ensuring that the issues of social responsibility are put at the heart of our corporate governance. (Camelot and Social Responsibility - Social Report 1999 - [www.camelotplc.com](http://www.camelotplc.com).)

The question however being frequently asked (April 2003) ([www.accountability.org.uk](http://www.accountability.org.uk)) is:

How can organisations take a structured approach to the sometimes confused practice of meeting and consulting with stakeholders?

In response to this question, it is argued by Accountability (UK) that a growing number of organisations are beginning to use accountability standards and systems such as social and ethical accounting. These can help an organisation develop governance structures that are responsive to the concerns and values of all stakeholders - one way to position an organisation to face the rapidly changing challenges of today.

Stakeholder accountability requires a step change in the way business is run, companies need to ensure that governance systems foster an understanding of relationships which allow balanced judgements to be made. Stakeholder voices need to be heard at the highest levels of governance, only then can the greatest possible benefits flow to all stakeholders. (Gonella & Mun Woo, KMPG Sustainability Advisory Services in Accountability Quarterly 2002).

Organisations therefore need to develop and manage systems that facilitate:

- The identification of stakeholders with a legitimate interest in the organisation's activities.
- Stakeholder voices being heard and taken into account, at the right place and time within the organisation - without compromising the organisation's ability to make effective decisions.
- The allocation of responsibility to manage relationships with different stakeholder groups.
- A continuous cycle of improvement based on stakeholder engagement.
- The building of trust between the organisation and its stakeholders.
- The empowerment of stakeholders to engage effectively with the organisation.

(Wheeler and Sillanpaa, Accountability Website 2003)

In the draft document on the FTSE/JSE SRI Index (October 2002) the three principles common to a range of international and local statutes, charters, documents and undertakings in relation to CSR have been identified and reported. A company's attitude towards the issues integral to these principles has a strong bearing on its approach to CSR. These core principles are:

- Environmental sustainability
- Upholding and supporting universal human rights
- Positive relationship with stakeholders.

Regarding the last principle on stakeholder relationships, it was also mentioned in the JSE's draft document that as recognised in the KING 2 report, a company is a key component of modern society, representing a more immediate presence to many citizens, than the government or civil society. Companies can no longer engage with only their stakeholders, but are required to develop and maintain positive relationships with a far wider structure of stakeholders, including staff and the community in general. The key challenge however, is to achieve a balance between performance and compliance while taking account of stakeholder expectations.

In a recent article in Business Day by De Villiers (July 2002), it was argued that business organisations were a vital part of any community. It was further reported that business organisations stem from civic-minded individuals and rely on voluntary support in terms of time, money and members' creative efforts. In the same article reference was made to the once exclusive Afrikaanse Handelsinstituut. AHI's recent focus has been on a more inclusive approach, forging alliances with the Black Business Council, and Business SA. This strong move towards unity in diversity also suggests the vital role of partnership building to shape a better SA. In another article, in Business Day (June 2002), Sydney Mufamadi, Minister of Provincial and Local Government strongly argues that partnerships can help the delivery of services to the most needed. He stated that

We are convinced that public-private partnerships can unlock managerial and financial resources from the private sector. With appropriate policy and regulatory support, and technical and financial assistance provided through partnerships, the SA Government has demonstrated a very serious commitment to the development of these partnerships at all levels of government.

Lamont and Mason (2002) however, reported on a strong warning by business organisations during the WSSD that the United Nations should not use partnerships between companies, governments and civil society as an alternative to a political agreement at the WSSD. The UN under-secretary-general, Nitim Desai, however, tried to address this fear by saying "Partnerships are not a substitute for government action or responsibilities, and they are not a subterfuge for governments to avoid making the necessary commitments to move the sustainable development agenda forward." It was also noted that the business sector's intent to forge a stronger culture of partnership post 2000 WSSD, is far stronger if compared with the Rio Summit in 1992.

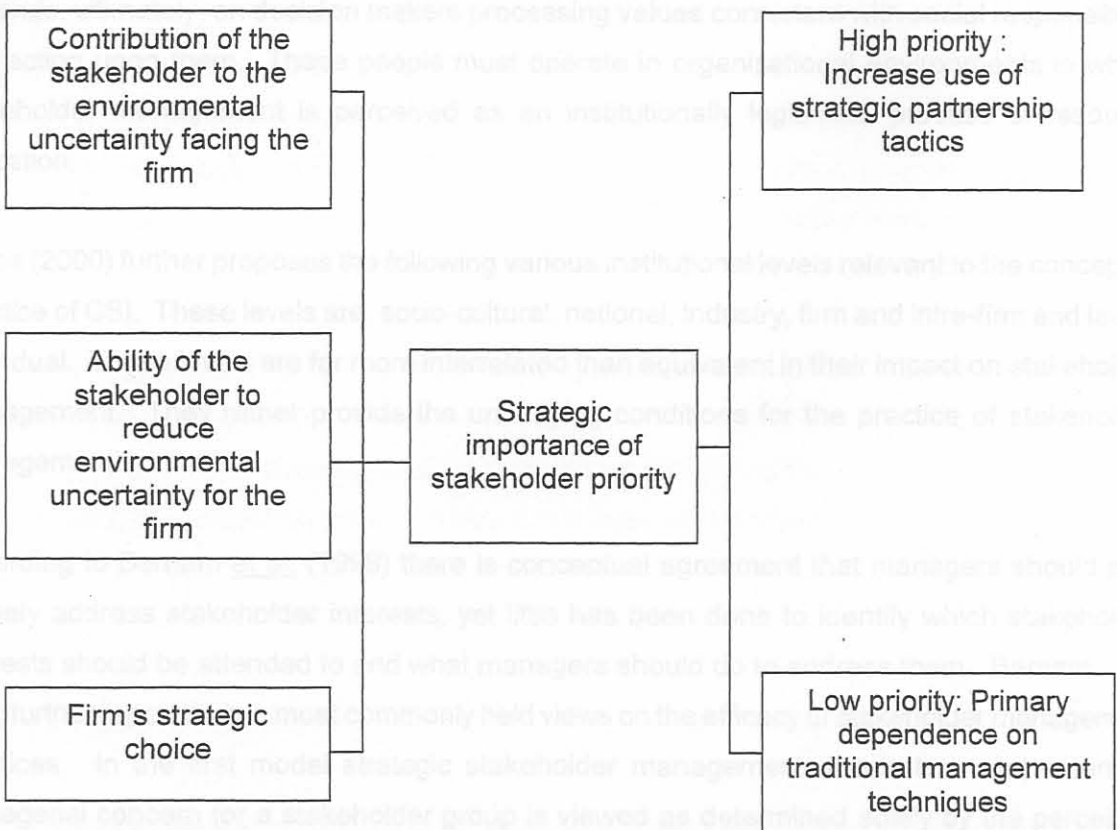
Chapter 5 will therefore present an existing body of knowledge on the topic of stakeholder engagement and partnerships.

**5.2 DEFINING STAKEHOLDERS**

It is imperative to define the scope of the stakeholder landscape in order to understand the partnership philosophy. Andriof and McIntosh (2001) refer to stakeholder partnership as collaboration between individuals and/or organisations from some combination of public, business and civil constituencies that engage in voluntary, mutually beneficial, innovative relationships to address common social aims through combining their resources and competencies. Stakeholders can be categorised in the following three broad groupings (Andriof and McIntosh 2001):

- Public bodies at the local, national or international level.
- Private sector entities, ranging from individual companies, business associates to supply chain.
- Civil society, ranging from local community initiatives to trade unions, academic institutions and national and international NGOs.

The importance of stakeholders can be outlined as follows (Harrison and St John, 1996):



**Figure 5.1 – The strategic importance of stakeholders** (Source: Harrison and St John 1996: 48)

According to Cannon (1992) the interdependence between society and business cannot be understated. Wegerle (1991) further adds that it is in many ways like a tapestry made up of many interwoven strands, all of which combine to form an integrated whole. It will therefore be

foolish to try and separate business from society and national politics in general. What is of critical importance however is a culture of mutual understanding between all stakeholders. This requires unpacking the nature of the relationships as well as the value and interdependence between them. Genuine interaction between business and communities and a willingness to uplift them is therefore critical.

Newson et al. (1992) state that businesses have ethical responsibilities to nine different publics, namely clients, news media, government agencies, educational institutions, trade unions, stockholders and analysts, competitors, community and public relations officers. Awareness of this responsibility will urge businesses to adapt their corporate policies. Furthermore Wegerle (1991) suggests that community development forums consisting of all the key socio-political and economic players is a step in managing the relationship and interface between stakeholders.

Jones (2000) argues that certain conditions are necessary for CSI to manifest itself in stakeholder management. He clearly reports that the practice of stakeholder management depends, ultimately, on decision makers processing values consistent with social responsibility and acting upon them. These people must operate in organisational environments in which stakeholder management is perceived as an institutionally legitimate process of resource allocation.

Jones (2000) further proposes the following various institutional levels relevant to the concept of practice of CSI. These levels are, socio-cultural, national, industry, firm and intra-firm and lastly, individual. These levels are far more interrelated than equivalent in their impact on stakeholder management. They rather provide the underlying conditions for the practice of stakeholder management.

According to Bernam et al. (1999) there is conceptual agreement that managers should proactively address stakeholder interests, yet little has been done to identify which stakeholder interests should be attended to and what managers should do to address them. Bernam et al. further report on two most commonly held views on the efficacy of stakeholder management practices. In the first model strategic stakeholder management, the nature and extent of managerial concern for a stakeholder group is viewed as determined solely by the perceived ability of such concern to improve financial performance. The second model, intrinsic stakeholder commitment model, firms are viewed as having a moral commitment in treating stakeholders in a positive way, and this commitment is, in turn, seen as shaping their strategy and impacting their financial performance.

Berman et al. (1999) have a different opinion on the stakeholder levels of areas that need in-depth consideration. They focus on five stakeholder areas namely employees, the natural environment, workplace diversity, customers and issues of product safety, and community relations. They further emphasise the importance of corporate survival that depends in part on there being some “fit” between the values of the corporation and its managers, the expectation of stakeholders in the firm and the societal issues that will determine the ability of the firm to sell its products. Whether such changes are socially desirable or morally praiseworthy is an important question, but it is yet a further question which an analysis of enterprise strategy does not address. They conclude by reporting that stakeholder management is part of a company’s strategy, but it in no way drives the strategy.

Mitchell, Angle and Wood (1997) report that stakeholders become salient to managers to the extent that those managers perceive stakeholders as possessing three attributes, namely power, legitimacy and urgency. Harrison, J.S. and Freeman, R.E. (1999) report that the three attributes do indeed significantly increase stakeholder salient. Taking this into consideration, they further argue that managers find it difficult to successfully balance the competing demands of stakeholders especially when viewed from a profit-making angle. In a study by Harrison and Freeman in 1999 on economic versus social performance, they argue that dividing the world up into economic and social sections, ultimately is quite arbitrary. The idea however behind this was to find a way to integrate the economic and the social. Therefore further research is required to find robust ways of measuring stakeholder effects.

This research would attempt to dilute the theory that stakeholder relationship and management is a very complex phenomenon. What emerges however is that it is a multifaceted and multi-objective phenomenon. Knowing one’s stakeholders, identifying the interfaces between them and optimizing this relationship through sound management principles, having an open policy of disclosure and finally offering a process solution whereby a practical map could be offered to direct both business and their stakeholders could be a solution to effective engagement.

The following section in Chapter 5 will focus on civil society in broad terms:

### **5.2.1 The civil society**

In a recent publication by Swilling and Russell (2002) on the size and scope of the SA non-profit sector, it was reported that the SA history of multiple social formations, created over the centuries, has profoundly affected the evolution of the large and diverse group of organisations that can only with great conceptual difficulty be categorised as the “non-profit sector”. Swilling and Russell (2002) define this sector as Capturing everything from the radically exclusive cultural

and welfarist organisations that have always been central to the social structure of white society, right through the entire spectrum of religious organisations, to the huge and dense networks of community-based NGOs that hold African Societies together.

According to the Minister of Social Development, Dr Zola Skweyiya (2002):

The basic twin expectations of government are that NGOs will firstly, continue to act as monitors of the public good and safeguard the interests of the disadvantaged sections of society. This performance of the social watch role requires both transparency and accountability on the part of the NGOs. The Government's second expectation is that NGOs will assist in expanding access to social and economic services that create jobs and eradicate poverty among the poorest of the poor. This requires cost effective and sustainable service delivery.

Swilling and Russell (2002) offer five criteria in defining an NPO (also referred to as civil society in general):

- Organised - institutional to some extent.
- Excluded government.
- Self-governing.
- Non-profit distribution - profits ploughed back into mission of organisation.

The following statistics on the NPO sector are reported by Swilling and Russell (2002):

- R9,3 billion industry - 1,2 per cent of the 198 GDP.
- 653 316 full-time employed workers in 1999 - 9 per cent of the formal workforce.
- Nearly 1,5 million volunteers in 1999.
- Volunteer labour was worth R5,1 billion in 1999.

In the same study, Swilling and Russell (2002) also reported on the responses by NPOs which signify the importance of civil society as a key stakeholder especially in SA:

- NPO's main role is to service the needs of people rather than profit margins.
- NPOs are located much closer to the needs of the people than the government.
- The needy would be ignored if not catered for by NPOs.
- NPOs are able to create a sense of community and belonging that government agencies cannot.
- NPOs serve those in greatest need.

Funding of NGOs as well as lack of capacity can however be highlighted as the biggest challenge facing the civil society sector (Wadula 2002). Furthermore NGOs have a limited capital market to sustain their work. International aid agencies, government and foundations are typically the only sources of capital. Moreover SA businesses donate between R4 billion and R5 billion a year to NPOs. (Graduate School of Public and Development Management: Wits University, 2002). This amount unfortunately does not cover the extent of activities and reach into communities needed by the NPO sector to address the crisis in SA. Eugene Saldanah, Director of the Non-Profit Partnership (2002) argues that however funding is important for NGOs, lack of skill, and insufficient management capacity are also critical weaknesses amongst NGOs that further complicate the issue. He strongly argues that the solution lies in the support of both the private and public sectors and this means providing NGOs with non-financial services such as infrastructure, skills and delivery systems to help them deliver their services more effectively and timeously.

*(The NGO and Civil Society Unit of Social Development prepared the "General Guidelines for World Bank Staff to conduct consultation with CSOs.")*

This suggests a strong partnership philosophy, also referred to in the KING 2 report. The report recommends ethical, integrated and strategic approaches to social investment spending, and specifically locates the whole "sustainability" question within a framework of "African humanism" or Ubuntu, which recognises the importance of interdependent relationships, in this case between an enterprise and the community in which it exists. Du Toit and Saldanah (2002) report on the strategic importance of the New Partnership for Africa's Development (Nepad) underpinning concepts of mutual partnerships between government, business and civil society. As suggested by the KING 2 report, it is time for SA Business and civil society to "seize the day" in mobilising management skills and infrastructure to assist civil society in their endeavours. This, however, requires far closer social engagement and cohesion amongst those stakeholders. As reported by Du Toit and Saldanah (2002):

*Agenda 21* On policy level, business and civil society can work to develop mutually acceptable best practices, monitoring and evaluation methodologies, and specifically SA indicators and standards for monitoring the effect of their sustainability initiatives.

*Chapter 40* (chapters), acknowledged the importance of NGOs. In a report by the World Bank and Agenda 21 (2002), specifically the section dealing with Chapter 27. On the global front, the civil society sector is also receiving much-needed attention. In the last two decades the World Bank has significantly expanded and improved its relationship with NGOs and other civil society organisations (CSOs). During this period, the Bank's dialogue and collaboration with civil society has moved from the negligible to the substantial (progress report by the World Bank on Civil Society collaboration, 2002). The most recent improvements in civil

*is a critical component of the Bank's poverty reduction and development goals.*



society involvement, as reported in the same progress report (2002), are attributed to the following initiatives:

- The implementation of the “strategic compact” from 1996 to 2000. It included the Bank’s decentralisation to the front line of development work and poverty reduction focus.
- By the end of fiscal 2001, several Bank policies including respecting the cultures of indigenous peoples and preserving the well-being of resettled communities contain provisions for the participation of communities and groups affected by Bank operations.
- The Bank encourages the use of participatory approaches at macrolevel through embracing empowerment. This culture will enable greater civic engagement.
- Specialised Bank staff members were assigned to work with civil society.
- New tools for expanding the use of participatory approaches were produced for example in 1999 the NGO and Civil Society Unit of Social development prepared the “General Guidelines for World Bank Staff to conduct consultations with CSOs.”
- Methods of recording civil society involvement at project level have been enhanced.

The World Bank also realised the importance of including governments in the Bank’s civil society relationships in the last few years in creating a multisector stakeholder setting. This led to the advancement of the civic engagement agenda, including:

- Enhancing the Bank’s assistance to governments, so that the quality of participation of civil society in all Bank lending and non-lending instruments may be improved.
- Consolidating the civil engagement agenda at the macrolevel, particularly in country policy-making and budgeting processes.
- Advancing the debate on the role of civil society and multilateral institutions in the global context.

Agenda 21, the principal agreement to emerge from the 1992 Earth Summit in Rio, called for the integration of environment and development in order to fulfil basic needs, improve living standards for all, and better manage and protect ecosystems for long-term sustainability. Chapter 27 of Agenda 21 (set of 40 chapters), acknowledged the importance of NGOs. In a report by the World Bank and Agenda 21 (2002), specifically the section dealing with Chapter 27, the World Bank stated clearly that it has adopted a basic framework for achieving poverty reduction goals that include becoming a more decentralised institution reliant on community-driven approaches for sound development. This challenge requires that the Bank enhance the quality of participation of civil society in all of its lending and non-lending activities. Furthermore, integrating the Bank’s participatory methodologies into policy making, and budgetary processes is a critical component of the Bank’s poverty reduction and development goals.

To sum up, civil society is a key stakeholder in the social development agenda. Both locally and globally, civil society is recognised and there is already strong evidence of forging a culture of partnerships between business, government and civil society. According to Brooks (2000), the two most valuable business assets are its human capital and reputation. This can certainly be seen as an adequate statement in the 90s, specifically to the capital markets and society. The Shell crisis (Brent Spar in Nigeria) and more recently ENRON and WORLDCOM perpetuated the debate on the importance of entering into dialogue with stakeholders as a matter of strategic importance (Brooks 2000), specifically with civil society groups.

The next section of Chapter 5 will specifically focus on the principles of partnership building.

### 5.3 BUILDING PARTNERSHIPS

Businesses, communities and individuals are learning to live with the realities of the “new economy”, characterised in terms of economic globalisation, technological transformation, demographic change and political transition (Zadek 2001).

The widening gap between those who are beneficiaries of change, and those who are excluded from its benefits, poses a fundamental threat to the project of economic and political modernisation that countries at all levels of development are pursuing (Andriof and McIntosh, 2001). They therefore argue that bridging this gap has become a central goal for policy makers, whether in government or in business, trade unions or in the community. The fundamental principle underlying this challenge is in building significant partnerships between these stakeholders. Andriof and McIntosh (2001) also refer to the “new social partnerships” that involve institutions from different sectors of the community that come together in addressing common purposes that involve the realisation of both social and commercial ends. Example: IBM outsources its catering because it does not see this as a core competence that it has or wishes to develop.

The “partnership Alchemy Study” (Zadek & Nelson 2000) identified a number of dynamic pathways as determinants of successful partnership building:

- Acknowledge drivers and triggers that brought the partners together.
- Mutual agreement on common purpose and agenda.
- Mutual agreement on the scope and complexity of levels of actions.
- Identifying a leader/leadership role to act as mediator or facilitator.
- Understanding resources, skills and capacities that are needed to meet the partnership objectives.

- Appropriate organisational and legal structures to meet common objectives.
- Transparency, representation and accountability.
- Communication strategies that facilitate clarity.
- Methodologies for measurement and evaluation of partnership outcomes.
- Flexibility to adapt the purpose of the partnership.

It is also becoming clear that most businesses attempt to integrate the partnership philosophy with their business strategy, thereby building social and environmental elements into their balanced scorecard. Figure 5.2 shows that this integration is not difficult in principle (Andriof & McIntosh, 2001 - Source Cisa Curtis, Renaissance World).

Values		
Vision		
	Financial Perspectives	
<ul style="list-style-type: none"> <li>• The accountability process emphasises the alignment of the organisation with its values across all perspectives. Values are not limited to financial performance.</li> </ul>	“How do we achieve long-run value to satisfy shareholders”	<ul style="list-style-type: none"> <li>• Shareholder value</li> <li>• Profitability</li> <li>• Growth</li> </ul>
	External stakeholder perspectives	
<ul style="list-style-type: none"> <li>• The financial perspective is a short-run and long-run view. It is driven by the satisfaction fo stakeholder expectations and hence the organisation's licence to operate.</li> </ul>	“To achieve our vision, how must our stakeholders perceive us”	<ul style="list-style-type: none"> <li>• Accountability</li> <li>• Stakeholder satisfaction</li> </ul>
	Internal perspectives	
	“To satisfy our stakeholders, what management process must we excell?”	<ul style="list-style-type: none"> <li>• Shareholder value</li> <li>• Profitability</li> <li>• Growth</li> </ul>
	Learning and growth	
	“To achieve our vision, how must our organisation learn and improve?”	<ul style="list-style-type: none"> <li>• Market innovation</li> <li>• Continuous learning</li> <li>• Intellectual assets</li> </ul>

**Figure 5.2 : Adjusted balanced scorecard** (Source: Andriof and MacIntosh 2001:209)

Finally Nelson & Zadek (2000) presented the four “P’s” of partnership building. These four characteristics are the defining elements of partnership and may be called the four P’s of partnership building (Table 5.1).

**Table 5.1: The four P's of stakeholder partnership building** (Source: Nelson and Zadek 2000: 237)

Step	Purpose	Pact	Power relations	Process of development
1	Acquire knowledge	Dialogue	Cyclic reputation interdependence	Incremental adaptation
2	Co-financing of social investment	Joint venture	Balanced commitment interdependence	Stepwise strategising
3	Combining of competence	Joint venture	Balanced competence interdependence	Life-cycle learning
4	Improvement of communication	Alliance	Regulated knowledge integration	Spiralling trust building

Figure 5.2 and Table 5.1 show the importance of proper planning before entering into partnerships and ensuring significant outcomes and benefits. The following sections will offer overviews of some elements in partnership building.

### 5.3.1 Principles of partnership building

A fundamental knowledge and understanding of the key principles associated with partnership building is imperative for any organisation entering into a partnership agreement with its stakeholders. The International Finance Corporation (IFC) presented a guide on community development for companies in 2000. In this report three key principles for good partnership were suggested:

- Clearly define partnership objectives from the outset and ensure that potential conflicts are addressed and shared interests are identified.
- Maintain flexibility by facing disagreements and modifying partnerships without jeopardising the collaboration.
- Ensure strong support within both organisations. This needs to be done at both management and implementing levels.

What seems to be of particular importance in SA is the general lack of partnership between government and the private sector (around social) development issues (also see 5.5). As part of

the partnership building strategy, the IFC specifically offered some suggestions on how companies can collaborate with government, to ensure that company programmes are complementary to ongoing official development strategies.

- Facilitating the implementation of existing government projects or programmes.
- Sharing resources or skills with government.
- Maintaining regular communications with local and national government concerning development effects.
- Including government representatives in the decision-making bodies or processes of a community development programme.
- Facilitating between different government departments and levels of government.
- Engaging in a broader policy dialogue on local and regional development objectives.

However, according to the IFC (2002) in most cases the intent from both private sector and government might be favourable to form partnerships. Sometimes governments might lack credibility or may even pose a threat to the success of a company. The private sector therefore should in principle be fully aware of the potential risks for example:

- Inefficient and non-transparent governments often do not spend the taxes and other resources generated by a project in a manner that would promote sustainable development.
- By not contributing resources, governments can saddle companies with the entire burden of providing goods and services for a project.
- Governments could undermine, block or simply siphon resources from corporate projects and effects.

Considering the above, it becomes clear that public consultation programmes that maintain strong, direct communication links between an organisation and its stakeholders are crucial. Delineating roles and responsibilities is also a key driver for successful partnerships. The IFC (2000) identified three common themes for establishing successful partnerships:

- Credibility - companies should work with institutions that are perceived as credible, accountable and transparent.
- Commitment - companies must work to create internal commitment and should ensure that there is commitment on the part of the partner organisation.
- Flexibility - try to accommodate different interests, orientation and goals in the partnership.

Finally, it is clear that maintaining partnerships can be difficult, but the rewards in terms of combined resources and talents, improved community development programmes and enhanced sustainability can be immense.

### 5.3.2 Transitions in stakeholder engagement

According to Mitchell (1998), there are ten building blocks or transitions when engaging with stakeholders. Table 5.2 shows the shift towards issues related to areas such as verification, benchmarking (and the benchmarkability of reported data) and corporate governance.

**Table 5.2: Engaging stakeholders - 10 Transitions** (Source: Mitchell 1998)

Established focus	Emerging focus
1. One way passive communication	Multiway, active dialogue
2. Verification as option	Verification as standard
3. Single company progress reporting	Benchmarkability
4. Management systems	Life-cycles, business design strategy
5. Inputs and outputs	Impacts and outcomes
6. Ad hoc operating standards	Global operating standards
7. Public relations	Corporate governance
8. Voluntary reporting	Mandatory reporting
9. Company determines reporting boundaries	Boundaries set through stakeholders dialogue
10. Environmental performance	"Triple bottom line", economic, environmental and social performance

In considering the above transitions, the key message comes through "Transitions" 9 and 10. Transition 9 suggests that companies seeking to build up social capital, including stakeholder trust, will need to involve stakeholders in setting the boundaries of life-cycle assessment and environmental reporting processes alike. Only if stakeholders are turned, in effect, into a new category of customers and consulted right down the line will they believe that the company itself is trustworthy. This challenge becomes even more urgent now that the sustainability agenda is formally opening up to embrace not only environmental and economic dimensions, but also the social and ethical dimensions.

Figure 5.3: The core competency strategy model (Source: Waddell 2002)

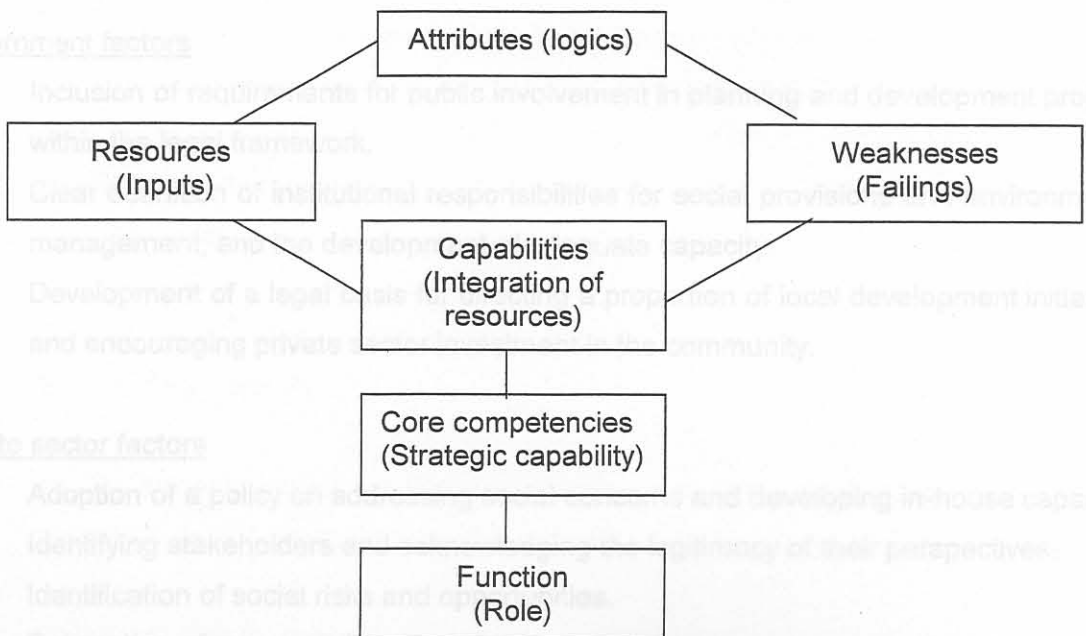
Business people - who are increasingly alert to some of the major market opportunities that the sustainability transition will open up - must increasingly recognise that the challenge now is to help to deliver economic prosperity, environmental quality and social equity simultaneously (Mitchell 1998).

From the above, it therefore becomes clear that the stakeholder landscape is changing rapidly. Empowering the key stakeholders in any business environment through communication and participation becomes imperative. This strongly suggests openness, transparency and dialogue which in itself are key drivers of building trust and integrity. Both these two values are increasingly becoming the focus points of being good corporate citizens thus fuelling what is commonly viewed as the “intangible” value of organisations in the twenty-first century.

**5.3.3 Critical factors for stakeholder integrity**

Collaborations involving business, civil society and government are burgeoning in number and scale. Perhaps the most important reason for this is that organisations are finding new ways to achieve their core goals through collaboration (Waddell 2002).

Waddell strongly argues that core competencies, namely distinguishing attributes, strengths and weaknesses need to be identified in order to strengthen these collaborations or partnerships. Waddell (2002) developed a competency strategy model indicating the critical factors needed for successful collaboration. (See Figure 5.3.)



**Figure 5.3: The core competency strategic model** (Source: Waddell 2002)

Waddell's idea of this expanded model constitutes the basis for understanding intersectoral collaborations as initiatives that aim not just to coordinate activities between different organisations with complementary resources, but also to offset weaknesses and produce outcomes that are more than the sum of the parts. "From the societal function point of view, these collaborations provide an important place for negotiating the social contract and improving cohesion between disparate parts of society" (Waddell 2002).

Waddell (2002) alludes to the systemic integration of the three sectors and specifically the unique contribution of each, epitomising the interdependency between these sectors.

- The government: provider of the political system.
- The business sector: provider of the economic system.
- The civil society sector: provider of the social system.

All the above three sectors operate within the natural environment that acts as the "hosting" system which can only survive if there is cohesion between these three systems. Systemic cohesion is seen as a critical determinant of stakeholder integration. McPhail and Davy (1998) developed critical success factors to ensure integration of the social and environmental aspects of private sector development. These factors have been derived from discussions with and questionnaire responses from multinational corporations and larger local enterprises, consultants to private enterprises and NGOs. The following are some examples of such factors.

#### Government factors

- Inclusion of requirements for public involvement in planning and development projects within the legal framework.
- Clear definition of institutional responsibilities for social provisions and environmental management, and the development of adequate capacity.
- Development of a legal basis for directing a proportion of local development initiatives and encouraging private sector investment in the community.

#### Private sector factors

- Adoption of a policy on addressing social concerns and developing in-house capacity.
- Identifying stakeholders and acknowledging the legitimacy of their perspectives.
- Identification of social risks and opportunities.
- Delineation of responsibilities for social provisions.



- Development of mechanisms for long-term representation of key stakeholders and conflict resolution.
- Evaluation of the effectiveness of social investment.

#### Civil society / NGO factors

- Willingness to work as partners in sustainable development in collaboration with the private sector and governments.
- Recognition of the legitimate role of governments to make strategic development decisions, providing that citizens are adequately involved in decision making.
- Development of accountability structures to local communities.
- Reconciliation of the campaigning/advocacy role in the development of long-term solutions.

A key conclusion in analysing the above factors is the cross-sectors' recognition of strengths, weaknesses and value each of these sectors contribute towards a significant partnership creation. Again the interdependency between the sectors becomes the driving force of partnership integration.

#### **5.3.4 Internalising partnerships**

As previously reported in this study, in most cases, SA companies' corporate social responsibility initiatives are still located in the CSI department, usually forming part of corporate communications and public affairs.

In a resource guide for companies on community development (IFC 2002), some suggestions are made on ensuring community participation in social development initiatives. These methods or suggestions could very easily also be viewed as ways in which organisations can internalise partnership building and the strategic importance thereof into the core values of the organisation.

Some suggestions are:

- Include participation in the mission statement of CSI initiatives and reinforce a participatory approach.

- Set up advisory bodies for specific projects - including beneficiaries, staff and other stakeholders, for example local governments.

- Create a formal channel to address complaints, criticisms, recommendations or constructive advice.

approach. What is however realised in SA is that, if planned and implemented appropriately,

- Create a staff that values participation - including this in job descriptions and rewarding or providing incentives for performance in this regard.
- Build participation into partnership efforts - encouraging community groups or corporate leaders to initiate contacts with NGOs, governments and other stakeholders.

It is generally accepted that through the partnership building process, the probability of sustaining community development and other CSI initiatives is far greater. Sustainable development still remains the key imperative in any CSI initiative. Chapter 6 will offer a literature overview of some existing frameworks for corporate citizenship that will demonstrate the positive impact of cross-sector partnerships as a determinant of sustainable development. The IFC (2000) however also suggested three key drivers of building sustainability into projects hence internalising this into core business strategies:

- Establish equitable and open decision-making procedures
- Build and support community organisations (NGOs) - ensure capacity building and skills transfer to empower communities in taking the project over.
- Require community or government co-financing and thereby diversify the financing sources for projects. This ensures building a broad base of people who are interested in maintaining a project.
- Form partnerships with other organisations specifically to utilise different skill bases and technical resources in order to maximise impact.

From the above it is clear that sustainability of social development projects is the key. Multilevel resource allocation therefore will remain an important prerequisite for success. The private sector with its broad base of resources and skills can be regarded as the ideal vehicle for partnership building to address the challenge of social development. It should however be internalised into the core strategic focus and drivers of an organisation by translating corporate consciousness into everyday roles and responsibilities.

### **5.3.5 Checklist for stakeholder management**

The points mentioned so far under 5.3 clearly indicate that establishing stakeholder partnerships requires some skill and dedication. The diverse backgrounds of stakeholders complicate the matter even further. The South African Government, with its unique history, furthermore, paradoxically did not forge partnerships, but rather created a system of exclusivity. Forming partnerships between historically "separated" stakeholders is a sensitive and emotionally loaded activity which in some cases requires a pragmatic approach rather than, an unstructured

approach. What is however realised in SA is that, if planned and implemented appropriately, partnerships can offer both business and its stakeholder's useful tools to discuss and promote global sustainability.

McIntosh et al. (1998) developed the following checklist to assist businesses and NGOs in partnership building. They also argue that by moving through these three phases, partnership could also be better understood.

(i) **Initiation**

- Identify partnership purpose; process-oriented or product-oriented.
- Define the problem, the common ground and the opportunity.
- Define clear and defensible objectives and action plans.
- Identify key people to lead the partnership process.
- Engage critical stakeholders in the process and decide on mechanisms for their future input.
- Establish equitable and open decision-making procedures.
- Launch the partnership in an open public forum.
- Establish a basis for continued collaboration.

Suggestions for business:

- Inform contacts in trade associations and other professional bodies.
- Consult those involved in similar initiatives to assess the particularity of the proposed goals.
- Find out the levels of expertise held by the proposed NGO partner, assess its campaigns and identify the benefits it can offer.
- Involve departmental managers who will be substantially affected by the partnership.
- Be open with the environmental group partners about problems.
- Recognise the implications for core business practice.
- Do not use the partnership as an endorsement of your company by the NGO partner.

Suggestions for NGOs:

- Inform counterparts in environmental groups working on similar issues.
- Identify and target those sectors of the industry with the greatest capacity to act quickly.
- Assess the organisational capacity to perform the required tasks.

- Encourage companies to embrace broad principles relating to corporate responsibility for the issue at stake.
- Seek corporate disclosure of information to the environmental group and the public.
- Be open about the potential pitfalls of working with business.

(ii) **Implementation**

- Support participants' needs and interests with the emphasis on personal contacts.
- Be adaptive and revise goals if necessary.
- Resolve disputes quickly.
- Think creatively about new management systems to facilitate the developing partnerships.
- Do not allow partnership managers to act with complete autonomy from senior management.
- Lobby government to support the initiative.

Suggestions for business:

- Promote the vision of the partnership among the key stakeholders.
- Define responsibility for day-to-day liaison with the NGO.
- Invest in the necessary information technology and training.
- Prepare research reports on the partnership to ensure that lessons are learned.
- See the initiative as a pilot project with potential implications for the future.

Suggestions for NGOs:

- Co-ordinate trading, investment, corporate fund raising and campaigning branches of the organisation.
- Develop a policy on relations with business if one is not already in place.
- Consult external experts to analyse the implications of the partnership.
- Seek feedback from business partners about your organisation's role and contribution to the partnership.
- Do not let financial, resource and skill limitation restrict the growth of the partnership.
- Do not take money for partnerships which involve a public endorsement of participating businesses.

(iii) **Evaluation**

- Celebrate the success and share the credit.
- Evaluate achievements against initial goals.

- Examine the potential to formalise achievements.
- Publish summaries of successes and failures.
- Support research on the initiative in order to identify lessons learned and new initiatives to be supported.

Suggestions for business:

- Communicate successes and limitations to key stakeholders.
- Utilise the skills and knowledge learned.
- Attempt an assessment of costs against benefits.

Suggestions for NGOs

- Attempt an assessment against environmental gains, social development and more abstract goals.

Section 5.3 specifically dealt with the fundamental process in building partnerships. A key imperative emanating from the above overview is the importance of openness, dialogue and inclusivity. Stakeholders need to understand, appreciate and respect one another's worlds. Therefore it is important for every stakeholder to allow one another into their worlds and shape the nature and importance of partnerships through a better understanding of one another. Another important conclusion is that partnerships are more than just a result of financial contributions. The reality of today is that cross-utilisation of skills, knowledge and infrastructure and the ability to influence strategic direction of stakeholders are becoming the drivers of partnership and form a fundamental basis of corporate citizenship.

#### **5.4 SOUTH AFRICAN PERSPECTIVES ON PUBLIC/ PRIVATE PARTNERSHIPS**

In the 2001 edition of the CSI handbook it is argued that there is a massive surge in co-operation between the private and public sector through CSI. It is widely considered as one of the most significant trends in CSI today. The National Department of Social Development's (DSD) initiative to organise a business summit on public/private partnership that was held in October 2002, was proof of this phenomenon. In a document developed by Mthindso (2002) on the summit, he identified the following goals:

- To develop a common and shared vision of partnership concerning social development with the business sector.
- To identify projects that could be jointly supported to enhance their social and economic sustainability, while aligning efforts, resources and expertise to ensure delivery in strategic areas.

- To enhance co-operative governance.
- To create institutionalised relations on monitoring and evaluation as well as other mechanisms for community development with the business sector.
- To provide guidelines to business on CSI with the aim of sustainable development and focused objectives.

In a recent survey done by Trialogue (2001) three quarters of corporate grant makers believe that CSI should be involved with government and three quarters of CSI programmes interviewed are actually involved with government in some way or other.

There still seems to be some resistance among the private sector to enter into partnership with government. Generally the concerns revolve around a lack of confidence in government projects and the “red tape” and procedures do not benefit the community at large. This reason undoubtedly shares light on the importance of streamlining partnerships. According to the CSI Handbook (2001) the SA companies that are ranked high in terms of their involvement with national government include: Eskom, Gold Fields, Metropolitan, PPC, Spoornet, Sanlam and Woolworths.

#### MULTISTAKEHOLDER PARTNERSHIPS

In considering international trends, it becomes clear that an increasing awareness exists of the critical influence of public policy on private sector and vice versa. This supports the movement towards creating significant partnerships whereby pro-actively consideration could be given to any policy issue even prior to formal procedures. Morash and Lynch (2002) remarked that in an environment of deregulation and increasingly competitive global markets, public policy should be linked to private sector resources, capabilities, measurement and performance. They further reported that public policy output and outcomes become crucial resources and inputs for private sector capabilities, global firm strategies, and ultimately performance. Similarly a resource-based demand or marketing focus would require tailoring and linking this public sector intermediate output to private sector and stakeholder demand requirements, preferably evolving towards a collaborative relationship or partnership.

For example, in the South African context, policy regarding HIV/AIDS is formulated regularly. These policies have an impact on various levels for example institutional, public interest groups, civil society and individuals. If one then considers the institutional impact, it becomes clear that the private sector (for example mining industry) has to deal with this policy in a preventative and reactive manner. The private sector however has no real control over policy formulation, but has to deal with the impact thereof on its business. Bearing in mind that resources reside mainly with the private sector, if partnership could be formulated, control over and dealing with the HIV/AIDS

pandemic could be done on a systemic level. The SA Mining Charter (2002) is however a good example of cross-influencing and collaboration between the government and the mining sector in developing the fundamental principles in the charter. A controversial example on the other hand was the unilateral decision that was made in 2000 by the Minister of Finance to stop salary deductions from government employee's' salaries (PERSAL SYSTEM). This led to a systemic shock in the financial sector because most banks and insurance companies relied on this deduction to collect their payments. One can therefore argue that both public and private sector neglected to proactively enter into a partnership regarding this matter to protect not only their respective standing on a national level, but also the interests of the ordinary man in the street.

Morash and Lynch (2002) in summary reported that, essentially, it means that as the business actors and public policy actors dynamically interact, the relationship may be elevated gradually for mutual benefit and competitive advantage. Kogut (1985:36) succinctly stated that "global strategies rest on the interplay of the competitive advantages of firms and the comparative advantage of countries". This interplay must be collaborative and mutually reinforcing to achieve synergistic rather than conflicting outcomes.

## **5.5 MULTISTAKEHOLDER PARTNERSHIPS**

In the previous sections of Chapter 5, the partnership principle was mainly focused on what is commonly known as tri-sector partnerships. The three main local roleplayers being government, the business sector and civil society were the points of reference.

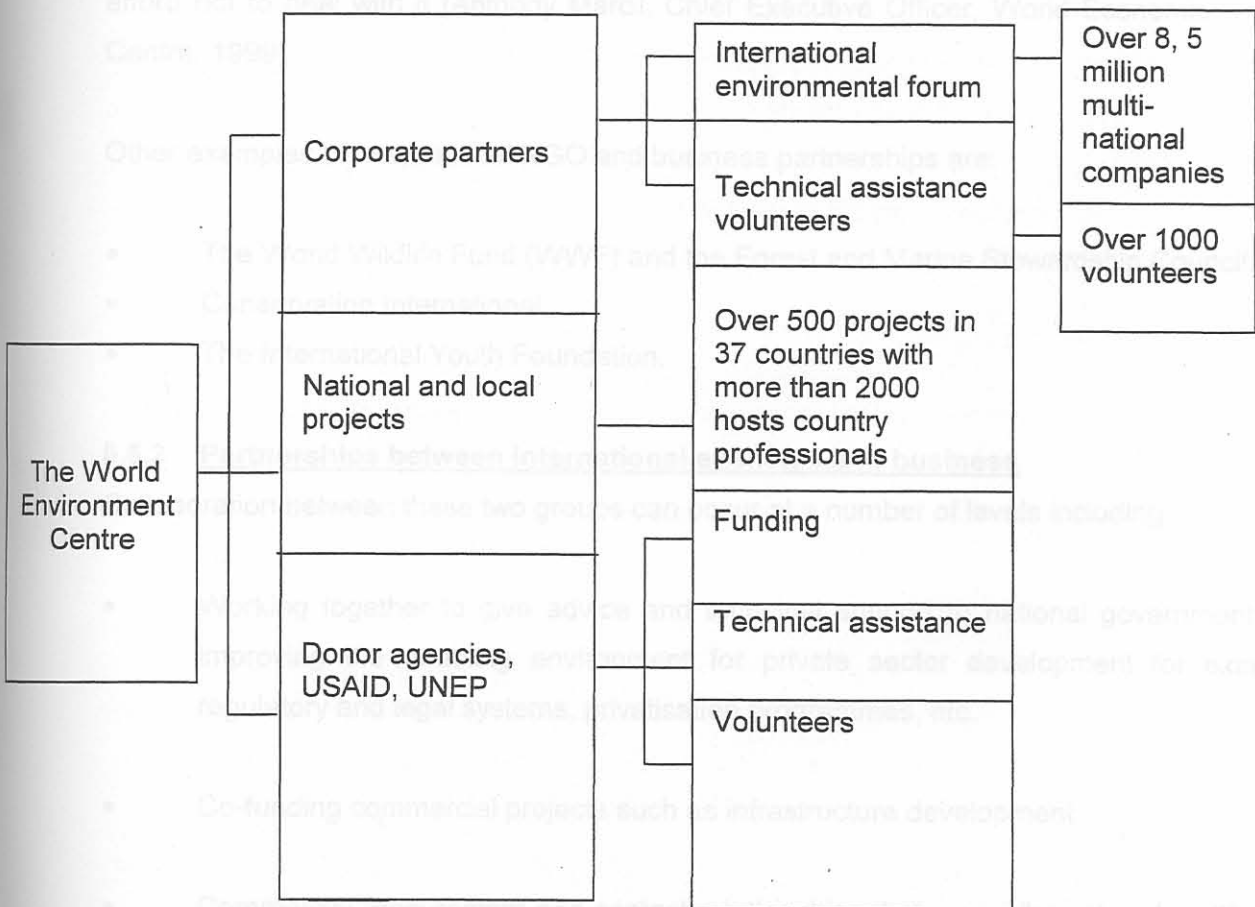
This section however, slightly broadens the scope of the stakeholder landscape to also include international partners like international NGOs and agencies, referring to them as multistakeholder partnerships. It is therefore strongly argued that though the creation of new types of global partnerships between business, government and non-governmental organizations, lays the heart of economic process, human development, social cohesion and environmental sustainability (Nelson 1996). Nelson (1996) also reported that many international NGOs, especially in the US, have a long tradition of funding from corporate foundations and the philanthropic budgets of companies. It is further argued that whilst these funding resources remain of great importance, both NGOs and companies are recognising the need to move beyond the hands-off "cheque book" approach of the past, to a more strategic and interactive relationship; one which matches the needs of the NGO and the beneficiary it is serving, with the business strategy and resources of the company.

The following three multisector partnerships are examples of global collaboration initiatives aiming at improving social and environmental cohesion. (Report by the Prince of Wales Business Leaders Forum, The World Bank and the United Nations Development Programme.)

**5.5.1 Partnerships between international NGOs and business**

The following diagram illustrates the multiple impact of such a partnership:

**Table 5.3: International NGO and business partnership** (Source: The Prince of Wales Business Leaders Forum, The World Bank and UNDP 1996)



These partnerships certainly remain a serious challenge. They are not without problems especially when they involve NGOs which have both campaigning and a project management structure, and a need to keep the former independent from certain business interacts, even if they are getting corporate support to run specific projects. This potential confrontation can only be resolved through the process of consultation without losing the freedom to be confrontational when necessary. With reference to Diagram 5.1, the following quotations provide proof of the importance of these partnerships.



The World Environment Centre has played a valuable role in encouraging the responsible use of world resources. Its effects to unite corporate and government leaders in developing solutions to environmental problems serve as a fine example of the benefits that can result when the public and private sectors work together (President Bill Clinton 1999).

Our strategy is to go into a company and use a technical project as a vehicle to change the management culture and attitude. We usually start with a company saying it cannot afford all that environmental stuff. When we finish a year later, they say they cannot afford not to deal with it (Anthony Marcil, Chief Executive Officer, World Economic Centre, 1999)

Other examples of international NGO and business partnerships are:

- The World Wildlife Fund (WWF) and the Forest and Marine Stewardship Council.
- Conservation International.
- The International Youth Foundation.

### **5.5.2 Partnerships between international agencies and business**

Collaboration between these two groups can occur at a number of levels including:

- Working together to give advice and technical support to national governments on improving the enabling environment for private sector development for example regulatory and legal systems, privatisation programmes, etc.
- Co-funding commercial projects such as infrastructure development.
- Commercial procurement and contact relationships, between bilateral and multilateral agencies and companies.
- Co-resourcing social and community projects, with funding and other types of resources.

These partnerships are also not without obstacles, especially when businesses and international agencies work together on social and human development projects. The complexity arises when multilateral agencies that are accountable to more than one government, partner with businesses which have their own identity and brand to protect. The potential conflict between a company

brand and multilateral agencies can be defused by also grouping companies together through their representative bodies, namely the Chamber of Commerce and Trade Associations. These bodies which have a clear common societal and sustainable development mandate, for example Rotary International, can then, through their collective effort, solve societal and environmental problems through partnering with international agencies.

Examples of these partnerships include:

- The World Bank's Information Development Programme - an innovative public private sector initiative aimed at helping developing economies to benefit fully from modern information systems.
- The UNs EMPRETEC programme - promotes entrepreneurship and provides assistance in the establishment and expansion of small and medium-size enterprises (SMEs) in developing countries and those with economies in transition. Training technical assistance and financial advice will be given to these entrepreneurs.
- The UNEP's cleaner production programme.

### **5.5.3 National business partnerships for development**

These partnerships are established by groups of companies with the specific purpose of:

- Tackling a range of broader societal and developmental challenges.
- Promoting and demonstrating through action, the broader role of business in society as a good corporate citizen.

The companies are usually drawn from a wide range of different sectors and are a mixture of both local and multinational companies. All of the partnerships are addressing a number of different development issues, rather than being single-issue focused. Globally those partnerships are increasingly viewed as the most powerful and significant tools in transforming business concerning social responsibility.

It is increasingly clear that the next step in transforming American Corporations is to transform the relationship between business and society (Rosabeth Moss Kanter, Harvard Business School 1999).

Examples of these partnerships include:

- The National Business Initiative for Growth, Development and Democracy in SA
- The Thai Business Initiative in Rural Development
- The India Business and Community Partnership

- Business for Social Responsibility in the USA
- Business in the Community in the United Kingdom

To sum up, the partnerships reported in this section of Chapter 5 provide some idea of the enormous richness and diversity of multistakeholder partnerships. Establishing these partnerships is not easy and it requires a joint vision, a strong sense of mission and hard work. Once again a key conclusion is the mutual respect needed between these partners, a positive response to other perspectives and different ways of doing things, and finally a common drive to reach sustainability amongst societies and environment.

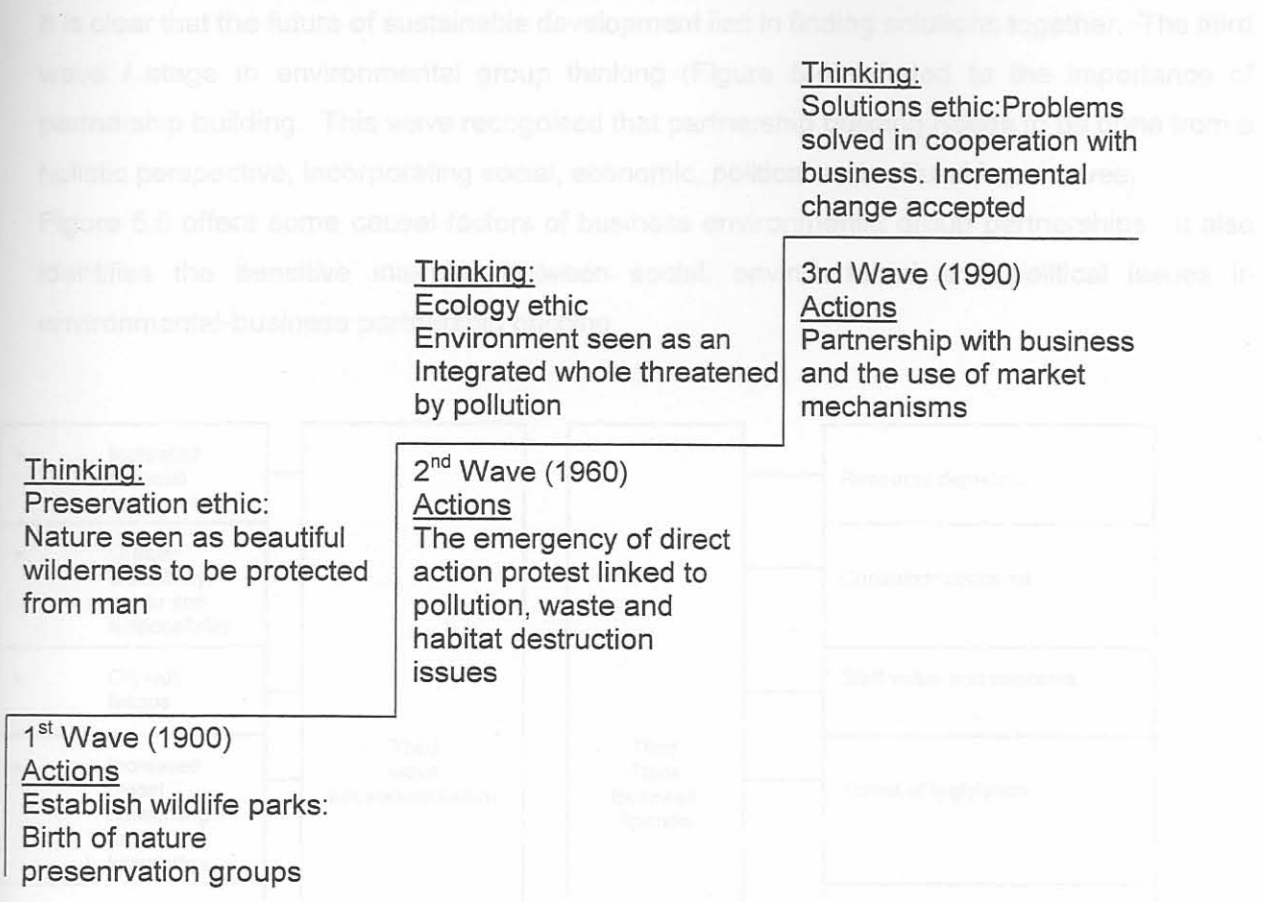
## **5.6 PARTNERSHIPS AND THE ENVIRONMENT**

It would be incomplete if an overview on environmental partnerships is not offered as part of Chapter 5. Although the basis of the study focuses more directly on issues relating to society, corporate citizenship as strategic driver of corporate performance includes environmental impact as well. At the Rio Summit (1992), business and environmental groups were invited to the conference table with national governments to discuss the future of the planet. Conclusions during the Rio Summit were contained in Agenda 21 which stated the need for multisector partnership in pursuit of environmental development.

The Shell Greenpeace stand-off over the deep-sea dumping of the Brent Spar Oil container and the international outrage at Shell's involvement in Nigeria (both in 1995) had brought serious attention to the critical importance of dialogue and partnership between business and environmental groups. To understand the factors influencing these partnerships, Murphy and Bendell (1997), pointed out three ways in which organised environmentalism has developed:

- The first wave of habitat and wildlife conservation beginning in the early 1900s, based on a preservation ethic.
- The second wave of lobbying for legislation and regulation beginning in the late 1960s, based on a holistic ecological ethic.
- The third wave of market-based approaches beginning in the mid-late 1980s, based on the solutions ethic which also embraces socio-economic concerns.

Figure 5.4 expands the theory behind the three waves by also linking it to certain actions.



**Figure 5.4 Three waves of environmental group thinking and action**

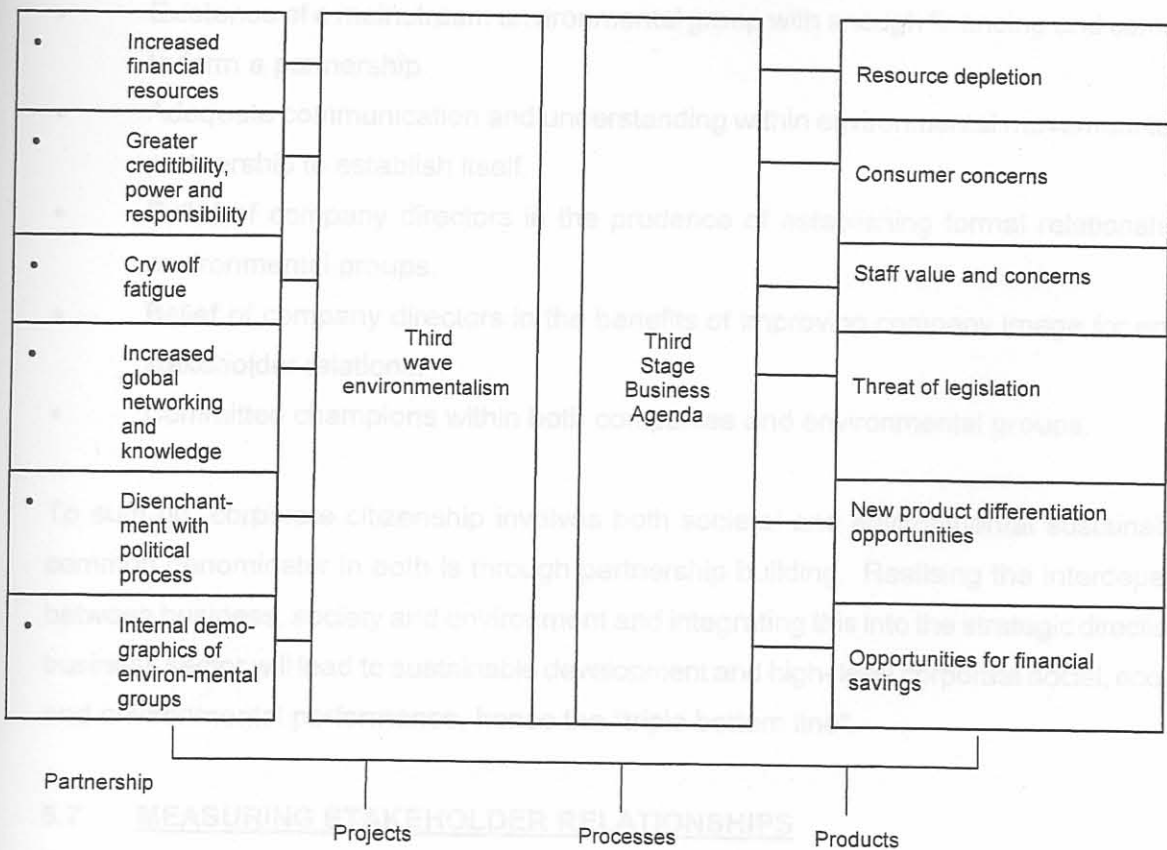
(Source: Bendell 1997)

According to Murphy and Bendell (1997), it was only during the third wave that collaboration or partnership was seen as the vehicle towards sustainable development. Furthermore a more systemic approach emerged during the late nineties whereby it was realised that long-term sustainability will require major social, economic, political and cultural changes. Murphy and Bendell (1997) refer to this as “the new social realism”. Social realism uses the language of classical economics to put across a quite radically different view of societal organisation. It could therefore be accepted that the societal organisation referred to here poses a challenge to serious societal and environmental integration into business practice; highlighting the interdependence between all stakeholders. Societal and environmental equilibrium largely depend on this holistic approach, which in turn spearhead the path towards sustainable development. “The new consensus offers no easy answers, it is experimental and requires us to face diversity – and embrace it (Murphy and Bendell 1997)”.

**5.6.1 Causal factors of environmental business group partnerships**

It is clear that the future of sustainable development lies in finding solutions together. The third wave / stage in environmental group thinking (Figure 5.4) alluded to the importance of partnership building. This wave recognised that partnership building needs to be done from a holistic perspective, incorporating social, economic, political and cultural imperatives.

Figure 5.5 offers some causal factors of business environmental group partnerships. It also identifies the sensitive interplay between social, environmental and political issues in environmental-business partnership building.



**Figure 5.5 Causal factors of business environmental group partnerships** (Source: Murphy and Bendell 1997)

Figure 5.5 shows that companies are starting to embrace sustainability fully. Business people are beginning to influence corporate agendas significantly, reflecting sustainable development as key drivers of performance. Fundamental to this strategic imperative is the establishing of partnerships between environmental groups and business. Finally, Murphy and Bendell (1997) offer some prerequisites or partnerships between business and the environment:

- Perceived or actual failure of political, governmental initiatives to achieve improvement relating to environmental problems.
- Presence of a threat to organised antibusiness protest.
- Existence of a mainstream environmental group with enough financing and commitment to form a partnership.
- Adequate communication and understanding within environmental movement to allow a partnership to establish itself.
- Belief of company directors in the prudence of establishing formal relationships with environmental groups.
- Belief of company directors in the benefits of improving company image for enhanced stakeholder relations.
- Committed champions within both companies and environmental groups.

To sum up, corporate citizenship involves both societal and environmental sustainability. A common denominator in both is through partnership building. Realising the interdependence between business, society and environment and integrating this into the strategic direction of the business sector will lead to sustainable development and high-level corporate social, economical and environmental performance, hence the "triple bottom line".

## **5.7 MEASURING STAKEHOLDER RELATIONSHIPS**

Engagement with stakeholders will be limited in value if the relationship is not measured. It is, however, important to note that putting a quantitative value on the relationship, can easily be perceived by all partners as superficial. It is therefore imperative to maintain a high level of dialogue and openness to ensure that all parties are in accordance regarding the motive behind measuring the relationship. The partners involved therefore need to agree on the indicators for successful partnerships right from the outset, in order to ensure the same basis of reference.

The Business in the Community (BITC - UK) in a report (1997) clearly reports that for any partnership to be successful, the whole organisation (in this case the private sector), including all major suppliers and other key partners, need to be inspired through the same purpose, vision and values to enable them to see where each one plays its part in making any partnership work. They suggest the following activities to determine the success of the partnership:

- Measure how far each stakeholder group shares the vision.
- Test how professional your handling of each relationship is by measuring yourself against relevant standards and/or external assessment.
- Measure the enterprise performance in each relationship, using benchmarking to compare with others.
- Measure what stakeholders in each relationship feel about it.
- Use all the above to stimulate improvement in every relationship.

Wheeler and Sillanpää (1997) categorised stakeholders in the following categories:

- Primary stakeholders:
  - social for example shareholders, investors, employees, customers, etc.
  - non-social for example the natural environment, non-human species, etc.
- Secondary stakeholders:
  - social for example Government, academic unions, institutions, etc.
  - non-social for example environmental pressure groups, animal welfare etc.

If only the primary social stakeholders are considered in order to determine whether a partnership is successful or not. Wheeler and Sillanpää (1997) suggest that by answering the following questions, an indication of the success of a partnership can be determined:

Question 1:

Who are your stakeholders?

- A. In addition to your employees and managers, who are your five most significant
- investors?
  - customers?
  - suppliers and business partners?
  - members of the local community?
- B. Can you rank them in order of importance according to the successful functioning of your company?
- C. What do you think the main expectations of your company are on the part of:
- employees and managers?
  - investors?
  - customers?
  - suppliers and business partners?

- members of the local community?

E. Members of the local community

D. What would you need to change, in order to meet the expectations more fully of :

- employees and managers?
- investors?
- customers?
- suppliers and business partners?
- members of the local community?

Stakeholder or partnership-accountability furthermore relates to good corporate governance

E. How do these expectations fit in with your company mission? Do they contain any obvious conflict of interest? If so, how do you intend to resolve them?

### Question 2

Do you know what your stakeholders think of you?

(This knowledge not only creates a basis for inclusivity, but is also a means of producing important commercial information.)

The following criteria against which an organisation's performance is measured by its stakeholders, also indicate the level of success of the partnerships:

- A. Employees and managers:
- Open-door management/culture.
  - Suggestion schemes.
  - 360° feedback systems, etc.
- B. Investors:
- Attendance of and participation in annual general meetings.
  - Questionnaires to solicit feedback, etc.

### 5.3 BENEFITS OF PARTNERSHIPS

- C. Customers:
- Market research, panels, focus groups.
  - Suggestion schemes.
  - Evaluating by independent consumer organisations.
- D. Suppliers and business partners:
- Questionnaires to solicit feedback
  - Joint activities and discussions.
  - Specific people to act as liaison.



E. Members of the local community:

- Company tours, open days for community groups, etc.
- Internship programme for students.
- Talks to schools, community groups.
- Volunteer programme for employees.
- Employees encouraged sitting on school and community group boards.

Stakeholder or partnership accountability furthermore relates to good corporate governance (Accountability Website: [www.accountability.org.uk](http://www.accountability.org.uk)). It is argued that the governance system can play two roles in helping the organisation to be socially responsible:

- by indirectly involving stakeholders in aspects of decisionmaking through ensuring that decision makers are enabled and encouraged to take stakeholder concerns into account and that systems and processes exist for these concerns to be articulated at appropriate levels and times within the organisation.
- by directly involving stakeholders in aspects of decisionmaking - through, for example, an independent stakeholder advisory panel linked directly to the main board.

Wheeler and Sillanpää (1997) did however report on the auditing dilemma (social auditing) in determining the success of partnerships. It could however, be argued that by following the abovementioned process, and by answering the stated questions in a positive manner, an organisation might be able to measure the success of its stakeholder engagement. Stakeholder governance will also ensure measurement of partnerships. It also offers a framework for any organisation entering into a partnership to plan and administer the relationship from the outset. In Chapter 6, social accounting/auditing, the principle of stakeholder engagement as a key indicator or reporting dimension will also be discussed.

## 5.8 BENEFITS OF PARTNERSHIPS

It could be argued that partnerships have become the “buzzword” of our time. Almost everybody, from politicians and business leaders, to community-based activists are using it to justify the reason for existence. Many of these partnerships, however, are superficial, overrated, powerful in theory but complex, problematic and often disappointing in practice. What remains a fact is that in the face of the world’s increasingly complex challenges, and scarce resources, there seem to be few other options. In a report by Nelson (1996) in collaboration with The World Bank and the UNDP, specific benefits were classified into two categories:

- Societal benefits of stakeholder partnerships
- Business benefits of stakeholder partnerships.

(i) Societal benefits

- Partnership for leveraging resources - not only financial capital but also physical, technical and managerial resources.
- Advisory structures - to inform, debate and help to shape the policy agenda.
- Joint public-private communications campaigns - to inform, educate, motivate and in some cases, mobilise the general public around specific public interest issues.

What emanates from the above three societal benefits is the opening up of dialogue and communication channels between what traditionally was known as incompatible diverse groups. The dialogue imperative therefore is a giant leap.

(ii) Business benefits

These partnerships can vary from commercially driven alliances for example management contracts, outsourcing and also socially driven alliances for example poverty alleviation initiatives in ventures that combine both commercial and social objectives such as cause-related marketing.

The benefits include:

- Enhancing reputation and “licence to operate”. The concept of “ethical capital” which is closely linked to reputation is likely to gather credence as a mainstream assessment of a company’s worth and thus contributing to brand value. It is not only governments that have legal control and legal sanctions over a company’s “licence to operate”; strikes, boycotts and activist campaigns are also starting to challenge this “licence to operate”.
- Managing, motivating and retaining quality employees. Through normal sound staff practices, but also through staff involvement in community volunteering and environmental initiatives, trust, pride and loyalty can be improved, and teamwork improved. Exposing staff to opportunities outside their job description can help staff develop new skills and could make it easier for staff to accept cultural change workshops.

(iii) Strategic marketing positioning. Through partnerships, entry into new markets can be gained, market share built and sustained, brand image promoted and access to market intelligence improved. It is for this reason that cause-related marketing, a strategy whereby marketing is done through and in collaboration with key stakeholders for example NGOs, is viewed as a strategic marketing imperative.

- (iv) Improving operational efficiency and quality. This leads to the reduction of input and transaction costs, an increase in process efficiency and product and service quality improvement.
- (v) Promoting better risk management and access to financing. Allows an organisation to develop sound internal control systems for monitoring governance issues and anticipatory problems. Commitment to “due diligence” is demonstrated and social and environmental risks are being managed by means of these partnerships.
- (vi) Investing in a stable society and community. The basic principle here is that “islands of wealth cannot survive in a sea of poverty”. It is specifically the case in developing/emerging economies that are also becoming the target of multinational organisations that through globalisation are being forced to move into these “new markets”. The partnership philosophy here is an almost non-negotiable bearing in mind that the global market economy is the cancer itself and that societal disintegration and environmental decline are inevitable outcomes of the current world system.

Judging the above benefits on both societal and business levels, there seems to be no standing argument against the value and benefits of partnership building. It however remains a complex process which can only through transparency and dialogue reach levels of significance. There seems to be sufficient reason why this strategic driver should be placed amongst the top strategic drivers of any organisation albeit government, the private sector or civil society. This certainly constitutes a key indicator of corporate social performance from a literature perspective. Tackling the ills of society will remain the responsibility of all who aim to flourish and prosper in such a society.

## **5.9 CHALLENGES IN CROSS-SECTOR PARTNERSHIPS**

The following section in Chapter 5 will offer an overview of some challenges facing the philosophy concerning establishing partnerships in the field of corporate citizenship. Although only three challenges will be reported, it is suggested in no uncertain terms that these three challenges are the only challenges in the field. These challenges represent the researcher’s opinion on the key challenges facing partnerships and stakeholder engagement.

### 5.9.1 Partnership and the “triple bottom line”

When a company engages with an external partner, there is generally a clear business reason for doing so. In some instances, that business case will include something about wanting to improve environmental/societal awareness within the company. This might include engaging the company's employees in the partnership activities but also asking the external partners to contribute to, or comment on social or environmental policies. Sometimes the business case may be predominantly about positioning the company publicly in relation to a particular issue.

Gilmour (2002) reports that successful partnerships which are really going to contribute to delivering “triple bottom line” outcomes need to take into account that the partnership is about producing internal change as well as external outcomes.

This openness to change is a critical part of the success of the partnership and the potential for change needs to be acknowledged at the most senior levels on both sides (Gilmour 2002).

The Earthwatch Institute in Australia ([www.earthwatch.org](http://www.earthwatch.org)) has adopted an approach whereby they partner with the corporate sector in offering experiential learning to private sector employees.

Through these hands-on training programmes company employees and leaders are given the opportunity to physically experience the interface between humans, culture and environment and thus get in touch with bio-diversity. These company employees usually return to their workplace with a sense of awe and appreciation of the wonder of interdependency between people and planet. Gilmour (2002) therefore strongly argues that where these changes can really start to affect companies is when there is a clear commitment to acknowledge the potential for change that such experiences and partnerships can bring and work to integrate them into company values. Only then can an organisation truly report on triple bottom line when full integration into the core strategy management principles and company systems and procedures has taken place.

We are looking forward to the time when we have Chief Financial Officers spending two weeks in the field learning the real value of society and the environment (Gilmour 2002).

The challenge however, remains in the ability of any organisation, whether it is government, private sector or civil society to engage in partnerships, understanding the complexity around this but embracing the value in diversity that it causes. It could therefore be concluded by arguing that

partnership building is a fundamental building block in reporting on the triple bottom-line. Finally, just as a CFO of an organisation needs to experience the financial statements in order to report on performance so societal and environmental experience is needed - hence the partnership principle.

### **5.9.2 Forming partnerships is about dialogue, openness and transparency**

Unfortunately it is still regarded as one of the biggest challenges corporates, governments and civil society are faced with. Sutcliffe (2002) argues that there is only one way to avoid being a "faceless" institution, and that is to be known and hopefully respected by all those who matter to the business through communication. With the event of globalization, spanning countries, time zones and cultures, the need for clear effective communication increases. In recent times, when things have gone dramatically wrong, the damage is very often done, not by the event itself, but by poor communication relating to it for example the Shell Brent Spar incident.

Through clear and transparent communication, stakeholders tend to build trust in organisations. Therefore stakeholders will almost give the particular organisation the benefit of the doubt if things do not seem to be going right for them. A classic example was Marks and Spencer (UK) when they had a child labour scare. The UK public's confidence in them was barely dented. People "knew" M&S, "they would not do that sort of thing - nor our M&S". This demonstrates the power of building trust through communication. On the other hand, no amount of good communication can gloss over a poor product, bad working practices, shady workmanship or corrupt management. It is therefore clear that although communication is critical "walking the talk" remains the driver behind being a good corporate citizen.

Grayson and Hodges (2001) argue that establishing sustainable relationships with stakeholders requires an investment of time and resources, as well as a genuine willingness to listen and learn from their perceptions of the company, hence the importance of communication and dialogue. They suggest four principles to keep in mind when engaging with stakeholders:

- Open two-way communication.
- Ensure integrity of the message.
- Gain credibility through partnerships.
- Ensure coherence and continuity.

The real communication challenge according to Grayson and Hodges (2001) is to :

- convince sceptical colleagues that stakeholder engagement is necessary;
- make sure that the corporate communication team understands and has the necessary information at hand;
- keeping all staff informed;

- creating a “goodwill bank” among external stakeholders;
- making sure that your stakeholders know you have listened and acted on what you have learned.

To sum up, internal communication between management and staff has always been a challenge for most organisations. Adding more recipients of messages to the list certainly complicate the matter even further especially if parties from diverse backgrounds start to engage in some form of partnership.

### 5.9.3 Corporate voluntarism

It was mentioned in Chapter 5 that in order to engage with stakeholders successfully and to establish partnerships requires commitment from the whole organisation. It was also noted that a key requirement for building partnerships is a fundamental understanding of the partner's background, needs and expectations as well as their working environment. The example of Earthwatch whereby staff members are given the opportunity to gain practical experience (on secondment) to Earthwatch demonstrates the importance of exposure in a certain area of collaboration. In South Africa there is evidence of a slow movement into the area of corporate voluntarism. The principle associated with this, is one whereby company staff are given time off during working hours, to volunteer for a project supported by the particular company. In some cases, for every hour an employee volunteers, the society adds another hour, hence the matching principle. Old Mutual in SA is currently one of the organisations which implemented this volunteering system, hence demonstrating the true spirit of collaboration and partnership. Tuffrey (1995) suggests that programmes such as short placements of staff in community organisations to work on precisely defined assignments, or mentoring schemes between business and community organisations, can help to provide expertise to community organisations.

Birch (1999) stresses that long-term interactive partnerships rather than short-term transactive relationships are the key to delivering social coalitions. While these writers acknowledge the contribution that transactional relationships, such as corporate volunteering and philanthropy can make to the community, they tend to argue that these interactions are ineffective. They have the tendency, according to Birch (1999), to be fragile and this can lead to one-sided relationships of dependency. Long-term, reciprocal and mutually beneficial partnerships can help to develop more sustainable outcomes from business interactions with the community. It is important to recognise, however, that the development of partnerships between business and the community can be difficult and problematic (Murphy 2000). Lee (2001) further argues that these judgements on transactional relationships such as corporate volunteering are made in the light of limited research on the perceptions of the stakeholders involved. In a case study approach by Lee

(2001) in New Zealand, the perceptions of business, employees and communities on voluntarism were reported:

- Business perceptions
  - Expression of corporate citizenship
  - Human resource benefits
  - Public profile
- Employee volunteer's perceptions
  - Personal contribution to the community
  - Potential for personal gain
  - Potential for business benefits
- Community perceptions
  - Practical assistance
  - Awareness raising
  - Raising public profile
  - Development of mutual partnerships

The case study results reveal the importance of corporate volunteering in the partnership building process. Corporate volunteering provides opportunities for sharing, dialogue and understanding between different sectors.

Corporate volunteering therefore has the potential to develop partnership opportunities between business and the community. Furthermore, the future business and social landscape characterised by unrest over the darker side of unregulated and unrestrained economic development, as well as the results of globalisation perpetuates the importance of closer collaboration between stakeholders (Lee & Higgins, 2001). Finally, the real challenge in SA originates from the variety of social, cultural and organisational values, which emerge when interactions between business and society increase. It therefore almost demands further research to better understand the socio-political environments and organisational cultures shaping business society interactions. Due to limited research findings in SA on corporate voluntarism, it could be viewed as a definite challenge in establishing partnerships. Corporate volunteering definitely has the potential to lead to more sustained community-business partnerships.

## 5.10 PARTNERSHIPS IN PRACTICE

The following section of Chapter 5 will offer two examples of how the partnership philosophy has been put into practice. These two examples offer proof of the power of stakeholder engagement and the establishment of cross-sector partnerships. The two examples will represent a South African and European case study.

### 5.10.1 International example (European) : The Copenhagen Centre

Throughout Europe cross-sector partnerships are emerging as an alternative means to counter issues of social exclusion. The increased role of non-state actors, both civil society organisations and businesses, in the sphere of social development is being promoted at a national and European level (Kjaer & Raymond 2002). The social responsibility of business in society is becoming increasingly important. In a report on local partnerships in Europe by The Copenhagen Centre (TCC) in 2002, it is mentioned that the growing involvement of business is characterised by a move from a merely "philanthropic " or charitable approach towards more direct involvement, linking social responsibility to their core business strategy. This movement is already captured in a green paper (2002) by the European Union on corporate social responsibility.

In 2000 The Copenhagen Centre initiated an action research project, Local partnerships in Europe (LPE) as a contribution to the debate and continuous development of partnership practices, with implications for both policy discussions and direct societal concerns. The main aims however, of TCC are:

- Leading European knowledge centre for new social partnerships.
- Introduction in action learning about partnership development.
- Promoting the role of government in partnerships for social inclusion.

TCC is regarded globally as the leading institution forging partnerships between government, civil society and the private sector. TCC strongly argues that cross-sector partnerships are increasingly becoming the development approach of the 21<sup>st</sup> Century. Most international agencies, many national and international companies and an increasing number of governments and some key NGOs see partnerships as the most effective route to social cohesion, environmental stability and equitable economic growth. In a document by TCC in collaboration with the University of Cambridge and the Prince of Wales International Business Leaders Forum (IBLF 2002), it is noted that cross-sector partnerships are not however, an easy option. Successful partnerships require some radical rethinking and changes in practice. The three institutions listed above therefore decided to collaborate in developing a certificate programme, designed to provide intellectual challenge as well as practical training and support for those who



were leading their organisations, strategically, or operationally in the development of cross-sector partnerships. The programme is the first of its kind and has already achieved international acclaim. It has already attracted participants from 20 different countries.

The Post-graduate Certificate Programme in Cross-sector Partnerships has three stages:

**Stage 1:** Constructing a partnership hypothesis.

- Inputs from experts on issues driving partnerships.
- Translating experiences into institutional imperatives.
- Designing a partnership project.

**Stage 2:** Testing partnership in practice.

- Building coherent arguments.
- Confronting key issues facing partnerships.
- Promote partnership strategies to tackle development imperatives.

**Stage 3:** Reviewing the evidence.

- Provide structured feedback on individual and group learning.
- Respond to input from selected contributors.
- Work with tutors to review progress on individual project work and plan final submission of asset material.

In conclusion, although TCC can be regarded as the leading institution on the theory and practice of cross-sector partnerships, in no way does it exclude a number of other similar initiatives. TCC however, strongly focuses on the practice of partnership building and has built up an international reputation over the last few years.

**5.10.2 “Heartbeat” Centre for Community Development ( South African example)**

To demonstrate the practice of partnership in South Africa, the decision was made to include the Heartbeat model for community development. The success of “Heartbeat”, an NGO that specifically focuses on the HIV/AIDS pandemic, led to the incorporation of the “Heartbeat” model as proof of how, through partnerships between civil society, government and private sector, a definite impact on the HIV/AIDS pandemic has been made. According to the South African Government, Department of Social Development, the “Heartbeat” model is already being used as the benchmark for community development relating to the HIV/AIDS pandemic (Mtindzo 2002). The following information on “Heartbeat” namely background, project methodology and the model for community development (Pienaar 2002, unpublished business plan document) offer an overview of the NGO and its core focus and capabilities.

Background:

Heartbeat, Centre for Community Development was established in 2000 with the objective of “facilitating change in impoverished communities in order to alleviate the suffering of marginalised community members, particularly women and children”. Heartbeat was touched by the plight of the AIDS orphans and has subsequently focused its intervention on alleviating their suffering. In accordance with Government policy, Heartbeat is operating as part of an integrated development programme with the Departments of Health and Social Development in the communities of Khutsong, Katlehong, Atteridgeville (Gauteng) and Botshabelo (Free State).

The private sector is the main funder of the overall programme. The Department of Social Development also contributes substantially to the integrated models in Khutsong and Atteridgeville. The two programmes in Katlehong and Botshabelo were identified by Old Mutual, which provides funding for HIV/AIDS programmes through REDI and their national AIDS orphans programme in all nine provinces as part of their CSI. The programmes in these areas are all managed by NGOs, Heartbeat being one of the NGOs receiving funding from Old Mutual to implement programmes in Katlehong and Botshabelo. It is within the parameters of this developmental approach that Heartbeat has developed a comprehensive model of care and support to alleviate the socio-economic impact of HIV/AIDS on children, youth, and their caretakers in peri-urban communities. Heartbeat has received acclaim from the Minister of Social Development, Dr Zola Skweyiya for their programmes.

The Heartbeat approach:

Heartbeat has developed partnerships with Carletonville Home Based Care and CAAC (Khutsong), Naledi Hospice (Bloemfontein), Khanya Family Centre & Katha (Katlehong), Mukhano Pre-School Project Headstart (Atteridgeville), and national and provincial governments. Save the Children from the UK, SpoorNet, the Old Mutual Foundation, Electrophaps, Cell C, Anglo Gold, many churches in South Africa, and most recently the First Rand Foundation.

As a result of these partnerships and the success in implementing community-based care models, Heartbeat is currently replicating the model in the communities of Botshabelo (Free State), Atteridgeville (Gauteng) and Katlehong (Gauteng). Their dream is to implement their community model in all provinces in South Africa. This dream will be realised as Heartbeat undergoes more partnerships.

Heartbeat facilitates social mobilisation of communities into community childcare forums. Heartbeat does not promote institutional care of children and youth as they believe that children should grow up in their own communities. They build on existing strengths in these communities

to advocate the rights of orphaned and vulnerable children and to take care of and support these children. To achieve this in peri-urban settings, Heartbeat mobilises the schools, churches, home-based care programmes, traditional healers, women's and youth organisations, which represent individual community child care committees, as well as local government, government departments and service providers into a community child care forum. Each committee develops its own portfolio to ensure that the rights of the orphaned children are adhered to by government, service providers, the community as well as family members. Heartbeat builds the capacity of the forum by way of workshops and training. Income generating and poverty alleviation projects are an integral part of the activities of the forum.

In addition to this forum, Heartbeat recruits project staff and volunteers from the communities where they intervene. Heartbeat capacitates them as community development facilitators and childcare workers. The childcare team is responsible for the physical and psychological support of children living in child-headed households in their own communities.

Heartbeat wishes to expand their work to the broader Free State area, the North West Province and the farming communities in Mpumalanga within the next two years, gradually expanding their work in South Africa.

#### Project Methodology:

##### Phase 1: Engagement

- Networking with potential partners in the selected communities and sharing the objective of the intervention.
- Screening a selection process of partner(s).
- Sign memorandum of agreement between Heartbeat and selected partners.
- Heartbeat educates herself on the dynamics of the community through the identification of community key players and the creation of a community profile.
- Heartbeat and the selected partner introduced the partnership and objectives of the joined venture to the community by way of individual visits to community leaders, organisations and government departments, presentations at community meetings; conducting stakeholder conference(s) and creating a general presence in the community.

##### Phase 2: Resource and Infrastructure Development

- Recruitment/re-allocation and appointment of project staff and volunteers (community development facilitator, 4 community childcare workers).
- Recruitment of volunteers to visit and register identified orphans, to participate as fieldworkers in research for the farm project.

- Establishing infrastructure at selected partner; table, chairs, telephone lines and a filing cabinet.

#### Phase: Research on the farms

- Geographical analysis to obtain a clear picture of the community in terms of employment rate; sex; population; etc.
- Mapping to border the area of intervention;
- Determining priorities for community development (Schutte Scale) to align the project accordingly.
- Training of volunteers by the research assistant to do research on the dynamics of care in the farming community.
- Community development facilitator and volunteers identify and register orphans.
- Statistical analysis of questionnaires.
- Drafting of reports on the dynamics of care; Schutte scale and analysis of skills base to provide the basis for planning effective intervention.
- Share the results of the analysis with the community to ensure community participation and ownership in the process of project development.

#### Phase 4: Planning and Training

- Planning workshop(s) utilising reports as basis for planning.
- Drafting of project plans.

#### Phase 5: Implementation

- Implementation of findings of the research.
- Register child-headed households and other orphaned children to the “Sponsor a Child in Need” project.
- Appoint childcare workers.
- Build the capacity of the farming communities through training and workshops to initiate and implement plans of action in order to ensure that the rights and needs of orphans and vulnerable children in the community as well as those of their caretakers are met.
- Build the capacity of caretakers of orphaned and vulnerable children by way of economic and psychological empowerment.

#### Phase 6: Disengagement

“A community is mobilised when it becomes aware of its issues, takes the initiative to assess its needs, and takes action, which results in shared benefits (Community Mobilisation and AIDS, 1997)”

Phase 7: Documentation and Evaluation

Heartbeat documents process and lessons learned.

The Heartbeat Model



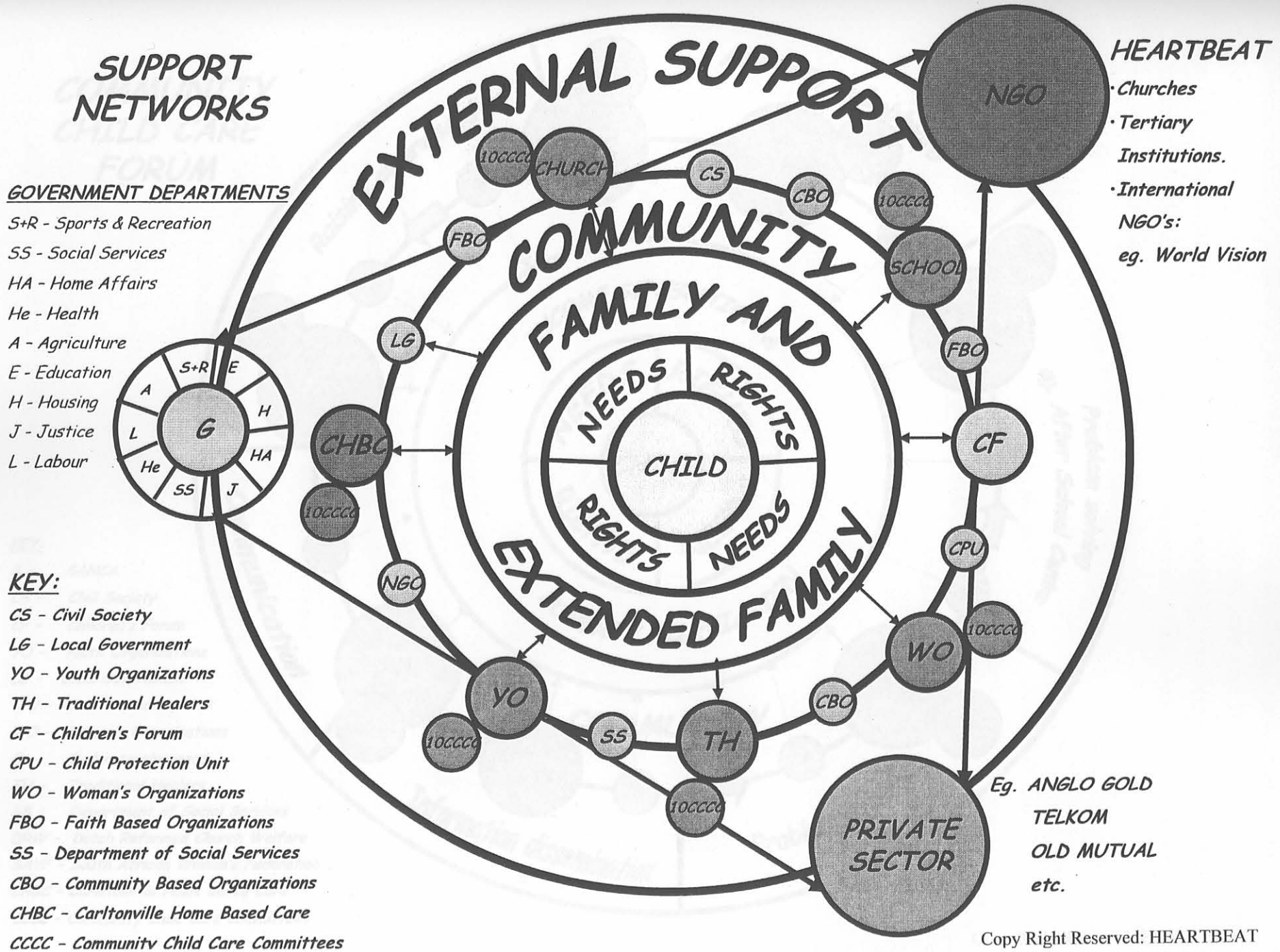
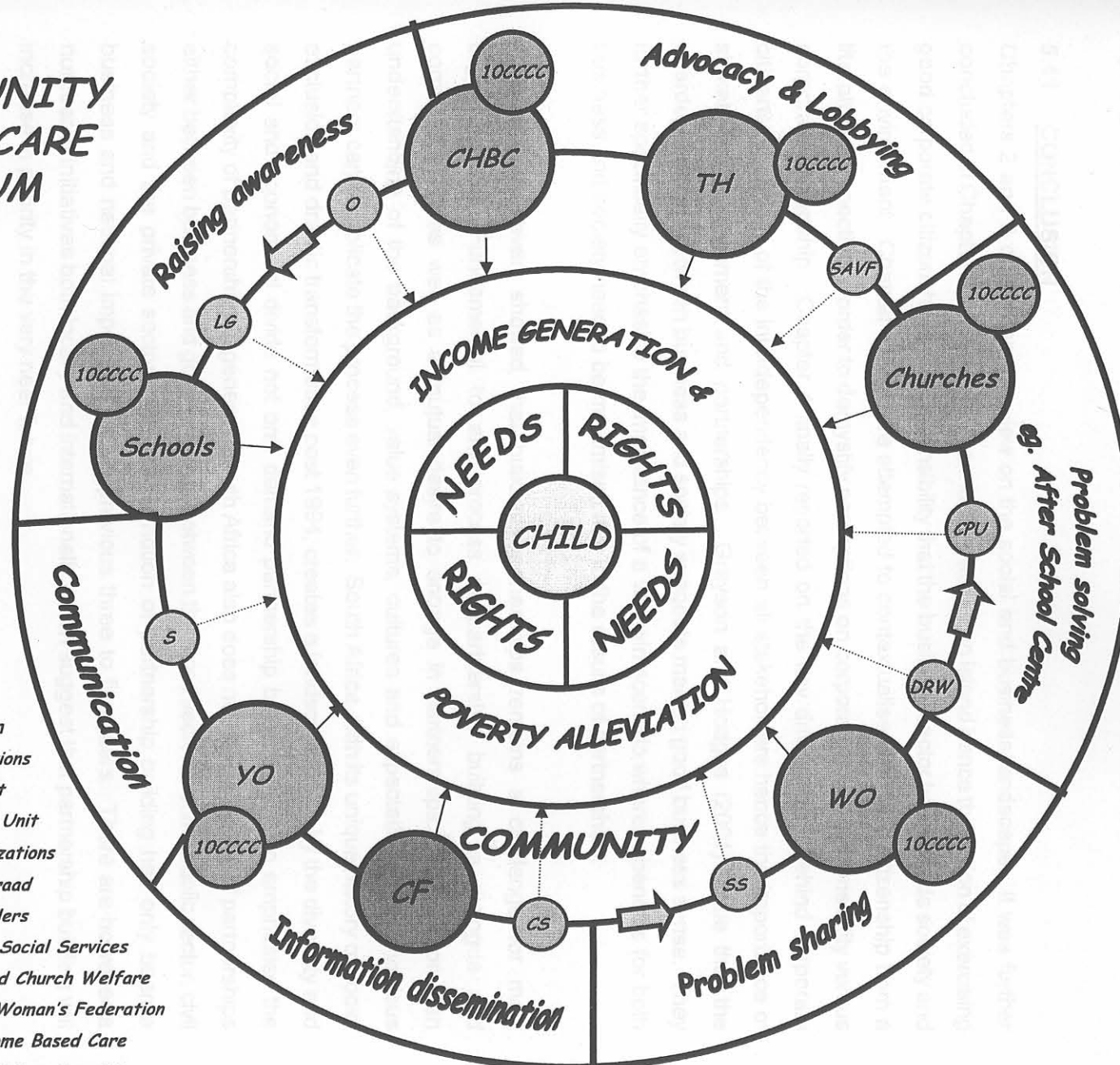


Figure 5.6 Support networks and partnerships (Source: Pienaar 2001)

# COMMUNITY CHILD CARE FORUM



- KEY:**
- S - SANCA
  - CS - Civil Society
  - CF - Children's Forum
  - YO - Youth Organizations
  - LG - Local Government
  - CPU - Child Protection Unit
  - WO - Woman's Organizations
  - O - Ondersteuningsraad
  - TH - Traditional Healers
  - SS - Department of Social Services
  - DRW - Dutch Reformed Church Welfare
  - SAVF - South African Woman's Federation
  - CHBC - Carletonville Home Based Care
  - CCCC - Community Child Care Committees

Figure 5.7 The community Child Care Forum (Source: Pienaar 2001)

In summary, it is clear that the strength of the Heartbeat Model lies in its ability to forge partnerships from local grassroots levels to institutional level with the main objective to mobilise resources and aligning infrastructure to deal with the HIV/AIDS pandemic. The SA Government has endorsed the need to forge such cross-sector partnerships. The South African Business Coalition on HIV/AIDS (SABCOA) is another example of the business sector involvement in the fight against HIV/AIDS.

## 5.11 CONCLUSION

Chapters 2 and 3 offered an overview on the social and business landscape. It was further concluded in Chapter 4 that business cannot operate as an island hence the notion of exercising good corporate citizenship in the responsibility that the business sector has towards society and the environment. Chapter 4 therefore attempted to contextualise corporate citizenship from a literature perspective in order to demystify perceptions on corporate social responsibility versus corporate citizenship. Chapter 4 finally reported on the key driving force behind corporate citizenship namely of the interdependency between all stakeholders hence the importance of stakeholder engagement and partnerships. Grayson and Hodges (2001) argue that the interdependence between business and society suggests making good business sense. They further specifically emphasise the importance of a win-win scenario whereby benefits for both business and society need to be maximised due to the results of partnerships.

Chapter 5 however, showed that building partnerships remains a challenge for most organisations. Fundamental to any process of partnership building is dialogue and communication as well as a mutual desire to engage in partnerships. Furthermore, an understanding of the background, value systems, cultures and expectations of the various partners can complicate the process even further. South Africa, with its unique history of social exclusion and drastic transformation post 1994, creates a landscape whereby the diversity and social and economical divide not only demand partnership building but also emphasise the complexity of partnerships in general. South Africa also does not have a history of partnerships either between business and government or between the three sectors i.e. the public sector, civil society and the private sector. The whole notion of partnership building has only been a business and national imperative for the previous three to five years. There are however a number of initiatives both locally and internationally which suggest that partnership building will increase in priority in the very near future.

The UK based Environment Council (2001) explains its understanding and practice of building dialogue. This involves:

- again, a search for win-wins
- an exploration of shared and different values, needs and fears



- focus on process rather than views
- strengthening and building relationships

According to Zadek (2001) stakeholder engagement is arguably the most critical ingredient in the development of the civil corporation. He strongly supports the importance of dialogue but also recognises the fact that there is no single formula on partnership building. He also views it as a process rather than an end in itself. A major opinion by Zadek (2001) in support of this study's aim is the fact that stakeholder dialogue underpins indicator development and use. He states that performance indicators need to reflect stakeholder interests as well as stated corporate policies and commitments. This already strongly suggests the need to be proved that a case for stakeholder dialogue as a SA indicator for corporate social performance can be made out.

Finally, a central theme emerging through Chapter 5 is the importance of trust. Trust is a key aspect in the development of business relationships and probably the most difficult value to establish between partners. The advent of globalisation, a greater emphasis on relationship building rather than managing conflict, and a growing awareness of the importance of economic co-operation, have led to a re-evaluation of the importance of trust as a business issue in the last three decades.

Furthermore, South Africa with its history of distrust between not only ordinary citizens, but also between institutions places an even stronger emphasis on the importance of building partnerships between all sectors in society. The government, the private sector and civil society are complicating the building of trust which is desperately needed in South Africa. In South Africa however, as an emerging country with its growth potential "mining" the pot of gold depends largely on the ability of multiple sectors to work together, especially when economic opportunism is the goal. Ensuring that the same intent does not vitiate the joint contribution of capabilities remains the challenge which is underpinned by the needle of trust.

Kimber (2001) argues that with the emerging importance of corporate reputation and citizenship, multinational corporations are forging relationships with other groups representing social and environment communities. Former "radical" NGOs are increasingly being turned to by corporations concerned about their own lack of knowledge in community and environmental affairs. Therefore understanding the implications of how trust is built or lost, especially with former "enemies" who are now "uncontrollable, often suspicious "allies", is an important dimension for the corporate citizenship movement, let alone the building of partnerships between these diverse groupings.

A strong argument in the light of the literature review in Chapter 5, can be made in favour of stakeholder engagement and partnership building as a possible critical indicator of corporate social performance. Chapter 6 will therefore offer a literature review on some frameworks indicating the determinants of corporate citizenship hence the process of corporate social performance. These frameworks which incorporate elements such as social and environmental reporting, accountability sustainability issues, stakeholder engagement, transparency, inclusivity, communication and dialogue can therefore be seen as a logical next step.

What remains a challenge however in the field of corporate citizenship is determining the process of corporate citizenship. These frameworks will therefore offer a summary of Chapters 2 and 5 from an integrative perspective culminating into a holistic view of corporate citizenship and social performance.

According to (UK), stakeholder engagement constitutes the pivot of the social accounting process (see Figure 6.1).



Figure 6.1: Accounting process (Source: Accountability 2001)

It is for this reason that Chapter 6 will focus on the theories as well as methodologies underlying social measurement. Chapter 6 will also offer examples of the frameworks used to report on social performance.

According to Logan (2001), "Citizenship needs to move from the realm of social philanthropy to the realm of management science and the measurement agenda is central to this transition." Zidek (2001) argues that the single largest area of wilderness in the field of corporate citizenship in the last decade has been in the development of new measures of progress. He strongly argues that non-financial aims and outcomes will only count when they are effectively measured. Public opinion surveys repeatedly conclude that an overwhelming proportion of the consuming public is willing to reward or penalise companies through their purchasing decisions on the basis