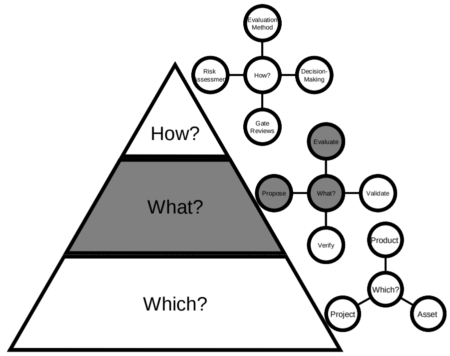
3. Social Sustainability Framework [3]



3.1 Introduction

The first main element of the proposed model to incorporate sustainable development in project management methodologies is a comprehensive sustainable development framework (see section 1.4.1). Since the publication of Agenda 21[4] in 1992, numerous frameworks to measure or assess sustainable development have been developed. From a business sustainability perspective, these frameworks (see Appendix A and Table 1-1) have the following weaknesses:

- The focus is typically on a national, regional or community level. Not many frameworks therefore focus on business sustainability [137]. The European Union [21] supported this view when it stated that a framework to ensure that businesses integrate social considerations into their activities is needed.
- It lacks clear and detailed guidance for indicator use [138].
- Although the frameworks have a strong environmental focus, key social aspects are ignored [11, 138].
- Most frameworks are developed for internal management, which does not allow for external benchmarking [138]; and
- no universally accepted tool aimed at considering impacts across the three dimensions of sustainable development [139] has been introduced.

The review of existing frameworks of sustainable development (see section 1.1.1 and Appendix A) revealed that a sustainable development framework for application directly to projects to ensure alignment with sustainable development does not exist at present. A framework aimed at assessing or measuring a project's sustainability is therefore needed [89, 103, 110]. Although this thesis focuses only on the social dimension of sustainable development, the integrated nature of the three dimensions requires consideration of the other two dimensions when developing the social sustainability framework.

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[3] The framework was developed in co-operation with a Masters Student from the Technical University of Eindhoven. A joint publication of this research work appeared in the Journal of Cleaner Production in Vol. 13(4), 2005, pp.373-385.

[4] Agenda 21 is an output document of the 1992 United Nations Conference on the Environment and Development held in Rio de Janeiro. It describes a blueprint or action plan for the implementation of sustainable development.

3.2 Prerequisites for the Framework

In order to propose a modified business sustainability framework applicable to projects, the following two questions need to be addressed firstly:

- Should a business sustainability framework include an institutional dimension? Thus, should business sustainability be measured in four dimensions, as per the United Nations' (UN) Commission on Sustainable Development (CSD) proposition to include the institutional dimension or in only three, i.e. the economic, environmental and social dimensions; and
- What is the relationship between Corporate Social Responsibility (CSR) and business sustainability and how should the relationship feature in a framework?

3.2.1 Institutional Sustainability and Business Strategy

Although Agenda 21 does not specifically refer to a fourth dimension, some institutional aspects and indicators cannot be classified under the other three dimensions [140]. The UN's CSD therefore introduced a fourth dimension of sustainability, namely Institutional Sustainability. It is thus believed that proposing institutional sustainability as a fourth dimension has been a prerequisite for the operationalisation of Agenda 21's demands [141]. The UN's CSD divided Institutional Sustainability into two themes, namely institutional framework with two indicators and institutional capacity with four indicators (see Table 3-1). The institutional sustainability dimension covers 6 chapters of Agenda 21 [39].

Table 3-1: Institutional Themes, Sub-Themes and Indicators of the UN's CSD [39]

Theme	Sub-Theme	Indicator
Institutional framework *(38,39)**	Strategic implementation of sustainable development *(8)*	National sustainable development strategy
	International co-operation	Implementation of ratified global agreements
Institutional capacity *(37)*	Information access *(40)*	Number of Internet subscribers per 1000 inhabitants
	Communication infrastructure *(40)*	Main telephone lines per 1000 inhabitants
	Science and technology *(35)*	Expenditure on research and development as a percentage of Gross Domestic Product (GDP)
	Disaster preparedness and response	Economic and human loss due to natural disasters
* Numbers in brackets indicate the relevant chapters of Agenda 21 addressed by the theme or sub-theme.		

Chapter 8, which is considered as the core institutional chapter of Agenda 21 [140, 141], calls for, amongst others, integrating socio-economic and environmental aspects in decision-making as well as adopting a national sustainability strategy [142]. The contents of the six chapters in Agenda 21 focussing on institutional sustainability are summarised in Table 3-2.

Table 3-2: Analysis of Agenda 21 Chapters Relevant to Institutional Sustainability [142]

Chapter and Title	Programme Areas[5] Defined
Chapter 8: Integrating Environment and Development in Decision-Making	a) Integrating environment and development at policy, planning and management levels b) Providing an effective legal and regulatory framework c) Using economic instruments, the market and other incentives effectively d) Establishing systems for integrated environmental and economic accounting
Chapter 35: Science for Sustainable Development	e) Strengthening the scientific basis for sustainable management f) Enhancing scientific understanding g) Improving long-term scientific assessment h) Building up scientific capacity and capability
Chapter 37: National Mechanisms and International Co-operation for Capacity-Building in Developing Countries	No specific programme areas defined.
Chapter 38: International Institutional Arrangements	No specific programme areas defined
Chapter 39: International Legal Instruments and Mechanisms	No specific programme areas defined
Chapter 40: Information for Decision-Making	a) Bridging the data gap b) Improving information availability

Both the UN's CSD approach [39] as well as the SERI-study into institutional sustainability [140, 141] indicates that businesses can only address the first theme of institutional sustainability, namely institutional framework, on a strategic level by:

- mentioning and incorporating sustainability principles within business strategies, i.e. vision, mission, business goals, etc., in line with national and international government's;
- openly acknowledging support for global agreements;
- including external sustainable development objectives in internal research and development; and
- allocating funding to address sustainability issues beyond the company's immediate control.

[5] Programme areas defined in Agenda 21 are described in terms of the basis for action, objectives, activities and means of implementation and thus describe specific action steps to achieve the specific goal of the chapter for which it is defined.

Institutional sustainability's manifestation on a strategic level within a business or industry can therefore be seen as a prerequisite for sustainable operations, projects or even corporate sustainability. Since this chapter proposes a framework to assess project's sustainability, the first level of the proposed framework is thus referred to as the "Corporate Responsibility Strategy" (see Figure 3-1). It implies that a prerequisite for all sustainability is a strategy accepting the company's responsibility and vital role both in every society it operates in as well as in the global environment. Such a pro-active sustainability strategy is regarded as indispensable to set a definite course towards sustainable development objectives [143]. The board of directors should design the strategy and can include references to international agreements or actions that the company endorses. Projects'sustainability is therefore only evaluated in terms of the remaining three dimensions, i.e. social, environmental and economic. However, business should still address the second theme of institutional sustainability, namely institutional capacity, on an operational level. The framework also includes this theme (see section 3.4.2.4).

3.2.2 Corporate Social Investments and the Sustainability of Business Initiatives

The sustainable development assessment frameworks reviewed as well as the discussion of corporate social responsibility and business sustainability (see Appendix A and C) indicate that social sustainability entails far more than only Corporate Social Responsibility (CSR) projects or Corporate Social Investment (CSI) in communities. Although companies can have a large and positive effect on society through their CSI or CSR projects [144], core business activities have a bigger social impact than the company's philanthropic contributions can ever have [93]. The fact that development is by nature social [145] and that projects start core business activities, which are normally new developments, strengthens the above argument.

CSR projects and CSI contribute to a company's overall sustainability and should be evaluated as such [60]. Yet, although funded by profit generated from operational activities, it does not form part of a company's core business activities although the company's corporate responsibility strategy guides CSR projects and CSI. Nevertheless, a framework aimed at evaluating a project's sustainability should not take the company's CSR initiatives into consideration. However, any CSR project or CSI resulting directly from the project at operational level and sponsored by the project budget must be evaluated in terms of its social sustainability impact. For example, Sasol builds schools and drinking wells in Mozambique as part of its natural gas pipeline project [146]. To ensure a clear distinction between company CSR projects and CSI as well as project sustainability in the framework, Level 2 sub-divides company activities guided and influenced by Level 1 into the following two dimensions (see Figure 3-1):

- Societal Initiatives, i.e. CSR and CSI; and
- Operational Initiatives, i.e. projects and core business activities.

The operational initiatives' sustainability can be assessed in terms of the three dimensions of sustainability.

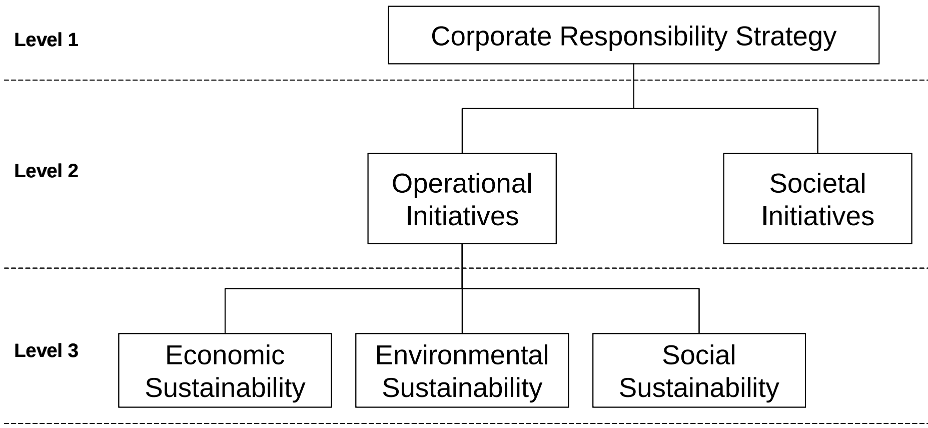

Figure 3-1: Level 1 to 3 of the Project Sustainability Assessment Framework

3.3 Economic and Environmental Dimensions

3.3.1 Economic Business Sustainability

The various frameworks reviewed fail to address economic sustainability in the same context. The Global Reporting Initiative (GRI) defines economic sustainability as concerning "*an organisation's impacts on the economic circumstances of its stakeholders and on economic systems at the local, national and global levels*" [60]. The GRI is thus predominantly concerned with a business's external impacts on economic systems. The UN, Wuppertal Institute and IChemE frameworks follow an internal focus regarding the economic dimension, i.e. the UN and Wuppertal frameworks consider a nation's economic performance in terms of Gross National Product (GNP) or GDP per capita. It is therefore imperative to stipulate whether an internal or external focus is followed for the proposed framework's economic dimension.

The Caux Round Table's Principles for Business states that although survival on its own is not a sufficient goal, a business must at all times maintain its own economic health and viability [47]. Others agree with the Round Table in that the first step for businesses serious about social responsibility is to stay in business [30]. Henry Ford also realised the importance of sound finances by stating that "*if business concentrates on social goals at the sacrifice of short-term profit, it may find itself destroyed at its neglect of its long-term future*" (cited in [1]).

Companies' survival in the long-term thus depend on their ability to be profitable. Unviable businesses can make no contribution to the economic systems on a local, national or global level [147]. Another argument indicates that a company's first social responsibility is towards its owners and shareholders. This responsibility entails profits and a healthy economic situation [148, 149]

Internal operational initiatives directly contribute to a company's overall profitability. Furthermore, the proposed framework is aimed at assessing an operational initiative's economic sustainability, which will only contribute to sustainable development by ensuring the conditions for ongoing survival [150]. Therefore, the focus of framework's economic dimension is internal, while external economic contributions or burdens are allocated to social sustainability, i.e. as external socio-economic aspects.

The IChemE and UN approaches are used as a basis to define criteria relevant for this dimension. This dimension aims to evaluate the business short and long-term financial stability and survival capabilities. The following four criteria can be used for this purpose:

- Financial Health - the criterion entails those aspects assessing a company's internal financial stability and includes traditional measures, such as profitability, liquidity and solvency as sub-criteria;
- Economic Performance - the criterion assesses the company's value as perceived by shareholders, top management as well as government and includes sub-criteria, such as share profitability, contribution to gross domestic product and market share performance;
- Potential Financial Benefits - The criterion assesses financial benefits other then profits, e.g. national and/or international subsidies based on the environmental, social and/or technological improvements due to business initiatives; and
- Trading Opportunities: the criterion assesses the vulnerability of the company's trade network as well as the risks it is exposed to by the network it is embedded in by considering the number of national and/or international companies in the trade network.

The economic dimension will not be explored further in this research.

3.3.2 Environmental Business Sustainability

In the South African context, national government clearly indicated the important criteria within the environmental dimension [151]. Using national government's priorities as a guideline, criteria for assessing projects' environmental sustainability have been developed for the South African process industry [103]. These criteria are similar to those that have been proposed to evaluate Clean Development Mechanism (CDM) projects within South Africa [152] and to assess the overall impacts of life cycles systems in the South African context [153]. It has an external focus with four natural resource groups as main criteria. These criteria are:

- Air resources - the criterion assesses a company's contribution to regional air quality effects, e.g. toxicity, acidification, etc., as well as to global effects, such as global warming and stratospheric ozone depletion;
- Water resources - the criterion assesses the availability of clean and safe water by focusing on a company's impacts on the quantity and quality of water, i.e. water usage and release of water effluents and pollutants;

- Land resources - the criterion assesses a company's impacts on the quantity and quality of land resources, including sub-criteria of land-usage and transformation, with subsequent impacts on biodiversity, direct and indirect releases of soil pollutants, etc.; and
- Mineral and Energy resources - the criterion assesses a company's contribution to the depletion of non-renewable mineral and energy resources.

Although the possible causes and effects of industry activities on the natural state of the four resource groups have been well documented, it should be noted that there is, as yet, no consensus on a consistent methodology to measure these causes or effects. Many quantitative and qualitative methodologies have been proposed [11, 153, 154]. The strive towards consensus is highlighted in the ongoing work of the of the Life Cycle Impact Assessment (LCIA) workgroup of the United Nations Environmental Programme (UNEP) global life cycle initiative [132]. Environmental sustainability is nevertheless not the focus of the research, resulting in the criteria and associated indicators not being developed further.

3.4 Social Business Sustainability

Businesses are increasingly paying more attention to the social dimension of sustainable development, mainly due to an experienced shift in stakeholder pressures from environmental to social-related concerns [42, 155]. During the last decade of the 20th century, various significant steps were taken to draw the social dimension of sustainable development into the open [93]. However, including social aspects in both the sustainability debate and practice has been marginal compared to the focus on the other two dimensions, especially from a business perspective [93, 156, 157]. It is believed that the state of development of indicators or measurements for social business sustainability parallels that of environmental performance of approximately 20 years ago [158]. The social dimension is commonly recognised as the weakest pillar of sustainable development, given the lack of analytical and theoretical underpinnings [155]. This is mainly due to the problematic nature of social indicators and measurements, which is due to the following two principal reasons:

- social issues do not have any underpinning in an objective speciality, such as ecology; and
- social issues have a much higher cultural content, thus various perspectives can feature in one issue [159]

The question of whether a particular social issue is relevant to the company, i.e. should the company be concerned about it and does the concern justify company involvement, further complicates the business perspective [160]. Since the framework aims to evaluate operational initiatives' sustainability performances, the framework's social dimension is concerned with the company's impacts on the social systems in which it operates as well as the company's relationship with its various stakeholders.

3.4.1 Criteria for Social Business Sustainability

To define a sub-set of criteria for social business sustainability, the following sources were investigated:

- sustainable development frameworks (see Appendix A);
- international standards and guidelines (see Appendix A);
- corporate social responsibility models, standards and frameworks (see Appendix A);
- analysis of sustainable development reporting (see Appendix C); and
- pressure or expectations from international financing companies and specifically World Bank's Social Analysis Sourcebook [161] (see Appendix A).

In addition to these analyses, it was necessary to explore Social Impact Assessment (SIA) literature, guidelines and checklists. An extensive literature review concluded that not many social impact assessment questionnaires and checklists are available in the public domain. The following SIA and other social sources were studied:

- Inter-organisational Committee on Guidelines and Principles for SIA [162];
- Socio-economic impacts for Climate Change Mitigation [163];
- South Sydney Council: Social Impact Assessment Checklist [164];
- Social Impact Assessment Categories for Development Projects in South Africa [165];
- Social Impact Assessment Categories for CDM projects in South Africa [152];
- Classifications of social impacts according to Vanclay, Juslén, Gramling and Freudenburg [166]
- Social Impact Assessment Series' Guide to Social Assessment [167]; and
- Shell's Social Impact Assessment Manual – SIA EP 95-0371 [168].

Analysis of the literature was started by scrutinising the shareholders addressed by the specific source. Secondly, the individual aspects regarding the different stakeholders were analysed. The analysis indicated that the literature addresses company internal aspects, external aspects related to the society as well as aspects stressing the link between society and the company. Table 3-3 presents a summary of social criteria addressed by the various literature sources.

Table 3-3: Analysis of Social Criteria Addressed by Various Literature Sources

NAME & TYPE OF LITERATURE	CRITERIA																	
	Society										Society & Company (Interlinkage)			Company Internal				
	Health	Education	Environment	Housing/ Living Conditions	Security/ Crime	Facilities & Services	Population Characteristics	Community Characteristics	Economic Welfare/ Employment	Community Cohesion	Product Responsibility	Community Involvement of Company	Stakeholder Participation/ Engagement	Training and Education of Staff	Equity	Fair Labour Practices	Human Rights	Employee Health & Safety
INDICATOR FRAMEWORKS																		
United Nations	X	X		X	X	X	X		X						X			
Global Reporting Initiative	X			X	X	X	X	X		X	X	X	X	X	X	X	X	X
IChemE Sustainable Metrics								X	X				X		X	X		X
Wuppertal Indicators	X	X	X	X		X		X							X			
European Conceptual Framework for Social Indicators	X	X	X	X	X	X	X	X	X	X								
GOVERNMENT ACTIONS																		
European Greenpaper on CSR	X	X		X	X	X	X	X		X		X			X	X	X	X
SIA LITERATURE																		
Interorganizational Committee on Guidelines and Principles for SIA	X		X	X	X	X	X	X	X	X			X		X			
Socioeconomic impact for Energy-Efficiency Projects for Climate Change Mitigation	X	X		X	X		X	X	X	X			X	X	X	X		
South Sydney Council: Social Impact Assessment Checklist	X	X		X	X	X	X	X	X	X				X				
Social Impact Assessment Categories for Development Projects in South Africa	X	X		X	X	X	X	X	X	X			X	X	X			
South Africa Social Criteria for CDM Project Evaluation						X			X				X	X	X			
Classification of Social Impacts according to Vanclay	X	X	X	X	X	X	X		X	X					X	X		
Classification of Social Impacts according to Juslén	X		X	X	X	X	X	X		X								
Classification of Social Impacts according to Gramling and Freudenburg	X	X	X	X	X	X	X	X	X	X					X			
Social Impact Assessment Series' Guide to Social Assessment	X					X	X	X	X	X								X
SIA EP 95-0371	X			X	X	X	X	X	X	X								
PRESSURE FROM INTERNATIONAL FINANCING ORGANISATIONS																		
World Bank's Social Analysis Sourcebook							X	X		X		X	X		X		X	
SRI INDEXES																		
Dow Jones Sustainability Index									X		X	X	X	X	X	X	X	X
FTSE 4 Good									X			X	X	X	X	X	X	X
JSE SRI Index									X			X	X	X	X	X	X	X
Dominini 400 Index		X	X	X				X	X		X	X		X	X	X	X	X
INTERNATIONAL STANDARDS & GUIDELINES																		
Global Compact												X			X	X	X	X
Global Sullivan Principles												X	X	X	X	X	X	X
Caux Round Table												X	X	X	X	X	X	X
OECD Guidelines												X	X	X		X	X	X
SA 8000										X				X	X	X	X	X
AA 1000										X		X	X		X	X	X	X
Investors in People										X				X	X	X		
Ethical Trading Initiative										X					X	X	X	X
CSR STANDARDS																		
Ethos Indicators			X			X		X	X		X	X	X	X		X		X
Standards of CSR									X			X	X	X	X	X	X	X
Danish Social Index									X			X	X	X	X	X	X	X
SUSTAINABLE DEVELOPMENT REPORTS																		
BP												X			X			X
DOW												X	X	X	X			X
Shell						X						X			X	X		X
Anglo American									X			X		X	X			X
Billiton									X			X	X		X	X		X
SASOL													X					X
Bayer																		X

It is evident that business social sustainability can be viewed from various perspectives and it is possible to distinguish between a definite internal and external focus. These two distinct perspectives are in line with the fact that stakeholders exist within and outside the company [169] and that business social sustainability should investigate the impacts that the business has on all social systems and thus all stakeholders. Business has a social responsibility on three levels as a function of its role as:

- employer;
- leading "citizen" in the community of operation; and
- good and concerned citizen of the country of operation [170].

Business can therefore have a distinct social impact on three levels, namely internally, regionally and nationally. Three main criteria of social business sustainability are consequently dedicated to account for these impacts. These criteria are Internal Human Resources (IHR), External Population and Macro Social Performance.

The second conclusion based on the analysis is that communication and interaction with stakeholders play a vital role in social sustainability. Stakeholders have been defined as one of the five key corporate sustainability performance principles [71]. Stakeholder participation is also a social sustainability criterion within most of the frameworks or guidelines developed with a business perspective, e.g. GRI, IChemE and the Dow Jones Sustainability Group Index. Stakeholder Participation is thus chosen as the fourth main criteria of business social sustainability.

The four main social criteria lie on Level 4 of the proposed sustainability assessment framework (see Figure 3-2). The following sections focus on the social criteria on Levels 4 to 6 of the framework, by discussing the criteria and South African scenarios relevant to the criteria. South African specific scenarios are mentioned as the focus of the research is primarily on the South African process industry. The criteria and sub-criteria have been developed by categorising social aspects identified in the literature analysis.

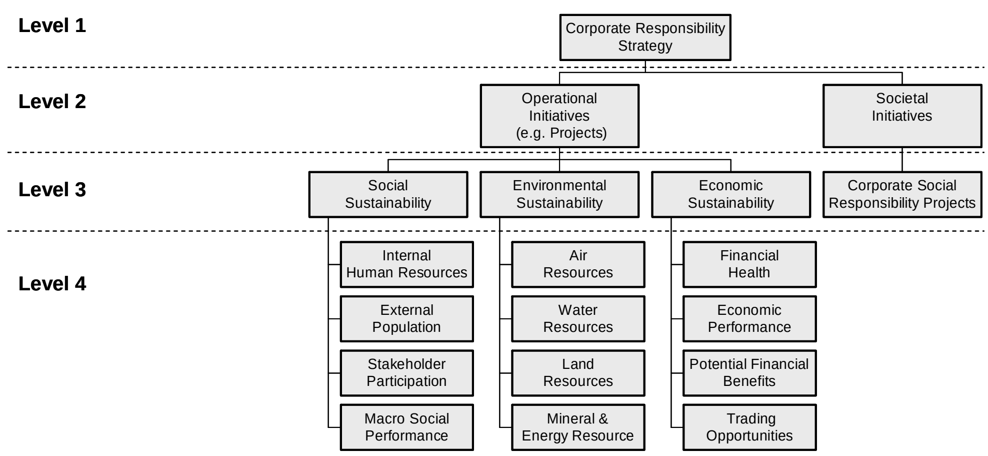

Figure 3-2: Level 1 to 4 of the Proposed Sustainability Assessment Framework

3.4.2 Internal Human Resources

"My only two passions are employees and customers. Because if I don't look after my employees, they won't look after my customers"

- John Chambers, President Cisco Systems (as cited in [171])

During the industrial revolution, workers were viewed purely as production units. Such little consideration was given to their social needs that the "disease" of society at that time was viewed as "*the ill paid or unemployed worker*" [172]. Some even believed that had businesses since the industrial revolution treated all employees with the respect and concern human beings deserve, CSR would not be an issue today (Rantla as cited in [4]).

The criterion "Internal Human Resources" thus focuses on the company's social responsibility towards its workforce and includes all aspects of employment. The internal aspects of social sustainability, excluding internal stakeholder relationship management, are grouped under this criterion. However, social responsibility towards employees goes beyond employee benefits and entails understanding the employees' living circumstances [30].

In 1997, the social contract between management and employees became a topic of national political debate in the USA, mainly because of the economic transformation taking place [33]. It was realised that both specific legislative remedies as well as innovative corporate investment in employee well-being were needed to address the problems. Based on the three policies or strategies developed to guide the debate, the criterion should address at least:

- health care and pension benefits;
- employee education, retraining and family assistance; and
- compensation [33].

The criterion has to be guided by the International Labour Standards and other international standards and guidelines developed with a specific company internal focus e.g. SA 8000, which aims to improve working conditions globally (see Appendix A). The criterion is also strongly influenced by the Standards of Corporate Social Responsibility (see Appendix A), which states that:

- employees should be regarded as valued partners in the business;
- their rights to fair labour practices, competitive wages and benefits as well as a safe, harassment free, family friendly work environment should be respected; and
- personal and professional employee development as well as empowerment and diversity at all levels should be promoted through good human resource management practices [66].

The following three approaches were identified to manage employees [173]:

- immoral management - employees are viewed as factors of production to be used, exploited and manipulated for gain of the individual manager or company;

- amoral management - employees are treated according to the law, thus they are still seen as factors of production, but a remunerative approach is followed; and
- moral management - employees are viewed as human resources to be treated with dignity and respect.

The criterion's aim is to evaluate which approach the company is following. Since employees are the most important human capital a company has and are often also referred to as organisational social capital [174], moral management is an important goal to aim for. In addition, attracting and retaining skilled employees are a major challenge faced by companies today [21]. Internal Human Resources is therefore definitely an important criterion to consider when discussing business sustainability. Many companies recently started realising that looking after its employees is not only altruistic, but can also generate financial benefits [87].

The criterion can be divided into four sub-criteria, which will address the main issues of concern, namely Employment Stability, Employment Practices, Health and Safety as well as Capacity Development.

3.4.2.1 Employment Stability

The criterion addresses a business initiative's impact on work opportunities within the company, the stability thereof as well as evaluating the fairness of compensation. Business's first social responsibility is often viewed as staying in business to offer job security [30]. Job security can only be offered when employment stability is evident within the company. The criterion can be analysed in greater detail by looking at the following two sub-criteria:

- **Employment Opportunities**
  This criterion groups together all indicators dealing with changes in the number of employees as well as those indicators describing the nature of the workforce in terms of the employment contracts. The type of employment opportunities together with the consistency in the number thereof are important indicators of how secure employees' jobs are. The February 2002 Labour Force Survey revealed that South Africa had 11.4 million employment opportunities [175] with at least 1,253,723 of these opportunities in the South African manufacturing industry.
- **Employment Remuneration**
  This criterion refers to the payment of employees for work delivered or executed. It includes the monetary amount paid as well as additional benefits that employees receive as part of their salary packages. Most countries prescribe an allowable minimum monetary amount to be paid to employees for work performed (see Appendix E). South Africa has no national minimum wage. Instead, minimum wages are determined through two separate institutions. Sectoral bargaining councils set minimum wages at an industry level through a collective bargaining process. The second institutional mechanism, which applies to areas not covered by bargaining councils, is the

Employment Conditions Commission, formerly the Wage Board [176]. The commission makes "sectoral wage determinations" for certain industries defined in the Basic Conditions of Employment Act of 1997 [177]. These minimum wages are defined per industry sector as well as per geographical area.

Companies exploiting workers through low wages have received increased media attention over the last twenty years. The latest “attack”, which focused on the computer industry, is a good example. It is alleged that workers manufacturing hard drives for Dell in Thailand receives approximately £2.50 per day for their work, which is £133 997.50 less than what Dell’s chief executive receives for a day’s work [178]. This criterion can thus also threaten a company’s public image.

3.4.2.2 Employment Practices

Employees are the organisational social capital and are supported and managed through employment practices [174]. Employment practices refer to the way in which the organisation treat and engage with employees and are based on the following three important aspects:

- stable relationships;
- strong norms; and
- specified roles [174].

Nevertheless, employment practices should comply with the specific country’s laws, international human rights declarations as well as other human rights and fair employment practice standards. The International Labour Organisation (ILO) was created in 1919 primarily for adopting international standards to cope with the problem of labour conditions [179]. The ILO’s constitution requires organisations to:

- encourage the improvement of the workers’ conditions;
- discourage certain countries from failing to adopt humane conditions of labour;
- promote the principle that labour should not be regarded as a mere “commodity or article of commerce”; and
- support the view that the price of labour should be determined by human need and that all employees are entitled to a reasonable standard of living [2].

The ILO focuses strongly on human rights and has eight fundamental conventions that all companies should be aware of. The eight conventions are concerned with the following four aspects:

- freedom of association;
- the abolition of forced labour;
- equality; and
- the elimination of child labour [180].

Sub-standard employment practices can result in the company suffering financial losses. In 1997, 28 United States of America (USA) States and 13 other countries participated in a day of protest against sports good manufacturer NIKE's employment practices. A leaked internal report informed the public of a plant in Vietnam with low wages and excessive working hours. It is believed that the protest actions, followed by a "boycott Nike" campaign, resulted in a drop in sales volumes [25]

This criterion is divided into four sub-criteria. Two sub-criteria evaluate internal practices and employee rights while the other two deals specifically with the ILO's fundamental conventions. These four criteria are:

- **Disciplinary and Security Practices**
  This criterion focuses on the company's disciplinary procedures as well as the use of security personnel. These practices should not violate any of the employees' human or other rights.
- **Employee Contracts**
  This criterion is concerned with the agreement between the employer and the employee. This agreement should not violate any of the employee's rights and should ensure fair treatment of the employee under all circumstances. In the South African context, chapter 4, section 29 of the Basic Conditions of Employment Act of 1997 states the basic elements and conditions for an employee contract. This contract should be in a language that the employee understands. The criterion aims to evaluate whether the company's employee contracts comply with all these standards as well as whether the elements of these contracts comply with the employee's rights. Freedom of association, which is an example of an employee right and one of the ILO's fundamental standards, can be guaranteed in the employee contract.
- **Equity and Diversity**
  The criterion consists of the following two aspects:
  - equity, which means fairness in actions and the treatment of others; and
  - diversity, which means a variety of a specific aspect, such as an opinion, gender, colour or style.

  In the business environment, the criterion's diversity aspect is concerned with the composition of staff regarding gender, race and cultural heritage. The criterion's equity aspects will determine whether all people are treated justly, fairly and impartially. Two of the eight fundamental ILO conventions are relevant to this criterion. They are:
  - Discrimination (Employment and Occupation) Convention Number 111 of 1958; and
  - Equal Remuneration Convention Number 100 of 1951 [180].

  In South Africa, laws (e.g. Employment Equity Act of 1998) forces companies to ensure that their workforce complies with certain diversity percentages.
- **Labour Sources**
  This criterion focuses on what sources of labour the company employ. The importance of this criterion is evident from the fact that four of the eight fundamental ILO conventions deal with

labour sourcing, two with forced labour and the other two with child labour. These four conventions are:

- Forced Labour Convention Number 29 of 1930;
- Abolition of Forced Labour Convention Number 105 of 1957;
- Minimum Age Convention Number 138 of 1973; and
- Worst Forms of Child Labour Convention Number 182 of 1999 [180].

The criterion is thus divided into two sub-criteria, namely forced labour and child labour. It is estimated that there are currently more than 250 million children worldwide in the employment market [25]. In the South African context, child labour was defined in 1998 as "*work by children under 18 which is exploitative, hazardous or otherwise inappropriate, for their age, detrimental to their schooling, or social, physical, mental, spiritual or moral development. The term `work' is not limited to work for gain but includes chores or household activities in the household of the child's care-giver where such work falls within the definition of child labour set out in the paragraph above. Appropriate activities related to skills training are not seen as child labour*" [181]. The definition is based on ILO standards and distinguishes between economic and non-economic activities. Statistics on child labour indicate in the 2000 survey on young people's activities in South Africa that 25.1% are involved in an economic activity for pay, profit or family gain [182]. Statistics on forced labour is by definition difficult to collect. The ILO does not use forced labour indicators as key labour market indicators. Statistics regarding forced labour is therefore seldom collected or available [183]. Nevertheless, forced labour remains an issue that can harm any company's reputation.

3.4.2.3 Health and Safety

This criterion focuses on employees' health and safety and evaluates preventive measures, i.e. Health and Safety Practices, as well as the occurrence and handling of Health and/or Safety Incidents as sub-criteria. Governments, businesses and professional bodies are intensifying their focus on employees' health and safety, resulting in occupational health and safety becoming a rapidly expanding facet of employees' working day [184]. Another way for governments and businesses to promote health and safety is to use it as a criterion in procurement contracts. The criterion is therefore often also used for marketing purposes to promote a certain product or service [21]. Managing occupational health and safety effectively has certain distinct benefits for business. There are, however, also a number of risks for businesses failing to adhere to this important criterion which Table 3-4 shows.

A study by the British Health and Safety Commission published a set of 19 case studies, indicating the business benefits of improved health and safety practices. One case study showed savings of £11 million through reduced sickness absence, while other case studies showed improved productivity and public image as well as savings in health insurance amounting to £200 000 per annum [185]. The commission is planning to launch a health and safety performance index aimed at assess the health and safety performance of United Kingdom (UK) companies with more than 250 employees [185].

Managing health and safety within a company cannot be viewed in isolation from managing the business as a whole. This criterion as well as its related sub-criteria is therefore essential in determining business sustainability performance.

Table 3-4: Benefits and Risks due to the Nature of Health and Safety Management [2]

Benefits of Effective Health and Safety Management	Risks of Ineffective Health and Safety Management
• Positive contribution to a culture of shared responsibility • Maintenance of a caring reputation • Preservation of individual health • Enhancement of general well-being and morale • Contribution to continuous improvement of efficiency, productivity and business success	• Increased insurance costs • Fatal and serious injuries to employees, contractors and clients incurring serious liabilities • Negative impact on morale, stakeholder loyalty and commitment • Prosecution and imprisonment • Loss of reputation • Temporary or permanent closure of business activities

The criterion is divided into the following two sub-criteria:

- **Health and Safety Practices**
  This criterion assesses all the company's precautionary procedures and practices to ensure preparedness for possible health and safety incidents. The criterion also considers whether the company self-assesses or audits its preventative actions and whether employees are exposed to health and safety training. In South Africa all health and safety practices should be aligned with the Occupational Health and Safety Act of 1993.
- **Health and Safety Incidents**
  This criterion assesses actual incidents and analyses these according to seriousness and compensation. Health and safety incidents can have negative impacts on the business's reputation and the liabilities resulting from such an incident are continuous, even if the original company is sold. An example is the Dow Chemicals Group, which inherited Union Carbide's Bhopal disaster when they bought Union Carbide in 2001. The Bhopal disaster[6] occurred in 1984. Union Carbide paid 470 million US Dollars in compensation to the government of India and donated a further 90 million US dollars to build a hospital to treat the victims [186]. The Dow Chemicals Group believed that they did not inherit any responsibilities or liabilities when acquiring Union Carbide [255]. In November 2003, the Brethren Benefit Trust, Inc., which owns 9,158 shares of Dow

[6] In 1984 there was a gas disaster at Union Carbide's plant in Bhopal. To date, the disaster claimed more than 20,000 lives and left 150,000 people chronically ill (International Campaign for Justice as cited in [186]).

stock valued at 330,000 US Dollars, filed a shareholders resolution calling on Dow to prepare a report describing the initiatives taken to address the specific health, environmental and social concerns of the Bhopal disaster [186]. Health and safety incidents can thus definitely threaten long-term business sustainability.

3.4.2.4 Capacity Development

A business can only be sustainable over the long-term if the necessary technology and adequate human resources are available to support the business goals. To be sustainable, businesses therefore need to develop capacity in human capital, i.e. employees, and technological capital, i.e. sustainable technology through innovation. Capacity Development addresses the following two different aspects:

- **Research and Development**
  This criterion evaluates the company's contribution to sustainable product development through its research and development programmes as well as its innovativeness. This criterion aims to assess whether the business' research and development activities contribute to its long-term sustainability and to sustainable development in general.
- **Career Development**
  Career development focuses on training employees as well as providing career guidance and higher-education opportunities. A company offering career development opportunities has a definite advantage when it comes to attracting and retaining skilled employees [33]. The criterion therefore looks specifically at training opportunities, employment development processes, appraisal and promotion procedures as well as the level of knowledge within the company. In South Africa, the Skills Development Act of 1998 aims to develop the skills of employees by encouraging employers to use the workplace as an active learning environment.

3.4.3 External Population

Companies' social accountability or responsibility has been defined as *"a commitment to be co-responsible for the quality of life within the community from which the company draws its resources and gets its support"* [4]. Social business sustainability should thus also include this aspect of corporate responsibility. The External Population criterion focuses on the impact of the company's operations on the community in which it operates, i.e. communities within the close vicinity of any of the company's operations, also referred to as the local community. The external dimension of social sustainability is divided into External Population and Macro Social Performance.

The following three approaches to manage the company's relationship with the local community can be distinguished [173]:

- immoral management - this approach will exploit the community to the fullest extent and will tolerate environmental pollution;

- amoral management - in this approach, managers consider community factors as irrelevant to business decisions. The community and its resources are not taken into account in management decision-making. The company complies with legal regulations, but community involvement is minimal; and
- moral management - the company aims to be a leading, responsible citizen of the community and are actively involved with community activities. Community and company goals are seen as mutually interdependent.

The local community should be of the utmost importance to any company, since companies depend on the health, stability and prosperity of the communities in which they operate [21]. Barbara Hayes states that *"The community is the basis of all economic activity, with no community there is no company"* (cited in [12]). This criterion thus recognises the fact that businesses do not and cannot operate in a vacuum [187], but are integrated with the whole of society's problems, structure and future [69]. Businesses should therefore practice a moral management approach regarding the external community.

Wheeler and Silanpää [2] adopted Tom Cannon's matrix of enlightenment to explain a company's options for engagement in civil society. The axes of the matrix refer to the company interests and the type of philanthropic behaviour (see Figure 3-3).

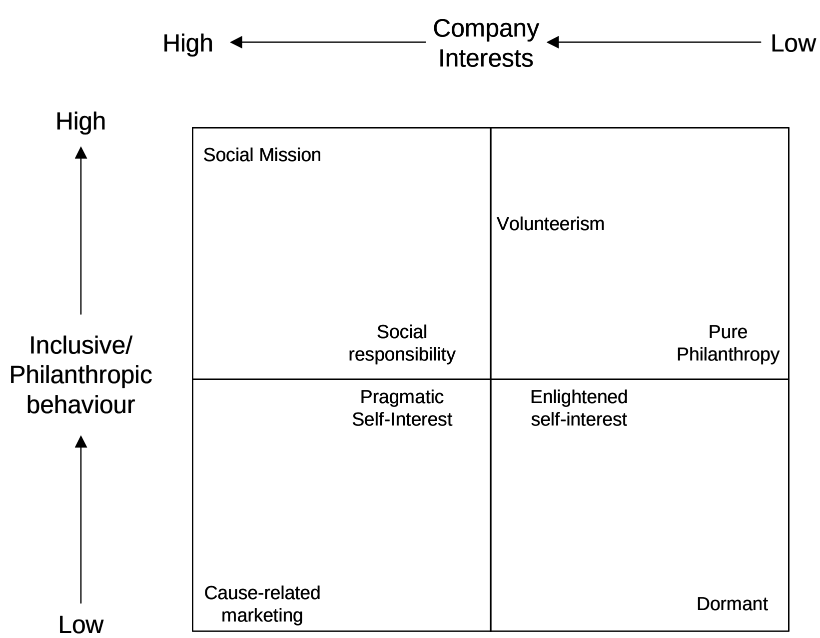

Figure 3-3: Matrix of Enlightenment for Engagement in Civil Society [2]

Based on this matrix, eight groups of typical company engagement have been identified and are shown in the figure. These are:

- social mission - this group includes companies whose mission is intimately linked with the company's philanthropic nature. Companies in this group are characterised by a strong ethic system, which can be based in religious or social beliefs;
- "pure" philanthropy - companies in this group bequeaths money to foundations or institutions without any direct requirement for publicity or control over how the contribution will be spent;
- social responsibility - this group consist of all companies that combine moderate-high levels of philanthropic behaviour with a clear recognition of the need to behave accountable. Companies in this group realised the benefits of community involvement in the form of customer loyalty and reputation;
- enlightened self-interest - this group only differs from the previous group in the degree to which the companies have realised the benefits of moderate philanthropic behaviour in terms of business reputation and corporate legitimacy;
- pragmatic self-interest - this group includes companies that reoriented their philanthropic behaviour to reflect a broader view of self-interest to ensure alignment with corporate citizenship;
- cause-related marketing - companies using corporate social responsibility activities, such as sponsorships, for corporate reputation, sales promotion or image marketing instead of for pure philanthropic reasons fall within this group. This includes examples such as Proctor and Gamble's contribution to Keep America Beautiful and Boots' link between its sponsorship of cancer research and its sun care products;
- volunteerism - companies that are not on a real social mission but have moved beyond the point of pure philanthropy; and
- dormant - companies that do nothing.

A company with a moral management approach regarding external community engagement will most probably position itself somewhere between enlightened self-interest and social responsibility or might even consider a position closer to the social mission group.

Social Venture Networks [66] defined the following functions for a company in its external community:

- the company should foster an open relationship with the external community;
- the company should be sensitive to the community's culture and needs; and
- the company should play a pro-active, co-operative and collaborative role in making the community a better place to live and conduct business in.

External Population is divided into three sub-criteria dealing with the various forms of capital within the local community, namely Human Capital, Productive Capital and Community Capital. This approach is based on the fundamental principle that the well-being of any social environment, i.e. the external community, depends mainly on the sustainability of the assets that enable livelihoods [188].

Environmental capital is excluded, as it is addressed under business environmental sustainability (see section 3.3.2).

3.4.3.1 Human Capital

Human Capital refers to an individual's ability to work in order to generate an income and encompasses aspects such as health, psychological well-being, education, training and skills levels as well as employment opportunities [189]. The criterion addresses only two aspects thereof, namely Health and Education. Employment opportunities are not addressed as part of Human Capital, as the company's contribution in this regard is addresses under the Internal Human Resources criterion. The community's economic climate is addressed as part of Community Capital. The above agrees with Moser's definition of human capital as *"health status, which determines people's capacity to work, and skills and education, which determine the return to their labour"* [188]. The two sub-criteria are thus:

- **Health**

  From a company perspective, the criterion Health focuses on the additional strain or beneficiation of a company's activities on local medical facilities. However, the indicators found in literature focuses only on the external community's health characteristics (see Appendix I). The external community's health often leans itself to CSI. Most companies' CSI budgets dedicate an amount to health projects [255, 258]. During the last decade, numerous companies have been involved specifically in health related projects dealing with the HIV/AIDS pandemic. This pandemic is a bottom-line issue for virtually any company operating in Africa, as it results in increased operational costs, e.g. additional recruitment and training costs, and a drop in productivity [190]. Especially South African companies are actively involved in fighting HIV/AIDS. The HIV/AIDS projects of both BMW South Africa [25] and Eskom [42] have been discussed in international publications as examples of good CSI projects.

- **Education**

  Education is another area that CSI projects often contribute to [191]. Companies are, however, not solely involved in educating children. During the apartheid era, BP trained members of the African National Congress (ANC) in business and management practices in countries outside South Africa [192]. Education is also regarded as one of the most basic challenges facing South Africa [193]. The criterion's aim is to consider the following impacts of a company:

  - impact on education facilities due to the operational activities;
  - impact of possible training opportunities; and
  - impact on the community's level of education through information sharing by the company.

3.4.3.2 Productive Capital

Productive Capital entails the assets and infrastructure an individual needs to maintain a productive life [189]. The criterion aims to assess the strain placed on these assets and infrastructure availability by the operational initiative's existence. The criterion is broken down into the following four sub-criteria:

- **Housing**

  Housing is regarded as the most important asset contributing to overall productive capital. Housing is also one of the basic needs that must be satisfied to ensure an individual's productivity within the labour market [188]. The criterion aims to determine the impact of the business on the availability and quality of housing within the external community. Business has an additional influence on this criterion through its CSI projects and corporate housing actions, which can form part of the payroll responsibility, i.e. housing can be an additional benefit (see section 3.4.2.1). In South Africa specifically, the government's housing policy is based on the premise of partnerships between the strength of the nation, the strength of the private sector and the strength of the government [194]. A successful housing policy within a company is not only viewed as a primary social responsibility towards employees but also an important company asset [195]. A case study within the South African context found that a large business initiative, e.g. a chemical facility, can result in a rise in house prices within the local community [196]. Business' influence on this criterion can thus not be ignored.

- **Service Infrastructure**

  Service infrastructure addresses basic services that individuals need to provide an adequate infrastructure that support life. The main services needed are:

  - access to clean and safe water;
  - electricity supply;
  - sewage services; and
  - waste services.

  The criterion aims to determine operational activities' impact on these services. Businesses definitely have an impact on these services. In Plachimada, in the southern Indian state of Kerala, a local community took the soft drink company Coca Cola to court regarding the use of groundwater, which feeds the local wells, in their production process. Coca Cola using the water lead to water shortages and environmental contamination [197]. In December 2003, a court ruling ordered the Coca Cola bottling plant in Plachimada to seize using the local groundwater, since it was "*property held in trust*" [198]. Business activities' impact on the service infrastructure can thus result in negative publicity for a company, which can be a threat to the company's long-term sustainability.

- **Mobility Infrastructure**

  Mobility Infrastructure considers public transport and transport networks, e.g. public roads. With regards to public transport, it assesses the quantity of options, availability of services, quality of services as well as the burden on the available infrastructure system. The criterion also assesses the quality of the transport networks and the burden it can carry. The criterion aims to determine the additional burden company's operational activities place on the public transport system as well as on the external community's transport network.

- **Regulatory and Public Services**
  Regulatory and Public Services studies the availability of public services, such as libraries, swimming pools, etc., and also looks at the political set-up within an external community. The company's impact on the availability of public services as well as the company's impact on the local political scene should be assessed, e.g. companies can make contributions to political parties, etc.

3.4.3.3 Community Capital

The community can be described as the mirror reflecting the company's personality back upon itself and therefore determining the employees within the company's attitude [199]. This criterion takes into account the effect of business activities on the social and institutional relationships and networks of trust, reciprocity and support as well as the community's typical characteristics. The evaluation of performance in the area of Community Capital is exteremely important in evaluating a project's social sustainability, as it has been implied that the core of sustainability is "*how people feel about their surroundings and their way of life*" [169]. These perceptions can directly influence stakeholder participation initiatives and the business's licences to exists, operate and sell.

The following six groups are addressed separately:

- Sensory Stimuli, i.e. aesthetics, noise and odour levels;
- Cultural Properties;
- Social Pathologies, induced or increased;
- Security, induced or increased crime;
- Economic Welfare, induced business opportunities, impacts on poverty; and
- Social Cohesion, networks, demographics and equity aspects.

However, defining the community's exact boundaries is difficult and complex [200]. The community is potentially made up of various stakeholder groups, e.g. employees, trade unions, customers, pressure groups and the environment, and is not just a sum of these groups. It is also notoriously difficult to aggregate communal interests (Phillips and Reinhardt as cited in [200]. The six sub-criteria are discussed below:

- **<u>Sensory Stimuli</u>**
  Sensory Stimuli looks at typical community characteristics regarding noise, odour and aesthetics. Operational activities' impact on these characteristics should be assessed.

- **Cultural Properties**

  Impact on cultural properties can result in the loss of unique and valuable knowledge, skills or perspectives and should thus definitely be assessed. Cultural impacts are often assessed spatially through cultural significant sites, such as sacred groves, wells, springs, holy sites, old battlefields and buildings [201]. Business activities' impact on any cultural properties is significant and should thus be assessed. One example is the Trans Alaska pipeline project, where seven native villages, i.e. indigenous Alaskan groups, instituted a lawsuit against the project after withdrawing signed waivers which would have allowed the pipeline to run through their property. The indigenous groups claimed to withdraw the waivers because promises of jobs for the community were not honoured [202]. The passage of the Alaska Native Claims Settlement Act (ANCSA) in 1971 destroyed the basis of large-scale indigenous opposition [203]. More than 30 years later, some still view the ANCSA as "*a tool to divide and exploit the Indigenous People, their traditional lands, and resources*" [204, 205].

- **Security**

  Security looks at the community's security characteristics. It therefore considers crime and safety within the community. This criterion also aims to assess the impact of the business activities on security within the community, i.e. business activities can result in an inflow of people and therefore a rise in crime. The impact can thus be indirect.

- **Economic Welfare**

  Economic Welfare considers the economic climate within the community as well as the community's economic characteristics. The criterion aims to determine the impact of a company on the economic climate and welfare within the external community.

- **Social Pathologies**

  Social Pathologies are defined as social conditions deviating from the norm. This can include certain diseases occurring. Other examples include alcoholism, domestic violence, suicides, etc. Operational activities at a certain location can indirectly result in an increase in social pathologies. The inflow of numerous construction workers can lead to an increase in prostitution, which, in turn, can result in an increase in HIV/AIDS infections in the region.

- **Social Cohesion**

  Social Cohesion or community cohesion refers to "*the degree to which residents have a sense of belonging to their neighbourhood or community*" [206]. The following characteristics of a community with a strong presence of social cohesion have been identified:

  - frequent social interaction;
  - use of community facilities and services;
  - local participation and involvement in social activities;
  - undefined sense of solidarity;
  - presence of recognised community leaders;
  - residential stability;

- o family orientation;
- o active elderly population;
- o defined community or neighbourhood organisations; and
- o area name identification [206].

Social cohesion can result in social capital, i.e. the value gained from being part of a community or social group [189]. Operational activities' impact on a community's social cohesion must be assessed.

3.4.4 Macro Social Performance

The Macro Social Performance criterion focuses on the company's impact on the external population on a regional and/or national level. The impacts on the economic systems of the region or nation, and therefore the external economic sustainability focus, are addressed under this criterion, as the proposed framework's economic dimension only addresses internal aspects.

Since corporate social performance is often interpreted to encompass both environmental and financial performance [158], Macro Social Performance is subdivided into two sub-criteria, namely Socio-Economic Performance and Socio-Environmental Performance.

3.4.4.1 Socio-Economic Performance

This criterion addresses the external economic impacts of the company's operational initiatives on a spatial scale larger than just the local community in which it operates. The main criterion assesses the following two aspects of the economic impacts separately:

- impacts on the economic welfare of the region or nation, e.g. contribution to GDP or taxes paid; and
- impact on trading opportunities, i.e. contribution to foreign currency savings, etc.

The two sub-criteria are thus:

- **Economic Welfare**

  This criterion assesses the company's contribution to the economic welfare of the region or nation. The criterion only assesses all direct economic benefits flowing from operational initiative.
- **Trading Opportunities**

  Companies can also influence the economic climate and opportunities within a region or country. Any impacts on the local community are accounted for in the external population criterion as well as its sub-criteria. Trading opportunities assesses the contribution, either positive or negative, made by the company to the economy. This criterion differs from the previous criterion, as it assesses indirect benefits or costs that the company's operations cause on a regional or national level.

3.4.4.2 Socio Environmental Performance

This criterion considers operational initiative's contributions to improving a society's environment on a community, regional and national level. The criterion focuses on three aspects of environmental management, namely:

- **Monitoring**

  The sub-criterion considers all the company's initiatives that aims to extend or improve society's environmental monitoring abilities. In South Africa's Mpumalanga province, two companies, Eskom and Sasol, conduct air quality monitoring networks aimed at monitoring various pollutants. One of these networks has been operational since 1980. The Mpumalanga authorities uses the data to address air quality problems within the region [207]. Companies can also participate in initiatives with government aimed at sharing best practices and monitoring information to strive towards continual improvement in environmental management. In South Africa, the following initiatives exist:

  - Mpumalanga's Air Pollution Liaison Committee of the Mpumalanga province (APOLCOM) - the committee comprises of representatives of industry and the government, while the public and press are invited to all meetings. The Provincial Chief Air Pollution Control Officer (CAPCO) chairs these meetings [207, 208]. For each participant, a figure of merit is determined, based on actual performance. These are assessed annually. The committee also presents certain awards annually, e.g. an award for the most improved operation [209]; and
  - North-West Air Pollution Control Forum (NAPCOF) -the committee comprises of members of industry as well as the provincial CAPCO and aims for continuous improvement in air emission prevention and control [208].

- **Legislation**

  This sub-criterion assesses the company's involvement in writing new environmental legislation for the country or region in which it operates. In South Africa, companies are invited to participate in the writing process by making presentations as well as sharing information and knowledge. Companies can choose whether to dedicate resources to this participative process as well as the resource amount. Companies can therefore decide what contribution they are making to environmental sustainability on a macro or micro level in this regard. For example, large companies in South Africa's petrochemical and energy sectors are members of the NGO National Association for Clean Air (NACA) [210], which, in turn, plays a fundamental role in providing input to the new national Air Quality Bill currently being passed in the South African government.

- **Enforcement**

  Companies can contribute to improvements in the environment on a community, regional, or national level by assisting in enforcing environmental laws, standards and/or safe practices. Green supply chain management is one example of how companies can assist in such enforcement. Green supply chain management entails extending the traditional supply chain to allow for product and process stewardship, i.e. considering the total immediate and eventual environmental effects of all products and processes [211]. The stewardship concept is based on recognising that organisations' environmental effects include the environmental impacts of goods and processes from extracting raw materials to using the produced goods and finally disposing of these goods (Lamming and Hampson as cited in [211]). One example of a company that actively participates in greening the supply chain is BMW South Africa, who shifted their focus to the suppliers after the company received ISO 14001 certification in October 1999 [212]. Philips Electronics' 2003 sustainability report introduced provisions requiring its 50,000 suppliers worldwide to practice social and environmental sustainability [213]. The European Union also motivates business to take the green supply chain concept further to include social aspects [21]. The international aid agency OXFAM supports this view. This agency believes that large companies' purchasing practices can result in improved labour conditions for women in the garment industry in Cambodia [214].

3.4.5 Stakeholder Participation

Stakeholder Participation focuses on the relationships between the company and all its stakeholders, both internally and externally, by assessing the standard of information sharing and the degree of stakeholder influence on decision-making.

The origin of the stakeholder concept, if not the actual use of the term, can be traced to the Great Depression in the early 1930s when General Electric Company identified four major "stakeholder" groups (Preston as cited in [160]). System theorists in the 1950s and corporate planners in the 1980s also included the stakeholder concept in their thinking [215]. The development of the stakeholder theory centred around two related issues, namely:

- defining the stakeholder concept and identifying stakeholders; and
- classifying stakeholders into categories [215].

Freeman defined a stakeholder as *"any group or individual who can affect or is affected by the achievement of the firm's objectives"* [216]. Clarkson [160] refined the definition of stakeholders as *"any persons or groups that have, or claim to have, ownership, rights or interests in the corporation and its activities, past, present and future. Such claimed rights or interests are the result of transactions with or actions taken by the corporation and may be legal or moral, individual or collective."* Wartick and Wood [69] distinguish between six types of interests that stakeholders can have in a company, namely material, political, affiliative, informational, symbolic and/or spiritual. Stakeholders' power base normally lies within one or more of the following three domains:

- formal or voting power;
- economic power; or
- political power [69].

There are various classification systems for stakeholders. Freeman [216] classified stakeholders as either internal or external, while Clarkson [160] distinguished between primary and secondary stakeholders. Primary stakeholders are *"those without whose continuing participation the corporation cannot survive as a going concern"* [160], while secondary stakeholders are defined as *"those who influence or affect, or are influenced or affected by, the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival"* [160]. Wheeler and Sillanpää [2] refined this classification by also distinguishing between social and non-social stakeholders (see Figure 3-4). Another more general way of classifying stakeholders is shown in Figure 3-5.

Primary Social Stakeholders	**Secondary Social Stakeholders**
• Local Communities • Suppliers & Business Relations • Customers • Investors • Employees & Managers	• Government & Civil Society • Social and Third World Pressure Groups and Unions • Media & Commentators • Trade Bodies • Competitors
Primary Non-Social Stakeholders	**Secondary Non-Social Stakeholders**
• Natural Environment • Non-Human Species • Future Generations	• Environmental Pressure Groups • Animal Welfare Pressure Groups

Figure 3-4: Stakeholder Classification System [2]

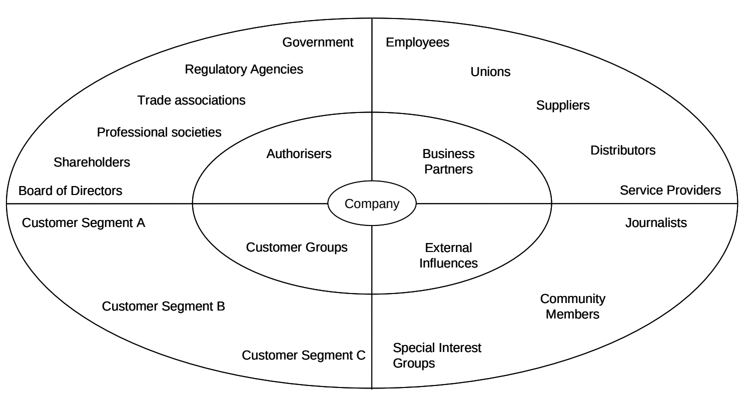

Figure 3-5: Corporate Stakeholders [156]

Stakeholder management is deemed as crucial to a company, as treating stakeholders in an ethically and socially responsible manner has been seen as the core of corporate social responsibility [217]. Stakeholder management has also been described as the tool to connect strategy to social and ethical issues [69].

Companies can follow different approaches towards stakeholder management based on the company's attitude towards stakeholders, i.e. the company's stakeholder orientation. Various theories have been developed to classify this behaviour in companies (see Table 3-5 for an overview). The commonality between all these theories is that companies can adopt the following two distinct attitudes towards stakeholders:

- the stakeholder is taken into account for the good of the firm, i.e. as a means to an end; or
- the stakeholder is taken into account as a matter of principle, i.e. an end in itself [218].

Table 3-5: Comparison of Classification Theories of Stakeholder Oriented Behaviour [218]

Authors	Stakeholder Orientation Low social responsibility ⟶ High social responsibility				
Kohlberg (1969)	Pre-conventional	Conventional		Post-conventional	
McAdam (1973)	Reactive	Defensive	Pro-active	Acquiescent	
Wartick & Cochran (1985)	Social Responsiveness		Social Responsibility		
Goodpaster (1991)	Strategic Stakeholder Synthesis		New Stakeholder Synthesis		
Oliver (1991)	Manipulate	Defy	Avoid	Compromise	Acquiesce
Frederick (1991)	CSR 1		CSR 2		
Logsdon & Yuthas (1997)	Managerial Prerogative Stakeholder Theory	Stockholder Theory		Stakeholder Theory	

Given the importance of stakeholder management, a separate criterion is thus proposed to assess the relationships between the company and its internal and external stakeholders. The criterion is divided in two sub-criteria, namely Information Provisioning and Stakeholder Empowerment.

3.4.5.1 Information Provisioning

This criterion aims to assess the quantity and quality of the information shared with stakeholders. Information can either be shared openly with all stakeholders, i.e. collective audience, or shared with targeted, specific groups of stakeholders, i.e. selected audience. Sharing information with stakeholders is critical to the trust relationship between business and its individual stakeholders. It has been argued that the level of trust between a firm and, for example, members of the community, can be expressed as a function of the information asymmetry between them regarding environmental practices (Kulkarni as cited in [200]). All stakeholders are not interested in all business sustainability issues and Azapagic [219] summarised the key stakeholders and their primary interest in the business (see Table 3-6).

Table 3-6: Primary Interests of Stakeholders [219]

Stakeholder	Sustainability Issues		
	Economic	**Environmental**	**Social**
Employees	☻	☺	☻
Trade Unions	☻	○	☻
Contractors	☻	☺/○	☺/○
Suppliers	☻	○	○
Customers	☻	☺	☺
Shareholders	☻	☺	☺
Creditors	☻	☺	☺
Insurers	☻	☻	☻
Local communities	☻	☻	☻
Local authorities	☻	☻	☻
Governments	☻	☻	☻
NGO's	☺	☻	☻
Key: ☻ Strong Interest; ☺ Some interest; ○ No interest			

This criterion's two sub-criteria are:

- **Collective Audience**

  Collective Audience assesses information shared with all stakeholders. Information can be shared by various means, for example public reports, public announcements in newspapers, press statements, internet web pages, information leaflets, etc.

- **Selected Audience**

  Selected Audience focuses on information sharing with individual stakeholder groups, for example employees, community, customers, unions, etc. (See Figure 3-4 and Figure 3-5 for detail groups). The information sharing element of the company's industrial relations are thus assessed as part of this criterion. It is believed that industrial relations were a response to the de-humanising impact of the technocratic corporations [2] and that the roots of modern trade unionism developed during the Industrial Revolution in an attempt to deal with the social problems of that time [172]. This criterion therefore links directly with the Internal Human Resource criterion and its sub-criteria. This criterion also links with the environmental criteria as well as with the External Population criterion and its sub-criteria.

3.4.5.2 Stakeholder Empowerment

Companies do not respond to each stakeholder individually, but must answer the simultaneous demands of multiple stakeholders [215]. Stakeholder participation can therefore only be achieved if the various stakeholders' opinions are known throughout the company. The company must thus "empower" the stakeholders by ensuring structures to capture and distribute the information.

Stakeholder participation in ideal terms of corporate social responsibility is when the various stakeholders' views are taken into account at all levels of the decision-making processes in all areas of the company [218]. Stakeholder influence thus assesses two aspects in two different sub-criteria, namely:

- **Decision-Influence Potential**
  The criterion assesses the degree to which the company actually incorporates the stakeholders' opinions into operational decision-making.
- **Stakeholder Empowerment**
  The criterion assesses the quality and quantity of structures to ensure that stakeholders can express their views and that it is known throughout the company.

3.5 Conclusion

A sustainable development framework, which can directly be applied to projects to ensure their alignment with sustainable development, does not exist at present and a definite need for such a framework has been identified. The chapter proposes a framework to assess the sustainability of an operational initiative, including projects), within the three dimensions of sustainable development (see Figure 3-1 for level 1 to 3 of the framework). An additional three levels of criteria and sub-criteria are proposed for the social dimension. These criteria address both internal as well as external social impacts (see Figure 3-6). The proposed social sustainability assessment framework needs to be verified and validated to ensure completeness and relevance.

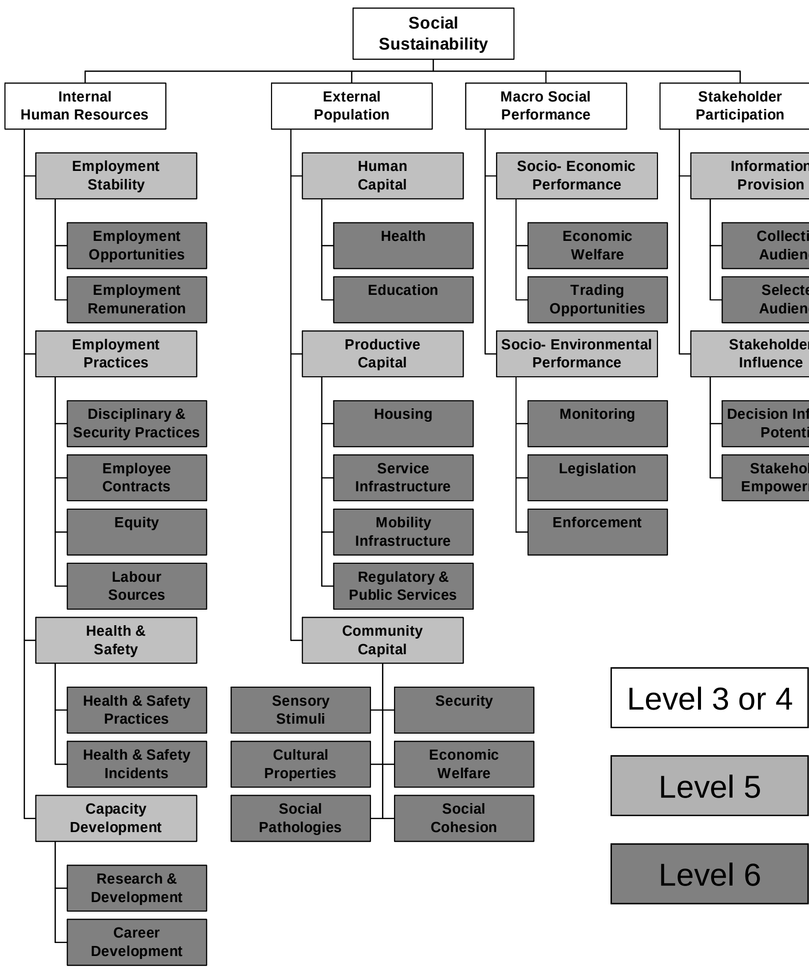

Figure 3-6: Proposed Social Sustainability Assessment Framework