The relationship between corporate sustainability and innovation in the South African banking sector

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Abstract

The role of banks in sustainable development has been growing with prominence internationally. Therefore, research was undertaken to ascertain the approach of South African banking sector in respect of corporate sustainability or sustainable banking. The purpose of this research was to further explore the business case thereof in the SA context and specifically where it pertains to product and market innovation.

A qualitative research methodology comprising an exploratory research design was applied, consisting of in-depth interviews and secondary data research of a sample of SA banking organisations. Findings indicated that SA banks primarily view corporate sustainability from an integrated approach. The South African macro-environment and national priorities play an important role in determining corporate sustainability initiatives. Accordingly, risks and opportunities are manifest (as part of a regulated and compliance-driven industry). Considering the national context and unique needs of stakeholders, there was evidence of a relationship between corporate sustainability and product and market innovation. However, not all opportunities from a business case perspective and in product and market types have been exhausted in this space.

Key words: corporate sustainability, sustainable banking, innovation, SA banking sector
Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Caroline King

____________________________________  __________________
Signature of candidate     Date
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<tr>
<td>ACAD</td>
<td>African Carbon Asset Development</td>
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<td>AICC</td>
<td>African Institute of Corporate Citizenship</td>
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<tr>
<td>AIDS</td>
<td>Acquired Immunodeficiency Syndrome</td>
</tr>
<tr>
<td>ASGISA</td>
<td>Accelerated and Shared Growth Initiative of South Africa</td>
</tr>
<tr>
<td>BBBEE</td>
<td>Broad Based Black Economic Empowerment</td>
</tr>
<tr>
<td>CR</td>
<td>Corporate Responsibility</td>
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<tr>
<td>CS</td>
<td>Corporate Sustainability</td>
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<tr>
<td>CSI</td>
<td>Corporate Social Investment</td>
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<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>DBSA</td>
<td>Development Bank of SA</td>
</tr>
<tr>
<td>dti</td>
<td>Department of Trade and Industry</td>
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<td>FICA</td>
<td>Financial Intelligence Centre Act</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FSC</td>
<td>Financial Sector Charter</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Profit</td>
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<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
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<tr>
<td>HIV</td>
<td>Human Immunodeficiency Virus</td>
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<tr>
<td>IDC</td>
<td>Industrial Development Corporation</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
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<tr>
<td>JSE</td>
<td>Johannesburg Stock Exchange</td>
</tr>
<tr>
<td>MBA</td>
<td>Masters in Business Administration</td>
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<tr>
<td>MFI</td>
<td>Micro-Finance Institutions</td>
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<td>NGO</td>
<td>Non-Government Organisations</td>
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<td>RI</td>
<td>Responsible Investment</td>
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<td>SA</td>
<td>South Africa</td>
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<tr>
<td>SIC</td>
<td>Standard Industrial Classification</td>
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<td>SME</td>
<td>Small and Medium Enterprises</td>
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<tr>
<td>SRI</td>
<td>Socially Responsible Investment</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UN PRI</td>
<td>United Nations Principles of Responsible Investment</td>
</tr>
<tr>
<td>UNEP</td>
<td>United Nations Environment Programme</td>
</tr>
<tr>
<td>UNEP FI</td>
<td>United Nations Environment Programme Finance Initiative</td>
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<tr>
<td>WBCSD</td>
<td>World Business Council for Sustainable Development</td>
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<td>WEF</td>
<td>World Economic Forum</td>
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<td>WWF</td>
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Chapter 1: Introduction to Research Problem

1.1 Introduction

The manifestation of global sustainability challenges prevalent in today’s society may be considered a contentious issue in which debates abound in respect of the severity and urgency of the sustainability dilemma. However, despite the environmental and academic debates, it cannot be disputed that cumulative impact of human beings on the condition of the earth’s life-support systems and ecosystems has been significant manifest in current development challenges (World Business Council for Sustainable Development (WBCSD), 2010). With population growth and global economic growth (in the form of global national product) almost doubling between 1970 and 2000 and still growing at a rapid pace to reach 9 billion in 2050 (WBCSD, 2010), the prospects of undoing the damage already caused through human endeavour is almost unattainable (Porrit, 2001). In addition, over the last 200 years, economic growth has shifted from renewable sources to non-renewable sources (WBCSD, 2010). These challenges persist despite the proliferation and adoption of the vast array of environmental regulation which has garnered local improvements (Porrit, 2001). With the growing levels of CO₂ concentration and the emergence of climate change irregularities, social and economic issues are also escalating in terms of poverty levels, income disparities and proliferation of HIV/AIDS (Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome) (Porrit, 2001). Therefore, the world and the society we live in seem to be existing in a pivotal and delicate era where decisions made today could have extreme consequences in the future.

There is much speculation on the cause of the unsustainable environmental, economic and social crisis in which the world finds itself currently but if it is rooted in the core of human nature, which has evolved over the centuries motivated by economic, political
self-interest, it will require a transcendence of contemporary purely competitive values
(Rees, 2003). A more collaborative approach will then be necessary in being
disciplined, so as to make an indelible impact on sustainability imperatives (Rees,
2003).

Thus, this research sought to explore the extent to which the South African (SA)
banking sector has been addressing the impact of such sustainability challenges within
the realm of corporate sustainability and utilising innovation in this respect.

1.2 Definition of sustainability and corporate sustainability

In addition to the Brundtland Report (World Commission on Environment and
Development, 1987, p. 4) encompassing the definition of sustainable development as
“…paths of progress which meets the needs and aspirations of the present generation
without compromising the ability of future generations to meet their needs”, it is argued
by Robinson (2004) that there is a distinction between sustainable development and
sustainability with the term of sustainability as overarching. He proposed that
sustainability focuses on the integration of three imperatives namely, the ecological
requirement (not to overburden the biophysical capacity of the planet), economic
requirement (maintain the standard of living of all) and social requirement (comprising
governance systems inclusive of sound values) (Robinson, 2004). It is not only
integrated across these dimensions but also across fields, sectors and interests such
that government, civil society, Non-Government Organisations (NGOs) and industry
needs are supported (Robinson, 2004).

Thus, following this definition, corporate sustainability could be considered as strategic
management processes of business in balancing economic, social and environmental
concerns (Signitzer & Prexl, 2008) in addition to the needs of stakeholders and requirements of legislation (if applicable) on an ongoing basis (Robinson, 2004).

However, despite the profusion of definitions (Dahlsrud, 2006), corporate sustainability is dependent upon an organisation’s ambition levels and objectives (van Marrewijk, 2003). Thus, strategy development and implementation thereof are contextual (Dahlsrud, 2006).

1.3 Corporate sustainability as a global and South African imperative

The role of business as a "responsible citizen" in positively contributing towards social, economic and environmental upliftment has become a global focal point (Institute of Directors Southern Africa, 2009, p. 11). It has received ardent attention over the last decade in the midst of explicit concerns revolving around sustainability issues and the manifestation of ubiquitous social ills (Institute of Directors Southern Africa, 2009). Due to the integrated context in which organisations operate, the economic prosperity of business is thus entirely linked to sustainable development (Institute of Directors Southern Africa, 2009).

The relevance of sustainable development to the business community is manifest in a range of global initiatives established. Examples of such initiatives encompass:

- World Economic Forum (WEF) Global Corporate Citizenship advocacy (highlighting the dependence of the success of global corporations on the condition of the environment inclusive of the economic and social macro-environment) (World Economic Forum, 2010)
- United Nations (UN) Division for Sustainable Development (United Nations, 2010)
Thus, a formidable challenge for business prevails for the successful reconciliation of two opposing objectives:

1) What Friedman (1970) referred to as the “social responsibility of business” to “increase its profits” within a modern capitalist society

2) Being responsible for assisting in alleviating problems prevalent in the world which comprises, but is not limited to, lack of clean water, climate change and poverty (Globescan, 2010)

The implementation of corporate sustainability interventions may be able to assist organisations in achieving these goals (Signitzer & Prexl, 2008).

Corporate sustainability is of particular relevance in the South African context due to its growing Gini co-efficient 0.679 with escalating income disparities and unemployment, which threaten social stability and economic growth (Pressly, 2009). Notwithstanding the socio-economic challenges afflicting South Africa, business is also obliged to subscribe to an array of national and international standards and guidelines for mandatory or voluntary sustainability reporting (for example, Global Reporting Initiative (GRI), UN Global Compact, and King Reports on Corporate Governance), considered to be global best practice (Institute of Directors Southern Africa, 2009). Consequently, it is crucial for organisations to communicate to stakeholders and the broader community on the progress and accountability of business toward sustainable development (Porrit, 2001). In this way, organisations may demonstrate their awareness and commitment to prevailing sustainability challenges (Porrit, 2001).

1.4 The business case for corporate sustainability

In light of previous academic studies conducted, the rationale for businesses to become more environmentally and socially responsible had been predominantly driven
by external pressures (for example, regulation), market demand (thus economic opportunity) and organisational leadership (Porrit, 2001).

Since the efforts of the WBCSD in the nineties to develop the business case for sustainable development, the business benefits have grown from eco-efficiency, improved risk management and license to operate (Porrit, 2001) to also include intangible factors as given in the following composite list of potential benefits to business:

- Brand and reputation management
- Risk management
- Employee recruitment, motivation and retention
- Investor relations and access to capital
- Innovation and learning
- Cost reduction and operational efficiency
- License to operate

(Steger, Ionescu-Somers & Salzmann, 2007)

The critical need for the adoption of corporate sustainability initiatives is echoed by Fisher (2010, p. 29) who stated:

The corporate sustainability/social responsibility global initiative is much more than a fad. Corporate sustainability is 21st century leadership's competitive edge for the future. By operating better and more efficiently, organizations are increasing sales, reducing operating costs, and enhancing their brand reputations and market value.

However, additional comprehensive research is required on an individual company level to ascertain the business case for corporate sustainability adoption, the success of which relies on authentic value drivers as opposed to purely profit motives (Porrit, 2001). Under the mounting pressure of compliance and regulatory encumbrance as
well as stakeholder requirements, the question is raised whether organisations are able to optimise the returns (exemplified by the above benefits) from corporate sustainability interventions based on its respective business case, such that it is deemed to be opportunities for true growth and innovation (Hart, 2005a). In recognising the opportunities associated with global sustainability, organisations should be in a position to develop innovative strategies towards value creation and business development (Hart, 2005a).

Thus, the purpose of this research was to determine whether there is a relationship between innovation (regarded as one of the potential benefits within a sound business case) (Steger et al., 2001) and corporate sustainability initiatives. Accordingly, this research sought to investigate whether organisations are able to derive and develop innovation and innovative practices in order to be a competitive organisation and, thereby, ensure the future sustainability of the business as well as its external environment (Hart, 2005a).

1.5 Research motivation/rationale

1.5.1 Corporate sustainability research in the SA banking sector

The banking and financial services sector is also representative of an industry which is often burdened by over-regulation and compliance measures (PriceWaterhouseCoopers, 2010) and is currently managing the detrimental consequences of the current global credit crisis and recession as a proponent of “financialised” capitalism (Lapavitsas, 2009, p. 114). Hence, the impetus for banks to integrate sustainable development priorities within its activities is driven predominantly by its stakeholders, which comprise the government, society, customers and its shareholders (Jeucken, 2001).
Chapter 1: Introduction to Research Problem

In Africa, banks play an essential role as intermediaries which include development of infrastructure, signalling price fluctuations, shaping regulatory change, supporting domestic resource availability and promoting the levels of savings which is a critical need on the continent (African Institute of Corporate Citizenship, 2004). In this manner, banks in developing countries in Africa are regarded as having an economic and social impact on the advancement of the country (African Institute of Corporate Citizenship, 2004).

Consequently, within the SA context over the last three years, the banking industry has had to take into account the escalating requirements for the purpose of compliance of several pieces of SA legislation impacting the business environment of banks. By integrating these requirements, possible risks may be mitigated and banks are then placed in a position to contribute positively to the economy and society, as represented by:

- FICA (Financial Intelligence Centre Act) established in 2003 which seeks to protect all legal investments and finances against money-laundering activities (Banking & Finance, 2009).
- National Credit Act No. 34 of 2005, promulgated in 2006 for the protection of consumers entering into credit transactions and also encompasses the control of credit transactions (National Credit Regulator, 2010).
- Financial Sector Charter of 2002, committed to by the financial sector as a transformation charter by which Broad Based Black Economic Empowerment (BBBEE) would be implemented in the sector from 2004 until 2014 (Financial Sector Charter Council, 2010).
- Financial Advisory and Intermediary Services Bill No. 37 of 2002, regulating the provision of financial advisory and intermediary services to clients and compelling all financial services providers to meet qualifying criteria and qualifications in the provision of such services (Financial Services Board, 2002).
- Basel II Accord of 2006 as a revision of the Basel Capital Accord, aiming to preserve the banking system through an international “credit risk management framework” (Mboweni, 2006, The Basel Capital Accord, para. 1) and focusing on three main pillars of “minimum capital requirements, a supervisory review process and effective use of market discipline, through minimum disclosure standards” (Mboweni, 2006, The Basel Capital Accord, para. 3).

Furthermore, the growing involvement of the SA banking sector in sustainable development has also been evident by the voluntary partnership of representatives from the industry with the United Nations Environment Programme Finance Initiative (UNEP FI) (United Nations Environment Programme Finance Initiative, 2010), Equator Principles (Scholtens & Dam, 2007) and International Finance Corporation (IFC) (International Finance Corporation (IFC), 2006). Other voluntary agreements prevalent in the sector consist of:
- UNEP Statement by Financial Institutions on the Environment and Sustainable Development
- UN Global Compact’s Financial Institutions Initiative
- Collevecchio Declaration on Financial Institutions and Sustainability
- The UN Principles for Responsible Investment (UNEP FI African Task Force, 2007)

Most recently, there was collaboration between the leaders of the SA financial institutions and the Human Settlements Minister, Tokyo Sexwale, on adequate housing delivery in SA (BusinessReport, 2010).

In this way, members of the banking sector who are employing corporate sustainability initiatives will be able to assess, through the results of research, the progress and feasibility of corporate sustainability strategies from their organisation’s perspective.
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The research may also inform how South African economy, society as well as business performance benefits from innovative solutions in the realm of corporate sustainability especially for an industry where competition between players is intense and dynamic (Dobni, 2006).

1.5.2 Value of corporate sustainability research

From a research point of view, the report will build on existing research projects already conducted by previous MBA candidates (for example, Padarath (2009), Chonco (2009), Hansel (2009) and Canin (2002)) who assessed various aspects of corporate sustainability, the broader business case for corporate sustainability in SA and the success of other sectors in the implementation thereof. Canin (2002), whose focus was on big business, emphasised the need for the integration of a Corporate Social Investment (CSI) strategy with business imperatives and a means of measurement thereof in order to garner maximum strategic benefit. Canin (2002) also recommended future research in the CSI strategies of smaller or medium sized business. This research recommendation also merges with the need for more comprehensive sectoral research within the scope of the business case for corporate sustainability (Salzman, Ionescu-Somers & Steger, 2005) and the importance of the business case approach to environmental sustainability (Hansel, 2009). However, in investigating the factors affecting the adoption of the Equator Principles by South African financing institutions, Chonco (2009) concluded that institutions were not able to undertake or establish sound business cases prior to its decision to implement the principles and highlighted the power of “peer pressure” (p. 89) within the sector. According to Padarath (2009), the concept and ambit of corporate sustainability was regarded as complex and contested where organisational context plays a primary role in strategy and implementation, which thus prompts further research in a specific sector.
Chapter 1: Introduction to Research Problem

Research results will also contribute to possible focus areas or best practice for corporate sustainability in a country committed to the Millennium Development Goals (United Nations Development Programme, 2010), on which collaborative progress thus far has been slow (United Nations (UN), 2009). SA also exemplifies a country in need of socio-economic upliftment as described in Accelerated and Shared Growth Initiative of South Africa (ASGISA), which seeks to address the imbalances as a result of South Africa’s dual economy (and social inequalities) and commodity-based growth, by halving unemployment and poverty by 2014 through the realisation of faster and inclusive economic growth (Luiz & Murray, 2007).

1.6 Research scope

The research report evaluated over a specific time frame and business cycles (2007-2009) the link between implementation of corporate sustainability interventions (as defined specifically in the SA banking sector) and innovation (relevant to the banking industry). This particular time frame was most viable for conducting research as the SA banking industry had been subject to the global financial crisis (Lapavistas, 2009) and escalating legislative requirements characteristic of the industry (PriceWaterhouseCoopers, 2010). It was also equivalent to the time period wherein Jeucken (2001) undertook a study on sustainable banking in 34 international banks which was conducted from 1998 to 2000.

The corporate sustainability interventions within the SA banking sector included initiatives which have an impact on economic, social and environmental concerns taking into account stakeholder aspects (Dahlsrud, 2006) and sustainable banking activities (Jeucken, 2001). Sustainable banking activities encompass, but are not limited to, codes of conduct and disclosure, environmental policy, objectives, reporting and environmental management systems, sustainable finance products, risk
management and management practices, international guidelines/initiatives, socio-economic activities and sponsoring (Jeucken, 2001). Types of innovation relevant within the banking sector comprise processes and products (Carpinetti, Gerolamo & Galdámez, 2007), markets, organisation and supply chain (Sawhney, Wolcott and Arroniz, 2006). However, products and market innovation was most significant in respect of corporate sustainability initiatives in the context of the industry.

The relationship between corporate sustainability and relevant innovation was examined on a comparative basis between different banking organisations in the sector which were selected in accordance with the sampling framework and criteria.

1.7 Research objectives

This research aimed to:

a) Define corporate sustainability and its basic principles within the SA banking sector context.

b) Determine the nature of the relationship between the adoption of corporate sustainability initiatives and the manifestation and utilisation of product and market innovation for competitive advantage within the SA banking sector.

c) Ascertain the perceived benefits (quantitative or qualitative) from the utilisation of product and market innovation in the implementation of the corporate sustainability strategy by SA banks.
Chapter 2: Literature Review

2.1 Sustainability

The issues of sustainability and sustainable development originated in the mid-1980’s in response to environmental and socio-political concerns as a result of human activities and human development issues (Robinson, 2004).

It is thought that sustainability and sustainable development are equivalent terms, dependent upon the preference or perspective of specific users such as government, NGOs, private sector organisations or academics (Robinson, 2004). However, Robinson (2004), amidst the multitude of views on what these terms constitute, contended that sustainability is overarching. Sustainable development as a holistic concept can also be debatable as it could be classified as self-contradictory and can actually promote undesirable environmental and social impacts if it is not undertaken with a change in values at the individual level (Robinson, 2004). Sustainability, however, encompasses a collaborative community approach to integrating environmental, social and economic issues within a long-term perspective (Robinson, 2004).

The reasons for these issues can partly be explained by the transformations which civilisation has undergone, especially over the last century with tripling population growth and the rise of capitalism, globalisation, privatisation, free trade and revolution in information technologies (Hart, 2005a). Despite the notion that economic growth is key to well-being and poverty alleviation (Hopwood, Mellor & O’Brien, 2005), not all countries have benefited equally with the growth in economic development and activity (worth approximately $40 trillion), (Hart, 2005a). In addition to the impact on and exploitation of the earth’s natural systems, capitalism and globalisation has also served to broaden the gap between developed and developing countries and the rich and poor.
(Hart, 2005a). Hopwood et al. (2005) further argued that this has been exacerbated by mainstream economic policy stances which pronounced that worldwide prosperity and human well-being can be accomplished by means intensive global trade and industry. Multi-national corporations have had a major role to play in these outcomes with most of the international corporations emanating from the developed economies and establishing their industries in developing countries (Hart, 2005a). Their presence has not essentially benefited the local communities or those at the bottom of the pyramid economically (Hart, 2005a) or the environment, which subsequently threaten communities’ health and livelihoods (Hopwood et al., 2005). Due to tangible links between society and the environment, current economic progress and exploitative human endeavour (Rees, 2003) have resulted in challenges in environmental degradation, inequality and poverty (Hopwood et al., 2005).

Therefore, in the midst of the negative sentiment towards capitalism and globalisation, there is a need for international corporations to adopt a more inclusive form of capitalism towards sustainable global development, which have positive cultural and societal impacts (Hart, 2005a) while protecting the earth’s natural capital and biosphere (Lovins, Lovins & Hawken, 2007). Therein lies an immense opportunity for businesses to balance all aspects of sustainability imperatives for its own prosperity as well as that of the environment and the community (Hart, 2005a). Such an opportunity for business may be considered as a potential commitment to reform or transform, through engagement with government and with broader range of stakeholders (Hopwood et al., 2005).
2.2 Corporate sustainability

2.2.1 Corporate sustainability models

Fischer (2010, p. 30) described corporate sustainability as: “a new and evolving management philosophy that addresses organizational growth and profitability, environmental protection, social justice, and equality (economic/environmental/social)” such that interventions “promote the integration and balance of all three sustainability concepts”. This was reflected in Hart’s (2005a, p. xlii) definition of the “sustainable global enterprise” which emphasised the role of the private sector and also included respecting cultural diversity and improving the quality of life of the poor. Although Hart (2005a) highlighted the role of business and industry, he did not exclude the importance of collaboration with the non-profit organisations/non-governmental organisations, the government and multilateral agencies contributing towards a strategy for sustainability.

However, van Marrewijk (2003) illustrated, by means of his article on the concepts and definitions of Corporate Social Responsibility (CSR) and Corporate Sustainability (CS), the abundance of views on this business philosophy and the ongoing debate in academic circles as to a succinct definition of CS. Although both terms are regarded as synonymous, he drew a slight distinction with CS and CSR by stating that CSR focused on the relationship of the organisation and people (stakeholders) through transparent communication and reporting and that CS involves the organisation’s commitment to and management of value creation and internal systems (for example, environmental friendly production system) on behalf of stakeholders (van Marrewijk, 2003). In his broad definition of CS and CSR as voluntary company activities which inculcate the inclusion of social and environmental concerns in business operations and when interacting with all stakeholders” (van Marrewijk, 2003), he differentiated
between the various motivations and objectives of organisations pertaining to CS and CSR in the following ambition levels (pp. 102-103):

- Compliance-driven
- Profit-driven
- Caring
- Synergistic
- Holistic

In this way, it appears that there is not a singular definition of CS and CSR but is dependent upon an organisation’s ambition levels and objectives. These aims would then determine the frameworks by which the organisation will implement interventions and henceforth utilise it as a means of evaluating organisation’s progress, derivation of value and impact on its environment (van Marrewijk, 2003). This perspective is strongly supported by Dahlsrud (2006) who verified the existence of a myriad of CS definitions. Dahlsrud (2006) also attested to the importance of the organisational context in determining how CS is “socially constructed” (Conclusion, para. 2) for the development and operationalisation of the CS and business strategy. Despite the prevalence of the 37 definitions garnered by Dahlsrud (2006), all definitions were consistent in encompassing the following conceptual dimensions:

- The environmental dimension
- The social dimension
- The economic dimension
- The stakeholder dimension
- The voluntariness dimension

(Dahlsrud, 2006)

Conversely, rather than relying on or testing existing CSR models, Pedersen (2010), took a different approach by developing a practitioner-based model which
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encompassed the actual perceptions of managers in eight large international organisations in their understanding of the role of business towards society. In so doing, Pedersen (2010) acknowledged the role of overall CSR research conducted by the range of researchers which included the aforementioned researchers as well as Carroll’s (1991) Pyramid (composed of economic, legal, ethical and philanthropic responsibilities) and Elkington’s (1998) Triple Bottom Line (inclusive of People, Profit, Planet imperatives). However, Pedersen (2010) did not adopt the assumptions of CSR conceptualisations in order to fully comprehend current CSR interventions and to minimise the possibility of inconsistent expectations between business and stakeholders. Generally, the practitioner-based model demonstrated that managers’ perception of societal responsibilities comprised a good working environment, the development and marketing of high-quality products whilst considering the extent of the environmental footprint (Pedersen, 2010). As illustrated by van Marrewijk (2003) and Dahlsrud (2006), Pedersen (2010) noted as a limitation to his research that the practitioner-based model was informed by common issues but cannot be entirely representative as perceptions are reliant on individual, firm and industry contexts which may thus play a significant role in shaping CSR practices.

Depending on these factors and contexts, organisations may then also choose to adopt contemporary models in CS practices such as the Five Capitals Model (Forum for the Future (2010) which represents 12 features of a sustainable society in accordance with five forms of sustainable capital being Natural Capital, Financial Capital, Manufactured Capital, Social Capital and Human Capital. These types of models can also serve to assist organisations in evaluating their respective CS strategy and initiatives holistically.
2.2.2 Corporate sustainability business case

Unfortunately, conclusive research in establishing the business case for CS was considered to be lacking by Salzmann, Ionescu-Somers and Steger (2005). In their review of the literature on CS business cases, the authors postulated that the majority of research focused on quantitative research did not produce conclusive results (Salzmann et al., 2005). They also found that the qualitative research conducted concentrated on a singular company or sector and were limited to manager’s perceptions rather than on processes and implementation of tools (Salzmann et al., 2005) which is in part shown, although prospectively, by Pedersen’s (2010) quantitative research. This apparent lack of convincing research relating to the business case for CS is exacerbated by lack of progress by organisations in establishing a well-developed business case for CS (Steger, 2004). The fragmentation of sustainability issues which require prioritisation and the differences from industry to industry could also contribute towards the difficulty in developing a sound business case (Steger, Ionescu-Somers & Salzmann, 2007).

In view of the challenges in verifying the benefits and costs associated with a business case for CS, both Schaltegger (2010) and Weber (2008) had proposed models for measurement. Schaltegger (2010) approached it from a balanced scorecard method composed of finance-, market-, process-, learning and development- and non-market oriented perspectives with relevant indicators of performance and drivers such as market value, turnover and innovation potential. Alternatively, Weber’s (2008) model consisted of a CSR benefit contribution matrix composed of long-term and short-term goals (Figure 1) and measured both qualitative and quantitative value-added. The distinction between the qualitative and quantitative benefits as part of an impact model is given in Figure 2 (Weber, 2008). The business case approach suggested by Weber (2008) encompassed the evaluation of qualitative CSR impacts, evaluation of monetary
value added, development and measurement of indicators and strategic relevance of the assessment components. Following the discussions above on the developmental nature of business cases in CS and CSR, Schaltegger (2010) and Webber (2008) though acknowledged the progress and research needed and shortcomings of their approaches pertaining to time and the integrated organisational and management effort required.

**Figure 1: CSR Benefit Contribution Matrix (Weber, 2008, p. 256)**

![CSR Benefit Contribution Matrix](image)

**Figure 2: CSR Impact Model (Weber, 2008, p. 250)**

![CSR Impact Model](image)

In the development of relevant business cases, Steger (2004) also noted the importance of value drivers supporting and underpinning the business case for sustainability such as brand value, reputation, talent management and financial imperatives. If these value drivers are not recognised by organisation and
organisations only take reactive stances in response to growing legislation, Hart (2005a) suggested that these companies will continue to perceive financial trade-offs in integrating CS into their business. Smith (2007) attested to these views by positioning CSR as a source of long-term competitive advantage and economic benefits, exemplified by positive corporate reputation and supportive organisation culture.

However, there is a growing school of research which stated a more critical paradigm in that this view is also limited and not realistic that economic, social and environmental benefits (measured in terms of economic performance) can be achieved simultaneously and are mutually reinforcing (Hahn, Figge, Pinkse & Preuss, 2010). This is especially pertinent given the complex and contextual nature of CS and CSR (Hahn et al., 2010). In utilising a framework which distinguishes between individual, organisational, industrial and societal trade-offs, it will begin to assist organisations in identifying specific trade-offs in order to manage associated risks and outcomes (Hahn et al., 2010).

2.2.3 Corporate sustainability in developing countries

In the qualitative research conducted by Jamali and Mirshak (2007) who investigated the theory and practice of CSR in the developing country context, it was also recommended that additional empirical studies in developing countries are warranted. Following on the perspectives regarding the contextual nature of CSR and CS, Prieto-Carrón, Lund-Thomsen, Chan, Muro and Bhushan (2006) proposed that the view of CSR is rather one-sided, focusing on the mutual benefits and increased profit-making from multi-stakeholder relationships: a one-size-fits-all approach cannot apply to CSR especially in the developing country context where issues of gender, class and power may apply (Prieto-Carrón et al., 2006). Consequently, questions were raised whether CSR driven by business is able to solve the complex problems associated with poverty,
what the true impact of CSR in developing countries was on issues such as poverty, what the level of participation in CSR was relative to positions of power and the relationship between governance and CSR (Prieto-Carrón et al., 2006). The basis of these questions form critical research agendas and provide critical perspectives on the implementation of CSR in developing countries (Prieto-Carrón et al., 2006).

Despite the questions posed on the suitability of the application of CSR in developing countries, Baskin’s (2006) study on the uptake of emerging market companies of CSR revealed that the scores for overall CSR practices (based on reporting categories including environment, community/philanthropy, human resources and business ethics) distinguished between developed and emerging markets, were not substantially different. In addition, the report also illustrated that emerging market companies excelled in certain aspects of CSR such as social investment and philanthropy (Baskin, 2006). This was further highlighted in the individual analyses of the BRICS countries (consisting of Brazil, Russia, India, China and South Africa), where SA scored the highest followed by Brazil and India, the results of which also compared favourably with the developed country counterparts (Baskin, 2006). The strength of these CSR scores within the BRICS countries suggested the presence of drivers for CSR within the emerging market context, which were summarised as follows:

- CSR is internally rather than externally driven where a culture of audit and compliance dominates.
- CSR practices are mostly prominent where certain key factors are present: high levels of inequality, active/informed civil society, state “failure” in provision of social necessities and presence of business leaders with global aspirations and who are receptive to engaging on sustainability issues.
- There are no viable business alternatives or perceived political options other than the implementation of CSR.

(Baskin, 2006)
These drivers were featured within the Brazilian context where democratisation in 1980’s and need for legitimacy fuelled CSR and also within the Indian environment where there was an established tradition of family-owned businesses with strong ties to the community and hence philanthropic investment (Baskin, 2006). Therefore, the developing country context and factors provided a unique and robust impetus for CSR in contrast to developed countries and promotes the need for additional research in this area (Baskin, 2006).

The difference between CSR in developing countries and developed countries was also recognised by Visser (2006), where he reformulated Carroll’s (1991) CSR pyramid within the African context. Despite accounting for 12% of the world’s population in 53 countries, Africa’s comparative economic development progress, represented by gross domestic product (GDP) and levels foreign direct investment (FDI), was reflected as weak on a global scale (Visser, 2006). The African context has also been characterised by extreme poverty, low literacy levels and low life expectancy (Visser, 2006). Contrary to Prieto-Carrón et al.’s (2006) views on the limiting value of CSR in the developing country context, Visser (2006) postulated that the private sector is still positioned to make the most considerable impact on the development and poverty alleviation in the African continent. However, the CSR pyramid submitted by Carroll (1991) highlighted economic responsibilities as fundamental followed by legal responsibilities, ethical responsibilities and philanthropic responsibilities, which Visser (2006) amends to the following illustrated in Figure 3. The CSR pyramid in the African context therefore placed philanthropic responsibilities ahead of legal responsibilities with ethical responsibilities prioritised last (Visser, 2006). This further illustrated how the cultural context needs to be taken into account when formulating the CSR and CS policy and programmes in a particular organisation and country (Visser, 2006).
2.2.4 Corporate sustainability in various sectors

The research conducted in CSR or CS implementation across sectors demonstrated varied results. The global forest sector seemed to be undertaking CSR in accordance with meeting economic expectations and aligned to society expectations (Han, 2010). However, the approach to CSR was not intrinsically motivated and was primarily passive (Han, 2010). The research results also showed regional differences in the implementation of CSR particularly in reference to leadership, vision and values where European developed countries were applying CSR on a higher level than Latin American developing countries (Han, 2010). Han (2010) also suggested as future research how innovative approaches (market orientation and learning orientation) can influence the level of CSR implementation in the global forest sector.

Alternatively, research on the progress of sustainability reporting aligned to the Global Reporting Initiative (GRI) G3 Framework in four major mining companies from 2001 and 2006 showed that categories of “context and commitment”, “social performance”
and “environmental performance” improved on an ongoing basis while “economic performance” and “accessibility and assurance” scored the lowest (Perez & Sanchez, 2009). Perez & Sanchez (2009) also suggested that mining companies should disclose in more detail data measurement techniques in addition to third party verification. In the SA context, mining companies have found it challenging to implement CSR (Hamann, 2003). However, these circumstances presented opportunities for innovation and for tri-sector partnerships, engaging the private sector, government and civil society (Hamann, 2003).

The construction sector was also beginning to embrace sustainability objectives in sustainable design and construction practices in view of the nature of the environmental impact of the industry involving energy resources and waste on sustainable development (Thorpe & Ryan, 2007). Sustainability was also considered to be one of the drivers of innovation in the industry (Thorpe & Ryan, 2007). Therefore, sectors are progressing in terms of CS implementation and a relationship between CS and innovation is becoming evident.

2.2.5 Corporate sustainability within banking and financial services

Within the context of banking and financial services, Jeucken (2001) framed the role of banks in sustainable development, in consideration of the multitude of internal and external stakeholders and its dynamic context, within a typology, consisting of the following progression:

- Defensive banking (an inactive stance in respect of environment and sustainability and regards associated costs as avoidable)
- Preventive banking (beginning stages of integrating sustainability issues into internal operating activities (for example, environmental risk management) and recognition of savings (which is also reflected in product types provided))
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- Offensive banking (following from the previous stage, further integrating sustainability in external activities in products and services such as green financing)
- Sustainable banking

He defined sustainable banking as a “modus operandi in which the internal activities [(business processes)] meet the requirements of sustainable business and in which the external activities (such as lending and investments) are focused on valuing and stimulating sustainability among customers and other entities in society” (Jeucken, 2001, p. 73). Therefore, the concept of sustainable banking further entrenches the role of banks within the realm of CSR and CS (Jeucken, 2001). As a result, not only do banks need to consider what products they develop and supply to their respective markets for the purpose of sustainability, but it also involves investment decisions which meet the sustainability demands of customers (also known as sustainable investing or socially responsible investing (Jeucken, 2001, p. 84) and that which is not considered inappropriate based on the actions of customers in their utility thereof (Heal, 2005). Consequently, the purpose of global development institutions (such as the World Bank Group) and relevant national development banks in this respect is key (Jeucken, 2001).

In order to provide a practical perspective of sustainable banking, Jeucken (2001) analysed the extent of sustainable banking in 34 international banks utilising a designated framework and also investigated the correlation of their scores with efficiency and banking profile. The framework included various components of sustainable banking such as codes of conduct and disclosure, environmental policy, objectives, reporting and environmental management systems, sustainable finance products, risk management and management practices, international guidelines/initiatives, socio-economic activities and sponsoring (Jeucken, 2001). Initial findings revealed that a relationship was evident but the results were tentative and not
entirely conclusive based on the composition of the sample. Thus, Jeucken (2001) recommended further research in this topic, more especially qualitative research, smaller banks’ CS orientation and banking activities in developing countries.

The increasing significance of integrating CS in the business of banking was further validated by Scholtens (2009) who assessed the level of corporate social responsibility practised within banks utilising a framework in 30 international institutions. He found that levels of CSR increased between 2000 and 2005 but results differed depending on countries and regions (Scholtens, 2009). Hence, Scholtens (2009) recommended the inclusion of emerging economies in subsequent surveys.

2.2.6 Corporate sustainability in African financial services

Financial institutions in Africa play a vital and unique role as a source of capital and finance (United Nations Environment Programme Finance (UNEP FI) African Task Force, 2007) and as intermediaries for infrastructure development and essential services (African Institute of Corporate Citizenship (AICC), 2004). This provides impetus for financial institutions to adopt sustainability banking in view of improved risk analysis incorporating sustainability imperatives, corporate governance standards, access to international funds, new markets and enhanced stakeholder relations across the continent (UNEP FI African Task Force, 2007). Thus, there is potential for banks to influence economic growth, advance the wellbeing of society and change in this distinctive context (UNEP FI African Task Force, 2007).

The AICC (2004) also proposed a continuum towards sustainable banking beginning from developing an approach to sustainable banking and moving beyond this basic commitment to achieving a competitive sustainability advantage, represented by the following degrees of involvement:
Financial Institutions beginning to develop a sustainability banking approach should:

- Ensure commitment at top level management
- Examine key business risks drivers, including principle areas of sustainability risk and opportunity
- Examine organisational values of company in context of sustainability
- Define roles and responsibilities of the management team and choose specific limited sustainability interventions with clear objectives
- Monitor and evaluate performance against specific criteria and objectives

Financial institutions wishing to move beyond a basic commitment to sustainability banking should:

- Ensure commitment of staff and board involvement
- Analyse sustainability risks and opportunities in detail, including scope for innovation
- Incorporate sustainability principles into a code of practice
- Look to integrate a sustainability framework across the bank including an overall strategy
- Train and build awareness of all staff
- Communicate the sustainability strategy internally and externally
- Undertake reporting of sustainability risk management and opportunities
- Develop a knowledge management and learning framework

Financial Institutions aiming to achieve competitive sustainability advantage should:

- Move to inspire the whole organisational network including suppliers and key partners
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- Use professional benchmarking and diagnostic tools to evaluate company performance on sustainability banking and inform strategy development linking directly to core business competencies
- Apply external standards and consider external auditing to enhance credibility
- Undertake progressive stakeholder engagement process
- Integrate sustainability issues into key internal management systems
- Undertake externally audited sustainability reporting process
- Ongoing review and analysis of performance against measured targets

(African Institute of Corporate Citizenship, 2004, p. 6)

The results of the UNEP FI African Task Force (2007) report on the level of adoption of sustainability policies in credit risk management in South Africa and Nigeria revealed that South Africa is beginning to embrace sustainability within its operations more than Nigeria, and the role of local stakeholders and international finance organisations influencing the sustainability agenda and sustainability credit risk assessment practices of African financial institutions. The AICC (2004) report also showed the potential of African countries in integrating sustainability banking within innovative products and the need to ensure that sustainability banking is contextualised within Africa, given its challenges and sustainability objectives. This may also prove to be an opportunity for international aid agencies, international mutual organisations (for example, Danone and Crédit Agricole in India), local development banks and private banks within developing countries to create partnerships and facilitate the role of finance in the progressing sustainability within and across developing countries (Rodrigues & Santiso, 2007).
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2.3 Innovation

The concept of innovation is extensive. Goswami and Mathew (2005) stated how Schumpeter in the 1930’s first described innovation in an industrial organisation in the following categories, all entailing an element of newness:

- New product or substantial change in an existing product
- New market
- New process
- New sources of supply of raw materials
- Other sources of inputs and changes

From this definition, it has evolved from continuous improvement and was regarded by Carpinetti, Gerolamo and Galdámez (2007) as consisting basically of "product and process innovation" in which process innovation is not limited to manufacturing processes but “includes improving functions such as strategic planning and implementation, marketing, production, logistics, quality management and human resource management” (Carpinetti et al., 2007, p. 378). The definition has also been extended to include the discovery and exploitation of new ideas and the espousal of an innovation culture within the organisation (Carpinetti et al., 2007).

Sawhney, Wolcott and Arroniz (2006) accentuated the importance of creation of new value through business innovation towards maintaining an advantage over competitors and also extrapolated the categories of innovation to incorporate: “offerings, platforms, solutions, customers, customer experience, value capture, processes, organisation, supply chain, presence, networking and brand” (p. 78). Carpinetti et al. (2007, p. 378) further distinguished between incremental or continuous and radical or disruptive innovation by quoting Hyland and Boer’s (2006, p. 390) definition of continuous innovation as “the ongoing interaction between operations, incremental improvement,
learning and radical innovation aimed at effectively combining operational effectiveness and strategic flexibility, exploitation and exploration”.

In light of the integrated and wide-ranging notions of innovation, Sigauw, Simpson and Enz (2006) proposed a holistic innovation orientation model with drivers related to outcomes and firm performance as illustrated in Figure 4 below:

**Figure 4: Model for innovation orientation: drivers, actions and outcomes** (Sigauw et al., 2006, p. 561)

This framework suggested that organisations should not strive to focus on certain innovations in isolation but rather direct its organisation competencies to develop a shared understanding of innovation overall which, in turn, has the ability to drive organisation performance and long-term competitive advantage (Sigauw et al., 2006). Linder (2006) also asserted that innovation outcomes are measured within organisational financial performance and profitable growth.
2.3.1 Innovation within banking and financial services

The definition of continuous innovation (Carpinetti et al., 2007, p.378) is most suited within the financial services industry which Dobni (2006, p. 168) motivated as “low in disruption but high in compatibility”. By this description, Dobni (2006) was referring to the low incidences of disruption within the industry but how growth is rather achieved through continuous innovation which is compatible within the industry and adopted quickly by competitors. Consequently, innovation is predominantly demonstrated through offering new products, services and support to customers on an ongoing basis (Dobni, 2006) in order to effectively compete (Falkena et al., 2004). Dobni (2006, p. 170) also demonstrated the interdependent relationship between strategy, innovation and the performance of the organisation by positioning strategy as the “vehicle to drive innovation”. However, the need for an emergent strategy with a strong focus on innovation and flexibility is key within the competitive financial services industry (Dobni, 2006). It is within this context that Dobni (2006, p. 171) recommended the implementation of the “innovation model” (Figure 5) for the financial services industry in order to achieve innovation culture and innovation orientation. In this manner, the critical need for continuous innovation within the financial services industry is accentuated.
It was also evident in Alam’s (2003) research on innovation strategy, process and performance in the commercial banking industry that the success of innovation in terms of new products (ranging from highly innovative, to moderately innovative to low innovative products) is dependent upon product strategy (perspectives on risk) as well as the development process which includes the screening and idea generation process with commercialisation activities thereafter. Thus, the innovation development process is also integral to the outcomes of innovation adopted.

However, in research conducted thus far in the financial services industry, the collaboration and communication between various business functions (such as IT and marketing) and customers in the product development process in terms of a multi-disciplinary approach to product innovation could be enhanced (Vermeulen & Dankbaar, 2002 and Akamavi, 2005). This is substantiated by Oldenboom and Abratt (2000) where success in product and service innovation in SA financial services was not only reliant on financial resources but on superior technological capabilities and customer perceptions.
In respect of innovation capacity, the SA banking industry is regarded as a vital service sector (Hawkins, 2004), highly concentrated and competitive (Falkena et al., 2004) with well-established infrastructure and technology and innovative capabilities (Kirsten, 2006). However, opportunities for innovation as described in Dobni (2006) and Vermeulen & Dankbaar (2002) was particularly relevant after democratisation in terms of products and services in effectively servicing SMEs and the low income households (Hawkins, 2004).

### 2.4 Innovation and corporate sustainability

Hart (2005b) proposed that there is relationship between innovation and CS – Hart (2005b) conceived that there was a distinction between short-term and long-term sustainability initiatives within the sustainability portfolio of organisations. The divergence of the short- and the long-term stances determined the need for and implementation of innovation, which is emphasized more where the firm is focusing on long-term goals and sustainability (Hart, 2005b) (Figure 6). Thus, the necessity for innovation and innovative capabilities is dependent upon the organisational paradigm in relation to CS and what it intends to achieve (corresponding to van Marrewijk, 2003) especially if the organisation is intending to enter and develop new market segments (Hart, 2005b).

The progressive levels of innovation required for varying phases of CS adopted by an organisation (for example, compliance or “sustaining corporation” (p. xi)) was illustrated by Griffiths (2004) who emphasised the role of continuous innovation, learning capabilities and imaginative mindsets and models in order to cope with the complexity of CS challenges and to achieve transformational change.
In order to effectively implement and integrate CS on a consistent, long-term basis, Faber, Jorna and van Engelen (2005) also highlighted the dynamic nature of sustainability which organisations need to take into account. In this way, businesses may be focused on the process of continuous improvement and learning towards the creation of knowledge, culminating into a robust innovation orientation (Faber et al., 2005).

Although there is a proposed relationship between innovation and CS, Halme and Laurila (2009) positioned this relationship dependent upon the orientation of corporate responsibility within the organisation. This typology is illustrated in Figure 7 below which shows that financial and societal benefits are optimised where Corporate Responsibility (CR) Innovation (focused on enlarging the core business and developing new business) is adopted in comparison with Philanthropy (outside of core business and developing reputation or brand) and CR Integration (within core business improving existing environmental and social performance) approaches (Halme & Laurila, 2009). However, the orientation and implementation of CR is dependent upon the societal context such as a developing country context in which the business operates (Halme & Laurila, 2009). It was also recommended that further research
investigate the societal and financial outcomes of corporate responsibility initiatives (Halme & Laurila, 2009).

Figure 7: Corporate responsibility orientation typology (Halme & Laurila, 2009, p. 334)

Sustainability innovation is also another term used to describe innovation which is targeted at sustainability goals with key enablers thereof including government, finance, technology and culture (Blowfield, Visser & Livesey, 2007). However, it is not established to the degree to which these enablers are being applied nor to what degree the proponents of sustainability innovation are more actively being applied at individual or organisation level (Blowfield et al., 2007). Ayuso, Rodriguez and Ricart (2006) listed another enabler of sustainability innovation as stakeholder dialogue which suggests that, by means of information garnered through collaborative relationships, organisations will be able to enhance innovation processes and thereby improve organisational performance (2006).
2.5 Innovation and corporate sustainability within the financial services sector

Jeucken (2001) postulated that sustainable banking requires a shift in the focus of banks in sustainable social and commercial activities in such a manner that new learning processes and ideas support interventions which may not display commercial feasibility initially but are innovative and long-term in nature. Therefore, banks implementing sustainable banking are in a position to be a proponent of financial innovation (Jeucken, 2001). Within this perspective, opportunities for banks within sustainable development generally fall within new markets and new product development (Jeucken, 2001). Emerging opportunities for banks also include water-related issues for which UNEP FI released guidelines for water-related risks (United Nations Environment Programme Finance Initiative, 2007) and the prevalent risks associated with climate change (United Nations Environment Programme Finance Initiative, 2002).

In analysing the profile of international banks in terms of sustainable banking Jeucken (2001) highlighted the types of innovative products linked to sustainable banking which include:

- Environmental investment funds (UBS had four funds)
- Environmental leases (only European banks)
- Environmental savings (ING and Rabobank offered a green savings product)
- Environmental credit cards (for example, Royal Bank of Canada’s WWF Visa Affinity card)
- Environmental insurance (Citigroup was the only North American Bank active in this area and banks in the Netherlands are leading in this area)
- Micro-credit
- Debt-for-nature swaps
- Climate products
- Environmental advisory services (Unicredito and NatWest)
- Environmental venture capital (for example, Deutsche Bank)

Micro-credit and micro-financing may also be regarded as innovative approaches to sustainable banking (Jeucken, 2001). However, the challenges facing Micro-Finance Institutions (MFIs) in relation to CS and CSR is markedly different from traditional commercial banks. Hatarska and Nadolnyak (2007, p. 1207) defined MFIs as organisations “which provide loans and other financial services to the entrepreneurial poor in developing countries” and “aim to serve the poor on a sustainable basis”. The MFI context is particularly characterised by innovation in terms of lending mechanisms and products for their target audience (Hatarska & Nadolnyak, 2007), also known as the Base of the Pyramid market whose needs may stimulate radical innovation for corporates and industries and thereby promote CS (as shown by the success of Grameen Bank) (Prahalad & Hart, 2002). However, certain types of MFIs (especially NGO MFIs) face challenges in being sustainable in terms of performance due to the costs of serving the poor (Baumann, 2004). Hence, the drivers of innovation for MFI in its CS initiatives would be unlike that of commercial banks which are not involved in microfinance.

Even though challenges exist for commercial banks in offering micro-finance products and services (for example, adapting culture and bank processes), commercial banks and specialised MFIs in Peru, Columbia and Ecuador have exemplified tangible success in credit accessibility to the unbanked. This was achieved by delivering low-cost products such as prepaid loan cards (Banco de Crédito del Peru), low-cost alternative distribution networks in the form of mobile branches and dataphones (Bancolombia), and low-income credit scoring methods (Banco Solidario in Ecuador) (Prior & Argandoña, 2009). However, the benefits to the unbanked relating to the alleviation of poverty still needs to be ascertained (Landrum, 2007)
In contextualising CS in the banking industry, Marsiglia and Falautano (2005) described the achievements and challenges of the CSR and CS interventions at Monte dei Paschi di Siena (MPS) Banking Group and specifically how the Montepaschi Vita (MPV) in terms of bancassurance was able to contribute to the broader banking group’s CS strategy and execution thereof within its context and environment. It is interesting to note that the MPS Banking Group had garnered many successes in terms of CSR including strides in product and process innovation (Marsiglia & Falautano, 2005). Marsiglia and Falautano (2005, p. 491) also highlighted the need for additional innovative efforts towards the formulation of the CSR strategic plans and the development of their “Consumer-Lab”. Therefore, within the MPS Banking Group, there was evidence of a relationship between innovation and CS. However, the nature of the relationship was not clarified nor were the distinctive measures of the types of innovation employed provided within the case study.

In contrast, the analysis of sustainability benchmarking in EU banks revealed motivating examples of product innovation related to CS (Weber, 2005). Dutch banks offered green credit funds (in sectors such as sustainable energy, organic farming, forestry and soil decontamination) where investors were not liable to pay capital income tax (Weber, 2005). In addition, green loans were also offered to projects with social or environmental goals at reduced interest rates. However, products and services related to social sustainability were still in its infancy (Weber, 2005).

Lins and Wajnberg (2007) also conducted qualitative research which analysed the adoption of CS in the main institutions in the Brazilian banking sector where the sustainable development role of the banks was regarded as motivating a change in the attitudes and behaviour of its stakeholders in respect of sustainability. Certain Brazilian banks had already excelled in CS initiatives - examples of these include Banco do Brasil and ABN Amro Real Bank which both won the Financial Times award in 2006 as
sustainable banks in emerging/Latin American countries by integrating international criteria in social and environmental aspects (Lins & Wajnberg, 2007). In addition to the survey conducted by Jeucken (2001), other categories of sustainable finance forming part of this research comprised:

- Socially responsible funds (share portfolios composed of securities applying best governance and CS)
- Socio-environmental finances
- Carbon market (trading in carbon credits)

(Lins and Wajnberg, 2007)

Within the study, challenges in implementation of CS were also ascertained and consisted of the need to advocate the significance of sustainable development to its stakeholders, the need to promote their CS interventions in a transparent manner with indicators of performance in relation to their objectives and the need to develop quantitative tools measuring the benefits of sustainability and thereby effectively establishing a business case for sustainable development (Lins & Wajnberg, 2007).

2.6 Conclusion

The literature review has shown that:

- Businesses (within various sectors) play a critical role in sustainability and sustainable development (Hart, 2005a and Han, 2010). In support of this perspective, CSR within the BRICS countries are prominent in light of the prevalent sustainability challenges (Baskin, 2006).
- The determination of an overall conceptual definition of CS is complicated (Dahlsrud, 2006). It requires a contextual understanding which is dependent upon environmental factors (Dahlsrud, 2006) which also inform the relevant business case (Steger, 2004).
• Although models for measurement for the purposes of establishing sound business cases for CS (Schaltegger (2010) and Weber (2008)), more research and development was required in this area (Steger (2004), Schaltegger (2010) and Weber (2008)).

• There were recommendations for qualitative research in the field of business cases for CS (Saltzman et al., 2005) as well as in the adoption of CS in banks (sustainable banking) (Jeucken, 2001).

• There is a significant role which banks (in collaboration with stakeholders) can play within sustainable development by promoting sustainability in its customers and broader society in its internal and external activities (Jeucken, 2001).

• The adoption of CS within banks is intensifying (Scholtens, 2009), especially in Africa and other developing countries (AICC (2004) and Rodrigues & Santiso (2007)). Thus, the need for additional research within developing countries (Scholtens, 2009) and in smaller or medium banks (Jeucken, 2001) was prompted.

• Innovation driven by learning, creation of knowledge and a sound innovation orientation (Sigauw et al., 2006) plays a crucial role in ensuring that CS is integrated and implemented within the business strategy (Faber et al., 2005).

• Innovation within the financial services industry is critical from a performance and competitiveness perspective especially from offering new products, services and customer support (Dobni, 2006).

• The relationship between innovation and CS is dependent upon the position of the organisation in respect of sustainability and what its objectives are (Hart, 2005 and Halme & Laurila, 2008).

• In terms of sustainable banking, market and products innovation are most applicable (Jeucken, 2001).
• Despite the inclusion of MFIs within the realm of sustainable banking (Jeucken, 2001), its structure, challenges and drivers of innovation pertaining to CS are distinct from commercial banks and may distort the comparative analysis within the banking sector.

• Previous research in the banking industry examining product innovation related to CS conducted by Weber (2005), Marsiglia & Falautano (2005) and Lins & Wajnberg (2007) indicated that the relationship between innovation and CS was not clear nor were there quantitative tools to measure the benefits of sustainability.
3.1 Introduction

In light of the literature reviewed, there is therefore an opportunity to:

- Establish a contextual definition, drivers and framework of corporate sustainability implementation within the SA banking sector.
- Within this contextual framework, explore and compare the nature of the relationship between corporate sustainability and market and product innovation within the SA banking sector.
- Utilise the investigation and comparison of the relationship between corporate sustainability and innovation within SA banking as a means of measuring the benefits of corporate sustainability and thereby contribute to existing business case research.

This is especially pertinent to SA as a developing country and to the banking sector which, as an industry, is increasingly embracing sustainability banking principles and developing the business case for corporate sustainability.

3.2 Research questions

Following the objectives of the research proposal and literature review, the following research questions are posed:

1. How do SA banks define corporate sustainability and what are its underlying principles?
2. What is the nature of the relationship between: (1) the adoption of corporate sustainability initiatives in accordance with strategy and (2) the emergence and development of product and market innovation within the SA banking sector?
3. What are the perceived benefits (quantitative or qualitative) as a result of product and market innovation utilised in the implementation of the corporate sustainability strategy?
Chapter 4: Research Methodology

4.1 Research design

The research methodology encompassed a research design which entailed a qualitative analysis and thus exploratory research design was applicable. Zikmund (2003, p. 111) stated that “exploratory research provides greater understanding of a concept or crystallizes a problem, rather than providing precise measurement or quantification”. Therefore, the focus of such qualitative research is not on numbers but on words and observations (Zikmund, 2003) and involves a complex process of examination and interpretation of data for meaning, understanding and knowledge development (Corbin & Strauss, 2008).

This definition of exploratory research provided the main impetus for utilising this research design for the proposed research in answering the research questions posed in Chapter 3.

Although research had been conducted in the fields of corporate sustainability (CS) and innovation as distinctive constructs and also within the banking industry, exploratory research design was most relevant, in view of the following:

- The contextual and complex nature of CS strategies per organisation (van Marrewijk (2003) and Dahlsrud (2006)).
- Lins and Wajnberg (2007) conducted qualitative research in analysing the adoption of CS in the Brazilian banking industry.
- Little research was evident clarifying the nature of the relationship between CS and innovation, particularly within the banking sector (Marsiglia & Falautano, 2005) and in the SA context (Jeucken, 2001).
- Recommendations were made by Jeucken (2001) for additional qualitative research in sustainable banking.
There was a lack of qualitative research informing the business case of CS (Salzmann, Ionescu-Somers & Steger, 2005).

The exploratory research design was used in understanding and evaluating other sectors’ response to CS in SA (Hansel, 2009).

4.2 Unit of analysis

In view of the scope of research and the research objectives, the unit of analysis was the individual banking institutions in SA in its adoption of CS and development of innovation in response to CS.

4.3 Population

Given the scope of the research and the unit of analysis, the population comprised large and medium banking institutions operating within South Africa, registered with the BANKSETA (Banking Sector Education and Training Authority). As described in Chapter 2 (Literature Review), the small banking institutions (MFIs) were excluded taking into consideration the purpose and objectives of this research report.

The BANKSETA as a skills development agency is a statutory body established under the Skills Development Act (1998) and receives skills development levies from registered banks and micro-finance institutions as mandated by legislation. The range of areas which fall within the BANKSETA’s scope pertinent to the sector are based on Standard Industrial Classification (SIC) codes and comprise:

- Monetary intermediation
- Discount housing and commercial and other banking
- Building society activities
- Other financial intermediation
- Lease financing
- Securities dealings
- Activities ancillary to financial mediation

(BANKSETA, 2009)

The categorisation or stratification of banks according to large, medium and small sizes is derived from the number of people employed by the institution and its market share. In 2008, there were 2512 registered levy-paying enterprises within the sector, with 134 considered to be large, 47 classified as medium and 2331 comprising the small and micro-enterprises (BANKSETA, 2009).

The sampling framework comprised the BANKSETA-registered large and medium banking institutions operating within the three major provinces of Gauteng, Western Cape and Kwazulu-Natal constituting 84% of the sector employees (BANKSETA, 2009).

4.4 Sampling selection

Due to the qualitative research design, a relatively small sample size of nine was selected based on:

- Stratification of the population into categories of large and medium banks as per the sampling framework in accordance with organisation size and market share.
- Judgemental sampling from the large and medium banks was performed.

Judgemental sampling was based on the scale of activity and accessibility in terms of sustainable banking, as motivated by Jeucken (2001) as well as organisational size owing to the lack of research in small- and medium-sized organisations (Jeucken, 2001). This sampling selection method and sample size assisted in the depth of findings and information for the purposes of exploratory research in meeting research
objectives, enabling a composite basis for comparison (Zikmund, 2003) and being representative of the research population in the banking sector (Marshall & Rossman, 2006).

For this reason, within the SA context, the five major banks, which dominate the banking sector and represented 92% of total banking assets in 2008 (Havrylchyk, 2010), formed part of the sample consisting of:
- Absa Ltd
- FirstRand Bank Ltd
- Investec Ltd
- Nedbank Ltd
- Standard Bank of South Africa Ltd

(Havrylchyk, 2010)

In view of their role as South Africa’s development banks and the role of development banks in sustainable banking (Jeucken, 2001), Development Bank of SA (DBSA) and Industrial Development Corporation (IDC) formed part of the sample. Similarly, Capitec Bank and African Bank, as medium-sized banking institutions in comparison to the aforementioned five major SA banks, also formed part of the sample following the recommendation by Jeucken (2001) for inclusivity and comparative purposes. Considering the objectives of the research, Capitec Bank, with a focus on innovative products and markets (Capitec Bank, 2010) and African Bank, as provider of credit primarily to the previously disadvantaged community of SA (African Bank, 2010), provided valuable insight into sustainable banking and innovation.
Chapter 4: Research Methodology

4.5 Data gathering process and analysis approach

4.5.1 Data gathering process

In light of the qualitative analysis conducted, the sample size and the type of information sought in terms of research questions investigating the relationship between CS and innovation, a pilot study as a “small-scale exploratory research project that uses sampling but does not apply to rigorous standards” (Zikmund, 2003, p. 117) was most suitable. Primary data was collected through this process and in-depth interviews held with each relevant management member/s in the selected banking institutions in relation to CS and corporate strategy (Zikmund, 2003).

Despite the fact that primary data was obtained, secondary data played a significant role in the research process. Thus, the data gathering process in correspondence with all research questions entailed two primary methods of data collection (Marshall & Rossman, 2006):

Secondary data collection

With the objective of “fact-finding” (Zikmund, 2003, p. 138), this incorporated specific information on the banks which were interviewed (particularly in the implementation of relevant CS interventions, sustainability reports, organisational profile and financial performance) and the review of previous research conducted on CS and innovation. This unobtrusive data gathering method usually supplements any of the other primary methods and is necessary in qualitative analysis in providing context and background (Marshall & Rossman, 2006).

Only secondary data which may be sourced publicly was included as part of this data gathering process. In this way, the interviewer was informed of the necessary information prior to the interview with the designated bank representatives which
ensured that the in-depth interview was professional and comprehensive and that the
questions submitted were pertinent in order to answer the research questions, thereby
meeting the research objectives.

In reviewing the secondary data, the content analysis approach was implemented in
order to describe or review the information gathered (Marshall & Rossman, 2006). As
posed in the research by Jeucken (2001) and Lins and Wajnberg (2007), all CS
categories were enclosed as each bank may differ in its focus and approach and this
inclusion ensured a minimum basis for comparison in the analysis phase. Subsequent
to the interview being conducted, additional secondary data collection (internal and
external) (Zikmund, 2003) assisted in verifying and validating the information gathered
during the interview. In cases where internally sourced documentation upon
recommendation of the interviewed participant became available, formal consent and
authorisation were necessitated. Any additional information provided or suggested in
this manner for secondary data gathering purposes were duly recorded as such in the
research findings.

**In-depth interview**

In order to answer the substance of the research questions, in-depth interviews
(Zikmund, 2003) with key senior managers and executives within the divisions of CS
were co-ordinated and held. At least two representatives per organisation were
interviewed in accordance with questions (Appendix 1) gathered in light of previous
research and the essence of the research questions. It is important to note that the
draft questionnaire was a guide during the interview process to ensure that answers
were collated in response to the research questions and provided a degree of
systematisation in questioning and analysis (Marshall & Rossman, 2006). However, it
did not preclude additional questions based on responses to probe which enhanced the
collation of information from the interviewee (Zikmund, 2003) and ensured that the
interviewee’s perspective unfolded as he/she viewed it rather than from the interviewers’ point of view (Marshall & Rossman, 2006). The purpose of conducting more than one interview ensured that a more comprehensive understanding was provided of the implications of CS applicable to innovation, which may have involved more than one division within the business.

In-depth interviews were recorded by means of notes taken during the interview process and the use of a recording device. Furthermore, due to the nature of the research and similarity of topics for discussion, collaborative interviews with other MBA colleagues conducting research in the banking sector was necessary. Thokozani Dlamini conducted research on the SA banking sector’s response to environmental sustainability and Donna Abrahams researched the effect of climate change within the same sector (specifically in two SA banking sector organisations). The aforementioned research methodologies also encompassed a qualitative research design. In view of the overlapping nature of the topics and research methodology and similar research population selected, collaborative interviews were feasible. Additionally, it assisted in optimising the willing participation and response by interviewees selected in the banking sector for all three research topics. Therefore, all three MBA candidates interviewed two SA banks which were common in the respective sample selections and the rest of the interviews were conducted collaboratively with Thokozani Dlamini (who selected the same research sample as this study).

4.5.2 Analysis approach

In accordance with Marshall and Rossman (2006), the general analytic procedure involves seven phases: organising the data, immersion in the data, generating categories and themes, coding the data, provide an interpretation through analytic memos, searching for alternative understandings and writing the report.
Chapter 4: Research Methodology

The draft questionnaire guide (Appendix 1) made provision for explicit general categories in which information collected during the data gathering process were transcribed, organised and coded (Marshall & Rossman, 2006) utilising an electronic table or worksheet. Coding allows a researcher to interact with the data and derive meaning through questioning and making comparisons (Corbin & Strauss, 2008). In this way, the information, collated through responses gathered during the interview and secondary data research and organised in accordance with categories, were compared on a constant comparison basis (Corbin & Strauss, 2008). This comparative analysis enabled the identification of differences and similarities in responses between respondents within the same organisation as well as across organisations within the sample.

In order to enhance the comparative analysis of the organisations and to understand the CS approach of organisations (in reference to Research Question One), the Jeucken (2001) sustainability banking typology and the African Institute of Corporate Citizenship (AICC) (2004) sustainable banking continuum from Chapter 2 were utilised. Similarly, Jeucken (2001) and Lins and Wajnberg (2007) sustainable product categories were applied in order to determine the focus areas of sustainable products of SA banks. Only information gathered from the data collection methods were applied to these frameworks.

In order to protect the confidentiality of organisations and interview participants, organisation and respondent names were not mentioned explicitly in the research results and research results were aggregated per research question.
4.5.3 **Summary of data collection and analysis process**

An outline of the data collection and analysis process encompassed:

- Selecting interviewees per sample organisations.
- Scheduling appointments with interviewees in collaboration with other MBA colleagues.
- Collating secondary data prior to interviews.
- Conducting collaborative interviews noting answers through writing but primarily by means of active listening and with the assistance of a recording device and another MBA colleague present. Where possible, the interviewee was requested for other sources of secondary data (internal or external) (Zikmund, 2003) which enhanced the research findings.
- Transcribing notes in relation to the questionnaire design, research questions and the organisation interviewed and categorise where applicable.
- Ensuring that all information collated through secondary data collection process or through the interview process was documented and checked with another MBA colleague who was present during interviews.
- After conducting all interviews, information was validated through a follow-up telephone call or email and supplementary verification through the collection of secondary data.
- Organising the interview information and secondary data (indicating the source of information) in one document.
- Comparing the results per banking organisation in the sample.
- Based on the information gathered, applying the Jeucken (2001) and AICC (2004) typologies in order to assess the level of CS in the organisations which informs the CS approach.
- Based on the information gathered, applying the Jeucken (2001) and Lins and Wajnberg (2007) sustainable product categories in order to establish the product focus areas of organisations.
- Allocating participating organisations and respective respondents with alphabet letters and numbers which were utilised in articulating main research findings.
- Aggregating the main research findings per research question.

4.6 Research assumptions

- Selected sample organisations were willing and had enough time to conduct comprehensive qualitative interviews.
- All questions were answered sufficiently in accordance with questionnaire categories for coding purposes.
- Selected respondents had the necessary expertise and experience to provide perspectives on behalf of the banking organisation they represent.

4.7 Research limitations

- Given the nature of exploratory research, findings from qualitative analysis could be regarded as inconclusive and the findings are reliant upon the judgement of the interviewer and researcher which may inevitably cause bias in analysis and interpretation (Zikmund, 2003). As given above, due to the opportunities for collaboration in this study, researchers were able to discuss their findings and compare results in order to identify points of correlation and difference.
- Due to the small sample size consisting of the large and medium banking organisations, it will restrict the relevance of the findings to other banking sector participants in the small and micro-finance institutions who are engaging with CS through different approaches and on different scales. Given the differences banking models between small and micro-enterprises and large banks, the scale of
this research could not accommodate these differences and additional research would need to be conducted in this sphere.

- Only a limited number of bank representatives were interviewed per organisation and in this manner, the findings were dependent on the perspective of a limited number of individuals, especially in consideration of the size of the banking groups selected. Accordingly, the secondary data sources were utilised to verify the perspectives gathered and provide overarching commentary on research questions posed.

- The representatives within the same institution may have provided contradictory views on the questions which would not serve to enhance a holistic institutional perspective or response. However, where different views were apparent during the interview process, these differences in views were explored during questioning and reported and contextualised in this manner (with possible reasons for different perspectives). The utilisation of secondary data sources also played an important role in clarifying stances.

- The information utilised in the analysis of the level of CS per organisation and classification of sustainable banking products were not based on technical scoring or quantitative research methodology. However, the information was sought from primary data collection methods. The frameworks and categories also were not utilised in tracking the comparative progress of CS in banks as this was not the objective of the research. It was only applied to enhance the discussion on the approach of CS in the banking sector in an aggregated manner for purposes of addressing Research Question One and Two.
Chapter 5: Research Results

5.1 Introduction

This chapter presents the research findings of in-depth interviews and secondary data analysis conducted across the selected sample in the banking and micro-finance sector articulated in Chapter 4. The findings are categorised in accordance with research objectives and questions posed in Chapters 1 and 3.

5.2 Research sample

The following organisations in the banking and micro-finance sector composed the research sample respondents:

1) Absa Ltd
2) African Bank
3) Capitec Bank
4) DBSA
5) FirstRand Bank Ltd
6) IDC
7) Investec Ltd
8) Nedbank Ltd
9) Standard Bank of South Africa Ltd

In order to provide a sectoral perspective, research responses were aggregated and no organisation or individual participating in interviews is identified by name. Each respondent also confirmed the need for anonymity in responses reflected in the report upon signing of the individual consent forms (which is available in Appendix 2). Therefore, each organisation in the research sample is represented alphabetically in a
randomised manner, ranging from organisation A to organisation I and each interviewee is randomly assigned a number, ranging from interviewee 1 to 13. Table 1 indicates the number of interviews conducted per organisation and the departments in which the respondents are employed.

Table 1: Number of respondents per organisation in research sample

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Number of interviewees</th>
<th>Departments</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>2</td>
<td>1) Sustainability (Executive)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2) Consultant</td>
</tr>
<tr>
<td>B</td>
<td>3</td>
<td>1) Sustainability</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2) Project Finance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3) Credit Risk</td>
</tr>
<tr>
<td>C</td>
<td>2</td>
<td>1) Sustainability</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2) Sustainability (Strategy)</td>
</tr>
<tr>
<td>D</td>
<td>2</td>
<td>1) Sustainability</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2) Risk Management</td>
</tr>
<tr>
<td>E</td>
<td>1</td>
<td>Corporate Affairs</td>
</tr>
<tr>
<td>F</td>
<td>2</td>
<td>1) Environmental Health and Safety</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2) Sectoral Business Unit</td>
</tr>
<tr>
<td>G</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>H</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>I</td>
<td>1</td>
<td>Development Planning</td>
</tr>
</tbody>
</table>

In the implementation of the research methodology for the purposes of furnishing the research results, the following needs to be noted:

- Findings were based on:
  - Secondary data: organisations’ published sustainability reports and/or annual reports (with sustainability overviews) for the period 2007-2009.
  - In-depth interview responses.
Organisations G and H unfortunately were not available for interviews or declined the invitation to participate. Utilising the questionnaire in Appendix 1, data gathering and analysis for these organisations were based purely on secondary data.

Although more than two interviews/respondents per organisation were requested, Organisation E and I were only able to afford the time of one representative each which limited the range of responses from the organisation. However, secondary data analysis supplemented the interview proceedings and feedback.

Due to the time constraints of participants in organisations D and F, collaborative interviews per organisation were conducted where both representatives were present during the same interview. This may be construed as limiting the responses per individual and organisation. However, each participant was given the opportunity to provide individual feedback and the collaboration enabled robust discussion.

Only the 2009 sustainability/annual reports were available for secondary data analysis for organisations F and I. However, the 2009 report provided the most recent and comprehensive view for all organisations in the research sample and thus formed the basis of findings in addition to relevant interview comments.

One of the respondents from Organisation A, although employed by the organisation, was a consultant with environmental sustainability subject matter expertise.
5.3 Research Question One: How do SA banks define corporate sustainability and what are its underlying principles

5.3.1 Inclusive findings

Questions 1-7 in the interview guide provided a reference in answering Research Question One.

Approach to corporate sustainability

Each organisation was able to provide a perspective on sustainability and corporate sustainability (CS) as reflected in individual interview discussions and publicised annual reports and sustainability reports from 2007 to 2009.

Although each organisation differed slightly in terms of their approach and views on CS, the importance of incorporating sustainability within the SA context was highlighted (especially D, E, F and I) and the role of the SA context was also apparent in the description of various drivers of CS. Furthermore, the need to integrate CS with overall organisational strategy was emphasised. Hence, the formalisation of an approach and/or strategy was evident. The extent to which CS was integrated within corporate strategy could not be verified and the progress made in terms of development of a formal strategy differed per organisation.

Focus of corporate sustainability initiatives

The critical elements or focus areas identified for CS which were common to all organisations consisted of three primary components namely environment, social and economic considerations. These environmental and social components also comprised an internal organisational as well as external stakeholder focus (direct and indirect impact). Stakeholders ranged from employees, clients, investors, Ombudsman, regulators, communities, government, suppliers, international affiliations and partners.
In this manner, CS initiatives were expansively exemplified by internal employee wellness and skills development interventions to external empowerment financing. Interventions associated with these components did not preclude contributions on a CSI basis. As mentioned above, these elements were often contextualised within the SA environment where social transformation is prioritised.

Additional focus areas from organisations comprised:
- Education, Solutions and Research (B)
- Culture (C)
- Governance (B and D)
- Enterprise Development and Entrepreneurship (E and F)

Drivers of corporate sustainability

The association of CS to corporate governance or corporate citizenship was apparent – four organisations (C, D, E and H) formally articulated the relationship between CS and ethical imperatives/sound corporate governance within their sustainability reports.

The following factors also featured as prominent roles in shaping CS strategy and decisions for the majority of organisations:
- Stakeholder (inclusive of employees, customers, regulators/government, partners, and community) engagement and influences
- Macro-economic environment
- National and international banking environment
- Legislation/Compliance regulations (Financial Sector Charter (FSC), BBBEE and the National Credit Act)
- Risk management
Additionally, drivers were posed as:

- Brand and reputation management factors (E and in B’s sustainability indicators)
- Leadership, time, internal sustainability structures with integrated performance measures (C)
- Reporting requirements (for example, GRI) (D and G)
- International standards/initiatives (for example, Equator Principles and UN Global Compact) (A, F and I)
- Organisation/business strategy (D and G)
- Economic cost value chain (B)

A formal business case approach to CS interventions was not explicitly evident except for Organisation D and E due to the organisational culture which influences overall corporate and divisional decisions. Organisation A, B and C also expressed the growing shift towards economic or business imperatives in respect of CS initiatives (refer to findings 5.5).

**Past, current and future perspectives**

The sustainability and annual reports of each organisation did not reflect significant differences over each of the years comprising the research period. However, in 2008 and 2009, the impact of the international economic crisis was emphasised as an area of concern in relation to CS and appropriate risk management (economic sustainability). Thus, it was mentioned as influencing prospective CS decisions (expenditure) for the majority of organisations. During the interview discussions, the progression of each organisation towards addressing CS issues was prominent encompassing:

- Incorporating the “economic” perspective to CS
- Viewing and communicating the growing importance of CS
Chapter 5: Research Results

- Promoting integration of sustainability (covering all three aspects) in corporate strategy over the three-year period
- Building internal capacity in respect of CS

### 5.3.2 Highlights of findings per organisation

#### Organisation A

| Approach to CS | - Multi-disciplinary approach  
|                | - Integrated with vision and organisational structure  
|                | - Evolution of approach (Respondent 12):  
|                | “I think in the finance sector, what you’re seeing is much more of an appreciation that actually this is about the business. So while there are a lot of environmental issues to deal with; and those have been typically badly neglected by the financial sector, it doesn’t stop there. There are a whole range of issues around the consumer of the future - at the bottom end of the pyramid… On getting directors to understand that these things are completely interlinked and that you can’t do the one without the other. Or, you can’t achieve in one without the others. So I think it’s at an interesting cross-roads and I think we will see evolution towards a refined version of sustainability where people stop thinking of it in terms of water and climate change but seeing it in terms of those being contextual factors that could limit business…” |  
| Focus of CS Initiatives | - Explicit links between the protection of the environment, development of people, upliftment of society and building economic capability  
|                         | - Begins with employees and extends to community (direct and indirect)  
|                         | - Carbon trading, assisting people previously unbanked and CSI |  
| Drivers of CS | - Good governance  
|               | - Sound risk management  
|               | - Stakeholder engagement  
|               | - Role of government  
|               | - Legislation  
|               | - Enabling partnerships and adherence to international lending standards |
## Organisation A (continued)

| Past, Current, Future Perspectives | - Aims to integrate sustainability practices (mainstream) across the business divisions to build skills and awareness  
| - Respondent 4:  
| "The problem that held back a lot of that investment in activity is simply lack of awareness and lack of knowledge, lack of skills. That's really with training element comes in. That's quite a big element of what we're doing, because, yes, we can provide some funding and we are providing some funding to specific demonstration projects, but there is a skills shortage, and it's just an awareness issue too."  

## Organisation B

| Approach to CS | - No explicit overarching strategy or definition  
| - Compliance-driven, effective risk management, adhering to GRI guidelines, and guided by sustainability regulations and guidelines  
| - Sustainability indicators: economic sustainability, customer relations, environment, employees, government, regulators, brand and reputation |

| Focus of CS Initiatives | - People, Planet and Profit  
| - Reporting and governance  
| - Education awareness  
| - Solutions  
| - Research |

| Drivers of CS | - International operations  
| - Local banking sector response  
| - Stakeholder engagement  
| - Role of government  
| - Legislation  
| - Economic cost value chain (Respondent 5)  
| - Enabling partnerships and adherence to international lending standards  
| - Member of Banking Association Sustainability Finance Committee (which includes most of other organisations in sample) |
### Organisation B (continued)

| Past, Current, Future Perspectives | - Aims to address sustainability holistically, build awareness amongst employees and build internal organisational capacity  
- Respondent 11:  
  
  "[Organisation B] has been doing corporate sustainability for some time, and environmental sustainability more recently, and the first thing I will say is that it's a journey." |

### Organisation C

| Approach to CS | - Integrated with business strategy and organisational culture  
- Integrated with performance objectives (Respondent 6):  
  
  "So annually, as part of your performance agreement, you are actually assessed on how well the institution or the corporate is doing in sustainability. So that differs from a teller to somebody in property services. Somebody in property service, their percentage would probably be something like 30% where a teller would be 3% but at least you know it also shows that across the company, people are incentivised through their performance assessment also to promote sustainability." |

| Focus of CS Initiatives | - Environment, society, culture and economy |

| Drivers of CS | - Leadership  
- Time invested in sustainability journey  
- Compliance codes/regulations (inclusive of BBBEE)  
- Stakeholder needs  
- Risk management  
- Internal sustainability structures  
- Economic environment  
- Sound/moral sense  
- Donor funding |

| Past, Current, Future Perspectives | - Achievements along sustainability journey  
- Internal and external dimensions (including advisory services)  
- Future orientation |
### Organisation D

| Approach to CS | - Sustainable development and sustainable profitability are complementary objectives in which interests of stakeholders converge in long run  
| - Integration of business goals and realisation of sustainable business practices  
| - Respondent 7:  
| "Corporate sustainability [is] related to our ability to protect and create value for all stakeholders by effectively managing all financial and non-financial issues affecting the operational performance of the company."  
| - Synergy across divisions important |
| Focus of CS Initiatives | - Economic, social, environmental and governance  
| - SA context |
| Drivers of CS | - Macro-economic environment  
| - Legislation and codes of good practice  
| - Business strategy  
| - Stakeholder requirements  
| - Material issues (identified through stakeholder engagement)  
| - Risk management (direct and indirect) and related opportunities  
| - GRI G3 Guidelines and other reporting parameters  
| - Business unit example:  
| Four mechanisms (sound corporate governance, responding effectively to financial and sustainability risks and opportunities, rigorous debate of the business case and living up to the brand promise) |
| Past, Current, Future Perspectives | - Currently use performance indicators for each stakeholder group culminating in objectives and measurement determined by each division |
### Organisation E

| **Approach to CS** | - Culture and values which pertain to being a good corporate citizen in the SA context  
| | - Utilising resources which mobilise social transformation efforts and cope with climate change |
| **Focus of CS Initiatives** | - Triple Bottom Line  
| | - Positively impacting the environment it operates in  
| | - Promoting education and entrepreneurship  
| | - Considering climate change and natural resources  
| | - Indirect and direct impacts |
| **Drivers of CS** | - Corporate governance  
| | - Reputation management  
| | - Risk management (through stakeholder engagement)  
| | - Global economic and financial crisis over last two years (macro-economic environment)  
| | - Economic perspective: business sense and business case approach |
| **Past, Current, Future Perspectives** | - Directing efforts in building internal capacity  
| | - Respondent 10:  
| | “…we want to lend a helping hand to say it may not be priority but make sure that eventually the aim is to get this to become part of your natural thinking, when you’re doing things… but we are hoping that this approach now will be a start in terms of building up the capacity and the knowledge of people and influencing their approach to whatever it is that they’re doing and how they’re conducting business in general.”  
| | - Still progressing in terms of sustainability journey but will undertake sustainability within the context of its operations and culture |
### Organisation F

**Approach to CS**
- At beginning of sustainability journey
- Sustainable development a part of operating model
- Supports national priorities in sustainable development in SA and development in rest of Africa (environment and social)

**Focus of CS Initiatives**
- Environment
- BBBEE
- Enterprise Development
- Skills Development (internal and external)
- Investing in Communities
- Initiatives which ultimately benefit the economy

**Drivers of CS**
- International initiatives (for example, Millennium Development Goals) and associated partnerships
- Stakeholder engagement (stakeholder map)
- Risk management (through stakeholder engagement)

**Past, Current, Future Perspectives**
- In the process of formalising its sustainability strategy

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### Organisation G

**Approach to CS**
- Endeavour to integrate sustainability within business
- Continuously improving our value creation for our shareholders and customers whilst seeking to create an atmosphere for employees in which they can excel and deliver great service to our customers

**Focus of CS Initiatives**
- Economic, social (which includes customer, employees and CSI) and environmental impacts

**Drivers of CS**
- Organisation strategy
- Reporting requirements (for example, GRI and FSC)

**Past, Current, Future Perspectives**
- Initiatives also include employee wellness, community upliftment and development, products and services in accordance with growing customer needs (which include new customer base, cost reduction as new entrants to credit market or the previously unbanked)
### Organisation H

**Approach to CS**
- Philosophy: sustainable business
- Promotes an ethical and responsible approach towards society and business operations which are environmentally sensitive.
- Continuously improving our value creation for our shareholders and customers whilst seeking to create an atmosphere for employees in which they can excel and deliver great service to our customers.

**Focus of CS Initiatives**
- Stakeholder engagement (including employees, clients, investors, Ombudsman, regulators, communities)
- Suppliers
- Environment

**Drivers of CS**
- Stakeholders relationships
- Adherence to regulators (compliance)
- Corporate governance
- Risk management

**Past, Current, Future Perspectives**
- Initiatives also include employee wellness, technology platforms providing ease of access and CSI with non-profit organisations (education and upliftment)

### Organisation I

**Approach to CS**
- Advance sustainable development
- Respondent 13:
  
  “The strategy basically says that environmental sustainability is a key component of sustainable development and is crucial in the poverty nexus, thus, proper address of environmental sustainability issues related to development is a key to ensuring sustainable economic and social development.”
- Integration with operations

**Focus of CS Initiatives**
- Environment stewardship, economic growth and social responsibility

**Drivers of CS**
- Government
- Macro-economic environment (economic crisis)
- Legislation
- International environment standards
- International partnerships (environment management)
5.4 Research Question Two: What is the nature of the relationship between: (1) the adoption of corporate sustainability initiatives in accordance with strategy and (2) the emergence and development of product and market innovation within the SA banking sector?

5.4.1 Inclusive findings

Questions 8-9 in the interview guide provided a reference in answering Research Question Two.

**Relationship between product and market innovation and CS**

There was evidence of product and market innovation being stimulated in relation to CS initiatives. For the large banks, this type of innovation is most pronounced for the retail division in terms of social priorities involving accessibility of products and financing (for example, inclusive banking), advanced distribution channels and affordability of products. This enables banks to reach markets such as small businesses and previously “unbanked” who require savings and credit/financing products. Product innovations may also utilise progressive technology platforms which consequently provide easier access for customers and meet their unique needs (as in organisation H). Other product innovations entail environment considerations such that environment financing and financing in sustainable goods and services (for example, renewable energy) is provided in addition to participation in carbon trading.

The types of products provided per organisation varied in accordance with the scope of financing activities and markets for which the organisations have been established to
cater (which inform service offerings and specialist competencies). For example, a
development finance institution will initially have different product strategies and
offerings than an investment bank or commercial bank. However, given the profusion
and array of products related to CS, there was a degree of overlap despite the
differences in organisations and opportunities for fostering innovation advancement as
shown in tables below.

Product and market innovation processes
Opportunities for product and market innovation are predominantly guided by:
- Stakeholder and customer needs
- National context and macro-environment
- Risk management priorities

The detailed processes for implementing product and market innovation differed. For
example, Organisation C had shown that stakeholder requirements also take into
account emerging market trends which are communicated to relevant divisional
sustainability structures within the organisation for discussion and decision making.
This then provided impetus to stakeholder engagement and networks as mentioned
above.

Unique organisational characteristics such as culture based on innovation and
entrepreneurship as well as organisational structure or capacity were also prevalent
(Organisations A, B, C, D and E). In this way, relevant training and development of
staff plays an important role ensuring that the innovative concepts are continuously
stimulated and employees are made aware of upcoming trends and market
considerations. However, one organisation (Organisation A) highlighted the need for
supplementary and specialist skills development in CS and environmental sustainability
financing products.
5.4.2 Highlights of findings per organisation

Organisation A

| Product and Market Innovation | - Inclusive banking (accessibility, consumer education, SME)  
- Emerging markets  
- Carbon market |
|-------------------------------|---------------------------------------------------------------|
| Innovation Process            | - Responsive to emerging trends, meets customer needs and is within risk management frameworks  
- Promotes an ethical and responsible approach towards society and business operations which are environmentally sensitive  
- Seeks value creation for shareholders and customers and productive/conducive environment for employees to deliver service |
| Perspectives                  | - Specialist skills in CS areas warranted and the organisation is beginning to formalise this type of development.  
- Differences in Africa and European contexts related to products/markets (Respondent 4):  
  “I think the sustainability is so broad that, obviously, in Africa, what I've seen in Africa, if there's a much stronger emphasis on social aspects of sustainability than in Europe, where I think there's a much stronger focus on environment and natural resources sustainability.”  
- More potential which is currently evident in sector in socially impactful initiatives - requires a creative mindset which is stimulated by the environment (Respondent 12) |
## Organisation B

| Product and Market Innovation | - Inclusive banking (New and small businesses, customers in financial difficulty, distribution and channel solutions, accessibility)  
- Technology solutions  
- Sponsorships  
- Carbon market (low-carbon products and emissions trading) |
| Innovation Process | - Seeks to serve its customer base and their needs as well as reducing risk |
| Perspectives | - The role of expertise and organisation capacity in sustainability was highlighted related to the types of products and funding disbursed, especially in project finance |

## Organisation C

| Product and Market Innovation | - Retail division: Inclusive banking (savings protection, distribution channels, empowerment financing, affordable housing, preferential procurement)  
- Technology solutions  
- Environment products and carbon projects  
- Advisory services |
| Innovation Process | - Employees play important role (for example, volunteerism)  
- Formalised sustainability organisational structure  
- External environment (in the form of partners and international forums) also informs innovative practices |
| Perspectives | - Sustainability structures empowered to decide on sustainability initiatives |
### Organisation D

| Product and Market Innovation | - Innovative products aligned to material issues requiring consideration in respect of its customers  
- Innovative solutions to material issues are constantly being updated  
- Advisory services from environmental perspective also offered |
| Innovation Process             | - Innovation is part of organisational culture  
- Viewed as a response to sustainability risk and opportunities  
- Formalised sustainability organisational structure  
- External environment is informed by stakeholders (for example, government) and the SA context |
| Perspectives                   | - Volunteerism flourishing and contributes to innovation |

### Organisation E

| Product and Market Innovation | - Environment product investment (renewable energy, socially responsible funds, green buildings)  
- Innovative solutions to material issues are constantly being updated |
| Innovation Process            | - Innovation is part of organisational culture and values  
- Primarily housed within product houses but innovation sourced across entire organisation  
- Stimulated by adequate skills development of employees  
- Macro-environment plays an important part (for example, global economic crisis) |
| Perspectives                   | - Needs of niche markets need to be taken into account |

### Organisation F

| Product and Market Innovation | - Environmental finance (for example, carbon finance)  
- Sustainable environmental goods and services (for example, renewable energy)  
- Value chain approach |
| Innovation Process            | - Influenced by national priorities and legislation  
- Commercial viability is important  
- Stakeholder engagement plays a role  
- Collaboration and co-generation: important sources of innovation (sharing of risk with clients and recognising opportunities with funding partners) |
Chapter 5: Research Results

Organisation F (continued)

| Perspectives | - Endeavours to influence policy on sustainability focus areas  
| - Funding partners share expertise and provide training capacity |

Organisation G

| Product and Market Innovation | - Difficult to isolate sustainability initiatives with other types of product and market innovation due to business environment  
| - New market – inclusive banking (providing access to finance products)  
| - Improved product choices |
| Innovation Process | - Customer (and their challenges and needs) main source of innovative solutions |
| Perspectives | - Concentrating efforts on creating market opportunities whilst considering product and customer challenges for sustainability will need to be addressed |

Organisation H

| Product and Market Innovation | - Technology platform to assist with accessibility for clients |
| Innovation Process | - Customer needs main source of innovative solutions |
| Perspectives | - Continuous innovation within the organisation is being supported |

Organisation I

| Product and Market Innovation | - Acknowledges link between innovation and sustainable development  
| - Financed initiatives which promote innovative thinking and solutions  
| - Innovation will be based on environmental and social funding initiatives |
| Innovation Process | - Partnerships feature prominently which support initiatives  
| - Decisions regarding environmental sustainability innovation are channelled through their collaborative environment internal organisational structure and forums which promote best practice |
Chapter 5: Research Results

Organisation I (continued)

| Perspectives | Internally, the organisation hopes to build additional internal capacity and formal structures in respect of sustainability |

5.5 Research Question Three: What are the perceived benefits (quantitative or qualitative) as a result of product and market innovation utilised in the implementation of the corporate sustainability strategy?

5.5.1 Inclusive findings

Questions 10-14 in the interview guide provided a reference in answering Research Question Three.

Perceived benefits of product and market innovation

Organisations supported the notion that there were benefits to innovation. However, benefits provided were more of a qualitative nature and not illustrated quantitatively nor measured independently.

It was remarked by Organisation B, C and D that obtaining specific data for each product (associated business case) as being extremely difficult, although they mentioned that it would have been tracked by relevant product houses. Organisations A and C perceive the value in discrete measurement of benefits. In addition, in Organisations A and B, sustainability performance is tracked or benchmarked through other mechanisms such as JSE SRI Index, value added statements, GRI reporting statistics and other sustainability indicators.

Qualitative benefits mentioned (per organisation) comprised:

- Increased customer base (B, D, G and H)
- Meeting stakeholder needs and stronger stakeholder relationships (A, C, D and E)
- Value creation for stakeholders and value-added statement contributions (A, D and G)
- Mitigation and diversification of future risks (B and E)
- Opportunities for expansion and future growth (A and F)

Other unique benefits (per organisation) comprised:
- Meeting strategic objectives (A)
- Awards and recognition (B)
- Meeting compliance requirements (C)
- Momentum of CS activities evident (C)
- Environmental innovation (resource use and waste management) in the future (F)
- Developmental impact (I)

**Competitive advantage**

It was unclear whether CS (and thus related innovation) contributes to an organisation’s competitive advantage as the respondents were mixed in the feedback. According to Organisations A and C, there are opportunities for CS as a platform for competitive advantage in the sector. Interestingly, in interview discussions, one organisation was referred to by respondents as having made impressive advancement in terms of CS in the sector and have marketed their efforts effectively. Other respondents demonstrated that they are not certain that it is a competitive advantage but it would depend on how integrated CS is with the strategic objectives and how you position the organisation in respect of CS – one organisation (B) regarded it as an enabler of competitive advantage and one organisation (I) is focusing efforts in this regard. As illustrated in 5.3, respondents also mentioned how banking organisations involved with CS participate in the Banking Association’s Sustainability Finance Committee promotes collaboration between banking organisations in CS matters.
5.5.2 Highlights of findings per organisation

Organisation A

<table>
<thead>
<tr>
<th>Perceived Benefits</th>
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<tbody>
<tr>
<td>- Expansion (markets)</td>
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<tr>
<td>- Meeting strategic objectives</td>
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<tr>
<td>- Meeting customer needs</td>
<td></td>
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<tr>
<td>- Formal measurement of innovation benefits not yet undertaken</td>
<td></td>
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<tr>
<td>- Sustainability performance is being tracked: JSE SRI Index, value-added statement compiled, GRI reporting, sustainability indicators</td>
<td></td>
</tr>
<tr>
<td>- Respondent 4 (value of CS and to need to assess scale of impact):</td>
<td></td>
</tr>
<tr>
<td>“Whatever these products and services are, it's got to add value to whomever [the] client is, and it's got add value to the bottom line.”</td>
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</table>

<table>
<thead>
<tr>
<th>Competitive Advantage</th>
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<tbody>
<tr>
<td>- Scope of CS complex and evolving thus hard to determine overall competitive advantage</td>
<td></td>
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<tr>
<td>- Respondent 12 (possible opportunities for competitiveness):</td>
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<tr>
<td>“In the space where you engage with suppliers and the value-chain and go down the product route, I think there’s very clearly a competitive issue. Perhaps not fully recognised yet, but I think it will become one more and more, it will be a window of opportunity to do that and then there’s be a lot of convergence. Just because the issues are known, now, how do you get to the solution? But while we know the issues, the agenda will continue to change.”</td>
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## Organisation B

<table>
<thead>
<tr>
<th>Perceived Benefits</th>
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<tbody>
<tr>
<td>- Awards and recognition</td>
<td></td>
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<tr>
<td>- Increased customer base</td>
<td></td>
</tr>
<tr>
<td>- Reduction of risk</td>
<td></td>
</tr>
<tr>
<td>- Formal measurement of innovation benefits not yet undertaken</td>
<td></td>
</tr>
<tr>
<td>- Key performance indicators in CS captured: growth in customer base, statistics captured for financing (in accordance with international standards)</td>
<td></td>
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<tr>
<td>- Respondent 9 (business case is challenging):</td>
<td></td>
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<tr>
<td>“I think that's probably it, understanding the value, understanding how to tap into these things. It is obviously very hard.”</td>
<td></td>
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<tr>
<td>- Difficult to quantify negative social impact of indirect risk of a project (Respondent 5)</td>
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</table>

<table>
<thead>
<tr>
<th>Competitive Advantage</th>
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</thead>
<tbody>
<tr>
<td>- Organisation proud of sustainability progress but not clear how it will be considered as a source of competitive advantage</td>
<td></td>
</tr>
<tr>
<td>- Banks progressing at different rates and in different CS specialist areas</td>
<td></td>
</tr>
<tr>
<td>- CS as enabler (Respondent 5)</td>
<td></td>
</tr>
<tr>
<td>- Respondent 11: unilateral targets for CS cannot be determined - targets are contextual thus motivating different business cases for different types of CS</td>
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## Organisation C

<table>
<thead>
<tr>
<th>Perceived Benefits</th>
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</thead>
<tbody>
<tr>
<td>- Ability to meet stakeholder needs</td>
<td></td>
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<tr>
<td>- Meeting compliance requirements</td>
<td></td>
</tr>
<tr>
<td>- Formal measurement of product innovation benefits not yet undertaken specifically for CS but may be implemented by product divisions</td>
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<tr>
<td>- Momentum of CS activities evident as result of benefits</td>
<td></td>
</tr>
<tr>
<td>- Focusing on formal measurement (especially for environmental products and services) to strengthen relevant business case</td>
<td></td>
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<tr>
<td>- Respondent 2:</td>
<td></td>
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<tr>
<td>“And it’s about coming up with innovative ways in which we can provide services or products to our clients. To add to the bottom line...It’s not expenses anymore, it’s about actually creating assets and creating revenue from this market.”</td>
<td></td>
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</tbody>
</table>
### Organisation C (continued)

| Competitive Advantage | - CS could be used as platform for competitive advantage and differentiator, particularly in the market space and also in terms of staff retention (Respondent 6) |

### Organisation D

| Perceived Benefits | - Increase in customer base  
- Meeting stakeholder requirements (enhance stakeholder relationships)  
- Formal measurement of product innovation benefits not yet undertaken specifically for CS but may be implemented by product divisions  
- Non-financial highlights featured as part of generating value for stakeholders  
- Respondent 7 (importance of measurement): “That's the kind of long-term planning that you need, because the guys are seeing it now and saying, the data is relatively insignificant just now because it's a similar kind of risk, similar kind of claim, but over 10 or 20 years we are actually going to be able to use this to measure enterprise products differently.” |

| Competitive Advantage | - CS interventions or practices are part of the overall organisational strategy in that it is a means of pursuing and realising objectives  
- Organisation views it as the right thing to do and also makes business sense.  
- Not regarded discretely as a competitive advantage but it could be depending on how you position the organisation in respect of CS (Respondent 8) |
## Organisation E

<table>
<thead>
<tr>
<th>Perceived Benefits</th>
<th>Competitive Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Considered in terms of future sustainability</td>
<td>- As long as CS is integrated with the culture and business model of divisions and that it is meeting the needs to stakeholders, it may be a source of competitive advantage</td>
</tr>
<tr>
<td>- Diversification of risk</td>
<td></td>
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<tr>
<td>- Risk management</td>
<td></td>
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<tr>
<td>- Meeting stakeholder requirements</td>
<td></td>
</tr>
<tr>
<td>- Explicit measurement of benefits of sustainability products not performed</td>
<td></td>
</tr>
<tr>
<td>- However, benchmarking performed in terms of sectoral initiatives, leading banking practices, corporate governance measures, risk management priorities, reputational issues and international practices</td>
<td></td>
</tr>
<tr>
<td>- Social investment recognised as difficult to measure</td>
<td></td>
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<tr>
<td>- Respondent 10: “It’s really difficult to concisely make sense to get tangible results. From a social perspective it’s really challenging.”</td>
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## Organisation F

<table>
<thead>
<tr>
<th>Perceived Benefits</th>
<th>Competitive Advantage</th>
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<tbody>
<tr>
<td>- Innovation benefits are not provided quantitatively</td>
<td>- Given the formalised focus on sustainable development and plethora of opportunities identified especially in environment innovation, it may be considered a source of competitive advantage in the niche which the organisation operates in the sector.</td>
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<tr>
<td>- Expected growth in the industry</td>
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<td>- Future endeavours: environmental innovation - statistics will be used to measure resource use and waste management</td>
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## Organisation G

<table>
<thead>
<tr>
<th>Perceived Benefits</th>
<th>Competitive Advantage</th>
</tr>
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<tbody>
<tr>
<td>- Quantifiable benefits not explicit</td>
<td>- Whether CS will be a source for competitive advantage in the sector cannot be gauged from the organisation’s report</td>
</tr>
<tr>
<td>- Value-added statements and qualitative information through the sustainability report (for example, increased customer base)</td>
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Organisation H

| Perceived Benefits | - The direct link of benefits to sustainability or innovation cannot be determined from the report  
- However, an increase in client base was experienced |
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<tbody>
<tr>
<td>Competitive Advantage</td>
<td>- The competitive advantage of CS is not apparent from sustainability report</td>
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</table>

Organisation I

| Perceived Benefits | - Explicit CS or product innovation benefits were not provided  
- Effort is made in measuring the impact of all its initiatives which are associated with sustainable development and which has an impact on the organisation’s reputation  
- Impact measurement comprises development impact (capacity building and rural development) |
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<tbody>
<tr>
<td>Competitive Advantage</td>
<td>- It was not clear whether the organisation considers CS as a source of competitive advantage but is intending to focus efforts in this respect</td>
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</table>

5.6 Summary of research findings

- Organisations are progressing differently in terms of sustainability and sustainable development – however, the need to integrate CS within the overall strategy of the organisation was articulated.
- CS focus areas included the integration of environment, social and economic considerations. These focus areas have an internal and external orientation as well as future objectives.
- The international economic crisis was featured as a factor influencing CS over the review period particularly from an economic sustainability perspective.
- The SA macro-economic environment and social context influences the CS strategy adopted by organisations.
- Regulation and compliance associated with CS (thus, corporate governance considerations) is emphasised in the sector.
• There are a range of drivers influencing CS strategy and initiatives in the sector. A formal business case approach was generally lacking. However, organisations are starting to shift in determining the business or economic validation of CS initiatives.

• A relationship between product and market innovation and CS was evident given that social and environmental product and market innovation is promoted through the implementation of CS strategy.

• Meeting the needs of stakeholders, national context and risk management (leading to opportunities) may provide an impetus for product and market innovation.

• Benefits relating to product and market innovation are not measured quantitatively but perceived benefits are provided qualitatively. Benefits are primarily manifest meeting stakeholder and customer requirements and increasing customer base. Measurement of quantitative benefits for innovation and CS is regarded as complex but advancement by certain organisations in this respect is being considered.

• Although CS may be regarded a source of competitive advantage by some respondents, the competitive advantage through CS provided mixed feedback due to the level of integration of CS in organisational strategy and CS positioning.
Chapter 6: Discussion of Research Results

6.1 Introduction

This chapter presents an analysis of research results as presented in Chapter 5. The research findings will be discussed in accordance with objectives and questions posed in Chapters 1 and 3 specifically within the context of the literature review and relevant theory posed in Chapter 2.

6.2 Research sample

As provided in Chapters 4 and 5, the organisations selected were deemed to be representative of the sector and sufficient for the purposes of this research in view of the market size, organisation size, roles and areas of focus within the sector. However, selecting appropriate respondents per organisation in answering research questions for in-depth interviews proved challenging. This was due to the following factors:

- Differences in organisation structure in respect of corporate sustainability (CS) accountability and reporting
- Organisation size and scale particularly for group companies
- Availability of respondents
- Designation of respondents with specialisation in certain areas (and not overarching) producing an array of views

Despite these challenges, feedback from interviews was considered to be valid, relevant and insightful as it supported the information gathered from secondary data sources. Furthermore, individuals reflected both strategic and operational expertise pertaining to CS within their respective organisations. In this way, secondary data
sources (represented by sustainability and annual reports) established a solid base of research findings, particularly where interviews at organisations were not feasible and where certain questions were not answered during the interviews.

Therefore, in-depth interviews feedback and secondary data sources informing research results were regarded as reliable, adequate and valuable in respect of achieving research objectives.

6.3 Research Question One: How do SA banks define corporate sustainability and what are its underlying principles?

6.3.1 Corporate sustainability models

The findings have shown that each banking sector organisation has begun to embrace the importance of integrating sustainability in their business strategy and operations as an overarching concept (as referred by Robinson (2004)). It was also evident that they have sought to balance its sustainability imperatives with that of the environment and community through stakeholder relationships as proposed by Hart (2005a) and Hopwood et al. (2005).

Given the difficulty of formulating a singular definition in view of the differences in organisation’s ambition levels and objectives as indicated by Marrewijk (2003) and Dahlsrud (2006), the definitions and perspectives of CS and sustainability of organisations in the research sample were not significantly different and subscribed to all of the conceptual dimensions elucidated by Dahlsrud (2006).

The most explicit dimensions (as presented in section 5.3.1) comprised the environmental, social and economic dimensions with stakeholder and voluntariness dimensions (Dahlsrud, 2006) articulated in secondary data and interview discussions. The importance of stakeholder relationships (which are not limited to government,
NGOs and multilateral agencies given by Hart (2005a)) was emphasised by Organisation F in development of a stakeholder map. Social initiatives also did not preclude CSI and employee volunteerism had been stimulated in Organisation C and D and utilised as source of innovation (Respondent 6 and 7). Thus, the similar approaches to CS and CS definitions with distinctive common elements could be informed by:

- Nature of the sector and the industry (mentioned by Pedersen (2010) as playing a role in shaping CSR practices)
- Industry guided by legislation and predominantly compliance-driven (PriceWaterhouseCoopers, 2010)
- Highly concentrated and competitive industry (Falkena et al., 2004)

A distinguishing element which was highlighted by Organisation C was the integration of CS in the culture of the organisation which is considered to be a critical element of the organisation in achieving the organisation’s strategy and vision. Visser (2006) also alluded to organisational culture as an important factor in the formulation of CS policy. This level of integration could be an indication of the organisation’s maturity relating to CS.

6.3.2 Corporate sustainability business case

As shown in the literature provided by Steger (2004), organisations within the banking sector do not generally reflect an explicit or consistent means of establishing a business case for CS except for Organisations D and E who promote the use of business cases in their CS decisions.

The drivers or motivators, though, for each organisation are a combination of compliance and corporate governance requirements (in light of the nature of the sector), risk management and value drivers given by Steger (2004) comprising
reputation management and meeting stakeholder requirements. Thus, value creation through CS is implicitly considered in CS decisions made. Organisation D epitomises the combination of drivers through the four themes of sound corporate governance, responding effectively to financial and sustainability risks and opportunities, rigorous debate of the business case and living up to the brand promise.

In the shift towards pursuing business imperatives with CS, there is therefore an opportunity for value drivers to be combined with measurable economic and non-monetary indicators in deriving a business case model for the organisation or industry (dependent upon the CS type) (Weber, 2008).

6.3.3 Corporate sustainability in developing countries

Given that the organisations demonstrated the importance of SA context in determining their CS approach and strategy, the developing country context already provided an impetus for CSR implementation. In comparison to Baskin’s (2006) drivers, the findings illustrated how the CS orientation of the sample encompassed:

- Meeting governance requirements
- Compliance culture internally driving CS
- Burgeoning national priorities which affect society and business
- Presence of leadership focused on sustainability issues (for example, driving the integration of CS priorities with strategy and the pivotal role of leadership highlighted in Organisation C).

With the presence of such drivers, the developing country context thus creates opportunities for CS initiatives the banking sector could leverage from.
In contrast to Visser’s (2006) Africa CSR Pyramid, it was difficult to discern the prioritisation of the banking sector in terms of CS as it may be skewed towards the legal rather than philanthropic responsibilities. The responsibilities seem to be “enmeshed” within the findings which may highlight the objective of SA banking organisations to balance CS responsibilities and also the importance of considering both industry and country contexts in CS implementation and CS research.

6.3.4 Sustainable banking

Although the findings from the sample demonstrated that each organisation was addressing CS, the progress made by each organisation in terms of CS is not reflected and may differ. As noted in Chapter 4, the objective of this research was not to track and compare the progress of each organisation in the sample in relation to the implementation of CS. However, in order to adequately establish the overall approach to CS for the sector, a reference was required to ascertain the level of CS per organisation in the sample and further understand the focus areas. Thus, the framework and definitions of Jeucken’s (2001) sustainable banking typology as well as the continuum developed by the African Institute of Corporate Citizenship (AICC) (2004) was applied in order to contextualise and analyse the findings based on the collated research information as shown in Chapter 5. In light of the qualitative information used, these categories are not conclusive but provide a perspective on what had been achieved and prospective opportunities.

Jeucken (2001) Sustainable Banking Typology

Table 2 illustrates the current approaches of banking organisation in terms of Jeucken (2001) typology framework. Due to the lack of quantitative information as discussed in Chapter 4, the basic characteristics associated with Jeucken’s (2001) definitions were
utilised against which the organisation information gathered in Chapter 5 was aligned to.

From the analysis, the sample reveals a balanced sustainable banking approach which is preventative and offensive in nature (skewed towards the offensive approach). This reflects the extent to which the organisations are catering to external stakeholder requirements in CS products and services but also seeking new opportunities for products and markets. Notably, even though the typology was reflected as progressive, the distinction between preventative and offensive stages was not that apparent in the SA banking sector. This could be in consideration of the nature of the industry which is perceived to be extremely regulated and subject to a range of compliance requirements (PriceWaterhouseCoopers, 2010) and the prominent audit culture (Baskin, 2006). However, the SA banking sector is also driven to meet the needs of stakeholders including customers, as reflected in Chapter 5. Similarly, another facet for consideration is that organisations are now directing more effort to creating awareness internally amongst employees. The recognition of the direct impacts of CS with the integration of sustainability in management systems seemed to be balanced with the external focus of promoting sustainable products and services.

None of the banking organisations appears to be demonstrating activities on the optimal level of sustainable banking. However, organisations on the offensive banking level are tackling issues in the realm of sustainable investing and socially responsible investing in accordance with the Jeucken (2001) and advising clients on sustainability risks and risk management (as with Organisation C). Consequently, organisations are endeavouring to stimulate sustainability and sustainable behaviour. This particular position though is dependent upon the sustainability demands of customers which may differ in the developing country context (Baskin, 2006) where the sustainability needs of customers range (depending in which segment the customer falls).
focus of SA banking sector organisations seem to be concentrated on social transformation investment (access to banking services) and developmental financing (SME and other infrastructure) as opposed to environmental products or advisory services.

Another aspect of sustainable banking examines the level of integration and synergy of sustainability strategically and operationally through its activities (Jeucken, 2001). Unfortunately, even though organisations have recognised the need for CS integration, the degree of integration and synergy practiced could not be established from the research findings.

Table 2: Banking organisations in terms of Jeucken (2001) typology

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Defensive</th>
<th>Preventative</th>
<th>Offensive</th>
<th>Sustainable</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td></td>
<td></td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>√</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C</td>
<td></td>
<td></td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>D</td>
<td></td>
<td></td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>E</td>
<td></td>
<td></td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>F</td>
<td></td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>G</td>
<td>√</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H</td>
<td>√</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I</td>
<td></td>
<td></td>
<td>√</td>
<td></td>
</tr>
</tbody>
</table>


Table 3 outlines the progress of each banking organisation consistent with the AICC (2004) continuum towards sustainability banking. Elements from the banking organisations’ CS strategy and practices are reflected in accordance with the elements of the progression. Blank areas in the table do not indicate that this is not practiced

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within the organisation but rather that the information gathered did not explicitly mention these activities (across all CS focus areas).

As can be seen in the comparison, banking organisations did not reflect every dimension of each stage but demonstrated elements from each progression on the continuum. Areas which seem to require additional attention in the sustainability focus of banking organisations or which are not explicitly mentioned or consistently practiced comprise:

- Look to integrate a sustainability framework across the bank including an overall strategy
- Training and building awareness of all staff
- Communicate the sustainability strategy internally and externally
- Developing a knowledge management and learning framework
- Undertaking externally audited sustainability reporting process
- Ongoing review and analysis of performance against measured targets

These areas are linked to the mainstreaming or communication of sustainability (entrenchment of a sustainability culture) within the organisation and the measurement and communication of targets. This is particularly interesting in light of the previous findings highlighted in Chapter 5.

It was determined previously that there was an overall internal and external orientation of the banking organisations as reflected in discussions and secondary data sources. However, the level of integration internally appears to be considered from an employee wellness, social transformation and environment management perspective and not from a knowledge management perspective in respect of CS. Predominantly, the organisations had not shown that sustainability priorities at employee level is comprehensively or consistently communicated and trained (in reference to
sustainability expertise and skills) across the sector. This may also have an effect on the integration of a sustainability framework across the bank, which could not be determined from the findings (as reflected in the discussion above).

Previous findings also showed that organisations overall are not consistently measuring the quantitative benefits of CSR and product innovation which may contribute to the need for ongoing review and analysis of performance against sustainability targets. Implementation of integrated explicit targets on an individual and organisation level may therefore assist in measuring the contributions of CS to the performance of an organisation or impact it has made. Subsequently, this may also enhance the reporting and communication of sustainability performance internally externally particularly if it is quality assured through external auditors. The measurement of quantitative benefits based on explicit targets may also inform the business case for CS interventions, which is discussed further in 6.5 below.
## Table 3: Elements of banking organisations’ corporate sustainability approach as per AICC (2004) continuum

<table>
<thead>
<tr>
<th>Financial Institutions beginning to develop a sustainability banking approach should:</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>I</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure commitment at top level management</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Examine key business risks drivers, including principle areas of sustainability risk and opportunity</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Examine organisational values of company in context of sustainability</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Define roles and responsibilities of the management team and choose specific limited sustainability interventions with clear objectives</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Monitor and evaluate performance against specific criteria and objectives</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial institutions wishing to move beyond a basic commitment to sustainability banking should:</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>I</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure commitment of staff and board involvement</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Analyse sustainability risks and opportunities in detail, including scope for innovation</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Incorporate sustainability principles into a code of practice</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Look to integrate a sustainability framework across the bank including an overall strategy</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Train and build awareness of all staff</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Communicate the sustainability strategy internally and externally</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Undertake reporting of sustainability risk management and opportunities</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Develop a knowledge management and learning framework</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Institutions aiming to achieve competitive sustainability advantage:</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>I</th>
</tr>
</thead>
<tbody>
<tr>
<td>Move to inspire the whole organisational network including suppliers and key partners</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Use professional benchmarking and diagnostic tools to evaluate company performance on sustainability banking and inform strategy development linking directly to core business competencies</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Apply external standards and consider external auditing to enhance credibility</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Undertake progressive stakeholder engagement process</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Integrate sustainability issues into key internal management systems</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Undertake externally audited sustainability reporting process</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Ongoing review and analysis of performance against measured targets</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
6.4 Research Question Two: What is the nature of the relationship between: (1) the adoption of corporate sustainability initiatives in accordance with strategy and (2) the emergence and development of product and market innovation within the SA banking sector?

6.4.1 Innovation and corporate sustainability

The relationship between innovation and CS in the SA banking sector was evident in the research findings. These findings are consistent with academic perspectives (for example, Hart (2005b) and Faber et al. (2005)). In verifying the relationship between product and market innovation with CS, it may be indicative of the long-term orientation of SA banks in terms of CS, which certain banks had articulated, and the existence of a robust innovation orientation (Faber et al., 2005).

However, the degree to which the innovative capacity of SA banks is deemed Corporate Responsibility (CR) Integration or CR Innovation (Halme & Laurila, 2009) cannot be established from this study. The distinction between which products and markets constitute core business and extension of core business definitions would need to be clarified further due to the range of activities which are prevalent within the sector (BANKSETA, 2009).

Although each organisation differed in their approach to cultivating and promoting innovation, certain key enablers in the sector are consistent with the views of Ayuso et al. (2006) and Blowfield et al. (2007). Relevant enablers consist of the role of stakeholders (including government and partners), innovation culture (Dobni (2006)) (for example, Organisation D) and use of technology (for example, Organisation H) (Ayuso et al., 2006). Literature, though, did not confirm the importance of the role of the macro-environment, employees’ capacity, risk management priorities and organisational sustainability structure in innovation creation but they were revealed in
the findings as enablers. The role of stakeholder dialogue for collaboration in innovation creation (Ayuso et al., 2006) in forums such as the Banking Association Sustainable Finance Committee consisting of members from various banking organisations will need to be further investigated.

### 6.4.2 Innovation and Corporate Sustainability in the financial services sector

As described in Chapter 4, the integration of the types of sustainable banking products listed by Jeucken (2001) and Lins and Wajnberg (2007) provide a framework to determine whether the product and market innovation prevalent within the SA banking organisations are consistent with sustainable banking products. Table 4 highlights which sustainable banking products (as defined by Jeucken (2001) and Lins and Wajnberg (2007)) SA banking organisations are focused on:

#### Table 4: Sustainability banking products inventory

<table>
<thead>
<tr>
<th>Sustainability Products Inventory</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>I</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental investment funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>√</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental leases</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>√</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental savings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental credit cards</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>Environmental insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Micro-credit</td>
<td>√</td>
<td>√</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt-for nature swaps</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Climate products</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental advisory services</td>
<td>√</td>
<td>√</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental venture capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Socially responsible funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Socio-environmental finances</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carbon market</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This type of analysis demonstrates that the SA banking sector is not employing the same type of product and market innovation related to CS as benchmarked at EU banks (Weber, 2005) and also in comparison with the Brazilian banking sector (Lins & Wajnberg, 2007). Alternatively, progress of SA banks in providing products of a more social transformation and socio-environmental finance nature, is more aligned to the
successes of commercial banks in Ecuador, Peru and Columbia in providing credit accessibility to the unbanked (Prior & Argandoña, 2009). Therefore, it may be concluded that product and market innovation in SA is only in its developmental phase in comparison with international banks’ categories of sustainable products. However, the SA context (with applicable regulatory requirements) shapes other markets for more radical product and market innovation such as incorporating the bottom of the pyramid (Prahalad & Hart, 2002) and developmental finance needs (for example, SME funding and infrastructure).

There is also another dimension: the extent to which these types of products are provided per organisation could be dependent on the scope of financing activities and markets for which the organisations have been established to cater (in terms of service offerings and specialist competencies). Thus, it depends on the organisational paradigm and context which determines the type of product and market innovation initiated (Hart, 2005b). In this way, the sustainable product typology as given in the literature is not exhaustive.

Despite the nature of the industry relying on compliance measures (PriceWaterhouseCoopers, 2010) even within the realm of CS as demonstrated in the findings, opportunities for product and market innovation driven by stakeholders, risk management and the SA environment are prevalent and may also include environmental sustainable products as given in Table 4.
6.5 Research Question Three: What are the perceived benefits (quantitative or qualitative) as a result of product and market innovation utilised in the implementation of the corporate sustainability strategy?

6.5.1 Perceived benefits

Even though the result findings revealed a relationship between product and market innovation and CS and a range of benefits were mentioned, what constitutes quantifiable measurement in this respect was not presented conclusively in the results. This was also prevalent in the study by Lins and Wajnberg (2007) in the Brazilian banking sector where it was found that there was lack of transparency in terms of performance indicators in respect of CS associated with a lack of quantitative measurement of sustainability benefits. These two findings corresponded with the research results in this report but could also be regarded as being related as shown in 6.3: effective quantitative measurement of benefits may enable target measurement and thus provide a sound basis for performance indicators. The lack of measurement of targets and performance is not common to all organisations as shown in Table 3 detailing the progression towards sustainable banking. However, overall for the sector, sufficient measurement of all relevant aspects of CS (inclusive of innovation) which is also transparent and consistent was not evident in the findings.

As mentioned above, a means of benefit and cost measurement will assist in determining a business case, which is usually extremely complex for CS practices (Steger, 2004). It would thus be beneficial to establish what factors would constitute value creation from a qualitative and quantitative perspective in order to derive the business case or establish a methodology for CS (as with Schaltegger (2010) and Weber (2008)) such that a banking organisation will be able to determine whether it is meeting client needs (Oldenboom & Abratt, 2000), compliant and generating value for
Chapter 6: Discussion of Research Results

the organisation (Smith, 2007). In this way, it may be able to determine whether CS 
(according to the initiatives undertaken) is significant enough to create a competitive 
advantage (Smith, 2007).

6.5.2 Competitive advantage of corporate sustainability in the SA banking 
sector

Due to the lack of quantitative measurement and complexity in formulating the 
business case model, it was difficult to conclude whether CS is a source of competitive 
advantage in the SA banking sector. This could also be due to the nature of the 
industry being highly competitive yet concentrated (Falkena et al., 2004) and in view of 
the establishment of the Banking Association Sustainable Finance Committee 
promoting collaboration amongst banking organisations on sustainability. However, 
these factors may further motivate the utilisation of product and market innovation, 
deemed necessary in the dynamic industry for competitive advantage (Falkena et al., 
2004).

In view of the dynamic nature of sustainability (Faber et al., 2005), CS may be an 
integral source of innovative capabilities (Griffiths, 2004). In so doing, it is possible that 
CS may be utilised as a source of competitive advantage together with innovation but it 
would also require a future perspective and associated strategy, as illustrated by Hart 
(2005a). From the mixed feedback on competitive advantage based on CS, SA 
banking organisations are still making progress in this respect.

Given the definition of CS in the banking sector and its relationship with product and 
market innovation, the extent of competitive advantage may subsequently depend on a 
myriad of factors such as:
Chapter 6: Discussion of Research Results

- Long-term organisational perspective of CS
  - Complexity of CS areas of focus
  - Type of organisation and what role it plays within the sector
  - Progress which the organisation has already made in respect of CS
  - Organisation communication efforts as it relates to CS
  - Perception of organisations considered to be competitors within the sector in this ambit

- Type of applicable legislation (characteristic of the industry) complied with by all SA banking organisations (which may diminish competitive advantage)

- Presence of key innovation enablers which determine the extent of product and market innovation

- Degree to which client needs are met per area of CS focus

- Degree to which CS is integrated with corporate strategy

- Economic value gained from CS initiatives

6.6 Summary of analysis

SA banking organisations’ approach to CS was consistent with academic viewpoints. Organisations are progressing well towards sustainable banking (Jeucken (2001) and AICC (2004)) but also require added focus on mainstreaming and training CS and integration of CS in key management systems within their own organisations. This may serve to consolidate the sustainability culture and further permeate sustainable customer products and services delivery. The SA developing country context though currently differs from developed countries in terms of the type of sustainability products which are relevant and which may promote the sustainability of customers. Consequently, this context and stakeholder needs (Ayuso et al., 2006) may promote different types of product and market innovation which was prevalent in the banking sector.
Therefore, there are still opportunities for additional innovation in this respect and in sustainable products as highlighted in Table 4. An innovation culture was another important determinant of the manifestation of product and market innovation. Other enablers not explicitly covered in the academic literature but arise from the findings include risk management priorities and the organisational capacity and structure in terms of CS. The degree to which the SA banking sector is innovating in respect of the extension of its core business (Halme & Laurila, 2009) cannot be defined conclusively nor verified in this research report.

The association between CS, stimulation of product and market innovation, competitive advantage and formalisation of the business case for CS is significant.

The benefits of product and market innovation and CS were tangible but were not measured consistently in the SA banking and microfinance sector. Thus, the development of a measurement model identifying factors which exemplify drivers, benefits and costs is required. As banking organisations are focusing on economic imperatives, a model may then be utilised to establish how CS benefits the organisation in monetary terms and to determine the full extent of its impact. The results of the measurement model may subsequently be used in communicating to stakeholders on CS performance thus informing performance objectives (of the organisation and employees). In cases where there is a sound business case and the utilisation of product and market innovation related to CS, dynamic and progressive CS may be considered a competitive advantage in the sector.
6.7 Conclusion

In deriving a contextual definition of CS in the banking sector and its underlying principles, defining the nature of the relationship between product and market innovation and CS in the sector and by determining the perceived benefits of product and market innovation through the research results, research objectives were achieved.
Chapter 7: Conclusion

7.1 Introduction

In light of the prevalence of global sustainability challenges (Porrit, 2001), SA as a developing country provides a unique context for the implementation of corporate sustainability (CS). In this way, CS strategies and initiatives adopted by the SA banking sector exemplify these challenges and offer relevant opportunities for product and market innovation within the compliant and competitive environment for the purposes of value creation. Consequently, how banking organisations approach CS and how these organisations perceive the relationship between CS and product and market innovation in the industry was investigated.

7.2 Research findings

7.2.1 Corporate sustainability within the SA banking sector

The SA banking sector seeks to integrate CS with the organisational strategy and primarily focuses on economic, social and environment elements with implicit elements consisting of stakeholders and voluntariness (Dahlsrud, 2006). In the determination of these focus areas and CS initiatives, banking organisations consider the macro-economic environment (such as the global economic crisis), banking environment and imperatives, compliance and legal requirements, risk management and the needs of its stakeholders through active stakeholder engagement. These characteristics confirm the internal and external orientation of SA banks as well as the short- and long-term CS perspectives undertaken. A sound business case approach in the sector was rare which could be attributable to the complexity of CS scope and difficulty in quantitative measurement of CS. However, a business case model and a means of ascertaining
how CS affects organisations in monetary terms are sought after by banking organisations.

The SA banking sector is progressing towards sustainability (Tables 2 and 3). with certain organisations more mature than others in their implementation of CS but little differentiation between the organisations (across the range of large, medium and development banks). However, it does not necessarily follow the same pattern of CS adoption as given by Jeucken (2001) and the African Institute of Corporate Citizenship (AICC) (2004) but may also be an indication that the organisations are still developing in terms of CS and that it progresses more favourably in certain areas such as audit requirements where it is most experienced and more easily adopted. Opportunities for CS are apparent and may comprise recommendations as listed in 7.2 below.

7.2.2 The nature of the relationship between product and market innovation and corporate sustainability strategy in SA banking sector

The relationship between product and market innovation and CS strategy within the sector was evident in the findings represented by the new products and markets established within the CS ambit. The existence of such a relationship therefore verifies the long-term and contextual view of CS as highlighted in 7.2.1. Although the extent of innovation orientation in extending the core business of the banking organisation (Halme & Laurila, 2009) cannot be fully established, the key enablers of innovation comprise the dialogue with stakeholders (not limited to government and partners), national context, culture and technology. The SA banking sector showed that innovation was also guided by evaluation of appropriate risks and opportunities per organisation in addition to internal organisational capacity and structure in respect of CS implementation.
Chapter 7: Conclusion

Notwithstanding the prevalence of both environmental and socially focussed types of product and market innovation, the SA banking showed a tendency to emphasise initiatives with more social impact. These types of initiatives could be a reflection of the SA social and economic context with its own regulatory requirements and the unique needs of stakeholders within this environment. In this way, additional opportunities for growth in product and market innovation facilitated by key enablers exist in the SA environment such as the previously unbanked, small business and “green” financing and advisory products.

7.2.3 Perceived benefits as a result of product and market innovation in implementation of corporate sustainability strategy

Tangible qualitative benefits perceived by the SA banking sector in terms of product and market innovation included increased customer base, stronger customer relationships, value creation for stakeholders (meeting stakeholder needs), mitigation of future risks (as well as diversification of risks) and opportunities for future growth. However, aside from value-added contributions, these types of benefits are not necessarily measured quantitatively by means of consistent indicators, monetary benefits or the detailed impact of initiatives. Thus, the determination of a comprehensive business case for CS initiatives and effective performance management and objective-setting is hampered.

The competitive advantage as a result of the organisational CS strategy and product and market initiatives was uncertain although certain organisations do perceive it as a future source of competitive advantage. The perception of competitive advantage may depend on contextual factors such as long-term CS orientation, extent of enablers in innovation and the ability to determine economic benefits.
7.2.4 Recommendations to the SA banking sector

- In order to garner maximum benefits associated with CS and relevant product and market innovation, the full range of benefits and costs will need to be measured in accordance with the array of CS objectives and targets (as influenced by associated risk and opportunities, legislation compliance and the overarching CS strategy of the organisation). In so doing, the organisation’s performance may be more transparent, allow for continuous review and assist in determining a sound business case for CS initiatives.

- Following the above recommendation, there is an opportunity to determine a business case model with value drivers for the organisation (quantitative and qualitative indicators). A business case model will assist in establishing the degree to which CS in various initiatives, products and markets is contributing towards the organisation’s competitive advantage and CS objectives for the organisation.

- The role of innovation cannot be underestimated in this type of dynamic industry which is burdened by regulation and needs to be responsive to national CS challenges. Therefore, the communication and the training and building awareness of all staff on internally and externally-focused CS matters may serve to integrate sustainability issues further into key management systems, mainstream the measurement of CS in staff performance, enhance knowledge management and consolidate an innovation culture and orientation in respect of CS. Consequently, this may serve to augment customer advice. Specialised training and development should not be excluded for staff members directly participating in sustainability initiatives who also require sufficient capacity considerations.

- Related to innovation is the prevalence of product and market innovation in environmental sustainability which is not as prominent within the SA banking
sector as with international banks. This may also be due to the minimal environmental legislation, lack of awareness and the attitude and behaviour of the SA market but therein lies additional opportunities dependent upon the business case.

7.2.5 Recommendations for future research

- Quantitative research in determining the extent of the relationship between product and market innovation and CS in the banking sector will be a valuable supplement to this research, especially taking into account which product and market innovation would be considered as core business or an extension of core business to the banking sector.

- An investigation in the relationship of other types of innovation such as process innovation associated with CS may be evaluated.

- Given that a business case model for CS is perceived as a challenge and generally lacking in the ambit of CS, components or drivers of a business case model for CS in the banking sector may be researched in order to inform the establishment of a CS business case model, particularly in SA or developing country context.

- The objectives of this research did not focus on the competitive advantage of CS in the SA banking sector (although it was considered as part of the findings in relation to perceived benefits and costs for this type of industry). Therefore, there would be an opportunity to research the relationship between organisational competitiveness and CS within a sector or across sectors.
Chapter 7: Conclusion

- The findings have shown that SA banks demonstrated on a strategic level the need to integrate CS in business strategy and operations. Thus, future research could investigate the degree of integration of CS strategically and operationally in the SA banking sector.

- Micro-finance institutions (MFIs) were not included as part of the research. Therefore, additional research opportunities may reside in exploring innovation and CS in this part of the banking sector.
References


References


References


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Appendix 1 – Questionnaire for In-depth Interview

Organisation: _____________________________________________________________

Name: _________________________________________________________________

Position: _______________________________________________________________

The interviewee has been informed of the background to this research, understands the confidentiality of data provided and provides full consent to being interviewed (without any inducement by the interviewer)

Signature: _________________

Corporate Sustainability/Sustainable Banking

1. What does sustainability mean for your organisation?

2. What do you understand by the term Corporate Sustainability (CS) or Sustainable Banking?

   Note: CS will include CSR aspects and will refer to economic, social and/or environmental concerns with shareholder aspects. Sustainable Banking should involve issues of internal activities and external activities which promote sustainability.

3. Does your organisation have a CS strategy?

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4. What are the elements and/or focus areas of the CS strategy?

Note: This will need to be contextualised within the following: internally or externally focused, current or future orientation, the Five Capitals Model (natural, human, social, manufactured, financial) as well as leadership/capacity considerations. It is important that key material issues are also identified in accordance with risk and opportunity. A continuum of sustainable banking will reveal:

- whether commitment is provided only on top level management, the entire organisation and board or includes the organisation and key partners.
- whether only key drivers are identified, sustainability risks and opportunities (for innovation) are also specified, or whether benchmarking tools and diagnostics measure performance on sustainability banking to inform strategy development in respect of core business areas.
- whether the organisational values incorporate sustainability, whether the code of practice includes sustainability principles and a sustainability framework is adopted or whether external standards and external auditing is utilised for credibility.
- whether key management roles in terms of sustainability are defined and specific interventions planned, training and building awareness of all staff take place where the strategy is communicated internally and externally or whether a comprehensive stakeholder engagement process is undertaken.
- whether performance is measured and evaluated, reporting of sustainability risk management & opportunities takes place in addition to the formulation of a knowledge management & learning framework or whether sustainability is integrated into key management systems, externally audited sustainability reporting process is undertaken and performance against targets are reviewed on an ongoing basis.
Appendix 1 – Questionnaire for In-depth Interview

5. What are the external environmental or industry factors which impacts or influences the adoption of CS strategy?

Note: This may be classified in accordance with sector specific, international or national factors as well as stakeholder influences.

Stakeholder engagement and influences include institutional membership, for example, UNEP FI, Equator Principles, IFC performance standards as well as partnerships with NGOs and other sustainability experts.

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Corporate Sustainability/Sustainable Banking

6. What informs the organisation’s decision to embark on a specific CS initiative?

Note: Are business cases conducted for corporate sustainability initiatives, what criteria is considered for business cases or are decisions made in accordance with motives such as Carroll's pyramid (Philanthropic, Ethical, Legal or Economic Responsibilities)? Halme & Laurila's CS activities of Philanthropy, Integration and Innovation may also be considered as a part of CS strategy (corresponding to Question 3)

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7. What are the CS initiatives you have embarked on?

Note: This needs to be contextualised within the answers given above especially question 4 and within the following: Codes of conduct and disclosure, environmental policy, objectives, reporting and environmental management systems, sustainable finance products, risk management and management practices, international guidelines/initiatives, socio-economic activities and sponsoring.

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Appendix 1 – Questionnaire for In-depth Interview

Innovation in relation to Corporate Sustainability

8. What new products and new markets have been established as a result relative to a CS initiative?
   Note: Products may be classified in accordance with: Funds, investment products, loans (responsible lending), leases, savings accounts, credit cards, insurance products, micro-credit, swaps (for example, debt-for-nature-swaps), specialised climate products, carbon market, or any other socio-environmental finance. Will also include references to Green Energy.

   Markets will need to be identified for example: bottom-of-the-pyramid, investors, institutions, international, multi-national corporations, NGOs

9. What was the process for embarking on these innovations?
   Note: This will include information on:
   - were innovations internally driven (through capabilities) or externally driven (for example, compliance)?
   - did opportunities arise out of or evolved into new partnerships with other organisations or even rival organisations?
   - how long did it take for innovative idea to manifest in new product or market?
   - how are innovative ideas screened, selected and adequately resourced until it reaches the market (commercialised)?
Appendix 1 – Questionnaire for In-depth Interview

Benefits of innovation

10. In what ways has the company benefited from new product and market-related innovation due to corporate sustainability?

   Note: Benefits should be classified as short- or long-term (for example, financial gains vs. new business models) as well as internally or externally focused. Financial figures should be provided to demonstrate the tangible benefits.

11. Do you measure the benefits and trade-offs/costs of the aforementioned product and market-related innovation? If yes, explain.

   Note: Are metrics quantitative or qualitative and do metrics consider the organisation only or are the impacts on markets/recipient/stakeholders also taken into account?

Positioning

12. Do you compare your organisation’s CS strategy in relation to other major banks’ or organisations’ initiatives?
13. **Has CS given your organisation a competitive advantage in the sector?**
   Note: Competitive advantage may be classified in accordance with benefits described in question 10 and improved financial performance or greater market share relative to competitors (linked to productivity and innovation drivers).

14. **If the answer is no, do you foresee that CS will give your organisation a competitive advantage in the sector? How?**
   Note: Competitive advantage may be classified in accordance with benefits described in question 10 and improved financial performance or greater market share relative to competitors (linked to productivity and innovation drivers).
Appendix 2 – Informed Consent Letter for In-depth Interview

Name
Designation
Organisation

I am conducting research on corporate sustainability in the banking sector and would like to explore further the perspectives on corporate sustainability within the sector as well as the relationship between product and market innovation and corporate sustainability initiatives. Your input and expertise in respect of this topic in your respective organisation which you will be able to provide by means of an interview will be much appreciated.

The duration of the interview should not exceed an hour and your participation is voluntary (you are able to withdraw at any time without penalty). All data and information afforded will be kept strictly confidential. Should you require any information regarding specific interview questions or if you have any concerns, you are most welcome to contact me or my supervisor at the contact details given below:

Researcher:
Caroline King
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0827886056

Research Supervisor:
Donald Gibson
DGibson@srk.co.za

Signature of Participant: _________________________
Date:    _________________________

Signature of Researcher: _________________________
Date:    _________________________