CHAPTER 9

RESEARCH FINDINGS

9.1   INTRODUCTION

In Chapter 6 section 6.12 (p. 280) a framework was presented on the application of the theory to the practice of corporate citizenship. The framework specifically offered critical perspectives on indicators of corporate social performance from a theoretical point of view. As described in this section the summary of the literature review (as per Figure 6.4, p.280) formed the basis for the actual research design. In block 3 of Figure 6.4 some suggestions were made on preliminary drivers or indicators of corporate social performance with the firm understanding that these factors needed to be proven and potentially expanded. Chapter 9 therefore will present the findings and will shaed light on the preliminary theoretical drivers (block 3 of Figure 6.4).

To contextualise the findings of the research, it is imperative to present a brief theoretical overview of the field of corporate social performance as described in section 6.12 and more specifically by Figure 6.4 (p. 280). The literature study revealed mainly seven theoretical constructs or driving themes that are relevant in the current corporate citizenship debate. The author is of the opinion that these themes / constructs constitute the platform from which most of the theory is developed and arguments based on. The seven themes are presented below in Table 9.1 in a format relating to challenges and solutions.

Table 9.1: Theoretical constructs in corporate social performance

CHALLENGE	SOLUTION
Corporate citizenship integration with business strategy	Creating a supportive culture, systems, procedures and management practices through leadership
Stakeholder engagement (including multisector stakeholder engagement)	Cross-sector partnerships (public, private and civil society sectors)
Revolutionary changes in markets, societies, values and demographics. A strong argument in favour of the social construction of business	Leadership as well as sound risk-mapping and management strategies with specific emphasis on non-financial risk

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Corporate philanthropy and CSI to create a new paradigm for integrated sustainability practice incorporating social, environmental and economic indicators	Measuring return on social investment as part of a multi-bottom line approach
Responsible business practice and accountability	Integrated sustainability accounting, auditing, reporting and assurance. Stakeholder activism will also dominate the moral debate
"Intangible" value indicators will become key determinants of placing value on an organisation as a whole for example trust, reputation, integrity and organisational culture	Ensuring that these value indicators are entrenched in the "DNA" of the corporation and that they become key differentiating factors in the competitive global marketplace
Increasing shareholder activism. Corporate behaviour will be judged and scrutinised. Society at large will become more vocal exercising their citizen rights	Transparency, disclosure, governance and reporting

Table 9.1 depicts a summary of the main theoretical constructs as per the literature review in Chapters 2 to 6. Tables 9.7 and 9.8 which relate to Figure 6.4 (p. 280) offer a final comparison between the preliminary indicators and the actual research findings. Specific reference will be made to the unique SA indicators through comparison with the indicators presented in Table 9.1. The "driving forces" as suggested in phase 2 of Figure 6.4 is of particular significance in this comparative exercise.

Chapter 9 presents the results of the primary research activity relating to this study. Fifteen interviews were conducted with prominent persons, in the private, public and civil society sectors and who conduct their daily activity in the epicentre of the cultural space in which the corporate citizenship debate is playing itself out. The objective of the research was to determine what, in the informed opinion of these respondents; the key indicators might be that would accurately reflect a corporation's social performance in a South African context.

In the light of this research objective, the chapter commences by briefly explaining the rationale undergirding the method of data analysis employed. This explanation is followed by a step-by-step description of how the method was applied and subsequently how the research results were presented. This presentation is divided into two main sections. The first is a thematic discussion of the contents of the interviews, excluding interviewees' contributions on appropriate indicators. The second section focuses on an ordering and presentation of the indicators.

9.2   METHOD OF ANALYSIS

The following section presents the rationale informing the analysis choices made by the researcher and it describes precisely the systematic method employed to analyse the data set. The ultimate objective is to justify the analytical process by demonstrating a logical alignment between the goal of the research, the nature of the data and the analytical methods employed.

Theoretical Foundation of Approach:

Three qualitative research concepts denote the foundation for the analytical procedure employed in this study:

9.2.1   Content analysis

In line with Weber's (1990) definition of content analysis, a set of broadly defined, pre-determined procedures was applied to the data set in order to make valid inferences. Neuman (1994) indicates that content analysis is often used to quantify elements in qualitative data, usually in the form of frequency counts. The number of occurrences of a coded element in a qualitative data set is recorded and inferences are made based on this frequency count. In this particular study the coded elements are themes and although the frequency of occurrence is noted, the analysis does not attempt to quantify the qualitative data.

The objective of the study is not to demonstrate a hypothesis through an analysis of frequency. Instead this exploratory study intends to present the reported responses of interview subjects directly, ultimately introducing a discussion of the implications of these responses. The central outcome of this research - the list of social performance indicators – is generally consequential because of the influential nature of the respondents and their key positions in the public debate on corporate citizenship. This study is not intended to propose a generalisable finding however and therefore this research design does not support such an outcome.

To be specific, this research in no way claims that the set of reported indicators is the conclusive, valid set of corporate citizenship performance measures that all experts will agree on. This research is merely reporting directly what these particular respondents consider to be key indicators of corporate social performance.

9.2.2 **Grounded theory**

Grounded theory is a widely used approach in qualitative research. It is "a method that uses a systematic set of procedures to develop an inductively derived theory about a phenomenon" (Strauss and Corbin 1989:24). The purpose of grounded theory is to build theoretical constructs that are true to the empirical evidence gathered. It is theorising from the ground up, starting with evidence and working towards a theory that will explain the relationships and dynamics between constructs that the evidence points out, do exist. It involves a conscious decision not to impose theoretical frameworks and limitations on the collected data prior to analysis. Rather it allows the analysis of data to lead to the emergence of theory.

Grounded theory shares several goals with more positivist-oriented theory. It seeks to be true to empirical data, to be precise and rigorous, capable of replication and generalisable. The current study is not attempting to propose an explanatory theory on which predictions can be based. Instead it attempts to collate structure and describe data in a meaningful and useful manner. It is strongly aligned however to the foundational principle of grounded theory, namely beginning with the evidence and building conclusions from the ground up. In instances where explanatory statements are ventured, this is done based on empirical data, and the broader constellation of grounded theory principles applies.

9.2.3 **Plausible constructionism**

Positivist-oriented research is most often concerned with determining the veracity of a previously posited hypothesis. The epistemological antecedent is that knowable absolutes exist and the current scientific endeavour is attempting to establish one of them. This particular scientific endeavour is not engaged in such an attempt. Instead, it is concerned with achieving an understanding of the data. Moreover qualitative research theory recognises that the understanding achieved will only be an understanding, contextualised in the interaction between the data, the research environment and the researcher. Furthermore it is accepted that the researcher's initial perspective influences his own understanding of the data, whereupon the understanding gained during the initial analysis of data reflects on the understanding of subsequent data analysis, in an ongoing hermeneutic circle (Rennie 1995).

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This interactional dynamic does not however negate scientific rigour. The activity of the qualitative researcher is a form of constructionism (Gergen 1985), but it is a plausible constructionism because it is firmly grounded in the empirical data. The outstanding claim of this study is that it purports to document the stated responses of interview subjects to the structured items posed to them. It is exploratory and descriptive, rather than explanatory and predictive. The foremost test of validity therefore is simply stated as follows: do the results report responses accurately and, where interpretations are ventured, are those interpretations empirically founded? As will be demonstrated in the remainder of the chapter, this research replies affirmatively.

9.3   DESCRIPTION OF DATA

Each of the 15 interviews, conducted with a high profile representative from either the private, public or civil society sector, was recorded on audiotape at the time of the interview and later transcribed. Each of the transcribed interviews averaged 5500 words in length, presenting a total data body of approximately 82500 words of text. Although the text versions of each interview were the direct object of analysis, the audiotapes were used throughout the analysis process in order to verify transcription content, as well as clarify communicative intent and meaning. This proved necessary because intent and meaning conveyed through conversational cues were purposefully omitted in the transcriptions.

9.4   DESCRIPTION OF APPROACH

The content analytical approach described in a preceding section was specifically applied as follows:

- The data set of 15 interviews was divided into five subsets in order to conduct the analysis in manageable volumes. The assignment of interviews to a subset was delimited by a single criterion, namely that all interviews in a subset should be from respondents operating in the same societal sector.
- Each interview in a subset was read through and subjected to an initial coding process, identifying preliminary themes.
- Second readings of the interviews in the subset led to a refinement of coding procedures.
- A rudimentary thematic analysis of the subset was concluded.
- Steps 2 to 4 were repeated for each subset. Each cycle of subset analysis arose from the preceding cycles, with a continuous refinement of coding procedure occurring throughout the process.

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Once rudimentary analyses had been completed for each data subset, the merging of analyses was conducted. This proceeded systematically as follows:

- The first rudimentary analysis was merged with the second to establish the initial combined analysis.
- The rudimentary analysis of the third subset was merged with the initial combined analysis to establish the second combined analysis.
- The same procedure was followed with rudimentary analyses of subsets four and five, with the combined analysis of all subsets being the final outcome.

The content analysis procedure followed in this study is illustrated in Figure 9.1.
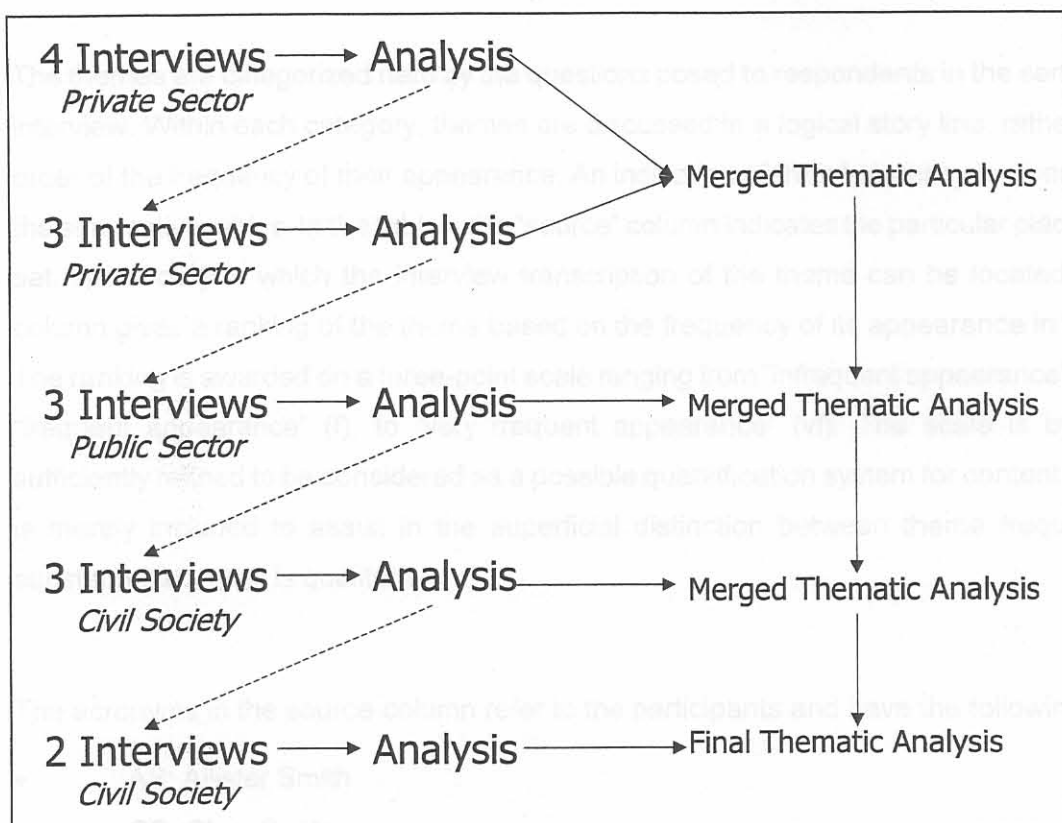

Figure 9.1: The Content Analysis Procedure (Source: Beney 2003)

9.5   THEMATIC DISCUSSION

Themes were isolated as the basic unit of analysis in the data set. For the purpose of this research a theme may be considered to be a relatively discrete or autonomous stream of meaning.

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Themes however are a function of the analytical process rather than the data set and as such cannot be considered absolutely discrete. The isolation of a theme however cannot be arbitrary but should rather be judged, once again, as a plausible construction given the data source(s), research context and rigorous method.

During thematic analysis, related themes that were identified as executing a common communicative intent or informing a more encompassing theme were grouped together as thematic constellations. For example references to South African history and the South African policy environment were identified as attempts to ground the discussion in a broad context and were subsequently grouped together in a constellation labelled "context".

The themes are categorized here by the questions posed to respondents in the semi-structured interview. Within each category, themes are discussed in a logical story line, rather than in the order of the frequency of their appearance. An indication of their frequency is given explicitly in the summative tables. In the tables, the "source" column indicates the particular place in the data set, specifically in which the interview transcription of the theme can be located. The "rank" column gives a ranking of the theme based on the frequency of its appearance in the data set. The ranking is awarded on a three-point scale ranging from "infrequent appearance"' (if), through "frequent appearance" (f), to "very frequent appearance" (vf). The scale is by no means sufficiently refined to be considered as a possible quantification system for content frequency. It is merely included to assist in the superficial distinction between theme frequencies. The substantial analysis is qualitative.

The acronyms in the source column refer to the participants and have the following meaning:

- AS: Allister Smith
- CS: Clem Sunter
- BP: Barney Pityana
- PA: Phillip Armstrong
- NNK: Nicky Newton - King
- MM: Mpho Makwana
- PK: Paul Kruger
- MA: Mohammed Amad
- BK: Bongani Khumalo

- ZS: Zola Skweyiya
- VK: Vukani Mnthindso
- BK: Bruce Koloane
- SdC: Sean de Cleene
- SP: Sunette Pienaar
- MK: Margie Keeton

The next section will present the responses to Questions 1, 2, 4 and 5. Responses to Question 3, which addresses indicators of corporate social performance, are addressed separately.

9.5.1   Question 1: Integrating Social Development and Business Imperatives

"From a human rights perspective one has always been inclined to be very critical or at best suspicious of business. You never expected too much from business."
Prof. Barney Pityana (2003)

For a number of respondents, particularly those operating in the civil society sector, it seemed important to situate the corporate citizenship discussion in a historical context. This functioned as a reference for explaining and most often contrasting the current situation with the past. The general consensus was that progress has been made over the last three decades, when business was perceived to have moved from complicity in an exploitative dispensation to becoming a moderate agent for societal transformation.

Business however continues to be depicted as an entity slow in, at times even resistant to transforming: a reticent citizen at the mercy of drivers compelling change. Locally the primary transformation issues of affirmative action, employment equity and black economic empowerment continue to be perceived as driven by government, with business following through compliance. It is government, coupled with public expectation of big business, which coerces organisations into delivering a social dividend.

External forces impinging on local business activity are also seen to be driving important corporate citizenship issues that do not enjoy the same currency as employment equity in South Africa. Trans-national Corporations, listed on securities exchanges overseas and with significant interests in South Africa, are subject to various and more stringent social responsibility requirements through their developed world operations. These requirements are imported and transferred to local operations, which are then compelled to comply.

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Social development imperatives are recognised as urgent and a significant risk to business. It was suggested by a particular respondent that within the next decade capitalism will be required to redefine itself, striking a more favourable balance between that which makes it attractive (the accumulation of personal wealth) and acceptable (the distribution of the benefits of wealth generation) if it hopes to survive. Another interviewee complemented this position with the observation that the policy environment in South Africa is ripe for just such an ideological shift, but that the implementation has yet to live up to the promise.

Strategic Imperatives

"It is a very naïve view on the part of those who believe that it is less business to be engaged in development." Bongani Khumalo (2003)

The recognition of the urgency of social imperatives by business is certainly informed by self-interest, a theme very much in evidence during interviews. Implicitly, Friedman's famous (or notorious) adage "the business of business is business" was repeatedly confirmed, as the strategic imperatives delineating the business case for corporate citizenship began to emerge. What precisely the business of business is today being reconstructed in a risk assessment frame.

The informed, critical and often mobilised stakeholder presents a significant risk to business organisations, especially those in which a tarnished reputation can lead to consumer reaction and income loss. Although some sectors may, to a degree, be exempt from consumer action, all business must attend to the authorised stakeholder – government.

Social responsibility issues are being increasingly formalized as requirements, the sector charters being the manifestation of this process. In this respect the continued "licence to operate" of a business may be subject to social responsibility performance and the organisation's profile as a good corporate citizen.

Themes concerning current risk however are not as prominent as themes involving future risk. Respondents frequently acknowledged that no business could thrive in a society that cannot survive. Developing nation societies are particularly vulnerable to the negative impacts of globalisation – environmental degradation, risks to health and food security, the growing disparity between rich and poor. The future is uncertain and uncertainty must be managed.

The onus of managing the future for a business falls on those responsible for corporate governance namely the directors. In the light of these factors concerning social development and building capacity for managing corporate citizenship they can be characterised as an investment rather than a cost. The investment would secure future prospects by contributing to the creation of a healthy, cohesive, skilled and economically empowered society that would offer a growing market for products and services.

But there are reservations. To what extent should business be assuming responsibility for addressing social development needs? Is this responsibility not more appropriately fulfilled by the state first, supported by civil society? As a citizen a corporation admittedly has duties to fulfil, as well as rights to lay claim to. In addition, the development challenges are such that a broad, concerted effort is called for, in which all sectors should participate if there is to be any hope of transformation. Where however, does the corporation's duty end and the duties of other citizens begin?

The delimitation of expectations that can reasonably be had relating to the corporate citizen have not been adequately outlined. Many organisations find the dissonance frustrating and the often unreasonable expectations placed on them demotivating. Furthermore, there were numerous insistences by the other institutional citizens, specifically government at all levels, being held accountable for the execution of their duties.

Executing Integration

"If your business manager is being measured primarily by how many millions of barrels of oil he pumps out a day that is going to be his primary objective. While he is told he's got to pay attention to these other issues, he will do so only within the constraints of achieving his primary objective, for which he is incentivised."
Philip Armstrong (2003)

If business is operating in a context that is increasingly demanding social responsibility, to the extent that its future prospects appear to depend on its ability to transform into being a good corporate citizen, it begs the question how transformation can be accomplished successfully? A combination of setting enforceable requirements that guarantee compliance, while intentionally fostering a re-orientation of corporate culture that pulls behaviour in the desired direction summarises the broad consensus.

The depth of values adoption was described as such that individual behaviour is driven to living out brand values autonomously, within and outside the organisation. If the brand is associated with an overt, powerful environmental preservation message, all employees should become sensitised to the extent that it influences personal habits – company employees become informed, begin recycling, and involve themselves in conservation campaigns. More importantly, environmental protection becomes a fundamental principle on which business decisions are made, including whether to engage with business partners, embark on projects, provide your services or develop a product.

How can the described depth of adoption be achieved? By incorporating social responsibility issues firstly at a strategic level. In fact omission of social responsibility issues at the strategic planning level, when considering the environment business now operates in, betrays a strategic myopia, as does the relegation of corporate social responsibility to junior level employees and a blatantly public relations "spin" being placed on social responsibility "projects". Principles of social responsibility should become inviolable parameters of business design, much as employment equity issues are becoming currently. The perception should shift from these principles as being an obstacle to conducting business, to the basic precepts around which business plans must be designed.

Questions need to be posed in strategic planning processes at the highest level that consider the implications of social responsibility issues on the outcomes of core business objectives and this planning step should be filtered down to the organisation, to every level of business planning.

Little will however change unless social responsibility is operationalised in organisational management systems. This is especially true of the performance management system, because it measures and rewards and therefore drives individual as well as collective behaviour. A definite convergent theme throughout the data is that for socially responsible behaviour to take, it must be incentivised, from within and without.

The role of financial markets in nurturing social responsibility was often remarked on. For public companies especially it is essential that exchanges, analysts and fund managers begin to consider social responsibility performance as a critical variable in assessing the sustainability and attractiveness of a company. Initiatives are already under way, both internationally and locally, to facilitate this emphasis in equity markets.

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Some significant challenges must be confronted however, including a predominance of speculative trading orientations.

Table 9.1 presents a summary of thematic constellations emerging from the analysis of data from the first question posed to respondents.

Table 9.2: Question 1: Theme (Source: Beney 2003)

Constellation	Theme	Source
Context	Historical context	AS, BP
	Business as agent	BP
	Drivers of corporate citizenship	PA, BP
	Balancing capitalism	MM
	State policy and implementation	VM
Strategic imperatives	The business of business	MM, PK, BK, BP
	Risk management	MM, AS
	Sustainability	BK, AS
	Governance	MM
	Shaping the future	BK
Facilitating conditions	Integrated society	BP
	Value of integration	PK, MM, AS
	The corporate citizen	PK, BP
	Attitude to transformation	NNK
Sectoral roles and relationships	Government's role	PA, VM
	Tri-sectoral relations	VM
	Commercial performance	NNK, BK
Leadership	Leadership	MA, MM, NNK, BK
	Sectoral leadership	AS
	Ethics and values	MM
	Peer initiatives	NNK
Executing integration	Organisational values and culture	CS, PA, MA, VM, BP
	Strategic integration and strategic myopia	PA, MA, BK
	Integrating management systems	MA, PK, PA, NNK, BK, SD
	Incentivising integration	CS, PA
	The financial markets	CS, PA, MA

	Vision, coercion and co-ordination	VM
Challenges of integration	SMMEs	MA, PA
	Setting standards	AS
	Supply chain management	PA, PK
Benefits of integration	Reputation and credibility	CS, PA, MM
	Learning	VM
	Expanding markets	BK, AS
Social spend	Social spend	MA, MM, BK
	Beyond philanthropy	NNK
	Innovative contribution	PK

9.5.2   Question 2: Stakeholder Engagement

"We don't do enough in terms of stakeholder engagement. It is crisis driven not strategy driven. Somebody should be responsible for stakeholder engagement at the highest level."

Vukani Mthindso (2003)

Challenges of Stakeholder Engagement

Although stakeholder relations are acknowledged as a strategic imperative, this is seldom prioritised as such. A crisis-driven approach, where, for example, management engages with employee representatives once a labour dispute has already broken out, is costly, both financially and in less tangible terms. In addition, the crisis-driven approach prevents organisations from enjoying the array of benefits regular engagement offers, including pre-empting stakeholder-related risk, cultivating an understanding of and consequently a more sympathetic stance towards the organisation, gathering market intelligence from stakeholders, and identifying related opportunities to expand markets.

Despite the apparent benefits, companies remain hesitant to commit to a more proactive approach. The prevailing impression is that stakeholder engagement is time-consuming and therefore costly. This could prove especially prohibitive in the case of small and medium-sized enterprises that may be better off with a more ad hoc, even crisis-driven approach. Being seen as amenable to engagement may exacerbate the cost danger, as interest groups with little legitimacy and no track record approach the organisation, taking advantage of a fragmented civil society that has been unable to define itself clearly in terms of its constituencies.

Screening stakeholders on the basis of determining legitimacy makes the organisation vulnerable to the criticism that it takes advantage of its position of power to further its own interests with stakeholders behind the facade of authentic engagement.

Perhaps the most widely held negative perception of stakeholder engagement on the part of business is that there is a danger of generating a level of expectation that the company is in no position to fulfil or become subject to a host of new demands and being forced into assuming responsibility for new and unreasonable obligations.

Executing Stakeholder Engagement

A proactive and sophisticated approach to engagement is called for that not only recognizes the activity as a strategic priority but also accounts for and addresses the challenges that the business sector especially assumes to be inherent in such a process.

Although respondents acknowledge numerous strategic advantages of stakeholder engagement, such as the gathering of competitive intelligence, it is the risk management aspect that underlies the theme of strategic necessity. Many stakeholders have sufficient influence and, in some instances, the direct authority to threaten the future of the enterprise. It is noted that there are many more stakeholders however that have a indirect impact on the sustainability of the enterprise that may prove telling in the long term. Furthermore there is a risk associated with the welfare of certain stakeholder groups who represent existing or potential consumers and whose market contribution would be lost should their development needs be ignored.

The list of potential stakeholder groups is extensive. An integrated list involving all respondents would include local, regional and national government employees, organised labour, customers and consumers, communities in which operations are situated, civil society including non-governmental organisations, non-profit organisations and activists, the media, academia, competitors and peers in the private sector and society at large. In the light of this it becomes essential that an efficient stakeholder engagement model be developed and employed that can filter down to stakeholder groups that are situationally relevant and therefore appropriate to engage. The model requires some sophistication however, as the key stakeholders may not always be immediately obvious.

The illustration used in this regard indicated that fast food chains should be addressing parents as the primary stakeholders and not children - the targeted consumer.

Additionally the stakeholder engagement model should facilitate an understanding of the situational roles stakeholders play, if they prove at all valuable. Insight into stakeholder roles will provide answers to questions such as: Who do these stakeholders represent? What interests do they represent? What agenda are they attempting to forward?

Identification of stakeholders, and the definition of stakeholder roles were referred to as "interface" issues. The "interface" of stakeholder engagement encompassed the co-constructed site of dialogue between a business and a stakeholder. Neglecting to co-construct this interface by dismissing the need for engagement and mismanaging stakeholder identification or role definition was invoked as the cause of ineffective engagement processes.

Stakeholders should be engaged only on issues that directly impact on them. This was the primary concept defining the stakeholder "interface" with business. It was also the construct used to delimit the parameters of engagement. The position this construct invokes however is problematic. Firstly, it does not address the power differential in the relationship between business and stakeholder. In this arrangement, business remains the sole judge of the legitimacy of a claim to stakeholdership, at least in an immediate sense, undermining the democratic intent of stakeholder engagement. Secondly, the ambiguities concerning the degree of engagement remain. All private sector respondents appear to agree with the concept as stated but the implications for the manifest process are currently beyond consensus. At what point in the execution of business activities should stakeholders be engaged? What decision-making powers are conceded to them? These are two questions that, although superficially addressed by the agreement that stakeholders need to be engaged only on issues that directly impact on them, the data suggest that it would uncover divergent mindsets if the relevant questions were posed.

On the question of whether stakeholder engagement should take on a formal or informal role, at least two distinct and contrary positions could be discerned according to the data. The one position was firmly situated in the private sector and was negatively disposed to formalisation of stakeholder engagement.

The argument presented was that designated representatives in a formal engagement setting consistently serve agendas that go well beyond the direct interests of the stakeholders they are supposed to be representing. Union representatives, for example, are more likely to represent the broader agenda of the trade union than the union members employed by the business involved with. Dual boards, as evident in Germany, are vulnerable to similar unintended consequences of formalisation.

The opposing argument, advocated strongly by the civil society sector, proposed that the only workable strategy to initiate a culture of engagement was to situate the process between existing formal structures. NEDLAC was sited as an example of a formal forum that, notwithstanding difficulties, has resulted in some significant collaborative gains. Spontaneous, informal stakeholder engagement is not a realistic goal for the short term and is difficult to envision anyway. How can all relevant stakeholders possibly be engaged? Representivity is the only viable solution and to ensure its credibility needs to be formalised.

Table 9.2 presents a summary of thematic constellations emerging from the analysis of data from the second question posed to respondents.

Table 9.3 Question 2: Themes (Source: Beney 2003)

Constellation	Theme	Source
Stakeholders	Beyond shareholders	NNK
	Government	PK, PA, MM
	Supply chain	PK, MA
	Trust	NNK, BP
Executing stakeholder engagement	Stakeholder identification	PA, MA, MM, BK, NNK, PK, BP
	Defining stakeholder roles	VM, MM
	Engagement parameters	CS, PK, PA, MA
	Partnerships	BP, BK
	Sectoral contexts	MA, PA, PK
	Strategic priority	VM, BK
	Formal vs informal engagement	NNK, AS,
	Communication	MA, VM, AS
Challenges of stakeholder engagement	Default and crisis driven	PA, VM
	Fragmented civil society	NNK
	SMMEs	AS
	Poorly defined strategies	VM
	Power differences	MA
	Engagement risks	PA, PK, MA, NNK
Benefits of stakeholder engagement	Contribution to risk management	CS, MA, BK, MM, BP
	Market intelligence	MM
	Stakeholder learning	BP, MA, BK
	Reputation	MA, BP
	Expanding markets	MM, BP

9.5.3   Question 4: The future landscape of corporate citizenship

"In this country there is an entirely different approach to corporate responsibility than there is internationally and I think it is a much more willing, much more receptive approach."

Nicky Newton-King (2003)

The Changing Environment

Respondents recognized a range of changes in the business environment as factors compelling business to conform to social responsibility expectations. In South Africa the primary driver was said to be the regulatory environment, which has increasingly entrenched social responsibility requirements especially in terms of employment equity and fair labour practice. The most recent manifestation of this legislative trend can be found in the sector charters. Beyond legislation but akin to a regulatory requirement is the King 2 Report on Corporate Governance, which currently is peer-enforced but is proving to be the prelude to legislated governance requirements. The chapter on integrated sustainability reporting will also prove to be the key to future compliance with social responsibility expectations as it introduces a range of globally accepted corporate responsibility issues which were not yet a focus for the state and its legislative process.

Integrated sustainability reporting may also be influential in any potential accounting reforms that may be initiated in the future. Accounting reform is a much discussed topic at the moment in the wake of corporate scandals in the United States. An important aspect enjoying widespread discussion is the degree to which accounting reform in the world's most influential economy is likely to impinge upon accounting practices worldwide through international trade.

As markets begin to recognise the importance of responsible corporate practice in governance, as well as managing social and environmental impacts, to the sustainability of the enterprise, investor pressure will be brought to bear on businesses to transform. Together with more stringent policing of compliance with voluntary initiatives such as King 2 and GRI by third parties, competitiveness is likely to take over and business will move beyond compliance to standard setting in corporate social responsibility.

Responses of business

The integrated data from interviewees concerning the private sector's response to this changing environment appear to outline a progressive adaptation, an evolutionary path. Predictably the first phase involves resistance and business in South Africa and this is no exception. It is fair to say

that with due regard to notable early adopters, this has been the initial general response to equity and transparency requirements this despite the weight added by requirements being legislated.

It must be noted though that business sector respondents especially have been quite positive about the receptivity of the private sector to meaningful change. The rest of the evolutionary path, which is a journey in progress and still in its first few stages, is outlined as follows. Initial resistance is followed by reactivity, when businesses endeavour to comply with change requirements. A ready market is peppered with pioneering consultants offering change strategies and training services. Consultants provide services for the early adopters and are there to take advantage as adoption gathers momentum. Companies begin to integrate responsibility practices more fully and start to build human resource capacity for addressing social responsibility issues, as well as to incentivise corporate citizenship performance.

It should be pointed out that the progress of the journey is by no means a foregone conclusion. It is due to sustained advocacy from various stakeholders within and outside the private sector that progress is made at all. It is also almost certain that different enterprises will idle and even languish at different stages in the evolutionary path, trapped in outdated paradigms governing their perception of the world and the place of business in it. But the business case for fully integrated corporate social responsibility is becoming more evident and the business that moves from a defensive or reactive response to a strategic response is more likely to secure future prospects for all its stakeholders.

Table 9.4 presents a summary of thematic constellations emerging from the analysis of data from the fourth question posed to respondents.

Table 9.4 Question 4: Themes (Source: Beney 2003)

Constellation	Theme	Source
Fruits of advocacy	Interdependence	CS
	Increased awareness	MA, PA, AS
	Making business sense	BK
	Education	AS
Changing environment	Increased shareholder activism	MA
	Requirements and regulation	NNK, BK
	Competition	NNK
	Markets	MA, PA
	Accounting reforms	AS
Responses of business	Resistance	MA
	Reaction	PA, MA, BK
	Adoption	NNK
	Incentivisation	PA, NNK
	Human capital development	PA
	Training and consulting	AS
Salutary aspects	Cohesion, cooperation and participation	BK
	Increased dialogue	AS
	Sectoral developments and discussions	PA, AS
	Putting SA first	VM

9.5.4 <u>Question 5: Shaping the corporate citizenship agenda</u>

"I look at transparency as an integral part of everything we are talking about. You must be answerable on ethical issues. Remember ethics has an impact in terms of leading your community." Mohamed Amed (2003)

Shifting paradigms

What then are the factors that contribute to a paradigm shift that secures the sustainability of the business enterprise? Firstly, a convincing business case is being and must continue to be built as a tool to advocate and educate decision makers. The advantage of such an approach is that it is presented in business terms and the argument becomes not only sensible, but also attractive to the person schooled in business discourse. Secondly, corporate social responsibility is not a new idea. It is being articulated however, with a more holistic slant, positioning business in an interrelated picture of global society. It is also facilitating a palatable assimilation of broadly relevant values into business, which has in the past invoked "the business of business is business" to exclude those values, elevating the profit value above all others. This has made personal integrity difficult to maintain and led to substantial levels of dissonance amongst those involved in the private sector. There is therefore a level of personal energy for transformation that may be harnessed.

Increasingly the invocation of "the business of business is business" is being used to substantiate the social responsibility perspective, rather than refute it, by demonstrating it to be, once again, thoroughly founded on a convincing business case.

Transformations

Meaningful transformation of business practices is seen to be dependent on a handful of critical issues. The imperative for transformation must be recognized and understood by decision makers in the private sector. A process of strategic integration of social responsibility into core business activities must be embarked upon, in which good citizenship becomes a business planning and design parameter and consequently, social and environmental responsibility are filtered down throughout business operations. A comprehensive strategic approach would necessarily include in-depth and consequential stakeholder engagement by the business, where the level of engagement delivering optimal value to all stakeholders is identified and secured through an engagement model.

Social and environmental performance should be incentivised and the integrated performance of the organisation, across all three pillars of sustainability – economy, environment and society – should be appropriately disclosed.

Table 9.5 presents a summary of thematic constellations emerging from the analysis of data from the fifth question posed to respondents.

Table 9.5 Question 5: Themes (Source: Beney 2003)

Constellation	Theme	Source
Shifting paradigms	Champions and leadership commitment	BK, MA
	Core values and integrity	PK, BP
	Public consciousness	BP
	Education	BK
	Building the business case	AS
Engaging in partnerships	Tri-sector partnerships	CS, BK, VM
	Common vision	VM, AS
	Common agenda	MM, BK
	Implementation framework	AS, VM
	Implementation tools	MM
	Meaningful civil society participation	PA
	Centralised dialogue	NNK
Internal transformation	Strategic integration	PA
	Recognition of imperatives	PA
	Incentivisation	PA, NNK
	Increased stakeholder participation	MA
	Transparency	MA
External transformation	Enterprise development	CS
	BEE and employment equity	CS, NNK

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9.6   INDICATORS

Interview respondents offered their considered inputs by proposing a set of corporate social performance indicators with specific relevance to the South African context, in response to Question 3 in the semistructured interview schedule. As presented here, the indicators have been rearticulated in order to accommodate some interpretive summation, where various respondents proposed indicators that overlapped. All of the explanations and definitions offered for the indicators are plausible constructions based on content in the data set.

Suggested indicators have been grouped in "dimensions" where a logical affinity was indicated. No additional elimination or aggregation criteria were brought to bear on the suggested indicators. Other than filtering for overlapping indicators, none of the suggestions were eliminated.

9.6.1   General commentary

A number of considerations raised by the interviewees while responding to Question 3 provide notable commentary on the indicator set and are included here.

Many respondents confessed difficulty and at times reluctance to propose measurable indicators because the link between measurable indicator and the complex issue they deemed necessary to measure was not always clear. For example, reputation is a difficult construct to evaluate. As "reputation" it is posited at a fairly abstract level and measures for it are not self-evident. The abstract construct can however be unpacked into concrete correlates but the inherent danger is oversimplification and mis-measurement of a useful indicator of corporate social performance. A number of other constructs proved as unwieldy, including stakeholder engagement, integration and sustainability.

A respondent highlighted an interesting correlate of sustainability, when he referred to accident rates as a reliable indicator of fluctuations in production and financial performance or sustainability, as he put it.

A respondent from the public sector was hesitant to propose indicators for an entirely different reason. He remarked that:

In South Africa we are not in a position to put forward indicators because societal sectors have as yet not agreed on the priority needs and related focus areas confronting meaningful development in our communities. Only after needs have been identified and objectives jointly determined are we in a position to meaningfully measure our social performance and monitor progress against baseline figures (Skweyiya 2003).

An important thematic thread emerging from the data manifested in the discussions on the integration of social responsibility and good corporate citizenship in all aspects of the business organisation, consititutes strategy development for operations. Including "triple bottom line" objectives in strategic planning was the key integration element for one respondent who followed through this position with indicators conceptualized in strategic terms. Specifically, how and to what extent does performance on a social indicator, such as employee satisfaction for example, impact on the business' ability to achieve its business goals?

Finally a respondent pointed out that in financial accounting an auditor will assess a recorded item, taking the intent of expenditure into consideration before deciding how to treat it for tax purposes. The respondent questioned why such scrutiny could not be applied to social spend, so that if size of social investments remains a criteria for evaluating social performance, it should be modulated by a consideration of the corporation's intent when spending that money. If ulterior motives were at play, such as a public relations opportunity that turns out to be the primary rather than incidental reason for participation, then the reporting kudos (if any) associated with such an investment should not be awarded.

9.6.2 "Indicator set" and notes

Indicators are not presented in a way that makes them easily or immediately measurable. The interviews were not designed nor intended to be a forum for refining indicators to such a level. As has been noted, respondents were often uncomfortably aware of this limitation.

The design of appropriate measurement protocols for each of these indicators however is a matter of technical application. As a respondent put it: "If it can be articulated then it can be measured".

Table 9.6 Suggested social performance indicators (Source: Beney 2003)

Dimension	Indicator
Compliance The degree to which accepted legislative and voluntary norms and standards are adhered to.	1. Compliance with key safety, health and environmental indicators.
	2. Compliance with relevant international performance and management standards. *Examples mentioned included management standards such as ISO 14000 and performance standards such as the GRI.*
Corporate governance Refers to board activity and ethical conduct.	3. Compliance with King 2 stipulations.
	4. Levels of disclosure *The degree to which public reporting is comprehensive, material and audience friendly.*
	5. Levels of transparency *The extent to which access to information is facilitated for all stakeholders, in addition to official public reports.*
Stakeholder engagement All those activities that demonstrate the organisation's deliberate effort to engage with all those groups that are imposed on by the organisation's activities and claim a legitimate interest in the conduct of its business.	6. Stakeholder management performance *Would encompass tasks such as the mapping of stakeholders, describing the organisation's interface with each stakeholder, implementing a mechanism for engagement, etc.*
	7. Stakeholder engagement performance *The degree to which stakeholders were consistently engaged with, the number and extent of successful outcomes, e.g. mutual learning, execution of joint tasks/projects etc.*

	8. Fulfilling stakeholder obligations *The degree to which contractual obligations were fulfilled such as timeous payment for services rendered, service quality, guarantees honoured etc. The degree to which non-contractual obligations were fulfilled. This measure would be driven by a further set of stakeholder defined indicators that the organisation had committed itself to fulfilling.*
	9. Level of co-operation with tri-sector partners *The degree to which the organisation has co-ordinated social development efforts with other partners, including competitors, to align with national, regional and/or local development priorities and eliminate duplication.*
Social development contributions This dimension covers what is currently called corporate social investment (CSI). It refers to the direct contributions made to social development initiatives such as provision of infrastructure or services in communities.	10. Percentage of pre-tax profit spent on social investment *There were a number of definitions for measurement of social spend, including percentage of dividend or simply disclosure of absolute figures, without a ratio reference. The current indicator was decided upon because it is the generally accepted (and effective) measure.*
	11. Extent of non-monetary contributions *Covering contributions of non-monetary resources, expertise, use of existing infrastructure, etc.*

Integration The embedding of good corporate citizenship practices throughout the organisation.	12. Integration of policy environment and management systems. *The degree to which policy, management systems and reporting structures reflect social responsibility or good corporate citizenship practice.*
	13. Integration of "triple bottom line" issues in risk management practices. *Including accounting and providing for political, social, stakeholder and environmental risks.*
	14. Incentivising social and environmental responsibility performance. *Degree to which performance management systems account for, incentivise and reward performance that contributes to social and environmental capital.*
Employee welfare These indicators are additional to the generally accepted health and safety indicators, which would fall in the compliance dimension of this indicator set.	15. Impact of employee satisfaction on achievement of business objectives. *This indicator reflects a bias for including social responsibility issues as part of strategic planning efforts.*
	16. The ratio of CEO's remuneration package to front line worker's remuneration package, including benefits. *Benefits would also cover stock options and the various innovative executive remuneration mechanisms currently employed.*
	17. Average work hours per week per executive. *This includes"voluntary" hours.*

Reputation	18. Reputation with stakeholders.
	19. Impact of reputation on achievement of business objectives. *This indicator reflects a bias for including social responsibility issues as part of strategic planning efforts.*
Sustainability This dimension refers to the "triple bottom line" approach to assessing value and emphasising the future prospects of both core business, as well as corporate citizenship initiatives.	20. The performance of the core business. *This encompasses the traditional measures of business performance but should include a bias towards assessing the future prospects of the business by accounting for value other than strictly financial.*
	21. The sustainability of social responsibility and corporate citizenship initiatives. *Are the social responsibility initiatives of the organisation likely to continue into the future?*
Contextual Recognising that certain indicators are important but may be limited to the local, sectoral or other relevant contexts.	22. Employment equity. *This measure is very significant but limited to the South African context.*
	23. Sector or locality delimited indicators. *This generic indicator is a placeholder for indicators limited to specific operational regions or to specific industries and sectors.*

Standard Setting	24. Demonstrated stakeholder loyalty.
These indicators go beyond the basic social performance measurement that the preceding dimensions attend to. The standard setting dimension distinguishes a company as a leader in corporate citizenship against which others set the benchmark.	*Recorded instances where stakeholders rallied to the support of the organisation and became brand associates, prompted by a highly positive perception of the organisation. An example would be the case where an industry trade union calls a national strike but exempts a particular organisation from strike action.*
	25. Accounting for unintended consequences.
	An organisation institutes mechanisms that monitor unintended, negative consequences of its activities, with the intent of intervening should such consequences be identified.
	26. Best of class.
	An organisation's corporate citizenship performance distinguishes it as best in class.
	27. Achievements as change agent.
	Documented achievements of the organisation as an agent of positive societal change. The change has to be significant in terms of proportion and also be sustainable. For example, a company devotes significant resources to extending its market into economically excluded communities and precipitates an investment trend by other companies.

9.7   COMPARATIVE "INDICATOR SET" : APPLICATION COMPARED TO THEORY

In Table 9.6 the research findings were presented.   The findings/suggested indicators of corporate social performance represent the reasoning of 15 SA thought leaders in the field of corporate social performance and corporate citizenship. It is however, necessary at this point to fundamentally link the research results with the "theoretical drivers/constructs" as derived from the literature review.

In Figure 6.4 p. 280 a synopsis was presented of some theoretical drivers of corporate citizenship (phase 1). These elements were then contextualized within the unique SA imperatives in order to contextualise the theoretical findings (phase 2). The author then suggested (phase 3) preliminary "drivers or indicators" of corporate social performance in SA against the theoretical constructs as per the literature review.

It is therefore crucial to express the findings from a research and theoretical perspective in order to compare the research findings with the theoretical implications. Table 9.7 presents a comparative"indicator set" which will highlight the"uncovered" unique SA "indicator set". Table 9.9 finally presents a synopsis of the unique SA indicators, considering the SA context and reality (Table 9.8).

Table 9.7: Comparative "indicator set": Theoretical application

THEORETICAL CONSTRUCTS (Block 1: Figure 6.4)	RESERCH FINDINGS (Dimensions : Table 9.6)
Integration (leadership)	Compliance with regulations
Stakeholder engagement (partnerships)	Corporate governance
Revolutions of change (risk management)	Stakeholder engagement (tri-sector partnerships)
CSI (return on CSI)	Social development contributions (CSI)
Accountability (integrated sustainability measurement)	Integration
"Intangibles" (value integration/brand equity)	Employee welfare
Shareholder activism (disclosure/reporting/ governance	Reputation Sustainability Contextual Standard setting

In Table 9.7 it is evident that there are similarities between the theoretical constructs and the actual research findings. In an attempt to "uncover" the true SA indicators, the following "drivers" again deserve specific reference. Table 9.8 (phase 2 of Figure 6.4) indicates these "drivers".

Table 9.8: Contextual "drivers"

AFRO-CENTRIC	SOCIO-ECONOMIC	SOCIO-POLITICAL
Civil activism (power sharing)	Business charters	Black Economic Empowerment
	Nepad	
Community-based		Employment equity
	Black Economic Empowerment	
Faith-based		Legacy of Apartheid
Collaboration	King 2 Report on Corporate governance	Affirmative procurement
Partnerships		
	Poverty	
	Unemployment	
	HIV/AIDS	

It is against the above "reality backdrop" that it becomes imperative to uncover the unique SA indicators. Although it is vital to report on all the indicators in order to meet the stated research objective (Table 9.6). Table 9.9 will present a synopsis according to the author's opinion of the unique SA indicators as derived from the final "indicator set" as reported in Table 9.6.

Table 9.9: Unique SA indicators

INDICATOR	APPLICATION IN SA CONTEXT
Compliance	Socio-economic and political drivers from an institutional perspective will demand basic compliance in order to perform on a social level. This will include governance issues with specific reference to ethical behaviour, transparency and public disclosure.

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Stakeholder engagement	The need for significant social transformation in SA justifies active collaboration and demonstrated stakeholder loyalty between all sectors as well as meaningful partnerships between the public, private and civil society sectors. This also implies a level of power sharing amongst all roleplayers and thus equalising the economic landscape. Companies demonstrating their ability to meet the above expectations will strengthen their reputation and integrity and be regarded as good corporate citizens.
Integration	Financial, social, political, stakeholder and environmental risks will force SA companies to integrate their CSR initiatives in their mainstream business strategy and practices. By succeeding in this, SA businesses will be sustainable beyond the socio-economic and political imperatives of creating a new SA.
Contextual realisation	The dynamic nature of the current SA socio-economic and political realm results in certain indicators that are important but may be limited to local, sectoral or other relevant contexts. Companies are challenged by initiatives such as Black Economic Empowerment and Affirmative Procurement in its ability to embrace these interventions. Companies therefore can set the standard and become "best of class" in their social performance and acquired reputation as change agents in large-scale social transformation.

9.8 CONCLUDING REMARKS ON THE INDICATORS

In the context of measuring business performance an appropriate assessment of the proposed indicator set must involve the interrogation of completeness and materiality. It is unlikely that the scope of the research will have facilitated the production of an exhaustive indicator list.

Dimensions such as "compliance" and "contextual" require further explication. Until they have been sufficiently unpacked they serve more as placeholders than as a category of indicators.

Whether the dimensions are exhaustive is also open to question. For example other than employee welfare there is no dimension that directly accommodates the assessment of human rights performance. This omission also has reference to any discussion of materiality. One of the respondents suggested that assessing human rights performance would not be relevant to operations within South Africa, but should rather be reserved for the evaluation of a company's expatriate operations. The illustration used was the issue of child labour, a material indicator outside South Africa. Within our borders the laws protect children.

Recent media reports have indicated that the exploitation of children is rife in South Africa, promoting child labour to a material indicator. There may be a number of material indicators that are required to supplement the set before it can be considered complete or material. Materiality will be further refined as research begins to demonstrate which key indicators reflect an accurate social performance reading and which indicators are redundant.

Further refinement of the indicator set also needs to be informed by identified social development priorities. As has already been reported, a respondent from the public sector suggested that developing indicators at this stage may be premature because the attempt has not been preceded by a consultative identification of social development priority areas, nor have meaningful targets been set against reliable baseline data. The audit of integrated development plans and the consolidation of baseline data would be the necessary prerequisites to achieve such a high degree of alignment.

Another important area of alignment would be the matching of this indicator set with emerging global standards. Although local imperatives must certainly be prioritised, alignment with relevant international initiatives such as GRI, AA1000 and ISO is critical.

Globally there is a drive to harmonise and standardise reporting on these issues, the rationale being that standardisation will facilitate widespread adoption. This is a highly significant endeavour and related projects should contribute to rather than undermine it.

The current indicators are not refined to the extent that they are immediately useable for assessment purposes. Suggestions for further work on the indicator set may be based most usefully on the GRI model. In order to render indicators measurable technical protocols for each indicator need to be developed that clarify the definitions and specify measurement methodology. In addition, attention needs to be given to selecting the appropriate indicators for the particular enterprise. GRI is developing sector supplements that fit its generic sustainability indicator to specific industries. A similar approach would be needed for these indicators.

A unique and therefore exciting aspect of this indicator set is the dimension of standard setting. The logic presented by the position that corporate transformation on social performance and other sustainability issues is that the coercive measures will lead to compliance, whereas voluntary initiatives will harness the competitive nature of businesses and attain benchmarks that far exceed what would have otherwise been achieved. The standard setting dimension begins to explore what aspects such competitive benchmarking may elicit, as well as provide an initial measure against which such benchmarking might be assessed.

9.9   FINAL CONCLUSIONS

In conclusion there are three critical issues emerging from the conversations with respondents that will either enable or constrain the transformation of a business into a responsible corporate citizen.The first is the appropriate defining and delimiting of corporate citizenship. Constructing the corporation as a citizen has significant implications that are by no means unproblematic. A citizen has rights and although the law recognizes the rights of the corporation, the construction of a citizen implies a moral secession of rights rather than just a legal one. The advantage of course is that the citizen can also be rightfully compelled to fulfil duties of citizenship. Unfortunately in a global climate marked by a strong anticorporate sentiment and a local climate that expects an enormous social dividend from, but lends very little trust to the corporation, this too may prove counterproductive.

It would not be to society's advantage to make unreasonable demands on the private sector, while neglecting the demands that should be made on the public and civil society sectors. Each has obligations. The distribution of obligations needs to be balanced in order to ensure a cohesive, functioning society. It is essential therefore that, taking contextual imperatives into account, the obligations of the corporation as citizen be clearly set out and delimited. The question of what the legitimate obligations are that corporations can be expected to deliver on must be posed simultaneously with the question of what should rightfully be the responsibility of the state and civil society.

The second issue concerns the mode of response to the growing expectations of responsible corporate behaviour that corporations do assume and that which they should assume. It is plausible that the corporations that become sustainable, in other words secure future prospects for their stakeholders indefinitely will be those that reject the defensive or reactive response, move beyond a traditional business response that focuses on risk management, and embrace a strategic response that recognises the opportunities that stakeholder engagement and responsible behaviour present. Shifting the business case from a defensive to strategic stance, incorporating and focusing on opportunity identification and expanding markets, rather than risk management aspects becomes the effective business philosophy.

Questions concerning the role of the markets will also influence the general business landscape. Therefore, inculcating sustainability means undermining established philosophies, which have witnessed the ascendance of speculative trading in the wake of very low dividends versus very high share prices. Not only is there a need to develop the emerging field of sustainability analysis but a significant value change needs to permeate markets. This becomes a very important front for promoting business and social reform between all sectors.