CHAPTER 10

CONCLUSIONS AND RECOMMENDATIONS

10.1 INTRODUCTION

In Chapters 1 to 9 the main body of the dissertation was presented. Chapter 1 introduced the topic, contextualised the main field of study and referred to the main objectives and research methodology. Chapters 2 to 6 offered a literature overview relating to the broad field of corporate social responsibility and performance. In Chapter 7 an attempt was made to integrate the literature chapters into what was stated as the changing future business landscape. This chapter therefore contextualised the literature findings on certain implications for the business sector. Chapter 8 discussed the research design and methodology, and led up to Chapter 9 in which the research findings were presented. Chapter 10 will conclude the dissertation by offering closing remarks on current literature, linking up with a discussion of future trends in corporate citizenship. Chapter 10 will also summarise the final results of the research, the limitations of the study and possible future research topics.

According to Du Toit (2002), globally, the "sustainability" issue is moving rapidly up the business agenda, and corporate social responsibility is maturing from a philanthropic business add-on to an integral part of business strategy. Du Toit however, argues that the results of the estimated R2, 2 to R3, 5 billion that are spent by SA corporations on social investment, are too often developmentally uncertain. Along with the King 2 report recommendations, the recent focus on "sustainable business" at the WSSD (2002) provides a useful context in which to re-examine CSI's place on the new business agenda. It suggests that the time is ripe for corporate South Africa to begin integrating CSI initiatives into their overall business thinking, and also that such assimilation has the potential to improve corporate social performance. Du Toit argues that for CSI to be embedded in the emerging "sustainability mosaic", it must be conceptualised, planned and implemented as an integral part of business strategy.

In the CSI handbook (2002) it is said that becoming a good corporate citizen is complex, time consuming and costly, and those organisations that take the path without due consideration of the intricacies are not likely to reach acceptable levels of corporate social performance. Corporate social performance is a multidimensional topic and it requires knowledge of what needs to be measured, and requires thorough planning.

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The objective of this study, namely to develop indicators for corporate social performance, can therefore assist an organisation in striving towards high levels of corporate citizenship.

In the international arena strong support is found in integrating business imperatives with social development objectives. The European Union for example emphasises the desire to reconcile "social development with improved competitiveness" (McIntosh 2002). The belief in the EU is that:

- a market economy is compatible with a good society;
- economic cooperation can co-exist with social cooperation;
- competition is compatible with community ;and
- there is an environmental imperative which makes sustainable development a public policy objective.

Furthermore what remains clear in the international arena is the "corporate citizenship frame" since it means so many different things to different people (Waddell 2003). Waddell strongly argues that corporate citizenship needs to be approached from a "business and society" framework. Waddell's approach in taking corporate citizenship into the future is based on an appreciation of a changing business and social landscape as well as on the critical importance of collaboration between stakeholders. His argument is based on the following perspectives:

- Corporations and markets are a creation of society - in which rules, norms and traditions are created that produce certain types of outcomes and these are changeable as technology, capacity, shifting values and other factors change. The rise of corporate citizenship reflects a rise in broader changes.
- Corporations must be understood in terms of their distinctive role in society. The core business role is determined by its role as the key organisational agent of the economic system and wealth creation.
- Corporations are only one part of society. Their ability to play their role of wealth creation is determined by their relationship with the two other key systems of society; political (government) and social (civil society). The strength of these systems and their ability to work together effectively determine the health of a society as a whole.
- Corporate citizenship concerns, in particular, the intersection of corporate interests and those of the other systems.
- This includes the impact upon employees as citizens and people (home-worklife; wage distribution and such issues); upon communities (issues without wage distribution, diversity, etc.); upon the environment (use of the commons of air, water, etc.); upon public services (roads, water, taxation, etc.) etc.

- There are various ways in which corporations interact with society. These can be classified in terms of philanthropy, corporate social responsibility, corporate citizenship, mutual gain and societal change. All are valued and have a particular role to play.
- In corporate citizenship developing successful interactions with other parts of society are particularly important. There is a range of such types of interactions, but the more substantial ones can be referred to as collaborations. Collaborations must be developed by means of certain specific steps.
- Corporate citizenship is intimately involved with large system change, since corporate citizen's values align outcomes of corporate behaviour with outcomes that create a healthier society. Change involves change by everyone. This concerns the development of innovation through interaction between different parts of society.

From the above it becomes clear that integrating business imperatives and social development is no small challenge. Reaching adequate levels of corporate social performance is particularly challenging in SA and globally where CSI departments are very often institutionally isolated, and also usually peripheral to corporate decision-making structures (Du Toit 2002). What is needed is the transformation in thinking as companies learn how to engage with Africa's people while still pursuing bottom line profit (Khoza 2002). Khoza (guest foreword in the CSI Handbook 2002) commented as follows:

> I would like to see this thinking become a co-ordinated effort on the part of mainstream business, uplifting communities here in South Africa, the SADC region and ultimately northwards across the entire continent of Africa.

10.2 FUTURE TRENDS IN CORPORATE CITIZENSHIP: LITERATURE OVERVIEW

The following section of Chapter 10 will offer a final overview on critical thinking in the field of corporate citizenship. These perspectives represent current and future arguments on corporate citizenship and deal with areas that might shape the future of corporate social performance.

10.2.1 The push for integrated citizenship

According to Stanley, S. Litow, Vice President for Corporate Community Relations and President of IBM's Foundation (2002), corporate leaders may be more receptive now than ever to hearing a compelling business case for an integrated corporate citizenship strategy, given the widespread demand for transparency and social responsibility.

> It should be easier now to get the attention of senior business leaders because these are the issues that are absorbing so much public and media attention.

Litow (2002) suggests the following steps for advocating a corporate-wide citizenship agenda:

- Do a "gut check" of the skills and abilities to make the business case for an integrated citizenship approach. Determine the needs of the different functions throughout the business and also how a citizenship strategy can meet those needs.

- Demonstrate to senior management how community connections can help them better understand the psychological climate and the logical steps to take internally and externally in order to address issues.

- Assess the company's current citizenship activities. Does the organisation for example have a strategic philanthropy programme, a code of conduct? How transparent are its current practices across functions?

- Assemble the business case. Conduct a competitive analysis to see where other companies stand as corporate citizens (benchmarking). Determine whether any current business partners have strong citizenship programmes. Draw together published research on the business case for citizenship and other supporting materials.

Litow views the integration of corporate citizenship and business imperatives as an enormous challenge since, according to him, "that's where the main difference lies between an average and a great company".

10.2.2 Operationalising Corporate Social Responsibility (CSR)

The CSR debate has raised and framed a diversity of issues related to consequences of globalisation and the changing interface between business and society.

Corporations, governments and non-governmental organisations are groping for approaches to complex issues ranging from the role of business in promoting human rights and fighting corruption to cross-sector partnership formation and the intricacies of social reporting (Lunheim 2002).

Lunheim (2002) argues that the destiny of CSR will depend on sufficient progress in translating the core agenda into business practice. Currently, according to Lunheim, CSR is not a science, neither is it an "art" or just another fad, destined for oblivion as the next intellectual fashion. Lunheim rather views CSR as a "creative chaos", an awakening and a harbinger of a new era for management and the role of business in society. In an attempt to demistify the role of CSR in society and business circles, Lunheim suggests seven key dimensions in operationalising CSR:

- Establish an operational definition of CSR. CSR needs to be translated into organisational realities and operational settings. Norsk Hydro ASA, of which Lunheim is Vice President for CSR, defines CSR as follows :

  > CSR means the explicit commitment of Norsk Hydro to systematic consideration of the social and cultural aspects of our operations. This includes the key issues of human rights, labour and community relations and supplier and customer relations. The combined objectives are to create long-term business value and to contribute to the social conditions of the people affected by our activities.

- Choose your words with care. For example, a graphic concept like "triple bottom line" may be useful at an early stage of awareness building, since it piggybacks on established business jargon and hence is easily grasped by established professions.

- Phased implementation. An avalanche of codes, directives, questionnaires and publications might impress the public, but be a cause of severe frustration and setbacks within the organisation. Respect therefore for the considerable variation in knowledge, challenges and receptiveness in organisations demands a phased approach.

- Cultural awareness. A key question to answer is how to communicate values and priorities to business partners and host communities from other cultures? Therefore a CSR strategy should tie in closely with cultural awareness programmes and general organisational development in order to translate CSR intent in a meaningful way.

- Conscious recruitment. The best option might be to recruit change agents internally, among employees with a firm standing in the organisation and a talent for promoting CSR. As the organisation matures, it is necessary to recruit personnel with adequate skills for operational CSR for example social scientists, community relations experts, etc.

- Management of paradoxes. Twenty-first century management is involved in prudent juggling of paradoxes and so is CSR. How to strike a balance, in the short term, between competitiveness and CSR considerations? How do we respect and adapt to local cultures and level of development, while promoting univeral values like human rights?

- Visionaries with feet on the ground. A capable CSR manager should be out there, on the ground, with host communities, operations and emerging projects rather than in cocktail parties with the conference crowd.

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10.2.3 <u>Can the "triple bottom line" be satisfied?</u>

With the advent of large-scale global mergers, the value hitting levels of $1,600 billion in 1997 and $2,000 billion in 1998 (example Daimler-Benz and Chrysler and BP and Amaco), Elkington and Fenell (1998) argue that these trends have a definite impact on the capacity of corporate boards to understand and address the "triple bottom line" of sustainable development. The centre of gravity of the sustainable development debate is shifting from public relations to competitive advantage and corporate governance and, in the process, from factory fence to boardroom. Elkington and Fennel report that there are signs that corporate reputation on sustainability issues is becoming a factor in screening the suitability of potential partners or take-over targets. Companies and industries wanting to respond successfully to society's emerging "triple bottom line" priorities, therefore need "switched on" boards, alert to both the upside and the downside of the sustainability transition. Shifts in societal expectations of business are not always readily apparent and rarely picked up on the companies' internal radar screens. Some companies therefore are taking steps to increase either capacity to amplify these "weak signals" and respond to "triple bottom line" issues by restructuring their corporate structures, and often the composition of the Board itself.

Elkington and Fenell however report that there are those opposed to "triple bottom line" objectives. These groups argue that the sustainability activists are distracting companies from their true mission, which is investment, growth, and productive job creation. These groups urge companies to band together to resist the demands of - and seek to discredit - pressure groups, which he saw as often "motivated by a hatred of capital and growth".

Elkington and Fenell strongly argue however that there is a clear role for corporate leaders to go public on the links between sustainability and sound business strategy, and the value of working productively alongside different stakeholder groups. In a survey done by sustainability (UK) in 1998, where CEOs and other business leaders of 100 companies from 16 sectors in a total of 18 countries perspectives of sustainability were obtained, 11% of these leaders were already moving to address the triple bottom line.

Finally an example of satisfying triple bottom line is Shell Chemicals in which a board director is now responsible for a twin portfolio covering both mainstream issues such as mergers and acquisitions, new product development and the sustainable development agenda. The challenge over a period of years will be to reshape the Shell chemicals portfolio of businesses so that they increasingly maximise value-add right across the "triple bottom line".

10.2.4 The development challenge

In a report by Nelson, The World Bank and the United Nations Development Programme (1996) the "development challenge" in today's world is one of complex and interdependent issues, which can only be tackled by co-operative, integrated and inclusive solutions, both within nations and between nations. In this report, three key trends come to the fore:

- A growing recognition - in both the public and private sector and in civil society, developing and transition economies - of the crucial linkages between economic growth, human development, social cohesion and environmental sustainability. A set of complex and interdependent linkages which can best be summed up in the concept of sustainable development and in the increasingly clear message that economic growth is only part of the equation.

- An equally strong recognition that these challenges can no longer be tackled by yesterday's rules of governance; that government is only part of the solution. There is an urgent need to develop new ways of thinking and new approaches to governance - locally, nationally and internationally. Fundamental to this is the growing importance of the private sector, ranging from large multinational corporations to millions of small and micro-enterprises; and of civil society, ranging from international and professionally managed non-governmental organisations, to grass-roots community-based organisations and individual citizens.

- A realisation that the old mindsets and terminology which placed the countries of the so-called "first, second and third worlds" in discrete and separate boxes are no longer justified or workable in today's interdependent world, where problems and poverty, unemployment, inequality, environment degradation and social disintegration are impacting on almost every nation to a lesser or greater degree. Whereas the absolute levels of each of these problems show enormous variations between developing and transition economies, the type of policies and participatory approaches needed to tackle them have much in common.

10.2.5 Corporate responsibility: Post Worldcom and Enron et al.

In a presentation by David Grayson to the Committee for Economic Development of Australia (2002), he argues that the general loss of trust in business is dangerous. He states that "if businesses want to make good profits and to protect their good names, they must stand up and argue their case - for globalisation, for free trade, and for responsible corporate behaviour". Grayson explains the need of the marketplace for values rather than greed in order to ensure long-term sustainability.

The Institute for Global Ethics (2002) has been conducting focus groups around the world asking people to list the five values that they would like to see over the entrance to a new school in their community. The five values chosen have been remarkably similar across continents and cultures. Grayson views these values as indicators of responsible corporate citizens:

- <u>Compassion</u>
  Sharing success with those less fortunate in society
- <u>Honesty</u>
  Transparency and integrity in all business dealings
- <u>Fairness</u>
  In treatment of staff in relation to work-life balance and opportunities for continuous learning.
- <u>Respect</u>
  Encouraging diversity, respecting individuals. Respecting the basic human rights of all stakeholders. After September 11th, business has a unique contribution globally to demonstrate respect for diversity.
- <u>Responsibility</u>
  Recognising the need for sustainable development and that business does indeed need to take responsibility for social and environmental impact.

Grayson (2002) states that Enron and Worldcom are about greed, personal and corporate; and are failures of legal and accounting systems. Therefore, he argues that there is a great need for an international debate about what will be the basis for the long-term, sustainable shareholder added-value and how to achieve sustained business excellence. The business leaders who can produce these sustained and significant productivity gains/shareholder added-value will need to tap into very different strategies. Grayson makes the following suggestions:

- Creating a diverse organisation - because as the CEO of Procter and Gamble - Alan Lafley says: "the diverse organisation will outperform the homogenous one every time."
- Finding new ways of tapping into creativity and innovation. Two hundred European CEOs and other business leaders told a poll published in June(2002) by Business in the Community, that fully integrating responsible business practice into the core of the business helps to prove the kind of enduring corporate values which will engage talent. However, seventy-eight per cent of respondents believe that competitiveness would only be increased if responsible practice was integrated throughout the business.

- Ninety-two per cent of the European business leaders see creativity and innovation as the key to competitiveness and seventy-six per cent say that responsible business practice enhances creativity. It is also seen to increase learning from outside the organisation and to promote a broader perspective within.

This all requires change-management and business re-engineering on a massive scale (Grayson 2002): For example:

- Developing the environmental and social performance of suppliers.
- Empowering staff to thrive on diversity through both internal and external experiences so that there is a better flow of creativity and innovation.
- Training managers to handle multistakeholder engagement as a source of business insights and not as a defensive zero-sum game; and more generally, making responsible business practice an integral part of management training.

The world post Enron, Worldcom et al. have therefore, according to Grayson benefited through these failures in so far as the intense focus put on business values and long-term sustainability since then.

10.2.6 Business is called to account

In an article by Maitland (2002) the value of the Global Reporting Initiative in calling upon the business sector to adopt policies of disclosure, transparency and acountability is discussed. Maitland however mentions that the voluntary approach towards adopting GRI guidelines needs to be re-visited. He quoted in his article the words of Jeremy Hobbs, executive director of Oxfam International: "The GRI does not pick up those companies unwilling or unable to measure up to the guidelines. We think there need to be minimum standards". Maitland therefore argues that the real test will be when the guidelines move from the drawing board into the world's boardrooms where corporate accountability will be part of the test.

In an article by Zairi and Peters (2002) the societal value-add expected from the business sector is debated. In this article reference is made to the characteristics of companies that have started to make real headway in the area of societal value-add (Nelson 1998):

- They rely on value-based transformational leadership (that is sponsor-headed by the CEO) and reflected in the company's vision/mission and value statements.
- Cross-boundary learning (a commitment to learning, innovation and through networks and global partnerships).

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- Stakeholder linkages (mutual benefits through various modes of relationships).
- Performance levels - (use for a wide range of financial and non-financial performance measures, supported by auditing, verification, reporting and recognition systems).

In analysing the above, business is expected to recognise and capitalise on stakeholder engagement and establishing partnerships. In SA therefore, a high premium is placed on forging a dynamic state business partnership (Mills 2002).

> The relationship between business and government in Africa has since independence, traditionally been too close or too contested. Yet, in SA ... events portray a relationship with increasingly entwined interests, in spite of (or perhaps because of) race and ideology.

Mills (2002) suggests that the answer in SA lies, in general terms, in building a social compact between government, opposition, business and an increasingly estranged civil society. Such an approach would be a vital ingredient for a long, durable period of political stability and economic prosperity.

He strongly suggests that the onus to do this, to break the current model of reactive engagement and defensive counter engagement, lies not on government, however, but in the business camp. Business, and particularly its leaders are called upon to develop a vision of SA in 2015 and the means whereby this can be realised is in partnership with government. Mills defines this vision as follows:

- Stability - of the need to consolidate competitive democratic structures and practices
- Delivery - the upliftment of South Africans from poverty
- Prosperity - economic growth and wealth creation
- Partnership - non-racial, transparent, liberal economic interaction.

On the global front there is also evidence of the important role the business sector has to play especially to win back general confidence after the Enron and Worldcom scandals as well as accounting frauds. During the recent World Economic Forum (January 2003) in Davos, the main theme of the forum was "building trust". In an article by Pressley (2003) it was mentioned that a recent survey of more than 36 000 people on six continents by pollsters Gallup International and Environics International found that people trust non-governmental organisations like environmental groups more than companies and democratic governments. It was further stated that CEOs are especially out of favour. When a CNN/USA Today / Gallup poll (July 2002) asked

1013 Americans whom they trusted most, CEOs or large corporations ranked second lowest, just above car salesmen. Klaus Schwab, founder of the World Economic Forum said that companies have a legitimate role to play in restoring confidence. "The heart and soul of Davos therefore will remain business" (Pressley 2003).

With the advent of the first King report in 1994 and the launch of King 2 in 2002, renewed focus is placed on corporate governance in SA. In an article by Temkin (2002), it is reported that corporate governance issues are being taken up more vigorously in SA than in other countries. Board directors, although accountable to the company and its shareholders, are becoming increasingly accountable to a much broader group of domestic and international stakeholders. These include owners of shares, parties who contract with the company and parties who also have a non contractual relationship with the company such as local authorities, trade unions and non-governmental organisations.

Pieter Steyn, a lawyer at Werkmans was quoted in this article by Temkin (2002):

> The principle of disclosing information to stakeholders, including employees and members of the public has been entrenched. The enhancement of corporate governance is being seen as a means to build shareholder confidence, add value and attract foreign investment.

Finally, as proof of the progress made in SA on the role of the business sector, a progress report (Table 10.1) was released by the Department of Social Development in November 2002. This report was the result of a Business Summit on: "An integrated business and government strategy of poverty eradication" (24, 25 October 2002).

Table 10.1 Progress report on the Business Summit: 24-25 October 2002 (Source: Department of Social Development 2002: 6)

Objective	Progress	Recommendation
Common vision for partnerships	Yes. This summit provides a basis for future dialogue. Business/Government/CSOs each has shown a lot of goodwill, however, it is needed to further discuss mechanisms to implement a common vision and agree on strategies for each sector	Continue the discussion and create more opportunities for dialogue
Setting priorities that will put children first	Yes. Information shared during plenary and groups provided opportunity for increased understanding	Develop a mechanism to share information on national strategies and create opportunities for joint planning that spells out clear timeframes/roles and responsibilities
Create institutional coordination to evaluate, monitor and advise on progress	Yes. A commitment has been made at this summit to coordinate	Identify strategic programs to be supported and put in place a management structure to monitor and advice on progress. Use the 40 greenfield projects as a starting point
Increased support for community-based initiatives	Yes. Whilst urban areas are still unfairly advantaged, the parties at this summit have renewed their commitment to prioritise rural areas	The greenfield projects and the IDP's of ISRDS and URP nodal points can assist with the migration of some resources to rural areas
Coordinated support for poverty alleviation	Yes	The green field projects have received some support and over the next months the commitments and proposed actions will be concretised
Enhanced effort to build communities and families in the context of moral regeneration	Yes. The nature of the comments and questions created an increased awareness of the critical role of families and communities	Continue the dialogue with regular consultation and information-sharing sessions

10.2.7 September 11th and beyond: Global corporate response

In a report released by the Center for Corporate Citizenship at Boston College and compiled by Platon (2002), the response of 25 organisations across the USA was obtained on events related to September 11th. The following responses were reported:

- Timing of the response

  The overwhelming majority of the companies responded to the crisis within 36-48 hours.

- Who initiated the response?

  The closer the companies were in proximity to the disaster, the more likely that top management led the process.

- The Corporate Social Investment (CSI) department role

  In companies with prior disaster relief experience or existing contingency plans, CSI departments had more predefined, central roles. These companies made decisions faster and found less need to conduct research to determine a first response.

- <u>Types of outcomes</u>
  The two primary outcomes were:

  (i)   One-to-one employee matching gift donation programmes. (The matching gift donation proramme for employees was typically directed to the major relief organisations and funds; in some cases, by employee demand, it was extended to international company sites).

  (ii)   A one-time, substantial corporate donation to the major relief organisations and funds.

- <u>Reasons for the response</u>
  By far the greatest impetus of the response was the immediate and widespread call by employees to be empowered to help. Employees in every company wanted their company to help, but for the most part did not know how.

- <u>Impact on the company and the CSI department</u>
  September 11th had an immediate impact on employees , on the bottom line, and on community involvement departments. In general, CSI departments were positioned to lead the corporate response. CSI processionals focused on identifying needs, coordinating ongoing in-kind donations, and employee giving and volunteering.

- <u>CEO and Top Executives' evolving role</u>
  Top executives either started the ball rolling or reviewed and authorised departmental initiatives. For companies with a New York City presence, top executives also led the charge for the recovery, safety, and emotional well-being of their employees, as well as the proper functioning of their companies. Their frequent communication was a key element in corporate response.

To sum up, the report shed some light on the importance of corporate social performance and more specifically the need for having systems and processes in place not only to deal with an organisation's impact on society, but also society's impact, in the case of September 11, on an organisation. Some key lessons learned through this report were:

- Ensuring that the leaders and managers of the organisation's roles and responsibilities are clearly delineated and strategic commitment towards social performance exists.

- Forging partnerships with stakeholders - in the case of September 11th major donor/relief organisations.

- Internal processes and systems need to address societal impact on an organisation.

- Continuous communication internally and externally. Following an approach of disclosure, transparency and inclusivity.

- Aligning of resources to ensure maximum impact through collaboration.

The above five learning elements could therefore be regarded as indicators of corporate social performance.

10.2.8 The World Summit on Sustainable Development (WSSD) and Corporate social performance

Jonathan Lash, President of the World Resources Institute, made the following comments on the WSSD in Johannesburg (2002).

> This summit will be remembered not for the treaties, the commitments or the declarations it produced, but for the first stirrings of a new way of governing the global commons, the beginnings of a shift from the stiff formal Waltz of traditional diplomacy to the jazzier dance of improvational solution-oriented partnerships that may include non-government organisations, willing governments and other stakeholders.

Kofi Annan, General Secretary of the United Nations, made the following comment on 4 September 2002:

> The Summit represents a major leap forward in the development of partnerships with the UN, Governments, business and civil society coming together to increase the pool of resources to tackle global problems on a global scale.

The WSSD resulted in two outcome documents (www.worldsummit2002.org):

- Political declaration expressing commitments and direction for implementing sustainable development and a negotiated plan of action that will guide government activities.
- Partnership initiatives, often referred to as Type-2 outcomes including action-oriented programmes between government, business and civil society.

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To sum up, a key indicator of corporate social performance within the context of the WSSD outcomes will therefore be the ability of an organisation to forge significant partnerships with the public sector and civil society for sustainable business and social cohesion.

10.2.9 The new economy of corporate citizenship

The following section of Chapter 10 will offer perspectives on the impact of the "new economy" on CSR. These perspectives were reported in a book by Zadek, Hojensgard and Raynard (2001), and spearheaded by the Copenhagen Centre in Denmark. A few extracts will be offered as closing comments to the literature section of Chapter 10.

(i)   Drivers of the new economy and the impact on CSR

Kanter (1999) noted that leading companies discovered that working together with non-profit and government organisations to solve social problems can give them new insights and approaches to creating business opportunities. Solving community needs creates opportunities "to develop ideas and demonstrate business technologies, to find and serve new markets, and to solve long-standing business problems". Weiser (2003) in Conversations with Disbelievers furthermore stated that the pressures supporting (and opposing) the importance of CSR intensify as companies move from the old economy to the new economy. Companies operating in markets in which CSR is vitally important in the old economy will find it even more so in the new economy. Companies operating in markets in which CSR is less important in the old economy will find that reality intensifies in the new economy as well. The importance of CSR in a business's strategy is therefore affected by a number of drivers that are critically important in the new economy:

- Customer interest - the more customers care about CSR, the more pressure there is for a company to embed CSR into its products and services.
- Brand value - the higher proportion of the company's worth that resides in its brand value, the more pressure to demonstrate that the company is a good corporate citizen.
- Mobility of assets - the more easily a company can move its assets (including its people) the less pressure there is to consider CSR issues that relate to places in which the company does business.
- Innovation and learning as strategic tool - the more important that innovation and learning are in ensuring the company's success, the more likely the company will be interested in engaging in CSR activities and social partnerships as a way to spur innovation and increase learning.

From the above, it is therefore clear that the new economy enhances the dynamics already at play in the old economy.

(ii)   <u>The internet and CSR</u>

An experiment that was done by the Ethos Institute of Business and Social Responsibility in Brazil (2001) created an "Ethical Portal" with the following objectives:

- To raise awareness about the responsible consumer.
- To develop CSR education to benefit those companies which treat all their stakeholders ethically, and which work for the improvement of social conditions in the countries where they operate.
- To ensure visibility for social responsibility of individual companies willing to provide information on their actions.
- To publicise the supply chains used by these companies and clearly show the social responsibility assumed by suppliers in the business-to-business market.

There seems to be strong support in favour of the great opportunities offered by ethical portals in publicising CSR values and actions as well as initiating a process for the regulation of competitiveness.

(iii)   <u>Branding and the new economy</u>

Carol Cone (2001) reported on the fundamental shift in how the world's leading companies will use cause associations to position their organisations and brands for the future. She argues that there are several key factors of the new economy that are driving the dramatic surge of cause branding:

- Competition - a need to innovate and build brand character in compelling ways.
- Women's and teens' buying behaviour - wanting to build relationships with the brands.
- Consumers demand responsibility.
- Ninety per cent of the new job entrants would be likely to choose a company that supports a cause.
- Because of the internet, companies are more visible and transparent than ever before.
- Companies such as McDonalds and Marks and Spencers have built a goodwill bank over the years through community involvement, which protects them during difficult times.

What remains a critical factor however is that cause marketing and branding is no longer about being just loosely associated with a cause or partnering with a non-profit organisation. It is about integrating the concern and commitment for a cause into a core component of an organisation's business strategy.

The enlightened consumer of the new economy will be able to differentiate between a true attempt from a company which who demonstrates active participation in a specific cause and for which it has become a core strategy versus an organisation's attempt at focusing on winning short-term customer support for short-term gain. It is for this reason in the CSR world of today that cause marketing is viewed with sceptisism. Ultimately, companies in the new economy will be judged against "what they stand for" which relates to a number of driving principles that are their social, environmental and economic performance. The key differentiator will be the ability to integrate these principles into business strategy and practice.

(iv)   <u>Stakeholder concerns in the new economy - Nike's experience</u>
Nike believes that the integration of ethical behaviour and sustainable development in every aspect of society and business is fundamental, and essential to the long-term health of the world and to business.   Nike does however recognise that although this might be an easy, blithe statement to make, in reality it is a complex and multifaceted task specifically in an environment with diverse stakeholders and expectations. There are questions every company needs to ask in dealing with shifting roles and responsibilities (Jones 2001: Nike Inc.) for example:

- How far down the supply chain does the responsibility go?
- What role should local and international institutions, trade unions and civil society play?
- Should a company be responsible for also acting as a campaigner for human rights, or is that going too far?
- How does job security intersect with the preassurers of trade and competitiveness?
- For those who have to make policies work in the field, what are the parameters, what are the boundaries of the achieveable?
- What are the implications of our actions?

The mere fact whether these expectations are achievable or attainable points to the complexity of any company seeking to implement answers to these demands. Nike therefore strongly believes in continuous stakeholder engagement and dialogue to jointly try and answer these questions. "Stakeholders may want simple answers; we don't have any to give" (Jones 2001).

To sum up, in section 10.2 of this chapter key trends in the world of corporate social responsibility were presented. The important drivers of becoming good corporate citizens were also discussed. This literature review showed that CSR needs to be integrated into the business strategy. The integration however should focus on operationalising CSR in measurable terms to determine levels of corporate citizenship, and thus achieve "triple bottom line." This section also highlighted the current realities of a post Enron and Worldcom and September 11th business landscape in

which the business sector is called to account. With the advent of the World Summit that took place in Johannesburg (August 2002) and the demands placed on not only multinational enterprises, but also small-medium enterprises by the new economy, it is realised that there is no "one stop shop" with all the answers.

These challenges from a literature perspective can therefore be viewed as an introduction to section 10.3 of this chapter in which the final results of the research will be presented. The South African indicators for corporate social performance will be discussed in section 10.3.

10.3   RESEARCH RESULTS

The following research results relating to the overall objectives of the study are derived from the empirical research conducted in Chapters 8 and 9. The indicators of corporate social performance in South Africa will be grouped and presented in the following 10 dimensions:

10.3.1 Compliance

The degree to which accepted legislative and voluntary norms and standards are adhered to:
- Compliance with key safety, health and environmental indicators
- Compliance with relevant international performance and management standards, for example the GRI and AA1000 (see Chapter 6)

10.3.2 Corporate Governance

Refer to board activity and ethical conduct:
- Compliance with King 2 report stipulations
- Levels of disclosure
- Levels of transparency

10.3.3 Stakeholder engagement

Refer to all 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 the business:
- Stakeholder management performance for example ability to manage interfaces with all stakeholders
- Stakeholder engagement performance for example the outcomes of engagement (joint tasks / projects)
- Fulfilling stakeholder obligations for example timeous payments for services rendered
- Level of co-operation with tri-sector partners (public, private and civil society sectors)

10.3.4 Social development contributions

Refer to corporate social investment and the direct contributions that are made to social development initiatives such as provision of infrastructure or services in communities:

- Percentage of pre-tax profits spent on social investment
- Extent of non-monetary contributions for example time, expertise and infrastructure

10.3.5 Integration

The embedding of good corporate citizenship practices throughout the organisation:

- Integration of "triple bottom line" issues in risk management practices
- Incentivising social and environmental responsibility performance
- Integration of policy environment and management systems

10.3.6 Employee welfare

These indicators are additional to the generally accepted health and safety indicators which would fall in the compliance dimension of the indicator list:

- Impact of employee satisfaction on achievement of business objectives; showing bias for including social issues as part of core business strategy
- The ratio of the CEO's remuneration package to front line worker's remuneration package, including benefits for example stock options, etc.
- Average working hours per week per executive including "voluntary" hours

10.3.7 Reputation

Refer to the image and perceptions of an organisation held by all stakeholders:

- Reputation with stakeholders
- Impact of reputation on achievement of business objectives with specific reference to including social elements into core business strategies

10.3.8 Sustainability

Refer to the "triple bottom line" approach to assessing value and emphasise the future prospects of both core business as well as corporate citizenship initiatives:

- The performance of the core business according to traditional measures of business performance including a bias towards assessing the future prospects of the business by accounting for value other than strictly financial
- The sustainability of social responsibility and corporate citizenship initiatives

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10.3.9 Contextual

Recognising that certain indicators are important but may be limited to the local, sectoral or other relevant contexts:

- Employment equity
- Sector or locality delimited indicators acting as "placeholders" for indicators limited to specific industries and sectors, for example the Mining Charter and possible Banking Charter

10.3.10 Standard setting

These indicators go beyond the basic social performance measurement that the preceding dimensions attended to. The standard setting dimension distinguishes a company as a leader in corporate citizenship against which others set the benchmark:

- Demonstrating stakeholder loyalty whereby stakeholders become brand associates and "custodians" prompted by a highly positive perception of the organisation
- Accounting for unintended consequences or negative consequences of its activities, with the intent of intervening should such consequences be identified
- "Best of class" - distinguishing itself as a leader in the field of corporate citizenship
- Documented achievements of the organisation as an agent of positive societal change

10.4 RECOMMENDATIONS

The approach that was followed in this study was that of exploratory research methodology. The main aim therefore was to explore current thinking on corporate social performance in SA by interviewing a group of thought leaders in the field of corporate social responsibility and corporate social performance. The final set of indicators that emerged through the research should therefore be viewed as first tier indicators which deserve more in-depth analysis in order to be applied as measurable indicators. It would therefore be unscientific to view these indicators as definitive criteria of corporate social performance in SA.

The recommendations resulting from the research findings do however constitute 2 broader areas of recommendations that deserve mentioning:

- In the event of applying the indicators as measurable criteria of corporate social performance in SA, the indicators need to be analysed in more depth, representing the first recommendation of the study. The indicators will have to be translated in quantifiable terms and closely aligned with general business terminology. They will furthermore have to be scaled in determinants or levels of successful social performance ranging from poor, to average and finally above average or outstanding levels of social performance. Determining these levels will however require empirical research with robust statistical analysis.

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- The results of this study delivered proof of the available wisdom and depth of knowledge in the field of corporate social responsibility and corporate social performance in SA. The unique character of the SA business landscape and the social fabric of society require broader application of research findings in this field of study. Aligning the indicators of social performance with international indicators and guidelines is therefore regarded as the second recommendation of the study. There is already evidence of a move towards the creation of sector supplements to for example the Global Reporting Initiative (GRI) guidelines. These supplements describe and acknowledge the unique character of sectors, industries, societies and certainly global economies. The reference made to contextual indicators in SA, for example Black Economic Empowerment and Employment Equity in this study (indicator 10.3.9) offers proof of the need to contextualise internationally accepted indicators and guidelines. It is therefore recommended that the indicators of corporate social performance in SA as determined in this study are aligned with these international indicators and guidelines, representing not only country-specific supplements but perhaps even economy-specific supplements.

10.5   POSSIBLE FUTURE RESEARCH TOPICS

The field of corporate social performance showed limited research in SA. It was therefore clear during this study that a number of related topics in this field deserve further exploration and research. The results of this study also do not suggest definitive answers to the main objective of the study, but rather create and open up new avenues in this field. The following topics, categorised under four main areas, could be regarded as possible areas for future research.

10.5.1 Corporate social responsibility

- Integrating corporate social responsibility with the unique value proposition of an organisation.
- Defining "business in the community" in SA terms.
- Defining leadership in corporate social performance with the focus on determinants of leadership in the new economy, for example the quality of "bridging leadership".
- Redefining corporate social investment in SA - ensuring closer alignment between CSI and the national social development and poverty alleviation agenda of the SA government.
- "Decoding" cross-sector partnerships in SA to maximise resource allocation for large-scale social development and transformation.
- Measuring employee community involvement in SA corporations against core business strategies.

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10.5.2 Social measurement, auditing and reporting

- Policy debate on regulating corporate social performance in SA.
- Developing integrated reporting criteria for public, private and civil society sectors.
- Defining "triple bottom line" in the SA context.
- Rewarding corporate social performance: defining "return on corporate social performance" from the government's perspective.
- Developing internationally accepted baseline academic, practical and internship requirements for what is emerging as a new profession i.e. the social accounting profession.

10.5.3 Strategic marketing

- Corporate social performance indicators as key criteria in measuring brand value/equity.
- Defining the "third wave" in marketing referring particularly to ethical marketing and its relevance in being a good corporate citizen.
- The role of corporate social responsibility influencing consumer behaviour in the SA context.
- Defining brand reputation, integrity and brand citizenship in the SA context with specific reference to corporate citizenship.
- Changing organisational culture to support employee community involvement: Getting staff to become "cause custodians" as much as "brand custodians".
- Maximising internal and external communication in order to create a culture of social cohesion.
- Defining social and development marketing in the SA context.
- Cause-related marketing in SA: determining the cultural, ethical and socio-economic variables.

10.5.4 Stakeholder management

- Determining interfaces between public, private and civil society sectors in SA and ensuring productive cross-sector partnerships.
- Developing a methodology for stakeholder mapping in the SA business environment.
- Determining the role of cross-sector partnerships in local and global development initiatives for example WSSD, Nepad, Global Compact, etc.
- Creating multilevel stakeholder communication platforms with explicit roles and responsibilities within a project management framework.
- The role of civil society in public/private partnerships.

10.6 <u>SUMMARY</u>

The study revealed the critical role that the business sector is playing in wider society. The SA indicators of corporate social performance create a map for SA businesses to achieve high levels of social performance. They also make out a business case for integrating corporate social responsibility into mainstream business strategy and practice. The study also debated the notion that the authority of government has been diluted in the face of increasing corporate power. What has so far been underplayed in SA however is the huge potential for business, government and civil society to work together to address some of the most pressing issues facing SA society today. This study therefore showed that partnership initiatives between these sectors have the potential to make a substantial difference to the social and economic performance of SA as a country. A common agreement between the participants of the study was that the nature and scale of the social challenges in SA mean that the three sectors, public, private and civil society, in isolation cannot tackle the challenges alone.

The CSR debate in Europe, which is regarded as the centre point of leading CSR strategies and solutions in the world, already indicates the risk of an overstated onslaught by the business sector resulting in a retreat of the government sector in the field of CSR. The strong voice of SA businesses may therefore also lead to a similar situation. As proof of this is the SA government's inability to deal with the HIV/AIDS pandemic which leads to a disempowered civil society sector and an overloaded business sector already suffering from donor fatigue. The study therefore revealed the delicate interplay between all role players in achieving social performance, but also the public and civil society sectors' contribution towards social performance and social cohesion.

The practice of corporate social responsibility will however remain a top priority on the agendas of all three sectors in society. The challenge of operationalising and building a business case of CSR were the main drivers of this study. In an article by Wilson (2002), some European perspectives on enterprise and society are presented that could easily be applied to the SA environment.   These perspectives also underscore the SA indicators of corporate social performance from an international perspective:

- All actors in society need to contribute to the development of a new model of business success that properly encompasses the broader social role of companies.
- National governments need to articulate clearly their expectations and requirement of business in delivering CSR initiatives - both as individual actors and in partnership with governments and civil society.
- There needs to be the creation of mechanisms for dialogue between government, business and civil society to ensure that partnership initiatives deliver societal goals rather than market-oriented or government-driven "solutions".

- Partnership working requires different skills and competencies. Paramount is a more inclusive approach to management and leadership. Finding and developing people with the right type of mind-set to operate in this new environment is critical.

- All actors in society need to view capitalism as ecology like any other, subject to the same principles of interdependance and sustainability as any natural ecological system.

- There is a need for new networks to encourage active collaboration between the separate fragments of business, government and civil society.

- All organisations - business, government and non-governmental organisations (NGOs) - should be encouraged to articulate clearly the values that underpin their activities and the principles by which they are implemented.

- All organisations should be encouraged to report on their performance against their values and principles - in terms of economic, social and environmental impacts.

- Business education at all levels (from school to executive education) should seek to develop tomorrow's leaders in government, business and civil society who have the ability to understand the broader social and environmental implications of the decisions taken by their organisations.

The study therefore suggests that through the application of these indicators, an attempt can be made by the corporate sector in SA to ensure that company values and principles, particularly social, environmental and economic value indicators, are fully integrated into their strategic decision-making processes. The real challenge that SA businesses are faced with remains the backdrop against which acceptable levels of corporate social performance can be achieved. The backdrop referred to is the unique character of the current SA business landscape. The following elements (see Chapter 7, section 7.3) have relevance:

- South Africa as an emerging market with a strong capital base and business voice on the one side against socio-political, socio-cultural and socio-economic disparities on the other side.

- Corporate governance and the emphasis placed on "triple bottom line" performance and reporting - King 2 report.

- Black Economic Empowerment as well as a surge of regulatory practices, aiming at equalising the SA business landscape, for example the Mining Charter and strong indications of the launch of a Banking Charter in 2003.

- The devastating impact of HIV/AIDS on the SA business landscape.

From a global perspective, with reference to comments made by David Varney, Chairman of the mobile telephony company MMO2 and reported by Grayson (2003), "three factors - the centrality of business, the erosion of public trust, and the dynamics of a networked society - have come together with powerful effect, just in the past year to create a kind of 'Perfect Storm' for business".

As a result, a new consideration has found its way into many corporate boardrooms and executive offices, and that is reputational risk - the risk of failing to manage reputation consistently with the goals of an enterprise.

> Loss of reputation is the greatest threat to any organisation. Enron, Tyco, WorldCom, Adelphia, Vivendi in France, and Marconi and Equitable Life in Britain – all these demonstrate how quickly - and how devastatingly – things can go wrong. Reputational risk brings our role at "Business in the Community" into sharper focus. It clarifies the need for businesses to look beyond their narrow, commercial goals and incorporate a broader societal perspective. This awareness informs our choices, alters our policies, and mitigates against abuse. It goes deep into the corporate bloodstream (Grayson 2003).

In conclusion, with recognition to the uniqueness of the current South African business landscape and acknowledging the global landscape, the theoretical and operational value of the indicators of corporate social performance is found in the role the indicators can play in transforming the business sector to become active participants in their striving towards sustainable business and social cohesion. **The unique SA indicators of corporate social performance have specific relevance here. Through the application of the bridging framework (Figure 6.4 p. 280) and more specifically the contextualisation of the findings within the current SA landscape, it was clear that some unique SA indicators exist. These indicators emerged after critically viewing the universal indicators that were identified in the literature review and contextualising them within the unique SA landscape through empirical research. It was then possible to identify those indicators that are most relevant to the current SA landscape.**

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

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The indicators therefore suggest the implementation of management systems and procedures in order to integrate social responsibility into mainstream business strategy and practice. The indicators could therefore be regarded as "bridging philosophies" in closing the gap between the business sector and all its stakeholders. The indicators can be used by the SA business sector to assist them in "mapping" future strategies and objectives in the field of corporate social performance. They can also be applied within the international arena as country- specific or international market-specific indicators, adding value to existing global indicators and reporting guidelines. The indicators address the core of enterprise management and confirm the contribution of the study to the broader field of management science.