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INDICATORS OF CORPORATE SOCIAL PERFORMANCE IN SOUTH AFRICA

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Without transgression, without the red boundary,
there is no danger, no risk, no frisson, no experiment,
no discovery and no creativity.
Without extending some hidden or visible frontier
of the possible, without disturbing something
of the incomplete order of things,
there is no challenge, no pleasure
and certainly no joy.

(Okri 1997:32)

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ABSTRACT

INDICATORS OF CORPORATE SOCIAL PERFORMANCE IN SOUTH AFRICA

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The first turbulent years of the 21st century have been characterised by globalisation, governance and the emerging issue of mainstreaming corporate social responsibility with core business practice and strategy. In South Africa (SA) corporate practices are increasingly being informed by the challenges of both social and economic transformation as well as a strong sense of "afro-centricity". With the advent of the King 2 Report on Corporate Governance that was launched in 2002 , the Mining Charter in 2002 and a possible Financial Charter in 2003, the SA landscape offers a challenging scenario whereby business leaders will have to embrace their role in social transformation. It is generally accepted in SA that the business sector is a sustainable contributor to the social and economic progress of SA by shaping the future of communities, individuals and the country as a whole.

Furthermore in the global marketplace consumers are increasingly making choices based on, or taking into account the environmental, social and ethical performance of organisations. This has led companies to reassess their social and environmental management, recognising that it is not only an area of moral responsibility, but also one that affects corporate identity and reputation and therefore the company's bottom line. By providing proof of good performance in these areas,

companies can differentiate themselves from their competition, manage their reputational risk and boost their corporate identity.

The need for indicators of corporate social performance in SA therefore emerged as the main reason for this study. Although on international front numerous indexes have been developed of which the Global Reporting Initiative is regarded as the leading provider of indicators and reporting guidelines, the need to develop indicators within the unique SA context became the key objective. There has been a surge of social and environmental reports, also known as sustainability reports, by the SA business sector the past three years. In order to integrate and align the variety of indicators used by these organisations in reporting on their social performance, the decision was made to conduct exploratory research on this phenomenon which is supported by relevant literature study as well as qualitative research methodology.

The literature reviews the current social development landscape in SA focusing on the uniqueness of the social construction of the business sector. This approach presents the starting point of the dissertation leading to the following chapters describing corporate social responsibility and presenting current definitions of corporate social performance and corporate citizenship. The literature thereafter reviews stakeholder engagement and partnerships as a fundamental element of corporate social performance. This section of the literature specifically states the importance of stakeholder engagement in social measurement and reporting. Finally the literature reviews the local and global frameworks and indexes in practice. This section of the literature review creates a theoretical basis for presenting the results of the research, namely the indicators of corporate social performance in SA. The literature section concludes with an exploration of the changing nature of business in SA and globally.

The research part of the study consisted of interviewing fifteen prominent persons in the public, private and civil society sectors who conduct their daily activities at the epicentre of the cultural space in which the corporate citizenship debate is playing itself out. The objective of these structured in-depth interviews 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 SA context. The ultimate objective of analysing the interview data is to form coherent groupings of meaningful data that relate to the indicators of corporate social performance .

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The indicators that are presented do not however suggest easy measurement of corporate social performance. They merely reflect a set of ten dimensions with associated indicators, a total of which twenty-seven were identified by the participants. These dimensions included compliance with accepted legislative voluntary norms and standards, corporate governance, stakeholder engagement, social development contributions, the integration and embedding of good corporate citizenship practices throughout the organisation, employee welfare, reputation, sustainability with specific focus on triple-bottom line reporting, contextual reality and finally the ability of an organisation to distinguish itself as a leader in corporate citizenship which others could regard as a benchmark.

Through a process of contextualisation within the South African landscape, the following indicators had 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**

The design of appropriate measurement protocols for each of the indicators associated with these dimensions will have to be developed and is regarded as a key recommendation of the study. A second recommendation is to integrate these indicators with global reporting frameworks and thus contribute to the global social measurement and reporting debate. The value of the study therefore results in local and international application with the major contribution towards the SA corporate social performance arena. The timing of the study is endorsed by the current significant strides in SA through recognising the importance of social performance by enshrining it in legislation and coming up with new initiatives to showcase its importance. The ultimate goal of business and communities is strengthened through these indicators which create a suitable avenue for foreign direct investment in SA.

University of Pretoria etd – De Jongh D 2006

TABLE OF CONTENTS

CHAPTER 1

INTRODUCTION

1.1 Introduction 1
1.2 Rationale for the study 6
1.3 Defining corporate social performance challenges 7
1.3.1 Strategic business imperatives 8
1.3.2 Corporate citizenship 8
1.3.3 Landscaping society / communities 11
1.3.4 Stakeholder engagement 14
1.3.5 A "new wave" of consumerism 15
1.3.6 Strategic marketing 17
1.3.7 Influencing macropolicy 19
1.4 Definition of the research problem 22
1.5 Purpose of the study 24
1.6 Objectives of the study 25
1.7 Research design 25
1.7.1 Nature of the study 25
1.7.2 Research methodology 26
1.8 Benefits of the study 28
1.8.1 Benefits for the business sector 29
1.8.2 Benefits for the civil society sector 30
1.8.3 Benefits for the public sector 31
1.8.4 Benefits for the country 31

University of Pretoria etd – De Jongh D 2006

1.9 Limitations of the study 32
1.10 Outline of the chapters 33
1.11 Conclusion 35

CHAPTER 2

CONTEXTUALISING THE SOCIAL DEVELOPMENT LANDSCAPE

2.1 Introduction 38
2.2 South African perspectives on social development 40
2.2.1 Development update : 1994 - 2000 40
2.2.2 Corporate governance 46
2.2.2.1 The King 2 Report on Corporate Governance 47
2.2.2.2 The Johannesburg Securities Exchange : Socially Responsible Investment Index (JSE: SRI INDEX) 50
2.2.2.3 Socially Responsible Investment (SRI) in South Africa 51
2.2.2.4 Sustainable banking in Africa 52
2.2.2.5 The corporate citizenship benchmarking initiative for South Africa . . . 54
2.2.3 The role of the South African government 55
2.2.3.1 Department of Social Development 55
2.2.3.2 The National Development Agency (NDA) 58
2.3 Global trends in social development 59
2.3.1 The World Summit on Sustainable Development (WSSD) 59
2.3.2 The Global Compact 63
2.3.3 The Global Reporting Initiative (GRI) 66
2.4 Social development challenges 69
2.4.1 Defining the developing world 70
2.4.2 Defining sustainable development 71
2.4.3 Social dimensions of business practice 74
2.4.4 Defining social values 76
2.4.5 Performance indicators for peaceful and progressive societies 78

University of Pretoria etd – De Jongh D 2006

2.4.6 The donor environment 80
2.5 Human Rights and social development 82
2.5.1 Defining human rights 83
2.5.2 Business and social benefits of human rights 83
2.5.3 The business case for human rights 84
2.5.4 Human rights in practice 87
2.6 Conclusion 88

CHAPTER 3

STRATEGIC PERSPECTIVES ON BUSINESS PHILOSOPHIES

3.1 Introduction 91
3.2 Global forces of change 94
3.2.1 The revolution of technology 96
3.2.2 The revolution of markets 98
3.2.3 The revolution of demographics and development 100
3.2.4 The revolution of values 102
3.3 Management imperatives 105
3.3.1 Introduction 106
3.3.2 Leadership vs management 108
3.3.3 Developmental update and implications for the business strategy 109
3.3.4 Principles of strategy 112
3.3.5 Summary 113
3.4 Business value proposition 114
3.4.1 Value to the customer 117
3.5 Corporate governance 118
3.6 Strategic business challenges 121
3.6.1 Organisational culture 122
3.6.2 The "Digital Divide" 122

University of Pretoria etd – De Jongh D 2006

3.6.3 The "New Economy" 124
3.6.4 Globalisation and developing countries 125
3.6.5 Business and the environment 126
3.6.6 Business and poverty 127
3.6.7 Business and public trust 128
3.6.8 Business and social and environmental risk 131
3.6.9 Business and the World Summit on Sustainable Development : Johannesburg 2002 132
3.6.10 Business commitment to corporate citizenship and sustainable development 134
3.7 Conclusion 137

CHAPTER 4

EXISTING BODY OF KNOWLEDGE OF CORPORATE CITIZENSHIP

4.1 Introduction 141
4.2 Historic overview of corporate citizenship 144
4.3 Defining corporate citizenship 147
4.3.1 Corporate social responsibility vs corporate citizenship 148
4.3.2 Principles of corporate citizenship 150
4.3.3 Models of corporate citizenship 153
4.3.4 Foundations of corporate citizenship 155
4.4 Corporate citizenship and business ethics 158
4.5 The civil corporation 161
4.5.1 Civil regulation 162
4.5.2 Civil learning 164
4.5.3 Building the civil corporation 166
4.6 Benefits of corporate citizenship 169
4.7 Challenges of corporate citizenship 172
4.7.1 Stakeholder value and societal value 172
4.7.2 Corporate citizenship and executive development 173

University of Pretoria etd – De Jongh D 2006

4.8 Conclusion 175

CHAPTER 5

CRITICAL ANALYSIS OF STAKEHOLDER ENGAGEMENT AND CROSS-SECTOR PARTNERSHIPS

5.1 Introduction 179
5.2 Defining stakeholders 182
5.2.1 The civil society 184
5.3 Building partnerships 188
5.3.1 Principles of partnership building 190
5.3.2 Transitions in stakeholder engagement 192
5.3.3 Critical factors for stakeholder integrity 193
5.3.4 Internalising partnerships 195
5.3.5 Checklist for stakeholder management 196
5.4 South African perspectives on public/private partnerships 199
5.5 Multistakeholder partnerships 201
5.5.1 Partnerships between international NGOs and business 202
5.5.2 Partnerships between international agencies and business 203
5.5.3 National business partnerships for development 204
5.6 Partnerships and the environment 205
5.6.1 Causal factors of environmental business group partnerships 207
5.7 Measuring stakeholder relationships 208
5.8 Benefits of partnerships 211
5.9 Challenges in cross-sector partnerships 213
5.9.1 Partnership and the "triple bottom line" 214
5.9.2 Forming partnerships is about dialogue, openness and transparency 215
5.9.3 Corporate voluntarism 216
5.10 Partnerships in practice 218
5.10.1 International example (European): The Copenhagen Centre 218

University of Pretoria etd – De Jongh D 2006

5.10.2 "Heartbeat" Centre for Community Development (South African example) . . 219
5.11 Conclusion 226

CHAPTER 6

THEORETICAL OVERVIEW OF SOCIAL MEASUREMENT, AUDITING AND REPORTING

6.1 Introduction 229
6.1.1 Social reporting and stakeholder engagement 232
6.2 The "triple bottom line" (TBL) 233
6.2.1 "Economic bottom line" 234
6.2.2 "Environmental bottom line" 234
6.2.3 "Social bottom line" 235
6.3 AccountAbility standards 236
6.3.1 "AccountAbility 1000 Standards" (AA 1000) 237
6.3.2 The AA1000 Assurance Standard (AA 1000S) 242
6.3.3 SA 8000 243
6.3.4 The International Standards Organisation (ISO) 243
6.4 The Global Reporting Initiative (GRI) 244
6.4.1 Reporting principles 244
6.4.2 Reporting content 245
6.4.3 GRI and accountability frameworks 247
6.5 Social risk management 248
6.5.1 Social risk framework 250
6.6 Challenges facing social measurement, auditing and reporting 254
6.6.1 Business case for social measurement 254
6.6.2 Civil governance 255
6.6.3 Independent assurance of corporate responsibility reports 257
6.6.4 Measuring social return on investment 258
6.7 Measuring corporate social performance 259
6.7.1 Stock price and financial performance 260

University of Pretoria etd – De Jongh D 2006

6.7.2 Reputation and risk management 260
6.7.3 Human resources 260
6.7.4 Marketing and sales 261
6.7.5 Innovations that expand markets 262
6.8 Reporting frameworks : Additional examples 262
6.8.1 The African Institute of Corporate Citizenship (AICC) 262
6.8.2 The Business Council for Sustainable Development : South Africa 265
6.8.3 The FTSE/Johannesburg Securities Exchange (JSE) Socially Responsible Investment (SRI) Index 265
6.8.4 Deloitte Touche Tohmatsu 267
6.8.5 Novo Nordisk Triple Bottom Line (2001) 269
6.8.6 Business in the community 271
6.8.7 The Index of Sustainable Economic Welfare (ISEW) 272
6.8.8 KPMG criteria for stakeholder engagement reporting 273
6.8.9 BP (Australia) framework for corporate citizenship 273
6.9 Differences in reporting styles 274
6.10 Integrating audits 276
6.11 Conclusion 277
6.12 Applying theory to practice: A bridging framework 279

CHAPTER 7

CRITICAL PERSPECTIVES ON A CHANGING BUSINESS WORLD

7.1 Introduction 286
7.2 Applying theory to practice: A synopsis 287
7.3 European perspectives on global business 290
7.3.1 Is there a new power-sharing in international affairs? 291
7.3.2 Change, society and enterprise 291
7.3.3 Transmodern dialogues of society 292
7.3.4 Evolution management 292
7.3.5 Humanism and enterprise 293

University of Pretoria etd – De Jongh D 2006

7.3.6 The new economy – opportunity or threat? 294
7.3.7 Building a knowledge society 295
7.3.8 Activating stakeholders 296
7.3.9 The sustainability agenda 298
7.3.10 The European Enterprise Summit 299
7.4 Future trends in business 304
7.4.1 Corporate governance 305
7.4.2 South Africa as an emerging economy/market 305
7.4.3 Business beyond SA borders 306
7.4.4 Black Economic Empowerment 306
7.4.5 HIV/AIDS 306
7.4.6 Aligning business strategies 307
7.4.7 Reputation 307
7.4.8 Marketing and branding 307
7.4.9 Business as the change agent 308
7.4.10 Business Schools 308
7.4.11 Socially responsible investment (SRI) funds 308
7.4.12 Financial analysts 308
7.4.13 Accounting practice 309
7.4.14 Management science 309
7.4.15 Leadership 309
7.4.16 The learning organisation 309
7.4.17 Opportunity creation 310
7.4.18 Business as a community 310
7.4.19 Mutual gain 310
7.4.20 Global agenda of business 311
7.4.21 Activism 311
7.4.22 Business intelligence 311
7.5 Conclusion 312

University of Pretoria etd – De Jongh D 2006

CHAPTER 8

RESEARCH DESIGN AND METHODOLOGY

8.1 Introduction 314
8.2 Qualitative research design 315
8.2.1 Defining qualitative research 315
8.2.2 Rationale for qualitative research 318
8.3 Content analysis 320
8.3.1 Definition 320
8.3.2 Purpose of content analysis 320
8.3.3 Advantages 321
8.3.4 Reliability 321
8.3.5 Validity 322
8.3.6 Steps in content analysis 323
8.4 Research methodology 325
8.4.1 Introduction 325
8.4.2 Role of the researcher 325
8.4.3 Description of the participants 326
8.4.4 In-depth interviews 328
8.4.5 Deciding on the research questions 330
8.4.6 General assumptions 333
8.5 Analysis of data 335
8.5.1 Grounding analysis in the data 335
8.5.2 Systematic coding 336
8.6 Conclusions 337

CHAPTER 9

RESEARCH FINDINGS

9.1 Introduction 339

University of Pretoria etd – De Jongh D 2006

9.2 Method of analysis 341
9.2.1 Content analysis 341
9.2.2 Grounded theory 342
9.2.3 Plausible constructionism 342
9.3 Description of data 343
9.4 Description of approach 343
9.5 Thematic discussion 344
9.5.1 Question 1: Integrating social development and business imperatives 346
9.5.2 Question 2: Stakeholder engagement 351
9.5.3 Question 4: The future landscape of corporate citizenship 356
9.5.4 Question 5: Shaping the corporate citizenship agenda 359
9.6 Indicators 361
9.6.1 General commentary 361
9.6.2 "Indicator set" and notes 362
9.7 Comparative "indicator set": Application compared to theory 367
9.8 Concluding remarks on the indicators 370
9.9 Final conclusions 372

CHAPTER 10

CONCLUSIONS AND RECOMMENDATIONS

10.1 Introduction 374
10.2 Future trends in corporate citizenship: Literature overview 376
10.2.1 The push for integrated citizenship 376
10.2.2 Operationalising corporate social responsibility (CSR) 377
10.2.3 Can the "Triple Bottom Line" be satisfied? 379
10.2.4 The development challenge 380
10.2.5 Corporate responsibility: Post Worldcom and Enron et al. 380
10.2.6 Business is called to account 382
10.2.7 September 11th and beyond: Global corporate responce 385

University of Pretoria etd – De Jongh D 2006

10.2.8 The World Summit on Sustainable Development (WSSD) and corporate social performance 387
10.2.9 The new economy of corporate citizenship 388
10.3 Research results 391
10.3.1 Compliance 391
10.3.2 Corporate governance 391
10.3.3 Stakeholder engagement 391
10.3.4 Social development contributions 392
10.3.5 Integration 392
10.3.6 Employee welfare 392
10.3.7 Reputation 392
10.3.8 Sustainability 392
10.3.9 Contextual 393
10.3.10 Standard setting 393
10.4 Recommendations 393
10.5 Possible future research topics 394
10.5.1 Corporate social responsibility 394
10.5.2 Social measurement, auditing and reporting 395
10.5.3 Strategic marketing 395
10.5.4 Stakeholder management 395
10.6 Summary 396

University of Pretoria etd – De Jongh D 2006

LIST OF FIGURES

Chapter 4:

1. Figure 4.1 : Brand loyalty and societal/economic value 163

Chapter 5

2. Figure 5.1 : The strategic importance of stakeholders 182
3. Figure 5.2 : Adjusted balanced scorecard 189
4. Figure 5.3 : The core competency strategic model 193
5. Figure 5.4 : The three waves of environmental group thinking and action 206
6. Figure 5.5 : Causal factors of business environmental group partnerships 207
7. Figure 5.6 : Support networks and partnerships 224
8. Figure 5.7 : The community child care forum 225

Chapter 6

9. Figure 6.1 : Accounting process 229
10. Figure 6.2 : Classifying organisations 233
11. Figure 6.3 : The AA1000 principles 240
12. Figure 6.4 : Theoretical application 280

Chapter 7

13. Figure 7.1 : The "Moving Escalator" 298

Chapter 9

14. Figure 9.1 : The Content Analysis Procedure 344

University of Pretoria etd – De Jongh D 2006

LIST OF TABLES

Chapter 1

1. Table 1.1: Key issues in corporate social responsibility 37

Chapter 2

2. Table 2.1 : Performance indicators for peaceful and progressive societies 79
3. Table 2.2 : Business and social benefits of human rights 84

Chapter 3

4. Table 3.1 : Categories of basic business in South Africa 107

Chapter 4

5. Table 4.1 : Corporate social responsibility hierarchy 146
6. Table 4.2 : The continuum towards full citizenship 147
7. Table 4.3 : Comparison of corporate social responsibility with corporate citizenship . 148
8. Table 4.4 : Four states of citizenship 149
9. Table 4.5 : Civil learning cycle 165

Chapter 5

10. Table 5.1 : The four P's of stakeholder partnership building 190
11. Table 5.2 : Engaging stakeholders - 10 transitions 192
12. Table 5.3 : International NGO and business partnership 202

Chapter 6

13. Table 6.1 : AA1000 process flow 241
14. Table 6.2 : Indicators in the GRI framework 247
15. Table 6.3 : Main sources of risk 251
16. Table 6.4 : Social risk management matrix 253
17. Table 6.5 : Deloitte, Touche Tohmatsu reporting criteria 268
18. Table 6.6 : Novo Nordisk "Triple Bottom Line" indicators 270

University of Pretoria etd – De Jongh D 2006

19. Table 6.7 : Reporting vs reporting 275

Chapter 8

20. Table 8.1 : Qualitative vs quantitative research 318
21. Table 8.2 : Data analysis process flow 337

Chapter 9

22. Table 9.1 : Theoretical constructs in corporate social performance 339
23. Table 9.2 : Question 1: Themes 350
24. Table 9.3 : Question 2: Themes 355
25. Table 9.4 : Question 4: Themes 358
26. Table 9.5 : Question 5: Themes 360
27. Table 9.6 : Suggested social performance indicators 363
28. Table 9.7 : Comparative "indicator set": Theoretical application 368
29. Table 9.8 : Contextual "drivers" 369
30. Table 9.9 : Unique SA indicators 369

Chapter 10

31. Table 10.1 :Progress report on the Business Summit: 24 - 25 October 2002 385

BIBLIOGRAPHY 400

WEBSITES 431

University of Pretoria etd – De Jongh D 2006

CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

During the launch of the United Nations Global Compact Learning Network in South Africa (April 2003), Georg Kell, Executive Head of the UN Global Compact presented a strong argument on the need for global markets to have social legitimacy. Kell also argues that in the corporate world, power and responsibility cannot be separated. "With economic power comes the responsibility to shape the social arena" (Kell 2003). In the South African context, social transformation is a reality. Since democracy in 1994, the corporate sector in SA has emerged as a key role player in social transformation leading to a need amongst all stakeholders in SA for a coherent understanding of the meaning of corporate social performance. This study will therefore attempt to contextualise corporate social performance in the SA environment through the development of indicators of corporate social performance. The argument is therefore posed that for the SA market to have social legitimacy, performance indicators are necessary to facilitate the process in reaching corporate social legitimacy.

"Companies are learning that as markets have gone global, so too, must the concept and practice of corporate social responsibility. And they are discovering that doing the right thing, at the end of the day, is actually good for business" (Kofi Annan, UN Secretary General 2002).

Since the publication of the King 1 Report on Corporate Governance in South Africa (SA) in 1994, it has been generally accepted around the world that a company cannot carry on its business in isolation from the society and environment in which it operates. The concept of the "good" corporate citizen has taken root and flourished. Not even a large corporation like Shell could escape global criticism with its attempt to explode the Brent Spar platform in the North Sea.

It is important as part of the introductory notes to comment on the term "sustainability". In a corporate context, sustainability means that each enterprise must balance the need for long-term viability and prosperity with the requirement for short-term competitiveness and financial gain. The balance must be struck and failure to do so will have far-reaching consequences.

Sustainability, therefore, focuses on those non-financial aspects of corporate governance that enable an enterprise to survive and prosper in the community in which it operates. The sustainability concept in a business context means the achievement of an integrated economic,

social and environmental performance. This is now universally referred to as the "triple bottom line". Non-financial aspects of governance can no longer be regarded as secondary to more conventional business imperatives. Does compliance with all these governance constraints, now set out in the King 2 Report on Corporate Governance (March 2002), make good business sense? The answer is yes, as share-holders today, especially institutional investors, want measurements to judge stewardship, performance, conformance and sustainability (Mervyn King : King 2, March 2002).

> Business and organisations have a privilege denied to ordinary mortals – they don't have to die. This makes them especially responsible (Handy 1998).

According to Zairi and Peters (2002), it is paradoxically interesting to note that at a time of global recession and great mergers, the business community would have been more concerned with financial issues rather than social ones. They further argue that what is emerging very strongly however, is a determination and commitment to address both environmental and societal concerns. John Elkington (1999) believes that:

Environmental reporting is now well established, as is financial reporting. But further challenges lie ahead for companies looking to evaluate social indicators in such areas as community, employee and supplier relationships. The pressure for accountability, together with the significant expense of producing the data, will develop powerful pressures towards the integration of financial, social and environmental accounting and reporting. Companies – and their stakeholders – will have no option but to address this emerging "triple bottom line". They will have to work harder to assess what really matters to them and which indicators will be seen by key stakeholders (including financial analysts) in assessing the "triple bottom line" performance of companies and sectors alike.

There seems to be an increasing emergence of what Wilson (2000) terms as "new rules of corporate conduct". Elements such as legitimacy, governance, equity, environment, employment, public – private sector relationships and ethics are amongst the new rules as suggested by Wilson.

Wilson (2000) reported:

> The central question confronting strategy today is how to discern and respond to new rules of the game – those that are being set both by changing industry and market structure, and the new basis of competition, and by higher public expectations of

companies' social and ethical performance.

Companies are increasingly positioning themselves as good corporate citizens (CSI Handbook 2003). In South Africa in particular, there seems to be a fresh commitment to corporate citizenship.

This might be inspired by the ramblings at the 2002 WSSD, the King 2 Report on Corporate Governance, impending damage to corporate reputation following exposure of environmental or social malpractice, or simply re-aligning business practice in SA to qualify for the soon-to-be-established JSE Socially Responsible Investment Index (Trialogue 2003). Questions being frequently asked by the SA corporate sector are:

- How do we go about becoming good corporate citizens?
- What do we need to do?
- How will we be recognised as good corporate citizens?

These and other questions are the key drivers of this study. An attempt will be made to address these questions through the development of indicators for corporate social performance in South Africa, in striving to become "good" corporate citizens.

The following trends will present some grounding evidence for the research problem that will be discussed in section 1.4.

(i) Trends in the global marketplace suggest the following:

In a survey done by Business in the Community (BITC) in 1998 an opinion was formed by some experts that the marketplace is a critical meeting point between business and society. Rising consumer expectations, driven by media and Non-Governmental Organisations (NGOs) evidence of social and environmental abuse, often outpace company performance, and mistakes are expensive in what Shell calls "The Central News Network (CNN) age" where millions will know in seconds. The reputation of premium brands has never been more volatile. Customers seem to be more loyal to companies they trust, whereas trust is gaining in importance to investors.

In a poll reported in the United Kingdom (UK) Financial Times (May 8th 2002), businesses are increasingly being asked about their policy and practice in social affairs. Many organisations are aware that they are judged by the company they keep, and larger ones are keen to establish supply chains that reflect their own value sets. The following findings were reported:

- I the global marketplace brand and corporate reputation have become crucial. Intangibles

now make up a large part of the market capitalisation of key brands (e.g. eighty-three per cent for IBM, ninet-six per cent for Coca-Cola and ninety-six per cent for Kelloggs).

- In 1999 a poll of 25 000 citizens across 23 countries on 6 continents showed that perceptions of companies around the world were shaped more by corporate citizenship (fifty-six per cent) than either brand quality (forty per cent) or business fundamentals (thirty-four per cent).
- Seventy-seven per cent of the public would like their pension funds to adopt an ethical policy provided it did not harm financial returns.

(ii) Trends in South Africa:

The importance of social development and particularly the role of the private sector are on the increase worldwide and especially in South Africa. According to Margie Keaton, Chief Executive Officer of the First Rand Foundation (2001), attempts are being made to codify and formalise the way companies interact with local communities and other stakeholders affected by their operations. She further adds that development is a very difficult business and nowhere more so than in South Africa with its apartheid legacy of denial and neglect, and the added toll being taken by the large contemporary problems of unemployment and HIV/AIDS. She states that experience worldwide has taught that development is not about solving social problems and eliminating economic need. Rather it is about helping to tap new resources and direct new energy to better address existing problems (CSR Handbook 2001).

There seems to be sufficient evidence that no one model for corporate social investment exists. What seems to be of more importance however is that each business needs to develop its own strategy reflecting its size, sector, business success and corporate values. Furthermore it becomes clear that integrating social development with business will probably be of even greater importance in developing countries due to the concentration of resources in the private sector.

(iii) Historic trends:

"Corporate giving" was given a major boost in 1977 with the introduction of the Sullivan Principles – a set of codes for United States signatory companies that formalised "corporate giving". In the 1980s, South Africa was epitomised by political motivations and corporates, government and the non-profit sector tended to work in isolation – following their own agendas. The 1990s were about rediscovery, talking and tentatively edging forward.

During this period, for the larger corporates, corporate social responsibility (CSR) moved from a "nice to have" to a "must have". Recognising that CSR can enhance the company's image as a good citizen, companies began actively to seek recognition for their good works.

The 2000s have brought a new era of CSR to South Africa. The definite and obvious separation of social responsibility and business imperatives seems to become less obvious in so far as the debate on the value corporates could get for their CSR involvement intensifies. On the other hand another major motivator is that stakeholders such as government, investors, customers, employees and public interest groups are holding companies to a higher standard of corporate citizenship, demanding that their net impact on society is positive. To help fulfil this demand, management is turning to CSR as a tool for transformation. In turn, CSR is becoming more strategic and closer to business, albeit slowly.

(iv) Future trends:

If one in the light of the above considers the annual spending (as reported in the 2001 Edition of the CSI Handbook) on Corporate Social Investment (CSI) (roughly R3 billion in 2001), it becomes clear that it's a trend in the South African market that needs revisiting and alignment. What in fact is meant by this is the alignment of resources with national social development priorities, placing particular focus on the government's social development sectors, i.e. HIV/AIDS, Women in rural areas, Income Generation, People with Disabilities and the Youth (2002). It is generally accepted that the level and depth of resources are concentrated in the private sector. According to Colleen du Toit, Executive Director of the South African Grant Makers Association, the business community should engage in the social and environmental areas, rather than in the "trade" aspects of development (CSR Handbook 2001).

She furthermore acknowledges that the most important contribution business can make to society is to keep the economy buoyant. She emphasises the fact that buoyant economies do not flourish in unstable societies, thus confirming that CSI makes business sense. The case for CSI forming a significant part of mainstream corporate policy is unarguable – even though it is often ignored.

In a report, compiled after The Prince of Wales International Business Leaders Forum in 1998, the issue of the meaning of being a good citizen was debated. It was argued that all businesses, large or small, have an impact on the communities in which they operate. Managed well, this impact can bring significant benefits to both the community and the business concerned. Business has a positive impact on the community because of the employment the company provides. It also produces goods and services which may be consumed by these communities. A company can however add an extra dimension to this by supporting and building the community through a programme of corporate community investment. This programme can take the form of charitable donations, staff volunteering and providing other resources, such as the use of

University of Pretoria etd – De Jongh D 2006

professional skills and funding for projects. It can be the most visible part of a company's approach to social responsibility, and one of the most satisfying.

In South Africa the question of how to integrate social development imperatives into core business strategies however remains. There seems to be insufficient proof and a general scarcity of success stories and academic substance offering local solutions to bridge the gap between social challenges and business imperatives. It is recognised through initiatives, namely the King 2, the JSE Advisory Committee on social investment, that increasing attention is being given to this very important aspect in developing and improving the new democratic South Africa.

1.2 RATIONALE FOR THE STUDY

The impact of business on society results from the way business behaves. This boils down to the decisions and acts of individuals and groups within a business. If a business is to have a deliberate, positive and consistent impact on society, its leaders need to ensure that its purpose and values are shared by all those who may influence it or benefit from it. Some leaders do this very informally, by personal example, whereas others have a formal process that involves everyone. What really matters is the outcome (Research report: The Center for Tomorrow's Company, Cower 1997). Harnessing the social and environmental behaviour of business and translating it into measurable business terms (corporate social performance) is therefore regarded as the main objective of this study.

Some evidence supporting the need, specifically in South Africa, where little has been done in the field of corporate social performance to challenge current practices and develop frameworks, are as follows:

- Changing expectations of society
- Growing environmental concerns
- Growing ethical concerns (e.g. about the use of child labour)
- Changing skills and aspirations of the workforce for example: more opportunities to work independently, evidence of new job entrants selecting employers on ethical grounds, etc.).
- Social exclusion
- Hostile takeover and global consolidation
- Growing importance of ethical funds (new requirements on pension trustees to state social and ethical grounds of investment)
- The new economy (a website means that any organisation is open to inspection by anyone anywhere)

- Changes in company law

It could therefore be argued that the abovementioned factors propose sufficient reason to critically view the steps needed in the South African context, in order to integrate social development imperatives into core business strategies. Although these factors could be viewed as key variables in corporate social performance, one could also view them as potential threats by non-compliance. Growing awareness of corporate social and environmental impact further emphasise the attention needed from the private sector in South Africa.

At national level in South Africa there seems to be little measurable evidence of the impact of CSI, while within corporates themselves, CSI managers are now required to report more precisely on the real socio-economic effects of their disbursements. There is a need for professionalism in the field of CSI. If however, the professionalisation is pieced together with the ethical business practice and corporate citizenship debates, new "social accounting" methodologies that integrate the entire strategic planning and monitoring cycles of businesses, become very appealing. If one furthermore integrates this strategic approach with associated cycles in government and civil society, it could even lead to revolutionary change in the fate of millions of people as well as change the economic and social viability of SA.

The nature and scope of this study deserve a short description of a few challenges that further explain the rationale for the study. This will also amplify the stated problem in an attempt to ultimately consider ways of resolving it. In addressing the following challenges, a further attempt will be made towards expanding the body of knowledge about and the understanding of the topic. Section 1.3 will therefore present some challenges which according to the researcher epitomise the current landscape and further deepen the arguments in favour of the stated research problem.

1.3 DEFINING CORPORATE SOCIAL PERFORMANCE CHALLENGES

In an e-mail newsletter (Business-Respect @ mallenbaker.net), distributed on July 14th 2002, focusing on corporate social responsibility globally and looking at companies in the news and emerging issues, the following interesting reports were published:

- UK: Top companies acclaimed for attention to disability.
- South Africa: King attacks arrogant CEOs.
- Australia: Retailers criticised for poor social responsibility.
- UK: Big companies should be forced to report on CSR.
- Australia: KPMG handles ethics by the book.
- UK industry chief slams US business on social responsibility.

- China: 823 polluting businesses closed down.
- Europe: Launch of a Corporate Social Responsibility (CSR) Academic research project.
- US: 76% of companies list ethics amongst core values.

The following challenges (1.3.1. – 1.3.7.) represent a few examples of the dynamic nature of CSR and offer additional substance to the rationale for this study. These challenges do not represent the total challenges in the field of study, but rather offer some introductory notes in contextualising the study, and therefore leading to the definition of the research problem in section 1.4.

1.3.1 Strategic business imperatives

In a guide developed by the International Finance Corporation: Environment Division, called: Investing in people: Sustaining communities through improved business practice (2000), a very strong case for business's responsibility towards community development was made. It was argued that some companies engage in community development work because they are committed to social responsibility and community development. However, business should also recognise that community development makes good business sense.

In the same report three reasons were reported why companies should engage in community development:

- To earn a "local licence" to operate
- To create strategic advantage through community development work, and
- To address specific business issues

The primary aim of this study would therefore be to bridge the gap on a fundamental as well as operational level by developing indicators for corporate social performance. Attempts to integrate the two philosophies are still viewed with resistance and disbelief. The argument supporting this integration however has been widely debated and proof already exists of success stories; for example, the Body Shop, Mazda and Shell Oil.

1.3.2 Corporate citizenship

According to a document produced by the African Institute of Corporate Citizenship (2002) corporate citizenship describes the moral and ethical behaviour of companies in their environment according to:

- The degree to which a company is accountable for not only its financial performance but also its environmental and social impact.

- The quality of their engagement with both immediate internal stakeholders (employees) and key external stakeholders including shareholders and supply chains, but also wider stakeholders representing a range of civil society groups and governmental organisations both at home and abroad.
- The extent to which this behaviour translates itself into the mainstream business policy of a company.

In a recent poll in the UK (2002) by Business in the Community on the most appropriate and accepted term to be used when referring to social development and responsibility, 70% of the respondents (staff and consumers) were in favour of Corporate Citizenship as the generally accepted term. In South Africa and globally, corporations are facing increasing pressure to embrace corporate citizenship practices (De Cleene 2002). De Cleene points out a few key drivers:

- Increasing international and local legal and regulatory pressure (evidenced by the introduction of mandatory standard and voluntary codes of conduct such as International Standards Organisation (ISO) 14000, King 2 Report on Corporate Governance, the Global Compact and AccountAbility (AA) 1000).
- Investor pressures calling for risk management through adoption and communication of corporate citizenship practices, and access to capital via socially responsible investment (SRI) funds.
- The need for global or multinational companies to demonstrate the positive impact of engagement, as opposed to merely complying with local country requirements.
- A social need to develop communities within which companies or projects operate.
- Consumer and special interest group exposure of company actions, seen against a background of increased transparency and accountability.
- Peer pressure with industry competitors building on customer perceptions of good corporate citizenship practices.

If one considers the latest reporting on CSI, mainly in the printed media as well as the trend in the advertising world, it could be argued that it has come a long way since the proclamation of the Sullivan code in the seventies. There are quite a few schools of thought although all of these have one thing in common and that is that social responsibility is moving into a possibly new era and re-definition where partnership between all stakeholders and value for the corporate sector ("return on CSI") could possibly form the underlying pillars for future reference.

Furthermore, as reported in the 2002 CSI handbook, the questions surrounding defining CSI

unfortunately do not have simple or clear-cut answers. Coming up with a definition is no easy task with many gray areas and often no real rights or wrongs. In addition to this, it is still common practice in most corporates that CSI does not form an integrated part of business strategy and is rather regarded as a discretionary activity. This leads to disempowerment of CSI practitioners. For example, a golf day for company executives is a far cry from CSI and could at most, be regarded as a public relations exercise. On the other hand, some so-called CSI activities are excessively "commercially" orientated with no real development component.

The Department of Social Development (DSD) has very recently (October 2001) adopted six social sectors to be the central drive from government in terms of social upliftment and sustainable development. One could therefore argue that in future, the SA corporate sector should seriously consider to align their efforts with these sectors to ensure integration and focus on social issues threatening South Africa. These sectors are as follows:

- HIV/ AIDS
- Women in rural areas
- People with disabilities
- Pensioners
- Children / Youth
- Income generation

The list above might contribute towards a re-definition of CSI on national level, in so far as focus and integration are concerned. It is clear that a serious effort is put into aligning focus and infrastructure, and collectively mobilising effort which in the South African context might change the future of CSI.

In closing, the extent to which newspaper articles on the topic are increasing as well as the impact of CSI on the advertising market, leads to further confirmation of a possible re-definition of CSI, and then moves towards corporate citizenship as the overarching term. A few examples of newspaper headings in recent S A print media on the topic are as follows:

Many state-owned entities have done much over the past 7 years" (The Star, August 16, 2001).

- "Metropolitan – making a marked difference in the HIV / AIDS pandemic" (The Star, August 16, 2001).
- "Partnership to beat poverty" (The Mail and Guardian, October 2001).
- "A greener outlook" (The Mail and Guardian, November, 2001).

- "Fighting crime with education" (The Mail and Guardian, November, 2001).
- "An integrated development for rural areas" (The Mail and Guardian, November, 2001).
- "Community gets rich from within" (The Mail and Guardian, November 2001).
- "A beacon of hope" (The Mail and Guardian, October 2001).
- "Employees reach out to their Communities" (The Mail and Guardian, October 2001).
- "Culture of giving back is crucial" (Business Day, March 25, 2002).
- "Promoting ethics and caring" (Business Day, March 25, 2002).

A few recent examples of advertising campaigns and more specifically the "payoff-line" of corporates, are as follows:

- De Beers: "We dig deep to support our young teams."
- bhp Billiton: "Developing people through education."
- Liberty: "We believe in lighting the way, putting you at liberty to invest in yourself."
- Sappi: "The tree provides food for minds that are hungry."
- Nestlé: "Feeding Africa. Body, mind and soul."
- Transnet : "Positively touching the lives of all South Africans."
- Vodacom: "You can't be a true leader unless you are connected to the people."
- Murray & Roberts: " Reaching out to our community."
- Shell Oil: "Community or Commodity?"
- SAB: "Giving back, touching lives."
- Anglo American: "Interestingly, we're not only leaders in hard hats. NGO's agree."
- Multichoice: "Education that is heaven sent."

1.3.3 Landscaping society / communities

In a report by the International Finance Corporation (IFC): Sustaining communities through improved business practice (2000), it is imperative that before companies design community development programmes, they should undertake an assessment of what constitutes "community" in the project area. How a company defines the "community" can vary greatly, depending on the size of the company and its community development programme, the development needs of the community, the company's sector and potential for business linkages, and the business objectives of the community development programme. Therefore it can be regarded as a key challenge of this study to define the social development landscape

For example, the IFC's public consultation, Good Practice Manual, may help companies conduct a stakeholder identification programme. This social map can help companies target their community development programmes at:

- people who have been directly affected by a project;
- people who expect to benefit from a project;
- people who live near a project; and
- vulnerable groups or people who are in particular need.

Companies can create a social map by answering a few key questions:

- Who is directly or indirectly affected by our business and how?
- What different groups exist in the communities around us and what are the conflicts of interest and power relations between these groups?
- Who is particularly vulnerable or marginalised within the community?
- Who live near or are affected by the project site?
- Who are our stakeholders? This may include relevant NGOs, community-based organisations, public sector, shareholders, customers and suppliers?
- What is an ideal balance between communities in our immediate surroundings and those in the broader region?

The South African community landscape is currently going through a number of changes. There are for example supporters of a shift towards favouring a more "afrocentric" management approach versus the "eurocentric" concept of business. In an article by Khoza (2002) a strong argument was proposed in favour of the "afrocentric" approach. He argues that an "afrocentric" approach, and within that, a South African-centred approach to management is essential if South Africa is to reach full potential as a country. He further refers to this philosophy as neither racist nor anti-anybody. It accords Africans their rightful place in the universe. It takes pride in the African identity without denigrating others. It acknowledges diversity as much as it abhors any notions of racial superiority.

To contextualise this philosophy within the study, it becomes important to define the social development landscape. It is argued that a new overall concept of business is required in South Africa, which takes into account the traditions and culture of the African participants in commerce and industry (Khoza 2002).

The author proposes that one way in which this could perhaps be framed is: "The community concept of Business".

The concept refers to:

- The community concept of business views the organisation as a community to which the individual belongs, not just by way of a legal contract but as a member, by choice. This community is built on close interpersonal relationships and group interactions and held together by a feeling of security and harmony on the part of all its members.
- The members submit themselves and their hopes and plans to this community. The tenets of a community concept of business are essentially humanistic and humane, and should permeate the whole outlook on business methods and practice.
- A true community has norms, rules and regulations. These rules are strict. But the rules and regulations are those judged necessary to facilitate interpersonal relations and to promote the values and objectives of the community – they are not aimed at preserving the ascendancy of one group in the community over another.

It is however important to offer characteristics of the community–centred workplace (Khoza 2002). These characteristics are:

- A community concept requires that management be approachable, not over-familiar. After all, in African villages the chiefs are highly dignified personalities, yet are very approachable.
- An atmosphere of informality must infuse the chores and procedures of business if employees across the board are to feel a sense of belonging. The managing director who is unable to engage in occasional informal chats along the corridor with the young trainee cannot hope to generate "esprit de corps" in the organisation.
- Managers should strive to understand the worldviews of those they manage and share the feelings of being human (along) with them.
- In a community there is a free flow of information. Everyone has a right to know what is going on. Each member of the group is a custodian of its secrets. One cannot cultivate a community spirit by withholding information and trying to manipulate facts.

From the above, "afrocentricity" or the community- centred approach to business in South Africa seems to be on the increase. Developments in the field of Corporate Citizenship have however been mainly sourced from Europe. What therefore appears to be needed is an "eclectic corporate culture" that recognises that Europe and other countries have had and will continue to have a lot to offer to the body of knowledge crucial for business and economic development,

whilst at the same time fully accepting that there are substantial lessons to be learned from the dynamically evolving South African world of work.

In summary defining the social development landscape is crucial in order to fully understand the dynamic environment in which business operates as well as the complexity of corporate social performance. The following section will therefore elaborate specifically on the stakeholders within this environment.

1.3.4 Stakeholder engagement

Most organisations operate in an open system/society where the quality of the interaction between stakeholders to a large extent determines the success of an organisation. This stakeholder landscape definitely poses a challenge to corporate social performance.

Most often, the importance of some of the stakeholders is neglected or even worse, not recognised, let alone attempts being made to form meaningful partnerships in order to address issues of common interest. To demonstrate the importance of partnership between stakeholders, the Government (Department of Social Development – DSD) decided in August 2001 to plan a business summit. The aim and objectives of the summit, which was held in October 2002, was to establish a workable framework in which the public sector, private sector and other stakeholders can form partnerships. The partnerships will generate ways and means whereby social development at large could be fast-tracked to ensure sustainable social development in South Africa. If one considers the serious lack of understanding of and communication between public and private sector, this endeavour is critical in terms of timing. All stakeholders need to buy into this agreed framework / partnership as it is a priority on the national social agenda of cabinet. It has also been sanctioned by the President as a key intervention in sustainable development practice post Johannesburg Summit (2002).

According to Colleen du Toit, Executive Director of the South African Grant Makers Association (SAGA), many organisations would like to work in multisector partnerships in order to establish additional resources and maximise the impact of their own contributions. This kind of thinking furthers the notion of the networked society, and encourages CSI programmes to incorporate creative collaboration between business, government and civil society, each party of the collaboration bringing to the programme their own particular resources. This is unfortunately easier said than done. Lack of communication between stakeholders and a lack of a common platform between them to name but a few makes it difficult to facilitate multisector partnerships.

Gower (1998) is of the opinion that because any enterprise has a number of stakeholders who

can determine its success or failure, it is important to include all stakeholders in assessing how well the enterprise is achieving the purpose and values it sets for itself. A first step is to measure how aware these groups are of what the enterprise's purpose and values are. These groups could then be included in assessing how well the values are being applied and to what extent the mission and vision – if they exist – are being achieved. In managing stakeholder relations, optimising the synergies and benefit to all relevant parties, an organisation needs to embrace the diversity amongst its stakeholders. Therefore it is critical to inspire the entire organisation (including major suppliers and other key partners) with the same purpose, vision and values and enable them to see where they can play their part (Gower 1998):

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

The partnership philosophy is currently a widely debated topic in South Africa. Quite a few newspaper articles have been published in this regard. In an article in Business Day of March 25, 2002 with the heading "Partnerships are the way to go" "Eric Ratshikopha of Sanlam Investment Companies said the following: "Companies need to engage with government departments and development agencies, and then link their own initiatives to national priorities". Carl Ballot from KPMG said the following:
"CSI should never be guarded with an air of jealousy – partnerships provide an opportunity for sharing of resources and knowledge". Gillian Hutchings of National Business Initiative (NBI) said "Partnerships need to be genuine and not in name only. A partnership implies that there is an equal bringing to the party of resources which can be in the form of time, money or people".

It is therefore clear that defining and understanding the stakeholders in social development becomes a key variable in the development of indicators for corporate social performance. Chapter 5 will offer a literature overview on stakeholder engagement and the partnership philosophy.

1.3.5 A "new wave" of consumerism

In an article in The Economist, (September 2001), it is stated that the new marketing approach is to build a brand, not a product, to sell a lifestyle or a personality, to appeal to emotions.

It is further stated that this requires a far greater understanding of human psychology. In Naomi Klein's book, No Logo (2001), she argues that the attempt by brands to adopt a social component – to embrace a lifestyle – is giving consumers a lever to influence the behaviour of companies. What makes this philosophy risky is that consumers are becoming despondent and cynical. They are bombarded with choices. They are "commercial veterans" inundated with up to 1500 pitches a day. Far from being easily manipulated, they are cynical about marketing and less responsive to entreaties to buy.

In an article (The Economist, September 2001) it is mentioned that brands of the future will have to stand not only for product quality and desirable image. They will also have to signal something wholesome about the company behind the brand. "The next big thing in brands is social responsibility" (Olins 2001). It will be clever to say there is nothing different about our product or price, but we behave well. Far from being evil, brands are becoming an effective weapon for holding even the largest global corporations to account. The founders of some of the world's oldest brands – Hershey, Disney, Cadbury and Boots, for example, devoted their lives and company profits to social improvements, to building spacious towns, better schools and bigger hospitals. The difference in the future will be that it will be consumers, not philanthropists, who dictate the social agenda (Olins 2001).

South African business in particular, has in the last decade become aware of a new "consumer wave" which has very strong social and ethical awareness levels. Corporate South Africa desperately needs to factor this challenge into their whole market approach as well as their value proposition, to cater for this new trend in consumerism. The South African Constitution particularly fosters elements of democracy, freedom of speech, etc. which not only ultimately empowers the ordinary consumer, but places a heavy responsibility on corporates to deal with this in a creative manner. Hamish Pringle and Marjory Thompson, authors of the book Brand Spirit (2000), base their theory on "Cause Related Marketing" on what they term as a "third wave" in marketing. The first being "Rational" and the second being "Emotional" waves, have now created an opening for a third wave referred to as "Ethical" marketing. Fundamentally this "new wave" emphasises the need for a high level of corporate sensitivity towards environmental, social and political issues as well as recognising the choice of the ordinary consumer.

In summary, contextualising the role and influence of this so-called "new wave" consumer on business, poses a real challenge in so far as corporates attempt to satisfy the needs of these consumers in a complex socio-economic and political environment. The level of social and environmental awareness in the ordinary man in the street is increased on a daily basis by media

exposure of the topic, possible legislation (King 2 Report on Corporate Governance), global events (WSSD), etc. Consumer rights, development activism and the social challenges that South Africa face are but a few contributing factors towards a mindset characterised by empathy and social and environmental concern. Chapter 3 will offer some views on the changing business landscape and contextualise the impact on consumer behaviour.

1.3.6 Strategic marketing

There seems to be a general increase in global awareness of the marketing spin-offs of corporate social performance. It has however been widely debated from various angles, catering for the "pro-marketing spin-off groups" and the groups totally against the marketing value that an organisation should receive for its CSI initiatives. The field closest associated to this is called "Cause Related Marketing" (CRM). It is however important in creating the context to offer a few opinions by well-known business leaders on how they view the role of marketing or brand building in corporate social performance. These views will also be offered in Chapter 3 in defining the business landscape. The following quotes were obtained from a website www.csreurope.org (July 2002).

> **The brands that will be big in the future will be those that tap into the social changes that are taking place.**
> Sir Michael Perry, Chairman of Centica PLC Dunlop Slazenger Group.

> **To make Europe the most competitive and dynamic knowledge based economy in the world, capable of sustaining economic growth, with more and better jobs and greater social cohesion.**
> The European heads of state set a new strategic goal for Europe 2010 (March 2000 in Lisbon).

> **The next big thing in brands is corporate social responsibility. It will be clever to say there is nothing different about our product or price, but we do behave well.**
> The Economist, 8 September 2001.

> **In a world where price and quality are increasingly equal, it is vital for business to develop loyalty and relationships with their target audiences. Cause Related Marketing (CRM) is a highly relevant strategy in today's environment and an extremely effective way of engaging the rational and**

the emotional side of all stakeholders. CRM can build the business whilst at the same time making a significant positive contribution to the wider community and therefore to the society in which we all live and hope to thrive. CRM is one way of making corporate social responsibility visible and used strategically, can provide significant benefits to both business and society at large.

Sue Adkins (2002): Cause Related Marketing. Who Cares Wins. Sue Adkins is also Director of the CRM campaign at Business in the Community (UK).

The BITC (UK) did research in 2002 to obtain evidence on consumer behaviour from a wide range of stakeholders. The following results were reported by BITC, supported by Research International:

- Seven-five per cent of chief executives, marketing directors and community affairs directors believe that CRM can enhance corporate or brand reputation.
- Eighty-one per cent of consumers agree that they are more likely to buy a product or service that is associated with a cause they care about, price and quality being equal.
- Seventy-seven per cent of consumers, who had participated in a CRM programme, said it had positively changed their behaviour or perceptions towards the company or brand involved.
- Sixty-seven per cent of consumers think that more companies should be involved in CRM.

Cause related marketing (CRM) is therefore a marketing phenomenon that is receiving widespread attention. The petroleum and motor industries respectively are taking the lead in this strategy. During a recent visit to South Africa (February 2002), Hamish Pringle, co-author of Brand Spirit: How cause related marketing builds brands (2001), commented on the strategic importance of cause related marketing (CRM) in any strategic marketing campaign.

The challenge would be to align the CRM strategy with the social objectives of the business without exploiting the social issue for the benefit of the company image. Furthermore, having a superb and highly recognised advertising campaign is one thing, transforming the business culture to give life to this campaign is another. It is for this reason and also the size and scope of CRM that no in-depth analysis will be presented of CRM as part of this study. Furthermore, there seems to be an increasing reluctance amongst corporate citizenship activists to keep marketing objectives separate from corporate citizenship objectives. "Corporate citizenship is not about glitter and glamour, nor is it supposed to be a glossy exercise – if so, it's defeating the true

essence of corporate citizenship" (De Cleene 2002).

1.3.7 Influencing macropolicy

The post-1994 era in the new democratic South Africa is epitomised by a drastic move by government to influence broad-based social and economic challenges through policy formulation and to regulate the developmental landscape. It could certainly be argued that the business sector has been challenged to transform beyond its capability to understand and read government's intent in this regard. A strong argument could therefore be proposed in favour of a general lack of understanding by business of exactly what the future will entail and how business should prepare itself to deal with these regulatory challenges in a pro-active way.

Evidence of a few recent significant developments in macropolicy formulation strategies are:

- The Employment Equity Act
- The Skills Levy Act
- The Public Benefits Act
- Establishment of the Black Economic Empowerment (BEE) Commission, resulting in the first report on BEE in 2001
- King 2 Report on Corporate Governance (2002)
- The Johannesburg Stock Exchange has established an advisory committee that has launched a report in December 2002 focusing on Socially Responsible Investment (SRI). The JSE will launch the SRI Index that will offer indicators against which all listed companies will be measured. Chapter 7 will contain an overview of the reporting indicators and guidelines, including the JSE: SRI Index.
- The Mining Charter and possible Finance Charter to be launched in 2003

Although corporate citizenship has as yet not been put into legislation, there seems to be sufficient indication of developments from a macropolicy point of view to support such a possibility. It is for this reason that a few initiatives have come to the fore in favour of trying to influence macropolicy on social development. The private sector, for example has over the past 18 months showed evidence of an attempt to partner with government on social development. Government, on the other hand, has also entered into strategic partnerships with the private sector in order to fast-track social and economic transformation in South Africa.

A recent example of the private sector's attempt is Old Mutual's Corporate Citizenship reports (2001 and 2002). In the Managing Director's statement, Roddie Sparks (Chief Executive Officer) commented on Old Mutual's commitment to the economic growth and social development of

South Africa. In this report an attempt is made by the private sector to influence macropolicy issues around social development / corporate citizenship. Although clear guidelines around social reporting still need to be finalised specifically in more concrete terms, increasing evidence is emerging on ways and means to influence government's regulations on the items that the corporate sector will have to report on. It is for this and other reasons that the indicators of corporate social performance will also be an attempt to influence macropolicy in SA.

Furthermore, a key imperative in transforming SA post 1994 is Black Economic Empowerment (BEE). BEE is seen as an integral part of corporate citizenship - thus proof of corporate's attempt to include performance in BEE in social reporting. Government on the other hand is expediting progress and tightening its grip on empowerment. It could therefore be argued that macro policy on BEE is entertained at high level as was reported in a recent article by Wadula (2002) in Business Day. In this article current thinking on BEE and proposals made by the BEE Commission to government is reported. The objectives/current thinking was reported as:

- Establish clearly defined policy directives.
- Establish an empowerment council.
- Establish empowerment charters in each sector of the economy.
- Review all existing legislation including:
  - amending the Procurement Act
  - amending the Companies Act.

The BEE Commission made the following proposals to government:
Introduce an empowerment act:

- Black share ownership on the JSE securities exchange to be at least 25% in the next ten years.
- At least 50% of state-owned enterprises and government procurement geared to black companies.
- The government employee's pension fund should invest 10% of its assets in productive investments in areas of national priority.
- Life and retirement companies should divert a minimum of 10% of their total assets towards productive investments in areas of national priority for a period of five to seven years.

From an international perspective, it seems as if increased attention has been placed on influencing global policy issues concerning social and economic development. According to Dr Allen White (March 2002), former Chief Executive of the Global Reporting Initiative (GRI):

University of Pretoria etd – De Jongh D 2006

> It is not an exaggeration to say that accountability is one of the defining imperatives of the modern global economy. This is as true for civil society, and government as it is for corporations. Corporations now account for half of the largest economic units in the world, and they dominate foreign direct investment, vastly exceeding the resources of governments and multilateral institutions as drivers of development.

White also referred to the steady increase in economic power, and stated that there was no evidence of an equal rise in general accepted accountability mechanisms. Furthermore it has become clear that existing accountability structures have not kept pace with the growth of corporate influence in shaping the future of workers, communities and the whole nation. It is this vacuum that the Global Reporting Initiative seeks, in part, to fill by establishing a generally accepted disclosure framework for sustainable economic and social development.

From the above it becomes clear that from an institutional level, both locally and internationally, sufficient evidence exists of attempts to influence macropolicy on corporate social performance. Furthermore, in the new democratic South Africa, basic rights of citizens and freedom of speech, are widely acknowledged and exercised. In the case of corporate citizens however, these basic rights have unfortunately not been properly exercised. What is meant by this is the private sector's inability to enter into strategic partnership with all stakeholders, in this case particularly the public sector.

Colleen du Toit, Executive Director of the South African Grantmakers Association, is of the opinion that there is still a way to travel on the road towards a properly enabling legislative environment (2002). The current demand for the maintenance of bureaucratic and overcomplicated administration of funds by underresourced CSI departments and civil society organisations should be relaxed. More importantly, there is still the reality that CSI funding will continue to flow mainly towards those areas already enjoying tax benefit status, while other critical areas such as job creation and rural development have been overlooked in the new Public Benefits regulations.

Finally the South African Business Coalition on HIV / AIDS (SABCOHA) could be regarded as an institutionalised attempt from business to influence policies on national level related specifically to HIV / AIDS. SABCOHA already has strong business support and receives significant attention from Government on policy issues and strategic direction. These positive examples of influence on macro policy need to be widely communicated to pave the way for future attempts by business

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and government to form partnerships relating to policy-making issues.

The challenge however of the indicators would be to generate benefits for both business and social development. According to the 2002 CSI Handbook, some of the benefits of engaging in CSI for business include the following:

- Enhances the caring image of the company.
- Improves relationships with the community.
- Improves employee loyalty and morale.
- Helps stabilise the economic and social environment for long-term company survival.
- Enhances business performance.

The social / community / environmental benefits could be as follows:

- Greater understanding and support from business
- Possible influencing of strategic business issues and policies
- On a macrolevel, greater alignment of all stakeholder resources as well as focus on key social sectors/areas resulting in alleviating poverty and addressing issues of social imbalances in the country as a whole.

The indicators will however demand ongoing debate between Government,the Private Sector and Civil Society. They also will ask for information sharing between stakeholders, incentive schemes, benchmarks, best practices and alignment of social intervention, to name but a few. The indicators therefore will have to be dynamic in terms of continuous development and benchmarking, locally and internationally.

1.4 DEFINITION OF THE RESEARCH PROBLEM

In attempt to define the research problem the challenges facing the corporate social responsibility landscape was described in section 1.3. The current SA social development landscape in which the corporate sector is viewed as a major driving force is characterised by a changing business landscape where responsible business practice and governance are fundamental value disciplines. "Doing good " no longer seem to be sufficient and the "blurring boundaries" of corporate philanthropy have created a new platform for sustainable business practice and social cohesion. With the advent of the King 2 Report on Corporate Governance focussing on non-financial reporting, a surge of debates on regulatory practices (for example the Mining Charter and other business charters to follow) and shareholder activism, the question most SA corporations is faced with is how these companies will know if and when they are performing

adequately from a social perspective. Furthermore, the stakeholder landscape in SA which is still loaded with distrust and ignorance complicates the striving for corporate social performance. On a consumer level, there are signs of "awakenings" by ordinary citizens who demand responsible corporate behaviour.

The social development debate which is still clouded by political rhetoric furthermore complicates a constructive solution based approach by making it more problematic for the SA corporate sector to align business and social imperatives. Although a strong attempt is made by the corporate sector to influence macropolicy issues through corporate social investment initiatives, these "pockets" of success fail to enhance large-scale social transformation. A number of SA companies are making a significant impact on social performance, for example Old Mutual which published their second Corporate Citizenship Report (2002) in 2003. Companies like Old Mutual are setting the pace on social reporting in SA. Their baseline indicators are however internationally grounded (for example The Global Reporting Initiative and AA 1000 Accounting and Reporting Standards). Without local indicators of corporate social performance, the uniqueness of the SA landscape might be overlooked resulting in limited contextual value to social transformation and nation building.

Apart from a challenging local environment, strong forces of global regulatory practices are being introduced in SA with limited contexuality and relevance locally. Although these indicators are highly applicable in SA, the need to bridge a possible gap between these international indicators and the realities of SA is necessary.
Thus, the research problem fundamentally relates to a general absence of indicators of corporate social performance in SA.

The need therefore to document corporate social performance as an emerging phenomenon in the SA context is substantive. The research problem is discussed in more detail in Chapter 8, but it could be summarised by asking the following questions:

- How is the social development landscape in SA and global social development landscapes changing?
- What are the main drivers and challenges for social tranformation in SA?
- How can the SA corporate sector's role in social transformation be defined?
- What are the most critical SA business imperatives that are emerging in a world characterised by a strong social conscience?
- What are the main drivers of change, leading to a new SA business order that optimises social and environmental sustainability?

- What determines sound corporate social performance in SA?
- When will a SA organisation know if it is performing adequately in social terms?
- How does the relationship between stakeholders in SA influence social transformation and corporate social performance?
- How relevant are stakeholder partnerships in social development in a SA society characterised by distrust and exclusion?
- What will the characteristics of the future landscape of corporate citizenship in SA be like?
- What should the key focus areas or objectives be to achieve a healthy future corporate citizenship landscape in SA?

Answers to the above will be addressed in the literature review (Chapters 2 – 7). The empirical research will be covered in Chapter 8 and 9 and the final results and conclusions in Chapter 10. To sum up, the main reason for executing this study is the lack of generally accepted, fundamental as well as operationally applicable indicators of corporate social performance in SA. The problem therefore is that SA organisations contribute substantially towards social investment, not knowing whether this contributes towards a larger, national goal on the one hand, or the extent to which it improves the organisation's reputation as a good corporate citizen.

1.5 PURPOSE OF THE STUDY

The main purpose of the study is to develop indicators for corporate social performance in the SA context. More specifically the following topics and areas will be investigated and explored in order to demarcate the study:

- The social development landscape.
- The business landscape, viewed from a social development angle.
- The evolution of corporate "giving" and philanthropy to corporate social responsibility resulting in social investment, up to what seems to be a term used more often today but with diverse meanings attached to it, namely corporate citizenship.
- The challenge associated with stakeholder engagement and demystifying the partnership philosophy.
- The current frameworks, guidelines and indicators specifically regarding reporting on social performance and how these guidelines and indicators are being institutionalised on a global level.
- Future perspectives on the changing business landscape from a European as well as South African perspective.

- The relevance and practical application of indicators for corporate social performance in the SA context. These indicators will also be compared with current frameworks used globally to determine the relevance and applicability of the indicators.

Through investigating the above areas and topics the primary and secondary objectives will be reached.

1.6 OBJECTIVES OF THE STUDY

One primary and seven secondary objectives have been identified for this research study. They are:

Primary objective

- To suggest indicators of corporate social performance in South Africa.

Secondary objectives

- To determine the implications of integrating social development imperatives with business imperatives.
- To determine the changing social development and business landscape.
- To determine the role of stakeholder engagement in corporate social performance.
- To determine the role of cross-sector (public, private and civil society) partnerships in social transformation.
- To generate future scenarios on the changing nature of business.
- To generate future scenarios on what it means to be good corporate citizens and consequently delivering corporate social performance.

1.7 RESEARCH DESIGN

1.7.1 Nature of the study

Since there seems to be no South African perspective on, or evidence of corporate social performance indicators, the nature of this study could be viewed as an exploratory attempt to develop such indicators. The study further includes an extensive literature review due to limited documentation in SA of areas related to corporate social performance. The study would therefore

extend the understanding of the SA business sector's role in social development and transformation through the literature review, but also through an empirical qualitative study. The indicators will therefore suggest a standardised framework for SA business in their pursuit of becoming good corporate citizens. This will contribute towards the SA Government's vision of "making a better life for all".

The study therefore consists of a literature study as well as an empirical study. The literature study provides better insight into the research problem as well as the necessary background to guide the imperial part of the study. An extensive study of related literature was conducted during this phase of the study.

1.7.2 Research methodology

The study followed a qualitative research design. Data were gathered through self-administered in-depth semistructured interviews. The interviews were conducted with 15 leading experts in the field of corporate social responsibility in SA. The interviews were recorded and transcribed into a rich text format. The qualitative interpretation through content analysis methodology was done in a narrative style and in ordinary language to solicit key groupings of coherent data that had explicit meaning and related to indicators of corporate social performance.

The rationale for following qualitative research design was fundamentally due to the exploratory nature of the research. It was therefore necessary to understand the broader field of corporate social responsibility as well as the dynamic perceptions of a group of thought leaders in SA. Qualitative research allowed for a holistic approach where new realities were discovered under naturalistic conditions. It also allowed for value-based perceptions to influence the understanding of the phenomena of corporate social performance.The rationale for using content analysis was based on the fundamental disclosure of differences in communication content. The content was analysed against the objectives of the study through a codification methodology which allowed for unobtrusive measures of the interview results. The ultimate objective of applying content analysis was the logical alignment between the goal of the research, the nature of the data and the analytical methods being employed.

The research in no way claims that the set of reported indicators are inclusive and valid, but rather reports directly what the participants consider to be key indicators of corporate social performance.The sampling method in selecting the 15 participants was based on convenience sampling although an attempt was made to select representatives from the public, private and civil society sectors. These participants were chosen because of their undisputed reputation in the field of study and their current role in shaping the social development landscape in SA. The

population of potential participants in this study was relatively small, resulting in a situation in which the availability of the participants in the population determined the ultimate sample. The following fifteen individuals participated in the study:

The private sector:

1. Mr Phillip Armstrong: Managing Director: ENF Corporate Governance Advisory Services

2. Mr Mpho Makwana: Chief Exectuve Officer: Saatchi & Saatch (SA)

3. Mrs Nicky Newton-King: Director New Business & General Council: Securities Exchange South Africa

4. Dr Bongani Khumalo: Chairman: Transnet

5. Mr Paul Kruger: Chairman: SASOL

6. Mr Clem Sunter: Chairman: Anglo American Chairmans Fund

7. Mr Mohammed Amad: Group Secretary ESKOM

The public sector:

8. Dr Zola Skweyiya (MP): Minister of Social Development

9 Mr Vukani Mthindzo: Manager Stakeholder Relationships: Department of Sosial Development

10. Mr Bruce Koloane: Chief Director: Economic Development: Africa and the Middle East: Department of Trade and Industry

The civil society sector:

11 Mr Sean de Cleene: Director: African Institute of Corporate Citizenship

12. Prof Barney Pityana: Principal and Vice Chancellor: University of South Africa

13. Rev Sunette Pienaar: General Manager: Heartbeat: Centre for Community Development

University of Pretoria etd – De Jongh D 2006

14. Mr Allister Smith: Congress of South African Trade Unions (COSATU) representative on Naledi – The research and development arm of COSATU

15. Ms Margie Keeton: Chairperson: Tsikululu Social Investment Services. (Managing the Anglo American, Anglo Gold, Anglo Platinum and First Rand Foundations)

The representation of the participants in the two sectors is as follows:

Private Sector:	50%
Civil Society Sector:	30%
Public Sector:	20%

Interview / Structured questions

Question 1

What are your views on the integration of social development with core business strategies in SA?

Question 2

What are your views on the business sector's engagement with stakeholders in SA?

Question 3

In your opinion, what are the key indicators of corporate social performance in SA?

Question 4

Characterise the future landscape of corporate citizenship in SA?

Question 5

If you had the opportunity to shape the future of corporate citizenship in SA, what would the three most critical areas be that you would focus on?

The content analysis of the interview transcriptions was done by an expert in content analysis. The analyst followed plausible constructionism as the coding methodology to ensure validity of the content analysis. The qualitative research expert finally offered a report on the data analysed as well as a detailed description of the elected indicators of corporate social performance.

1.8 BENEFITS OF THE STUDY

It is important to note that the timing of this study is supported by a few strategic initiatives in South Africa currently being entertained on the national agenda. The social development

landscape is characterised by significant initiatives driven by government, business, civil society, or a combination of the aforementioned stakeholders. A few examples epitomising the landscape and supporting the importance of the study are as follows:

- The New Partnerships for Africa's Development (Nepad) – 2002
- The KING 2 Report on Corporate Governance with specific focus on non-financial areas of compliance (March 2002)
- Moral Regeneration – an initiative by the President, Thabo Mbeki (2002)
- The World Summit on Sustainable Development (August 2002)
- Business Summit on Public / Private Partnership on social development (November 2002)
- 2002: The Year of the Volunteer, endorsed by former President, Nelson Mandela
- The first African Annual Conference on Corporate Citizenship (March 2002) hosted by the AICC
- Launch of the JSE Socially Responsible Index (SRI INDEX) draft guidelines (November 2002)
- First report on Socially Responsible Investment in South Africa (February 2002) a BOE / AICC initiative
- First report on Sustainable Banking in Africa. A UNEP / FI and AICC project (December 2003)
- First report on Corporate Citizenship benchmarking initiative for South Africa (July, 2003) An AICC initiative

The benefits of the study are as follows:

1.8.1 Benefits for the business sector

- The study will offer indicators for corporate social performance that currently do not exist in SA.
- The indicators will advocate the integration of social concern with the business value proposition. The key differentiating factors in the value proposition of an organisation would therefore be expanded to accommodate social issues/awareness. This also would imply integrating social concern in the value system of an organisation and not separating it from the core business.
- The indicators will offer a practical solution, almost a step by step approach, in integrating business imperatives with social development objectives.
- Social intervention and development rely heavily on scarce resources, i.e.

human resources, expertise, capital and capacity to name but a few. The total effort of these resources is captured in the private sector and through focused and systematic mobilisation of these resources, as suggested through the indicators, a significant impact on social development in SA could be achieved.

- The study will increase the private sector's awareness, sensitivity and understanding of the social agenda, i.e. social issues and sectors as proposed by government on a national level. Private sector's role in the social agenda would also be introduced to all stakeholders.
- The study will offer the private sector a clear picture of all stakeholders, the interfaces between these stakeholders and management implications of stakeholder engagement and partnership building.
- The study will suggest strong emphasis on continuous dialogue between all stakeholders.
- Consumers in general are becoming more socially and environmentally aware.
- Ethical concerns further strengthen this trend which undoubtedly leads to a new challenge facing most organisations in the private sector. The real challenge however is to incorporate this "new wave" consumerism into the core business strategy of an organisation without diluting the core focus, namely financial sustainability, of the business. The study will attempt to avoid this threat through multilevel intervention, stakeholder management, value integration and strategic marketing and communication management.

1.8.2 Benefits for the civil society sector

- A clear understanding will be obtained of all the relevant stakeholders in the social development arena. Not only will it be possible to map these stakeholders'' roles in social development, but also more clearly isolate the various interfaces between them to determine the cross-impact of efforts on each other.
- Throughout the study an attempt will be made to advocate a redefinition of what is generally accepted as corporate social investment. The multipartnership approach, combined with a stronger focus on integrating social concern with the business value proposition, could result in adjusting certain fundamental elements in what is known as corporate social investment, hence supporting the term "corporate citizenship" as the term and philosophy of reference.
- With the framework it would be possible to optimise available resources (human resources, capital, capacity, expertise, etc.) of all stakeholders aiming for maximum impact and social benefit. The Civil Society Sector, which is known for being

undercapacitated, will specifically benefit through this resource mobilisation.

1.8.3 Benefits for the public sector

- The study suggests a strong drive for empowerment and capacity building. It argues that as much as the end beneficiary (e.g. person living with AIDS) needs to be empowered with information and choice, the government needs to be empowered and capacitated through a multipartner approach in addressing social issues.
- The study will demand strong social leadership from government in so far as official recognition needs to be given to the social sectors / concerns / issues as decided and institutionalised by cabinet. Government will have to integrate these areas with those areas already focused on by business to ensure maximum impact and to minimise duplication.
- The study will suggest government intervention from a policy perspective to incentivise business more explicitly for its contribution to social development. Examples are: tax benefits, government tenders, export / import benefits, etc. This will expedite social transformation.
- The study will suggest that government harness business's efforts in Corporate Social Investment through integration with key strategic initiatives currently in process, e.g. Nepad, KING 2 Report on Corporate Governance, World Summit on Sustainable Development (WSSD).

1.8.4 Benefits for the country

- The study will suggest that business intent and social intent within the macro-developmental strategy, be integrated with multiple benefits for the country as a whole.
- The study will suggest a strong social marketing approach, well anchored in the partnership principle and hopefully free of possible ethical or moral concerns or dilemmas. Social marketing however suggests unleashing communication channels, giving a "voice" to all stakeholders, including the ordinary man in the street.
- The study ultimately also suggests disclosure and transparency which certainly could be viewed as building blocks for a healthy society.
- The study will further suggest an already strong case for public private partnerships in the eyes of government. Social development is no longer the responsibility of government only, but deserves strong partnership with business and Civil Society.
- Very little research has been done in this field and specifically about the joint roles of government, business and civil society in social development. Furthermore there seems to be a general lack of documentation of projects and programmes as well as success

stories. The study will therefore vote for serious case study development and documentation, particularly of the multipartnership approach in social development. Through building history, it may be possible to develop benchmarks against which future studies could be measured. Finally, the indicators of corporate social performance could become the benchmark measurement in SA for all SA corporates to adopt.

1.9 LIMITATIONS OF THE STUDY

This study could be viewed as a starting point for exploring South African indicators of corporate social performance. Furthermore it also attempts to build a business case for mainstreaming corporate social responsibility into core business strategy and practices. The indicators therefore could almost be seen as guidelines for SA businesses striving to increase their levels of corporate citizenship and social performance. The study however does not suggest that the concepts, findings, conclusions and recommendations are definitive and it is acknowledged that further research is required to address this subject adequately.

Given the exploratory nature of the research, the reader should be aware of the following limitations of the study:

- The sample frame that was used in this study originated from discussions the researcher had with the Directors of the African Institute of Corporate Citizenship (AICC). The 15 names were then selected after assessing the corporate citizenship landscape in SA and more specifically those individuals who have strategic influence and who receive local and international recognition in this field. It is therefore important to be aware that any reference in this study to any part of the universe should not be read as representing the population, but rather seen in context of the sample frame that was used.
- Although the sample frame comprised representatives from the public, private and civil society sectors, the majority (50%) of the sample came from the private sector. The findings of the research should therefore be viewed in this context, suggesting that the SA indicators for corporate social performance predominantly result from the opinions of the private sector.
- As this study was conducted amongst a South African sample frame, representing a diverse group of participants, the results relate to the South African situation and should be interpreted as such.
- This study introduced a new term to the participants, namely corporate social performance. This term therefore had to be defined in a pragmatic way without any substantive theoretical and literature foundation. This could have led to nuance differences in explaining the term owing to the unique circumstances and personal backgrounds of participants during each interview. The indicators for corporate social

performance should therefore be seen against a pragmatic definition of the term rather than trying to create a new definition of the term. The indicators will however contribute towards a more definitive definition of corporate social performance.

- The study focused mainly on determining SA indicators of corporate social performance without comparing the results with local indicators (for example the CCMR model of the AICC/Trialogue) or international indicators (for example the Global Reporting Initiative). The indicators should therefore be seen in this context due to its exploratory instead of comparative nature.

1.10 OUTLINE OF THE CHAPTERS

The outline of the study was done in such a way that it follows a justifiable pattern building up to the specific research study and objectives. Each chapter investigates the basic concepts in the current literature and then narrows them down to the next chapter that automatically follows the concepts discussed in the previous chapter. This approach strengthens the storyline of the study, building and ensuring strong elements of cohesion into the main body of the study. The literature study then leads to the empirical study in which the specific research problem and objectives are being addressed.

Chapter 1

Introduces the field of study, the research problem, main objectives, research methodology and benefits of the study. This chapter creates the overall context and defines the necessary drivers of the study in reaching the stated objectives.

Chapter 2

This chapter is viewed as the point of introduction to the concept of corporate social performance. In order to describe corporate social responsibility, it is important to offer an overview of the social development landscape. This chapter therefore describes the characteristics of the social development landscape, predominantly in SA, with some reference to international trends. The drivers and challenges of social development will also be described. Chapter 2 therefore creates the base framework against which an organisation's social performance can be measured.

Chapter 3

To define corporate social performance an overview is needed of the business landscape, viewed from a social development perspective. Chapter 3 therefore offers an overview of the social drivers of business, pointing out the changing nature of business and the challenges it is

faced with. This chapter also introduces the phenomenon of social imperatives as key drivers of business success, suggesting the critical need for integrating social and business imperatives to ensure sustainability for all. It finally suggests radical transformation of the business sector.

Chapter 4

In combining Chapters 2 and 3, the logical result is "business in the community/society". Therefore Chapter 4 contextualizes the role of business in society, leading to what is generally known as corporate social responsibility. Chapter 4 also introduces the term more often used currently, namely corporate citizenship. This chapter provides a historic overview of corporate social investment and responsibility, the changing face of corporate "giving" and philanthropy and the drivers of becoming good corporate citizens. It also introduces some challenges in the field with specific reference to stakeholders' engagement and partnership building as key indicators of corporate social performance.

Chapter 5

As reported in Chapter 4, one of the key indicators, as suggested in the literature on corporate social performance, is stakeholder engagement and establishing partnerships with stakeholders. Chapter 5 therefore offers an overview of stakeholder engagement and the philosophy of partnership building. It introduces all the key role-players (cross-sectorally) in social development, the process and steps in stakeholder engagement and finally the benefits and challenges of establishing partnerships with key stakeholders. As the literature suggests, successful stakeholder engagement and mutually beneficial partnerships are key indicators of corporate social performance.

Chapter 6

Since Chapter 5 introduced the term "corporate social performance", it pointed to stakeholder engagement as an indicator that might be one of many other indicators, Chapter 6 explores current frameworks of social performance. This chapter reports on global and local indicators, management frameworks and guidelines for social accounting and social reporting. Consequently it reports on accountability standards and offers a few examples of corporate social reports. This chapter also emphasises the increasing importance of measuring social and environmental impact as a prerequisite for corporate social performance. The term "triple bottom line" is also introduced in more detail which in business circles globally is changing the nature of business. Furthermore internationally recognised business practice like the balanced scorecard is challenged with what experts of business in the future term the "sustainability scorecard".

Finally, in Chapter 6 a framework presents the relevance of the theory through a process

of contextualization. This is done with specific emphasis on the current SA realities. The framework also reveals the need for clarifying the theoretical constructs through the actual research design in order to reach the stated objective of the study. The framwework finally integrates the various theories and frameworks presented in Chapters 2 to 6 that lead to identifying the critical elements relating to corporate social performance.

Chapter 7

Chapter 6 creates the context for Chapter 7 which offers some challenging perspectives by leading European experts on the changing nature of future business. The previous chapters introduced new concepts and principles of business practice, which in itself suggests that the way in which business is conducted, will never be the same again. Chapter 7 therefore specifically explores the social character of future business in SA, as well as some general international trends according to the researcher's viewpoints.

Chapter 8

Chapters 2 – 7 dealt with the theoretical constructs, offered in a literature review format. These chapters automatically led to the main research objective to be investigated, namely determining indicators of corporate social performance. Chapter 8 therefore states the research problem and objectives, the research design and methodology (qualitative research design) and the data analysis methodology (content analysis).

Chapter 9

Chapter 9 offers a discussion of the research findings. The findings are offered in a structured format. The results per question (thematic constructs) as well as an overall analysis of the data relating to the main objectives of the study are presented.

Chapter 10

Chapter 10 offers a brief theoretical summary of the field of study in order to finally integrate the study from a literature perspective into a meaningful whole. It also offers the final conclusions and recommends indicators of corporate social performance. Chapter 10 also suggests topics for future research and reports on the limitations of the study.

1.11 CONCLUSION

The aim of Chapter 1 was to introduce the field of study. The driving themes underlying the aim and objectives of the study were explored in order to create a meaningful context that would form the basis of the chapters to follow and the study as a whole.

An attempt was therefore made to defend the need to explore the field of integrating social imperatives with core business strategies. The challenges facing the field of corporate social performance were explained and contextualised in order to justify a study of this nature. Chapter 1 also specifically reported on the critical objectives of the study in order to demarcate the extent of the study clearly. The landscapes representing the key fields of study, i.e. social development, business and corporate social performance landscapes, were described to clearly map out the extent of the intended research as well as the associated methodology to be followed in reaching the stated objectives. In Chapter 1 comments were formulated on possible benefits of the study.

Finally, considering the timing of this study, the current socio-economic and political climate in SA fully supports further deliberation, but more specifically from an academic perspective, the critical analysis of the corporate social development and performance field. **The framework in Chapter 6 (Figure 6.4 p. 280) therefore presents contextual reality which relates to the unique socio-economic and political challenges in South Africa. These factors relating to the SA context will be applied within the findings of the literature review in order to identify the unique indicators that have specific relevance in SA.**

In an article by DuToit (Business Day June 29, 2002), she indicates that the SA corporate sector is grappling with the implications of the second King report, which suggests a social responsibility framework for business in terms of the "triple bottom line" of financial, social and environmental accountability. Furthermore she reported that in the international arena, the "global compact" emphasises the need to build cross-sector partnerships in support of poverty alleviation and sustainable development. This compact calls for alignment of corporate policy and practice with values upholding enlightened human rights, labour and environmental standards. The report also indicated that the "lack" is really in the area of strategy, leadership, management capacity and management information.To succeed in aligning corporate policies and practices, closer engagement and strategic alignment between social and business imperatives as well as between key stakeholders (business, government and society) are critical which finally confirms the need to develop indicators of corporate social performance in the SA environment. Without these indicators, measuring the impact on social transformation in SA will be limited. In conclusion, during the launch of the UN Global Compact Learning Network in SA (April 2003), Sean de Cleene (Director of the African Institute of Corporate Citizenship) presented a table (see Table 1.1) on the key issues facing the global corporate social responsibility landscape. Specific reference is made in the case of this study to the emerging trends in CSR. This table represents the entry point of the literature study presented in Chapters 2 – 7.

University of Pretoria etd – De Jongh D 2006

Table 1.1: Key issues in corporate social responsibility (Source: De Cleene 2003)

	GOVERNANCE	MARKETS
EMERGING	**Boards:** • Building a business case for CSR • Impact of CSR on financial markets and socially responsible investment funds • Role of non-executive board members in CSR	**Markets:** • Emergence of social enterprises • "Scaling up" and market leadership as CSR practitioners • Formation of social clusters
EXISTING	**Balance sheet:** • Assurance/verification of social reporting • Materiality • Supply-chain compiance	**Brands:** • Social value of brands • Brand integrity and reputation • Using the above indicators as competitive differentiators

University of Pretoria etd – De Jongh D 2006

CHAPTER 2

CONTEXTUALISING THE SOCIAL DEVELOPMENT LANDSCAPE

2.1 INTRODUCTION

In Chapter 1 an overview of the fundamental driving principles of this study was presented. These driving principles, namely social development, business strategy and corporate social performance will be reviewed from a literature perspective in this chapter and the following four chapters.

The reason for entering the literature review section of the study through the social development landscape is because social imbalances and injustices specifically in South Africa and globally, instigated the origination of the whole field of corporate "giving". It is therefore a logical starting point to create the literature context by offering key theoretical explanations on certain topics related to social development. These explanations will lend substance to the attempt to develop a framework for corporate social performance, the main objective of the study.

The changes that society is undergoing have taken many forms in recent years, ranging from the information revolution, child labour issues and increased environmental awareness, to demonstration against globalisation. They have permeated every part of society, including business. Social and environmental development issues as well as the whole global notion of sustainability have over the past few years been placed on the national agenda's of First World and developing countries worldwide. International forums such as the World Summit on sustainable development (WSSD), Global Reporting Initiative (GRI) and Global Compact regard the issue of social and environmental development as key determinants of global economic stability and sustainability. Social regeneration is therefore crucial and it is widely accepted by world authorities such as the United Nations, European Union and African Union as a key priority which demands attention by governments, the business world and civil society.

In South Africa, however, regenerating the social landscape only received attention post 1994. Social development has been on the national agenda ever since, and although the SA government has established a number of key interventions in addressing these social challenges, forming partnerships and aligning resources to deal with these challenges have not been successful (Skweyiya 2003). The social development / sustainability landscape is still largely divided between the three main stakeholders, namely government, business and civil society, hence the need to harness the collective efforts in fast-tracking social development in South Africa.

In a recent article in Business Day (July 2002) a speech of President Thabo Mbeki, on society's responsibility to police expression of avarice was published. In his speech President Mbeki reported on the changing role of society globally and specifically in South Africa. He also recognized the truths about capitalism and the way in which capitalist economic goals become the dominant social value system. Mbeki however strongly suggests in reply to this that society represented by the state, should police and regulate the expression of avarice. In his speech strong emphasis was placed on the misperceptions, amongst the people of South Africa, on societal values driven primarily by capitalism and greed. His reply on this dangerous phenomenon was: "To respond to this immediate and real danger, we called for the reconstruction and development programme of the soul. As a country, we are engaged in a national campaign for moral renewal." It is therefore clear that societies' role in social development in South Africa will be mandated by the highest authorities which will have a strong bearing on transforming business' role in social development. With the recent fall of major multi national global companies such as Enron, Worldcom and Arthur Anderson, basically because of cracks in corporate governance, a watchful eye on ethical practices not only from institutional level, but also by the general public will become the driving value system in global socio-economic stability.

There is sufficient evidence globally that the social development landscape and more specifically social value systems are changing and that development activists world-wide are appealing for re-defining society's role in the global market place. During a speech by Kofi Annan, Secretary General of the United Nations, at the World Economic Forum in Davos Switzerland (1999), the following comment was made: "I want to challenge the leaders of the community to a step further. I am asking them to join me in a global compact of shared values and principles, which can give a human face to the global market". As far back as 1992 - the Rio Earth Summit's Secretary General, Canadian industrialist Maurice Strong argued that ...

> (the transmission to) sustainable development is not just an option but an imperative ... It requires a major shift in priorities for governments and people, involving the full integration of the environmental dimensions into economic policies and decision-making in every sphere of activity...

This global partnership is essential to put the world community on a new course for a more sustainable, secure and equitable future as we "prepare ourselves for the twenty-first century" (Strong 1992).

In summary, the social development landscape poses certain challenges in so far as the role of business in society and the whole sustainability phenomenon are concerned. It is clear that the social development arena is characterized by multi-stakeholder involvement, all parties having an interest in improving social and environmental imbalances and contributing towards sustainability. The real challenge however will be to manage this intent in a productive manner in order to reach social development objectives.

2.2 SOUTH AFRICAN PERSPECTIVES ON SOCIAL DEVELOPMENT

In the following section of Chapter 2, a literature overview is presented on developments, trends and challenges in the South African social arena.

2.2.1 Development update (1994 – 2000)

In this section of the study an attempt will be made to offer a review on the government's and the voluntary sector's development delivery from 1994.

Everatt and Zulu (2001) analysed government's performance in delivering rural antipoverty aid programmes since 1994. They identified three main phases in the 1994 - 2000 period, and used three major development programmes to identify key successes and failings on the part of both civil society and government.

The three phases were as follows:

The learning curve(1994-1996). Defining direction, adopting community-based approaches, institutional arrangements, role clarification, etc.

Innovation and refinement(1996-1997/8). Evaluation of first phase, policy amendment, devolution of power, better data and improved targeting, greater outsourcing of implementation, etc.

Delivery and stagnation?(1998 - 2000). Delivery within existing frameworks and models, unresolved tensions between treasury and regulations and community-based development, high staff turnover, less excitement and innovation within many departments, danger of stagnation and reputation, etc.

The three programmes used in identifying key successes and failings were:
Community-based Public Works Programme (CBPWP)
Consolidated Municipal Infrastructure Programme (CMIP)
Poverty Relief and Infrastructure Investment Fund (PRIIF)

Everatt and Zulu (2001) further reported the following problems facing /rural development programmes:

- **Government** - battles within and between departments; role uncertainty on national, provincial and local level, etc.

- **Integration** - poor cross-departmental collaboration; no integration of government, parastatals, civil society and business, etc.

- **Delivery** - lack of maintenance strategy; overloading CBOs, etc.

- **Target group** - failure to provide training; failure to recruit youth, people with disabilities, women in rural areas; weak monitoring of projects, etc.

- **Monitoring and evaluation** - no monitoring culture, problems with monitoring systems; single department focus.

They also alluded to the critical success factors that deserve serious consideration in addressing the challenges of rural social development (Everatt & Zulu 2001).

- **Integrated planning and implementation** - the multifaceted character of social development requires a partnership approach whereby all stakeholders, government, civil society, business and donor agencies need to align and integrate effort.

- **Community-based development** - This is the most effective method of development. Local people need to become partners from the outset, participating in asset choice, planning, asset location decisions, worker selection and implementation management. Local community-based organisations make powerful partners.

- **Financial flows** - Need to be speeded up. Delayed payments in community work is fatal.

- **Facilitation** - Facilitation is a key social development principle. Through facilitation, interfaces could be provided between the community on the one hand and other stakeholders, i.e. government, business and donor agencies.

- **Proper targeting** - The identified social sectors (e.g. Youth, HIV/AIDS, Rural Women,

etc.) need to be properly targeted to focus and pinpoint allocations.

- **Monitoring and evaluation** - Systems need to be simple, accurate and rigorously analysed so that management decisions are based on sound information. Evaluators should be appointed when programmes begin so that they can provide ongoing inputs as the programme unfolds.

These guidelines offer some "check points" for any business to actively participate in community/ social development interventions. In an article by Pieterse (2001) on the critical role of institutional synergy and poverty reduction, he argued that one of the main reasons for limited success in challenging poverty, is institutional uncertainty and lack of rigour in defining specific foci that characterise most development organisations, inside and outside the public sector. Poverty is multidimensional and complex. It requires sophisticated responses, which in turn require us to radically re-think institutional practices and interfaces within the non-profit development sector, and between the state, private sector and civil society (Pieterse 2001). He emphasises the critical role of partnerships and urges any organisation/institution to become "more than themselves".

The role of NGOs:

In an article written by Motlala and Husy (2001) on the role of NGOs in social development, specific emphasis is placed on the reason behind the efficiency of NGOs as key partners in social development. They reported four key advantages of utilizing NGOs in the developmental realm of society.

- They operate from a value base.
- They reach the poor, marginalized and most vulnerable people.
- They have the ability to identify and understand the needs of individuals and communities.
- They have great flexibility in implementing programmes.

Unfortunately in South Africa the potential of using and empowering NGOs has not nearly reached a level where NGOs are operating at full capacity with maximum impact. Lack of capacity, skills, uniformity in approach, coordination and ability to guarantee continuation of their inputs, are but a few limiting factors in NGOs reaching full potential. It was also noted that the state and private sector need to recognize and strengthen volunteer involvement in development delivery via NGOs. Furthermore an enabling environment for the flow of revenue to the NGO sector is long overdue (Motala and Husy, 2001). It was found that many spending decisions are

irrational, in both economic and human terms, and do not promote development efficiency. The role of the private sector could be harnessed to the extent that "financial delivery" could realise through partnership with the NGO sector and the utilisation of NGO infrastructure.

Partnerships:

Most Banks in SA have an extensive branch network countrywide that could easily be utilised by both state and NGOs to facilitate delivery, both economic and human resources. Unless there is a mutual understanding between all partners of the value, benefit, feasibility and social developmental impact of the partnership as well as clear communication between them, the effort could be of limited value.

Ntsime (2001) reports that partnerships with existing structures, and the creation of new structures where needed, were critical vehicles for shifting the focus from a technical exercise to a developmental one. Ntsime also argues that the real challenge is to deliver high quality assets, within budget, and utilising a community-based approach, while managing partnerships between individuals and structures from very different backgrounds. What complicates the matter even more is especially when the role of the private sector is factored into the partnership. Fundamentally, a business operates on high quality and perfectly timed delivery which usually is the point of conflict in forming partnerships with the public sector and civil society. It therefore demands serious philosophical adjustments from all stakeholders to be able to ensure development delivery on a large scale.

Private sector and social development in S A :

In development circles it is a known fact that because of a lack of capacity and skills, facilitating partnerships were established entirely by private sector companies and consultants (Ntsime 2001). Facilitators came from a wide range of backgrounds, ranging from social workers to development practitioners. It is argued that there is indeed a space for NGOs to become more involved in facilitation itself, as well as possibly developing manuals and training for facilitators. If NGOs could be capacitated and empowered through assistance from the private sector, the probability of a higher level of social development could be achieved purely because of NGOs thorough understanding of community needs and dynamics.

The private sector also needs to mobilise its own human resources on volunteering principles when entering into the social development landscape. As much as capacitating of NGOs is needed it is strongly argued by Kraak (2001) that the volunteering philosophy within business deserves strategic thrust. This is where the usual caveats appear. Kraak (2001) argues that most corporate social investment projects are the preserve of large, image-conscious companies with

international profiles. He continues to report that medium- sized to small enterprises are probably as "mean-spirited" as ever. It is here where the voluntary principle could be utilized whereby staff in smaller organizations could be capacitated on a "matching" principle to do social development/community work. In other words, for every hour or rand amount that a staff member contributes, the company will match that (time or money) to inculcate a culture of voluntarism and establish real citizenship through real participation throughout the organization.

Kraak (2001) further argues that the crisis in South Africa concerning the voluntary sector has less to do with the reduction of donor support than the sector's failure to read the changing funding environment. The sector suffers from poor leadership and lack of capacity, a consequence of its failure to develop and transfer skills internally. In short, he concludes by arguing that the voluntary sector in South Africa is mired in a culture of victimhood and entitlement (in relation to changed donor policies) and reverse racism and careerism (in relation to capacity building). Progress cannot be made unless a profound shift first takes place.

The solution to the lack of leadership referred to by Kraak (2001) falls within the sphere of the private sector. Although availability of capacity might be argued, financial and leadership availability seems to be present in most businesses. Harnessing these resources through sound management practices could be the answer to the concern expressed by Kraak (2002). It does however require a fundamental revisiting of company culture and value proposition to integrate the social imperative with the business imperative.

Positive progress (Everatt & Zulu 2001: 27-30):

Regulation and monitoring: Have now been improved to the extent that benefits are far more adequate for Non-profit Organisations (NPOS) to register in terms of the Non-profits Organisations Act.

Tax breaks: The Katz Commission recommended tax relief for NPOs specifically due to the recognition that was given to NPOs through recent fiscal control. The Income Tax Act of 1962 was accordingly amended. The amendment created a new category of "Public Benefit Organisations or known as organisations carrying out activities of "philanthropic and benevolent" nature.

Partnership with government: The most known, but unfortunately not widely regarded as successful interventions, were the Reconstruction and Development Programme (RDP) which was abandoned in favour of the Growth Employment and Redistribution (GEAR) Strategy.

Renewed focus has recently been placed on multipartner relationships and evidence of pressure being put on government to streamline these partnerships is for example when the South African National NGO Coalition (SANGOCO) entered into a political partnership with trade unions in October 2000 to place strategic emphasis on government's responsibility to institutionalise "smart" partnerships.

Leadership and organisational (in) capacity: Concerted efforts are being made to improve leadership from within the NPO sector with particular success (post 1994).

Competing on the open labour market: There is a clear move in the NPO sector that management, who in most cases were former activists, are now replaced by career-orientated professionals recruited from the open labour market.

Professionalism: Serious capacity building of the NPO sector is needed and there has been movement in the right direction.

In assessing the above progress in development, in all of the six points referred to, the private sector could play a critical role in speeding up the transformation of the NPO sector through strategic partnerships as well as focused attention and alignment on the social imperatives of South Africa. Recent developments from an institutional level suggest that addressing social development deserves macro-intervention through institutionalized bodies. The KING 2 Report on Corporate Governance as well as the New Partnerships in Africa's Development (Nepad) are but only two of a number of initiatives trying to harness all participants/ stakeholders' contributions towards social development.

In a recent article in Business Day (Marrs 2002) it was reported that the revised recommendations of the KING 2 Report on Corporate Governance released in March 2002 have been endorsed by the findings of a private survey of South African listed companies' governance, social responsibility and environmental management practices. The survey found that while many firms are taking steps to improve their corporate citizenship "most still have a considerable way to go to improve disclosure and realizing the gains (to) be made by addressing investor concerns". The survey reported that the company with the top score overall - including corporate governance practices, social responsibility and environmental management was South African Breweries (SAB) with 86%, followed by Stanbic and Old Mutual.

During the recent Nepad Conference (April 2002), business, academics and government delegates set up a committee to ensure there would be "tangible outcomes" from the partnership

(Katzenellenbogen 2002). Two of the organisers of the conference, Prof. Sibusiso Vil-Nkomo, Dean of the Faculty of Economic and Management Sciences at the University of Pretoria and Thami Mazwai, CEO of Mafube Publishing, co-chaired the body. One of the first tasks of the committee will be to look into the continent's infrastructure requirements.

2.2.2 Corporate Governance

The following section of Chapter 2, an overview of the initiatives by the South African Government and other institutional bodies to govern and regulate the social, economic and political environment will be presented. Specific focus will however be placed on the social environment and associated initiatives to further explore the context of social development. Sir Adrian Cadbury defined corporate governance as

> ...a principle that is concerned with holding the balance between economic and social goals and between individual and communal goals ... the aim is to align as nearly as possible the interests of individuals, corporate and society (World Bank Report 1999).

Armstrong (2002) defines corporate governance as follows: "Corporate governance can be regarded as being about leadership: leadership for efficiency, for probity and for responsibility; "leadership which is both transparent and accountable".

Corporate governance in South Africa was institutionalised by the publication of the first KING report on Corporate Governance in November 1994. In order to briefly contextualise the KING 2 Report and specifically Chapter 5 dealing with non-financial indicators, the characteristics of good corporate governance include (IOD: Executive summary - KING 2 Report on Corporate Governance March 2002):

Discipline:
Commitment by a company's senior management to adhere to behaviour that is universally recognised and accepted as correct and proper.

Transparency:
The ease with which an outsider is able to make a meaningful analysis of a company's actions, its economic fundamentals and non-financial aspects relating to that business.

Independence:
Extent to which mechanisms have been put in place to minimise or avoid potential conflicts of interest that may exist, such as dominance by a Chief Executive Officer or large shareholder.

University of Pretoria etd – De Jongh D 2006

Accountability:

Individuals or groups in a company who make decisions need to be accountable.

Responsibility:

Behaviour that allows for corrective action and for penalising mismanagement.

Fairness:

The rights of various groups have to be acknowledged and respected.

Social responsibility:

Company is aware of, and responds to, social issues, placing a high priority on ethical standards. A good corporate citizen is increasingly seen as a person who is non-descrimininatory, non-exploitative, and responsible with regard to environmental and human rights issues. A company is likely to experience indirect economic benefits such as improved productivity and corporate reputation by taking those factors into consideration.

Apart from the KING 2 Report on Corporate Governance, in transforming the way South Africa works, the democratic government has embarked on a number of programmes to closely monitor development and progress. Further objectives were for example to alleviate poverty, improve the standard of education, improve access to basic services and combat the HIV / AIDS crisis. Furthermore after the election of the first democratic government in 1994, measures to redress imbalances in the country were initiated. Amongst many acronyms configured over the years, the sentiments contained in BEE (Black Economic Empowerment), the RDP (Reconstruction and Development Programme) and GEAR (Growth Employment and Redistribution) have underpinned the local social development landscape from a regulatory and governance point of view. The following recent initiatives relating to corporate governance however deserve more explanation due to the direct link with social development.

2.2.2.1 The KING 2 Report on Corporate Governance

Chapter 5 of KING 2 Report on Corporate Governance, dealing with integrated sustainability reporting has specific relevance. In the Executive Summary, published by the Institute of Directors (IOD) in March 2002, the following regulations concerning sustainability reporting and organisational integrity/code ethics were published.

Sustainability reporting:

(i) Every company should report at least annually on the nature and extent of its social, transformation, ethical, safety, health and environmental management policies and

University of Pretoria etd – De Jongh D 2006

practices. The board must determine what is relevant for disclosure, having regard to the company's particular circumstances.

(ii) Stakeholder reporting requires an integrated approach. This would be best achieved gradually as the board and the company develops an understanding of the intricate relationships and issues associated with stakeholder reporting. Companies should categorise issues into the following levels of reporting:

- First level would be disclosures relating to acceptance and adoption of business principles and / or codes of practice that can be verified by reference to documents, board minutes or established policies and standards.
- Second level should address the implementation of practices in keeping with accepted principles involving a review of steps taken to encourage adherence to these principles evidenced by board directors, designated policies and communiqués, supported by appropriate non-financial accounting mechanisms.
- Third level should involve investigation and demonstration of changes and benefits that have resulted from the adoption and implementation of stated business principles and / or codes of practice.

(iii) When making such disclosures, the board will be required to consider the following:

- Clarity on the nature of the disclosing entity, the scope of issues subject to disclosure, performance expectations as an integral aspect of the "going concern" concept, the period under review and the extent to which items disclosed are directly attributable to the company's own action or inaction.

- Disclosure of non-financial information should be governed by the principles of reliability, relevance, clarify comparability, timeless and verifiability with reference to the Global Reporting Initiative Sustainability Reporting Guidelines on economic, environmental and social performance.

- Criteria and guidelines for materiality should be developed by each company for consistency, having regard to international models and guidelines, as well as national statutory definitions.

(iv) Matters requiring specific considerations should include:

- Description of practices reflecting a committed effort to reduce workplace accidents, fatalities, and occupational health and safety incidents against stated measurement targets and objectives and a suitable explanation where appropriate. This would cover the nature and extent of the strategy, plan and policies adopted to address and manage the potential impact of HIV / AIDS on the company's activities.

- Reporting on environmental corporate governance must reflect current South African law by the application of the "Best Practicable Environmental Option" standard (defined as that option that has most benefit, or causes the least damage to the environment at a cost acceptable to society).

- Policies defining social investment prioritisation and spending and the extent of initiatives to support black economic empowerment, in particular with regard to procurement practices and investment strategies.

- Disclosure of human capital development in areas such as the number of staff, with a particular focus on progress against equity targets, achievement of corporate training and development initiatives, age, employee development and financial investment committed. This should also address issues that create the conditions and opportunities for previously disadvantaged individuals, in particular women's, to have an equal opportunity to reach executive levels in the company and to realise their full potential. It should include progress made in this regard, and mechanisms to positively reinforce the richness of diversity and the added value and contribution from this diversity.

Organisational integrity / Code of ethics:

(i) Every company should engage its stakeholders in determining the company's standards of ethical behaviour. It should demonstrate its commitment to organisational integrity by codifying its standards in a code of ethics.

(ii) Each company should demonstrate its commitment to its code of ethics by:

- creating systems and procedures to introduce, monitor and enforce its ethical code;
- assigning high level individuals to oversee compliance with the ethical code;
- assessing the integrity of new appointees in the selection and promotion procedures;

- exercising due care in delegating discretionary authority;
- communicating with, and training, all employees regarding enterprise values, standards and compliance procedures;
- providing, monitoring and auditing safe systems for reporting of unethical or risky behaviour;
- enforcing appropriate discipline with consistency; and
- responding to offences and preventing reoccurrence.

(iii) Disclosure should be made of adherence to the company's code of ethics against the above criteria. The disclosure should include a statement on the extent to which the directors believe the ethical standards and the above criteria are being met. If this is considered inadequate there should be further disclosure of how the desired end-state will be achieved.

(iv) Companies should strongly consider their dealings with individuals or entities not demonstrating its same level of commitment to organisational integrity.

2.2.2.2 The JSE / SRI Index

FTSE4GOOD is an index series for socially responsible investment designed by FTSE, one of the world's leading global index providers. FTSE4GOOD is a series of benchmark and tradable indices facilitating investment in companies with good records of corporate social responsibility FTSE4GOOD is unique. There is no other socially responsible index quite like it. Independently defined and researched, FTSE4GOOD sets an objective global standard for socially responsible investment (www.ftse4good.net).

The FTSE4GOOD selection criteria cover three areas:

- Working towards environmental stability
- Develop positive relationship with stakeholders
- Upholding and supporting universal human rights

In South Africa a similar initiative is being formulated. According to Sean de Cleene (2002), Director of the African Institute for Corporate Citizenship, the Johannesburg Securities Exchange established an advisory committee on socially responsible investment (SRI). The JSE / SRI INDEX is envisaged as a benchmark index facilitating investment in companies with good records of corporate social responsibility ("CSR").

Based on the same three principles as the FTSE4GOOD a model of conduct is then proposed

as a tool for businesses seeking to act on commitment to the aforementioned principles. This model then provides a framework for selection criteria, which will be applied to ensure that only companies with good CSR records and practices in South Africa are included in the SRI Index. The advisory committee of the JSE / SRI Index is currently in the process of finalizing the principles, model of conduct and selection criteria, hence the exercise being in public domain at present. (see Chapter 6 for a detailed description of the JSE/SRI INDEX indicators).

2.2.2.3 Socially responsible investment (SRI) in South Africa

According to Cas Coovadia, General Manager Transformation : The Banking Council SA (2002), where the investor makes an investment decision based on social, ethical or environmental criteria as well as the more traditional criteria is a relevant issue for discussion and debate in South Africa. It is particularly significant in the light of black economic empowerment, corporate governance developments, the social and economic legacies of apartheid and international trends towards sustainable development and poverty eradication.

In a report by the African Institute for Corporate Citizenship (2002), SRI is defined as "investment that combines investors' financial objectives with their commitment to social concerns, such as social justice, economic development, peace or a healthy environment" or as "the practice of making investment decisions on the basis of financial and social performance. The report has been written for the following reasons:

- To stimulate debate on SRI and its value to South Africa;
- To raise awareness of SRI;
- To encourage the consolidation and expansion of SRI in South Africa; and
- To examine the SRI opportunities that exist for South African financial companies.

The SRI report resulted in the following key recommendations. Several key changes are required for South Africa's SRI sector to advance. Of central importance are the following:

- The term SRI needs to be defined in the South African context. This definition must be agreed upon by all, which implies reaching consensus by a wide range of stakeholders.
- The definition of empowerment needs to be re-examined and a broader interpretation used in line with the principles of NEPAD and sustainable development.
- Standards and benchmarks in addition to the SRI index must be developed to provide the industry with measurable criteria with which to assess the merit of a particular investment and to measure its success in society.

- An industry forum should be formed which will facilitate the exchange of information, the consolidation of the sector and the development of SRI products, amongst others.
- The merits of prescribed asset allocation versus the introduction of pension fund disclosure regulations, which require trustees to disclose if they have a social policy when making an investment, must be debated.
- The financial sector needs to start integrating the concepts of corporate governance, corporate citizenship and sustainable development into its thinking and acting.
- Finally, the importance of the country's transformation agenda is not reflected in the amount of funds flowing into SRIs - this needs to be urgently addressed.

According to De Cleene and Sonnenberg (2002), with the growing emphasis placed on corporate governance, corporate citizenship and the World Summit on Sustainable Development (WSSD), the time is right for advancing SRI in South Africa. This will require all stakeholders to consider and debate the meaning of terms such as empowerment and sustainability. A broader mandate for SRI will secure its place in the financial mainstream and possibly lead to a turn around in the returns investors have been receiving from their SRIs.

2.2.2.4 Sustainable banking in Africa

De Cleene and Blumer (2002) argued that given the prominent intermediary role that banks have in Africa, their potential, influence and ability to contribute towards the promotion of an appropriate sustainable agenda is significant. With the WSSD that was held in Johannesburg in August 2002, it is imperative that the African finance sector take cognisance of both international issues, as they relate to the sustainable development agenda, and to how that agenda can be progressed in a way that is appropriate to the African financial sector. With the increasing globalization and complexity of day-to-day business practices, this means that companies are also coming under growing regulatory and societal pressure from a wide range of stakeholders to address demands for responsibility, sustainability and accountability.

According to De Cleene and Blumer (2002), banks therefore play a critical role in creating an enabling environment by promoting sustainability both through their own practices and by encouraging sustainable practice within the broader business community.

They propose the following four approaches to sustainable banking:

- **Defensive banking** - a non-active approach to sustainable development, and in many cases blocked attempts to engage with stakeholders on a range of sustainability issues.

University of Pretoria etd – De Jongh D 2006

- **Reactive banking** - which considers sustainability in relation to certain internal processes such as environmental management and credit risk assessment. Often banks adopting such an approach only react to sustainable development issues once they have gained significant public and governmental attention.
- **Proactive banking** - considers the external elements of sustainability through the signing up of various international chapters and continually looks for win-win solutions with a range of stakeholders in ways that promote sustainable development.
- **Sustainable banking** - will take the win-win philosophy one step further engaging in an approach that integrates sustainable development with the core business strategy. Developing a range of products that promote sustainable development and socially responsible investment, while using its role as an intermediary to promote long-term change. Examples of this might include reduced rates of interest on borrowed capital in favour of companies actively promoting sustainable development, significant microcredit programmes and partnerships, debt for nature/social upliftment swaps, innovative and socially responsible programmes to bring banking facilities to those who previously did not have access to such facilities, venture capital for projects supporting sustainable development initiatives.

It is proposed by the African Institute of Corporate Citizenship (AICC) and the United Nations Environmental Programme : Finance Initiative (UNEP:FI) to, in a research exercise planned for the second half of 2002 to specifically focus on sustainable banking in Africa. South Africa is known for its sophisticated banking systems and particularly its distribution networks. By mobilising the branch network of for example ABSA Bank in SA (approximately 600 branches only in SA) through utilisation of their infrastructure (e.g. staff, time, expertise, physical structures, etc.) a significant impact could be made on social needs of communities in and around these branches, especially in rural areas.

Finally the aims and objectives of the sustainable banking report include the following:

- Define sustainable banking within an African context.
- Generate an awareness of sustainable banking within the finance sector in Africa.
- Determine what the key drivers for sustainability are for the finance sector in Africa.
- Examine a range of opportunities that exist for the banks operating in Africa.
- Profile sustainable banking in five different African countries.

- Provide a document that is accessible not only to those working in the financial sector but who are engaged with the sector in its various capacities.
- Determine what strategies can be applied to develop the sustainability agenda in a manner that is appropriate in the African context.

Although the governance implication is not viewed by De Cleene and Blumer (2002) as an objective of the report, the social development landscape in SA might naturally force governance onto the SA banking inter alia the KING 2 report.

2.2.2.5 The corporate citizenship benchmarking initiative for South Africa

Due to a general lack of research reports on corporate citizenship in SA, a logical step was to do a baseline assessment in the form of benchmarking the current state of corporate citizenship in SA. The AICC and Trialogue (publishers of the CSI Handbook in SA), therefore decided to launch a joint venture to develop a framework for assessing corporate citizenship in SA (2002). The model will then be applied through research with representative and forward thinking companies, culminating in a report on the state of corporate citizenship in SA. This founding report will provide the guidance for corporate business to make good corporate citizenship a core part of strategic thinking.

According to Rockey and De Cleene (2002) the process flow of this exercise will include the following:

- The research process is comprehensive, yet unobtrusive. The company will appoint an internal coordinator who will assist in setting up interviews with management. The company review process could be completed within three days with individual managers normally allocating only one hour of their time.
- Feedback from the company benchmark process remains confidential to that company. The feedback will highlight areas of relative strength and weakness and explain reasons for the rating. This information along with the benchmarking will only go to the company itself. The rating will however be combined with that of other companies, to show an aggregated response for the whole research sample, or a sector where this appropriate.
- The project is unique to this country. It serves a completely different role, yet supports other initiatives that may have some link with corporate citizenship. Key differentiating

points of the Corporate Citizenship Management Rating (CCMR) model are:

- It caters for South African business, covering issues such as BEE and HIV / AIDS that receive less prominence in developed nations. However, international developments in the areas of investing, reporting, and measuring have been considered.
- It is a measure of inputs (or activities), as opposed to an output-based "perspective" model. This makes the exercise measurable, repeatable and extremely useful as a management tool.
- It provides a holistic benchmark, including but going beyond, corporate governance or "triple bottom line" issues.
- It goes beyond the measurement of practices and reporting, to look at "embedment" (adoption) and integration of these practices.

Section 2.2.2. of this chapter dealt with corporate governance issues. An attempt was made to report on current initiatives relating to corporate governance and specifically the non-financial elements in corporate governance. It could therefore be argued that the social development landscape is increasingly characterised by a sense of regulation in order to pave the way for social measurement/auditing and reporting purposes.

2.2.3 The role of the South African government

The next section of Chapter 2 will deal with the role of the SA government, and more specifically the Department of Social Development (DSD). Although the Departments of Finance, Labour, Health, Trade and Industry, Education, Land Affairs and Home Affairs all play an equally important role in addressing the overall social development landscape in SA, the focus will be on DSD and the National Development Agency (NDA).

2.2.3.1 Department of Social Development

Over the past two years, in his portfolio, the Minister of Social Development, Dr Zola Skweyiya, has travelled throughout the country seeking to understand South Africa and the socio-economic challenges confronting South Africans, particularly the poor, socially excluded and children. In reaching out to these communities, the Minister soon found that there where two realities, i.e. the religious sector is at the forefront of poverty eradication struggles, and that the business sector has made significant inputs in social development. The Minister and his department, in recognition of these realities, sought firstly to strengthen and collaborate with the religious sector in social development. Comfortable that the former was beginning to be addressed, the Minister began to consult with individual business leaders, who all reiterated this commitment to creating

a better life for all, but were all concerned that government efforts were not integrated with those of business.

In partnership with some of SA business leaders in particular Raymond Ackerman and Cyril Ramaphosa (who serve as patrons to the initiative), the Minister decided to embark on a new approach which would seek to build a meaningful critical mass that would culminate in reaching millions of South Africans who continue to bear the brunt of poverty, social exclusion and social skills.

A business roundtable was facilitated (19 April 2002) at which discussions between government, business and civil society were held towards creating a common vision. It also sought to create a united business and government voice in so far as social development is concerned, whilst identifying impeding factors and possible links in pursuing partnerships (Skweyiya 2002).

During the Roundtable (19 April 2002), the following principles were endorsed by all the stakeholders attending the forum:

- Creation of a common social development vision, as informed by the priority areas
- Integration of efforts and resources by all stakeholders
- Ensuring community involvement
- Sustainability of interventions and initiatives
- Social custodians - involving employees to participate in community activities
- Information sharing of challenges and success stories
- Benchmarking through baseline measurement as well as integrating ordinary people's voices into the baseline assessment
- The role of civil society, particularly the religious sector
- Value for business, with regard to social intent vs marketing intent
- Managing the interfaces between all stakeholders in a manner that makes a meaningful impact in the shortest time possible

These principles were seen as informing the critical success factors of the partnership so that any partnership initiative in this context, would be measured against these core driving principles. In the DSD annual report (April 2000 - March 2001) the department identified the following priority areas and goals for the period 2000 / 2001 to 2003 / 2004.

(i) **Social Security**

- Provide an affordable, accessible comprehensive social security system that

prioritises the most vulnerable households

- Improve the coverage and delivery of current social assistance benefits
- Improve the efficiency and integrity of the social security system

(ii) **HIV / AIDS**

- Mitigate the social and economic impacts of HIV / AIDS on vulnerable groups
- Contribute to reducing the prevalence of HIV/AIDS amongst vulnerable groups (women, youth and children)
- Develop sound policies and programmes on HIV/AIDS through research and use of information on population and development

(iii) **Poverty reduction and integrated development**

- Contribute to reduction in levels of abject poverty in the poorest communities in the country
- Contribute to development and implementation of national integrated plan on food security for children 0 - 18 years
- Develop sound policies and programmes on social integration through research and use of information on population and development

(iv) **Social integration**

- Promote and protect the rights of the poor, women, children, youth, older persons and persons with disabilities
- Ensure integrated services to women, children, youth, older persons and persons with disabilities
- Develop sound policies and programmes on social integration through research and use of information on population and development

(v) **Sectoral reform**

- Eliminate racial and geographic discrimination in distribution of resources and service delivery in the social development sector
- Enhance the capacity of the national and provincial departments to respond to the social development challenges
- Enhance governance and co-operative governance in the social development sector

(vi) **Transformation of department**

- Transform the structure, systems, human resources and organizational culture to

University of Pretoria etd – De Jongh D 2006

improve service delivery

The above focus areas indicate government's intent from a social development perspective. From a national perspective, these objectives are key determinants of social performance in South Africa. These determinants or indicators are critical elements for the business sector to bear in mind in compiling their social development strategy. It also emphasises the need in the macro-environment from a policy point of view, to integrate government intent with corporate social investment, hence the need for a framework that will cater for the needs of business, government and civil society.

2.2.3.2 The National Development Agency (NDA)

The NDA emerged out of recognition of the importance of seeking consensus on major development policies to ensure transformation of lives of the South African population (NDA Report 2002).

In May 2000 the NDA took over from the Traditional National Development Trust (TNDT) to execute a mandate to partner with the South African government and civil society to eradicate poverty in the country.

In the same report it was mentioned that the NDA process involved debates, discussions and negotiations by a range of interested parties which include the government, the civil society, non-governmental organisations, the private sector, the funding community and various other interest groups and formations. It was also reported that with support from the government and the European Union, the NDA board made significant decisions in mapping out the strategic direction that was to forge a way to mobilise resources and leverage on existing structures of both government and civil society to meet the long-standing needs of the South African development and poverty situation. The strategic intent of the NDA is to support government and civil society development action. The NDA has a responsibility to ensure that it fulfils its role as defined by the NDA act.

These objectives are:

- funding - disbursing and focusing funds on poverty-stricken areas;
- capacity building - developing and implementing a capacity- building model aimed at improving competency of civil society organizations;
- research and policy - building a culture of knowledge generation and management as well as establishing an innovative internal research capability with external links; and
- policy dialogue - leading and influencing external policy and public debate on poverty

eradication as well as engaging and communicating effectively with relevant organizations and communities.

The report included the main aims that the NDA would like to achieve:

- To become highly responsive and proactive to the development needs of poor communities in the country
- To successfully build up the leadership, technical expertise and management capabilities required to deliver on the NDA mandate
- To promote knowledge management and information-sharing within the development sector
- To build institutional capacity and support civil society organizations working in the area of poverty eradication
- To develop efficient information and communication systems that ensure accessibility by all stakeholders
- To ensure a speedy and efficient flow of funds to project partners; and
- To function with high level of transparency and integrity

Funding for projects on social development is available not only from NDA origin, but considering the annual spend (2001) on social investment by the S A corporate sector (R2 – R3 billion), also from the business community (CSI Handbook 2002). Very few institutionalised efforts unfortunately exist to harness the available funds in order to fast-track social development in South Africa. This again calls for a serious attempt in public / private partnership and integration of social development between all interested parties in South Africa as well as ensuring that this partnership philosophy is driven as a priority of the national agenda. The last 18 months of South African history are characterised by significant attempts by government to address the social challenges of the country. The need however to form partnerships between all stakeholders to integrate effort and maximise true benefit for the most vulnerable in society is great. The next 12 to 18 months will have to produce success stories and benchmarks in multisector partnership to address the social challenges of South Africa.

2.3 GLOBAL TRENDS IN SOCIAL DEVELOPMENT

In this section of Chapter 2, a literature overview will be presented of three global initiatives that form an integrated part of global social development.

2.3.1 The world summit on sustainable development (WSSD)

The WSSD that will be held in Johannesburg during August / September 2002 could certainly be

regarded as a milestone in the history of South Africa. In a statement made by the United Nations Secretary General (June 2002), Kofi Anan commented on the fact that the special needs of Africa were clearly recognised by all leaders when they met at the UN two years ago at the millennium summit, at which the leaders of the G8 (Group of eight) have pledged their support for NEPAD - the New Partnership for African Development. NEPAD provides a framework for ending conflicts, for stemming the flow of refugees and internally displaced persons, and for improving the investment climate, a prerequisite for sustainable development on the continent.

The summit was held in Johannesburg, South Africa, in the heart of a region acutely affected by poverty, HIV / AIDS and terrible drought. Anan reported on the urgent need to bring humanitarian relief to people in acute distress, and the UN and the donor community are doing their best to help provide the assistance. Background on sustainable development is as follows:

- Thirty years ago the world community gathered in Stockholm for the first UN conference on human environment.
- Ten years ago the international community again gathered for the Earth Summit in Rio de Janeiro. During this summit a breakthrough was achieved whereby environmental factors would be integrated with economic and social issues and become a central part of the policymaking process. In adopting Agenda 21, a blueprint for sustainable development, rich and poor seemed to have agreed on a common vision for growth, equity and conservation over the longterm.
- Developing countries unfortunately have not gone far enough in fulfilling the promises they made in Rio - either to protect their own environments or to help the developing world defeat poverty.
- In August / September 2002, at the WSSD in Johannesburg, an attempt was made to restore the momentum that had been felt so palpably after the Rio Earth Summit. The Johannesburg summit aimed to find practical ways for humanity to respond to both social development challenges - to better the lives of all human beings while protecting the environment.

The Johannesburg Summit brought together 21 340 participants, representing 191 governments, NGOs, the private sector, civil society and academia (The 2003 CSI Handbook). The key outcomes of the 2002 World Summit on Sustainable Development (people, planet and prosperity) were as follows (The Star, 4 September 2002):

Stakeholders have drawn varying conclusions about the success of the 2002 World Summit on Sustainable Development. Through a process that generated as much heat as light, the consensual agreements of delegates are presented in two documents: a Political Declaration and

a Plan of Implementation. The plan is designed to make reality the Summit's goals of poverty eradication and environmental protection. Some of the salient agreements and targets are listed below:

Poverty eradication

- Halve the number of the world's poor living on less than $1 a day by 2015
- Significantly improve the lives of at least 100 million slum dwellers by 2020
- Establish a voluntary world solidarity fund to eradicate poverty in developing countries

Health

- Reduce HIV prevalence in young people by 25 per cent - in affected countries by 2005, and globally by 2015
- Reduce infant and child mortality rates by two-thirds and maternal mortality rates by three quarters by 2015
- The WTO accord on patents should not prevent poor countries from providing medicines to all

Water and sanitation

- Halve the proportion of people without safe drinking water and basic sanitation by 2015

The environment and management of the natural resource base

- Cease destructive fishing practices and establish marine protected areas and networks by 2012
- Maintain or restore depleted fish stocks to levels that can produce the maximum sustainable yield by 2015
- Achieve a significant reduction in the rate of biodiversity loss by 2010
- Promote studies of heavy metals that are harmful to the environment
- Develop a 10-year plan to ensure goods are produced and consumed in ways that do not destroy the environment

Chemicals

- Produce and use chemicals that do not harm human and environmental health, by 2020
- Support phasing out of lead in petrol, paint and other sources

University of Pretoria etd – De Jongh D 2006

- Renew commitment to sound management of chemicals of hazardous wastes throughout their life cycles
- Encourage countries to subscribe fully to the new chemical classification and labelling system by 2008

Energy

- Agree on voluntary regional and national targets to diversify energy supply and substantially increase access to renewable energy sources such as solar, wind and wave energy
- Improve access to reliable, affordable and environmentally sound energy for the world's poor
- Remove market distortions, including restructuring taxes and phasing out harmful subsidies

Education

- Ensure access to a full course of primary education for all children by 2015
- Eliminate gender disparity in primary and secondary education by 2005

Sustainable development for Africa

- Support the full implementation of NEPAD - the New Partnerships for Africa's Development
- Improve sustainable agricultural productivity and food security and halve the proportion of people who suffer from hunger
- Secure rural people's access to energy for at least 35 per cent of the African population within 20 years.

In summary, for South Africa, the Summit exposed the public to the concepts of sustainability and elevated the sustainability agenda for government, the business sector and civil society. On the global front, the Summit reaffirmed the following (UN/DESA September 2002):

- Sustainable development as a central element of the international agenda and give new impetus to global action to fight poverty and to protect the environment
- The understanding of sustainable development was broadened and strengthened, particularly the important linkages between poverty, the environment and natural resources
- Governments agreed to a wide range of concrete commitments and targets for action to achieve more effective implementation of sustainable development objectives

- Support for the establishment of a world solidarity fund for the eradication of poverty
- Africa and NEPAD were identified for special attention and support by the international community to better focus efforts to address the development needs of Africa
- The views of civil society were given prominence in recognition of the key role of civil society in implementing the outcomes and in promoting partnerships. Over 8 000 civil society participants attended the summit
- The concept of partnerships between governments, business and civil society was given a large boost by the summit and the plan of implementation. Over 220 partnerships (with $235 million in resources) were identified in advance of the summit and around 60 partnerships were announced during the summit by a variety of countries

Finally, the Summit aimed to produce 3 elements:

- a political declaration agreed at the highest level
- a negotiated implementation plan, including a decision on governance
- recognition of "Type 2" partnerships and initiatives (non-negotiated, voluntary commitments, agreed between different actors at the WSSD)

(Mail and Guardian September 2002)

Zadek (2002) however argues that these partnership building demands for accountability. He suggests two starting points:

- To extend current work on corporate disclosure to embrace partnerships, particularly emerging standards for reporting (GRI and AA1000 Assurance Standard).

- To promote a clear sense of what is good partnership governance. This would require a hard look at accountability issues for each partner as it relates to the collective partnership endeavour, as well as for the partnership itself.

Although partnerships can make a real contribution towards sustainable development, Zadek (2002) therefore argues that this requires honesty, leadership and innovation in facing the matter of their accountability. This will ensure the legitimate place of partnerships in an effective development process.

2.3.2 The Global Compact

When the Secretary-General of the United Nations Kofi Anan invited the international business community in January 1999 to enter into a global compact with the UN and civil society, he articulated a vision of a more sustainable and just world with partnership as its cornerstone. More than two years later some 300 enterprises worldwide have lent their support to the Global

Compact and the core values embodied in its nine principles covering human rights, labour standards and environmental practices. Together with the UN Office of the High Commissioner on Human Rights, the International Labour Organization (ILO) and the UN Environment Programme, more than 10 leading non-governmental organization (NGOs) and labour groups are taking part in the Global Compact.

The essence of the Global Compact is a call for joint action by business, civil society and the UN based on shared values and learning. African enterprises and their social partners have important roles to play in this process and in Africa's ongoing development. The quest for mutually beneficial human relationships represents the essence of the Global Compact. Ensuring that enterprise activities in Africa are compatible with both social and ecological needs is what the Global Compact process is all about.

In mapping the agenda for the Global Compact in Africa, it is important to consider the economic opportunities and constraints facing African enterprises in the efforts to integrate principles on human rights, labour standards and environmental sustainability into their core business (Murphy 2001).

Within their spheres of influence, African enterprises are well placed to support community and civil society efforts to protect and uphold human rights, worker welfare and environmental protection. The Global Compact offers African business leaders a powerful tool to promote human rights and antidiscrimination policies in the workplace. There would also appear to be considerable scope for using one of the Global Compact's forums - the Global Issues Dialogue - to address the impact of the colonial and apartheid legacies on contemporary efforts to implement the Global Compact principles. African countries have a number of the key economic, social and political ingredients in place to enable both African and multinational enterprises (MNEs) to begin to implement the principles of the Global Compact in Africa. Without economic openness, good governance, strong financial and legal institutions, good infrastructure and positive social indicators, enterprise development is undermined and consequently there is limited capacity for business action on social and environmental initiatives. That some African countries clearly meet many of these criteria offers considerable scope for enterprise support for the Global Compact on the continent (Murphy 2001).

The most recent development on the African continent which reflects new political and economic thinking, and which may influence the success of the Global Compact in Africa, was the announcement of the Millennium Africa Recovery plan at the World Economic Forum in Davos (January 2001). Key objectives of the plan and its associated programmes are most relevant to

the Global Compact process and include (Enterprise 2001):

- Promoting and protecting democracy and human rights by developing clear standards of accountability, transparency and participatory governance at national and sub-national levels
- Creating peace, security and stability
- Strengthening Africa's capacity for the prevention, mediation and resolution of conflicts
- Instituting transparent legal and regulatory frameworks for financial markets, the auditing of private companies, the public and infrastructure sector
- Investing in human resources
- Increasing investment in the information and communication technology sector in order to bridge the digital divide
- Eradicating poverty and enhancing the quality of life
- Revitalising and extending the provision of education and health services, with high priority being given to tackling HIV / AIDS
- Developing and implementing policies that raise the quality and quantity of basic service delivery (provision of water, sanitation and health services)
- Promoting awareness campaigns to combat disease
- Protecting the physical environment
- Promoting sustainable development
- Achieving debt relief

In summary, according to Murphy (2001) the success of the Global Compact internationally depends upon action by multinational enterprises (MNEs) as well as by national and local enterprises of different sizes. Operating within the context of economic globalisation, all business activities in Africa rely upon strong domestic markets for their future success, as well as on buoyant trade, both regionally and globally. However, open markets do not operate in a social vacuum. Their survival ultimately depends upon shared values and principles.

As awareness of the scope and range of business impacts through globalisation has developed, growing attention has been given to the social, environmental and ethical dimensions of business practice. With business activities becoming more global and complex, new and greater demands for enhanced business transparency and accountability are being placed on companies by a wider range of stakeholders. In order to balance competing stakeholder interest in a rapidly changing world, businesses need to work differently. Such challenges are particularly difficult for MNEs with local operations in Africa and other regions with developing and transitional economies. The Global Compact represents one of many learning tools to enable MNEs, national

University of Pretoria etd – De Jongh D 2006

and local enterprises to respond more effectively to these new social and environmental challenges. By lending their support to the Global Compact, African enterprises will be joining a growing international business movement that is embracing shared values and commitments globally and locally.

Enterprise performance is generally associated with financial indicators : sales figures, cash flow, share price, growth rates and profits. Owners and managers are expected to be able to make quick decisions to boost the economic bottom line performance of their enterprises. Within this context, making the business case for initiatives such as the Global Compact is particularly challenging. The immediate business results of voluntary social initiatives are often difficult if not impossible to measure.

2.3.3 The Global Reporting Initiative (GRI)

The Global Reporting Initiative (GRI) is an international, multistakeholder effort to create a common framework for voluntary reporting of the economic, environmental, and social impact of organisational level activity. The GRI mission is to elevate the comparability and credibility of sustainability reporting practices worldwide. The GRI incorporates the active participation of businesses, accountancy, human rights, environmental, labour and governmental organization (www.gri.com)

According to a document published by the GRI specifically on the sustainability reporting guidelines (2000 Edition), the GRI is defined as a long-term, multi-stakeholder, international process whose mission is to develop and disseminate globally applicable sustainability reporting guidelines for voluntary use by organisations reporting on the economic, environmental, and social dimensions of their activities, products and services. The aim of the guidelines is to assist reporting organisations and their stakeholders better to describe and articulate the overall contributions of the reporting organisations towards sustainable development.

The GRI guidelines encompass the three linked elements of sustainability as they apply to an organization:

- **Economic:**
  Including, for example, wages and benefits, labour productivity, job creation, expenditure on outsourcing, expenditure on research and development, and investments in training and other forms of human capital. The economic element includes, but is not limited to financial information.

- **Environmental:**
  Including, for example, impacts of processes, products and services on air, water, land, biodiversity and human health.

- **Social:**
  Including, for example, workplace health and safety, employee retention, labour rights, human rights, and wages and working conditions at outsourced operations.

In the June 2000 release of the Guidelines, these three elements are largely treated as separate reporting elements. Over time the GRI have moved towards a reporting framework that links the economic reporting structure with environmental and social. The "Integrated indicators" in the Guidelines are a step in that direction. In the 2002 edition of the GRI sustainability reporting guidelines, key trends that have emerged since the 2000 guidelines, and that have fuelled GRI's swift progress towards the integration of the three indicators include the following:

- Expanding globalisation
- Searching for new forms of global governance
- Reforming corporate governance
- Global role of emerging economics
- Rising visibility of and expectations for organisations
- Measuring progress towards sustainable development
- Government interest in sustainability reporting
- Financial markets' interest in sustainability reporting
- Emergence of next generation accounting

The 2002 GRI guidelines are a framework for reporting on an organisation's economic, environmental and social performance that

- outline reporting principles and specific content to guide the preparation of organisation-level sustainability reports;
- assist organisations in presenting a true and fair picture of their economic, environmental, and social performance;
- promote comparability of sustainability reports while taking into account the practical considerations related to disclosing information across a diverse range of organisations with extensive and geographically dispersed operations; and
- support benchmarking of sustainability performance with respect to codes, performance standards, and voluntary initiatives.

The guidelines are not:

- A code or set of principles of conduct;
- a performance standard; or
- a management system.

The guidelines do not:

- provide instructions for designing organisations' internal data management and reporting systems; or
- offer instruction for preparing reports or on performance monitoring and verification practices.

In a recent speech delivered by Dr Allen White, former Chief Executive : GRI at the University of South Africa (May 2002), Dr White made the following comment on GRI and South Africa:

> GRI's commitment to engagement with the Global South and developing countries is unwavering. The challenge of extending GRI into such countries is formidable yet critical to living up to our global name and global mission. To meet this challenge we need to think and act strategically, seeking partners in business, government, labour and civil society that both share our vision and are positioned to take action.

He further noted that it is precisely why GRI places the highest priority on engagement in South Africa. South Africa is the economic engine of the whole African continent. By virtue of its economic clout and its political leadership and vision, it shares a position comparable with that of a handful of leading emerging economies such as Mexico, Brazil and India. South Africa's commitment to strong corporate governance, including high standards of transparency, is an example and inspiration to nations throughout the world, not just those in the Global South.

GRI needs South Africa to help demonstrate that transparency is not a luxury that can wait, but an imperative that will make a difference in the development prospects of emerging nations. Without such transparency as key element in good corporate governance, the ability to attract and retain foreign investment is seriously undermined. Thriving capital markets - whether in New York, London, Tokyo or Johannesburg - need credible information. In today's global economy, capital flows "at the click of mouse where the risk / return ratio is most competitive" (White 2002).

In summary the GRI could be regarded as a key initiative in defining the parameters of the global social development arena. It is however in this context one should finally view the role of GRI in

supporting corporate social responsibility (CSR) in developing countries and the overall goals of development assistance progammes. Published on the internet (www.gri-com) the following is noted:

- Leveraging the potential social and environmental contributions of CSR towards development at any level (local, national, global) requires establishing minimal levels of transparency and information disclosure.
- Transparency improves the quality of economic development by engendering stronger corporate governance. Transparent companies are forced to develop more robust corporate governance systems to allow them to manage the wide range of stakeholder needs and concerns that they face.
- Reporting and information disclosure offer cost-effective methods for improving environmental and social quality. It also leverages community resources and public pressure to push companies to improve their environmental and social performance.
- GRI offers a vehicle for influencing the behaviour of a wide range of companies, including small and medium-sized enterprises. As reporting matures, large corporations are also increasingly looking at the role of their supply chains and business partners in influencing their environmental and social performance.
- The GRI process enhances the effectiveness of other development initiatives related to building human capital, technology transfer, and environmental management. The reporting standards also help to establish dialogue between multiple stakeholders on sustainability priorities (e.g. human resources development, job creation, etc). This can help focus the specific initiatives launched by international aid agencies, and increase engagement by local organizations.

Finally, in this section of Chapter 2, an attempt was made to refer to the global social development arena and more specifically, three major initiatives (WSSD, Global Compact and GRI) that could be regarded as initiatives that are shaping the landscape of social development globally.

2.4 SOCIAL DEVELOPMENT CHALLENGES

The following section of Chapter 2 will focus on certain challenges in the social development landscape. These challenges form an important theoretical basis for exploring the field according to the researcher. They also contribute towards a broader contextualisation of the dynamic nature of social development.

2.4.1 Defining the developing world

Figures constituting the United Nation's Human Development Report (1997) show that the world is becoming increasingly polarised between the rich and poor. Despite evidence that the gap doubled between 1981 and 1996, the apostles of globalisation argue that the process benefits the whole world (Mcintosh et al. 1998). Furthermore the twenty-first century is referred to as the "CNN age" whereby society and business at large are open and exposed through delicate interwoven communication networks.

Mcintosh et al. (1998) reported significant statistics, epitomising the developing world:

- Globally, 358 billionaires have as much wealth as the poorest 45 per cent of the world's population.
- Five companies in Britain receive almost 50 per cent of everything the British spend.
- General Motors has the same annual revenue as Austria.
- Ten corporations control almost every aspect of the worldwide food chain.
- 1, 3 billion people live on $1 a day or less.
- 160 million children are undernourished.
- 20 per cent of the world's population will die before they are 40 years old.

Mcintosh et al. (1998) also reported the following drivers in the global economy and the significant changes associated with this:

- Monitoring - through satellite technology, the world can be monitored for military movements, rainforest destruction, etc. Most of this information is freely available for governments, business and the ordinary man in the street.
- Images - images are flashed around the world in seconds.
- Diseases - elimination of the AIDS virus becomes a global phenomenon.
- Connecting - we are connected globally through shopping, travel, population and the media.

This global connection has three dynamic characteristics:

(i) **Movement and mobility:**

- Money is free to move, labour is not.
- Exchange rates change constantly.
- There is a rush towards an increasingly urbanised, world society.
- There has been an increase in the number of people working electronically from home, numbering 20 million in 1996. This is estimated to rise to some 200 million by 2016.

University of Pretoria etd – De Jongh D 2006

(ii) **Change:**

- Uncertainty about a lack of control over the future.
- Lack of job security.
- Flood of new information on the world around us, so that just when we think we understand it, it changes.

(iii) **Wealth disparity:**

- The trading blocs of Europe, North America and the Pacific Rim have grown in affluence to the virtual exclusion of other parts of the world.
- Living standards have became polarised across national boundaries into three groups of consumers, sustainers and the impoverished.

In a report by Business in the Community (UK: 2002), supported by the Centre for Tomorrow's Company, the future of the world will also be characterised by pressure, being exerted by society:

(i) **Information is cheaper and deeper**

More information is publicly available on the activities of an organisation and the impact of these activities on employees, shareholders, society, the environment and the economy.

(ii) **The sphere of responsibility is growing**

As the impact of business extends even wider in society, people are increasingly turning attention to business to resolve issues of social exclusion, poverty, environmental damage and economic growth.

(iii) **Society is exerting its influence**

The legitimacy of these stakeholder demands (for access to information and for better results) is often recognized and advocated by governments, regulations and influential pressure groups.

From the two sources used to provide a brief overview of the developing world, it is clear that social drivers will fundamentally determine the landscape of the developing world. It will increasingly result in ethical debates around the world, entertained by world leaders and ordinary citizens.

2.4.2 Defining sustainable development

It is imperative to explore the meaning of sustainability within a social development framework.

Sustainability, unfortunately has become a cliché in the world, but the idea behind it remains a powerful source of inspiration and is responsible for an umbrella movement encompassing as diverse a group as one can image - academics, avant - guard entrepreneurs, pop singers, students, housewives, activists in NGOs, organic farmers, green scientists, etc. They all share one thing in common : an interest in improving human well-being by seeking a proper balance between social, economic and environmental change (Sunter and Visser 2002).

Sunter and Visser (2002) further argue that sustainability is a new way of perceiving business - its purpose, its methods and its impacts. For those companies that can adopt and respond quickly and intelligently enough, there are new markets to capture and profits to be made. For those that are ill prepared, sustainability is going to become a significant financial burden, even a threat to corporate survival.

In the 2000 edition of the Forum for the Future : Annual Report (UK), sustainable development is defined as a dynamic process which enables all people to realise their potential, and to improve their quality of life, in ways which simultaneously protect and enhance the earth's life support systems.

David Puttman, Chairman of the Trustees in the Forum for the Future, made the following comment on sustainability:

> ... vibrant local economics, new jobs, high quality housing (with solar roofing) integrated transport, regeneration that makes a real and lasting difference. Unbelievable that some people still think that sustainable development is about the birds, bees and trees.

At the heart is the simple idea of ensuring a better quality of life for everyone, now and for generations to come. A widely used international definition is : "development which meets the needs of the present without compromising the ability of future generations to meet their own needs (www.sustainable-development.gov.uk). The UK government in 1999 suggested four objectives for sustainable development simultaneously for the UK and the world as a whole. These objectives are:

- Social progress which recognises the needs of everyone. Everyone should share in the benefits of increased prosperity and a clean and safe environment. We have to improve access to services, tackle social exclusion, and reduce the harm to health caused by poverty, poor housing, unemployment and population. Our needs must not be met by treating others, including future generations and people elsewhere in the world unfairly.

- Effective protection of the environment. We must act to limit global environmental threats, such as climate change; to protect human health and safety from hazards such as poor air quality and toxic chemicals; and to protect things which people need or value, such as wildlife, landscapes and historic buildings.

- Prudent use of natural resources. This does not mean denying ourselves the use of non-renewable resources like oil and gas, but we do need to make sure that we use them efficiently and that alternatives are developed to replace them in due course. Renewable resources, such as water, should be used in ways that do not endanger the resource or cause serious damage or pollution.

- Maintenance of high and stable levels of economic growth and employment so that everyone can share in high living standards and greater job opportunities. The UK is a trading nation in a rapidly changing world. For countries to prosper, businesses must produce high quality goods and services that consumers throughout the world want, at prices they are prepared to pay. To achieve that, a workforce that is equipped with the education and skills for the 21st century is needed. Businesses need to invest in infrastructure to support this.

The UK government also takes into account ten principles and approaches which reflect key sustainable development themes. Some are established legal principles, others might better be described as "approaches" to decision making (www.sustainable-development.gov.uk):

- Putting people at the centre.
- Taking a long term perspective.
- Taking account of costs and benefits.
- Creating an open and supportive economic system.
- Combating poverty and social exclusion.
- Respecting environmental limits.
- The precautionary principle.
- Using scientific knowledge.
- Transparency, information, participation and access to justice.

Finally, in an article in Business Day, (August, 2002) Ohiorhenuam, Resident Representative of the UNDP in SA, argued that governance for human development must be democratic in substance and in form. He referred to the annually updated Human Development Index in 2002

that ranks 173 countries by a composite measure of life expectancy, education, and income per person. The report calls attention to the tragic situation in eastern and central Europe, the former Soviet Union and sub-Saharan Africa, where many nations have lower indexes now than at the start of the 1990s. More than 60 counties in different parts of the world have lower incomes a head today, than before 1990 and in 26 countries, incomes are lower than in 1980. He further reported that SA is among nations whose index has declined in recent years, resulting in its ranking among 173 nations slipping to 107 from 104. In recent years, a decline in SA's index can be ascribed mainly to declining life expectancy at birth, because of HIV / AIDS. The decline in S A's index since 1995 highlights the report's argument that the link between democracy and human development is not inevitable.

The need for serious focus on sustainability particularly regarding "the ability of something living to sustain itself hence to survive over the long term" (Sunter and Visser, 2002) is increasingly necessary in SA. A challenge therefore was to position human and social sustainability during the WSSD (Johannesburg, 2002) amongst the top priorities for future attention.

2.4.3 Social dimensions of business practice

Another challenge very close to the determinants of corporate social performance, hence the aim of the study, is the social practice of business. The social development landscape increasingly dictates acceptable social practice but prior to 1999 very little has been done to address this in a more formal manner.

It was with this in mind that a resource centre was established funded by the UK's Department for International Development (DFID) in 1999. In an article by Tennyson (2002), the objectives of this centre were introduced. She reported that the aim of the centre was to engage the business community more systematically in activities that contributed towards eliminating global poverty. Traditionally, social involvement by business has been largely in the form of "corporate philanthropy" : business using some of its surplus for the benefit of the disadvantaged. Nowadays, in a changing global arena, for a growing number of organisations, as well as the general public, the social aspects of business begin to have a more business-focused meaning : irrespective of whether it is understood as ethical trade, social accountability, community investment or good labour practice.

She also however reported that despite the globalisation of trade and business activity, poverty is growing not diminishing, thus demonstrating complacency amongst business still today. There seems to be little debate therefore on two points : that business is directly and negatively impacted by all these things, and that business - because of its sheer scale and centrality to all

human activity - is potentially a major player in addressing these challenges.

The Resource Centre for the Social Dimension of Business developed the following three dimensions of business practice (2002):

- In the way they conduct their operations including labour relations; job creation; supply chain relationships; health and safety for employees; producing quality products and services that benefit customers and, perhaps most obviously, in its restructuring and down-sizing procedures.

- In issues of governance including payment of taxes and compliance with local laws, stakeholder accountability; positive impact on policy makers and governmental reform; adherence to international standards and codes of practice and, perhaps most importantly, ethical behaviour in relation to corruption, fraud and crime.

- Minimising negative and maximising positive environmental and social impacts O'Connor (2002) also reported that investment professionals need to be convinced of the following social indicators when considering placing investments at institutions. The key points are:

  Values and vision

  - Companies should state their guiding values not only in terms of financial success but also in relation to job creation, technological innovation for sustainable development and community participation.

  Accountability and governance

  - There needs to be board level commitment to the company's values with clear responsibilities.
  - Boards need to be accountable to their company's stakeholders.

  Transparency

  - The company needs to report regularly on financial, social and environmental performance through annual and quarterly reports.
  - Reporting should be comprehensive and use indicators that are consistent, meaningful and comparable.

Understanding social impacts

- Companies and shareholders should actively identify their key social impacts, including opportunities as well as risks.

Tennyson (2002) strongly argues in favour of companies that are socially responsible. Earlier in this Chapter (2.2.2.2) reference was also made to the JSE / SRI INDEX as a local initiative endorsing O'Connor's views and arguments.

2.4.4 Defining social values

It is imperative to contextualise social values within the business environment and therefore critical to view the meaning of social values in this particular context. Nelson (2002) reported that companies could build societal value-ad in three main ways:

Firstly, and most importantly, through the efficient and ethical pursuit of their core business activities, both in the workplace where they have direct control, and along the supply chain where they have a mixture of control and influence, depending on the nature of their business and societal relationships. For example, through

- making environmentally and socially responsible decisions on location and investment activities;
- investing in the responsible sourcing, production, marketing, distribution and usage of goods and services and considering, where relevant, issues of access for the poor.

Secondly, through social investment and philanthropy - not just giving money to local charities, but also through sharing the company's "core competencies" such as managerial and technical expertise and establishing innovative financing mechanisms and product or service donation programmes. For example by:

- Offering management training programmes for local authorities and NGOs aimed at building capacities for sound governance and management.
- Running employee volunteering schemes; undertaking social or cause-related marketing initiatives.

Thirdly, business can play a valuable role in contributing to the public policy debate, by helping central and local governments and intergovernmental agencies to develop appropriate regulatory, fiscal and institutional structures aimed at:

- tackling obstacles to private sector development and responsible foreign investment;

- contribution to social and environmental policies and frameworks in areas such as education, training, local economic development, employment and environmental management.

In an article by Beloe (2002), "Bringing values into governance", it was reported that the potency of the technology, married to its application in the emotive fields of nutrition and health, backed up by a general distrust of corporate activities, has provided the "treble whammy" that has made the industry such a lightning rod for public disquiet. Prince Charles' comments during his year 2000 Reith Lecture also reflected these concerns when he argued that "we need to re-acknowledge a sense of sacred in our dealings with the natural world and with each other". Beloe (2002) also commented on these concerns that go well beyond the bounds of regulation and politics, and strike instead at the fundamental values that underpin corporate and human behaviours. He also pointed out that the public needs to be actively engaged and involved in the development of technologies, products, services and policies in order to foster a greater sense of ownership and trust over these innovations. Peter Drucker has called this "letting the outside in", an interesting philosophy and fundamental social value that will shape the way business is conducted in the new millennium.

Hite (2002) in an article on fundamentalism and family values inside corporations, argues that globalisation could turn out to mean nothing more than "Americanization" or it could develop into a new ethical and emotional social system, with different values from those created around religion with its punitive double moral standard for women, and its alienating version of men, indeed less focus on gender altogether.

There is a possibility of an international " human rights" society or value system to take shape - different from the 1960s "love and peace" movement, but also light years away from "traditional family values".

Hite (2002) further argues that in most people today (in corporations and outside them), there is a battle ranging between traditional values and an emerging new moral outlook - for most people related to human rights. This debate is seen not only in the West but also around the globe, on the news and the Internet. In a debate around preferred value system: secularism vs religious fundamentalism, she ultimately votes in favour of secular values. These values of equality and democracy themselves took centuries to develop, and represent the progression of humanity from a strict hierarchical feudal society to a system in which individuals are respected, tolerance and understanding of others are encouraged and communal/ societal values protected. Hite's philosophy on social values could therefore be interpreted as an argument in favour of protection

and valuing of human rights, either within business or society. She strongly supports values that recognise individualism hence the protection of society as a whole.

An attempt in this section of Chapter 2 was made to contextualise social values as strong drivers and determinants of the social development landscape. It is clear that increasing pressure is being placed on government and businesses globally to adopt a strong culture of societal tolerance and respect. An even stronger case is made out in favour of human rights and the protection thereof by all role players in the global marketplace. The responsibility therefore of the business sector stretches further than their responsibility towards their staff. It could finally be argued that integrating social values, determined by societal expectations, with corporate values will remain a challenge in future.

2.4.5 Performance indicators for peaceful and progressive societies

In a report published by international Alert, Council on Economic Priorities and The Prince of Wales Business Leaders Forum on "The Business of Peace" (2000) examples of performance indicators for peaceful and progressive societies were suggested. In contextualising the social development landscape, viewing a position of equilibrium within society in order to create the ultimate goals of experiencing sustainability, it is imperative to critically consider determinants / indicators for a peaceful and progressive society. Nelson (2000) suggests the following indicators, both from a country as well as from a company perspective:

University of Pretoria etd – De Jongh D 2006

Table 2.1: Performance indicators for peaceful and progressive societies (Source: Nelson 2000)

	COUNTRY INDICATORS	COMPANY INDICATORS
STRENGTHENING EQUITABLE ECONOMIES	Distribution of tax revenues - purpose, location and equity of distribution Integration of social and environmental objectives into privatization programmes and infrastructure projects Level and nature of foreign investment Evenness of economic development along ethnic and geographic lines Flexibility of the labour market	Direct jobs created Wages paid and differentials Size of local distribution and supply chains (i.e. other local livelihoods supported). Investment in technology transfer % of shareholders from employees
BUILDING HUMAN CAPITAL	% of GDP spent on education and training % of GDP spent on health and nutrition projects Position of country on UNDPs Human Development Index Level of access to basic services such as water and sanitation, energy	% of local people employed at management level Investment in basic skills training Level of social investment (money, products and management time) in education, training, health and nutrition programmes in host countries and communities
SUPPORTING SOCIAL COHESION AND HUMAN RIGHTS	% of people living below the poverty line Representation of minority groups in key economic and political decision-making positions Legal framework that supports a vibrant and representative civil society Level of criminal activity	Diversity profile of employees relative to local context Level of social investment (money, products and management time) in activities that promote diversity, tolerance and civic education and tackle unemployment % of social investment spent on capacity and institution building. Level of community participation in social investment programmes
ENCOURAGING GOOD GOVERNANCE AND ACCOUNTABILITY	Existence of an independent and effective judiciary Existence and profile of active opposition parties Acceptance of an independent and free media Transparency of tax distribution and public finances	Engagement in local business associations Number of consultations with government officials on key governance issues Number of community and public consultations on social and business issues
PROTECTING THE ENVIRONMENT	Existence and effectiveness of environmental regulations Fiscal or market incentives for efficient resource usage. Support for investments in environmental technology	Data on resource usage and emissions Number of public consultations and complaints related to environmental issues Life cycle impacts of products and services

University of Pretoria etd – De Jongh D 2006

The abovementioned indicators are important prerequisites for a healthy society. There are strong arguments in favour of placing increasing pressure on governments and business to comply with these performance indicators. Furthermore it is widely accepted that the social and environmental landscape of the future will experience further decay unless from an institutionalised level, compliance would be forced down onto governments and the business sector. Global trends (2.3) already strongly support global intervention. The challenge of social development therefore will remain on the global agenda for decades to come.

2.4.6 The donor environment

In defining the social development landscape, a key area requiring a deeper understanding is the donor environment. The social development landscape is characterised by a number of role players of which the donor society could certainly be viewed as the most dynamic and challenging group. Historically South Africa has been strongly associated with donor interest in helping the fight against apartheid, thus influencing social regeneration.

There are quite a number of opinions on donor operations globally. Therefore an attempt will be made to entertain some arguments on the donor environment and donor intent and interest.

Burkeman (2001) reveals some critical questions and comments on the donor environment. He for example challenges and states the question whether charity is beneficial or harmful. He further argues that it is very difficult to challenge the prevailing wisdom about giving money away, because the people who have most to gain by repressing such a challenge are the wealthy. Their power allows them to set the terms of debate - if they are debated at all. This implies questioning philanthropy, suggesting it is anything other than an unalloyed good thing, is simply not done.

John Steinbeck wrote the following which could be perceived as a cynical statement but viewed a bit closer, reveals quite an important message:

> Perhaps the most overrated virtue in our list of shoddy values is that of giving ... One has only to remember some of the wolfish financiers who spend two thirds of their lives clawing a fortune out of the guts of society and the latter third pushing it back. It is not enough to suppose that their philanthropy is a kind of frightened restitution, or that their natures change when they have enough. Such a nature never has enough and such natures do not change that readily. I think that the impulse is the same in both cases. For giving can bring the same sense of superiority as getting does, and philanthropy may be another kind of spiritual avarice.

Burkeman (2001) sheds some light on the reason behind wealthy people giving money away. He reports on an interview between Anita Roddick of the Body Shop and how she viewed corporate giving (1996).

> In your 30's you tend to want to feather your nest whilst in your 40's you start reassessing things. Now I'm in my 50's. I am truly interested in what I'm going to leave behind, what my thumbprint is ... I will certainly be leaving the foundation my personal fortune. There is nothing more obscene to me than dying rich. It's like having water in a vase. The longer you keep the water in the vase, the staler it gets ... It's about stewardship. It is like the best of the aristocracy who left their houses to be passed on in perpetuity. They ensured they had the right caretaker looking after it.

Burkeman (2001) strongly argues the importance of donors not only signing a cheque and thereafter as he puts it "sitting back basking in the warm afterglow". Donors desperately need to engage with the situation or cause which their grants seek to remedy. It is this connection and growth in understanding, that could be a powerful force for change in society. Without real engagement and understanding from a donor perspective, grant-making remains a sterile process and one which ultimately reinforces the inequalities which give rise to the need for grants in the first place. There still are very few regulations for example about how foundations set about spending money.

Wherever there is an agglomeration of power, i.e. partnership between state, business and civil society on social issues / concerns, there should also be at the very least, transparency, accountability and an appropriate degree of democratic control. Joseph Rowntree a radical philanthropist, made a statement in the mid-nineteenth century.

> Charity as ordinarily practiced, the charity of endowment, the charity of emotion, the charity which takes place of justice, creates much of the misery which it relieves, but does not relieve all the misery it creates.....

In the international donor environment it seems for example that the US non-profit sector remains financially strong. Foundations and endowed non-profit organisations have accumulated almost $1 trillion in investment assets, $450 billion of it belonging to foundations and more than $ 500 billion to endowed non-profit organisations (Jansen & Katz 2002). Analysing the successful management of these funds suggests that the current approach in the USA to building and distributing this wealth, is not serving the best interests of society.

What makes determining "value for money" in terms of social investment quite difficult is that the return on investment accrues to society rather than to the donor and comes in the form of hard-to-quantify social benefits. Jansen and Katz (2002) reported that delaying investments in the social sector exacts an enormous cost. US non-profit service organisations do valuable work, and many are underfunded. With more timely support from foundations and donors, they could do even better work. The challenge remains the allocation of available resources among projects. It clearly requires sound understanding of social and environmental needs and matching resources with identified needs. Furthermore continued attention is given to measuring the societal value of the donation against the actual monetary value of the donation in order to assess return on investment from a societal as well as economic perspective.

It is generally accepted that strong local and international guidelines will precipitate donor involvement in any project. Donations are critical and form the life blood of moral and ethical regeneration, characterising the field of social and environmental development. Integrating social development with business imperatives (inter alia the purpose of this research) will strengthen the more regulated mobilisation of funds and infrastructure. The KING 2 Report on Corporate Governance is a significant step in regulating corporate "giving" in South Africa.

To sum up donor management not only requires a sound understanding of financial and social issues, but also an understanding of the multistakeholder, multidisciplinary and multi-impact environment in which any person or institution, involved with grant making operates. This is indeed a challenge that especially the SA business sector is faced with in a marketplace increasingly aware of social dynamics and expectations.

Finally, in section 2.4. the challenges that are facing the social development landscape were presented. It is clear that the world is changing and that the development agenda is regarded as top priority by nations and corporates. The real challenge would be to successfully manage social and environmental impact through multistakeholder participation and intervention resulting in social, environmental and economic sustainability globally.

2.5 HUMAN RIGHTS AND SOCIAL DEVELOPMENT

One of the greatest ironies of this period in history is that, just as technology remakes our world, the need to maintain the human dimension of our work, and a company's sense of its social responsibility, is growing at an equal rapid pace. Harmonizing economic growth with the protection of human rights is one of the greatest challenges we face today (Mary Robinson: UN High Commissioner for Human Rights February 2000).

> Big companies need to step into the breach to ensure that globalisation delivers more than a latency of dashed hopes. We must now act as co-guarantors of human rights (Göran Lindahl: President and CEO of ABB).

In this final section of Chapter 2, an overview will be given of human rights and more specifically contextualizing them in the business case. It is however clear that the social development landscape strongly represents a philosophy around recognition of human rights, the protection thereof, societal impact on human rights and vice versa, as well as the corporatisation of human rights and social values. It therefore justifies some deliberation on this theme as an integrated part of the social development landscape.

2.5.1 Defining Human Rights

Human rights are fundamental principles allowing the individual freedom to lead a dignified life, freedom from abuse and violations, and freedom to express independent beliefs. Human rights are based on rules of human behaviour common across diverse cultures to achieve stable, peaceful and equitable societies (Amnesty International, 2000).

The basis of international standards of human rights is the UN Universal Declaration of Human Rights (UDHR) which was established in 1948 after extensive international consultation. This was adopted by 48 members of the UN General Assembly, and subsequently by a further 100 states. No nation has ever publicly stated its opposition to the UDHR, which is indicative of its moral weight. Its provisions have been cited as the justification for numerous UN actions, and have inspired or been used in many conventions and protocols adopted by the UN, defining in greater detail, the scope and contents of international human rights standards. The two key covenants are the International covenant on Civil and Political Rights (1966), and the International Covenant on Economic, Cultural and Social Rights (1966). These, together with core labour standards of the International Labour organization (ILO), represent the most widely accepted codification of human rights standards as enshrined in international law. The declaration itself was a response to human rights abuses that had preceded and accompanied the Second World War, a global war that created a global moral crisis to which the UN declaration was a collective and global response (Cragg 2000).

2.5.2 Business and social benefits of human rights

In a publication by Amnesty International and the Prince of Wales Business Leaders Forum (2000) the following benefits (Table 2.2) were reported.

Table 2.2: Business and social benefits of human rights (Source: Amnesty International and the Prince of Wales Leaders Forum 2000)

COMMERCIAL BENEFITS	SOCIAL BENEFITS
• Enhanced corporate reputation and brand image	• Strengthening the rule of law through application of international human rights standards
• More secure license to operate	• Strengthening capacity of civil society organizations through dialogue and partnerships
• Improved employee recruitment, retention and motivation	• Increased trust between community groups and company through consultation and partnership activities
• Improved stakeholder relations	• Decline in social unrest, conflict, violent sabotage
• Reduced risk of consumer protest, boycotts, adverse publicity	• More stable employment opportunities
• More sustainable relationships with business partners, suppliers, subcontractors	• Greater potential for sustainable socio-economic development
• Improved risk assessment and management	• Opportunity for fair representation of different community groups views and concerns can strengthen social cohesion
• Improved investment climate	
• Strengthening shareholder confidence	
• Competitive advantage over other companies not yet adopting human rights policies	

Through the social benefits of human rights in particular, enrichment of the social development landscape occurs. This comparison between business and social benefits however indicates the close integration already taking place and making human rights "everybody's business". It is further strengthened by global initiatives such as WSSD, GRI and Global compact (see section 2.3.).

2.5.3 The business case for human rights

In order to defend a business case for human rights, the following quotations (Visions of Ethical Business. Financial Times: 1998) will be presented in an attempt to offer proof and evidence amongst large corporation's' views on human rights.

> Getting it right is not only a matter of ethical behaviour and moral choice. Enlightened business people have realized that good business is good for business. Good business is sustainable, is part of global society, not at odds with it and reflects values which are shared across the world **(Peter Sutherland : Chairman of BP Amaco : 2000).**

> The World's Markets just won't buy products if they are manufactured by countries that exploit child labour, that are dictatorial, and that destroy the environment, eventually, business people will have no choice but to take part in the process of solving our social problems
> **(Sophan Suphaphong, President of Banchak Petroleum, 2000).**

> Reebok's experience is that the incorporation of internationally recognized human rights standards into its business practice improves worker morale and results in a higher quality working environment and higher quality products
> **(excerpt from Reebok's Human Rights Production Standards, 2000).**

> Inaction is not an opinion. The choice is between the exercise of corporate leadership in developing appropriate company policies, or being forced by public opinion to bring corporate practice into line with the values of society **(Sir Geoffrey Chandler, Chair of Amnesty International UK Business Group and former Shell Senior Executive, 2000).**

The above statements could be regarded as critical proof in favour of a business case for human rights. Mary Robinson, UN High Commissioner for Human Rights, reported that fifty years ago, the UN may not have foreseen the power and influence that business corporations would come to yield in our world, but they did allow for business, as part of the human community, to use its power, with respect for human rights in mind. She further argued that

> ...in many ways business decisions can profoundly affect the dignity and rights of individuals and communities. Business is coming to recognize this and I welcome the growing activities in the business community to establish benchmarks, promote best practices and adopt codes of conduct (2001).

It therefore becomes clear that in the globalisation striving for most businesses, their actions are being closely watched by groups and individuals. Human rights will remain a fundamental value principle which could also be regarded as a strong indicator of reputation and integrity if

performed well, but also become a serious social risk if ill performed. With a strong civil society movement in South Africa, especially organised labour, the pressure from a human rights perspective even more so, demands to be placed on the agenda of boards and executives, managing and leading any organisation. Frankental and House (2000) however argue that it is difficult to put figures to the business costs and benefits associated with human rights, but the connections are undeniable. They also alluded to the reputation risk associated with violations of human rights, specifically in attracting and retaining the best people to join these organisations. Therefore companies that can demonstrate that they are actively seeking to maximise the positive impact of their operations on the human rights situation and minimize the negative impact will attract less criticism and more support from a vigilant media, networked NGOs and informed consumers, not to mention their own staff. This does not even include the negative impact on the brand and other intangibles, so easily forgotten. Frankental and House (2000) therefore argue that its not surprising that many NGOs are beginning to target companies with high profile brands like Nike and McDonalds.

Human rights also apply to all stakeholders or spheres of influence in a business landscape. Suppliers, government, and communities are as important "members" of a business as their staff. Lobbying and advocacy as well as partnerships with these groupings are a critical imperative to ensure that a healthy code of conduct is also performed amongst these stakeholders. Again the challenge deepens from a social development perspective in so far as upholding human rights not only within the business environment, but also in the broader sphere of influence. Multinational organisations face an even more challenging situation because of the "borderless" nature of being a global player and dealing with various cultures, value systems and perceptions.

In an article by Cragg (2000) on human rights and business ethics in which he contested the relevance of the post Second World War "social contract" whereby responsibilities were assigned to ensure equitable sharing of wealth by governments, the following suggestions were offered:

- A new social contract is needed to frame business activities in the emerging global marketplace. The widespread view in the private sector that the protection of human rights is a government, not a corporate responsibility, is not tenable in a global economy.
- The new social contract must include recognition by the business community that they have an obligation to operate in all aspects of their operations within the framework of policies and codes that encompass respect for human rights and other values of fundamental human importance, for example environmental protection.

- The new social contract must acknowledge that creating respect for fundamental human values in the private sector requires business and government partnerships. It is clear that international regulation is essential to create a level economic playing field for the conduct of international commerce.
- The new social contract needs to ensure a significant role for civil society in monitoring the adherence of corporations to the codes they adopt. This cooperation should be based on private sector/civil society partnerships whose goal is to work together for the benefit of all stakeholders.
- Finally, and perhaps most importantly, it is important to be reminded, as Ghandi and others have pointed out, that commerce without conscience is a formula for human exploitation, not human development.

2.5.4 Human rights in practice

In summary, Amnesty International has endorsed the following key elements in putting human rights principles into practice (2000).

- An explicit commitment to support principles enshrined in the Universal Declaration of Human Rights is an important starting point.
- Companies should recognise that human rights do not occur in a vacuum. They are part of a continuum of responsible practices that encompass employees, communities and other stakeholders. In this respect it is important that the links between complementary or potentially conflicting internal company policies be addressed.
- Assigning responsibility for the development and implementation of the human rights policy to a central function within the company should ensure appropriate integration of human rights considerations into the overall business decision-making process.
- In developing policies and practices with regard to human rights, it is important that companies clearly delineate the boundaries of their responsibilities or willingness to become involved in advocacy or exert influence.
- Assurance processes should be implemented to ensure that the human rights policy is being adhered to and that company operations are being evaluated for their potential impact on human rights.
- If companies are serious about monitoring their human rights performance, it is critically important that they develop mechanisms for systematically reporting on progress. Independent monitoring and verification by a credible social auditor is important for external legitimacy.

- Cross-sector partnerships offer potentially powerful mechanisms for developing and implementing human rights strategies. The potential for such partnerships with NGOs or community groups should be explored at various levels, from investment decision-making through to local monitoring of human rights conditions or peace-building initiatives.
- Engaging in constructive dialogue with critics can be very important. Companies which have reacted defensively to criticism in the media and from NGOs, and which have denied allegations of human rights violations without offering to enter into discussion, have often been the target of even more vigorous criticism. Whether founded or not, such criticism can be damaging to corporate reputation.

Finally, it would be incomplete not to contextualise human rights within the social development landscape hence the last section of Chapter 2. Human rights undoubtedly form a critical part of the social development landscape specifically within the South African environment. Historically, prior to 1994, South Africa as a country was notorious for the violation of human rights entrenched by social injustices and apartheid. The institutionalisation in SA of human rights post 1994, through legislation and strong development activism, furthermore enhances the integration of human rights into main-stream business and society. The drivers of the 2002 Johannesburg Summit (WSSD), "People, Planet, Prosperity", finally emphasise the importance of human rights in sustainable development globally.

2.6 CONCLUSION

Chapter 2 could be regarded as the entry point of the study. The main reason for entering the field of corporate social performance through the social development landscape is fundamentally because social injustices and the violation of human rights and the environment precipitated the private sector's intent to address these imbalances through their participation in sustainable development. Although this chapter primarily focused on social imperatives, it was stated that separating social and environmental imperatives was impossible due to the connection between these two areas.

In Chapter 2 an attempt was made to create a meaningful context for social development, focusing on both South African and global imperatives. It was clear that development in the social arena predominantly originates from the UK and that local development, philosophies and principles are largely based on UK rather than any other trends globally. Developments in the UK are therefore widely accepted as leading philosophies and practices in the field of social development. Business in the Community is already deeply entrenched in the UK hence their leadership role in this regard. What became quite evident however in the South African context is that there seems to be a strong thrust behind the institutionalisation of the social development

landscape through regulatory initiatives as well as a strong sense of baseline social performance, hence benchmarking exercises. It was only about two years ago that strong evidence in favour of regulation was emerging which arguably could change the social development landscape in SA completely. In Chapter 2 an overview was presented of these regulatory interventions, which, although currently still voluntary, could easily be translated into legal terms in future. The KING 2 Report on Corporate Governance, Johannesburg Securities Exchange: Socially Responsible Investment Index (JSE / SRI: INDEX), Sustainable Banking and Benchmarking Corporate Citizenship are four of the most prominent interventions currently in SA. It was argued in this chapter that these interventions are the key characteristics that will shape the future of social development in SA, that will align efforts of business, government and civil society, and that will remain on the national agenda for some years to come.

Chapter 2 also alluded to the role of the SA government as the primary driving force in equalising the social landscape in SA. As proof of its intent, during a recent speech by the Minister of Social Development, Dr. Zola Skweyiya (August: 2002), made the following comments.

> The South African Government is doing all in its power to ensure that Civil Society is strengthened to make a meaningful contribution to policy discussions and other pertinent issues like poverty, health, water and other socio-economic development issues that will be discussed by both Government and civil society during the WSSD. We urge all South Africans to work together, be it business, labour, faith-based organisations and most importantly communities of Alexandra, Soweto, Gauteng and the North West to give a warm welcome to all the international guests who will be attending the WSSD.

The SA government through constructive attempts like the Business Summit on Social Development (October, 2002) is busy shaping the social development landscape. The National Development Agency, which is responsible for disbursement of funds for social development and for close relationships between government and organised business, i.e. South Africa Chamber of Business (SACOB), The National Business Initiative (NBI), The Black Management Forum (BMF) and The Afrikaanse Handelsinstituut (AHI) are proof of this. Chapter 2 also reported on the role of the World Summit on Sustainable Development (WSSD), The Global Reporting Initiative (GRI) and Global Compact as key institutional drivers of global social change. It was reported in Chapter 2 that these initiatives are shaping the social arena through globally accepted guidelines and principles, offering tools and solutions for the role-players in social development, namely government, business and civil society.

Chapter 2 also focused on a number of challenges confronting the role-players involved with social development. These challenges represent the changing face of the developing world, sustainability indicators, understanding the social dimensions of business, defining social values specifically within a business context, understanding the key determinants or indicators of a peaceful and progressive society and lastly, contextualising the donor environment within social development. An interesting argument that emerged after analysing these challenges was the importance of stakeholder engagement (to be discussed in Chapter 3). A fundamental understanding of the stakeholder environment is needed in order to address these challenges. The interrelatedness between the public and private sector as well as civil society is a key prerequisite for dealing with social issues. The social development landscape asks for an integrated approach by these role-players in order to address the social challenges of SA.

Finally, Chapter 2 dealt with an important element of the social landscape, namely that of human rights. A fundamental ingredient of a healthy society is the protection of human rights. Furthermore, true to the history of South Africa, the social crisis that SA is currently experiencing could be directly related to a failure in complying with the United Nations Declaration of Human Rights (1948). The drivers of social change are embedded in human rights issues hence the attempt to contextualise human rights from a business as well as practical perspective.

In conclusion the social development landscape has changed dramatically in South Africa since the introduction of democracy in 1994. It could also be argued that the landscape will change, even more rapidly in future, owing to the emergence of drivers such as KING 2, the WSSD and a general sense of governance and accountability. Social issues will also be entertained as a critical agenda point by the highest authorities from government, business and civil society. The landscape asks for intervention to ensure a sustainable society and environment in future. The role of business in this challenge is particularly highlighted and this creates the entry point for Chapter 3 that will deal with key business trends and philosophies and the relevance thereof to the social context.

University of Pretoria etd – De Jongh D 2006

CHAPTER 3

STRATEGIC PERSPECTIVES ON BUSINESS PHILOSOPHIES

3.1 INTRODUCTION

In Chapter 1 it was proposed that an understanding of social development and the business landscape was required to establish the context for the study from a theoretical and literature point of view. Chapter 2 subsequently presented a literature review of the social development landscape. The business landscape globally and specifically in South Africa is changing rapidly, and business imperatives translated into social terms certainly remain a key challenge. In Chapter 3 an attempt will therefore be made to explore the dynamic drivers of change in business philosophies, management imperatives, business value proposition and some challenges facing business in general.

The business landscape could indeed be described as the more dynamic of the two. World markets, world economies, globalisation, the information age, multiplication of knowledge and a number of other drivers of world business, demonstrate the delicate interdependency of all role players in a society still characterised by capitalism or economic performance. The mere fact that the borders of business no longer exist, specifically from an intellectual and emotional perspective, further emphasises the complex nature of the global business landscape. The Prince of Wales (2001) has been quoted as saying that "in a rapidly changing world, my own view is that the globalisation of opportunity for major companies is not yet being matched by an equal globalisation of responsibility". He also remarked that, for the business community of the twenty-first century, "out of sight" was no longer "out of mind". since global communication and media operations are able to present every aspect of a company's operations directly to its consumers in stark, unflattering and immediate terms. Thus the "business of business is no longer business anymore".

In an open environment, an almost incomprehensible responsibility is placed on the business sector to fully understand the impact of their businesses not only on their customers, staff and shareholders, but also on the broader society, environment and stakeholders they deal with. Business is for the first time open to any form of criticism and stands almost defenseless to the magnitude of its impact across societies, environment and stakeholders. The recent scandals at United States based companies Enron, Worldcom and Arthur Anderson are clear evidence of the relentless nature of business and the speed at which a once thriving organisation could become obsolete in a matter of hours.

In 1926 Prime Minister Jan Smuts, in his thought-provoking book Holism and Evolution, alluded to Darwin's theory of evolution, Einstein's theory of relativity and his own insights to reach the conclusion that there is a common driving force in all creation and evolution - a golden thread for

which he coined the term "holism". Holism, Smuts explained, is a fundamental tendency in nature (including human society and its institutions) to form wholes of ever-greater synergy. These wholes are characterised by increasingly complex relationships among their diverse elements, which result in progressively higher levels of intelligence and creativity. The relationships between things are therefore as important as the things themselves. Interestingly, the real creativity in nature occurs where fields overlap - where the outer edges of different wholes mingle (Visser and Sunter 2002). Organisations are constantly in interaction with all the elements in their immediate as well as not so immediate environment, and managing these interfaces is the real challenge companies in the twenty-first century will be faced with. Wise businesses will understand that they not only impact on their external environment, but that, increasingly so, the external environment impacts on them.

"The spread of markets far outpaces the ability of societies and their political systems to adjust to them, let alone to guide the course they take" (Kofi Annan, January 1999). Annan comments on the role and power of the business world, again demonstrating the potential positive and negative impact on what Sunter and Visser (2002) refer to as "Spaceship Earth". Recalling Kenneth Boulding's metaphor (1960)," we live within an insular planetary system where nothing comes in and nothing leaves." Therefore, whatever good or bad is done inside this "confined space" has a huge impact on the sustainable future of the planet. It could therefore be argued that the world of business, having major control over world markets, natural resources and people, is regarded as the biggest contribution towards a sustainable future for the planet, its people and the environment.

If, with the above explanation of the world of business in mind, one considers the position that directors of companies took on addressing issues of global concern, it is clear that very little attention was given to the matter until about ten years ago. As reported by Newbold (2002), the language of the boardroom was finance and the focus was primarily on the interests of the shareholder. Company communications were directed firstly at institutional shareholders, secondly financial analysts, next the financial press, and as a poor last, the private shareholder. The principles of shareholder democracy did not extend to include others embraced within the newly fashionable but vague nomenclature of "stakeholder", such as employees or society as a whole. Non-financial talk was incomprehensible or, if attempted in the boardroom, for the most part, dismissed as irrelevant.

According to Newbold (2002), a changing language in the boardroom only became evident during the last decade of the twentieth century. Apart from well-funded NGOs, strong consumer activism led to highly effective campaigns against multinationals; charging them with profiteering

in poorer countries, of using sweated labour to produce high-margin luxury goods for Western consumption, of cynical disregard for local cultures, human rights and environmental degradation. Although some companies sought to counter the effects of these campaigns with charm offensives or public relations initiatives, an increasingly sophisticated and well-linked body of global protesters has seen off much of the corporate spin. Fortunately the language of corporate responsibility has shifted from the simplistic mantra of shareholder value to the far more complex consideration of the issue of interconnected rights of those affected by corporate behaviour.

The business landscape - specifically in South Africa with its unique social character - will soon be the focus of boardroom transformation. Apart from global drivers of change such as the WSSD, GRI and Global Compact, local drivers like the KING 2 Report on Corporate Governance, JSE/SRI INDEX and a strong civil society activism will force business to transform the way they conduct their business activities (see Chapter 2). The post-1994 era in South Africa could furthermore be regarded as a strong shaping era whereby business practice will be challenged fundamentally not only by the public sector, but also by civil society and the ordinary man in the street. In an article in Business Day (June 2002), Games proposed a strong argument in favour of the private sector's role and input in ensuring a future for Africa.

The following were suggested as ways of strengthening the role played by the private sector in South Africa:

- Greater use of public/private partnerships.
- Successful privatisation of key utilities that in most cases link the interests of the public and private sectors.
- The creation of a strong and representative pan-African business organisation to make key inputs in government policy.
- The development of strong links between the private sector and civil society, given that business has much to gain from the success of the latter's efforts to strengthen peace and democracy.
- Sharing of natural resources.
- Sharing best practices with governments, seconding skills, developing capacity and identifying wealth creation projects and ways to fund them.
- Having strong private sector representation in the African Union's peer review structures.
- Regionalisation must be strengthened, since it is the key to creating interlocking economic interests across borders.

University of Pretoria etd – De Jongh D 2006

3.2 GLOBAL FORCES OF CHANGE

In the next section of Chapter 3 perspectives will be offered on global issues related to the world of work. Michael E. Porter, co-founder of the Centre for Effective Philanthropy and voted the world's top business intellectual by the Institute for Strategic Change of the consulting firm, Accenture, said the following: "We are learning that the most effective way to address many of the world's most pressing problems is to mobilise the corporate sector where both companies and society can benefit." Therefore, it could be argued that the business world faces significant transformation, precipitated by key driving forces that are characterised by an explosion of knowledge and information.

Accenture has compiled an intriguing ranking of the top 50 living business gurus, most of whom are business school academics, consultants, journalists or business executives. Insights concerning strategic business issues were obtained from these people. Vinassa (2002) has offered a summary of some words of wisdom by a few of these gurus, and thus creates - from a philosophical perspective - the context for defining the business landscape.

> The organisation and culture of entrepreneurial firms can foster organisational learning but it can also impede learning. Entrepreneurial ventures frequently lack the kind of traditional authoritarian, hierarchical structures that inhibit collaborative learning, systems thinking, and team solutions to problems. Also, the entrepreneurial challenge often attracts individuals motivated by a strong desire to pursue their own personal visions.
>
> **Peter Senge**, MIT professor and author of The Fifth Discipline: The Art and Practice of the Learning Organisation.

> Technology may be the driver of a modern economy, especially of its high-tech sector, but human capital is certainly the fuel. Human capital refers to the knowledge, information, ideas, skills and health of individuals. This is the 'age of human capital' in the sense that human capital is by far the most important form of capital in modern economies.
>
> **Gary Becker**, winner of the 1992 Nobel Prize in Economics for his work on human capital, and an Economics and Sociology Professor at the University of Chicago.

> In the age of revolution, it's the incumbents against the insurgents, the old guard versus the vanguard, the hierarchy of experience clashing with the hierarchy of imagination.
>
> **Gary Hamel**, Chairman of the boutique consulting firm Strategos, and author of Leading the Revolution.

> I can imagine our entire school system shrivelling up. It is a $500 billion dollar enterprise. By everybody's measure, they are inefficient, ineffective and very expensive. When we built that system, it was humanising and democratic and good. By its very structure it simulated the factory. Now they continue to simulate a factory future, but the factories aren't going to be there. So what is going to happen is that these schools are going to shrink in relevance.
>
> **Alvin Toffler**, author of Future Shock and The Third Wave.

> The hype about the Internet and the hoopla over dotcom failures has obscured one simple fact: Internet initiatives have delivered huge increases in productivity and profitability to individual companies and to the US economy as a whole.
>
> **Hal Varian**, Dean of the School of Information Management and Systems at the University of California at Berkeley, and author of Information Rules: A Strategic Guide to the Network Economy.

> Groups are smarter than individuals only when they exhibit the qualities of emotional intelligence.
>
> **Daniel Goleman**, journalist and author of Emotional Intelligence.

Emanating from the above quotations is the interesting "mingle" between the human factor and the digital imperative. When adding the "borderlessness" of the world to these two factors, one realises the complexity of business and more specifically its impact on society and the environment. The digital age indeed requires a delicate trade-off between sophistication and social/ environmental decay. Digital access is still only meant for an exclusive few and considering statistics on poverty, malnutrition, HIV/AIDS and environmental decay, closing the divide becomes an imperative that the business sector will in future be held responsible for.

In an article by Moy (2002) on "altruistic capitalism", a strong argument is made out in favour of the interconnectivity of theories, facts and issues. Using the jigsaw puzzle analogy, the author argues about the benefit of comfortably fitting together the pieces of bottom-line targets, environment, behaviour and ethical /moral standards - which he refers to as a so-called "harmonious achievement". According to Moy altruistic capitalism aims to create an understanding and psychology in business that the more we adhere to sound practices in areas such as environmental sensitivity, safety procedure and ethical behaviour, the greater the corresponding result will be in increased profits. Thus, as the momentum of change increases, the call for greater cohesion (a collective effort of fitting together the jigsaw pieces) grows louder and stronger. A responsibility is however placed on the shoulders of the business sector to take the lead in this process, purely because of their physical and intellectual resources.

The following four revolutions form a fundamental baseline framework in a book Everybody's Business (2001) by David Grayson and Adrian Hodges. These revolutions explain how knowledge of the emerging management issues of ecology and environment, health and well-being, diversity and human rights, as well as knowledge of communities, can improve business performance and make the manager's job more satisfying. These revolutions also coincide with a period of anti-capitalist demonstrations and increasing concern about the unequal distribution of the benefits of trade liberalisation and globalisation. It is therefore imperative when exploring the business landscape to understand these revolutions which in themselves offer some perspectives on how to respond to the emerging risks in today's global society.

3.2.1 The revolution of technology

The convergence of telecommunications and information technologies has created unprecedented levels of connectivity - within companies, between businesses and supply chains, between businesses and customers, and among customers (Grayson & Hodges 2001).

It is evident that people's ability to access, transmit and process information has increased dramatically. For example in 2001 the Mobile Data Association reported that 64 billion text messages were sent worldwide during the previous year - and by January 2001 the figure was a staggering 10 billion per month. Computing costs also fell substantially, while the speed of communications resulted in the only certainty - an increasing unpredictability for individuals and institutions. Allan Greenspan, Chairman of the US Federal Reserve remarked that these new innovations, which were labelled information technologies, had begun to alter the manner in which business was conducted and value created, often in ways not readily foreseeable even five years earlier (1999).

Furthermore the Internet explosion is changing the total business landscape to the extent that governments are already factoring electronic commerce into policy formulations. In China, for example, Internet growth rose from 4 million users at the end of 1999 to 17 million in September 2000. The question that remains concerns the consequences of Internet access in developing countries like South Africa, where the so-called digital divide is increasing rapidly due to the fact that a large percentage of the population does not even have access to electricity.

The "clicks and mortar" phenomenon is furthermore creating a whole new culture of conducting business. E-commerce has virtually eliminated all distance between businesses, markets and consumers. "There is only one economy and only one market" (Peter Drucker October 1999). This phenomenon has serious consequences for traditional business processes and strategies. The definition of and differentiation between brands are now suddenly threatened by new brands that may be launched on-line in a matter of minutes. This certainly could lead to confusion in consumer markets, which could ultimately provoke consumer activism (let alone labour unrest due to the rapid change in character of the world of work as well as loss of jobs in the traditional sectors of the industrialised world).

Those who survive in this new information age are faced with a non-stop 24x7x365 world of work. This places new demands on managers to respond to employee stress, specifically concerning a balance between worklife and personal life. It is usually in times like these that intrinsic values emerge and that employees start looking for meaning beyond their being utilised as a commodity - they also want to be recognised as human beings.

A further element that increases the emotional loading of the world is the fact that - due to wide scope of the media, the power of visual images and the "CNN age" - there is no hiding place. Business, governments and other institutions are subject to relentless scrutiny. The impact of business, particularly on society and the environment, is exposed on a real-time basis. Rectifying unjust behaviour also occurs in real time, which in itself highlights any mistake or transgression via a broad spectrum of electronic media and therefore has the potential of damaging image and brand value in seconds. Information has become the commodity that carries a value far bigger than any product or service and it constitutes an ever-growing proportion of the world economy. In 2001 Percy Barnevik, ex-chairman of ABB, claimed that only ten per cent of the world economy would be in manufacturing by 2010.

Natural resources that were previously not economically exploitable because of their remote location are now physically accessible. This has obviously led to further exploitation of natural resources, which has resulted in governments imposing regulations upon organisations to limit and manage their impact on the environment.

In summary the revolution of technology affects the way that business is conducted. Technology has virtually caused the world to "decrease in size", since access to anything anywhere has become immaterial. The advantages of having access to the whole world go hand in hand with a responsibility to manage such access properly, in order to ensure that the forces that rule the world, namely global businesses, do not ruin it.

3.2.2 The revolution of markets

Since the Berlin Wall came down, an additional 3 billion people live in economies that operate on market principles, spurring a globalization of capital, knowledge and ideas. This has been further fuelled by a seemingly relentless process of privatization and liberalization (Grayson & Hodges 2001).

Governments, multilateral and bilateral organisations, corporations and non-governmental organisations are undergoing a constant re-invention. This changes the relationships and interfaces between these market players on a daily basis, resulting in a complex environment in which to live, work and play. With globalisation, liberalisation and privatisation, the flow of funds and global trade on a daily basis epitomise the spirit of a global community to some, but anarchy to others.

> It is predicted that the share of the world's market that is 'globally contestable', i.e. open to global competitors in product, service, or asset ownership markets, will rise from about $4 trillion in 1995 (one seventh of the world's economic output) to approximately $21 trillion by the end of 2001 (one half of the world's economic output) (Robert Atkinson & Randolph Court, quoted in John Weiser and Simon Zadek, Conversations with Disbelievers 2000).

The economic influence of big business in the global economy translates into the following:

- Of the world's largest economic entities, 51 are now corporations and 49 are countries (Top 2000: The Rise of Corporate Power, Institute for Policy Studies 2000).
- The world's 200 largest corporations employ less than one per cent of the world's population - yet control 25 per cent of its economic activity (Top 2000: The Rise of Corporate Power, Institute for Policy Studies 2000).

- The 500 largest transnational companies account for 70 per cent of world trade and 30 per cent of global GDP (Supplement for Prince of Wales International Business Leaders Forum, Time June 1999).
- According to the United Nations, there were 7,000 transnational companies in 1975; 25 years later, that figure had risen to 60,000.
- When BP and Amoco merged in 2000, they became the largest single economic entity in each of twenty national economies, that together account for 20 per cent of world GDP (BP Spokesperson 2000).

According to statistics reported by the World Bank, development aid is on the decline. Official aid to emerging markets, which originates in the world's seven wealthiest governments, has dropped by 29 per cent between 1992 and 1997 (Supplement for Prince of Wales International Business Leaders Forum, Time, June 1999). The animosity revealed by this trend could easily fuel activism in developing countries and put businesses in the spotlight. A business decision to open or close a factory, for example, is very likely to attract external attention and scrutiny.

As a result of globalisation, billions of dollars are spent on creating brand awareness - to the extent that corporations have taken on the same status as Hollywood celebrities. Their every move is watched, analysed and commented on. Corporate behaviour is in the global "open space" and people are increasingly beginning to fight global economic battles by focusing on one or two brand name corporations and turning them into large-scale political metaphors (Klein 1999).

The civil society sector and, more specifically, NGOs have entered into this debate. The premise from which they operate is based on a social and environmental conscience with a strong ethical inclination. Furthermore the NGO sector is still globally regarded as the most influential group when it comes to mobilising capacity to make a real difference in the lives of the most vulnerable - mostly found in developing countries and informal economies. Global spending and capitalism is closely monitored and increasingly so as a result of the recent Enron and Worldcom scandals where greed and profit have overtaken altruism and sustainable development. The informal economy (in developing countries) therefore has a major impact on brand equity, considering the substantial growth that these economies have registered as a percentage of GDP from 1989 to 1999 (Schneider 2000).

The power of brands is still regarded as the key to commercial success, hence the strong movement by organisations to protect it and build intrinsic legitimacy into it:

> According to Fortune Magazine, in the twenty-first century branding will ultimately be the only unique differentiator between companies. Brand equity is now a key asset (Clifton, CEO Interbrand 1999).

Research conducted by Interbrand (1999) found that 96 per cent of Coca Cola's stock market value lies in intangibles, such as reputation, knowledge and brand. It is reported that this intangible valuation will rise to 45 per cent by 2010. Such a trend places an even stronger emphasis on the public's perception of a brand, as well as on their interpretation of the brand, the credibility of the brand and what it stands for. Market value is directly influenced by public support or rejection of a brand and in today's global environment is as easy as the "click of a mouse". There seems to be sufficient proof that financial performance is no longer the only determinant of trust in a company or brand. Brands also need to be responsive to local markets, therefore skills are needed in "glocalism": the ability to sensitise global policies, brands and corporate cultures to the needs of local markets.

Douglas Draft, Chairman and CEO of Coca Cola, remarked that "...in our recent past, we succeeded because we understood and appealed to global commonalities. In our future, we'll succeed because we will also understand and appeal to local differences. The 21st century demands nothing less" (2000).

The revolution of markets finally also explains the delicate interplay between what was traditionally viewed as incompatible sectors, namely the private, public and civil society. Not only are governments and NGOs learning the business language and skills, but they also assume certain responsibilities historically preserved only for government. This clearly demonstrates the art of stakeholder engagement and cross-sectoral capacity building, as well as the potential for "creative swiping" from one another. The global marketplace has caused an even greater "blurring of boundaries", which results in some confusion, but also creates new opportunities.

3.2.3 The revolution of demographics and development

"Demographic change, and its connection with the process of development, has a crucial bearing on business operations, future growth and profitability" (Grayson & Hodges 2001).

Globalisation has led to a situation in which an increasing number of companies operate in countries with limited public resources and an inadequate infrastructure. This results in significant social problems that will eventually constrain business growth or compel firms to take remedial action. Business operations are often sited in areas next to centres of population that have little income, low skills and poor prospects. Fundamentally due to a general lack of a stake

in the system, these communities start questioning the concentration of wealth in the hands of what they consider to be the minority elite. Since this paradox relates directly to the connection between the well-being of business and the well-being of humanity, it elicits an outcry to eradicate poverty and insists on a crucial role to be played by business. Thus the impact of business on the development process demands consideration.

Some significant population statistics indicate that the world population stood at 2,5 billion in 1950 and has doubled in the last 50 years (*State of the World*, UN Population Fund 1998). The real challenge however lies in the developing countries where high population growth causes pressure on already stretched resources and infrastructures, for example sanitation, water, health, education and food supplies. Mortality and global ageing are also significant in so far as there is a decline in infant mortality rates and a rapid ageing of the world as life expectancy rises.

In a report by the Inter-American Development Bank (2000), it was remarked that the consumption needs of children and the elderly surpass their productive capacity, while the opposite occurs for people of intermediate ages. For any society the capacity to save and invest in physical and human capital therefore depends on the composition of its population. Consequently growth will be higher in societies that have an age composition that favours intermediate ages, and it will be less in societies that are either very young or very old.

The devastating impact of HIV/AIDS on a population of intermediate ages is furthermore significant. In countries hardest hit by the pandemic, it is already evident that the prevalence of the disease is highest among the intermediate age group. HIV/AIDS could therefore potentially wipe out the entire economically active segment of a population, and result in a situation in which thousands of children are orphaned. This would inevitably increase poverty and social decay, leaving almost no future for an emerging segment (youth) in developing countries. According to a report by the World Bank (2000) more than 34 million people are infected with HIV, of whom 90 per cent are in the developing world. In countries like Botswana, Zimbabwe and South Africa, one in every four adults is infected. This severely impacts not only on the workforce but also on economic performance.

Again the paradox emerges in the unequal distribution of wealth. The latter could (especially in developing countries) be regarded as a factor that contributes to poverty and results in increased HIV/AIDS prevalence. An interesting example in South Africa is the mining sector's capital injection into communities that have historically been severely impoverished. When new mines are started within areas surrounded by communities and townships, local people are preferably employed. This results in a sudden capital injection into the community. However, sex workers

are attracted by the migrant workers who live in mining hostels and prostitution inevitably increases the impact that HIV/AIDS has on these communities. The expansion of mines into rural areas also makes it viable for many local women to practice prostitution as a way of earning a living. It therefore becomes imperative for the business sector to be aware of the impact of their business initiatives on poverty-stricken communities. Although their intentions are mostly good, more research should be done in the form of impact studies of the negative effect of including previously disadvantaged groups in the mainstream economy. Any active involvement of poor communities should therefore be preceded by baseline assessments to determine the current demographics and psychographics of a particular community. Stakeholder engagement also becomes essential to fully understand and involve all stakeholders in the business intent of the organisation.

Finally, prevailing levels of health and education have a direct impact on business. Loss of production caused by employee sickness or family illness, and the task of remedial education when skills levels are deficient, are all direct costs to business. It is therefore in the interest of the private sector to participate in improving educational levels. A number of initiatives funded by the private sector are aimed at improving general literacy levels in South Africa. A strong impact is also made on the provision of local school infrastructure through for example the building of a number of schools in partnership with the Nelson Mandela Foundation. Along with making a difference in the educational sector, job creation is increasingly becoming a key business imperative for the private sector - particularly in developing countries. The International Labour Organisation noted at the end of 2000 that as much as one-third of the world's workforce of three billion people were either unemployed or underemployed. To accommodate new entrants into the workforce and reduce the current levels of unemployment, the global economy will have to maintain its current pace to generate some 500 million jobs (Life at Work in the Information Economy, *World Employment Report* ILO 2001). In developing countries, internal job markets are on the increase, which unfortunately perpetuates poverty. Therefore, organisations that launch operations where there is a surplus of local (informal) labour have an even greater responsibility to introduce good operational practices. By not complying with the critical standards, corporations may become the target of activists seeking to expose the maltreatment of workers and any transgression of their human rights.

3.2.4 The revolution of values

"In the last century, democratic governments and large corporations commanded respect and were regarded as leaders of society. But in recent years, they have lost their gloss" (Grayson & Hodges 2001).

Trust in the government, the political process and business has declined owing to high profile scandals, corruption and an apparent lack of accountability leading to the questioning of the authority vested in organisations long regarded as the "establishment". Today's public; whether employees, consumers or members of local communities are more willing to question practices and challenge them aggressively. Values are shifting because of the way people currently believe, the standards they live by and the views they have. Business on the other hand, as the principal motor for growth and development, now finds itself firmly on the centre stage, having to cope with greater responsibilities and changing expectations regarding its conduct.

According to the Millennium Poll on Corporate Social Responsibility (Environics International Ltd 1999), people in 13 out of 23 countries think that their country should focus more on social and environmental goals than on economic goals in the first decade of the new millennium. Grayson and Hodges (2001) believe that this loss of trust is caused by a number of converging developments:

- Institutions that are slow to respond to technological and social developments, such as shifts in attitudes towards feminism and racism, may lose their relevance.
- Minorities are more assertive about their rights and the perceived abuse of those rights.
- As new information becomes available about the past lies, incompetence and corruption of many totalitarian regimes, there is a backlash against authority.
- Many of the media are internationally accessible, making it easier for individuals to search for information for themselves. Thus the old inequality between experts and the general public is greatly reduced.
- As part of globalisation, the rapid rise of a global youth culture encourages greater self-expression, with people conceiving, developing and expressing their own ideas.

With the change in value systems, concerns about the accountability of business run parallel to questioning the purpose of business and its role in society.

> Development can no longer be regarded as the responsibility of government alone. It requires partnership with the private sector, labour and NGOs. There are many ways in which the special skills and know-how of the business community can help achieve development objectives (Nelson Mandela, quoted in When good companies do bad things, Schwartz & Blair 1999).

Some global events have put the spotlight on the relationship between corporations and external groups. Decision for example over the proposed disposal of an oil storage and loading buoy by

Shell in 1995 led to a debate in the media, in the political corridors of power, and - in Europe - in the streets. The Brent Spar episode, as it became known, focused attention on the apparent shift in power from corporations to a wider stakeholder constituency. Shell was forced to change its disposal plans.

> We have listened very closely to our customers. We have listened very closely to our government and to our staff. They, after all, were the institutions we had always dealt with. Of course, we also dealt with environmentalist groups, consumer groups and so on, but we tended to let the public affairs department deal with them. They were important, but they were not as important as government, industry organisations and so on. In essence, we were somewhat slow in understanding that these groups were tending to acquire authority. Meanwhile those institutions we were used to dealing with were tending to lose authority (Cor Herkstroter, then CEO of Shell International 1996).

In a survey of the most respected companies, 750 CEOs were asked to indicate their views on the most important business challenges for companies in 2000. Ranked second was "increased pressure from stakeholder groups" (World's most respected companies 1999).

The following stakeholder expectations need to be studied in order to understand the business landscape from a social and environmental perspective:

- Expectations from consumers

  In a connected, global information environment consumers will be loyal to brands and organisations they are consistently given reason to trust.

- Expectations from employees

  Increasingly staff motivation is based on values rather than on financial reward. An increasing number of employees are prepared to go to court nowadays when they become dissatisfied with corporate behaviour.

- Expectations from investors

  As the owners of a business, the views and expectations of investors are critical. Furthermore the profile of investors is changing with the popularisation of share ownership and that is opening the gates for shareholder activism. The JSE/SRI INDEX in South Africa is proof of this.

- Expectations from the government and regulators

  Responding to pressure from interest groups, civil servants and governments are now expressing (often through regulatory bodies) their changed expectations of business behaviour. "The business of business is no longer business: it is becoming a sustainable business... Public private partnership as well as corporate social responsibility is both a precondition for adapting to changes and a result of a knowledge-driven society" (Rasmussen, The Copenhagen Centre 2000).

- Expectations from non-governmental organisations

  The diverse nature of NGOs is becoming a challenge for most companies. NGOs are well networked and can easily mobilise people with similar views or co-ordinate campaigns to persuade companies to change. Famous campaigns include animal-activists street attacks on symbols of Western capitalism and Green Peace. The mere fact that NGOs are among the most trusted institutions makes them a force to reckon with. Unfortunately South African NGOs are still relatively docile. Before 1994 they were more activist, but that changed after democratisation in 1994. The role of local NGOs is therefore currently underrated and a strong sense of development activism needs to emerge to ensure not only their recognition, but also a strong case against SA companies that are insensitive to their impact on the environment and society.

- Expectations from business

  To secure new contracts - and sometimes to avoid losing existing business - companies will in future have to demonstrate to their business customers that they meet certain standards of performance (e.g. ISO-9000, ISO-14001, SA-1000) in areas such as environmental or employment practices and community relations.

A complex environment leads to a situation whereby managers have to make decisions on a daily basis, often without the knowledge or tools to consider how the many complex topics thrown up by global forces of change might impact upon their work. The next section therefore deals with some of these challenges to management.

3.3 MANAGEMENT IMPERATIVES

The following section of Chapter 3 will attempt to contextualise management imperatives - more specifically global trends - as well as the latest thinking on strategic management within the social development arena. Views will be offered on the direct relation between strategic management and the development agenda, while attention will be given to the extent to which social imperatives have been integrated into mainstream business strategy and global trends on

management practices. Finally the question of how to facilitate such integration will be discussed.

In an article entitled "The Businessman of the Century" the following remark was made:

> The Businessman of the Century was the builder of an industry that transformed the very land we live on, the first to create a mass market as well as the means to satisfy it, as great an entrepreneur as we've ever seen. He was a provincial and a curmudgeon; a man with all the prejudices of his time, who had as well the kind of genius that endures. He is Henry Ford.
> (Steward et al., Fortune Magazine: November 1999).

Another quote from the book Information Rules by Shapiro and Varian (1999) reads as follows:

> As the century closed, the world became smaller. The public rapidly gained access to new and dramatically faster communication technologies. Entrepreneurs, able to draw on unprecedented scale economies, built vast empires. Great fortunes were made. The government demanded that these powerful monopolists be held accountable under antitrust law. Every day brought forth new technological advances to which the old business models seemed no longer to apply... A prophecy for the next decade? No. You have just read a description of what happened a hundred years ago when the twentieth-century industrial giants emerged. Using the infrastructure of the emerging electricity and telephone networks, these industrialists transformed the U.S. economy, just as today's Silicon Valley entrepreneurs are drawing on computer and communications infrastructure to transform the world's economy.

3.3.1 Introduction

In the Institute of Directors' Strategy Letter (August 2002), Tony Manning, a leading authority on business strategy, refers to the world as a very dangerous place. He touches upon a few reasons for this statement, for example fears of terrorism, a dangerous impasse in the Middle East, tension between India and Pakistan, the implosion of Latin American economies, "lack of visibility" for many businesses and continuing job cuts. He does however point out that the big issue in 2002 is corporate behaviour, as it can be viewed as a "can of worms" that threatens not just short-term confidence, but the very foundations on which capitalist society rests.

Under the over-arching theme of corporate governance, three specific issues are making headlines, namely leadership, board performance and accounting practices. Shocking failures in

all three have combined to make a poisonous brew. Many business leaders, such as those of Enron and Worldcom have behaved appallingly. They have promoted idiotic strategies, involved their firms in hair-brained schemes, and treated their people and the society at large with callous disdain. If 2000 is remembered for the bursting of the technological bubble, and 2001 as the first year of the war against terror, 2002 will go down as the turning point for leadership.

Manning (2002) strongly argues that the South African business sector needs to get the "basics" in order first. Operational issues are the obvious ones to start with. A number of macrofactors have however become critically important, and may in the long run make or break a business. They too, must be seen as basic requirements for doing business in this country.

Table 3.1 Categories of basic business in South Africa (Source: Manning 2000)

OPERATIONAL	MACROFACTORS
• Market/Customer definition • Offering (value proposition) • Delivery system (business model) • Execution • Costs	• HIV/AIDS • Transformation (Employment Equity) • Black Economic Empowerment • Affirmative Procurement • Safety, health, environment

In the previously referred to Strategy Letter, Manning (2002) also argues that the birth of the African Union has been greeted with scepticism. After all, the continent is riven by conflict, plagued by corruption and ravaged by unemployment, poverty and disease. Governments have a key role to play in the upliftment of Africa, but it is predictable that they will fail in many of their efforts on account of lack of executive capacity. "Delivery" will be their Achilles heel, specifically if one considers the current shortage of about 500 000 managers. The situation is further unlikely to improve, considering the vast prevalence of HIV/AIDS (twenty to twenty-four per cent infection of the workforce by 2012). The management deficit could therefore be considered as the No. 1 crisis facing South Africa. Cultivating and developing leaders becomes imperative and corporate South Africa has the responsibility to partner with civil society and government to build capacity and empower the people to ensure a much broader base of influence and skills transfer. Already it becomes clear that the nature of business extends far wider than the predetermined environment as defined by the executive management, the shareholders and the chosen target market.

Globally the business landscape also requires that leaders understand their fundamental role in society and the environment. According to Hill (2001) society increasingly believes that business should not leave a legacy of environmental and social damage for our successors to sort out. Whilst most people would personally subscribe to this concept, one of the largest challenges is applying the principle of sustainable development to business strategy. The danger of not engaging in this agenda according to Hill (2001) is that society could place increasing costs on unsustainable business practices, and customers may choose not to purchase associated products and services, resulting in reduced reputation, decreasing shareholder value and low ratings on corporate citizenship.

3.3.2 Leadership vs management

Warren Bennis and Burt Nanus, in their best-selling work entitled Leaders (1985), points out that whereas managing means "to bring about, to accomplish, to have charge of or responsibility for, to conduct", leading is "influencing, guiding in direction, course, action, opinion". Some guru's point out that leadership is like "conducting an orchestra or herding cats. It demands empathy, soul, love and sensitivity." They borrow ideas from chaos theory and the "new science" and admire Robert K. Greenleaf's idea of "servant leadership" (Manning 2002).

Tony Manning expresses certain strong views in his latest book Discovering the essence of leadership (August: 2002). He argues that leadership is not the product of a simple formula. "Every age throws up a few golden people who seem to have arrived on the world stage at just the right moment." Jack Welch credits his mother with preparing him to be a leader, Disney Chairman and CEO, Michael Eisher thanks the head of his high school. He expresses the opinion that leadership is in part instinct, part skill. "It's something you're born with and that you learn. It is an amalgamation of logic and luck, power and compassion, teaching and learning, reflection and action." Manning (2002) has therefore decided, within the South African context and by incorporating global thoughts, to offer the following very simple definition of leadership:

> **The achievement of a specific purpose through others.**
> The key words are achievements (results) ... purpose (for a reason) ... through others (by empowering and inspiring them).
>
> This view according to Manning (2002) makes three things clear:
>
> - "It's not enough to merely have the title of chairman, CEO, vice-president, general manager, or whatever. You're accountable and you're measured by what you *do*, not what you *say*.

- You need to be able to explain your intentions, and they must make enough sense for others to want to support them.
- This is not a solo performance. What matters is your ability to unleash the potential in others, align their efforts, and keep them enthused over time."

Placing the definition of leadership in the developmental context it is important to realise that even in this "virtual" age, the edges of most organisations are quite clear. Firms have to be not merely mindful of outsiders, but clear about the value, influence, risks, and threats inherent in being part of an extended "ecosystem". They have to understand what's needed to manage a widening array of players with many different agendas, and therefore have to be proactive and systematic in balancing these agendas. Manning (2002) states that one's strategic conversation affects opinion both inside and outside the organisation. "Manage it well, and you can win shareholders' votes; manage it poorly and you might lose by a landslide." The growing trend towards holding leaders accountable for "triple bottom line", which balances economic profit with social and environmental responsibility, further emphasises the complex management / leadership landscape.

3.3.3 Developmental update and implications for the business strategy

In his inaugural lecture Professor Anton Ferreira, Director of the Graduate School of Business Leadership, University of South Africa (September 2000) gave an overview of strategy and the new competitive landscape. The following notes are extracts from his speech and they offer a clear overview of strategy within the business landscape.

- Definition

  The conscious application of the concept *strategy* to business situations is about a century old and, while literally hundreds of definitions exist, the essence of the term is perhaps best captured by Chandler (1962) Strategy can be defined as the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out those goals. From a practical point of view, a distinction is generally made between corporate strategy and business strategy (Andrews 1987: 13). Corporate strategy addresses the question: What business to be in? Business strategy, on the other hand, refers to ways of competing over rivals and how to sustain such an advantage once achieved.

- A new competitive landscape

  In his speech, Ferreira touched upon two waves of change: the first roughly between the years 1980 and 1994, and the second from 1994 to the present and beyond.

University of Pretoria etd – De Jongh D 2006

(i) The first wave of change: 1980-1994

According to Ferreira (2000), the competitive landscape has been brought about by three developments. Firstly, the phenomenal growth in the development and application of new information and communication technologies has facilitated convergence, globalisation and the dispersion and fragmentation of corporations. Secondly, and linked to the first, has been the shift towards competition on the basis of knowledge and skills rather than physical assets. More and more company executives today face the dilemma that their most valuable assets, not at all reflected in balance sheets, leave their premises at the end of a working day on two legs - unprotected and unguarded. Thirdly, the diffusion of management and business ideas and their implementation in firms across the globe, particularly by international management consulting groups, have resulted in an emphasis on operational efficiency and catch-up games.

Implications for business strategy

A key implication of the new competitive landscape has been the realisation that strategy making can no longer be purely a top-down, pre-planned exercise. Today, with opportunities being hurled at companies from all sorts of directions and in unpredictable ways, the first corporate strategic task should be to create an organisational mindset capable of seeing and grasping opportunities, thus enabling the organisation to discover and create its own destination. The new competitive landscape has underscored the dependence of strategy on the external context. Different environments require different strategic responses and today, more than ever before, there needs to be a deep understanding of the relationship between the turbulence of the external environment and the choice of strategy (Ferreira 2000).

(ii) The second wave of change: 1994 and beyond

The second wave of change has principally been brought about by the Internet and the current e-business revolution. Given the fact that organisations are currently finding themselves in the 'eye of the hurricane', with violent winds blowing from all directions, it is very difficult to predict what is going to happen. Probably the most visible trend has been the explosive growth in services brought about by this wave of change. In less than five years, the Internet has provided

24-hour, instantaneous and interactive access to products and services from all over the world. A second trend has been the emergence of new competitors who challenge established industry leaders on the basis of totally new business models. Another observable trend has been the ability of new information technologies to demolish brands and businesses that have been established for decades and even centuries.

Implications for business strategy

The trends identified have important implications for business strategy. Whilst the first wave of change highlighted imitation as a serious threat to sustainability, the second wave underscores the threat of *substitution*. The legacy of past success and a strong corporate culture can easily blind executives to changes in the competitive landscape that do not fit their mental models.

As a first step, it is essential for companies to understand and accept that every business is an information business. What is new is that the connectivity brought about by new information technologies is now causing this glue to melt. Armed with this insight, business strategists have to analyse, in a much more fine-grained manner, the value chains of their companies and ensure that they focus only on those elements where they can add an appropriate value. All the rest must be outsourced. In other words, companies have to deconstruct their own value chains in a proactive way, or else it will be done for them. A further implication is the need for a strategist to understand the importance of bandwagon or network effects and to build partnerships with companies whose products complement those on offer by the firm. As the formidable Microsoft/Intel alliance has shown, customers value the size of a network; the more people use Windows as an operating system, the more people want to use it. The ability to develop and capture demand early on is critical in the new economy (Ferreira 2000).

Freedman (2001) mentions 12 key drivers of an ingrained strategic culture. These drivers are: basic beliefs and values; strategic thinking patterns by everyone; an enabling organisational structure; integrated management processes and systems supporting the business strategy; focused education, training and development; strategic goal setting and appraisal; reward systems linked to strategic achievement; the shaping of myths, stories and legends in the organisation; reflecting external manifestations, for example PR, branding, image, etc.; support of the strategic direction; frequent communication on all aspects of the strategy; behavioural

modification and change to reflect the strategic direction. Making corporate social responsibility part of the organisational culture therefore becomes an imperative, specifically if strategic coherence is a driving force for integrating social development with core business strategies.

3.3.4 Principles of strategy

Osborne and Cowen (2002) argue strongly in favour of a "believer" mentality. They are of the opinion that if everyone believes in the vision of the business and in its ability to be successful, reaching the strategic objectives occurs almost spontaneously. Again, if an organisation's performance indicators are in coherence with social performance indicators, a high performance culture in itself will probably fuel an even closer integration between these two philosophies. This study will therefore attempt to redefine the determinants of a high performance company profile by integrating it with social imperatives.

South African business strategist, Tony Manning, suggests the following ten South African principles of strategy (August 2002):

- "If you don't make a difference, you don't matter." Value to the customer, community, staff, and other stakeholders becomes imperative.
- "You can't make a difference to everyone." Choose your customers and try and matter to them.
- "Strategy must enable your organisation to make a difference that matters to a critical mass of the right customer." You need to be the first or at least second in your market.
- "Strategy connects the purpose and values of your organisation with those of its customers and other external stakeholders." You need a deep real connection and it is evidently here that value could also be translated into social terms, making a difference in communities and stakeholders.
- "A vital goal of strategy is to create and sustain a unique community." A business heavily relies on all the members of the community to succeed and be sustainable.
- "Purpose and values provide the context in which individuals volunteer their imagination and spirit." Being part of a team or community implies shared purpose and unity. Companies need to foster this to enhance direction and support.
- "The more openly and honestly ideas are shared, the greater the level of trust will be and the more readily ideas will emerge." The level of trust could also be applied in terms of the relationship with stakeholders. Through stakeholder engagement greater participation in idea formulation could be achieved, hence a better offering to the customer.
- "When people make strategy, they feel that they matter and that they own the results." People cannot be forced to perform. This argument also applies in the social structures of

modern business. If communities feel part of the destiny of a business, greater support for the business will result.

- "Strategic management is conversation." It informs, focuses attention and effort, triggers fresh insights, lights up imagination, energises people and inspires performance. Again the importance of stakeholder engagement emanates as a critical driver of a sustainable business.
- "Your message must be compelling, clear and believable, or you won't sell it." Key to this is to neither underestimate nor overestimate the target market. Furthermore, the whole notion of trust emerges, which - in a business environment increasingly characterised by stakeholder activism - becomes a critical factor in strategic business practice.

From the above it is clear that business strategy principles no longer refer to only those in the driving seats of businesses. In fact, a fundamental understanding of stakeholder dynamics emanates as the quiet force in business strategy that could fuel sustainability or degradation.

3.3.5 Summary

In the South African Strategy Letter of August 2002, the comment was made that in the 21st century leadership will hinge, as never before, on good manners and genuine respect for others. These soft factors deliver hard results. They apply both within organisations and outside, to all the stakeholders. Suppliers, customers, government and the rest are not just legal bodies, nameplates or amorphous masses; they are made up of human beings with needs and feelings, hopes and fears. Treat these people well, and an organisation will immediately stand out as being different and more caring; treat them badly, and irreparable damage will be done.

The natural noises of political jostling or social activity in SA are normal and offer a challenging scenario for building the future on strong elements of trust and partnership. Business leaders will therefore have to embrace the secret weapon of social development by making business a sustainable contributor to the economic progress of South Africa and by shaping the future of communities, individuals and the country as a whole. According to Wayne Visser, KPMG Head of Sustainability SA (August 2002), the three challenges South African leaders will have to deal with in future will be their ability to:

- engage and consult with all stakeholders in their business landscape,
- manage enterprise-wide risk with specific emphasis on social and environmental risk, and
- clearly link business strategy with sustainability imperatives.

University of Pretoria etd – De Jongh D 2006

3.4 BUSINESS VALUE PROPOSITION

In this section an attempt will be made to contextualise the importance of social development in formulating the value proposition of an organisation. The value proposition of any company is fundamental proof of its existence. It unequivocally portrays the reason for existence and usually presents it in terms relating to the specific target market, the differentiating components of its products/ services and the competitive advantage of the product/ service, finally expressing the real value to the customer. Wiersema and Treacy (1996) report three categories of value propositions under which most organisations could be classified. They are:

- **Product leadership**

  Product innovation is the key anchor and the dominating value associated with the brand.
  Example: BMW

- **Customer intimacy**

  Strong partnership and a close relationship with the client are the key factors. Essential product characteristics usually result from close interaction with the customer. A continued customer needs analysis is also fundamental and results in product adjustments and refinements:
  Example: THE BODY SHOP

- **Operational excellence**

  Operational consistency, reliability, predictable service, product quality and "hassle free" service are but a few examples of this value proposition.
  Example: McDONALDS

Recent thoughts on value proposition suggest a new approach whereby the proposition is not only formulated on the stand-alone products /services, but rather on the creation of high value solutions by integrating various products and services (Foot et al. 2001).
This approach, which certainly is quite new to even the most progressive organisations such as IBM, is now forcing them to take some profound strategic action that will go against the grain of existing product businesses.

Foot et al. (2001) has identified three actions aimed at achieving this approach or shift:

- **Build value propositions for customer outcomes**

  In this case product developers aim their development from the start at achieving the desired outcome for a customer. The "solutions manager" needs to fully understand the customer's' needs, perceptions and "trigger points". It is widely accepted that the social needs of, for example, the average customer in South Africa are quite prominent. Addressing these needs from a solutions-based approach might therefore imply that the

value proposition is focused on the social needs of the customer. It is however acknowledged that social needs are elements of the total need portfolio.

- **Include "strange bedfellows"**

  Solutions managers must become intimately linked to parties with which they had previously done little or no business, for example suppliers, distributors and customers. One could certainly add communities, government, civil society and other stakeholders to the list. In the social development arena, action could certainly be highlighted as a crucial activity that is unfortunately terribly neglected in South Africa.

- **Choose your customers**

  The discomfort for solution managers lies in having to step outside their existing networks and to develop relationships with these new parties. In South Africa, the vastness of opportunities, especially in the emerging/ mass market, is a known fact. In the banking sector, for example, quite a few attempts have been made to target this market, with no real success (O'Riordan: 2001). The risk profile and a general lack of understanding of the emerging/mass market have restrained the banking sector from actively pursuing this market. There is general consensus, however, that in pursuing this market a thorough understanding is needed of social, political and cultural imperatives. So, it will certainly be quite challenging for the solution manager to develop relationships with this market in South Africa in order to develop a value proposition. Such action is in fact, however, desperately needed.

Walters (2002) reports that some definition is needed before a value strategy can be developed. He refers to two concepts that need to be defined, namely value itself and value drivers.

Value is determined by the utility combination of the price and non-price benefits offered. A value-based competitive advantage can be established by identifying those benefits or attributes that offer vendors an opportunity to increase the attractiveness of their market offer to their target customers.

Value drivers are the attributes of a product/ service considered by a purchaser as a primary reason for selecting that product/ service, which in turn will enhance the purchaser's lifestyle.

Kotler (1997) considers value as "our premise ... that buyers will buy from the firm that they perceive to offer the highest customer delivered value". Customer value, in turn, is the bundle of benefits that customers expect from a given product/ service.

It is however important to contextualise value within the social development sphere. In doing so, one realises that in the South African context, the "bundle of benefits" referred to by Walters (2002) could also imply the social value/ benefits that the customer is interested in. For example, if an organisation realises that communities are crucial stakeholders in their service/product offering (e.g. life insurance) and they succeed in incorporating the community benefit of for example a funeral policy into the product offering, the value could be increased, thus building customer support and loyalty.

The words of Sir Ernest Oppenheimer become relevant here: "Our task as a business is to run our business in a way that we make a profit, but make a profit in a way that we help the communities."

Roddy Sparks, Chief Executive Officer of Old Mutual, made the following remark during a recent Business Round Table on Public/ Private Partnership (Sandton, South Africa, 2002):

> I think that for business to think that it could ever exist as an island apart from society has to be completely fallacious. But if you are not an island and you are part of the communities, you can only be as prosperous as the communities in which you operate; therefore it is not just an option. I think it is critical. There is no option BUT for business to engage the communities in which it operates in a socially responsible fashion.

To sum up Webster (1994) defined a value proposition as "a statement of how the firm proposes to deliver superior value to customers". The value proposition is important both internally and externally.

The following section will in slightly more detail offer perspectives on the value proposition, developed in a way that focuses specifically on value to the customer. Considering the mainstreaming of a broad base of previously disadvantaged customer groups (especially in developing countries) and their social needs and community power, it becomes imperative for the business sector to translate value into customer terms. Van der Merwe (2000) argues that traditional business thinking or the so-called conventional approach of differentiating a business on products and services, no longer will ensure competitive advantage in a highly competitive business landscape. Products and services are too easy for competitors to emulate and improve upon. Therefore value could be realised and business results be improved by focusing on the customer. Under the term customer, communities could also be a part of this stakeholder group.

3.4.1 Value to the customer

In order to maximise value to the customer, Van der Merwe (200) suggests that business strategists should attend to the following five areas:

- Transferring the power from the company to the customer

  The object here is to get ordinary individuals to think of themselves as "owners" of the business from which they receive products and services. A strong philosophy of empowerment is apparent. The customer takes control over his/ her personal destiny through utilising the particular product/ service.

- Achieving customer "lock-on"

  Customers who "lock-on", select the enterprise as their sole, dominant or first choice because of the value they receive. It is therefore neither the product that keeps competitors away, nor is it the technology; it is the customer.

- Articulating new market spaces

  This refers to the organisation's ability to define the market space(s) that the enterprise wants to occupy and in which it intends to dominate customer activity and spending. This market space is an aggregation of all the customer activity cycles in a particular segment.

  In a social development context, this could relate for example to the interfaces between customers and their communities (churches, societies, etc.) and how an organisation could capitalise on these activities by influencing purchasing behaviour, but most of all, creating real value in the eyes of consumers. Any value gap that might emerge would be seen by the business as an opportunity to fill these gaps in time. This not only requires an understanding of the customer him-/herself, but also of the associated social dynamics.

- The new economics

  Closely related to the previous point, the economy of skill as referred to by Van der Merwe (2002) results in an organisation's ability to use information and knowledge about the customer. What makes this skill even more daring in a developing country is to understand social dynamics and to capitalise on it in engineering the value offering. Some of the banks in South Africa that focus on the lower end of the market, have realised that financial literacy is a great concern. Offering financial products, for example a funeral policy, goes hand in hand with financial life skills training, and strengthens the relationship and improves the value to the customer.

- Building reinforcing loops into the cohesive strategy

  The customer-focused interaction loops include relationship building, knowledge-and-information acquisition, networking opportunities, increase in the numbers of players, increase in the numbers of developers, and cost savings. When all six loops are combined into one cohesive strategy together with the other vital components of

customer focus, the potential is explosive. Building social and community imperatives into the value proposition requires a fundamental understanding of the customer, becoming engaged in the dynamic interplay between individual customers and society, and increasing the value to the customer and the business.

Societal values are key determinants for any organisation operating in a landscape characterised by social, environmental and development activism. Integrating these values into the value proposition becomes imperative for any organisation.

3.5 CORPORATE GOVERNANCE

In Chapter 2 some arguments and comments on corporate governance were offered. Specific attention was given to the King 2 report on corporate governance as well as other institutional initiatives, referring to the governance theme in general. In this section of Chapter 3 however, an overview on current issues relating to corporate governance will be offered through the lens and eyes of the media world in South Africa. Reference will therefore mainly be made to a few South African newspaper articles in an attempt to contextualise governance from a current perspective.

During the launch of the Global Reporting Initiative (GRI), 2002 Guidelines, Judge Mervin King commented on a question regarding formalising the GRI guidelines through regulation: "Business is about enterprise, governance is about constraint. I therefore am opposed to legislating sustainable reporting. Forces in society, like customers, development activists and other stakeholders will over time force business to report on sustainability issues" (Johannesburg Summit: August 2002).

The issue of governance is however very high on the global agenda with recent scandals such as Enron and Worldcom fuelling the whole debate. The GRI guidelines, outlining sustainability reporting (refer to Chapter 6) are a global attempt at ensuring healthy practice on economic, social and environmental principles. Governance is going to be the driving force behind global business practice. Not only is it locally and globally being institutionalized, but ordinary people are expecting credible practice with strong ethical backing and integrity from business.

Mervin King (August: 2002) during the WSSD specifically mentioned that the world is moving into an era of "value accounting". He referred to sustainability and stewardship of assets as the two drivers of value accounting. A critical prerequisite however will be the quality of information provided by businesses in disclosing their practices. Governance will therefore also be measured against an organisation's ability to create value, the way value is created hence the impact on society and environment in value creation and finally its ability to purposefully engage

with stakeholders on the perceived value and benefit to all.

In a full-page advertisement by BP petroleum (Mail & Guardian: August 2002), John Brown, Group Chief Executive, publicly stated that he believes that a big oil company should provide answers, not excuses. In the same advertorial, they reported on their objectives of 1998 to cut emissions from their global operations by 10 per cent by the year 2010 - they have already met this goal eight years ahead of schedule.

In an article by Shevel (2002), three critical questions directors of a company need to ask themselves were highlighted - KING 2:

- Does the director have any conflict of interest in the matter at hand - for example family or personal interests?
- Does the director have all the facts to enable him to make a judgement?
- Is the decision in the best long-term interest of the company - rather than in the interests of the shareholders or the employers which will change over time?

Mervin King is of the opinion that the foundation for all business operations is integrity. Unfortunately, in South Africa, only one per cent of South Africa's top 100 companies produce separate reports on social, environmental or economic performance.

The many faces of corruption make it difficult to fight the unfortunate acts against good citizenship. Members of the SA parliament's multiparty justice portfolio committee met in July 2002 to hear civil society's submissions on the Prevention of Corruption Bill. This positive step could result in legislation that would offer an opportunity for a clampdown on graft in all sectors of society. Van Vuuren (2002) however argues that this portfolio committee needs to consider some areas legislation has yet to address:

- Accounting requirements are an imperative to stem corporate greed as exemplified in Enron, Worldcom and other scandals. To avoid replication in SA, review of external auditing procedures is critical. Companies are to be prohibited from making off-the-books accounts and should disclose all material contingent liabilities. Accounting omissions, facilitation and fraud are to be adequately sanctioned.
- Blacklisting firms guilty of corruption in public tender processes.
- Civil remedies for corruption allowing either the state or a member of the public to seek remedy through a civil court.
- Immunity to be granted to a person otherwise implicated in corrupt activity when full disclosure is accompanied by full disclosure prior to the commencement of investigations.

- A review mechanism accountable to parliament is the final requirement to ensure that the Prevention of Corruption Bill is an instrument which is effectively enforced.

A National Anticorruption Forum was established in 2001 with representation from civil society, business and the private sector to act as a vehicle to give feedback to parliament and to monitor corruption in general. This act will surely increase the attention on corporate accountability. The focus of the bill however will stretch further than the corporate sector thus placing government under the spotlight since the prevelance of corruption amongst senior government officials.

There seem to be interesting developments in the international scene regarding corporate governance. In a recent article in Business Day (August: 2002), it was reported that a growing number of Germany's biggest firms are joining the government in opposing US rules that make executives personally responsible for their company's bookkeeping as part of President George Bush's crackdown on corporate fraud. Car makers Daimler Chrysler and Porche already officially requested exemptions and will go so far as in putting listing of shares on hold in New York until such resolution has been obtained. This certainly intensifies the global governance debate hence a comment that was made during the Johannesburg summit (2002) to develop an internationally accepted governance framework (similar to the King 2 report on corporate governance) to deal with cross-border inconsequences especially by multinational firms.

In South Africa the governance landscape is epitomized by even more dynamic events especially the post-1994 era. The King 2 Report, Employment Equity Act, Skills Levy Act, Black Economic Empowerment, the Mining Charter and a possible Banking Charter are examples of main drivers of corporate accountability which are putting pressure on corporates in SA to perform. According to Rose (2002) all four big banks in SA have empowerment initiatives under way, although the scale of their involvement differs. Fraser and Wadula (2002) however argue that government is planning to speed up black economic empowerment by drawing up new framework legislation. This already was announced by Trade and Industry Minister Alec Erwin recently. Alec Erwin (2002) reported that the legislation will be an umbrella for empowerment charters in specific sectors such as petrochemicals, minerals and energy and tourism.

Finally, in a position paper to the Johannesburg WSSD by Friends of the Earth International (January 2002), a strong need was expressed for global accountability. Bennett (2002) argues that many governments have recognized the need to make globalisation support sustainable development. He further argues that a legal framework for corporate governance is a necessary pillar of such an approach. A number of changes, therefore are driving the demand for corporate governance:

- The growth of truly global companies means it has become more difficult for citizens and communities to seek redress where corporations are multinational (for example a multinational's legal "home" may be uncertain).
- There is a tendency for public interest constraints to be removed or relaxed in the course of removing non-tariff barriers to trade.
- The growing scale of multinationals has consolidated their power and influence while greatly increasing the distance between corporate leadership and the communities and lives that their activities affect.
- Corporations are increasingly taking control of industries and services previously run by governments, without taking on the wider public interest responsibilities governments have to address.
- The scale of corporate impacts is undiminished and those impacts are increasingly remote from both the owners and the customers of the company.

A framework for binding corporate governance would finally be:

- Introduce duties on corporations.
- Extend liability of corporations.
- Introduce rights of redress for citizens.
- Establish community rights to resources.
- Establish consistently high standards of behaviour.
- Introduce sanctions.
- Extend role of International criminal court.
- Improve monopoly controls.
- Establish an implementation mechanism.

3.6 STRATEGIC BUSINESS CHALLENGES

In the following section of Chapter 3, an overview of strategic business challenges will be offered in an attempt to further define the key drivers of the business landscape within the sustainability framework. By no means will it be argued that the following challenges are a complete set. The list of challenges rather represent the researcher's views emanating from the literature review. In a recent report, Developing Value The International Finance Corporation (IFC) highlights the business case for sustainable development. Its key finding is that many opportunities exist for businesses in emerging markets to benefit from actions that advance sustainable development (Gordon 2002). The study documents more than 240 examples from more than 60 emerging markets that show how owners and managers of businesses of all sizes and types have enjoyed success as a result of improved environmental, social or governance performance, despite some of the risks. The evidence from 176 companies shows that many emerging market businesses

have been involved in areas such as social development or environmental improvements, and have achieved cost savings, revenue growth and other business benefits. "This is important because sustainability is rapidly moving up in the business agenda globally, while the business environment has become significantly more competitive and volatile" (Peter Woicke, IFC Executive Vice President 2002).

3.6.1 Organisational culture

During a presentation by Sir Mark Moody-Steward, acting Chairman of Anglo American and former Chairman of Royal Dutch Shell (August : 2002 WSSD) a strong argument was stated in favour of inculcating a culture of sustainability within organisations. Social and environmental concern should become part of the organizational culture to fuel a spirit of care in general amongst all staff members. Organisational culture however is amongst the most difficult drivers of success or failure to manage. Almost 20 years ago, In Search of Excellence by Tom Peters and Robert Waterman introduced the idea of organisational culture to managers. It transformed obscure ideas about the cultural aspects of organisations into a popular management fad. By the early 1990s, though culture's star had been eclipsed by notions such as the learning organisation and re-engineering, Tom Peters wrote Liberation Management to recant most of what he had said earlier about the beneficial effects of a strong culture. No, a decade later, the literature on organisational culture has still not fulfilled its promise of telling managers with any certainty how they can use culture to create organisations that are pleasant, passionate and profitable (Galunic & Weeks 2001).

Galunic and Weeks (2001) argue that there is no link between organisational culture and performance. Instead culture has come to be recognised as a fundamental aspect of business organisations. It cannot be seen independently of structure, incentives, technology and strategy, and must be managed in concert with them. Culture is a pattern of beliefs, behaviours, assumptions and routines, distributed across the organisation and ususally in an uneven fashion. It therefore becomes a serious challenge to harness these complex ideas, let alone try to change this into a new set of beliefs, behaviours and assumptions. When new philosophies like social and environmental issues are introduced, an even greater challenge emerges. South Africa, with its unique socio-political history, poses an even greater challenge to inculcate spefically social elements into organisational culture.

3.6.2 The "Digital Divide"

The term "digital divide" is widely used to describe the gap between those who have access to technology and information technology, and those who do not. This situation certainly leads to those who are information rich, and those who are information poor (Grayson & Hodges 2001). It

is generally feared that the economic gap between developed and developing countries will be exacerbated unless the latter gain access to new technology know-how and infrastructure. The following evidence from "Life at work" in The Information Economy - World Employment Report (International Labour Organisation 2001) offers proof of this divide:

- Half of the world's population has not yet made a telephone call.
- Tokyo and Manhattan each have more telephone lines than the whole of Africa.
- Only some six per cent of the world's population use the Internet and 88 per cent live in industrialized countries.

In an article by Cushing (2001) in Computer Weekly, comments were offered on a E-Business Expo that was held in London in November 2001 and attended by 95 companies of various sizes and industry sectors. Nearly half of the companies that took part felt their attitude towards e-business is "pioneering' and they lead rather than follow the heard. There is general consensus among players in the e-business world that it's a very exciting, rewarding and inspiring field. What is disheartening however is that nowhere is there proof of introducing these exciting opportunities and a new world to the majority of people on earth who do not have access to this world. As proof of this, in the same article by Cushing, reports were offered on some key questions put to these firms for example:

- "Which of the following elements of e-business has your organization implemented or does it plan to implement in the next 12 months?"
  1st - online/ e-mail marketing
  2nd - corporate intranet/ portal
  3rd - customer relationship management
- "What is the greatest challenge to your organization's e-business plans?"
  1st - lack of money
  2nd - can't prove a return on investment
  3rd -no demand from customers/ suppliers

The two questions above do not reflect any evidence whatsoever of e-businesses' views on bridging the digital devide, let alone recognising it as a critical driver of their business strategy. A possible argument for this lack of strategy according to Toensmeier (2001), is that in general terms, e-business is evolving so rapidly that plotting a strategy just for the business alone is like surfing a huge wave - it could be the ride of your life or you could wipe out in short order. The author however refers to three points or drivers to consider when developing an e-business strategy:

- Think differently.
- Think inclusively - making sure all operations, from the front office to the shop floor, tap

into the profit potential e-business offers.

- Think big - collaborative business development across company borders

Taking the above into consideration, and looking at the phenomenal growth in the e-business world, the future of the e-business from a social perspective is in need for intervention. Miller (2001) for example reported that as of April 2001, there were nearly 103 million Internet users in US households, up almost 25 per cent from the year before, in the workplace, Internet users have reached nearly 38 million, up 21 per cent from the year before. Nearly a billion people will be using the Internet by 2005, and that is only 15 per cent of the world's population. Bridging the "digital divide" may therefore become an indicator of corporate social performance, irrespective of whether an organization is in e-business, mining, banking or any sector.

3.6.3 The "new economy"

According to Suutari (2000), there has been an unprecedented surge of entrepreneurship and new business start-ups supported by a strong flow of venture capital. These have created a legion of new millionaires and even billionaires. The new conventional wisdom has become that: "we are in a new economy where the old rules no longer apply and that we can look forward a long period of uninterrupted economic growth". The advent of this new economy is almost universally attributed to the emergence of information technology, which has transformed the basic economic structure. There have been profound effects of this, as can be described as the third industrial revolution (Suutari: 2000).

- It has created some and destroyed other industries.
- The sourcing of goods and components has become global, making geography irrelevant.
- Capital markets have become global and more efficient.
- It has increased the speed of business.

The major difference in this new economy with its predecessors is the fundamental principle of the way business is conducted. This has a direct bearing on the issue of governance, hence the social and environmental impact on the bottom line of an organization. Information is only raw material and its value arises from the use to which it is put. Immediately within the business landscape, any information needs to be placed into context that allows judgement and specifically humanitarian skills to be applied and decisions made. With the hypercompetitive business environment, a few warning signals emerge, with which, in the case of this study, special reference will be made to social change. Consumers are becoming far more conscious of their rights and activism amongst the ordinary citizen leads to a complex landscape. The greater divide between rich and poor in this new economy further fuels activity amongst the

recipients of the new economy. There is an increasing outcry against globalization and the effect thereof on poverty irrespective of arguments that support economic growth and the positive impact on poverty. Reaction to the new economy no longer only originates from the political frontier but civil society in general is becoming very vocal in campaigning against the effects of this new industrial revolution.

The new economy has attained a mystique based on the assumption that " this time it's different". Suutari (2000) however argues that it is a dangerous belief for corporate strategists. This new economy will become the old economy waiting for the next transition. Finally the question could be asked to what extent the earth and societies in general will be able to cope with the negative spin-offs of the new economy. There seems to be sufficient evidence that the social and environmental impact is far greater than what was anticipated during the Rio Summit a decade ago. It was also more than once reiterated during the Johannesburg Summit (2002) that very little progress was made, hence an even stronger emphasis being placed on the role of business and its responsibility to the people and the planet.

3.6.4 Globalisation and developing countries

In an article by Aggarwal (1999), a strong argument is presented on the impact of globalisation on emerging markets and countries. He argues that business opportunities will decline in the traditional and familiar regions and rise in new regions. As proof of this, the following evidence is presented:

- The developed mature markets of US companies, Europe and Japan, are expected to grow only at relatively low rates and are likely to continue to have relatively restrictive policies towards outsiders.
- The pace of foreign direct investment in developing countries continues to increase and overall private capital flows to the developing countries and continues to far exceed official development aid.
- Purchasing power of theWorld Bank indicates that, for example, the Chinese economy in 1999 was bigger than Japan's and second only to the US, while the Indian economy in 1999 was the fifth largest in the world (Economist: 1997a). Even today these two economies are experiencing high growth rates.
- The numbers of developing world consumers earning the equivalent of $10 000 per annum already surpasses those in the US, Japan and Europe combined (US News and World Report 2001).
- Asian shares of global manufacturing and exports have exceeded North American and Western European shares since the mid-1980s.
- US trade with developing countries has exceeded its trade with other developed countries

University of Pretoria etd – De Jongh D 2006

in recent years.

The impact of the above on the nature of business specifically in the developed countries is substantial. What however emerges as probably the most profound challenge is the socio-economic and socio-political variables true to developing countries. Poverty, social injustice, malnutrition and health problems in general and polarisation between rich and poor epitomises those developing countries. This immediately leads to a new set of business rules specifically for the US, European and Japanese enterprises having business operations in these developing countries. Social and environmental impact and corporate governance in general should therefore be at the top of these multinational's agendas if pursuing business ventures in these countries. One can but only reflect on the tobacco and petroleum industries' presence in Africa to then understand the development activists' outcry against multinationals abuse of societies and the environment.

In summary, globalisation has a serious impact on developing countries. The social and environmental impact could certainly be regarded as the most visible. These developed markets expanding their operations in developing countries therefore have a serious social and environmental responsibility consequently the outcry against the US "absence" during the Johannesburg Summit (2002). There are strong indications that the developing countries will increasingly be targeted by multinationals as "new markets" leading to an increasingly vocal society demanding sustainable business practices from these organisations.

3.6.5 Business and the environment

As referred to in Chapter 1, the study acknowledges the scope of sustainable development being society and environment; however the main focus will be placed on social development. In this section some thoughts will be offered on product design and the benefit for business and the environment.

Beard and Hartman (1997) offer four examples of innovative ideas by "ordinary employees" on how business can transform the way they interact with environment. Thus the sustainability debate is fuelled from a very creative platform.

- "**Saving paper doesn't save trees**". That will be the case in the future. If paper isn't made solely from trees then the old well-known saying does not hold true. Body Shop for example supported a community initiative in India to make paper out of the water hyacinth, an abundant river weed.
- **A new breed of scrap merchants** is also emerging, opportunists recycling in the wake of the telecommunications growth. Deutsche Telekom for example report that they

produce about 1,5 million tons of electronic scrap per year.

- **Outdoor management development** (OMD) providers are now using the environment as both a location and a new product. By undertaking conservation projects rather than abseiling or canoeing as the basis of their skills development they actually contribute to the environment - producing an e+ effect.

Again for the above examples to start forming part of a new culture of innovation around sustainability in organisations, poses the real challenge. Staff members will have to be rewarded for their effort in positive social and environmental impact. Furthermore, emphasis is needed on the roles all employees have to play in sustainable development, allowing them time to volunteer but also inculcating a culture of volunteerism and care towards society and environment. Chapter 5 will elaborate on the role of employee community involvement.

3.6.6 Business and poverty

According to the African Institute of Corporate Citizenship (AICC: 2002) poverty is one of the largest single barriers to sustainability. Markets need to be extended and access to markets freed to ensure that the poor are not cut off from crucial resources. For effective poverty alleviation and sustained economic growth and development, there is a range of issues that need to be looked at that have a direct bearing on the role and functioning of the broader economic sector. In a survey that the AICC is currently undertaking in the SA Financial sector on sustainable banking in Africa, the following issues are reported as key drivers of the business sector's role, specifically in this case the financial sector, in poverty alleviation:

- The need for creative solutions to the external debt problem that focuses on sustainable development issues.
- The role of legislation to promote sustainable development in the finance sector.
- The promotion of appropriate socially responsible investment vehicles and products.
- The need to significantly increase the scale of existing microfinance initiatives to promote production and job creation.
- A re-evaluation of appropriate institutional forms and systems for small-medium enterprise (SME) financing.
- Appropriate financing of environmental programmes and product development.
- Capacity building to promote sustainability management in the finance sector.
- IT skills development that supports sustainability imperatives.

Although the above issues relate to the financial sector, they could easily be applied to almost any sector. What emerges is a strong sense of institutionalisation of a specific sector's role in poverty alleviation far more than individual business' attempts to make an impact on poverty.

Representative bodies for example, professional bodies, organised business, organised labour and civil society are already debating the matter at the highest level. One has to appreciate however that the whole debate on poverty has a strong political loading, hence the critical role of government in addressing the matter. The need for a systemic approach involving all stakeholders becomes crucial in order to ensure buy-in from all stakeholders specifically when policy matters emerge.

The fact however, remains, and that is that making an impact on global poverty will require large amounts of funding and capital. According to a World Bank report, released during the WSSD (2002), developing countries will require an additional U$50 billion per year to meet the millennium development goals set in 2000. That is only until 2015, a date by which they hope to reduce the number of people living on less than one dollar per day by half. Pile (2002) argues that developed countries would have to foot the bill since the World Bank's capacity as the financier as last resort would not be sufficient in future. This emphasises the role of the business sector, hence the strong outcry amongst development activists during the WSSD (2002) for the business sector to actively demonstrate commitment to poverty eradication.

3.6.7 Business and public trust

A fundamental building block of any organisation is the level of trust the external market (customers, civil society, government, suppliers, etc.) and the internal market (employees, shareholders, etc.) has in an organisation. What complicates the matter even further is when an organisation is viewed from a corporate citizenship perspective. This angle is precipitated by perceptions, pre-conceived ideas, stereotyping and a strong voice from activists challenging any attempt an organisation might pursue to become a more responsible corporate citizen. It is therefore imperative in describing the business landscape, to understand the importance of trust and more specifically the determinants of trust. The fact however, remains that if there is a break in trust in an organisation, the business is put at risk, and given a very vocal marketplace that can ruin the image and credibility of an organisation.

During a group discussion, facilitated by the University of Cambridge (WSSD: 2002) four barriers for trust and transparency were identified:

- Poor leadership, starting at the top - demonstrating sound values and building a strong reputation as a responsible corporate citizen.
- Marketing - sending out the wrong message or even worse, mixed messages. Exploiting the conscience of the market in support of own objectives.
- Lack of transparency.

- Political motives - entering the field of corporate citizenship for the wrong reasons, e.g for tendering purposes with government. Fortunately, these motives are usually recognised by the government and exposed by civil society and activists.

During the same discussion (WSSD: 2002) some suggestions were offered on critical steps in developing trust with specific focus on trust within a social development context. What clearly emerges is that central to all suggestions offered, was that of inclusion, transparency, due deliberation, recognition and reward. An organisation can therefore never spend too much time in stakeholder engagement and the interrelation between all these partners. Business suddenly is faced with a philosophy of participatory practice whereby the interrelation between an organisation, communities and other stakeholders becomes crucial. Furthermore, fundamental to creating the trust is the underlying value system within an organisation that needs to reflect the emphasis placed on openness, inclusion, participation and interrelation.

In the global arena trust is further fuelled by recent scandals such as those concerning, Enron and Worldcom.

> Because the investing public is now so large, and because employees in public companies are more aware than ever that their careers depend on the success of their companies, what might in decades past, have been a crisis behind closed doors often becomes a matter of the broadest public concern. The future belongs to men and women - in all parts of the world - who can realise that potential through the brilliance of their innovations and specifically their adherence to professional integrity.
> (Wick Simmons: Chairman and CEO - The Nazdaq Stock Market Inc 2002).

Dipiazza and Eccles (2002) agree that the Enron scandal is the proverbial last straw that broke the camel's back and that there are a number of precursor events that led to the debate on public trust. Public trust has been shaken in the institutions on which this value creation depends. These institutions share a collective responsibility for producing the information on which people of many kinds - investors, lenders, trading partners, customers and employers depend to make a wide range of economic decisions. The challenge however is to institute the necessary reforms to ensure that public trust does not disappear, and the foundation for those reforms lies in corporate reporting.

Dipiazza and Eccles (2002) suggest three key elements that create public trust in markets, and therefore, allow those markets to allocate capital efficiently. These elements are easy enough to

describe but not always easy to practise.

- Spirit of transparency

  Shareholders and other stakeholders demand a much higher level of transparency. These stakeholders realise that transparency is necessary to create and protect value, but will no longer accept being left in the dark.

- Culture of accountability

  A firm commitment to accountability among direct participants in the corporate reporting supply chain is needed - hence the necessity of a strong ethos that values accountability. Investors are demanding greater accountability and consequently avoiding investments where full information is unavailable or where there are gaps in their understanding of available information.

- People of integrity

  This deals with individuals of integrity trying to "do the right thing", not what is expedient or even necessary but what is permissible. The actions of individuals, and not simply their words matter. Without personal integrity, there can be no public trust.

In a head-line article in Business Day (August: 2002) a strong argument was posed in favour of switching more of the UN AIDS funds to business. It specifically views opinions on the policy of relying on governments to tackle the pandemic. In this article, Lamont et al. reported on the abandonment of the SA government's policy on HIV/AIDS assistance by the United Nations. The UN publicly stated that it would help fund corporate initiatives to provide drugs to AIDS sufferers. This intent from the UN acknowledges that firms have the resources to find health solutions where governments and NGOs are failing. This places a heavy burden on the private sector to ensure that they maintain the level of trust between themselves and all stakeholders. Although a positive attempt from the UN to fast-track the AIDS debate into a more solution focus, the implications for the business sector are great. It is here where the elements of trust become extremely evident. Transparency, accountability and integrity will be the key drivers in ensuring that any attempt from business in making a positive impact on HIV/AIDS is viewed by all stakeholders as honest and sincere without political motives and hidden agendas. The history of SA unfortunately is accompanied by a heavy load of suspicion - consequently the spotlight falls on business to show its true colours and become a trustworthy corporate citizen.

Finally there is increasing evidence that the role of business is vital to Africa's development. According to Jay Naidoo (2002) Chairman of the Development Bank of SA, the private sector needs to be given greater incentives to play a more meaningful role in addressing the infrastructure backlog in Africa. The incentive instruments referred to, pose a challenge to the private sector to develop more ways and means, not only of supporting the development of

infrastructure through public-private partnership, but also of actively promoting black economic empowerment and the further development of small, medium and micro-enterprises (Naidoo 2002). Again a fundamental principle behind this new role of business is to ensure that proper stakeholder engagement takes place, including sound relationships with all stakeholders through transparency, integrity and accountability, thereby building public trust in their activities. It is an opportunity for business to influence sustainable communities and environment, but can just as easily destroy all good intentions through being perceived as not trustworthy by key stakeholders.

3.6.8 Business and social and environmental risk

New York City in 2022; half of the 40 million people in the swarming metropolis are unemployed; the air is thick with pollution; food and water are as precious as jewels. This is the world of the future as envisaged in the sci-fi thriller, "Soylent Green" in 1973. "Now according to the World Bank, it would, it could come true unless there are dramatic and immediate changes to the way we live" (Elliot 2002). According to the World Bank, the real price will be environmental catastrophe, social breakdown and lower living standards for everyone. During the release of the World Bank report to coincide with the 2002 WSSD, Ian Johnson, Vice President of the Bank's environmentally and socially sustainable development network, the global economic growth must be achieved in a manner that preserves the future.

> It would be reckless of us to reach successfully the millennium development goals in 2015, only to be confronted by dysfunctional cities, dwindling water supplies, mere inequality and conflict and even less crop land to sustain us than we have now (Johnson 2002).

The Bank's blueprint for sustainable development states the following:

- Developing countries should act to clean up their governments, promoting participation in a democracy, inclusiveness and transparency as they build the institutions needed to manage their resources.
- Rich countries need to be less selfish by increasing aid, offering more generous debt relief, opening their markets to developing country exporters and helping to transfer technologies needed to prevent diseases, increase energy efficiency and bolster agricultural productivity.
- Civil society organisations should be encouraged to serve as a voice for the weak and powerless, and to provide independent verification of public, private and non-governmental performance.
- Private firms should be more focused on sustainability in their day-to-day activities, and have incentives to pursue profit while advancing environmental and social objectives.

Considering these four key drivers proposed by the World Bank, and given the Bank's international standing, it could be argued that in all four areas the role of the business sector is clearly stated. There seems to be insufficient proof of social risk in particular as a quantitative aspect of measuring risk exposure in general. If one only considers the financial sector as an example, the risk areas usually under assessment or management include credit risk, market risk, interest rate risk, foreign exchange risk, liquidity risk, legal and operational risk and finally hedging risk (Deloitte &Touche : Risk management disclosure survey 2000). There seems to be no evidence of reference to social and environmental risk aspects.

A much used framework globally in risk management is Enterprise-wide Risk Management (ERM). ERM as a framework manages risk and reward, group-wide. The presence of accurate measures of risk makes it possible to measure performance on a risk-adjusted basis, creating the potential to generate increased shareholder returns, and allowing risk-taking behaviour to be more closely aligned with strategic objectives (definition of ERM in the 2001 ABSA Bank Annual Report). Although the ERM framework indirectly indicates or refers to social risk as an element of the ERM framework, no specific evidence is found of social risk as a risk element in the ERM framework of the ABSA Group. The major focus in ERM still relates to issues of capital efficiency, shareholder value and investor confidence. The King 2 report and the JSE/SRI INDEX will probably fuel a stronger movement in SA towards social risk, which already on the global front is being institutionalised. Social and environmental risk is therefore viewed as a major challenge for the corporate sector.

3.6.9 Business and the World Summit on Sustainable Development: Johannesburg 2002

In an article by Monbiot (2002), an overview of the UN's expectations of the WSSD (2002) was presented. The UN referred to two kinds of outcomes. Type 1 outcomes are the agreements blustered by governments. While poorer nations have called for the rich countries to come up with the money they promised and failed to provide over 10 years ago, and to find ways of holding big business to account, the rich world has insisted that the interests of the poor and the environment take second place to free trade. Sections of the world trade agreement have simply been pasted to the draft negotiating text, ensuring that corporate freedom overrides social and environmental protection. If Type 2 outcomes realise, it could even be more devastating according to Monbiot (2002). The UN has already permitted big business to capture not just the result of the negotiations, but the process itself. In principle Type 2 outcomes are voluntary agreements negotiated by governments, business and people's organisations. In practice however, the corporations, being beter funded and more powerful than the people's groups, are running the "circus". "They propose to regulate themselves through codes of practice, which in reality amount to little more than the rebranding of destructive activities as beneficial ones"

(Monbiot 2002).

Considering the above, it could be concluded that there is concern amongst the general public and specifically development activists on the role of business, bearing in mind their muscle power and economic stance. Although in the wake of the ENRON and WORLDCOM scandals, the UN is helping companies to argue that voluntary self-auditing is an effective substitute for democratic control, uncertainty and scepticism prevails amongst the beneficiaries. Business collectively is seen as intellectuals, with the ability to manipulate almost anything. In this regard as reported by Mosala (2002), the words of Edward Gaid, a contemporary Palestinian intellectual, come to mind:

> Nothing disfigures the intellectual's' public performance as much as trimming, careful silence, patriotic bluster and retrospective and self-dramatizing apostasy. There are no rules by which intellectuals can know what to say or do; nor for the true secular intellectual are there any god's to be worshipped and looked for unwavering guidance.

Mosala (2002) poses the real problem, and that is whether a meaningful set of sustainable development indicators can emerge to support the politically suspicious national targets that are being hailed as the real success of the summit. He states a strong argument around the role SA businesses, government and civil society as well as the ordinary SA citizen should be playing post-WSSD to ensure development of local sustainable development indicators. This argument in itself strongly supports the fundamental aim of the study to develop critical indicators for corporate social performance.

Katzenellenbogen (2002) is of the opinion that public pressure in the form of civil society should be the tool to push for reaching summit targets. Corporations and governments are under pressure. A 10-year framework which attempts to cover policies and guidelines on sustainable development in itself, gives the activists reason to campaign about the subject mentioned. The prolonged battles over the key summit documents the all-important implementation plan, a guide for action for the years ahead on sustainable development, as well as what was meant to be a far more straightforward political declaration served to highlight the deep rifts between the big negotiating blocks. The challenge therefore remains, and that is for the business sector to influence and shape the future of sustainable development through integrating sustainability practices into their core business strategies and executing this integration through the principles of multisector partnership with underlying values of integrity, transparency and accountability (also see Chapter 5 on partnership strategies).

Finally in a preliminary assessment of the WSSD (2002), the following three key individuals in SA

made the following comments (Business Day: September 6, 2002).

- "We have shown the world here this week that we have the capacity."
  Essop Pahad: Minister in the Presidency

- "We made an excellent deal. The summit delivered about 41 new agreements on the environment, among them, a far-reaching deal on protecting fishing stocks."
  Alec Erwin: Minister of Trade and Industries

- "The summit had lived up to the hopes of Africans, for whom development and the environment often amounted to a matter of life and death."
  President Thabo Mbeki

- "Our NGOs are non-existent in the countryside where the poor are. I feel that in the interest of democracy, in SA, the government will have to assist NGOs."
  Dr Zola Skweyiya: Minister of Social Development

3.6.10 Business commitment to corporate citizenship and sustainable development

There was a general increase, specifically during the building-up period towards the WSSD (2002) of SA companies reporting on their commitment to corporate citizenship. The extent to which this reporting took place deserves some reference in this section of Chapter 3. It became clear in analysing the reporting style and content that there is a need for some formalisation of social reporting, hence the Global Reporting Initiative guidelines, the JSE/SRI Index and Corporate Citizenship benchmarking in SA (AICC) (See Chapter 5). The needs by the business sector to more actively demonstrate their corporate social responsibility are fuelled by the media sector which is more aware of shortfalls in corporate accountability and more radical in their reporting thereof. In a recent article by Macleod (2002), two SA Companies are up for spoof "Oscars", also known as "Greenwash Academy Awards" that highlight shortfalls in their accountability. Sasol and Eskom were shortlisted to receive these awards. Shell and BP are also among the finalists spotlighted for putting more money, time and energy into slick PR campaigns aimed at promoting their eco-friendly images than for actually protecting the environment. It is further argued by NGOs like "Friends of the Earth" that it is often the world's most polluting corporations that have developed the most sophisticated techniques to communicate their message of corporate environmentalism.

It is expected that radical media campaigns will add a new and potentially very threatening element to the business landscape in future. It is however, necessary to recognise the "good"

that is being done globally and locally. During the launch of the UN Global Compact in 2001, business leaders around the globe spoke of their company's' broader commitment to good corporate citizenship and sustainable development. The following quotes represent a few of them (Zadek: 2001):

- The Chairman of the Brazilian mining and smelting company, **Aracruz Celulose SA,** gave testimony of the company's commitment to sustainable development:

  "Aracruz consistently endorses the concept of sustainable development and conducts its business according to its main precepts."

- **DuPont** asserted its strategy as being "sustainable growth", which it interpreted as involving:

  "Creating shareholder and social value while reducing our footprint throughout the value chain."

- The Swiss-based financial services group, **Union Bank of Switzerland (UBS),** confirmed that:

  "UBS believes that sustainable development is an important aspect of responsible management."

- The South African state-owned utilities group, **Eskom**, was unequivocal in setting its own terms of responsibility within a sustainable development framework:

  "When viewed from a sustainable development perspective, Eskom's electrification programme is closely aligned with the three pillars of sustainable development."

- The British water and energy utilities company, **United Utilities,** states in its annual social and environmental impact report:

  "By combining our social and environmental impacts in a single report, we aim to provide a snapshot of our contribution to sustainable development and progress towards a better quality of life."

- The **Ford Motor Company,** in its most recent Corporate Citizenship Report, sets out its

ambition to :

"Become a leader in corporate citizenship and a significant contributor to a sustainable world."

The following articles that were published recently in leading SA business reports and newspapers are typical examples of the commitment towards corporate citizenship amongst SA organisations. It could however be argued that these reports are in a sense "window dressing" by those who can afford buying media space. This nevertheless is a positive attempt to disclose the contributions of the business sector. These are mere examples notwithstanding the facts that there might be a large number of unreported contributions by smaller organisations that might also deserve special recognition from the broader public.

SAB tops survey on corporate citizenship" (Sunday Times : 2002). SAB and Standard Bank Investment Corporation (Stanbic) have come out tops in a survey on corporate governance, social responsibility and environmental management for the 2001/2002 financial year conducted among high-profile companies on the JSE Securities Exchange.

In a supplement titled: Corporate Citizenship Survey (April: 2002) the following articles were reported:

- "Nedcor to treat social duties as seriously as it does banking"
- "MTN banks on Africa's potential"
- "Coca-Cola aims to nourish relationships"
- "Old Mutual breaks ground with responsibility report"

In a supplement titled: Corporate Social Responsibility Survey (August: 2001) the following articles were reported:

- "Metropolitan a leader in the fight against HIV/AIDS"
- "Rand Water : Where there's water, there's a social way to conserve it"
- "Many state-owned entities have done much over the past seven years in corporate social investments" (Specific reference to Eskom, Spoornet and Transnet).

Apart from the positive report in daily and national newspapers and other magazines on corporate social responsibility initiatives, the internet is also a widely used medium. Organisations usually have a dedicated website or at least a hyperlink to a site that deals with their CSI activities. Print media however are still the most used mediums owing to their wide coverage. In

the August (2002) e-mail newsletter: CSR Business Respect, a website dedicated to corporate social responsibility, reported the following examples of internet published articles:

- "Norway : McDonald criticised for McAfrica Burger"
- "Ford worries environmentalists with latest report"
- "Australia : Stock Exchange gets tough on corporate governance"
- "Japan : Boycotts begin to take toll on Nippon Meat Packers"
- "Hong Kong : Having seeing companies missing out on SRI funds"
- "South Africa : Anglo Gold top for sustainability reporting"

As example of negative publishing on CSR in a recent internet article on the CSR e-mail newsletter South Africa: Governance at the top five banks to be examined, reported that SA's five biggest banks, ABSA, First Rand, Investec, Nedcor and Standard Bank are to have their corporate governance reviewed by the SA Reserve Bank to see if they comply with banking legislation, the KING committee's code of corporate governance and international norms. The move follows "recent international corporate failures" and the recommendations of the KING committee (Jill Marcus: Deputy Governor SA Reserve Bank, August 2002). It could therefore be argued that market intelligence in future will imply covering a far greater front to ensure that the external flow of information is as far as possible managed and controlled to protect company reputation and to execute pro-active measures to minimise possible damage if information is not managed properly.

3.7 CONCLUSION

The aim of Chapters 2 and 3 was to create the overall context of the study, by offering a literature view of the social landscape (Chapter 2) and the business landscape (Chapter 3). Chapter 3 attempted to define the strategic business landscape and more specifically the key drivers of a rapid changing business environment. It became clear after analysing the landscape that there were strong forces of change that could pose a serious threat to organisations unwilling or not knowing how to change, and an exciting opportunity for those who were willing to embrace those challenges, transforming the way business is conducted. The mere fact that these changes are referred to as "revolutions of change", emphasises the pressure underlying the forces of change. It could therefore be accepted that the speed at which an organisation will have to adapt to an ever-changing environment in future will be far greater than ever in the past.

Chapter 3 also presented a phenomenon that will characterise the business landscape of the future. Reference is given to the notion of corporate governance and accountability. As John Donne, the English poet and preacher wrote nearly 400 years ago, "no man is an island". This philosophy has strong relevance to the future business landscape. It is also referred to as the

"CNN age" where any activity of a business, whatever good or bad, makes headline news in a matter of seconds. The information and technology enablers are the strongest fuellers of this phenomenon. Furthermore the business landscape is already characterised by stakeholders (other than the traditional shareholders, i.e. customers and staff) becoming far more vocal, expecting consultation and transparency at all levels and deserving the trust from the broader public.

A further conclusion from Chapter 3 is the impact of a changing business landscape on corporate strategy, leadership, management practice and culture. It could therefore be argued that these changes almost demand total transformation of the way business is conducted, compared with the not so distant past. This strategic approach in developing countries is even stronger due to unique socio-economic factors and the history of societal and environmental injustices. The business landscape therefore in a country like South Africa, which is epitomised by these factors, could almost be viewed as a greenfield for business transformation, hence the need for corporate social and environmental performance indicators. It will therefore be imperative for any player in the business environment to fundamentally understand that their actions have consequences. Stephen J Bodio - author of On the edge of the wild said:

> Consequences are all around us, as everything we do has a consequence. How might we grow a more sustainable society with a different kind of culture - maybe we should live with and in, not "off" or beside the land and its creatures?

Finally, considering the above, one central theme emerges which deserves as part of the conclusion, special recognition. If the business landscape is transformed, the key drivers of this transformation will be the leaders of an organisation. They will determine the focus areas, pace and cultures to mobilise everyone in striving for sustainable social and environmental business practice. The current business landscape characterised by uncertainty requires leaders with vision and a strong desire to improve their organisations, their communities and the world.

In a survey by PriceWaterhouseCoopers (PWC) (5th Annual Global CEO Survey: 2002) in conjuction with the World Economic Forum, opinions were solicited from CEOs around the world on how they viewed the world of business. The following highlights were reported:

- CEOs worldwide responded to September 11th with action. In the short term, nearly half created or revised corporate disaster recovery plans or imposed travel restrictions, and 43 per cent revised their financial forecasts downward. Looking ahead, nearly 60 per cent focus on two probabilities: continuing stagnation in the global economy and the vulnerability of global supply chains.

- More than a third of the CEOs foresee a stronger antiglobalisation movement resulting from the terrorist attacks and their aftermath.
- CEOs express deep concerns about the growing gap between rich and poor countries, the digital divide, the environmental responsibilities of industry, the social impact of corporate strategies and investments, and the crafting of a more stable global economic system.
- Corporate social responsibility ("Social reputation") is an important agenda item for today's CEOs worldwide. North American CEOs are most confident of their companies' social reputations and Asia-Pacific CEOs least confident.
- Nearly 70 per cent of CEOs say that corporate social responsibilities are "vital" to profitability. Even in the current economic climate, it will remain a high priority for 60 per cent of CEOs globally.
- More transparency is coming, but the results are hardly universal. Whereas roughly 80 per cent of Asia-Pacific CEOs expect to provide additional financial and non-financial information, only about one-third of Central and South American CEOs envision increased transparency.

In an interview between a representative of PWC and Nitin Desai,Under-Secretary-General for Economic and Social Affairs, United Nations (2002) the following significant question and response were obtained:

> PWC: "What is driving change among corporations and corporate leaders?"
>
> Mr Desai: Corporations realise that their success depends on what happens in the marketplace - and on much else as well. It depends on the morale, commitment, and loyalty of the workforce. It depends on the loyalty of the customer base, and it depends on the public reputation you command. All of this contributes to the long-term success of the corporation. Corporate leaders recognise this, and they are becoming far more sensitive to the concerns of these other groups. A large corporation is simply a microcosm of society. If environmental awareness is growing in society, if a sense of social responsibility is growing in society, these things will be reflected in the workforce.
>
> These new norms will also have to be reflected in the corporation's thinking process. Corporations recognise that their policies, their codes cannot be defined simply in terms of immediate success in the marketplace. Shareholder value is important. But in the longer run, they also have to worry about the workforce and

University of Pretoria etd – De Jongh D 2006

the needs of society.

Leadership therefore remains the driving force behind integrating social and environmental imperatives into core business strategies. The next chapter will focus on the logical result of combining the social and business landscape: Corporate Citizenship. A critical analysis of Corporate Citizenship will be presented.

University of Pretoria etd – De Jongh D 2006

CHAPTER 4

EXISTING BODY OF KNOWLEDGE OF CORPORATE CITIZENSHIP

4.1 INTRODUCTION

In Chapters 2 and 3 an attempt was made to view the social development as well as the business landscapes critically. For the purpose of achieving the expected objective of the study, namely determining indicators for corporate social performance, it was imperative to create the context which in this case is the social and business landscape. These two fields constitute the pillars of the study. In Chapter 4 a literature review will be offered on the field of corporate citizenship, the logical next step if the business and social development landscapes are integrated. Business in society or society in business will be the main driver of this chapter. The term "corporate citizenship" was coined in the late eighties but only commonly used by practitioners and corporates in the early nineties. This chapter will furthermore from a theoretical perspective emphasise the importance of integrating social concerns into business practices. Consequently reference to the difference between the terms "corporate social investment" (CSI) and "corporate citizenship" will be made. The latter specifically incorporates a holistic approach whereby corporate strategy and all systems, procedures and practices are aligned in order to become a good corporate citizen. It could therefore be argued that CSI is an element of corporate citizenship.

In a World Bank discussion paper by McFoil and Davy (1988) the critical success factors within the control of the private sector when integrating social concerns into mainstream business, is presented. Although the World Bank did not specifically refer to this integration as indicators for corporate citizenship, it however contains fundamental elements on how corporations should behave within communities. The complex and dynamic nature of the social landscape almost demands from the private sector to be sensitive and mindful when engaging with society. The following elements are merely recommendations and could also be seen as stages in a process of integrating business with society (McFoil & Davy 1988).

- Adopt a policy on social issues and develop capacity.
- Identify stakeholders and acknowledge the legitimacy of their perspectives.
- Identify social risks and opportunities.
- Assess social and environmental impacts thoroughly: integrate where appropriate.
- Recognise public involvement as integral to project sustainability.
- Delineate responsibilities for social provisions.
- Aim for social equity in revenue distribution, compensation, and other social investments.
- Develop partnerships in support of sustainable development.

- Develop mechanisms for long-term representation of stakeholders and conflict resolution.
- Evaluate the effectiveness of social investment.

TXU Europe, a leading energy company in the UK, developed seven principles which they refer to as "sustainability principles" (Hill 2001). This is an example of how corporations are starting to integrate their business and social activities and to demonstrate their corporate citizenship. TXU Europe's principles are:

"Be the best"

Strive to be the most admired company in what we do.

"Make more for less"

Be innovative as we improve performance, reduce costs and impact on the local and global environment.

"Build Trust"

Report openly to stakeholders on our progress.

"Take account of others"

Engage in dialogue with our stakeholders to take account of their views and explain ours.

"Balance our lives"

Embed satisfying, fair, safe and healthy working practices to ensure a balanced life inside and outside work.

"Build a better society"

Use our expertise in the community to contribute to building a better society and support business development.

"Create viable products and services"

Offer a viable range of products and services sensitive to the needs of different parts of society.

The above examples represent a typical value proposition whereby a strong social element is present without compromising the financial/economic motives underlying the long-term survival of the organisation.

In a document presented by SRK consultants, a SA-based engineering firm specialising in environmental studies, some views by local and international business leaders on the topic of corporate sustainability were reported (2002). Although SRK uses the term "corporate sustainability", the meaning is exactly the same as corporate citizenship in the context of this study:

- "Corporate sustainability is a business approach that creates longterm shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social development" (Dow Jones Website : 2002).
- We see no alternative to a business strategy that generates profits while contributing to the well-being of the planet and its people. The development of tools enabling progress to be measured and reported is a crucial part of this (Sir Mark Moody - Stuart Chairman Royal Dutch/Shell Group : June 2000)
- I believe that responsible behaviour makes good business sense. There is increasing evidence that high environmental standards relate to high profitability (Tony Trahar : CEO, Anglo America).
- The triple bottom line is consequently not the flavour of the month or an attempt at being politically correct. It is imperative for success and is here to stay (Reuel Khoza, Chairman Eskom Electricity Council : 2002)"

In a survey done by PriceWaterhouseCoopers (PWC) in 2002 amongst 32 SA mining houses and mining corporations to determine the key drivers of corporate sustainability, the following findings were reported:

- Enhanced shareholder value - 85%
- Survival of the business in the long-term - 85%
- Improved management of risk - 75%
- Improved relationship with local communities - 70%
- Improved standing with government and regulators - 65%
- Cost saving / operational efficiency - 45%
- Reputational / brand enhancement - 45%.

(The percentage value represents the weighted importance of the specific driver.)

From the above it is clear that the growing importance of corporate citizenship is emerging in the local and international business landscape. It could therefore be accepted that the so-called integrated approach is already widely supported if one considers (as reported by e.g. PWC

University of Pretoria etd – De Jongh D 2006

above) the corporate sector's direct link between corporate citizenship and core business imperatives. It is however, necessary to define the term corporate citizenship from a theoretical perspective in order to obtain a thorough understanding of the term, so often used but also so often misinterpreted.

4.2 HISTORIC OVERVIEW OF CORPORATE CITIZENSHIP

According to Andriof and McIntosh (2001) some careful historic research on the organisation and evolution of the notion of corporate citizenship is definitely wanted. These two authors argue that what is generally provided is but only a general sense of the likely developmental history of corporate citizenship. Two themes transparently recurrent in the recent corporate citizenship literature represent the following (quotations offered by Andriof and McIntosh, on the theory by Letts 1982):

> The job is not to render management more accountable for its decisions, but to get managers and directors alike to abandon too narrow a definition of their duty. We must get managers to say: My shareholders are the public. Bad corporate citizenship and good corporate citizenship are reflected in stock prices. As a result, it is becoming clear that there is a positive economic benefit to shareholders in having the corporation be perceived as socially responsible.

Davenport (2000) states that corporate citizenship became a commonly used term in the 1990s and is a more accurate description of corporate behaviour than "corporate social performance" which according to Davenport is a theoretical construct from the academic community. He further argues that corporate citizenship describes the concrete activities needed in order to perform on a social level. Kinsley (1987) argues that through corporate social investment projects, executives are "outsourcing their conscience". "It requires hard-nose decisions to become a corporate citizen - why then give the corporations credit for generosity. Good image inevitably leads to good business."

According to Andriof and McIntosh (2001) the corporate citizenship movement appears to reflect four key developments:

- Firstly, the academic debate on the conceptual ambiguity and substantive merit of corporate social responsibility. Friedman (1970), Davis (1973) and Mitchell (1989) traced the history of corporate citizenship starting from an ideological movement to a view that discretionary corporate social responsibility is seen as "theft" by a firm's customers, employees and owners. Profit maximisation within a social context also fuelled the

already ambiguous perceptions of corporate citizenship, leading to terms like prudential altruism (i.e. strategic concessions for the protection of a firm's profits.)

- Secondly, the Reagan and Thatcher era of the 1980s of strong "civic virtue" led to a decline in public sector responsibility. This resulted in government and philanthropic calls for voluntary action by individuals and businesses which led to the corporate citizenship movement filling but arguably not resolving an intellectual void left by the debate over social responsibility. Corporate citizenship during this era was readily interpreted as action in response to and/or on behalf of various stakeholder groups.

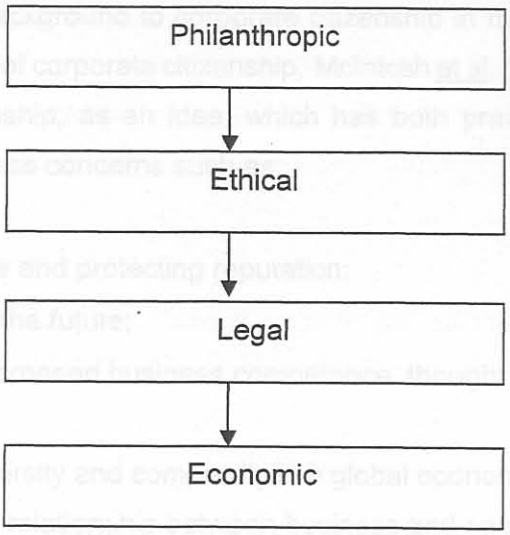
- Thirdly, according to Reich (1998), there was an "implicit social compact between corporations, their employees and communities" for benefit sharing during the 1950s through to the 1970s that has subsequently disappeared owing to increased competition (resulting from the information technologies deregulation, global competition and the decline of entry barriers). Reich further states that an "electronic capitalise" has replaced the gentlemanly investment system that had given "industrial statesmen" the discretion to balance the interests of shareholders against those of employees and communities.

- Fourthly, the development historically gave a very specific shape to corporate citizenship activities. Companies such as General Electric, Coca-Cola and AT&T pioneered various forms of shareholder wealth maximisation or economic value maximisation strategies (Welch 1999). The development shaped corporate citizenship activities towards purely strategic investment policies and programmes. Corporate philanthropy has been subjected to the requirement that it adds bottom-line value. According to the Council on Foundations (COF), Washington DC (1996), this requirement implies objective setting and outcome measurement. In 1996 the COF did a survey of a sample of US heads of household, conducted by Walker Information of Indianapolis and found that 14% of respondents claimed to seek out corporate citizenship in purchases; 40% regarded corporate citizenship as a tie-breaking consideration.

Vidal (1999) suggested that empirical confirmation of the relationship between corporate good conduct and corporate financial performance is needed. There still seems to be controversy about the meaning of corporate citizenship and then specifically if one also evaluates the inconsistent use of the terms "corporate social responsibility" and "corporate citizenship". Caroll (1999) for example divided corporate social responsibility into four dimensions: economic (including but broader than, financial performance), legal, ethical and discretionary (i.e. philanthropic).

University of Pretoria etd – De Jongh D 2006

Table 4.1: Corporate social responsibility hierarchy (Source: Caroll 1999)



Caroll treated economic and legal responsibilities as socially mandatory, ethical responsibility as socially expected and philanthropy as socially desirable. He therefore interpreted "modern" corporate citizenship instead of corporate social responsibility, as having these "four faces". Andriof and McIntosh (2001) debated that the essence of corporate citizenship, as is the case with the ordinary man in the street as a good citizen, is not about mandatory compliance, but rather voluntary compliance. They particularly alluded to the issue of creating a good culture in which corporate citizenship occurs automatically without heavy monitoring and enforcement costs. This needs to become an embedded value principle with a strong integrative approach whereby all systems, procedures and business practices are aligned to support the philosophy enabling staff to start living according to the principles associated with being a good corporate citizen. The historic development of corporate citizenship in summary, could be viewed from a single focused approach initially (mainly on corporate social responsibility) to a more multidimensional approach in the late 1990s. This multidimensional approach of integrating business with society from a voluntary perspective which seems to be the modern philosophy is clearly not foolproof. As reported by Reich (1998), "the difficult aspect for evaluating corporate citizenship involves the trade-off that occurs multidimensional within economic performance dimensions among various stakeholders, especially employees, consumers and owners, in addition to the victim of uncompensated externalities." Managing these dimensions internally (processes, staff involvement, and organisational culture) and externally (stakeholder expectations, regulations etc.) will be the real challenge in future. Above all the economic sustainability of an organisation will always be the overarching driver. Without this, there will be no way to ensure sustainable trade-offs between business and communities, thus inculcating a strong notion of corporate citizenship.

4.3 DEFINING CORPORATE CITIZENSHIP

With the historical background to corporate citizenship in mind, it is necessary to offer some views and definitions of corporate citizenship. McIntosh et al. (1998) define corporate citizenship, like individual citizenship, as an idea, which has both practical and ethical dimensions. It includes basic business concerns such as:

- risk avoidance and protecting reputation;
- insurance for the future;
- developing increased business competence, though;

- managing diversity and complexity in a global economy;
- stabilising the relationship between business and society;
- creating partnerships that span boundaries;
- having an integrated and consistent approach to corporate strategies;
- applying new metrics and reporting progress in meeting objectives.

It also includes:

- doing the right thing
- a reflection of many people's belief that businesst business organisations should express what is good in humanity, "and the places where we can feel good about going to work."

A key feature of citizenship is that it involves a mutually reinforcing relationship between individuals and communities. It therefore suggests a two-way relationship between society and corporations: some of a corporation's needs will ultimately only be met by taking actions which are oriented towards meeting communal needs. McIntosh et al. (1998) therefore suggest that the successful companies of the future are likely to be those that discover how to make full use of this relationship as a normal part of running their business, and so will move along a continuum towards "full citizenship" (Table 4.2).

Table 4.2: The continuum towards full citizenship (Source: Macintosh et al. 1995)

Minimalist (Compliance with legislation)	→	Discretionary (Philanthropy/ charitable giving)	→	Strategic (Citizenship integrated into business)

The aim of the study is therefore to focus specifically on reaching the strategic level of "full corporate citizenship", thereby developing critical indicators for corporate social performance in

the South African context. In order to offer more substantial evidence on the meaning of corporate citizenship, it is necessary to differentiate between corporate social investment (CSI) and corporate citizenship. Considering the continuum (Table 4.2) a clear conclusion can be drawn by suggesting that CSI falls within the centre point of the continuum namely discretionary citizenship (philanthropy/charitable giving). The next section will therefore offer more perspectives on the distinctive differences between corporate social responsibility and corporate citizenship.

4.3.1 Corporate social responsibility vs corporate citizenship

According to Andriof and McIntosh (2001), the precise connection between corporate social responsibility and corporate citizenship was not always clear. In some cases these terms were even regarded as synonyms. Table 4.3 illustrates the look of clarity by comparing a broad view of corporate social responsibility with a narrow view of corporate citizenship.

Table 4.3: Comparison of corporate social responsibility with corporate citizenship (Source: Andriof and McIntosh 2001)

Corporate social responsibility	Corporate citizenship
Hard to operationalise, measure and evaluate	Limited and specific, easier to measure
Obligatory and voluntary (through tax payment and law obedience as well as discretionary problem-solving activities)	Largely voluntary, often with a corporate strategic focus (i.e. use of corporate resources to help the community and the company as well
Broad concern for many issues and stakeholders, and for society at large	Narrow focus on local community and charity
Self-interest benefits are possible and acceptable but not assumed and are not primary in any case; ethical and legal concerns take precedence	Self-interest benefits are desirable and perhaps essential to serve as incentives for behaviour that benefits local communities
It is threatening to popular neoclassical economic theories of capitalism	It is reassuring : speaks to constrained liberalism and compassionate conservatism
Moral grounding is assumed and ambiguous; it has a "sixties liberal" orientation and a US focus	"Give back" and "tit for tat" grounding does not require any philosophy or deep thinking

Andriof and McIntosh strongly argue that as corporate citizenship began to replace corporate social responsibility as the "concept of choice" in scholarly and business literature, more than a shift in terminology occurred. They specifically refer to the term corporate citizenship, relating more to corporate community relations that might be too narrow to express the depth and variety of business-society relations. Andriof and McIntosh therefore suggest the term "business citizenship". Table 4.4 indicates the key variable needed to make the transition.

Table 4.4: Four states of citizenship. (Source: Andriof and McIntosh 2001)

		Level of analysis	
Unit of analysis		**Local community or national scope**	**Global or universal scope**
	The individual person as a citizen	Cell 1: The individual citizen: Relationship of the person to the state, rights and duties of citizens, national and cultural identity	Cell 3: The universal citizen: Common humanity, interdependence, universalism, less grounded in fixed rules or laws, asserted based, on philosophical ideas
	The business organisation as a citizen	Cell 2: The corporate citizen: Business as a responsible player in its local environments, emphasis on voluntarism and charity as well as on the organisation's rights and duties in and for the community	Cell 4: The business citizen: Business as a responsible local actor, emphasis on the organisation's rights and societies within and across national and/or cultural borders, there is a need for analysis of hyper-norms

Although the previous viewpoints were mainly focused on corporate social responsibility and corporate citizenship, corporate social investment is also a term which in SA is still widely used. In fact it is the term most organisations are most familiar with when making comparisons with corporate citizenship, which is a term that still needs to be introduced and translated into practical terms. Some experts in the field of corporate citizenship (Kapelus, Moshoeshoe and De Cleene: Founding Directors of the African Institute for Corporate Citizenship) argue that CSI is nothing more than "outsourcing corporate conscience.". Furthermore, consistent with the "business of business is business" concept that held sway in the 1980s, when most historical arguments focused purely on the use of CSI as a primary public relations tool (Rumney 1998: 3). Oblivious

to the unintended effects such a strategy may have, companies brilliantly advertised their moral qualities and social contributions, thereby eliciting accusations of "window dressing".

According to Anderson (1989: 11) however, a number of executives had the following arguments:

- Business is not directly accountable to the public; therefore, the public will have little or no control over where and how deeply companies became involved.
- Social investment decreases short-term profitability.
- Most corporate executives lack the knowledge, skills and patience to deal with and solve society's problems.

According to de Souza (1998: 17) these arguments clearly express the desire to eradicate the superficial application of CSI. The 1990s however led to a redefinition of CSI, namely "stewardship". This principle advocated proactive relationship whereby business saw themselves as "stewards" who acted in the general interest of society (general public) and environment. South African Breweries in 1998 had a strong philosophy of maintaining a tradition of providing not only financial assistance, but also the skills and participatory support necessary for sustainable development through partnerships with the community. De Souza summarised the change in CSI philosophy as one previously characterised by "cheque book" charity to one presently characterised by a desire to empower individuals and communities.

Kinghorn (1995: 23) makes it clear that corporates should not abuse CSI as a public relations or marketing tool. What is more important is to understand community needs, to engage in partnerships with stakeholders, and only then to involve them in the formulation of the business strategy. According to the Business Marketing Intelligence (1993: IV) the watchwords guiding CSI today are, implementation, delivery, relevance and, above all, impact.

In summary, as reported by de Souza (1998: 36), the perception the public has of business becomes increasingly important: executives are sacrificing traditional red-tape policies and financial gain in order to protect a moral conscience. Ad hoc social endeavours have made way for specific programmes as CSI has evolved into a strategic business tool that may be employed to address specific priority issues. Furthermore, the next three sections of 4.3 will offer more proof of the fundamental principles, foundations and models for corporate citizenship.

4.3.2 Principles of corporate citizenship

McIntosh, Leipziger, Jones and Coleman (1998) referred to a report by three global organisations on the importance of the private sector's role as the "principal motor of development" as well as

their leadership role in sustainable development, beyond the minimum expectations of operating within the law and contributing directly to economic growth through their core business activities. These three organisations, The Prince of Wales Business Leaders Forum, The World Bank and the UN Development Programme brought out a report called: "Business as partners in development (1998)" where they underlined four principles which businesses needed to achieve in order to be good corporate citizens:

- Reputation management

  "Reputation to build on a complete base of intangible attributes such as reliability, quality, honesty, trust, social and environmental responsibility and credibility. Despite the fact that many business leaders would agree that reputation adds value, most companies still adopt a fragmented and pre-driven approach to reputation management."
- Relationship management

  "In today's global economy the relationships which a company has with its primary and secondary stakeholders are becoming increasingly complex, covering a wider range of stakeholder groups and issues than ever before. Most companies need to build more integrated strategies, structures and systems for stakeholder management and consultations."
- Responsiveness

  "A company's ability to understand and respond innovatively to market trends, future opportunities and stakeholder needs, plays a key role in building reputation and competitiveness. Linked to this, there is a growing emphasis on "lateral thinking" and on systems approaches, aimed at building innovation around "service needs" or "customer benefits" rather than product specifications. Such approaches often require co-operation with non-traditional partners.
- Resource efficiency and enhancement

  "A company's ability to access high quality resources - be they human, natural, physical, financial or international - and to adopt management and technical processes which add value to these resources efficiently, effectively and responsibly, will influence the company's reputation, responsiveness and relationships, its cost structures, the quality of its products and services, its environmental impact and productivity."

The World Business Council for Sustainable Development (WBCSD) drafted a set of principles on corporate citizenship based on the premises that "changing public concerns about corporate social responsibility require a pro-active approach and that such an approach may generate commercial advantages" (1998).

The draft principles include the following:

- Social responsibility as a corporate responsibility
- Integrated management
- Employee education
- Public information
- Facilities and operations
- Transfer of best practices
- Compliance and reporting

Andriof and McIntosh (2001) reported on the principles of global corporate citizenship. These principles were adopted by three religious organisations from England, Canada and the USA on 19 September 1995. These organisations are:

- The Ecumenical committee for corporate responsibility of the UK;
- The Task Force on the Churches and Corporate Responsibility of Canada; and
- Global Corporate Accountability Issue Group from the Interfaith Centre on Corporate Responsibility (USA).

The principles for global corporate citizenship are defined with reference to:

- Ecosystems (protection of bio-diversity).
- National communities (respect for basic human rights and promotion of high standards of health and safety in the workplace).
- Local communities (respect for basic human rights in foreign countries).
- Shareholders (actualising their interests in co-ordination with those of employees and other stakeholders).
- Employees (in terms of equal opportunities).
- Consumers and suppliers (showing transparency in decisions and actions as a "good corporate citizen").

In Chapter 6, an overview will be presented on social accounting and measurement. The dimensions used in social accounting will bear reference to the principles of corporate citizenship, hence an attempt to consider the interfaces between the principles referred to above and the dimensions of measurement. Again, it is clear in analysing the principles of corporate citizenship that an integrated approach is the key when operationalising corporate citizenship in practice.

4.3.3 Models of corporate citizenship

As reported earlier in the study, central to corporate citizenship is the relationship between businesses, government and civil society. Often these relationships and interdependency are seen as the foundations of society as a whole. McIntosh et al. (1998) suggests four categories or models of corporate citizenship. They are:

1 Business as a moral entity

"Based on profit making, and has no responsibility other than its economic and legal obligations"

Such a business:

- Sees social responsibility issues as problems for reputation and public relations management;
- Believes that its only stakeholders are its shareholders;
- Does not believe in stakeholders, but has key relationships, because stakeholders theory implies some ownership of the company (compare the current situation in SA regarding Black Economic Empowerment);
- Is managerial and action-orientated;
- Is essentially responsive/reactive to changes in values of society;
- Regards rewarding earnings per share as the primary purpose of the company.

2. Business as a responsible and moral activity

"Based on profit-making, and has an obligation to act for the social betterment of the whole of society."

Here business would have the following belief:

- Business should act beyond compliance with economic and legal obligations.
- Business should be philanthropic.
- Business is the engine of society.
- Business has economic, political and social power.
- Shareholders are the primary claimants, with a range of other claimants who may be called stakeholders.
- The directors are trustees of a range of claimants, including the shareholders.

3. A business is a community

"Based on corporate identity, which may be just for profit, or not for profit, and which recognises that a business has a social economic role."

A business is run on the following ethics:

- Is based on a set of values which include economic and legal obligations;

- Is often based on some concept of business supporting social justice, equity and public service;
- Includes for profit, not-just-for profit organisations;
- Is often family or co-operatively owned.

4 The network or partnership business

"It does not have a corporate identity and is neither moral nor amoral in its purpose; it is fluid and may be transitory and based on project management."

This business:

- Is often based on the management of a specific piece of work or project;
- Has virtual organisation;
- Does not necessarily have any corporate identity;
- Is transitory, flexible, and has an intermediate social structure;
- Occupies holes in established social structures, both inside and outside existing corporate structures;
- Recognises diverse values within the network and aims for commonality of purpose, not a commonality of values;
- Recognises both individual and shared constructs of reality;
- Often operates in the space between organisations, and sometimes in the space between the market and the state;
- Encourages social entrepreneurism;
- Is often cross-border and international in nature, and does not recognise national boundaries or regional differences.

The four models presented clearly depict the transformation of business over the last four decades. It is clear that the partnership philosophy is increasingly becoming the model of distinction in a world where the relationship between business and all its stakeholders are more important than its market share and capitalisation. This definitely does not exclude its economic imperatives, but rather demonstrates the interdependency between business and its stakeholders to ensure economic as well as social and environmental sustainability. Finally it would be incorrect to assume that one of the aforementioned models is the ultimate approach in reaching a level of "full corporate citizenship". Again it rather asks for an integrative approach between models. Business needs to realise the value in working with stakeholders whether they represent communities or environment. "Rather seeing former antagonists (social and environmental activists, government, etc.) as the enemy, in an integrated model of corporate citizenship, it is possible for two organisations with conflicting views of social reality to work together for some discrete social betterment" (McIntosh et al. 1998).

4.3.4 Foundations of corporate citizenship

The following section of Chapter 4 will deal with the fundamental underlying values associated with corporate citizenship. According to Andriof and McIntosh (2001) integrity and mindfulness are the two most critical value drivers of corporate citizenship in the new millennium. It is important to share some views on these two values to conclude section 4.3, dealing with the definition of corporate citizenship.

The ongoing debate about the "new economy" which represents arguments on technology, entrepreneurship and globalisation asks for the corporate citizenship philosophy to be contextualised within this phenomenon. Andriof and Macintosh (2001) reveal their opinion on this by clearly stating that it demands integration internally and externally through electronic technology as well as organisationally in terms of internal systems, and across organisational and industry boundaries. This strategy demands constructive relationships with stakeholders thus constituting the essence of corporate citizenship. The real challenge however within this realm is to operate with integrity and mindfulness:

1. Operating with integrity

   According to the Webster dictionary, the synonym for integrity is honesty. Furthermore in defining integrity the Webster's dictionary offers two key drivers/definitions:

   - Firm adherence to a code

     Adherence to a set of values is at the centre of the definition of corporate citizenship. These values help companies to operationalise their values in their day-to-day practices by proving the "how we do things around here" set of standards needed to determine what is and what is not appropriate in a given situation or with respect to a particular stakeholder. The success of this adherence is largely determined by integrating the two major strategic drivers of any business, namely "what businesses are we in " and "what we stand for". By succeeding in achieving this, an organisation would arguably go a long way towards developing integrity.

   - Soundness and wholeness

     The extent to which an organisation succeeds in ensuring that all aspects are working well, in an integrated, systematic manner. Soundness implies fiscal stability as well as for the business sector, profitability, "considered as a whole", companies are complete systems, all of whose parts are independent and interdependent and interrelated. Fragmentation or inconsistency, particularly with respect to the code that constitutes the vision and values discussed above,

become problematic for companies because they can readily lead to treatment of stakeholders that is inconsistent with the inspirational end values associated with good corporate citizenship. Considered as parts, corporate citizens recognise their own interdependence and interrelationship with other elements of human civilisation, which constitutes society. They also recognise that they are deeply dependent on a healthy ecological environment, of which they are a more complex and therefore more developed part and without which they cannot survive (Wilber 1996).

Wilber (1996) strongly argues that in order to fully capalitalise on the interdependency between all stakeholders an integral perspective is needed. The driving force in achieving this integration according to Wilber (1996) is conversation - dialogue. This means that in understanding all aspects of being a corporate citizen operating with integrity, corporate leaders will increasingly need dialogue and relationship building skills. This radically changes the historic perception of the communication landscape epitomised by a narrow public relations approach versus a multistakeholder landscape, requiring creative dialogue, inclusivity and also integrity.

2. Operating mindfully

"The notorious short-sightedness, not to mention the sorry state of relationships that many companies have with some of their stakeholders, suggest that mindfulness may be in woefully short supply among corporate leaders" (Andriof and McIntosh 2001). Being mindful arguably demands that individual decision-makers acting on a company's behalf function at relatively high developmental levels, not only cognitively, but also morally and emotionally. It could therefore be accepted that a key requirement for meaningful relationships with stakeholders is to understand the perspectives of these stakeholders which demands fairly high cognitive capacity. This also includes moral capacity to understand how their decisions affect others, as well as emotional intelligence:

- Cognitive development

  Self-awareness and consciousness is particularly important in developing corporate citizenship because of the difficulties involved in working in networked dynamic and complex environments, which exist both inside and outside organisations. Cognitive maturity then according to Andriof and McIntosh (2001) means that leaders are really able to see or hear other stakeholders' point of view and to understand the system in which they are imbedded.

University of Pretoria etd – De Jongh D 2006

- Moral development

  According to Kohlberg (1976), post conventional moral reasoning focuses on doing things ethically (see 4.5) because these individuals value the integrity of the system as a whole, because they are reasoning from what they perceive to be the universal moral principles. These individuals can also "hold" multiple perspectives simultaneously; can understand interconnectedness and system implications of actions and decisions. These mental and moral qualities are exactly the ones needed by leaders of organisations attempting to operate with integrity and respect towards their stakeholders, yet they appear to be in short supply. A possible explanation for this shortfall, according to Goleman (1995), is lack of "emotional intelligence".

- Emotional intelligence

  According to Goleman (1995), emotional intelligence consists of several capabilities or skills, including knowing one's emotions or self-awareness, and the managing thereof. The other two attributes are a capacity to recognise emotions in others (empathy) and the ability to handle relationships. As noted above, these attributes are exactly the ones needed in developing long-term stakeholder relationships. Goleman (1995) also highlighted four emotional competences clearly relevant to building and sustaining long-term systematically orientated stakeholder relationships: organising groups, negotiating, developing personal connections and social analysis.

In summary it is clear that according to the above, the foundations of corporate citizenship are largely dependent on the human factor. Furthermore, the complex nature of business with specific reference to its interdependency on stakeholders, society and environment place a heavy burden on leadership and managerial status skills. Leaders therefore need to "manage with the heart" (Goleman 1995), with respect to primary stakeholders such as customers, employees, suppliers and owners. In particular as stakeholders frequently have conflicting goals and agendas, the key to successful corporate citizenship is managing difficult interactions in an emotionally mature way. Only then can the foundations of integrity and mindfulness be reached.

An integral part of these two foundations is the whole notion of ethics which in recent months (Enron and Worldcom scandals) have reached a level, surpassing any previous reference that was made to business ethics.

University of Pretoria etd – De Jongh D 2006

4.4 CORPORATE CITIZENSHIP AND BUSINESS ETHICS

A fundamental driver in the corporate citizenship landscape is the ethical debate which considering the previous sections on the principles and models of corporate citizenship, deserves some deliberation. It is therefore imperative to establish a clear distinction between those ethical questions and values that characterise the corporate level (corporate ethics), those that appear on the institutional level (the business milieu as a social institution), those that are typical of a given society or culture (social ethics and those that are proper ethical issues involved in international business transactions (Andriof & McIntosh 2001). Dion et al. (1996) view a business enterprise as a moral agent that has its own moral and social responsibilities, following from the implicit social contract between the society and business milieu. They also argue that because of the cultural and religious pluralism of societies, corporate ethics must deal with values and norms of ethical behaviour in a pluralistic organisational context, and also the value conflicts that may follow from such a context.

According to Andriof and McIntosh (2001), it is therefore important to note that corporate language that is used to express organisational culture is determined by corporate values and their compatibility with those of competitors, of other industries in the given society and of the global culture of countries in which the company operates. Dion (1996) presents the top "ten corporate values" that are expressed in most corporate codes of ethics:

- Integrity

  Involves avoiding self-contradictions, trying to keep one's essence, resisting those distortions that may be imposed by social economic, political and sometimes religious structures.
- Honesty

  The key value that gives to an individual various reference patterns for his or her own actions: conformity to his or her reason, the practice of some virtues or the actualisation of moral duties.
- Justice

  An attitude of fairness, the respect of basic human rights, a "meritocracy" or a key value for positive law and thus a natural characteristic of human beings, giving rise to laws and regulations.
- Equality

  Harmonisation of human needs and interests, for public recognition of an individual by others, whatever his or her social characteristics.

- Objectivity

  Objectivity is presented as being safeguarded through the rule of law applied without any prejudice.

- Loyalty

  The absence of loyalty is identified by manipulation, that is the use of others as objects for one's own prestige or social status.

- Devotion

  Showing goodness and generosity, a sense of harmony, a disinterested attitude, a deep feeling for the organisation.

- Respect

  Respect for others implies focus on human dignity. Human dignity is the foundation of all ethical values and basic human rights, such as equality, tolerance, and freedom. Respect is the key value in social and organisational life.

- Prudence

  Systematic reflection by an organisational member on the effects or consequences of his or her actions and decisions on well-being of things in his or her environment, and on the local communities.

- Tolerance

  Implies an attitude of gentleness, of sweetness, which can contribute to the transformation of differences into possibilities of enrichment for us – overcoming one's self-interest to become centred on the urgent needs by others:

These "top ten corporate values" represent the basis for business ethics, consequently the ethics associated with being good corporate citizens. Corporate citizenship deals with the society and cultural conditioning of business practices and looks at their ethical justification. Corporate citizenship must reveal linkages between organisational culture and social culture, between corporate ethics and social morality and thus can draw from such an analysis various value orientations that will characterise a given business milieu (Freeman 1984).

The importance of corporate values therefore becomes critical and even more important translating these values into operational terms. Only when actively demonstrated, measured and reported can an organisation start moving into the domain of ethical behaviour.

Welch (1990) argues that corporate citizenship should aim at internationalising an "ethic of care". This should imply:

- Moral courage, that is, one should act in accordance with some basic ethical value, such as honesty, respect for others, fairness and trust.
- Empathy with and compassion towards others.
- A proactive attitude, a visionary perspective that may create solidarity and a more meaningful life for all.

Corporate citizenship should then adopt a cross-cultural and interreligious approach to ethical issues on the international scene as well as on national level. This is particularly relevant in a country like South Africa which is characterised by many cultures and religions. When one therefore considers the notion of stakeholder partnerships as a key driver of corporate citizenship, the issue around cultural complexity emerges. Historical baggage as in the case of SA further complicates the matter which emphasises the importance of a strong value-driven, ethical basis of business practice in SA.

The importance of continuous dialogue therefore cannot be overemphasised, not only on local level but also international levels. SA organisations are also expanding their business initiatives into Africa which adds a new dimension to corporate citizenship and business ethics. Andriof and McIntosh (2001) reported three basic values when entering the complex field of cultural and religious issues on corporate citizenship:

- Struggling for co-operation, implying openness to the viewpoint of others, so that we could accept the modification of some of our own cultural and religious practices and beliefs.
- Searching for upstanding other people's cultural and religious roots, realising that the other may know something better than us and having the ability to question the validity of our prejudices.
- Respecting basic human rights, implying a respect for people having different cultural and religious roots.

In summary the ethical debate will continue in future to be top priority amongst business, government and civil society leaders. Corporate values seem to be crucial in demonstrating ethical behaviour, hence the need to concretise company values in operational terms. Business ethics however, still remain a sensitive and difficult value system specifically if cultural and

religious dimensions are added to the ethical debate. One key driver that seems to be a central element in decoding ethical behaviour within a multicultural context is that of dialogue. It remains a fundamental pillar of corporate citizenship. Dion (1996) finally argues that corporate citizenship engenders better means for living together, and that implies having the political courage to change the world by modifying the way each business corporation pursues its own interests and needs, and more basically, by changing the way businesses perceive each other on the international and local scene. Zadek (2001) argues that in future, organisations being constantly under the watchful eyes of all their stakeholders, some of which tend to be very outspoken and at times even radical, will increasingly be regulated by "civil governance". The emerging partnership between business, governments and civil society will definitely fuel this phenomenon. The ethical debate will result in civil pressure groups demanding good governance and behaviourism. The following section wil therefore offer a review on what Zadek (2001) terms the "Civil Corporation".

4.5 THE CIVIL CORPORATION

"Many of Britain's best-known companies are already redefining the traditional roles of the corporation. They are recognising that every customer is part of the community and that social responsibility is not an optional extra" (Rt Hon Tony Blair MP, British Prime Minister 2001). Zadek (2001) defines a civil corporation as one that takes full advantage of opportunities for learning and action in building social and environmental objectives into core business by effectively developing its internal values and competences. The emergence of NGOs acting as "civil regulators" of corporations through public campaigning and other forms of pressure is one of the notable features of the last decade. More than any other body, NGOs have driven the process of popular education and political and economic mobilisation around social and environmental issues. The business sector however, realised that it might be more appropriate and tactical to partner with the NGOs community from a business perspective. The challenge therefore seems to be more from civil-based regulations towards a more intimate binding relationship between NGOs and corporations.

There however, seems to be uncertainty about exactly what the nature of the so-called civil regulation will be. Focus areas seem to change direction overnight. Furthermore, according to Zadek (2001), it is too easy to say which standards, guidelines, systems, procedures and practices will turn out to be the most serviceable civil navigation strategies. The more pragmatic approaches, namely ISO 14000 and SA 8000, might make way for "alternative approaches" that embrace wider dialogue and engagement. The debate however, already started on how this "alternative approach" will fit into tools like the Balanced Scorecard and Total Quality Management. To be able to contextualise this phenomenon, the following sections will view civil

regulation in more detail, explain the fundamental principles associated with civil learning and finally some views on building the civil corporation through credibility.

4.5.1 Civil regulation

The profound principle by Friedman in the 1970s of "being good is good for business" suggests that social and environmental gains can deliver financial benefits by producing, for example, business-relevant reputational, productivity, and efficiency. Zadek (2001) commented on this win-win proposition as being quite evocative, since the corporate community will produce social and environmental dividends through its long-term pursuit of profits. It suggests a necessary convergence of financial success with societal good - a "domesticated Darwinism" at its very best. The "win-win" propositions of Friedman (1990) more or less restates that business should address new social norms embodied in the idea of corporate citizenship and through this can maximise long-term financial performance. By means of civil regulations however, this citizenship striving could be attained.

The theory behind civil regulation suggests pressure groups from NGOs and other organisations to drive social and environmental performance. These pressures come in the form of activist campaigning, and therefore a collective process, albeit often through loose forms of social organisation. The two most well-known incidents of civil regulation over the last two decades were the campaign against Nestle, for its alleged approach to market milk substitutes in developing countries and secondly the campaign against Shell for its attempt to dispose of the Brent Spar Oil platform in the North Sea. The thinking behind civil regulation is that the reputation of companies can be damaged by civil action to a degree that will affect their performance. Some reasons might be the increased staff motivation when the company they work for is not the subject of public criticism.

According to Zadek (2001) the following two elements within the civil regulation arena need specific reference:

- "The people speak out"

  Show-stopping campaigners (e.g. Shell, Nike and GAP clothing) like "hit them till it hurts" and then they will change for the better" are characteristic of the modern business landscape. An opinion poll on public attitudes in Europe towards business was conducted on behalf of CSR Europe in 2000. These findings were consistent throughout Europe.

(1) Over half of the Europeans surveyed in 12 countries considered that business does not pay enough attention to social responsibilities.

(2) Over one quarter of those surveyed said that they had engaged in one or other activity in the previous six months that either introduced ethics into actual consumer purchase decisions or else made such views known by other means.

Furthermore a study by Walker Information as part of the Council on Foundations (2001), showed a significant correlation between reputation, brand loyalty, economic value and its definition of "societal value". (Table 4.5).

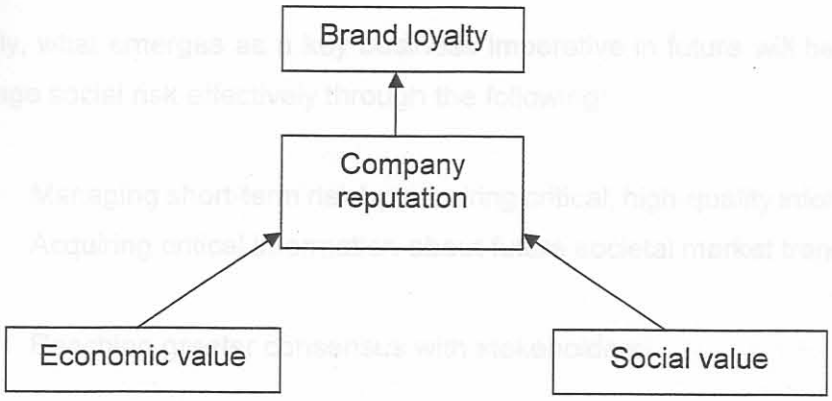


Figure 4.1 : Brand loyalty and societal/economic value(Source: Council on Foundations 2001)

Society in general is becoming more vocal, and this results in civil regulation practice which could be regarded as a significant force and a serious risk factor for any organisation. It is here when the term "social risk" emerges as a prominent element in the risk profile of future organisations.

- "Money talk"

The second element fuelling the notion of civil regulation and an organisation's reaction to it is the financial implication of public outcry. Zadek (2001) reported that there is considerable evidence that share prices can be affected when the issue concerns the direct health and welfare of the consumer. Having considered this opinion, Zadek argued that people power should be put in context.

> The mere generalised argument that corporate citizenship is good for business because of the impact of civil regulation, although enticing, is simply not true in its crudest form. Even the very high civil campaigns against Shell, Nestle and

Nike have little or no demonstrable effect on share prices or dividend (Zadek 2001).

Michael Hopkins (1998) however, specifically uses the term "yet" in his view of the public's share purchase behaviour based on company's' level of social responsibility. He definitely argues that it might not be so clear-cut in future. Civil regulation and activism is a relatively new force (last two decades) which will definitely increase in intensity and be fuelled by scandals like the recent ENRON and WORLDCOM debacles. What is more important however, is that companies that do act as if good citizenship is an important ingredient of success, have increasingly articulated strong business cases that go well beyond the cruder cut-and-thrust of pressure-based civil regulation.

Finally, what emerges as a key business imperative in future will be the company's ability to manage social risk effectively through the following:

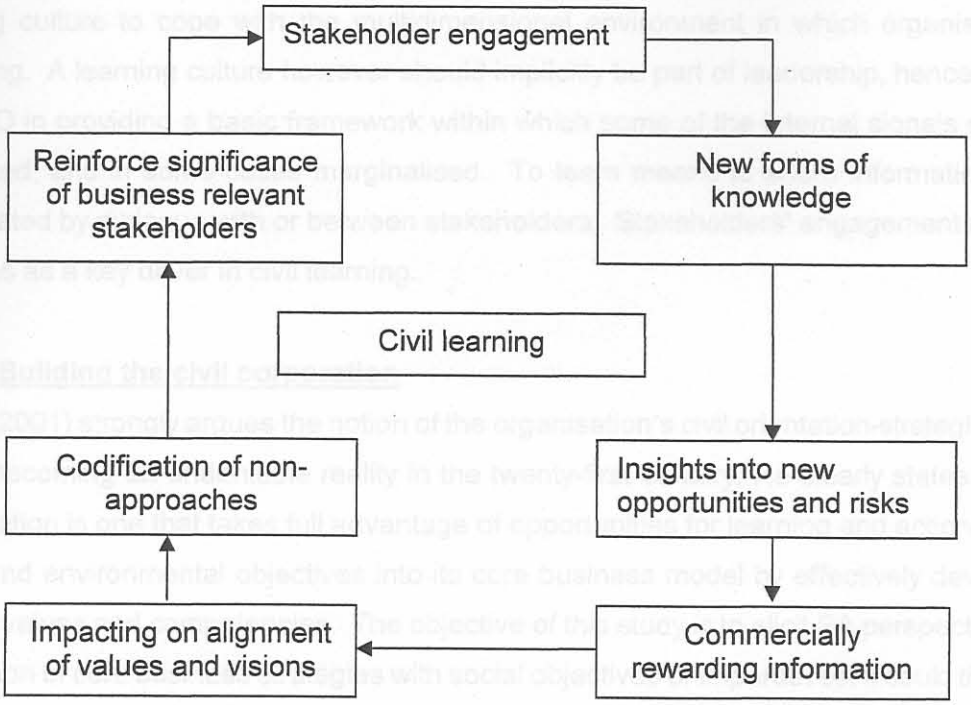
- Managing short-term risk by acquiring critical, high-quality information through dialogue.
- Acquiring critical information about future societal market trends.
- Reaching greater consensus with stakeholders.
- Influencing views and behaviour of both stakeholders and the company in ways that enable performance improvements.

4.5.2 Civil learning

It is crucial for any organisation to ensure a culture of continuous learning. Increasing the knowledge base in especially the "new economy" is no longer just another human resources objective, but a key driver of economic social and environmental sustainability. It is specifically in the dynamic social and business landscape that information management becomes critical and a continuous drive to integrate new findings into core business practices and strategies is imperative. There is much literature on organisational learning, from Peter Senge's work to the more recent outpouring of material on learning and knowledge management. The challenge however, is to integrate these theories within the social development landscape. Zadek (2001) refers to this as "civil learning". It contains the basic ingredients to delivery-usable forms of new knowledge to the organisation in ways that create new and viable processes and outcomes that reinforce the patterns of learning and change through rewards that in turn strengthen the organisation. Zadek (2001) suggests the following civil learning cycle:

University of Pretoria etd – De Jongh D 2006

Table 4.5: Civil learning cycle (Source: Zadek 2001)



The cycle illustrated above is supposed to be a dynamic process that needs to be action and engagement-orientated. This, however, is dependent on a few factors or elements whose absence thereof will not result in civil learning:

- Leadership fails to recognise the opportunities or risks associated with the organisation's social and environmental performance, and does not initiate new patterns of learning, organisational and behavioural change.
- Usable knowledge is not created from the new information within the organisation. It is deemed irrelevant, unintelligible, and inaccurate because it has emanated from non-business sources, or not seen as relating to financial performance.
- Competency gaps exist in the organisation not being able to access information or make good use of it. This may be a matter of individual or embedded organisational values and attitudes that impede learning.
- Rewards are not forthcoming because the market does not recognise the underlying values of new directions. Investors may not believe that enhanced social and environmental performance will yield improved financial performance. Customers may also not believe in the social and environmental value of the new business offering.

In summary, the social and business landscape of the twenty-first century will demand a strong learning culture to cope with the multidimensional environment in which organisations are operating. A learning culture however should implicitly be part of leadership, hence the role of the CEO in providing a basic framework within which some of the internal signals evolve, are reinforced, and in some cases marginalised. To learn means to share information which is precipitated by dialogue with or between stakeholders. Stakeholders' engagement once again emerges as a key driver in civil learning.

4.5.3 Building the civil corporation

Zadek (2001) strongly argues the notion of the organisation's civil orientation-strategic approach that is becoming an undeniable reality in the twenty-first century. He clearly states that a civil organisation is one that takes full advantage of opportunities for learning and action in building social and environmental objectives into its core business model by effectively developing its internal values and competencies. The objective of this study is to elicit SA perspectives on the integration of core business strategies with social objectives or imperatives. It could therefore be argued that indirectly, through determining the indicators of corporate social performance, an attempt will be made to build civil corporations within the SA context. According to Zadek (2001), there are no "magic bullets" that will create civil corporations. The last ten years have seen the emergence of many systems aimed at aligning core business strategies and processes with elements of social and environmental aims and outcomes.

It is, however, too early to say which standards, guidelines, systems, procedures and practices will teeth out to make most sense for any company. The challenge might be to move beyond the pragmatic approach of the ISO 14000 series and SA 8000 standards to a more integrative approach of strategic alignment through principles of the Balanced Scoreboard, Total Quality Management and Enterprise-Wide-Risk Management. The GRI and Global Compact can also be viewed as global institutionalised attempts to build civil corporations. The JSE/SRI Index and FTSE4GOOD are also strong regulatory practices, guiding businesses in becoming more civil-orientated. The KING 2 report in SA could also finally be characterised as a strong advocacy strategy in favour of building civil organisations.

There is still a long way to go in establishing and legitimising approaches for addressing the pervasive but indirect social and environmental footprints of companies. Zadek (2001) suggests six key questions be asked and answered by any organisation striving to become a civil corporation:

- How do we assess and build an organisation's degree of freedom in making operational and strategic decisions that align a viable institutional process with social and environmental goals?

- How do we assess and build an organisation's willingness and ability to engage, and practice in engaging, with stakeholders in ways that allow decisions to be reached, and to explore how to enlarge the opportunities for acting that are consistent with organisational viability and sustainable development?

- How do we assess an organisation's social and environmental performance, the trade-offs being made between these different spheres and outcomes, and their causal relationship to key aspects of the business process?

- How do we more effectively bring relevant information and knowledge to decision-making processes both within the organisation and where external stakeholders are making decisions in relation to the organisation?

- How do we create a framework of incentives and penalties that will encourage the organisation to align its processes to social, economic and environmental goals?

- How do we understand and work with an organisation's purpose and values in deepening and more permanently embedding a pervasive sensibility towards sustainable development?

These questions can also be viewed as a framework to be followed in integrating business with society from a strategic perspective. The challenge however, remains, and that is whether an organisation can ever be civil enough. This question also needs to be asked within the context of above all, maintaining a viable business as much as improving social and environmental performance sufficiently to reach universally accepted standards.

Zadek (2001) reports on some insights obtained through the recent history of corporate citizenship:

- Good practices by some corporations, even those that prove sustainable, will not alone ensure that the wider business community meets basic social and environmental standards.

- Powerful dynamics driving the "New Economy" will tend to undermine good corporate citizenship, as well as those elements that tend to nurture it.
- Private standards could either be part of the solution or the problem, and will in practice be both.

What follows from the above is that corporations need to fully embrace the partnership philosophy. It is also quite clear that individual organisations acting alone will rarely be able to sustain significantly enhanced social and environmental performance for extended periods of time. To create collective processes and build significant partnerships, the following two inferences come to the fore (Zadek 2001):

- Alliances of corporations have a far greater chance to sustain significant enhancements in social and environmental performance, and to influence other market players also to follow suit. Each alliance may form within sectors, however, multisector alliances that bring together public, private and civil society sectors.
- Such civil alliances and partnerships will over time seek to codify negotiated agreements into more formalised governance frameworks. These new civil governance frameworks will in some instances promote public, statutory regulation and at other times seeks to regulate through private standards.

An important fact in considering the above literature review of the civil organisation is that the principles underlying the civil corporation do not guarantee the progressive role that the business community should play in addressing the challenges and aspirations underlying sustainable development. It does however; indicate a critical driving force in this challenge in so far as it highlighted the interdependency between business, government and civil society. It furthermore also points out that the power and force of the private sector need to be properly channelled in order to fast-track social development. Being a civil corporation certainly in itself will not guarantee elevation of global poverty, inequality and environmental insecurity. What emanates from the above is that leading civil corporations will be those that go beyond getting their own house in order, and actively engage in promoting governance frameworks that enable, and if necessary enforce, the wider business community to address, effectively and without contradiction, the aspirations underpinning sustainable development.

The following section will in brief offer a few benefits of being a good corporate citizen.

4.6 BENEFITS OF CORPORATE CITIZENSHIP

Although the field of corporate citizenship could be regarded as a relatively new field, there is already strong evidence of benefits to not only the corporate sector demonstrating good citizenship, but also to all its stakeholders affected by this. In Chapter 4 strong arguments are stated in favour of a value approach in corporate citizenship. Corporate organisations therefore need to clearly state its values and purpose from a strategic angle and then operationalise this in practical terms. In a study done by The Centre for Tomorrow's company (Gower 1997), it was reported that companies which were constantly clear about their purpose and values and lived by them, outperformed the US stock market by as much as 15 times over 50 years. Furthermore, the more complex an organisation, the more important are its values to the successful management of risk. The complex social development landscape and the business landscape is evidence of this. Integrating business values with sustainability drivers, hence the notion of corporate citizenship, already will benefit not only society and environment at large, but definitely contribute towards sustainable business.

Apart from the external benefit to society and environment, corporate citizenship from an internal focus (e.g. human rights, equality, caring culture, etc.) also presents clear benefits in ensuring a stable motivated workforce. Furthermore, the traditional pools of employees no longer exist. New and sometimes "foreign" entrants into the workforce further complicate the business landscape. In statistics provided by "Business in Community" (BITC: UK 2001) some interesting facts were revealed:

- Ethnic minorities in the UK make up 25-50% of the workforce in some key metropolitan areas. In SA with employment equity prevailing the numbers will far exceed this figure in the UK.

- One fifth of the population of working age have disabilities but only 11% are employed - again in SA, mainstreaming these groups through employment equity is on the increase.

The above facts and figures strongly suggest that business needs to find ways of retaining and motivating these people and thereby become an "employer of choice". This philosophy endorses corporate citizenship from an internal perspective, hence emphasising the benefits of being an employer of choice or good corporate citizenship. Extra benefits of being an employer of choice, particularly in emerging countries like SA where workforces and customers are extremely diverse, include the effect of employees as ambassadors for the company. There is no doubt about the fact that living corporate citizenship is about "doing the right thing", and should happen from the "inside out". For example, a diverse employee base can put a business in closer touch with its marketplace. If one considers the enormous purchasing power in SA of ethnic groups, the critical

importance of value integration and a fundamental understanding of these groups' specific benefits include the following (BITC 2001):

- Workforce diversity
  - Attracting the most talented staff, regardless of race, gender disability or age.
  - The ability to use greater differences in the workforce to sell better to an increasingly diverse global marketplace.
  - Protecting / strengthening company image and reputation.
- Fairness at work
  - Reducing business costs through retaining staff for longer periods of time.
  - Reducing costs from expensive litigation resulting from unfair dismissal, discrimination, harassment and whistle blower allegations.
  - Stronger employee motivation provides greater productivity.

The abovementioned benefits of being a good corporate citizen primarily focused on the internal elements of an organisation. The external benefit of being a good corporate citizen was implicitly discussed in Chapter 4, dealing with the definition and critical analysis of corporate citizenship. The following four benefit categories however deserve specific reference:

- "Making your presence felt in the workplace"
  - Attracting and retaining customers
  - Controlling risk
  - Attacking investment. The FSTE4GOOD and JSE/SRI INDEX are good examples of increasing pressure on social responsibility

- Ethical behaviour

The Ethical Training Initiative (2000) Code contains the following provisions. By complying with them suggests strong benefits:

  - No forced labour
  - Freedom of association and the right to collective bargaining
  - Safe and hygienic working conditions
  - No child labour

- No discrimination
- No harsh or inhumane treatment

The UK-based Co-operative Bank has found that more than 90% of its customers approve its ethical policy. Its market share has increased with the promotion of the policy through cinema, poster and direct mail marketing (BITC 2001).

- Investing in future generations

There are enormous potential competitive benefits to be gained through proper and effective management of environmental impact (BITC 2001).

- Increased market opportunities - companies who conform to a more environmentally conscious world
- Meeting increased consumer expectations
- Meeting increased legal requirements
- Increased market reputation and value

- Being a good neighbour

Companies are increasingly developing positive relationships with all stakeholders. The whole stakeholder engagement and partnership philosophy in itself could almost be regarded as the most important benefit of corporate citizenship. It emphasises the fact that an organisation does not function in isolation. Demonstrating the value of interdependency therefore strongly suggests cross-sectoral benefits of corporate citizenship

In summary, Chapter 3 referred to the fact that for business to be successful in society and environment, the following three critical values need to be integrated as part of the value proposition and strategic intent of any organisation:

- Transparency.
- Integrity.
- Continuous dialogue with all stakeholders.

The above three values and specifically the day-to-day living of these values could certainly be regarded as the most important benefit of corporate citizenship.

University of Pretoria etd – De Jongh D 2006

4.7 CHALLENGES OF CORPORATE CITIZENSHIP

The following two challenges represent the opinion of the researcher as the most critical current challenges (amongst others) to take cognisance of. Chapter 10 will also present some challenges as part of the final analysis.

4.7.1 Stakeholder value and societal value

According to Nelson (1998), there is growing recognition that the relentless drive for economic growth and competitiveness must be matched by an equally relentless commitment to better governance, social cohesion and environmental sustainability. The ability of the private sector - ranging from individual companies to business associations and neighbourhood co-operatives - to work with government and civil society organisations in tackling issues is in the spotlight as never before. Nelson (1998) reports two reasons for this:

- Privatisation, market liberalisation and globalisation over the past decade lead to a complex mix of competitive opportunities and pressures and growing societal expectations and responsibilities.
- At the same time, democratic and technological advancements have underpinned a blossoming of civil society organisations and citizen action. This led to an outcry for greater accountability on the part of both government and business. In this "network world" (also previously referred to as the CNN age), there are few hiding places for companies which operate unethically and irresponsibly.

Corporate leaders are however more than ever before in such a complex business landscape under pressure in creating shareholder value. At the same time, articulate, vocal and influential groups in society are demanding companies in creating societal value. This could certainly be regarded as the biggest challenge companies have ever faced.
Nelson (1998) recommends three ways in which a company can build societal values:

- Through efficient and ethical pursuit of core business activities examples are:
  - making environmentally and socially responsible decisions on location and investment activities;
  - responsible sourcing, production, marketing and distribution of goods and services;
  - creating local jobs;
  - implementing sound human resource policies;

- supporting technology co-operation which builds "software" such as local skills, and transforming technical "hardware" such as equipment. Creating backward and forward linkages along the value chain which maximise local inputs and outputs and help support local enterprises.

- Through social investment and philanthropy - not only "giving money" but through sharing company's core competencies.

  Examples are:

  - offering management training programmes for NGOs;
  - running employee volunteering schemes;
  - undertaking social or cause-related marketing initiatives;
  - engaging in business - education partnerships;
  - resource mobilisation and civic improvement.

- Contributing to public policy debate by helping national and local governments to develop appropriate regulatory practices.

  Examples are:

  - contribution to social and environmental policies and frameworks in areas such as education, local economic development;
  - supporting programmes for good governance, e.g. anti-corruption initiatives and human rights standards.

In summary it is clear that in creating societal value add, a fundamental understanding of the interdependence between business, government and civil society is needed. It is definitely in the strategic interests of these partners to work together, in order to stem the tide of growing economic instability, social inequality and political uncertainty in especially developing and emerging countries. The challenge therefore does not fall only on the agenda of these countries, but because of globalization, on the shoulder of the multinationals already expanding their markets to the developing economies.

4.7.2 Corporate citizenship and executive development

According to Nelson (2000), there seems to be one certainty as the wider societal issues are emerging as an unavoidable item on the corporate agenda. As companies move into new markets, an increasing pressure is put on them to protect relentlessly their brands and reputation. The complex nature of the business landscape (see Chapter 3) leads to this certainty and that is the call for fundamental change in the way companies are managed and led. An organisation that is serious about transformation needs to move beyond public relations and the view of this

University of Pretoria etd – De Jongh D 2006

challenge as a management exercise. What is critically needed is to mainstream this into corporate strategy, incentives, training and operational procedures. Nelson (2000) reports that few, if any companies, have developed fully integrated management systems at this stage. Over the past two years, however, (1998-2000), companies such as Shell, BP, Rio Tinto, Nokio and Novo Nordisk have incorporated explicit statements of, for example, human rights into their business principles.

To achieve the above, it all relates to leadership. In Chapter 3, conclusion, specific reference was made to the important role chief executive officers and all leaders and managers in an organisation have to fulfil in order to reach high levels of corporate citizenship. Inevitably, these changing leadership pressures call for new approaches to executive development. What was traditionally viewed as executive development dimensions has changed to incorporate principles associated with stakeholder consultation and alliance building. Nelson (2000) suggests the following examples of leadership qualities, and a need to incorporate this in development interventions:

- Need to be "bridge builders" - to think across traditional boundaries (functional, geographical, cultural or sectoral).
- Need to tolerate ambiguity, complexity and uncertainty.
- Creating a sense of shared leadership - understanding the linkages between their business operations and their wider societal impacts and relationships.
- Need to reconcile a growing variety of different stakeholder interests.
- Need to be creative and innovative in addressing emerging societal issues, not simply from a compliance or risk minimisation perspective, but with a value creation mindset.
- Need a sense of urgency.

The challenge then lies in the way academic institutions and internal company training and development functions respond to these new imperatives for executive development. A further challenge is the way in which development of traditional business skills is integrated with building awareness and capacity to address wider social and environment challenges.

Nelson (2000) reports four key trends in an attempt to address the challenges above:

- The creation of learning alliances and peer networks, both within companies and between them.

  Examples are:

- Sustainability Learning Network - Cambridge University
- Innovative Network for Socially Responsible Business - New Academy of Business.
- The BP Unit for organisational change and social and environmental trends - Partnership with Stanford, Harvard and Cambridge Universities.

- The establishment of centres of excellence in business schools which focus on sustainable development and corporate citizenship.

  Examples are:
  - Corporate Citizenship Unit at Warwick (UK)
  - Latin American Centre for Competitiveness and Sustainable Development at INCAE - Costa Rica.
  - Centre for Corporate Citizenship - Boston College
  - Sustainability Institute - University of Stellenbosch
  - Centre for Corporate Citizenship - University of South Africa
- The growing use of technology to facilitate the flexibility, variety and accessibility of learning.

Examples are:
- Virtual University for Sustainability - Partnership between The World Business Council for Sustainable Development and the World Bank.

- The harnessing of experimental learning to link new ideas and approaches to real-world applicability.

  Examples are:
  - Unilever (India) has a programme for its young managers to spend six weeks living and working in rural villages.
  - Shell and Rio Tinto have partnered with the environmental NGO, Earthwatch, to send managers on secondments.

In conclusion the examples above give cause for optimism. Value-based leadership will become the "mantra" of leadership development in the twenty-first century. Chapter 5 will attempt to decode the notion of partnership between stakeholders. Already it is clear that without sound leadership skills, building these partnerships will remain merely an academic exercise.

4.8 CONCLUSION

In analysing the above theoretical overview of corporate citizenship, one realises that the philosophy underlying the term is relatively new. Some theories have been actively used since

1998. Since then a number of theories emerged to differentiate corporate citizenship from what has a far longer history (approximately two decades), known as corporate social investment (CSI) or also referred to as corporate social responsibility(CSR). From the above literature review, it was also clear that corporate social responsibility (CSR) has a stronger reference to societal issues and although implicitly incorporating environmental awareness, did not articulate it in such notable terms. This resulted in the term sustainability, also receiving strong support, specifically since the Rio summit ten years ago. Sustainable development encompasses both social and environmental elements, making it a far wider used term of reference. Corporate citizenship, could therefore probably fall in the same category as sustainable development with perhaps a slight nuance difference in so far as the specific reference to the corporate sector as a critical role player is concerned. The following observation was made by the researcher during the World Summit on Sustainable Development: Johannesburg 2002. Although subjective in nature, it seems that the overall focus during the summit was still on the environment and its protection. Social development and more specifically, addressing issues relating to HIV/AIDS, global poverty and debt relief for developing countries still seem not to feature at the top of the sustainability agenda.

During the joint annual general meeting of the World Bank and the International Monetary Fund (IMF) in Washington (September 28th, 2002), Mr James Wolfensohn, President of the World Bank and Mr Horst Köhler, Managing Director of the IMF however, in a joint statement announced that developed countries will be expected in future to lessen the debt and other burdens of development countries. They also particularly commented on the critical rol of partnerships between "rich" and "poor" countries in ensuring that the right issues are addressed through continuous dialogue. During the same meeting, the United Nations also in no uncertain terms, tabled their expectations regarding the IMF and the World Bank on their poverty alleviation strategies.

Social and environmental concern, the preferred term in the case of this study being corporate citizenship, will definitely remain a high priority amongst the highest global decision-making bodies. Chapter 4 attempted to decode the term Corporate Citizenship. In defining corporate citizenship it was noted that the clearest distinction between CSR and corporate citizenship is basically founded in the latter supporting an integrated approach. CSR refers to the actual activity whereby an organisation invests in society or environment through supporting projects and activities. Corporate citizenship is far broader encompassing the integration of all systems, procedures, and infrastructure through the participatory approach in managing its impact on society and its environment.

Chapter 4 also elaborated on the "civil nature" of an organisation. This demonstrated the intricate relationship between civil society and the business sector. It also referred to the power within societies in governing and regulating the activities of the business sector, in many cases the latter being unaware of the risk associated with this civil force. This phenomenon reiterated the critical value systems so desperately needed in organisations, namely integrity, dialogue and transparency. These three values can also be viewed as the building blocks for significant partnership building between the business sector and all its stakeholders, Chapter 5 deals exclusively with stakeholder partnerships.

For corporate citizenship to reach a level whereby it becomes an imbedded value system, integrated in the strategic purpose and direction of a company, requires strong leadership. Chapter 4 referred to the critical role of all leaders and managers and their particular responsibility to inculcate a culture of societal and environmental conscience. In a global study done in 1989 amongst 50 world-class companies, undertaken by the Prince of Wales Business Leaders Forum in collaboration with the World Bank and the UNDP, the following defining features of successful 21st century companies were reported:

- Values-based, transformational leadership.
- Cross-boundary learning.
- Stakeholder linkages - a broad range of creative and accountable relationships based on mutual benefit, with both business stakeholders such as employees, customers and suppliers.
- Performance levers - a clear set of financial and non-financial objectives and performance targets, focused not only on financial performance, but also on wider economic, social and environmental performance, backed up by auditing, verification, reporting and recognition systems.

Chapter 4 finally reported on the challenges facing corporate citizenship in future. The first challenge reported was the whole notion of value add. Shareholder value add is a common indicator of a successful organisation. Societal value add, however, is where the real challenge lies. The heart of this challenge is revealed in the integration of business and societal needs from a strategic perspective to benefit both shareholders and society. Developing critical indicators for corporate social performance, hence the main objective of this study therefore becomes an imperative in dealing with this challenge. Again without sound leadership (the second challenge) this integration can potentially remain of academical value.

University of Pretoria etd – De Jongh D 2006

The essence of corporate citizenship lies in building, maintaining and improving relationships with society and environment. The interdependency between the business sector and all its stakeholders and unfortunately only a very recent awareness by most corporations, will be one of the fundamental driving forces of successful businesses in the future. Chapter 5 will therefore attempt to decode the partnership philosophy underlying the stakeholder landscape.

University of Pretoria etd – De Jongh D 2006

CHAPTER 5

CRITICAL ANALYSIS OF STAKEHOLDER ENGAGEMENT AND CROSS-SECTOR PARTNERSHIPS

5.1 INTRODUCTION

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

> Stakeholders need to be taken into account in the governance structures of corporations and their interests need to be appropriately reflected... We believe in a broader stakeholder focus. We need to ask ourselves which stakeholders are not adequately consulting in our governance structures... New issues ... are being brought to our attention by stakeholders, and these issues should ... be incorporated in our learning processes. Therefore we will need to extend elements of governance to key areas of our activities that are not already covered or are not adequately covered. (Putting Values into Action: Environmental and Social Report1999, Novo Nordisk - www.novo.dk.).
>
> ... We set up an independent Advisory Panel on social responsibility to oversee the social reporting process. They (the panel members) are professionals whose experience broadly equates to that of our stakeholder groups. Individuals on the panel took responsibility for a stakeholder group, examined the consistency of stakeholder consultation and reviewed and recommended acceptance of the social reporting methodology. Camelot appointed a paid non-executive director to advise the board on corporate social responsibility. She became the Chair of the Panel, ensuring that the issues of social responsibility are put at the heart of our corporate governance. (Camelot and Social Responsibility - Social Report 1999 - www.camelotplc.com.)

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

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

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

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

Organisations therefore need to develop and manage systems that facilitate:

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

(Wheeler and Sillanpaa, Accountability Website 2003)

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

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

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

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

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

Lamont and Mason (2002) however, reported on a strong warning by business organisations during the WSSD that the United Nations should not use partnerships between companies, governments and civil society as an alternative to a political agreement at the WSSD. The UN under-secretary-general, Nitim Desai, however, tried to address this fear by saying "Partnerships are not a substitute for government action or responsibilities, and they are not a subterfuge for governments to avoid making the necessary commitments to move the sustainable development agenda forward." It was also noted that the business sector's intent to forge a stronger culture of partnership post 2000 WSSD, is far stronger if compared with the Rio Summit in1992.
Chapter 5 will therefore present an existing body of knowledge on the topic of stakeholder engagement and partnerships.

University of Pretoria etd – De Jongh D 2006

5.2 DEFINING STAKEHOLDERS

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

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

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

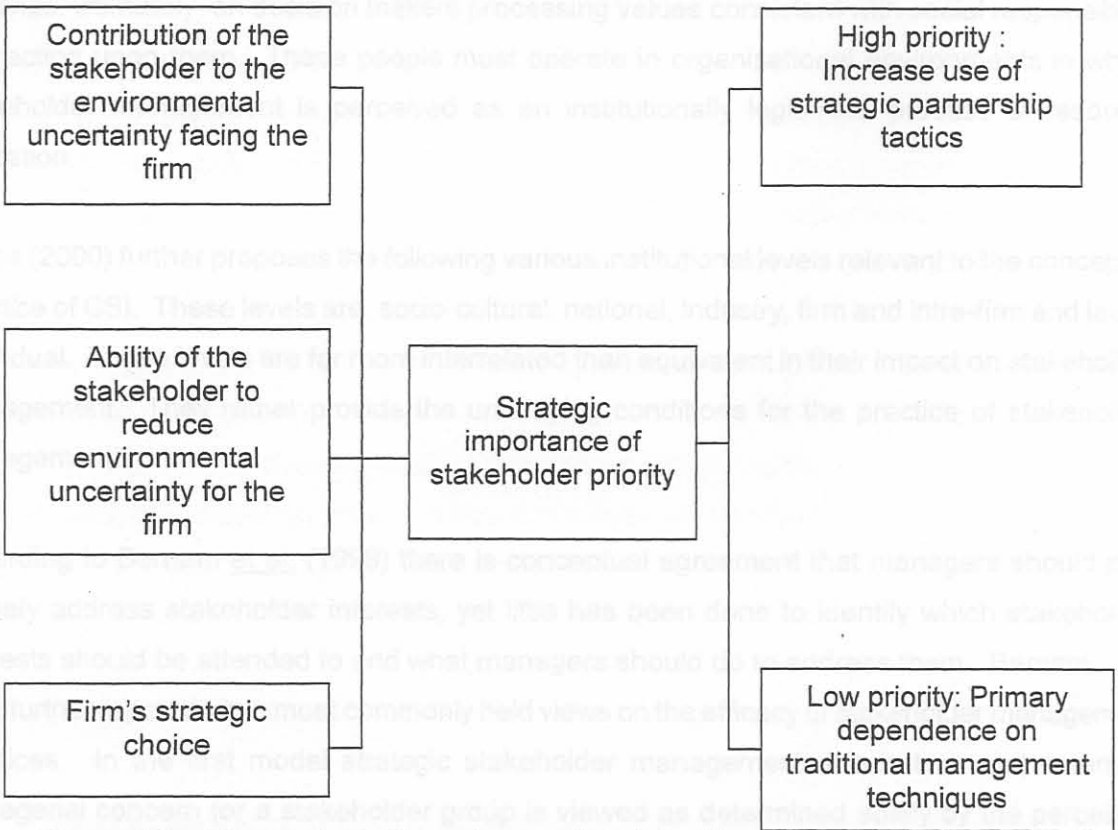


Figure 5.1 – The strategic importance of stakeholders (Source: Harrison and St John 1996: 48)

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

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

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

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

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

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

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

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

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

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

5.2.1 The civil society

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

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

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

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

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

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

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

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

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

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

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

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

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

On the global front, the civil society sector is also receiving much-needed attention. In the last two decades the World Bank has significantly expanded and improved its relationship with NGOs and other civil society organisations (CSOs). During this period, the Bank's dialogue and collaboration with civil society has moved from the neglible to the substantial (progress report by the World Bank on Civil Society collaboration, 2002). The most recent improvements in civil

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

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

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

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

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

University of Pretoria etd – De Jongh D 2006

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

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

5.3 BUILDING PARTNERSHIPS

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

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

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

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

University of Pretoria etd – De Jongh D 2006

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

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

<table>
<tr><td colspan="3">Values</td></tr>
<tr><td colspan="3">Vision</td></tr>
<tr><td rowspan="2"></td><td colspan="2">Financial Perspectives</td></tr>
<tr><td>"How do we achieve long-run value to satisfy shareholders"</td><td>• Shareholder value
• Profitability
• Growth</td></tr>
<tr><td rowspan="6">• The accountability process emphasises the alignment of the organisation with its values across all perspectives. Values are not limited to financial performance.

• The financial perspective is a short-run and long-run view. It is driven by the satisfaction fo stakeholder expectations and hence the organisation's licence to operate.</td><td colspan="2">External stakeholder perspectives</td></tr>
<tr><td>"To achieve our vision, how must our stakeholders perceive us"</td><td>• Accountability
• Stakeholder satisfaction</td></tr>
<tr><td colspan="2">Internal perspectives</td></tr>
<tr><td>"To satisfy our stakeholders, what management process must we excell?"</td><td>• Shareholder value
• Profitability
• Growth</td></tr>
<tr><td colspan="2">Learning and growth</td></tr>
<tr><td>"To achieve our vision, how must our organisation learn and improve?"</td><td>• Market innovation
• Continuous learning
• Intellectual assets</td></tr>
</table>

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

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

University of Pretoria etd – De Jongh D 2006

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

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

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

5.3.1 Principles of partnership building

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

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

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

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

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

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

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

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

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

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

5.3.2 Transitions in stakeholder engagement

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

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

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

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

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

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

5.3.3 Critical factors for stakeholder integrity

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

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

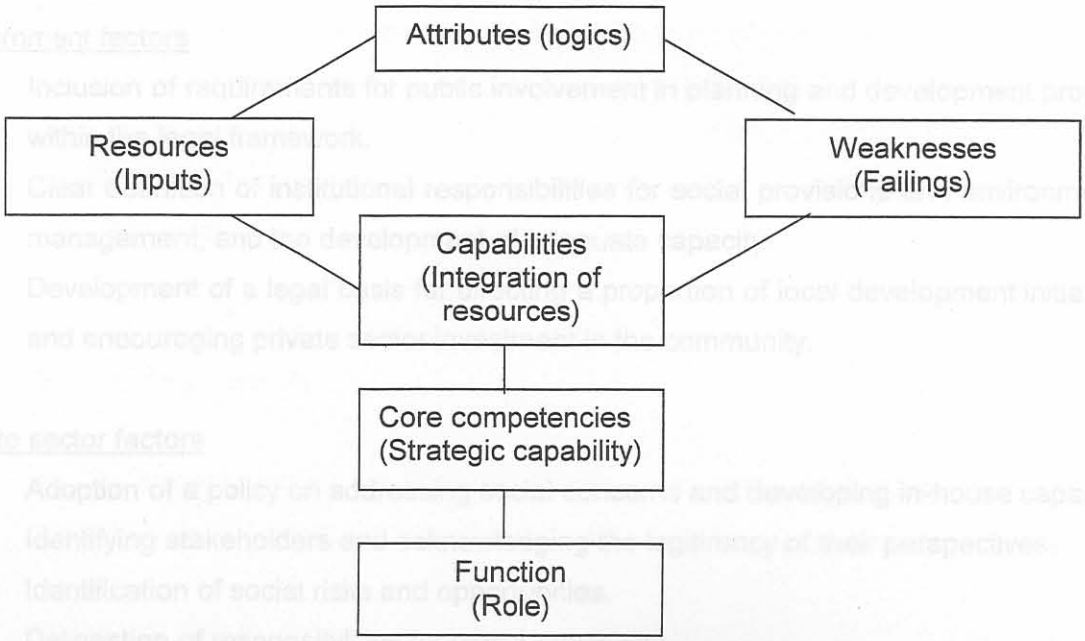


Figure 5.3: The core competency strategic model (Source: Waddell 2002)

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

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

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

Government factors

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

Private sector factors

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

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

Civil society / NGO factors

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

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

5.3.4 Internalising partnerships

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

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

- Include participation in the mission statement of CSI initiatives and reinforce a participatory approach.
- Set up advisory bodies for specific projects - including beneficiaries, staff and other stakeholders, for example local governments.
- Create a formal channel to address complaints, criticisms, recommendations or constructive advice.

- Create a staff that values participation - including this in job descriptions and rewarding or providing incentives for performance in this regard.

- Build participation into partnership efforts - encouraging community groups or corporate leaders to initiate contacts with NGOs, governments and other stakeholders.

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

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

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

5.3.5 Checklist for stakeholder management

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

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

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

(i) **Initiation**

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

Suggestions for business:

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

Suggestions for NGOs:

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

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

(ii) **Implementation**

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

Suggestions for business:

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

Suggestions for NGOs:

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

(iii) **Evaluation**

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

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

Suggestions for business:

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

Suggestions for NGOs

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

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

5.4 SOUTH AFRICAN PERSPECTIVES ON PUBLIC/ PRIVATE PARTNERSHIPS

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

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

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

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

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

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

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

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

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

5.5 MULTISTAKEHOLDER PARTNERSHIPS

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

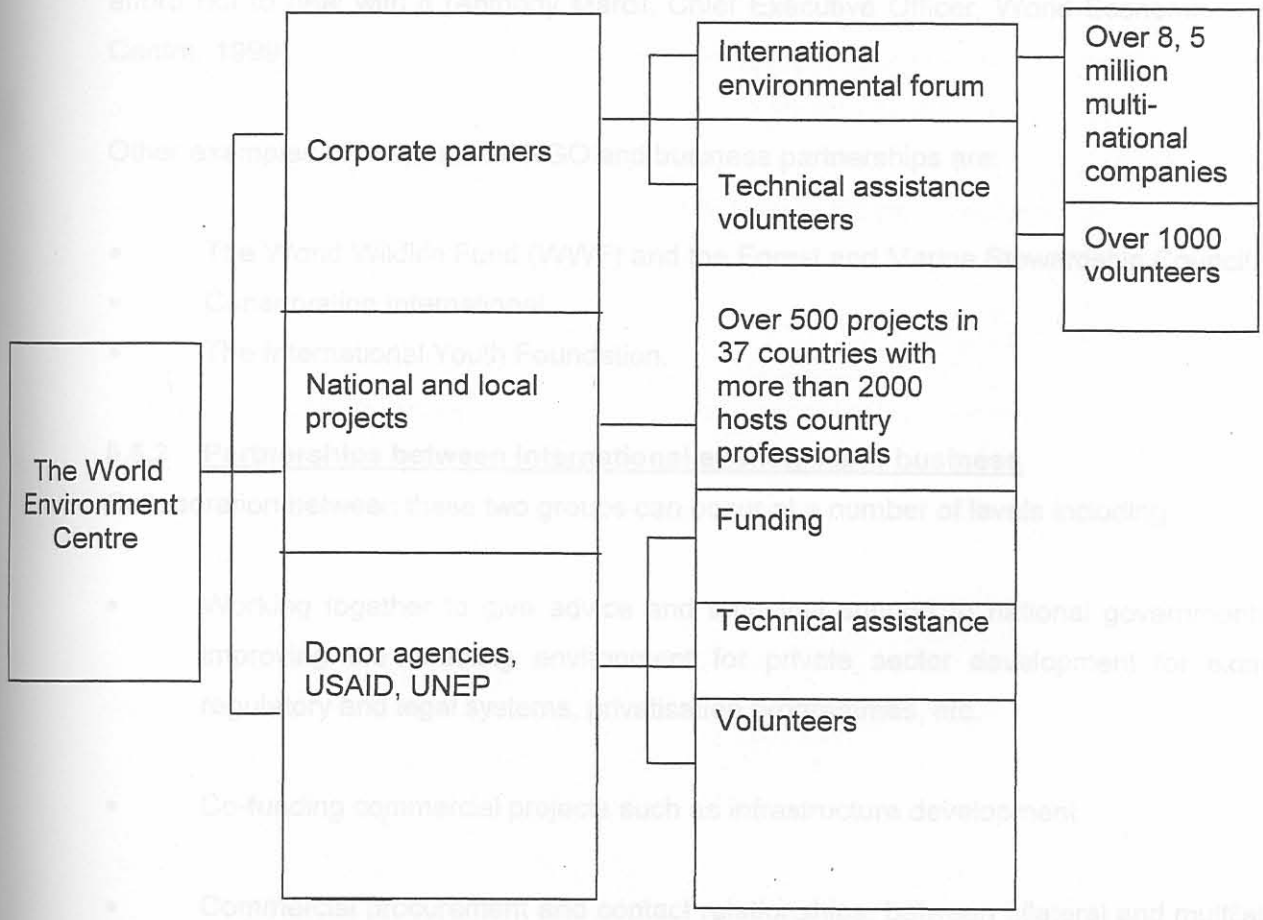
This section however, slightly broadens the scope of the stakeholder landscape to also include international partners like international NGOs and agencies, referring to them as multistakeholder partnerships. It is therefore strongly argued that though the creation of new types of global partnerships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

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

5.5.1 Partnerships between international NGOs and business

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

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



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

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

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

Other examples of international NGO and business partnerships are:

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

5.5.2 Partnerships between international agencies and business

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

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

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

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

Examples of these partnerships include:

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

5.5.3 National business partnerships for development

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

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

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

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

Examples of these partnerships include:

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

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

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

5.6 PARTNERSHIPS AND THE ENVIRONMENT

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

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

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

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

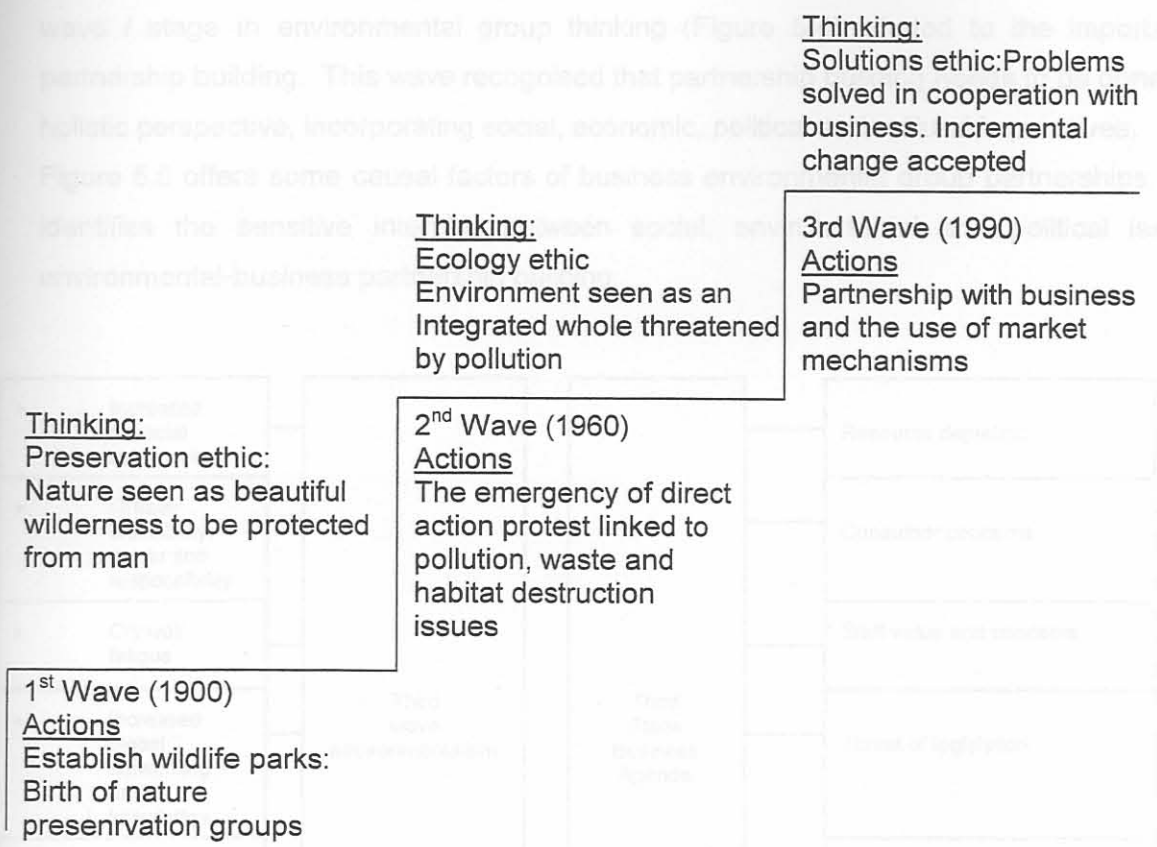


Figure 5.4 Three waves of environmental group thinking and action

(Source: Bendell 1997)

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

5.6.1 Causal factors of environmental business group partnerships

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

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

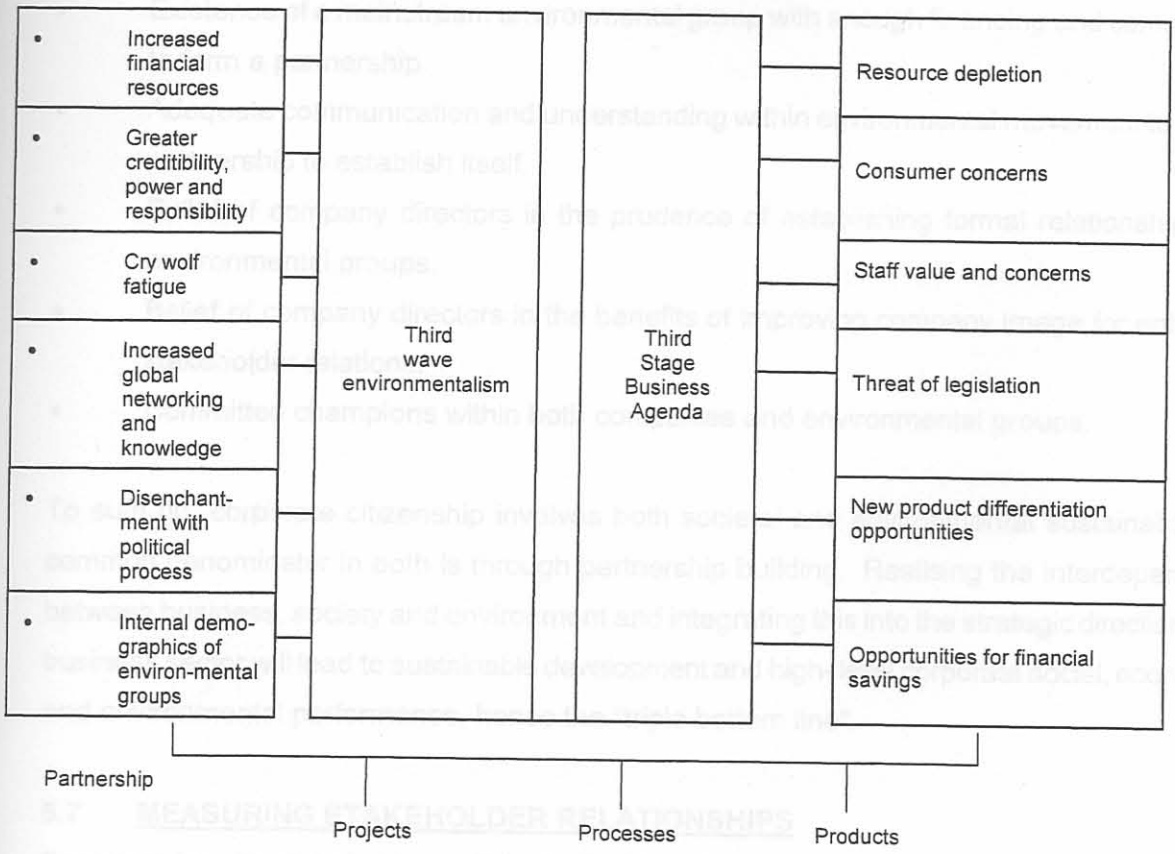


Figure 5.5 Causal factors of business environmental group partnerships (Source: Murphy and Bendell 1997)

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

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

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

5.7 MEASURING STAKEHOLDER RELATIONSHIPS

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

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

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

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

- Primary stakeholders:
  - social for example shareholders, investors, employees, customers, etc.
  - non-social for example the natural environment, non-human species, etc.

- Secondary stakeholders:
  - social for example Government, academic unions, institutions, etc.
  - non-social for example environmental pressure groups, animal welfare etc.

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

Question 1:

Who are your stakeholders?

A. In addition to your employees and managers, who are your five most significant
   - investors?
   - customers?
   - suppliers and business partners?
   - members of the local community?

B. Can you rank them in order of importance according to the successful functioning of your company?

C. What do you think the main expectations of your company are on the part of:
   - employees and managers?
   - investors?
   - customers?
   - suppliers and business partners?

- members of the local community?

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

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

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

Question 2

Do you know what your stakeholders think of you?

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

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

A. Employees and managers:

- Open-door management/culture.
- Suggestion schemes.
- 360° feedback systems,etc.

B. Investors:

- Attendance of and participation in annual general meetings.
- Questionnaires to solicit feedback, etc.

C. Customers:

- Market research, panels, focus groups.
- Suggestion schemes.
- Evaluating by independent consumer organisations.

D. Suppliers and business partners:

- Questionnaires to solicit feedback
- Joint activities and discussions.
- Specific people to act as liaison.

E. Members of the local community:

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

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

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

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

5.8 BENEFITS OF PARTNERSHIPS

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

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

University of Pretoria etd – De Jongh D 2006

(i) Societal benefits

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

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

(ii) Business benefits

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

The benefits include:

- Enhancing reputation and "licence to operate".The concept of "ethical capital" which is closely linked to reputation is likely to gather credence as a mainstream assessment of a company's worth and thus contributing to brand value. It is not only governments that have legal control and legal sanctions over a company's "licence to operate"; strikes, boycotts and activist campaigns are also starting to challenge this "licence to operate".
- Managing, motivating and retaining quality employees. Through normal sound staff practices, but also through staff involvement in community volunteering and environmental initiatives, trust, pride and loyalty can be improved, and teamwork improved.

  Exposing staff to opportunities outside their job description can help staff develop new skills and could make it easier for staff to accept cultural change workshops.

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

(iv) Improving operational efficiency and quality. This leads to the reduction of input and transaction costs, an increase in process efficiency and product and service quality improvement.

(v) Promoting better risk management and access to financing. Allows an organisation to develop sound internal control systems for monitoring governance issues and anticipatory problems. Commitment to "due diligence" is demonstrated and social and environmental risks are being managed by means of these partnerships.

(vi) Investing in a stable society and community. The basic principle here is that "islands of wealth cannot survive in a sea of poverty". It is specifically the case in developing/emerging economies that are also becoming the target of multinational organisations that through globalisation are being forced to move into these "new markets". The partnership philosophy here is an almost non-negotiable bearing in mind that the global market economy is the cancer itself and that societal disintegration and environmental decline are inevitable outcomes of the current world system.

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

5.9 CHALLENGES IN CROSS-SECTOR PARTNERSHIPS

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

5.9.1 Partnership and the "triple bottom line"

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

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

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

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

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

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

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

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

5.9.2 Forming partnerships is about dialogue, openness and transparency

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

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

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

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

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

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

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

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

5.9.3 Corporate volutarism

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

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

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

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

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

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

University of Pretoria etd – De Jongh D 2006

5.10 PARTNERSHIPS IN PRACTICE

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

5.10.1 International example (European) : The Copenhagen Centre

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

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

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

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

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

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

Stage 1: Constructing a partnership hypothesis.

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

Stage 2: Testing partnership in practice.

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

Stage 3: Reviewing the evidence.

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

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

5.10.2 "Heartbeat" Centre for Community Development (South African example)

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

Background:

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

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

The Heartbeat approach:

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

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

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

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

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

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

Project Methodology:

Phase 1: Engagement

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

Phase 2: Resource and Infrastructure Development

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

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

Phase: Research on the farms

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

Phase 4: Planning and Training

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

Phase 5: Implementation

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

Phase 6: Disengagement

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

University of Pretoria etd – De Jongh D 2006

Phase 7: Documentation and Evaluation

Heartbeat documents process and lessons learned.

The Heartbeat Model



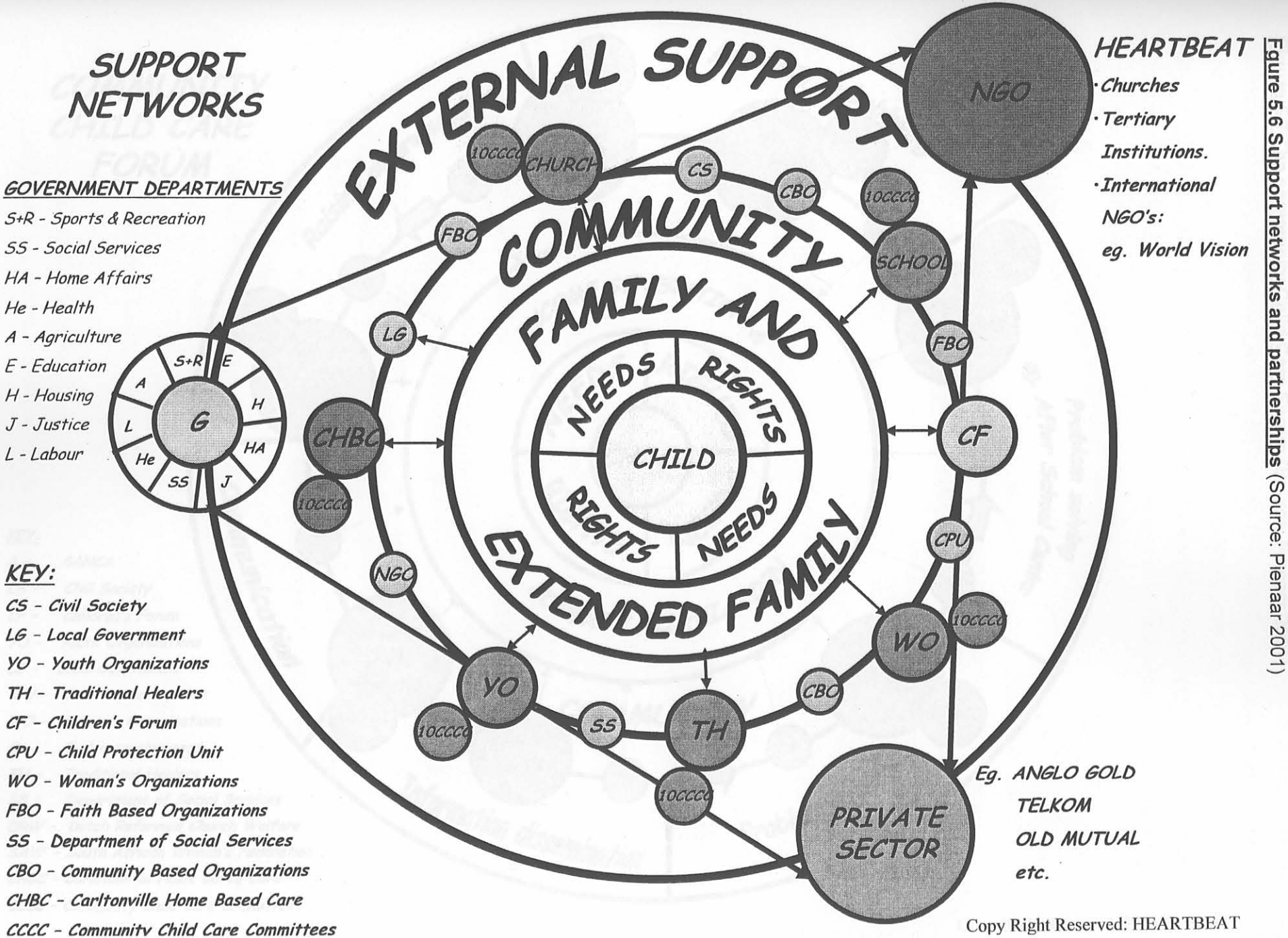
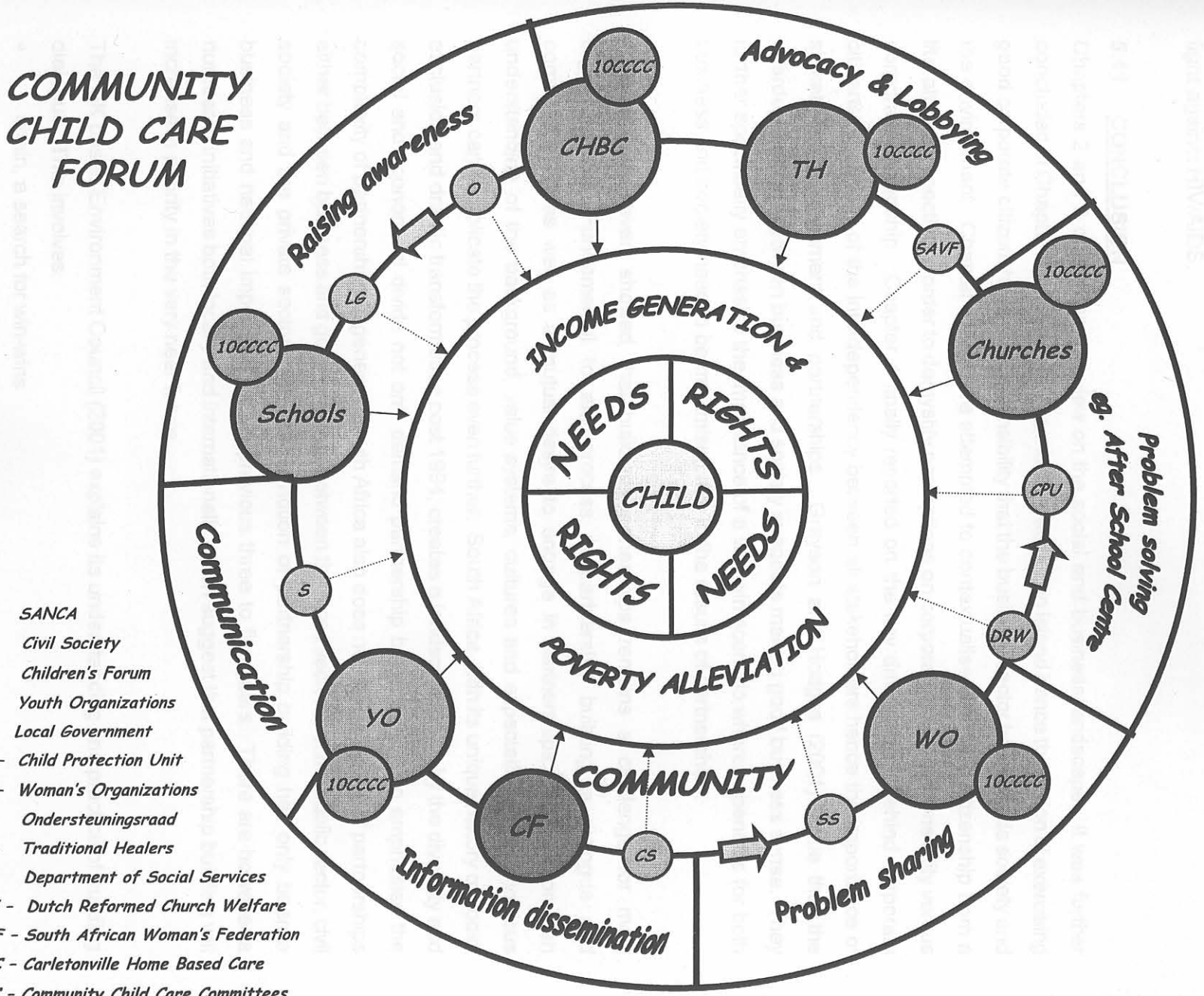


Figure 5.6 Support networks and partnerships (Source: Pienaar 2001)

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KEY:

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

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

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

5.11 CONCLUSION

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

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

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

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

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

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

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

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

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

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

These frameworks will therefore offer a summary of Chapters 2 and 5 from an integrative perspective culminating into a holistic view of corporate citizenship and social performance.

University of Pretoria etd – De Jongh D 2006

CHAPTER 6

THEORETICAL OVERVIEW ON SOCIAL MEASUREMENT, AUDITING AND REPORT

6.1 INTRODUCTION

In Chapter 5 an overview of the importance of stakeholder engagement as a fundamental cornerstone of corporate citizenship was presented. Furthermore it also alluded to the role of partnership building in ensuring sustainable social and environmental impact in the long term. What remains a challenge however in the field of corporate citizenship is determining the success of these relationships and consequently the need to measure and report on the social impact of organisations. According to AccountAbility: Institute of Social and Ethical Accounting (UK), stakeholder engagement constitutes the pivot of the social accounting process (see Figure 6.1).

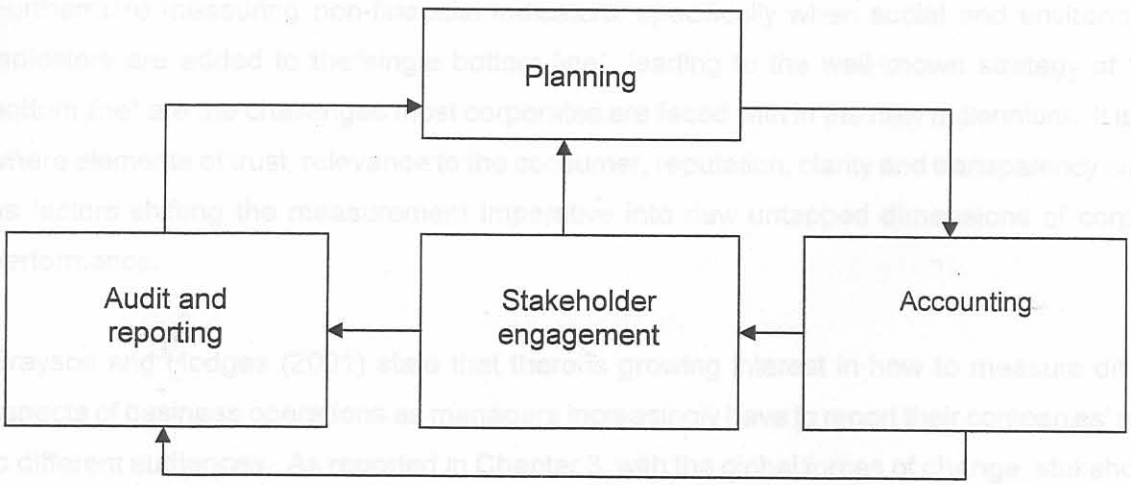


Figure 6.1: Accounting process (Source: AccountAbility 2001)

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

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

of their social and environmental performance. Zadek (2001) reveals a list of the most valued non-financial measures by investors (in no specific order of importance):

- Execution of corporate strategies
- Management credibility
- Quality of corporate strategy
- Innovativeness
- Ability to attract and retain talented people
- Marketshare
- Management experience
- Research leadership
- Quality of major business processes

Zadek argues that it is the above indicators that drive organisational behaviour and not "Economic Value Add" (EVA) as was coined in the 90s as the key to corporate success. Furthermore measuring non-financial indicators, specifically when social and environmental indicators are added to the"single bottom line", leading to the well-known strategy of "triple bottom line" are the challenges most corporates are faced with in the new millennium. It is here where elements of trust, relevance to the consumer, reputation, clarity and transparency emerge as factors shifting the measurement imperative into new untapped dimensions of corporate performance.

Grayson and Hodges (2001) state that there is growing interest in how to measure different aspects of business operations as managers increasingly have to report their companies' results to different audiences. As reported in Chapter 3, with the global forces of change, stakeholders are no longer prepared to trust what companies say; there has to be proof. This leads to the question of why measurement is needed. Grayson and Hodges' (2001) reasons for measurement include the following:

- To benchmark performance and set targets for continuous improvement;
- to answer specific allegations that have been made against the company;
- to understand concerns of stakeholders;
- to help to spot where there may be a need for new policies;
- to satisfy regulatory requirements;
- to earn third-party endorsement through external awards and kitemarks;
- to provide the data that a commercial consumer may require in order to put a firm on its tender list - specific relevance in the SA context; and
- to build trust in internal and external stakeholders.

The Business Impact Task Force in the UK (2001) reported the following indicators when measuring is done:

- Workforce indicators
- Marketplace indicators
- Environment indicators
- Community indicators
- Human Rights indicators.

According to Zadek and Nelson (2002), indicators are used to simplify measure and communicate complex trends and events. They also strongly argue that measurement plays a critical role in the evolution of new social partnerships. Partners and other stakeholders need to work together in developing relevant indicators both as a means of establishing a commonly agreed approach to assessing performance, and as a means of growing mutual understanding, trust and sharing working experience. These roles can best be fulfilled if the development and use of indicators is part of a systematic framework of social accountability and reporting that embraces a real engagement between participants and other stakeholders. Recent years has seen the emergence of social and ethical accounting, auditing and reporting as a means of business in particular to measure its social ethical and environmental performance, hence the "triple bottom line" reporting principle. Although the main objective of the study is to identify critical indicators for corporate social performance, it recognises the integral part of environmental and economical indicators in overall performance.

A number of accounting and reporting standards are emerging covering social performance measurement and communications:

- The Global Reporting Initiative.
- AA 1000 - covering the process of accounting, auditing and reporting and focusing on the quality of dialogue and overall stakeholder participation.
- The Council for Economic priorities has established SA 8000 as an accounting and reporting standard covering labour standards in global supply chains.

Finally, according to Zadek (1999), there has been growing concern over the difficulty of assessing and ensuring the quality of these measurement practices. Civil society organisations, the media and opinion leaders are challenging their inclusivity, completeness and meaning. Adopting organisations are increasingly questioning their usefulness in strengthening their ability to measure, manage and improve performance, and to demonstrate this performance effectively. Concerns are also emerging as to the competencies and objectivity of those offering services in this field. Furthermore reporting has not always provided a credible description of historical events or underpinning of meaningful accountability. The demands for credible assurance are on

the increase to offer a balanced complete, accurate and relevant picture of the organisation's approach to, and impact on society and the natural environment. Closing the credibility gap will remain a challenge in years to come as the profession of social accounting is in its infant shoes. The AA 1000S Assurance Standard (Consultation Document of Accountability Institute, June 2002) seeks to close the gap to strengthen the credibility of public reporting.

6.1.1 Social reporting and stakeholder engagement

According to Woodward (2001) consensus regarding new social accounting and assurance processes needs to be in the context of maintaining and enhancing the fundamental principle of accountability: inclusivity - the reflection at all stages of the social and ethical accounting process over time of the aspirations and needs of all stakeholder groups. This is critical if other, perhaps even more important; challenges facing reporting companies are to be met. The challenge is to produce meaningful and reliable information on "new" areas of performance, such as human rights and labour standards, and where appropriate, to be accorded legitimacy by all stakeholders. Incorporating inclusivity therefore remains a vital philosophy in social accounting and reporting, and therefore this topic is included as part of the introduction of Chapter 6. The argument therefore strongly suggests that the following three key questions be asked in ensuring inclusivity (Woodward 2001):

- What will be reported on? (This question - relates to the key objective of this study, namely to develop key SA indicators for corporate social performance.) It is however, important to note that internal as well as external stakeholders need to be part of determining the indicators that will be reported on.
- Who will deliver the verification? Stakeholders need to be involved with selecting external or third party assurance.
- How to execute assurance in a participatory fashion? There are however opposing arguments as to whether stakeholders should be part of the assurance activity. Lack of verification capability, sensitivity over their involvement compromising their independence, being outside their mandate are a few arguments against involving close stakeholders in the verification process.

There seems to be general consensus that stakeholders should rather retain independence, but form part of the overall planning of social accounting and reporting demonstrating and living the philosophy of inclusivity. The consensus further confirms that accountability reports need to describe how stakeholders have been cancelled in each phase of the reporting and assurance process so that those not directly involved know it has happened and can factor it into their judgements on corporate social performance.

Finally Wheeler (2001) offers a three-tier model (Figure 6.2), spanning the breadth of philosophical debate on the purpose of the corporation and reflects the two most oft-posited assertions for business ethics and corporate responsibility: "do no harm" and "do maximum good". The model simply restates these two assertions in the three dimensions of sustainability and places them in Tier 1 and Tier 3 respectively, with an intermediate level (Tier 2) as the interface where, "typically, life is ambiguous and messy".

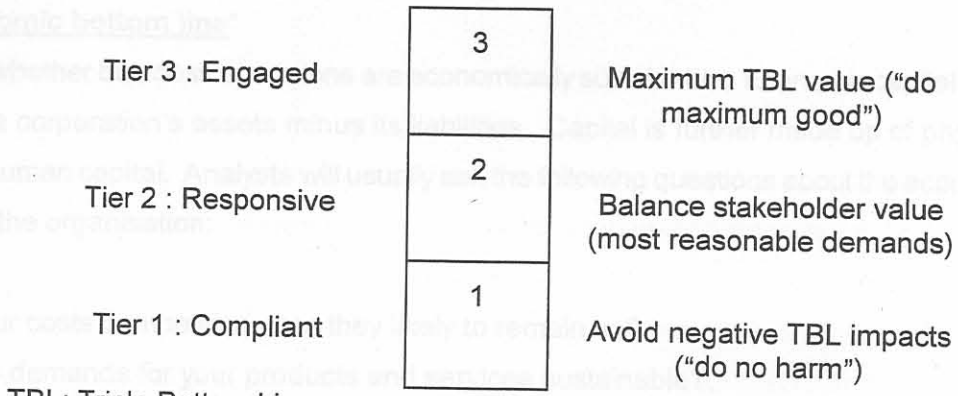


Figure 6.2: Classifying organisations (Source: Wheeler 2001)

Figure 6.2 shows the importance of stakeholder engagement in social performance and accounting. It also refers to the impact on TBL which ultimately refers to measuring the impact on social, environmental and economic levels. The next section will therefore offer an overview of the meaning of "triple bottom line" reporting.

6.2 THE "TRIPLE BOTTOM LINE" (TBL)

There is consensus among large firms which are members of the World Business Council, on sustainable development that corporate responsibility should be defined in three dimensions: the social, the environmental and the financial (Wheeler 2001). This is consistent with Elkington's (1998) thinking on the "triple bottom line" which calls for firms to achieve balanced progress on economic development, environmental quality and social justice. Of these, Wheeler (2001) argues, it is probably the social dimension that is the least developed in terms of corporate strategy and practice. However, if the social dimension is unwrapped, it is possible to construct models and frameworks which may help categorise and explore companies' orientation towards society and thus the more broadly defined concept of sustainability. The literature chapters have attempted to "unwrap" this social dimension, leading to Chapter 6 that will specifically review the measurement of social impact.

Mitchell (1998) views the social dimension as the root of the global sustainability crisis. He concluded by arguing that political and social issues exceed the mandate and capabilities of any

corporation. He points out that the paradox lies in the fact that it is only organisations with the resources, technology, global reach and ultimately the motivation to achieve sustainability. Mitchell (1998) argues that "there is no question that some of these issues can have - indeed, already have had - a profound impact on the financial bottom line". The following section will offer a brief overview of the "triple bottom line" in order to contextualise it within the framework of this chapter, dealing with social measurement and reporting.

6.2.1 "Economic bottom line"

This refers to whether business operations are economically sustainable. Economic capital is the total value of a corporation's assets minus its liabilities. Capital is further made up of physical financial and human capital. Analysts will usually ask the following questions about the economic bottom line of the organisation:

- Are your costs competitive - are they likely to remain so?
- Are the demands for your products and services sustainable?
- Is your rate of innovation likely to be competitive in the longer term?
- Are your profit margins sustainable?

Economic or financial bottom line certainly is viewed as the area in which the business world feels most at home.

6.2.2 "Environmental bottom line"

The social agenda for business probably has a longer history than the environmental agenda, considering early controversies concerning slavery, child labour and working conditions. Paradoxically Mitchell (1998) argues that many business people these days feel happier being challenged on environmental issues than on social issues. It is quite obvious that a corporation cannot survive without natural capital. Natural capital (in the case of a forest) is not simply a question of counting the trees and trying to put a price-tag on the lumber they represent. The underlying natural wealth which supports the forest ecosystem is as important. Furthermore, the following need to be added into the equation, i.e. contributions to the regulation of water (in the atmosphere, water table soils and surface waters), of greenhouse gases such as carbon dioxide and methane and then there are all the flora and fauna, including commercial fisheries, whose health is linked to the health of the forest (Mitchell 1998).

Natural capital can also be thought of as occurring in two main forms: "critical natural capital" and renewable, replaceable or substitutable natural capital. Companies are held accountable not only by regulators, but increasingly by environmental activists and the media. Furthermore, as companies begin to challenge their supply chains, a new dimension of pressure is being

introduced. According to Mitchell (1998), environmental bottom line aims to rebalance the treatment of environmental costs and benefits in conventional accounting practice; separately identify environment-related costs and revenues within the conventional accounting system ; devise new forms of valuation which encourage better management decisions and increased investment in environmental protection and improvement; develop new performance indicators, to track progress; and experiment with ways in which sustainability considerations can be assessed and incorporated into mainstream accounting.

6.2.3 "Social bottom line"

In Fukuyama's book Trust: The Social virtues and the creation of prosperity, social capital is defined as "a capability that arises from the prevalence of trust in a society or in certain parts of it". It is a measure of the"ability of people to work together for common purposes in groups and organisation". This ability, according to Mitchell (1998), is likely to be crucial to the sustainability transition. A key assumption in the work of the Sustainability Institute in the UK in recent years is that sustainable development is most likely - and will be achieved at the lowest overall cost to the economy - in those societies where there are the highest levels of trust and other forms of social capital.

Among the questions business people will need to ask are (Mitchell 1998):

- What are the crucial forms of social capital in terms of our ability to become a sustainable corporation?
- What are the underlying trends in terms of the creation, maintenance or erosion of these forms of capital?
- What is the rule in business in sustaining social capital?

As globalisation gathers steam, the interface between the economic and social bottom lines become increasingly problematic. It is therefore clear that there is a new stirring of interest in social accounting and audits. With the advent of the KING 2 report on non-financial governance and reporting, the SA landscape is currently characterised by dynamic interfaces between all sectors of society. New models of stakeholder capitalism have progressively drawn the boundaries in order to include an ever-widening range of stakeholders. Finally, the aim of the so-called social bottom line is to assess the impact of an organisation or company on the people both within and outside it. Chapter 6 will offer specific examples and recent frameworks on social accounting and social indicators, leading to the last chapter of the study, i.e. to offer South African indicators for corporate social performance.

University of Pretoria etd – De Jongh D 2006

6.3 ACCOUNTABILITY STANDARDS

The following section of Chapter 6 will offer an overview of accountability standards as developed by Accountability: Institute of Social and Ethnical Accountability (UK).

> Organisations are faced with many pressures. They have no alternative but to engage with stakeholders, build relationships, underpinned by shared values and interests, and demonstrate practical responsiveness to reasonable expectations. Accountability was established to help organisations address this challenge (Zadek 1996).

Accountability is an international membership organisation committed to enhancing the performance of organisations and to developing the competencies of individuals in social accountability and sustainable development. Accountability was established as a non-profit organisation in 1996 by a coalition of leading-edge practitioners, NGOs, businesses and universities. It is governed by an international council including members affiliated to British Telecom (UK). Business for Social Responsibility (USA), the Co-operative Bank (UK), Copenhagen Business School (Denmark), Instituto Ethos (Brazil), KPMG (UK), Learn (South Africa), New Economics Foundation (UK), Nova Nordisk (Denmark) and PriceWaterhouseCoopers (UK).

Accountability is a catalyst of research and learning in collaboration with other organisations. Current programmes address corporate performance with regard to labour standards in supply chains, learning and innovation in business-community partnerships, effective web-based stakeholder engagement and the link between corporate social responsibility standards and public policy. Accountability Institute is regarded as a world leader in developing standards and in the practice social accounting. It is for this reason that the next section will focus on the standards (AA 1000) as developed by AccountAbility and used globally.

University of Pretoria etd – De Jongh D 2006

6.3.1 "AccountAbility 1000 Standards" (AA 1000)

(i) **Definition**

To account for something is to explain or justify the acts, omissions, risks and dependencies for which one is responsible to people with a legitimate interest in them.

To discharge its accountability, an organisation has to account for its acts, omissions, risks and dependencies. However, in addition to this accounting requirement of transparency, accountability also entails a broader obligation of responsiveness and compliance.

- **Transparency** concerns the duty to account to those with a legitimate interest - the stakeholders in the organization.
- **Responsiveness** concerns the responsibility of the organisation for its acts and omissions, including the processes of decision-making and the results of these decisions. Responsiveness entails a responsibility to develop the organisation's performance.
- **Compliance** concerns the duty to comply with agreed standards regarding both organisational policies and practices, and the reporting of policies and performance.

(ii) **Background**

AccountAbility 1000 (AA 1000) is an accountability standard, focused on securing the quality of social and ethical accounting, auditing and reporting. It is a foundation standard and as such can be used in two ways:

- As a common currency to underpin the quality of specialised accountability standards, existing and emergent.
- As a stand-alone system and process for managing and communicating social and ethical accountability and performance.

AA 1000 comprises principles (the characteristics of a quality process) and a set of process standards. The process standards cover the following stages:

- Planning
- Accounting
- Auditing and reporting
- Embedding
- Stakeholder engagement

The principles and process standards are underpinned by the principle of accountability to stakeholders.

(iii) **Accountability and performance**

The AA1000 process standards link the definition and embedding of an organisation's values to the development of performance targets and to the assessment and communication of organisational performance. By this process, focused on the organisation's engagement with stakeholders, AA1000 ties social and ethical issues into the organisation's strategic management and operations. AA1000 aims to support organisational learning and overall performance - social and ethical, environmental and economic - and consequently organisations' contributions towards a path of sustainable development.

It seeks to achieve its aim through improving the quality of social and ethical accounting, auditing and reporting.

(iv) **Applications of AA1000**

The AA1000 is focused on improving the overall performance of adopting organisations. The following is not a complete list, but it illustrates the possible applications of AA1000 to the benefit of an organisation and its stakeholders:

- **Measurement** - The AA1000 standard outlines a process by which key performance indicators are identified by an organisation through engagement with its stakeholders. The organisation and its stakeholders are brought together to work towards a common understanding of what matters about performance.
- **Quality management** - By measuring, communicating and obtaining feedback on its social and ethical performance an organisation will be better placed to understand and respond to the needs and aspirations of its stakeholders, and to manage these alongside (and as part of) its objectives and targets.
- **Recruitment and retention of employees** - By clarifying its values and reporting on its performance, an organisation can improve the recruitment of high quality employees. The loyalty of existing employees will also be supported by evidence of commitment to building a better organisation and by the development of programmes to improve training and other aspects of employee welfare.
- **External stakeholder engagement** - AA1000 can play a key role in building an organisation's relationship with its external stakeholders. Consumers, suppliers and broader society are able to see how an organisation's behaviour matches their aspirations, and are better positioned to articulate their opinions. An

organisation, in turn, will have more sensitive and accurate information on which to base decisions, and a climate of increased trust in which to implement them.

- **Partnership** - AA1000 can support the deepening of value-based relations along an organisation's supply chain and in other partnership processes.
- **Risk management** - AA1000 can be integral to a framework for internal control to enable an organisation to identify, evaluate and better manage the risks arising from its impacts on and relationships with its stakeholders. These may include risks to reputation and brand, and in the case of customer and employees, liability suits.
- **Investors** - AA1000 can play a critical role in satisfying the increasingly complex demands for information from investors. For most investors, clear and verifiable information on social and ethical performance and stakeholder perceptions and expectations provides a valuable reference point for assessing the quality of management and the market positioning of an organisation.
- **Governance** - AA1000 can play a key role in supporting an organisation's governance. The standard feeds into the organisation's control process by which it ensures the alignment of its values and strategy with its behaviour and the outcomes of its activities.
- **Governance and regulatory relations** - The adoption of AA1000 can play a part in encouraging governments to acknowledge the self-regulating processes that organisations are following to improve accountability and performance.
- **Training** - AA1000 facilitates the training and the identification of qualified and experienced service providers. Trained social and ethical accountants and auditors will help an organisation, from within and also outside it, to improve its accountability and performance.

(v) **Principles**

The AA1000 principles identify characteristics of a quality process. These principles can be used in designing and managing an organisation's social and ethical accounting, auditing and reporting process, and may also be used in assessing the quality of its process.

The hierarchy of the AA1000 principles is as follows (and is illustrated in Figure 6.3).

- A quality process of social and ethical accounting, auditing and reporting is governed by the principle of accountability.
- Organisational accountability is directly addressed by the inclusivity of the social and ethical accounting, auditing and reporting process. Inclusivity concerns the reflection at all stages of the process of the aspirations and needs of all

stakeholder groups. Stakeholder views are obtained through an engagement process that allows them to be accurately and fully expressed without fear or restriction. Inclusivity requires the consideration of "voiceless" stakeholders including future generations and the environment.

- Inclusivity is supported by, and infuses the operational meaning of the remaining AA1000 principles. These can be divided into three broad groups, relating to the scope and nature of the organisation's process; the meaningfulness of information; and the management of the process on an ongoing basis.

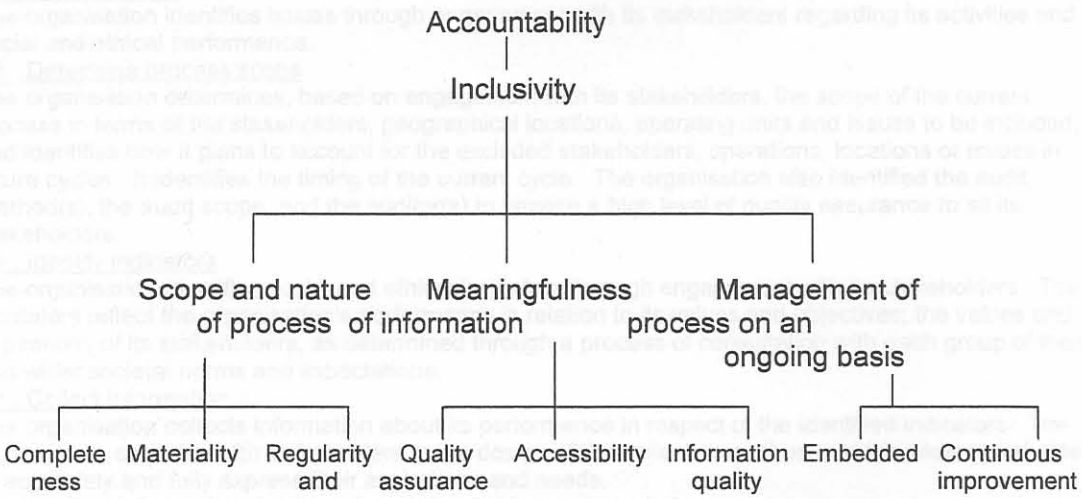


Figure 6.3: The AA1000 principles (Source: AccountAbility 2001)

(vi) **The AA1000 Process Model**

Table 6.1 offers an overview on the AA1000 process flow. The process flow deals with a planning phase, the accounting phase during which the actual accounting is done, the auditing phase which includes the compiling of the report and finally embedding the accounting process in management systems and procedures.

Table 6.1: AA1000 Process Flow (Source: AccountAbility 2001: 13)

Planning

(Process 1 Establish commitment and governance procedures

The organisation commits itself to the process of social and ethical accounting, auditing and reporting and to the role of stakeholders within this process. It defines governance procedures to ensure the inclusion of stakeholders in the process.

P2 : Identify stakeholders

The organisation identifies its stakeholders and characterises its relationship with each group of them.

P3 : Define/review values

The organisation defines or reviews its current mission and values.

Accounting

P4 : Identify issues

The organisation identifies issues through engagement with its stakeholders regarding its activities and social and ethical performance.

P5 : Determine process scope

The organisation determines, based on engagement with its stakeholders, the scope of the current process in terms of the stakeholders, geographical locations, operating units and issues to be included, and identifies how it plans to account for the excluded stakeholders, operations, locations or issues in future cycles. It identifies the timing of the current cycle. The organisation also identified the audit method(s), the audit scope, and the auditor(s) to provide a high level of quality assurance to all its stakeholders.

P6 : Identify indicators

The organisation identifies social and ethical indicators through engagement with its stakeholders. The indicators reflect the organisation's performance in relation to its values and objectives; the values and aspirations of its stakeholders, as determined through a process of consultation with each group of them; and wider societal norms and expectations.

P7 : Collect information

The organisation collects information about its performance in respect of the identified indicators. The organisation engages with stakeholders in the design of the collection methods, which allow stakeholders to accurately and fully express their aspirations and needs.

P8 : Analyse information, set targets and develop improvement plan

From the information collected, the organisation :

- Evaluates its performance against values, objectives and targets preciously set
- Uses this evaluation and engagement with stakeholders to develop or revise objectives and targets for the future, with a focus on improving performance.

Auditing and reporting

P9 : Prepare report)s)

The organisation prepares a social and ethical report (written or verbal communication) or reports relating to the process undertaken in a specified period. The report clearly and without bias explains the process and demonstrates how the organisation's performance relates to its values, objectives and targets. It includes information about its performance measured against its key social and ethical performance targets. The organisation provides comparative information for previous period(s) to help stakeholders understand the current performance in the context of prior period trends and in the context of external benchmarks, if available.

P10 : Audit report(s)

The organisation arranges and supports the external audit of the process, including the social and ethical report(s). Support is provided to the auditor throughout the planning and accounting process as appropriate.

P11: Communicate report(s) and obtain feedback

The organisation communicates information on the process and the social and ethical performance of the organisation to all stakeholder groups. This includes making accessible to all stakeholder groups the social and ethical report(s) together with the independent audit opinion(s). The organisation activity seeks feedback from its stakeholder groups in order to further develop its process.

Embedding

P12 : Establish and embed systems

The organisation establishes systems to support the process, and the on-going achievement of its objectives and targets in line with its values. Systems include those to implement and maintain values, to manage the collection and documentation of information, and to perform the internal audit/review of the process.

6.3.2 The AA1000 Assurance Standard (AA1000S)

In the previous section (6.3.1) an overview was given of specifically the AA1000 as an accountability standard. The following section will focus on the assessment of the organisation's public reporting of social and ethical, economic, environmental and overall sustainability performance - known as the AA1000S. In a consultation document (June 2002) by Accountability (UK), the AA1000S is referred to as an approach that provides a coherent and robust basis for assuring a public report and the underlying processes, systems and competencies against the AA1000 definition and principles of accountability. The AA1000S is specifically designed to be consistent with the Global Reporting Initiative Sustainability Reporting Guidelines (GRI) - refer to section 6.4. Despite the GRI guidelines however, and numerous approaches to provide "assurance" of public reporting, there remains a lack of generally accepted assurance standard covering all aspects of organisation reporting. The AA 1000S seeks to close this gap.

(i) Assurance Principles

All the following AA1000S Assurance Principles must be applied in an assurance process that meets the AA1000S standard:

- Completeness

  Requires that the Assurance Provider evaluate the extent to which the reporting organisation has included in its report material information on all its activities, performance and impact.

- Materiality

  Requires that the Assurance Provider evaluate whether the reporting organisation has included in the public report adequate information about its activities, performance and impacts for the reporting organisation's stakeholder to form an understanding of the organisation and to make judgements and decisions.

- Responsiveness

  Requires that the Assurance Provider evaluate whether the reporting organisation has responded to stakeholder concerns, policies and relevant standards and adequately communicated these responses in its public report.

- Accessibility

  Requires that the Assurance Provider evaluate whether the public report is accessible to stakeholders.

- Evidence

  Requires that the Assurance Provider evaluate whether the reporting organisation has provided adequate evidence to support the information contained in the public report.

(ii) Assurance Provider Standard

- Credibility

  Competency levels and independence.

- Statement of Independence

  Provider must be demonstrably independent from the reporting organisation.

- Individual Competencies

  Competence should include

  - Professional qualifications.
  - Assurance expertise.
  - Area of expertise.

- Organisational competencies

  The organisations through which individuals provide assurance must be able to demonstrate adequate institutional competencies including adequate assurance oversight, adequate understanding of the legal aspects and the necessary infrastructure to ensure long-term storage of assurance-related material.

6.3.3 SA8000

The Council on Economic Priorities Accreditation Agency's (CEPAA) Social Accountability 8000 (SA8000) is a standard focused on workplace conditions in supply chains. SA8000 has close links with much of the AA1000 process, including: the definition of policy, the monitoring of activities and results, the verification of conformity, the communication of procedures and the development of management systems. SA8000 was developed (and is subject to continuous improvement) through consensus-based stakeholder dialogue and it includes a process of stakeholder governance. It does not however include stakeholder engagement as a core part of the accounting process.

6.3.4 The International Standards Organisation (ISO)

The ISO standards focus on the development and certification of management systems. They incorporate processes of policy planning, implementation, operation checking and corrective action, management review with an overall focus on continuous improvement. Communication is a key element of ISO standards, but there is little emphasis on dialogue with stakeholders. One part of the ISO series, ISO 14001, addresses many of the AA1000 processes, but with a specific focus on environmental issues.

To sum up, the AA1000, AA1000S, SA8000 and ISO 14000 are globally accepted standards of accountability. In the advent of a growing global emphasis on responsibility and accountability, especially post-ENRON and WORLDCOM, an increase in importance of these standards is emerging. There is furthermore increasing evidence that regulation on social and environmental

impact is emerging, which confirms the rigorous application of accountability standards. In addition, social and environmental reporting depends on generally accepted accounting (social) practices and indicators to ensure fairness and parity amongst reporting organisations and assurance providers. The importance of standards could therefore not be overemphasised.

6.4 THE GLOBAL REPORTING INITIATIVE (GRI)

In Chapter 2 a brief overview was given of the GRI guidelines. Chapter 6 however, will focus in more detail on the principles and reporting content of the GRI as well as the link between GRI and accountability frameworks.

The GRI is a long-term, multistakeholder, international process whose mission is to develop and disseminate globally acceptable sustainability (GRI Guidelines 2002). These guidelines are for voluntary use by organisations for reporting on the economic, environmental and social dimensions of their activities, products and services. The aim of the guidelines is to assist reporting organisations and their stakeholders in articulating and understanding contributions of the reporting organisations to sustainable development.

6.4.1 Reporting principles

The 11 principles will help ensure that reports:

- present a balanced and reasonable account of economic, environmental and social performance, and the resulting contribution of the organisation to sustainable development;
- facilitate comparison over time;
- facilitate comparisons across organisations; and
- with credibility address issues of concern to stakeholders.

The eleven principles are:

- Transparency

  Full disclosure of the processes, procedures, and assumptions in report preparation is essential to ensure credibility.
- Inclusiveness

  The reporting organisation should systematically engage its stakeholders to help focus and continually enhance the quality of its reports.
- Auditability

  Reported data on "formation should be recorded, compiled, analysed and disclosed in a way that would enable internal auditors or external assurance providers to attend to its reliability.

University of Pretoria etd – De Jongh D 2006

- Completeness

  All information that is material to users for assessing the reporting organisation's economic, environmental and social performance should appear in the report in a manner consistent with the declared boundaries, scope and time period.

- Relevance

  Relevance is the degree of importance assigned to a particular aspect, indicator, or piece of information, and it represents the threshold at which information becomes significant enough to be reported.

- Sustainability context

  The reporting organisation should seek the place its performance in the larger context of ecological, social and other limits or constraints where such context adds significant meaning to the reported information.

- Accuracy

  The accuracy principle refers to achieving the degree of exactness and low margin of error in reported information necessary for users to make decisions with a high degree of confidence.

- Neutrality

  Reports should avoid bias in selection and presentation of information and should strive to provide a balanced account of the reporting organisation's performance.

- Compatibility

  The reporting organisation should maintain consistency in the boundary and scope of its reports, disclose any changes, and restate previously reported information.

- Clarity

  The reporting organisation should remain cognisant of the diverse needs and backgrounds of its stakeholder groups and should make information available in a manner that is responsive to the maximum number of users while still maintaining a suitable level of detail.

- Timelines

  Reports should provide information on a regular schedule that meets user needs and comports with the nature of the information itself.

6.4.2 Reporting content

The report content is organised in what GRI considers a logical order, and reporting organisations are encouraged to follow this structure in writing their reports.

The content comprises five sections:

- Vision and strategy

  Description of the reporting organisation's strategy with regard to sustainability, including a statement from the CEO.
- Profile

  Overview of the reporting organisation's structure and operations and of the scope of the report.
- Governance structure and management systems

  Description of organisational structure, policies, and management systems, including stakeholder engagement efforts.
- GRI content index

  A table supplied by the reporting organisation identifying the place where the information on the guidelines is located within the organisation's report.
- Performance indicators

  Measures of impact or effect of the reporting organisation divided into integrated, economic, environmental and social performance indicators (refer to Table 6.2).

In the 2002 guidelines the hierarchy of performance indicators is structured as follows:

Table 6.2: Indicators in the GRI framework (Source: GRI Guidelines Document 2002: 36)

	Category	Aspect
Economic	Direct economic impacts	• Customers • Suppliers • Employees • Providers of capital • Public sector
Environmental	Environmental	• Material • Energy • Water • Biodiversity • Emissions, effluents and waste • Suppliers • Products and services • Compliance • Transport • Overall
Social	Labour practices and decent work	• Employment • Labour/management relations • Health and safety • Training and education • Diversity and opportunity
	Human rights	• Strategy and management • Non-discrimination • Freedom of association • Child labour • Disciplinary practices • Security practices • Indigenous rights
	Society	• Community • Bribery and corruption • Political contributions • Competition and pricing
	Product responsibility	• Customer health and safety • Products and services • Advertising • Respect for privacy

6.4.3 GRI and accountability frameworks

According to Willis (2002), stakeholder expectations regarding corporate responsibility for environmental, social and ethical conduct are now being more loudly voiced than at any other time in history. Business enterprises have evolved from a time when their internal management systems and external accountability processes were based solely on the expectations of their owners - typically shareholders with their legally entrenched rights. Businesses have realised that accountability to a number of stakeholders is the key, although the number of organisations following these paths of implemented management systems and reporting to all stakeholders are still few (Willis 2002). Although accountability frameworks exist, there seems to be confusion in the use of these methodologies for example:

- verification of whether labour practices within a facility comply with relevant codes and standards is not the same as;
- audit of an environmental management system to assess its conformity with ISO14001, which in turn is distinct from; and
- assurance about the fairness, completeness and reliability of a sustainability report prepared in accordance with the GRI guidelines.

In other words, external stakeholders seek assurance that they can trust the completeness and fairness of reports whereas in turn, reporting companies and their boards need assurance about the integrity and quality of internal systems and processes for managing the widening spectrum of accountability. This gap in expectations can indeed be bridged through the GRI guidelines and AA1000S assurance standards. According to Willis (2002), through carefully nourished cross-fertilisation between the GRI and Accountability programmes, there is a welcome synergy between the GRI guidelines and the AA1000 series. Any organisation will therefore find it has a new but already powerful and practical set of tools to help it narrow, if not close, the complex expectation gaps it faces regarding accountability and assurance.

6.5 SOCIAL RISK MANAGEMENT

One of the major advantages of social measurement and accountability standards and guidelines is that it allows a reporting company to manage social and environmental risk more vividly. It was mentioned in Chapter 3 that social risk management is a relatively new concept and although not directly managed by organisations, is in most cases indirectly referred to by organisations following the Enterprise Wide Risk (EWR) methodology. Furthermore, in the next few years it is likely that companies will face strong pressures for the integration of corporate social responsibility (CSR) management into mainstream governance and risk management functions (MacKenzie 2001).

In October 2001 the Association of British Insurers (ABI) published guidelines for companies on the effective governance of risks arising from CSR issues. These guidelines are likely to require boards to take formal responsibility for assessing the risks of and opportunities for their company arising from CSR issues. According to ABI, companies will be expected to disclose in their annual report information on:

- CSR issues which pose significant risks or opportunities to the company;
- the policy and management systems to manage these risks and opportunities; and
- the effectiveness of these policies and management systems.

The ABI guidelines will be supplied by some of the largest asset managers in the UK which means that investors will have a direct interest in ensuring effective responses by companies. Already it is evident that the investor society is being influenced by CSR principles in their investment decisions which again highlight the strong movement of corporate citizenship into the mainstream business realm. Mackenzie (2001) reports two very significant implications for the CSR community:

- It will force it to consider the "business case" for CSR with rather greater precision than it has been able to get away with in the past. Companies are going to want to know which CSR issues are likely to have a significant impact on shareholder value and consequently impact on the future success of their company.
- Social risk management will require CSR professionals to learn the language and tools of corporate governance and risk management, and to "translate" their vocabulary and procedures into those that are comprehensible and useful to company secretaries, risk managers and internal auditors.

In summary, Jones and Towle (2001) argue that whilst CSR is, in theory, recognised as a viable means of addressing a company's responsibility to society, it is not until companies also look at the risk imperatives, that CSR will become the core of the business strategy. This is where the common sense of self-regulation through social and ethical accounting becomes evident.

> In the UK, we have seen the words "Turnbull" and "risk management" appear more and more frequently over the past two years. This, to most, has not meant a new approach or even a dash for CSR - it has simply meant that more responsibility was woven, sometimes, unbeknownst to management, into the company's governance and operating system, and this (where noticed at all by management) was accepted by them without a comprehensive understanding of what the risks were (Jones & Towle 2001).

Unfortunately, due to the recent emergence of social risk, there is still uncertainty amongst most corporations about their definition of social, environmental and political risks. The indicators of corporate social performance, the aim of this study, could share some light on possible areas that would require integration into management systems in order to manage social risks effectively. The World Bank report on social protection (2001) offers a framework for social risk management which will be dealt with in the following section.

University of Pretoria etd – De Jongh D 2006

6.5.1 Social risk framework

According to the World Bank (2001) the underlying framework of social risk management has the following features:

- It regards social protection as a springboard, as well as a safety net for poor people.
- It regards social protection as investments rather than costs. For example, helping poor people to maintain their access to basic social services during shocks fosters their future productive capacity.
- It focuses less on the symptoms and more on the causes of poverty by making it possible for poor people to engage in activities that have higher risks but also higher returns, and thus avoiding poverty traps.
- It takes account of reality. Less than a quarter of the world's population has access to formal social protection programmes and less than 5% can rely on private assets to manage risks.

University of Pretoria etd – De Jongh D 2006

Table 6.3 provides an overview of the main sources of risk.

Table 6.3: Main sources of risk (Source: The World Bank 2001: 12)

	Micro (Idiosyncratic)	Mesco	Macro (Covariant)
Natural		Rainfall, landslides, volcanic eruption	Earthquakes, floods, drought, strong winds
Health	Illness, injury, disability	Epidemic	
Lifecycle	Birth, old age, death		
Social	Crime, domestic violence	Terrorism, gangs	Civil strife, war, social upheaval
Gender	Control over household resources	Social acceptance of gender violence	Legal discrimination against women
Economic	Business failure	Unemployment Resettlement Harvest failure	Output collapse Balance of payments, Financial or currency crisis Technology- or trade- induced terms of trade shocks
Political	Ethnic discrimination	Riots	Political default on social programmes Coup d'état
Environmental		Pollution Deforestation Nuclear disaster	

The World Bank has developed different kinds of social risk management arrangements over time. These fall into three main categories:

- Informal arrangements

  Individual household's responding to risk by protecting themselves.
- Market-based arrangements

  Sound banking and non-inflationary policies are crucial to reducing and managing risks.
- Public arrangements

  In the absence of the previous two arrangements, government can provide or mandate (social) insurance programmes for risks such as unemployment, old age, work injury, disability, etc.

It is finally important to offer an overview (see Table 6.4) of the social risk management strategies. This framework or matrix is a powerful diagnostic and analytical instruction, since it takes into account the different sources and economic characteristics of risks, proposes alternative strategies and arrangements of dealing with risks and highlights different actors in the supply and demand of risk management instruments:

University of Pretoria etd – De Jongh D 2006

Table 6.4: Social risk management matrix (Source: The World Bank 2001: 15)

Arrangements and strategies	Informal	Market-based	Public
Risk reduction			
	• Less risky production • Migration • Proper feeding and weaning practices • Engaging in hygiene and other disease-preventing activities	• In-service training • Financial market literacy • Company-based and market-driven labour standards	• Public labour standards • Pre-service training • Labour market policies • Child labour interventions • Disability policies • Good macro-economic policies • AIDS and other disease prevention • Legislation to remove gender inequalities in property rights, marriage, and access to labour markets
Risk mitigation			
Portfolio	• Multiple jobs • Investment in human, physical, and real assets • Investment in social capital (rituals, reciprocal gift-giving)	• Investment in multiple financial assets • Microfinance	• Multipillar pension systems • Asset transfers • Protection of property rights (especially women) • Support for extending financial markets to poor people
Insurance	• Marriage-family • Community arrangements • Share tenancy • Tied labour	• Old-age annuities • Disability, accident, and other personal insurance • Crop, fire, and other damage	• Mandated/ provided insurance for unemployment, old-age, disability, survivorship, sickness, etc.
Risk coping			
	• Selling of real assets • Migration • Borrowing from neighbours • Intra-community transfers/charity • Sending children to work • Dis-saving in human capital	• Selling of financial assets • Borrowing from banks	• Transfers/social assistance • Subsidies • Public works

University of Pretoria etd – De Jongh D 2006

6.6 CHALLENGES FACING SOCIAL MEASUREMENT, AUDITING AND REPORTING

The following challenges represent some examples of areas within the broader field of social measurement and reporting. Although the whole field is relatively new, only becoming a scientific driving imperative in the CSR field since the mid-nineties, these challenges were chosen on the basis of its nature being questioned by leading experts in the field (Zadek, Grayson, Nelson et al.) recently.

6.6.1 Business case for social measurement

An overwhelming concern with promoting the business case, together with a profound reluctance to address the issue of corporate governance, despite an apparent commitment to stakeholder dialogue and engagement, deprives social and ethical accounting of its vital edge. Crucially, the failure to address the dimension of corporate power largely removes any potential for enhancing the accountability and transparency of powerful economic organisations (Owen 2001).

Translating any new and sometimes controversial developments in the business world into business terms always leads to some levels of scepticism and reluctance. Recent years have seen advocates of social and ethical accounting from a wide spectrum (encompassing corporate interest, NGOs, "big five" accounting practices, leading consultancies and government) reach a broad consensus on two issues (Owen 2001):

- Stakeholder dialogue and engagement must underpin the process and provide the primary means for developing meaningful reporting structures.
- Social and ethical accounting has little future if the "business case" for its adoption, in terms of demonstrating potential for adding value to the business and its shareholders, cannot be satisfactorily established.

One often finds an array of challenging outcomes associated with conferences and workshops dealing with the business case for social accounting which, in turn, lead to even more scepticism amongst seasoned business people. Amongst those "gripping" outcomes are:

- "understand how social and ethical factors impact on shareholder value.
- measure and manage non-financial performance information successfully.
- quantify the business benefits of social and environmental reporting.
- link sustainability of corporate performance with corporate reputation.
- build solid reputational risk strategies."

According to Owen (2001) at best the business case for social and ethical accounting promotes a soft form of corporate accountability. Stakeholder engagement and dialogue are seen as an attempt by the business sector to build into the process. The main reason for this is that existing power differentials between organisations and their non-financial stakeholders remain unaltered

and thus mutual vulnerability is not established. Furthermore, in the advent of globalisation, and re-regulation, a huge increase in power accruing to corporates is also emerging. Therefore, it seems that CSR is viewed purely as instrumental towards a self-serving objective. Stakeholder engagement can do little to counter the economic "imperatives' of globalisation which, as reported in Chapter 3, is a trend that will become more noticeable in future.

> The fundamental flow in pushing the business case for social and ethical accounting lies in a failure to recognise that stakeholder conflict, rather than harmony permeates much corporate activity, and that such conflict is invariably resolved in favour of the financial stakeholder (Owen 2001).

Will Hutton, widely regarded as the leading advocate of stakeholder capitalism in recent years, has himself forcefully argued that changing business culture is, at least in part, dependent on reform being introduced into company law, so that enforceable obligations are owed by companies to their stakeholders. This strategy correlates with the importance of integrating social accounting into mainstream business processes and systems, transferring the way business is conducted. Furthermore there are already signs of stakeholder fatigue, specifically in developing economies like SA. NGOs and civil society in general seldom possess the resources, competencies, or indeed legitimacy, to perform the central role as envisaged for them in the social accounting process. This invariably leads to the perception because of the "power" the business sector brings to the table that the latter is "controlling" the dialogue or more likely the monologue. This indeed is dangerous specifically if the notion favours stakeholder "management" instead of stakeholder "engagement".

To sum up, the debate certainly will continue on developing a business case for social accounting. It will also remain a balancing act between the powers of stakeholder groupings. A fundamental principle however should be to promote serious debate. Stakeholderism, in the truest sense of the term, remains a most radical concept.

6.6.2 Civil governance

The "new" social partnerships as referred to in 6.6.1 lead to a major shift in the practice of governance. The challenge is the balance and measure of the impact of these roles (as referred to also in 6.6.1), the responsibilities and capabilities of different levels of government (local, national, regional, global) and sectors in society (public, private and civil society). According to Zadek and Nelson (2001), these shifts in the structures, process, and scope of governance emerge from deeply rooted changes in the global economy and associated shifts in organisational, technological and political processes. These challenges are still in their early stages and will continue to impact on governance as they evolve. Social accounting in future will

have to reflect the influence of business and civil society on public policy as well as the businesses' role in influencing the evolution of policy and practice within civil society organisations. The level of interaction, intimacy and trust between these groups requires a greater degree of civil governance resulting in improved levels of accounting and reporting.

In its report Creating the Enabling Environment (2001), the Prince of Wales Business Leaders Forum identifies five principles of good governance or challenges. The principles are key objectives and need to secure both an efficient and participative process of decision making in this shifting social and political environment (Zadek and Nelson 2001). These challenges are:

- Co-ordination within and across government

  Social development issues and practices have traditionally been boxed within separate government departments (e.g. health, welfare, education, etc), underestimating the importance of their relationship and the need to link public policy and practice in achieving coherent societal improvements. In SA this is particularly true and with increased movement on public-private partnerships in SA, the business sector can play a significant role in forging more co-ordination within and across government.
- Consultation beyond government

  The need to recognise and establish more structured procedures for consulting with diverse stakeholder groups. Again, in SA, there is increasing evidence of multistakeholder consultation which however asks for more practical measurement and governance in order to ensure social transformation.
- Citizen participation

  The "new" social partnerships open a new scope for citizenship participation. In SA rural communities are but one such an example of citizen interaction which is needed in social transformation and corporate citizenship. In the social report evidence will have to be provided of this interaction.
- Corporate responsibility

  Business needs to navigate a path of social responsibility (corporate citizenship) that yields:

  - commercial success; and
  - an explicit contribution to society by doing business in a manner that enhances the positive social externalities and minimises the negative ones.
- Capacity building

  Good intentions and a willingness in principle to work across untraditional boundaries and with unlikely partners are necessary but not enough for good effective civil governance. There must be specific skills and capabilities to turn intentions and goodwill into concrete and effective activities. Therefore a fundamental element of measuring an organisation's

contribution towards civil governance will be the levels of capacity building and skills transfer to a variety of stakeholders.

Finally, governance structure is changing fundamentally at all levels of society, locally, nationally and globally. The way this transition develops will have critical implications for the ability of communities and countries to address the challenges of economic competitiveness, social cohesion and sustainable development. The new social partnerships possess a set of dilemmas or challenges that have important implications for governance. The following key questions represent the challenges:

- Will citizen participation be enhanced or undermined by the growth in governance forms embodied in these new social partnerships?
- What are the implications for the state? Can the institutions of government rise to the challenge of handling increasingly complex, multisectoral relationships? Can the growing and more explicit roles of business be balanced with the continued need for governments to regulate business activities?
- Will the business community engage in broader societal processes with combined societal and financial purposes? In other words, can business develop its values to support a new understanding of how social and environmental responsibility and accountability can form the foundations for both long-term market competitiveness and contributing to meet social aims?

6.6.3 Independent assurance of corporate responsibility reports

In an article by Macaskill and Johnston (2002) a strong argument in favour of independent report verification activities is posed. They state that it is often the insights provided into gaps, strengths and weaknesses in internal management and reporting processes that are cited before the value brought to the integrity of the external reports itself. The challenge for independent assurance lies in the complexity in measuring issues such as employee development, social investment and human rights. The assurance processes seem to be more mature for issues such as safety, health and environment.

Macaskill and Johnston (2002) furthermore state that it is essential that the development of a report assurance exercise includes careful thought, not only as to the external communication of the findings in the context of the report content, but also regarding the communication of the findings to internal audiences. The challenge for external assurance also lies in the extent to which the verification for change and help define priorities for action and improvement. The mere fact that the external assurance leads to a public document may result in the content being publically challenged and reporting companies finding themselves in a potentially difficult position.

A final challenge as stated by Macaskill and Johnson (2002) will be the development of understanding of the interlinkages between external assurance and internal governance and risk management processes. The AA1000 framework and GRI are guidelines that will fast-track not only social measurement and reporting but also external, independent verification.

6.6.4 Measuring social return on investment

Measuring return on social investment can certainly be regarded as one of the key challenges in the field of corporate responsibility. Many attempts have been made to quantify CSR in terms of a return on investment with varying success. With this challenge in mind and limited proof of a solution, the Roberts Enterprise Development Fund (REDF) has developed a means of calculating, in monetary terms, the social return of investment (SROI) made in certain non-profit organisations. The concept of SROI is gaining recognition, and the technique REDF has designed, with some adjustments, may eventually be useful for evaluating the social return for profit investment as well (MacNeil et al. 2002).

In developing the SROI technique, REDF adopted the following principles:

- The methodology was cultivated as a means of assessing the benefit of each dollar donated or invested in a project to determine whether or not a particular investment is sound.
- REDF defines and measures the social return as the amount of money saved in social services plus the amount of new tax revenue generated by the endeavour. REDFs Index of Return compares the amount of money invested in a project with the amount of money generated or saved as a result of the project.

The REDF formula:

$$\text{Index of return} = \frac{\text{Value Created in future}}{\text{Investment to date}}$$

REDF acknowledges that investments in social purpose enterprises provide benefits over time that cannot be described in terms of money. Benefits like increase in self-esteem however, are impossible to quantify. Consequently REDF focuses on evaluating the quantifiable monetary aspects of social return.

> Investors may eventually be able to modify REDF's methodology in order to evaluate the SROI received from for-profit investments. For example the challenge will be to use similar methods to quantify the social benefit gained from investing in an overseas company with a human rights policy versus investing in a company that does not have such a policy. Given that

sustainable and responsible investments have been shown to provide financial returns, comparable with those received; using traditional investment strategies, the added value of social return on an investment could convince more investors to use sustainable and responsible investment strategies (MacNeil et al. 2002)

Finally, as proof of the growing importance of and acceptance of SROI as a methodology, The Haas School of Business at the University of California at Berkeley and Columbia Business School have publically recognised the importance of calculating SROI in business ventures. They support this by sponsoring a venture capital contest in which demonstrable SROI is one of the criteria for winning. The two business schools began a joint partnership with The Goldman Sachs Foundation in 2001 to continue the National Social Venture Competition begun by students at Haas in 1999. A participant in the competition needs to "demonstrate sustainable profit potential, have a quantifiable social or environmental bottom line incorporated into its mission, and show a demonstrably greater impact of its social return on investment (SROI) than existing firms in the industry." The ultimate challenge however, will be for the business sector to adopt the same principles as the abovementioned Business Schools in demonstrating SROI.

The following section will specifically deal with the benefits of increased corporate community engagements as reported by Weisser and Zadek (2001).

6.7 MEASURING CORPORATE SOCIAL PERFORMANCE

In a report by Weisser and Zadek, (2001), called Ongoing conversations with disbelievers, some evidence is provided on the "business case" for corporate citizenship. During conversations with "disbelievers", i.e. managers unconvinced and suspicious of the theory that increased corporate investments with the community will help achieve business goals, some evidence was provided on the benefits of increased community involvement. These "conversations" were done through web-based technology, an initiative in October 2002 by Accountability (UK) and The Boston College Center for Corporate Citizenship.

As a result of the study, three primary, interrelated drivers were identified for increased community involvement. The relevance of these drivers, i.e. pressure to comply, company values and long-term business strategy could also be regarded as social performance measurement criteria. The study delivered the following publically available, quantitative measurements:

6.7.1 Stock price and financial performance

For most boards of directors, the key indicators of a CEO's success are the increase in shareholder value, usually as measured by stock price. Corporate community engagement has been shown to help improve financial performance and increase stock price.

Towers Perrin identified 25 companies that excelled in managing relationships with five types of stakeholders: investors, customers, employees, suppliers and the communities in which the companies operate. The 25 companies include Applied Materials, Cisco Systems, Coca-Cola, General Electric, Johnson & Johnson, Procter and Gamble, and Southwest Airlines.

To determine whether companies excelled in managing stakeholder relationships, Towers Perrin used both publicly available sources, such as the Fortune 100 Best Companies to Work for in America and America's Most Admired Companies, and proprietary data on company activities. The analysis shows that these companies, which they refer to as "stakeholder superstars," outperformed the S&P 500 by 126% over the past 15 years. The total shareholder return for these companies was 43%, whereas the total shareholder return from the S&P 500 was only 19 % (Schmidt 2000).

6.7.2 Reputation and risk management

Corporate reputation has become an increasingly important issue for CEOs and top management teams. Research shows that corporate reputation is typically driven by the price, features, and quality of the goods and services that the corporation produces. But more and more, it is also driven by the corporation's commitment to community engagement.

For example, a worldwide study of 25 000 people revealed that 56% of the respondents found a company's social responsibility to be an important factor in forming an opinion of that company, while only 34% found business basics to be important (Choquette & Turnbull 2000).

A press analysis determined that 25% of all IBM news coverage in the US was related to its citizenship activities in the community, to education and to the public interest. Much of the coverage dealt with IBMs technology leadership as well, thereby supporting the company's reputation in both the product and citizenship domains (Litow 2000).

6.7.3 Human resources

Human Resources managers typically focus on issues of workforce development, recruitment and retention. Corporate involvement in the community can help increase employee satisfaction and loyalty and improve recruitment and retention.

In a research study sponsored by the Council on Foundations, Walker Information (1996) found that a company's community engagement activities have a positive effect on worker satisfaction and loyalty. In particular:

- A company's support of employee voluntarism directly influences employees' feelings about their jobs. For example, employees involved in employer-sponsored community events were 30% more likely to want to continue working for the company and help it be a success.
- Employees who perceive their companies as having good corporate social performance view them more positively and are therefore more committed to them. The level of activities (including cause-related marketing, volunteer programmes, and product and service innovations) is a primary determinant of corporate social performance (The Council on Foundations 1996).

The results are similar in Europe. For example Fleishman Hillard found that 87% of European employees feel greater loyalty to socially engaged employers (Fleishman Hillard 1999).

6.7.4 Marketing and sales

Marketing and sales managers are focused on increased sales, product differentiation and customer loyalty. There is strong evidence that corporate engagement in the community, combined with marketing tools and techniques in cause-related marketing, can increase sales and customer loyalty.

- Increased sales

  Many companies report that cause-related marketing can significantly boost sales. For example:

  - Diageo PLC, the world's largest purveyor of alcoholic beverages, reported that between 1994 and 1998, 22 projects helped to raise $600,000 for causes whereas increasing sales of tracked brands increased by 37% (BSR 2000).

- Customer loyalty

  Several studies over the past few years have shown that consumers are drawn to companies associated with a social cause or issue. For example:

  - In the United Kingdom the 1997 Access Omnibus Survey by Business in the Community, a British business membership organisation that supports communities by raising business involvement, found that 86% of consumers say they have a more positive image of a company if they see it is "doing something to make the world a better place." Sixty-four per cent said that cause-related

marketing "should be a standard part of a company's business practices" (BSR 2000).

6.7.5 Innovations that expand markets

Corporate community involvement also creates benefits by increasing staff skills, knowledge and access to resources. Through participation with communities in situations that are outside the standard marketplace, a company's staff can extend their understanding of corporate strategy, resources and leadership. This understanding is a key enabler of business performance since it can be applied back to core business activities, thereby expanding markets.

An example of how this works can be seen in home improvement store B&Q's partnerships with disability groups throughout the UK. A partnership between its Norwich store and local disability groups gave the company insight into how it needed to improve customer services with respect to this community. The approach was extended to other stores, always using local disability groups to provide insight and support. B&Q concluded that improving staff training on the issue of disability improved all aspects of customer in-store relations. B&Qs view was that, "if we get it right for disabled people, then we can get it right for most people." This has led to increased sales to disabled people and has increased overall employee satisfaction, retention and productivity rates.

To sum up, the previous section offered proof of the business benefits of community engagement and consequently being a good corporate citizen. Integrating these measurements with generally accepted social accounting practices might close the gap between corporate social responsibility and key business imperatives.

6.8 REPORTING FRAMEWORKS: ADDITIONAL EXAMPLES

The next sections of Chapter 6 will in addition to the AA1000 and GRI guidelines, offer an overview of some recognised reporting frameworks of nine institutions representing the business sector and civil society. These frameworks were developed after in-depth research and consultation between the various institutions and their stakeholders. Furthermore these nine examples have not been selected on any scientific basis, but merely represent some examples of globally recognised and widely applied frameworks in the field of corporate social responsibility.

A SOUTH AFRICAN FRAMEWORKS

6.8.1 The African Institute of Corporate Citizenship (AICC)

The following sixteen areas form part of the AICC/Trialogure Corporate Citizenship Management Rating (CCMR) framework:

University of Pretoria etd – De Jongh D 2006

Issues relating to workplace/employment:

1. Industrial relations (human resources)
   Including issues for example approach towards engaging in "workplace forums and retrenchments.

2. Human resources and skills development (human resources)
   Including issues for example training as a percentage of wage bill and increasing skills in society through temporary employment programmes.

3. Employment equity (human resources)
   Including issues for example employment equity performance and identification of barriers to employment equity.

4. Occupational health and safety (safety health and environment: SHE department)
   Including issues for example precautions in the event of fire and the application of health and safety evaluation and management systems.

Issues relating to the supply chain:

5. Developmental procurement (procurement)
   Including issues for example the effort to develop Small/Medium Enterprises and "black" business as well as intervention to support suppliers of products and services.

6. Supply chain compliance (procurement)
   Including issues for example analysis of supply chain profile and performance against corporate citizenship criteria.

Issues relating to the environment:

7. Physical environment (SHE department)
   Including issues for example environmental management systems (EIA, EMP, ISO 14000) and compliance with national regulations.

8. Social environment (SHE department)
   Including issues for example social policies and social management systems.

Issues relating to HIV/AIDS:

9. HIV/AIDS (human resources)

Including issues for example measurement and management of HIV prevalence as well as support, counselling and care initiatives.

Issues relating to marketplace:

10. Product stewardship and brand management (marketing)

Including issues for example impact and services on society as well as innovation to improve products and services for society.

Issues relating to governance and control:

11. Ethics, transparency, stakeholder relationships (company secretary or corporate affairs)

Including issues for example a code of ethics as well as the application of ethics within group and extended operations.

12. Black ownership and control (company secretary / corporate affairs)

Including issues for example level of ownership, level of control and sharing of risk.

13. Leadership in corporate citizenship (CEO / Public Affairs)

Including issues for example reporting on corporate citizenship / sustainable development as well as the adoption of international codes (e.g. AA 1000 standards).

Issues relating to corporate social investment:

14. Corporate social investment (CSI manager / corporate affairs)

Including issues for example expenditure falling within the definition of CSI as well as existence of dedicated CSI staff and the utilisation of non-cash resources.

Issues relating to human rights :

15. Human rights (human resources / corporate affairs)

Including issues for example policy on Human Rights as well as "rights-based" assessment of business practices.

16. **Cross-cutting**:

Including the extent to which respondents or departments are **involved** in each area of corporate citizenship, the extent to which respondents or departments are **informed** on each area of corporate citizenship and the perception of how the company is **positioned** regarding its stance on each area of corporate citizenship.

6.8.2 The Business Council for Sustainable Development : South Africa

The Business Council of Sustainable Development: South Africa (2002), suggests the following framework of a sustainable report:

- Statement from the CEO
- An executive summary
- Description of the company's sustainability vision and strategy
- Relevant environmental, social and/or sustainable policies
- Organisational profile, with an overview of the management structure, products and processes
- Lists of stakeholders and the processes used to identify and consult with them
- Sustainability targets and indicators, with detail and progress in achieving targets
- Status of compliance with legal standards
- Economic performance (e.g. air and water emissions; water, energy and resource usage; waste generation; transport practices; biodiversity impacts; noise; and odour)
- Social performance (e.g. employment practices; health and safety; training and education; black economic empowerment; community involvement; supplier relations; freedom of association; child labour; and bribery and corruption)
- An external objective verification statement

According to the Business Council companies may choose an incremental approach, gradually extending the geographic scope, the coverage of sustainability issues, and the target stakeholder groups.

6.8.3 The FTSE/Johannesburg Securities Exchange (JSE) Socially Responsible Investment (SRI) Index

FTSE and the JSE are collaborating to create the FTSE/JSE SRI Index as an evolving means of meeting the complex needs of SRI and as a positive contribution to the debate about CSR. In a draft document by the JSE (October 2002) three principles common to a range of international and local statutes, charter documents and undertakings have been identified. These principles are:

- Environmental sustainability
- Positive stakeholder relationships
- Upholding and supporting universal human rights

The following frameworks per identified principle are as follows:

Environment:

- Policy
  - Responsibility at board level

- Commitment to use targets and timetables, monitoring and audits
- Addresses product or service impact through first-tier production and supply chain

- Management
  - Presence of quality of sustainability policy
  - Identification of impacts
  - Outlined action plans, manuals and procedures
- Reporting
  - Independent verification and compliance with GRI
  - Stakeholder dialogue
  - Performance against target

Stakeholders:

- Policy
  - Address principle issues, adopting code of ethics
  - Equal opportunity policy
  - Public commitment to diversity

- Management
  - Compliance with KING 2
  - Measuring compliance with Code of Ethics
  - Evidence of health and safety systems including HIV/AIDS measures
  - Evidence of equal opportunity systems following on gender, demographics, disability and age
  - Evidence of social impact

- Reporting
  - Text of social and risk management policy and guidelines
  - Quantitative data provision for 50% strategies
  - Independent verification and compliance with GRI
  - Stakeholder dialogue

Human rights:

- Have signed up and can demonstrate commitment to the Universal Declaration of Human Rights

- Can demonstrate a commitment to two or more of the International Labour Organisation Core Labour Standards
- Have signed up and can demonstrate a commitment to Global Compact
- Have signed up and can demonstrate a commitment to the Global Sullivan Principles

B. **INTERNATIONAL FRAMEWORKS**

6.8.4 Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu launced a new scorecard at the WSSD, Johannesburg (September 2002) for sustainability reporting that allows evaluation of the value and quality of sustainability reports for the reporting organisation and its stakeholders. According to Deloitte & Touche the scorecard is both a benchmarking and a learning tool for continual improvement to better design their reports, and for report users to evaluate and compare reports with current best practices in sustainability reporting. The framework or criteria are as follows (Table 6.5):

University of Pretoria etd – De Jongh D 2006

Table 6.5: Deloitte, Touche Tohmatsu reporting criteria (Source: Deloitte, Touche Tomatsu Social Report 2002)

I. Communicate Effectively	1. Provide corporate context 2. Follow basic principles of reporting (reporting period, scope and entity) 3. Cover quantitive reporting characteristics 4. Design an effective report structure (a "red thread)") 5. Optimise readability (language, pictures, charts, explanations, navigation tools) 6. Allow for quick reading (executive summary, key indicators)
II. Show Relevance	7. Identify and address key stakeholders and report target audience 8. Identify and describe key relevant issues (significant aspects)
III. Demonstrate Commitment	9. Include sustainable development vision and strategy 10. Formulate top management commitment (principles, values, policy) 11. Characterise responsibilities and organisational structures (including corporate governance) 12. Demonstrate action (objectives and programs) 13. Describe management system and integration into business processes 14. Describe management of risks and opportunities (contingency planning, compliance management, etc.)
IV. Address the sustainable Development Agenda	15. Describe innovation for more sustainability (design, operations, markets) 16. Demonstrate a sustainable value/supply chain 17. Describe financial implications (costs, savings, investments, liabilities, wins) 18. Demonstrate employee involvement/ relationship (knowledge management) 19. Include interaction and partnerships with civil society (communities, consumer groups, NGOs, authorities 20. Describe working on framework conditions and public policies for sustainability (local and global developments)
V. Quantify Performance	21. Use effective and meaningful metrics and indicators (absolute figures and ratios) 22. Specify data quality and accuracy 23. Show trends (performance over time) 24. Provide targets (level of achievement and envisioned future performance) 25. Include interpretation and benchmarks (context and comparability)
VI. Achieve Credibility	26. Describe engagement with stakeholders (dialogues and outcomes thereof) 27. Optimise balance of issues (relevant aspects, usefulness) 28. Demonstrate connection to reality (stories, people) 29. Enable accessibility and interactivity for contacts, feedback and for further information 30. Use assurance services (verification)

6.8.5 Novo Nordisk Triple Bottom Line (2001)

Novo Nordisk, a pharmaceutical company (providing diabetes treatment solutions) established 80 years ago, is a global leading organisation in the field of corporate social responsibility. Lars Rebien Sorensen (2002), CEO of Nova Nordisk made the following comment:

> It has been said, and widely so, that it is a company's values that underpin its approach to and understanding of sustainable development. In case of Novo Nordisk, we have been pursuing a consistent approach to implementing triple bottom line for more than a decade. We are attempting to define a model for CSR that makes sense to our shareholders and employees, and to all those who benefit from our products. We focus on areas where there is a need for our abilities, competencies, and commercial interests. Evidently, there is self-interest in this approach. To me, that is what makes it sustainable.

At Novo Nordisk, the following three significant themes will form the basis of their CSR strategy:

- Globalisation, sustainable development and corporate governance
- Industry's changing role and widening responsibilities
- Stakeholder demands for transparency, dialogue and accountability.

The following triple bottom line indicators / reporting framework (Table 6.6) forms the set of top level reporting guidelines for Novo Nordisk. These indicators are linked to Novo Nordisk's Balanced Business Scorecard that also focuses on sustainable development.

University of Pretoria etd – De Jongh D 2006

Table 6.6: Novo Nordisk "Triple Bottom Line" Indicators (Source: Novo Nordisk Social Report 2001)

	Indicator	Impact
Living our values	% of employees who agree or strongly agree that social and environmental issues are important for the future of the company	Implementation of considerations regarding sustainable development in all decisions
	% of employees who feel that management demonstrates in words and action that they live up to the Novo Nordisk values	Implementation of considerations regarding sustainable development in all decisions
	% of fulfilment of action points planned for 2001 arising from facilitations of the company Charter and core values	Implementation of considerations regarding sustainable development in all decisions
	Frequency of occupational injuries	Increased quality of life for employees, improved work flow and productivity, and saved sick leave for company
Our employees	% of employees who agree or strongly agree that their work gives them an opportunity to use and develop their competencies / skills	Increased competence level for employees and increased competency capital in company
	% of employees who agree or strongly agree that men and women have equal opportunities at NN (divided F/M)	Increased gender diversity in the workplace
	Number of animal tests removed from external and internal specifications	Animal welfare
	Housing conditions for experimental animals considering the needs of the animals	Animal welfare
Eco-efficiency and compliance	Water EPI	Water use efficiency
	Energy EPI	Energy use efficiency
	Compliance	Compliance with regulatory limits
	ISO 140001	Fewer breaches of regulatory limits and decreased use of raw materials, water and energy
Economic contribution	Operating profit margin	Contribution to company efficiency, growth and investors' economic capacity
	Growth in operating profit (2000 to 2001)	Contribution to company growth and investors' economic capacity
	Total taxes as % of turnover (corporation tax in profit and loss/net turnover)	Contribution to national economic capacity
	Return on invested capital (BOIC)	Efficiency of invested capital, contribution to asset base, and investors' economic capacity
	Cash to earnings (three-year average)	Contribution to the company's degree of freedom in terms of available cash funds (resources)

6.8.6 Business in the community

Business in the community (BITC) in the UK, in collaboration with Tomorrow's Company, The Prince of Wales International Business Leaders Forum and Accountability (UK) developed a number of frameworks, aiming at integrating social responsibility into day-to-day policies and procedures. Two of these frameworks were chosen, i.e. framework for community engagement and general guiding principles framework to report upon: Both these frameworks have the same process flow, clearly outlining the internal steps needed to integrate CSR into the core business processes of an organisation. The process flow is as follows:

Step 1: Gain ownership and commitment
Step 2: Identify current policies
Step 3: Develop revised policies and new strategy
Step 4: Establish action plan and set targets and milestones
Step 5: Monitor, measure, review
Step 6: Report and communicate
Step 7: Review progress with stakeholders
Step 8: Refine policies and refine strategy

In the case of the community engagement process, the following three levels of involvement are relevant. Steps 1 to 8 need to be followed for each of the following three levels :

Level 1: Company needs to give serious consideration to the rationale behind their involvement in the community.

Level 2: Develop overall strategy for activities in the community.

Level 3: Take account of perception measures and external assessment.

For the general guiding principles on corporate social performance, the same steps 1 to 8 are relevant; however, the levels of involvement differ. These levels are:

Level 1: Management team to give serious consideration to ethical issues and business responsibility and define the purpose and value of the company.

Level 2: Ensure that the new purpose and values are embedded in strategic planning and process, and are fully reflected in the company's processes and procedures.

Level 3: Use professional benchmarking tools, including external audits to measure progress and to build credibility and reputation.

Business in the Community (UK) approach focuses on the management systems rather than on the reporting framework. It does however, enable a reporting organisation to integrate CSR into business processes which are also regarded as fundamental drivers of corporate citizenship, large-scale corporate social transformation and triple bottom line reporting. Already there are debates on whether reporting on management systems and procedures should not be regarded as important as reporting on the actual indicators, e.g. human rights, health and safety, eco-efficiency etc. Some experts already strongly argue that reporting on management systems should be step one, the reason being that through this, the business case for reporting is endorsed, and lifetime is given to sustainability reporting.

6.8.7 The Index of Sustainable Economic Welfare (ISEW)

The ISEW was developed in the USA by a group led by Herman Daly, a former World Bank Economist, and the index provides a range of indicators. The ISEW primarily focuses on the wellbeing of the individual. The framework mirrors this approach (ISEW 2001) and proposes the following arguments for the Index:

- ISEW takes into account the increasing proportion of income required to mitigate environmental and social costs.
- ISEW takes into account things which individuals cannot buy, such as poor air quality, loss of wildlife amenities and space and the depletion of natural resources.
- ISEW provides a longer term perspective than GDP, offsets expenditure caused by degradation in the environment, reflects disparities in wealth and reflects man-made capital.
- ISEW attempts to indicate aspects of life that affect economic well-being and business success, such as emotional stress, ill-health and the erosion of trust.
- ISEW measures crime rates, youth delinquency and the state of family life.

There seems to be a severe decline in the quality of life for UK inhabitants (New Economic Foundation, 1998). One can assume that with the increase of poverty and HIV/AIDS statistics, specifically in developing economies that the quality of life of people living in these countries is also on the decline. This could probably lead to increasing focus on indicators such as those developed by ISEW. This also adds a dimension to social reporting which in the case of staff motivation and employee wellbeing have particular relevance and importance.

University of Pretoria etd – De Jongh D 2006

6.8.8 KPMG criteria for stakeholder engagement reporting

In the Netherlands KPMG is offering a methodology or framework for assessing a company's reputation with key groups. The criteria or indicators on which they base their reporting are as follows:

- Unity: is conduct consistent throughout the company?
- Openness: does the organisation provide relevant data to the stakeholders and is it open to criticism?
- Honesty: does the company literature provide a true picture of the organisation?
- Liberty: are stakeholders under pressure by the company to make decisions?
- Equality: does the company treat major stakeholder groups equally?
- Reciprocity: does the organisation employ the same standards internally as it does for its stakeholders?
- Solidarity: does the company address the social needs of the community in which it operates?
- Sustainability: does the company compensate the stakeholders it harms?

From the above it is clear that KPMG (The Netherlands), places great emphasis on stakeholder engagement and suggests that reporting organisations should particularly emphasise their engagement with stakeholders against the mentioned criteria.

6.8.9 BP (Australia) framework for corporate citizenship

BP (Australia) decided to adopt twelve generic principles of corporate citizenship (Andriof & Macintosh 2001). These twelve areas will also act as the framework for reporting on their level of corporate citizenship as an organisation:

- Making a difference beyond philanthropy
- Employee and stakeholder empowerment
- Transparency
- Accountability - auditing and verification of social, environmental and economical impact
- Sharing responsibility without losing profitability
- Inclusivity
- Sustainable capitalism
- The triple bottom line approach as the major driving force behind the core business operations
- Long-term dialogue, exchange and partnership
- Communication

- Engagement
- Dialogue

These twelve principles have subsequently been synthesised in a charter that will pave the way for policy integration and eventually map the transformation from corporate philanthropy to corporate citizenship in BP.

In summary, section 6.8.1. to 6.8.8 offered an overview on some frameworks in addition to the Accountability Standards and GRI, also mentioned in Chapter 6. As the area of social reporting develops, new frameworks emerge from all sectors of society. What remains clear therefore is that the agenda is being driven at the highest levels, globally and locally. The following factors have a strong bearing on this drive (Elkington 2002):

- Growing concerns about globalisation, human rights and climate change.
- Pressures on companies by G8, International Monetary Fund and World Trade Organisation.
- Growing professionalisation of corporate citizenship, and therefore accounting and reporting.
- Growing interest of financial markets (e.g. JSE/SRI Index and FTSE & GOOD).
- Increased pressure on competitive advantage, fuelled by strong social, environmental and economical conscience.

The main aim of this study, i.e. developing South African indicators for corporate social performance, will therefore offer criteria which could also act as a framework for social reporting within the South African context and according to the 15 experts, participating in the research.

6.9 DIFFERENCES IN REPORTING STYLES

The field and profession of social accounting and reporting are relatively new. There still seems to be confusion amongst a number of reporting organisations on the objectives and methodology of reporting. The emergence of GRI, accountability, JSE/SRI and other reporting guidelines on the one hand offer some solutions; however misconceptions and incorrect interpretations still occur. The African Institute of Corporate Citizenship (AICC) therefore developed a matrix in an attempt to demystify the reporting phenomenon (Table 6.9).

Table 6.7: "Reporting vs reporting" (Source: AICC 2002: 3)

Status / PR Report	Sustainability Report
Aims to portray current status	Driven by strategy
PR/Promotional spin	Integrity through transparency and engagement
Lacking business context/central theme	A working document setting targets and calling for feedback
Lacking in objectivity and honesty	A means of driving change and culture
No verification	Verified output
Limited use	Risk management - improving systems and efficiencies

Table 6.9 suggests that the future of reporting will focus on sustainable reporting, with limited PR and status value associated with it. According to Accountability, Institute of Social and Ethical Accounting, there are five types of reporters (2002):

- The Traunts
  Large and small, which refuse to report
- The Cosmetics
  Who prefer a glossy, superficial report
- The Nerds
  Who have an almost insatiable appetite for data, but risk missing the "big picture"
- The Virtuosos
  Who stretch every sinew and win most of the reports
- The Supersonics
  Who understand complexity so well that their reporting, systems and performance break the transparency barriers.

Furthermore, when considering the above, one realises that the field of social accounting and reporting still needs considerable debate and research. It could however, be argued that through large-scale adoption of the reporting guidelines and accountability standards by the private sector, that the levels of understanding and application will increase, leading to generally accepted practices.

Sustainability (UK), United Nations Environmental Programme and the New Economics Foundations (1998) jointly came up with the following ten recommendations to report makers:

- Be open and honest: "Avoid collective self-delusion."
- Include a very stringent review of legal compliance and problem areas.
- Show performance as against targets.
- Focus on significant issues for your sector and company, contextualise information and flag up gaps.
- Adopt standardised reporting formats; ensuring information is comparable from year to year.
- Distinguish between local and global impacts.
- Normalise information and use common ratios and sector benchmarks.
- Go for independent, third party verification.
- Tailor reports according to different stakeholders, with clear and user-friendly signposting and remember that paper can be a very poor medium of communication.
- Discuss stakeholder relationships and start informed dialogue on sustainability.

6.10 INTEGRATING AUDITS

It is important to refer to the possible integration of auditing methodologies and practices. For example, despite the widespread agreement that social and environmental issues are inextricably linked, auditing of these issues continues to take place separately, for most of the time (Leipziger 2000). Leipziger (2000) argues that combined audits save both time and money. Rather than preparing for several audits, a company concentrates its efforts on one audit cycle. Furthermore integrated audits will eventually lead to dovetailed or integrated management systems, thereby streamlining those processes. It will be much easier to implement additional management systems once there is one working system in place. It also can improve worker co-operation through discussions with workers in the field of auditing and reporting, thus involving the workers in the overall process. The greatest barrier however, to an integrated auditing process remains lack of training and skills amongst auditors, internally and externally.

Regarding the possibility of integration according to Leipziger (2000), there are inherent synergies between social and environmental auditing. A clear example is the synergy between ISO 14000 (environmental) and SA8000 in the specific areas of health and safety. Auditors look closely at those environmental issues, which might impact directly or indirectly on the health and wellbeing of the workers and communities in general. Such areas would typically involve the use of toxic chemicals which are used for example in the manufacture of footwear and also in agricultural fields.

To sum up, during a discussion with Mr Paul Kruger (2002) chairman of SASOL (participant in this study), he referred to the effort SASOL is putting into environmental and social management involving their gas pipeline stretching from Nigeria to South Africa. SASOL is investing R60 million on programmes managing the potential environmental impact of the pipeline. Their strategy is to involve all stakeholders along the pipeline in developing solutions to minimize its potential negative impact consequently giving ownership to communities in the process. SASOL is clearly integrating social and environmental impact and this is reflected in their latest social report (2001).

6.11 CONCLUSION

In Chapter 6 an overview of the critical elements of measurement in the field of corporate citizenship was presented. The previous chapters attempted to contextualise social development in the business landscape (Chapters 2 and 3). Chapter 4 specifically reported on the broad field of corporate citizenship, attempting to decode and demystify confusion relating to the terminology within the field of corporate citizenship. Chapter 5 had a narrower look at stakeholder engagement and partnership building as a critical element in the broad field of corporate citizenship. Chapter 5 also reported on the importance of stakeholder engagement as the primary driving force behind high level corporate citizenship and specifically reported on the interdependency between an organisation and its stakeholders.

It is however, generally accepted within the private sector that "if something cannot be measured it cannot be managed". Consequently it is difficult to realise the value of corporate citizenship. The aim of this study furthermore makes it imperative to offer an overview of measuring and reporting on social and environmental impact. Chapter 6 therefore introduced the concept of measuring social, environmental and economic impact – "The Triple Bottom Line". Chapter 6 also defined the social measuring landscape i.e. accountability standards as well as globally accepted reporting guidelines. The business case for social reporting as well as challenges facing the auditing and reporting fields were reported on. Finally, a strong case was posed in favour of integrating audits into mainstream business systems and processes to ensure that social and environmental impact measurement becomes part of the core business, thus confirming the so-called "licence to operate".

Measuring and reporting therefore are fundamental driving principles in corporate social performance. Meyer (1999), Dean of Columbia Business School, made the following comment:

> Tomorrow"s business leaders must grasp more than convention; they must also be prepared to develop and steer business of all sizes and types through a global

economy that demands consideration not only of profit and shareholder value, but also of broader human interests.

There is however, still great uncertainty about measurement in general. With the recent introduction of measuring guidelines and indicators as well as reporting guidelines, it can be expected that correct practice would fall short of the ideal. Bowen (2002) offers the following reasons:

- It often takes the public report as its starting point rather than the underpinning core accountability mechanisms.
- It is perceived to be weak in providing comfort over actual performance on the ground.
- It tends to focus heavily on accuracy of information rather than providing insight into the quality and "meaning" of the accountability process.

Bowen (2002) strongly argues that assurance needs to be a dynamic process. The following elements will ensure legitimacy in the process (Bowen 2002):

- Assesses the quality of stakeholder dialogue as a key element of risk management and identification of current and future issues.
- Considers whether culture and values facilitate increased accountability.
- Focuses selectively on key indicators where credibility needs to be enhanced.
- Considers performance outcomes on the ground.
- Is stakeholder inclusive, encouraging alliances of assurance providers

Accountability: Institute of Social and Ethical Accounting in a document AA1000 Conversations - Lessons from early years (1999-2001), reported on three dimensions of sustainable social accountability: learning, integration and stakeholder's' engagement. The headline findings are:

- Learning is pivotal to a sustained organisational commitment to social and overall accountability.
- Integrating accountability principles throughout organisations ensures that they become part of everyday business.
- Stakeholder engagement is central to social accountability.
- Accounting and reporting practices in general need to address the needs of its users, e.g. business, government and civil society.

The arguments above clearly show that the practice of social accounting and reporting are faced with a number of challenges and will require continuous development. The practice of social accounting is currently in a dynamic phase of exponential growth and awareness globally and this emphasises the responsibility being placed on the shoulders of the pioneers in this field. Simon Zadek, CEO of Accountability, who is globally regarded as one of these pioneers, made

the following comment during the Annual Business for Social Responsibility conference in Miami (November 2002) :

> Accountability standards and the practice of accountability will in future only be valuable if:
>
> - There is real impact.
> - There is permanence in the outcomes of measuring and reporting.
> - There is durability in the practice.
> - There is visible change in management practices.

Finally, as reported by Mackenzie (2001):

> I believe there are very substantial opportunities arising from the new CSR Governance agenda. Perhaps the biggest is that the new agenda offers CSR professionals a wonderful chance to convince the board that CSR issues should be placed at the heart of the business. The new developments will stimulate company boards to create a fully integrated decision-making infrastructure for CSR issues. CSR professionals will now be able to convince boards and management of the significant risks and opportunities for the company. Boards will now make sure that the operations director will not get his/her bonus unless he/she meets the objectives set by the CSR policy.

6.12 APPLYING THEORY TO PRACTICE: A BRIDGING FRAMEWORK

In Chapters 2 to 6 a literature review was presented in order to identify key theoretical constructs relating to the topic of corporate social performance and corporate citizenship. The relevance of this review however can only be confirmed if put into practice. The final section of Chapter 6 will therefore present a framework that will demonstrate the relevance of the theory through a process of contextualisation with specific emphasis on SA realities. This framework will also reveal the need for clarifying the theoretical constructs through the actual research design in order to reach the stated objective of this study. The framework will finally integrate the various theories and frameworks presented in Chapters 2 to 6 that lead to identifying the critical elements relating to corporate citizenship. The framework will therefore offer a birds-eye view of the subject.

The framework as presented in Figure 6.4 basically describes three broad areas namely:

- Driving themes (theory) – Phase 1
- Contextualisation (SA reality filter) – Phase 2
- Driving themes (application) – Phase 3

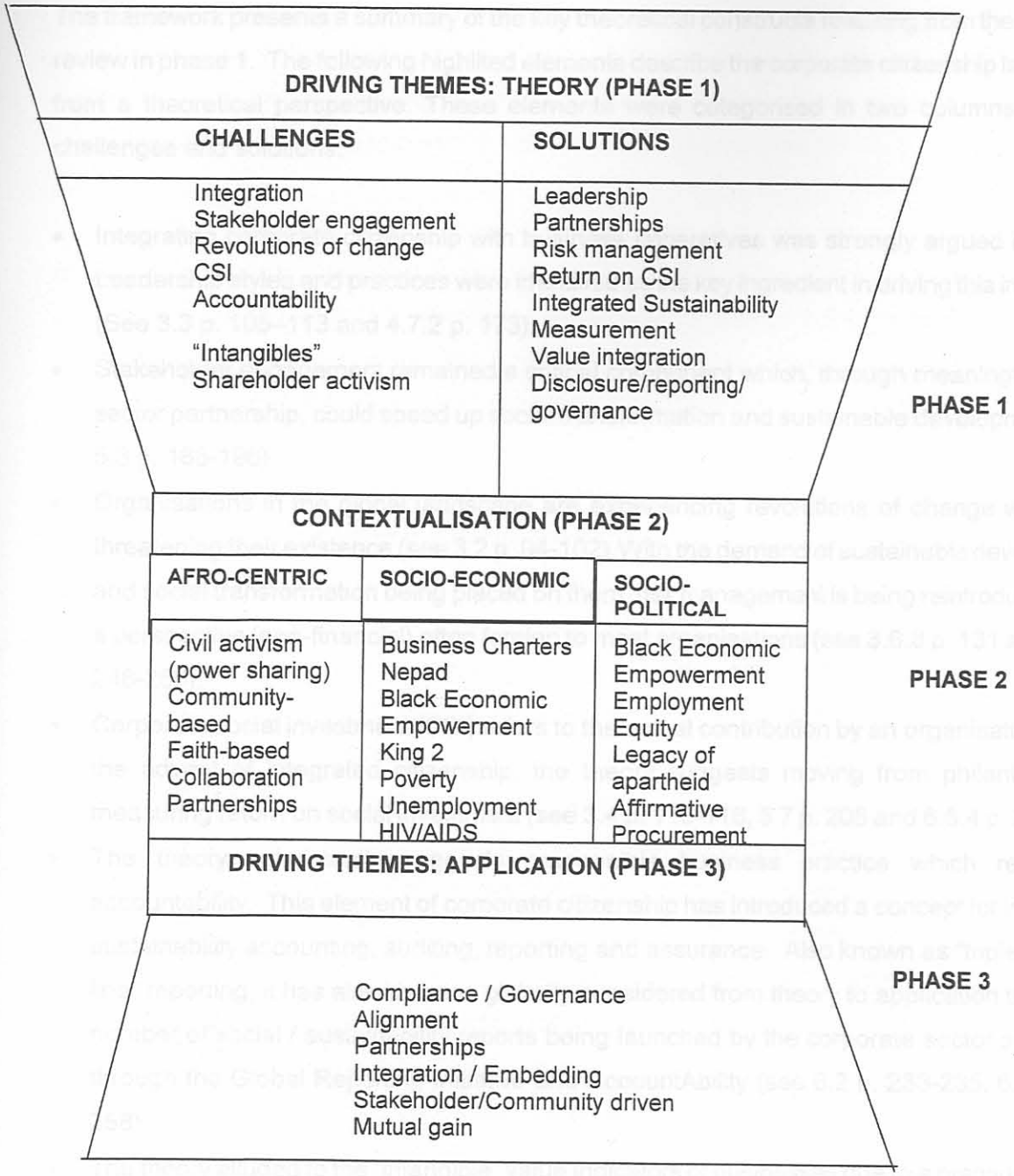


Figure 6.4: Theoretical application

The framework presents a summary of the key theoretical constructs resulting from the literature review in phase 1. The following highlited elements describe the corporate citizenship landscape from a theoretical perspective. These elements were categorised in two columns, namely challenges and solutions.

- Integrating corporate citizenship with business imperatives was strongly argued in theory. Leadership styles and practices were identified as the key ingredient in driving this integration (See 3.3 p. 105–113 and 4.7.2 p. 173).
- Stakeholder engagement remained a critical component which, through meaningful cross-sector partnership, could speed up social transformation and sustainable development (see 5.3 p. 188-196).
- Organisations in the global landscape are experiencing revolutions of change which are threatening their existence (see 3.2 p. 94-102).With the demand of sustainable development and social transformation being placed on them, risk management is being reintroduced from a perspective (non-financial) often foreign to most organisations (see 3.6.8 p. 131 and 6.5 p. 248-250).
- Corporate social investment (CSI) refers to the actual contribution by an organisation. With the advent of integrated citizenship, the theory suggests moving from philanthropy to measuring return on social investment (see 3.4 p. 113-116, 5.7 p. 208 and 6.6.4 p. 258-259)
- The theory consistently suggests responsible business practice which relates to accountability. This element of corporate citizenship has introduced a concept for integrated sustainability accounting, auditing, reporting and assurance. Also known as "triple-bottom-line" reporting, it has already been globally considered from theory to application through a number of social / sustainability reports being launched by the corporate sector as well as through the Global Reporting Initiative and AccountAbility (see 6.2 p. 233-235, 6.6 p.254-258).
- The theory alluded to the "intangible" value indicators of businesses due to a premium placed on their actions by society at large. Elements such as trust, integrity, reputation and governance are key indicators of good corporate citizenship (see 2.4.3 p. 74, 2.4.5 p. 78, 3.6.7 p. 128, 4.4 p.158 and 5.3.3 p.193). Organisations therefore are increasingly following a strategy whereby these value indicators ('intangibles') are not only viewed as social elements in strengthening the brand, but also integrated in its value proposition and organisational culture, as well as measured as non-financial indicators of success (see 3.4 p. 113-118, 3.6.1 p. 122 and 3.6.7 p. 128-131.)
- The theory specifically refers to an increase in global stakeholder activism. The "CNN age" referred to in the literature demonstrates the level of exposure most organisations are facing. Ordinary citizens are exercising their rights more aggressively and civil action and regulation are a reality in the business landscape (see 3.2.4 p. 102, 3.6.4 p. 125 and 4.5 p. 161-166).

The implication is an increase in disclosing and governance practices being introduced globally. The GRI, WSSD and a number of social standards and indexes (according to the literature review) are proof of a regulatory framework that already forms a pivotal part of governance and business practice. (See 2.2.2 p. 46-54, 2.3 p. 59-69, 3.6.9 p. 132-134).

In phase 2 of Figure 6.4 reference is made to the need for contextualising the theoretical constructs/drivers as described in block 1 of Figure 6.4. The theory seems limited in its application unless sufficient contextualisation is made. Phase 2 therefore describes three "driving forces" through which the theory needs to be viewed in order to ensure reality within the given SA landscape. Although these "driving forces" are not theoretically grounded, reference is made in the literature review (specific reference in Chapter 2) to some of these drivers. The drivers are categorised in three areas namely "Afro-centric", socio-economic and socio-political. These areas are according to the author the most critical factors epitomising the current SA landscape.

- "Afro-centric"

The theory (see 1.3.3 p 12-13) specifically refers to the uniqueness of the SA landscape through the community concept of business. This concept confirms elements such as transformational leadership, partnerships, transparency and disclosure. It also emphasises the role of civil society in business practice which is becoming a force that SA businesses post-1994 are finding challenging to deal with. The mere fact that the SA business landscape is characterised by sophisticated business practice (First World) within a Third World context, indicates the dichotomy and conflict when Afro-centric principles are introduced. Although the voice of the ordinary citizen in SA is still not acknowledged by most businesses, civil action and organised groupings for example faith-based and community-based organizations as well as organised labour are increasingly forcing the business sector to recognise the "voice of the individual" through constructive engagement and partnerships.

- Socio-economic

The socio-economic history of SA indicates a strong sense of exclusion, economic disparity and social separation. For decades SA was known for its sophisticated businesses and capitalism on the one hand and severe social deprivation and poverty on the other. The mainstream economy was geared to benefit the minority and disadvantage the majority. Since democracy in 1994, the opposite ideology namely inclusion, economic and social equality as well as social cohesion through economic mainstreaming was promulgated. Institutional drivers such as the New Partnership for Africa's Development (Nepad), Black Economic Empowerment, Employment Equity and Affirmative Procurement are examples of socio-economic mainstreaming (see 1.37 p. 19-22 and 2.2.1 p. 40-46). Apart from the abovementioned economic drivers, regulatory

practices have been introduced to fast track socio economic transformation for example The King 2 Report on Corporate Governance (see 2.2.2.1 p. 47-50) as well as the Johannesburg Securities Exchange: Socially Responsible Index (see 2.2.2.2 p. 50-51). HIV/AIDS can finally be regarded as the biggest single threat to socio-economic transformation in SA. It was therefore debated in the theory as a key determinant in defining corporate social performance in SA (see 2.2.3 p. 55-59). The SA government has also engaged with the business sector in forming partnerships around social transformation. The SA government's main strategy is to align CSR practices and initiatives with the national growth and development agenda to ensure integration and maximum impact (see 2.2.3 p 55-59).

- Socio-political

Since the advent of democracy in 1994 the SA landscape has been characterised by a strong political imperative aiming to correct the "mistakes of the past regime" and create a better life for all citizens of SA. The legacy of apartheid still forms the core of socio-political transformation in SA. Initiatives such as Black Economic Empowerment and Affirmative Procurement are regarded as politically motivated interventions in changing the face of the SA business sector. With the advent of the second democratic election to take place in 2004, the political activities and the impact on the SA business sector will undoubtedly intensify and this will again have a major impact on corporate social performance.

Considering the above arguments in the current SA context, it becomes imperative to recognise the impact of these drivers on the practice of corporate citizenship. In viewing the key theoretical drivers/elements (phase 1) as suggested by the author, one realises that in the application of these theoretical constructs within a SA context (phase 2), it demands a certain degree of clarification, and therefore indicates the need for this study. The identified indicators as per the research results (see Chapter 9) will be contextualised within the theoretical framework (phase 1). The following theoretical themes (phase 3) do however represent preliminary thoughts (according to the author) on emerging elements of corporate social performance. These driving theories "in application" need to be validated and will be reported on in Chapter 9, section 9.6 through the actual research.

The following theoretical indicators have relevance:

- Compliance / governance

The SA Business landscape which is characterised by a surge of regulatory practices (see 2.2.2 p. 46-4) as well as Business Charters, for example the Mining Charter, will demand compliance from its players. Although most regulatory practices are still voluntary, the socio-economic and

political imperatives will subtly direct behaviour in a more organised fashion that will make non-compliance a definite business risk. Social performance therefore will depend on levels of compliance and governance.

- Integration / embedding

The SA landscape demands full integration of CSR in business strategy and practice. It is therefore critical to introduce management practices, systems and procedures to embed corporate citizenship in mainstream business. The ability therefore of an organisation to make CSR a part of the key performance areas of all staff members will for example ensure social performance. SA companies can no longer "outsource their conscience". A surge of sustainability / triple bottom-line reports in SA show evidence of this movement towards integration.

- Stakeholder / community-driven

The principle of "business as a community" has special relevance in the SA context. Civil activism, socio-economic and political challenges as well as Afro-centric imperatives where a strong philosophy of power sharing is supported, forces the business sector to place a high premium on community involvement. It is increasingly acknowledged that the community at large is viewed as the primary beneficiary of social transformation. It is therefore imperative to obtain the views of this section (civil society) in determining levels of social performance. An argument such as "let the community decide whether an organisation is a good corporate citizen and not only government and the forma sector alone"has specific relevance.

- Mutual gain

The future of SA relies on the ability of all role players to collaborate in addressing the challenges of fighting poverty, HIV/AIDS and job creation to name but a few. If all players in society operate from a basis of mutual gain and power sharing, the probability of building SA into a prosperous country is arguably high. Social performance and corporate citizenship is therefore about mutual gain.

Section 6.12 of this chapter offered "bridging constructs" in applying the theory as discussed in Chapters 2 to 6 in practice. An attempt was also made to integrate the theory in order to conceptually outline the elements of corporate social performance that need to be covered by the actual findings of the research (Chapters 8 to 10). The section finally presented some arguments on the theoretical implications which will be further described in section 7.2.

The author decided to present a general overview of the changing world of business in Chapter 7 in an attempt to deepen the theoretical implications from a practical perspective. Chapter 7 will therefore offer some theoretical perspectives from a European context as well as some personal viewpoints on the changing face of business particularly in SA. Section 7.2 will however highlight a summary of some theoretical constructs as analysed in the literature review (Chapters 2 to 6). This section will confirm the need to re-define the face of business from a corporate citizenship perspective.

University of Pretoria etd – De Jongh D 2006

CHAPTER 7

CRITICAL PERSPECTIVES ON A CHANGING BUSINESS WORLD

7.1 INTRODUCTION

In Chapters 2 and 3 reference was made to the changing social landscape as well as the changing business landscape. Chapters 4 and 5 reported on the social responsibility of organisations and specifically the interdependence between the business sector and its stakeholders. Stakeholder engagement is globally regarded as the key driving force behind corporate social performance but also as a critical challenge that is already changing the face of business. Finally, Chapter 6 offered an overview on an organisation's accountability towards society and all its stakeholders, as well as the environment. Accounting standards and reporting guidelines are key variables influencing business practice and adding to the levels of complexity unknown to most organisations. There is a certain degree of uncertainty about the practice of social accounting and reporting for which no clear answers currently exist. Organisations therefore find themselves in a very steep learning curve that places strong emphasis on leadership, pro-active solutions and robust management systems and procedures that will enable an organisation to deal with this new and unusual business landscape. The Enron and Worldcom scandals undoubtedly fuelled the rapid transformation of business and more specifically governance issues.

In the light of the above issues along with the Western world's grappling with the events of 11 September and its aftermath, crucial questions have come to the fore (Isles 2002).

- Is the current global economic orthodoxy working?
- Can business deliver both economic and social benefit?
- Can we distribute wealth and opportunity more fairly and more widely?
- Can we carry on as we are?

Bringing together the thoughts, ideas and insights of top level European thinkers, business leaders, analysts and activists, Enterprising Europe was published in 2002. In this book a number of these thinkers and business leaders' opinions were obtained, in which key issues and dilemmas as well as possible responses were considered. The first part of Chapter 7 will therefore focus on a few of these contributors' opinions on the changing business world. The second part of Chapter 7 will offer some personal views of the researcher on the changing business world. These viewpoints in no way represent scientific confirmation, but rather possible scenarios on some issues that might characterise future business.

University of Pretoria etd – De Jongh D 2006

7.2 APPLYING THEORY TO PRACTICE: A SYNOPISIS

The relevance of Chapter 7 as part of this study demands a synopsis of the literature review in Chapters 2 tot 6 (see Figure 6.4). An overview will therefore be presented on the key elements of corporate social performance from a theoretical perspective according to an interpretation by the author. This section will not only introduce the phenomenon of a changing business world, but will also start explaining the constructs of corporate citizenship more explicitly.

The social construction of business (as described inChapter 2) specifically in SA, with the advent of regulatory practices such as the King 2 Report on Corporate Governance and Black Economic Empowerment confirms a strong tendency towards the role of the business sector in social transformation. Although still viewed as voluntary practices, some evidence, for example the SA Mining Charter, already suggests more direct control over social transformation by the SA Government. During the WSSD (Johannesburg 2001), social activists took a strong stand on the role of the business sector in social transformation. Social values are being enshrined in the DNA of business practice through initiatives such as The Global Compact and the Global Reporting Initiative. Elements such as human rights no longer remain the token of activists, but also business people. **In developing economies such as SA, the need for embedding social values in business strategy becomes an imperative and a key element of good corporate citizenship.** The GRI could certainly be regarded as a key driver and supporter of CSR in developing economies hence CSR being debated as part of the national growth and development agenda of SA.

With the advent of the revolution of technologies, markets, demographics and values (as described in Chapter 3) the theory clearly suggests a need for large-scale change in the way business is conducted on a local and global front. The term revolution clearly suggests a timeframe probably unknown to most businesses. Businesses will not only have to react more quickly to a complex landscape, but also be proactive in predicting the impact of social challenges on bottom line. **An organisation's ability to deal with a complex business environment can therefore be regarded as a key element of good corporate citizenship**. Integrating these complexities in the true value proposition of an organisation will remain a serious challenge. This will demand leadership beyond tradition whereby the sphere of influence of business leaders are extended across sectors. Furthermore leadership will take on a new meaning in an era of stakeholder activism. Community leaders, faith-based leaders and ordinary consumer leaders to name but a few, will have a direct impact on the way business is conducted. Recognising the value of these leaders and the willingness of business leaders to learn from these "non-formal" leaders will certainly enhance the social performance of corporations. The above arguments clearly suggest a new way of mapping and managing organisational risk. The

International Finance Corporation and the World Bank in 2002 clearly stated the business case for sustainable development hence corporate social performance. Managing risks therefore stretches further than conventional risk assessment but rather includes elements of social value, trust, reputation, integrity and organisational culture. **Corporate citizenship therefore is about proactive leadership, capitalising on the depth of all stakeholders' expertise and partnering with them in executing business practice. Corporate citizenship is also about acknowledging risk areas, traditionally foreign to most business leaders. The theory clearly suggests transparency, a culture of accountability and integrity.**

The literature review in Chapter 4 suggests a new definition of CSR. It was clear that the transition of corporate social performance starting at a very basic understanding of CSR (in the late seventies) to what became CSI (in the mid-eighties) and what is widely supported more recently as corporate citizenship suggest a definite integration of CSR in business practice. **For the business sector to merely "outsource their conscience" is becoming the epitomy of unaccepted corporate behaviour.** The active role that stakeholders are playing, as referred to by Zadek (2001) as civil regulation, suggests a more"business like" definition of CSR. The value that stakeholders place on organisations furthermore explicitly demands a more justifiable definition of CSR. **The theory suggests a model of corporate citizenship that clearly relates to integrity, morality, responsibility, social justice and community participation and finally partnership. Companies that succeed in living these values, measuring them and reporting on them will achieve high levels of corporate social performance.**

The role of stakeholder engagement and partnerships was clearly stated as key elements of good corporate citizenship in Chapters 2 to 4. The mere fact that an organisation does not operate in isolation confirms the importance of stakeholder interdependency. The ability of organisations to engage with all stakeholders let alone form meaningful partnerships, remain two of the most critical challenges of modern organisations. The diverse nature of stakeholders in SA along with social and political heritage makes this one of the most difficult and often neglected practices by SA businesses. The SA business sector is constantly busy dealing with historic legacies and has only recently realised the true benefit of stakeholder engagement and partnerships.

The Mining Charter (2002) and the overwhelming impact of HIV/AIDS on the SA business sector are forcing companies to redefine their stakeholder landscape. The true benefits of cross-sector partnerships have given new meaning to the role SA businesses are playing in social transformation. Measuring successful partnerships in SA however, suggests a different approach. **It is therefore suggested that successful partnership in SA is defined not by the actual partnership but rather by the process, systems and procedures being introduced to**

foster and encourage stakeholder engagement and partnerships. The extent of social and economic disparities and divisions in SA first need to be acknowledged and reconciled hereafter a constructive path of collaboration can be formed. Corporate citizenship is about creating tools and methodologies in achieving this which suggests a different approach if compared with the practice of stakeholder engagement and partnerships in First-World countries. What seems to be lacking in most European models of partnership is the emotional imperative that is evident in the SA scenario. It is therefore suggested that the actual interface relating to a specific issue (e.g. HIV/AIDS) between all stakeholders in SA is identified. Only then can the practice of partnerships in its full consequences be operationalised, measured and reported. This will also allow for acknowledgement of emotional imperatives related to the issue that might exist between stakeholders.

Chapter 6 presented an overview of social performance criteria. These criteria are generally European in origin which, bearing in mind comments in previous paragraphs concerning partnerships, almost demand contextualisation in SA. What is evident throughout Chapter 6 however is the principle associated with "triple bottom-line" reporting. The GRI guidelines, AccountAbility 1000 and SA 8000, clearly indicate the importance of social environmental and economic indicators in corporate social performance. When considering the SA business landscape, it is clear that its uniqueness demands additional indicators - hence the main objective of this study to develop such indicators. Elements such as HIV/AIDS, Black Economic Empowerment and a surge of Business Charters (e.g. Mining Charter) are continually shaping the corporate citizenship agenda. **Although the international criteria and indicators will remain the backbone of social performance indexes, SA businesses have realised that in order to be good corporate citizens, a comprehensive understanding of the socio-political and economic agenda and its impact on the business sector is needed.** It will be these companies that will succeed in sustaining themselves beyond the new democratic SA. The changing nature of the socio-political landscape however complicates social measuring. **SA companies therefore not only have to be pro-active in identifying new areas of social performance but also have to react in a decisive manner in order to address these demands.** This requires close alignment with the national agenda and confirms the need for cross-sector engagement and partnerships.

Good corporate citizenship and therefore social performance need to be defined on a regular basis. The dynamic SA business landscape demands continuous refinement of what successful social performance means. Social transformation in SA is leading to a strong social character of business. The moral paradigm in which all companies operate demands inclusive, transparent and collaborative values. The SA scenario demands a definite translation of corporate citizenship theory into practice. Although the literature suggests integration of social and

business imperatives, it could be argued that the practical realities in SA present a greenfield opportunity. The literature suggests cross-sector partnerships where in SA, it becomes a non-negotiable business imperative for survival. The literature suggests that non-financial risk factors need to be integrated with enterprise wide risk strategies. In SA again it is imperative to measure and manage social risk since for example HIV/AIDS is threatening the existence of most businesses in SA.

Finally it was evident in the literature that in measuring social performance, an outcome-based approach is suggested. Outcomes such as sustainable capitalism, sharing responsibility without losing profitability and demonstrating a sustainable supply chain seem to be not so appropriate in the SA context. What becomes clear in SA is the ability of organisations not only to report on outcomes, but also on management systems and procedures being institutionalised throughout the organisation, in the striving towards citizenship. The current socio-political and socio-economic landscape in SA almost make it impossible to report on outcomes. The outcomes become almost obsolete when placed in the larger framework of social transformation.

Lastly it becomes imperative to reconsider the origin of successful social performance and its definition. The author is of the opinion that good or bad performance should be judged by society which constitutes the ultimate beneficiary of corporate social performance. The challenge therefore remains the extent to which ordinary citizens are given the opportunity to judge good corporate citizenship. In a country such as SA this is imperative. If not, corporate citizenship can be viewed as just another intelligent move from the corporate sector in manipulating the open market for own benefit and single gain. The driving theme that therefore has emerged is mutual gain whereby equal importance is given to the value to society and the corporate sector.

7.3 EUROPEAN PERSPECTIVES ON GLOBAL BUSINESS

According to Prodi (2002) enterprise is a fundamental part of the fabric of societies and he believes it is important to recognise that governments are no longer the sole actors. Since the mid-1990s, global institutions have agreed to rule-based approaches to moderating global trade flows and managing economic needs. These changes and developments have created a dominant model of "how to do business". A European model for enterprise has therefore been developed. This model offers a new agenda and culture of enterprise, which encourages its creativity, innovative, ethical, socially engaged, environmentally and culturally enriching dimensions. Through this new model, accepted by the European Union, an attempt will be made to create a market approach that is geared to sustainability. Prodi (2002) defines this approach as ensuring a better quality of life that combines ecological, social and economic concerns and offers business opportunities to companies that can improve the lives of the world's people.

The following perspectives as reported in European perspectives on global business represent a few practical strategies and responses by a few leading experts to make this new approach to business a reality for all (Prodi 2002).

7.3.1 Is there a new power-sharing in international affairs?
Maria Cattaui Livanos

Maria Cattaui Livanos has been Secretary General of the International Chamber of Commerce since 1996. As Chief Executive of the World Business Organization she is responsible for overseeing global policy formulation and representing the interests of world business to governments and international organisations. She was previously Managing Director of the World Economic Forum (WEF).

Livanos's viewpoints:

- Globalisation encourages cross-border co-operation among governments - particularly through multinational institutions and agreements.
- Real power in the political, judicial, fiscal and military sense remains firmly in the hands of the state.
- Power can only be shared where it is legitimately given within a set of agreed rules.
- There is a need for sets of good practices and agreed principles for those who would like to influence public opinion and governance structures.
- Changing or making rules is based on consensus and comes from within societies. Ultimately it relies on leadership and political willingness to be innovative, to inform and to mobilise opinion.

7.3.2 Change, society and enterprise
Tom Bentley

Tom Bentley is Director of Demos, Britain's leading independent think-tank. A Demos researcher since 1995, in 1998 and 1999 he worked as a special adviser to David Blunkett, M.P, British Secretary of State for Education and Employment. He returned to Demos to take up the Director's post in 1999. He has been described as one of Britain's leading policy entrepreneurs by the Australian Financial Review, and as one of four men who think for Britain by means of the Financial Times. His work has been published in 14 countries.

Bentley's viewpoints:

Bentley (2002) argues that successful business may not lie in looking for the ideal balance between market and state, regulation and commercial freedom, but by seeking to understand the characteristics of complex systems that can adopt purposefully over time to drastic changes in

their operating environment, and then building governance structures that reflect these principles. Institutional change leads to institutional failures and disruption. This requires the active consent of citizens at work or at large in their communities. The struggle therefore to synthesise entrepreneurship into a systematic process of institutional change is also part of the effort to re-invent democracy itself. The process however depends on knowledge sharing networks whereby good practice, i.e. social performance cross-sector partnerships etc. will be disseminated and shared with stakeholders and competitors. This in itself redefines elements of competitive advantage in favour of knowledge sharing and learning.

7.3.3 Transmodern dialogues of society

Marc Luyckx

From 1990 until 1999 he worked directly for Presidents of the European Commission, Jacques Delors and Jacques Santer, as a member of the Forward Studies Unit in the European Commission. He has been one of the organisers of the EU programme called "The Soul of Europe" and organized many meetings between President Delors and religious leaders, philosophers, etc. He is now active in futurology research and is Director of Vision 2020, a think-tank on the New Paradigm in Brussels.

Luyckx's viewpoints:

The transmodern business paradigm for dialogue is characterised by:

- Democracy – equal footing.
- Post-patriarchal – discrimination does not exist any more.
- Tolerance – all cultures and citizens in the world are included.
- Transformation - the aim is to better personal and collective life for humanity and for the environment.
- High level of ethical behaviour.
- A knowledge society that demands transformation and change in business practices.

7.3.4 Evolution management

Marc van der Erve

Marc is a consultant, independent futurologist and author specialising in organisational development, leadership profiles and behavioural traits of interconnected environments. He is also the founder of Evolution Management, a consulting firm with international executive search and transitional leadership services founded on stages of corporate adaptation and development. He holds degrees from INSEAD, Tilburg University and RIT in the Netherlands.

Van de Erve's viewpoints:

Van der Erve (2002) is renowned for his theory on evolution management. In this theory he referred to a so-called "third dimension", a dimension representing the tension field between the need for autonomy and the need for interdependency. This need is quite relevant in the stakeholder theory whereby an organisation needs to balance its autonomy as a profitable institution while also realizing its interdependence with stakeholders. Van der Erve (2002) reported on the first two dimensions. Time as the "force of history, being the first dimension, and the tension between individual, organisational and societal needs, the so-called I and we dimension." His complexity theory confirms that the future business landscape will be complex in a sense of balancing autonomy with interdependency.

Van der Erve (2002) therefore focuses strongly on what he calls a "networked society" which demonstrates interdependency, thus shaping a new business order. The following 10 fundamental laws determine the behavioural forces in a "networked society" (Van der Erve 2002):

- Variety, not victory is the true source of competition.
- Recombinations are the platform of progress.
- Transparency is at the heart of wealth distribution.
- Resonance is the ultimate signal of opportunity.
- Wave economics are at the core of commitment and reward.
- Evolution is the path to supreme functionality.
- Discovery is the origin of learning.
- Multiple, albeit virtual, roles are the gateway to freedom.
- Deepgreen (taking distance) yields cultural and social fertility.
- Choice is at the centre of stability and togetherness.

To sum up, according to Van der Erve : "The future world of business will be paradoxical on the one hand, our awareness of our options will be increasing dramatically while, on the other hand, we will find ourselves and our companies being part of a natural non-linear drift which is more difficult to control."

7.3.5 Humanism and enterprise

Bo Ekman

Bo Ekman is Chairman of Nextwork and adviser to global corporations, international organizations and non-governmental organization (NGOs). Nextwork is a Stockholm-based consultancy on business environment strategy and the design of change processes.

Ekman's viewpoints:

The International Humanistic and Ethical Union offered the following definition of humanism (1996):

> Humanism is a democratic and ethical life stand, which affirms that human beings have the right and responsibility to give meaning and shape to their own lives. It stands for the building of a more humane society through ethics based on human and other natural values in a spirit of reason and free inquiry through human capabilities.

Ekman poses a strong argument in favour of future business practice towards a more humane approach. He also points out that leadership is the key driver towards a more humanistic culture. Leadership in general encourages results rather than purpose, power rather than principles, style rather than context, growth rather than development and indeed management rather than leadership. Future business needs to reflect humanistic leadership values which are based on an understanding of the governing principles of the interacting systems of production, nature, society, ecology and the market.

Another issue that has come under serious attack in recent years is globalisation. Ekman argues that in the wake of the growing problems of the environment, of the poor, of inequalities and health, literally hundreds of thousands of NGOs have started to formulate new political platforms. Therefore, according to Ekman, the world is moving into a "post-new economy" where business and governments are being forced to reconcile the pursuit of business results with strong principles. Globalisation is in its "screaming puberty" stage where protesters and demonstrators are entering the business landscape, and changing the fundamental business principles. These groups are simply asking business to become more democratic to be more true to their principles (humanistic) and deepening human rights and democracy as core values in their business philosophy.

7.3.6 The new economy – opportunity or threat?

Diane Coyle

Diane Coyle runs the independent consultancy Enlightenment Economics, and is a reporting panel member of the Competition Commission. She is the author of several critically acclaimed books on the "new economy", the latest of which is Paradoxes of Prosperity which was published in 2001. She was the Economics Editor of The Independent (UK) from 1996 until 2001 when she left to establish her own consultancy and to devote more time to her writing. She holds degrees from Oxford and Harvard.

Coyle's viewpoints:

According to Coyle (2002), the most significant new economy trends that will influence future business are:

- The shift from manufacturing to services, meaning value added is based on interactions between people, not between man, material and machine.
- Changes in working patterns that vary according to country, depending on institutional arrangements and cultural preferences, but include part-time working, short-term contracts, early retirement, etc.
- Shorter median company lives, and a shift in typical company size towards the very small to the very large.
- Large-scale corporate restructuring since the early 1990s, including a huge merger wave, delayering of corporate hierarchies and massive cross-border investments.

The above trends clearly reflect the plummeting cost of processing and transferring of skills that complement the processing of information rather than of physical materials. Coyle sees this as an opportunity for future businesses. The need however is for governments and business to develop progressive policies that embrace fundamental economic change shaping a better future society. Developing these new opportunities should also include the continuing change of the international structure of production, the crumbling of hierarchical methods of organisation, the development of network organisation and increased social and economic mobility.

A final positive impact of the new economy is empowering individuals to take control of their own lives. Individuals will need to be equipped and empowered with education that will give them access to all kinds of opportunities. It will also equip them to cope with dramatic economic change and better education. The future business landscape therefore will be characterised by organisations that will value and embrace the creation of a knowledge society. Equipping not only staff, but also stakeholders with knowledge and skills will become a driving principle in future corporate strategy.

7.3.7 Building a knowledge society

Peter Johnston

Peter Johnston is a senior official in the Information Society Directorate General of the European Commission. He is responsible, together with others, for developing Europe's networking and information infrastructure to enable the EU to become the world's leading developer of the potential of the "new" economy.

Johnston's viewpoints:

Johnston (2002) strongly argues that a networking society is at the heart of an integrated policy for growth, employment, social cohesion and sustainable development. The business of the future will have to tap into this by creating a "networked knowledge economy" whereby resources are used in a more sustainable manner. By resources it refers to knowledge, skills, infrastructure and capital. Although governments in general can set the general objectives and framework for moving into a knowledge society, the burden of realising change must rest on businesses and individuals.

The European Commission (EC) for example has launched a wide consultation on Corporate Social Responsibility (CSR) and supports efforts by the world-leading IT and telecommunications companies to define practical "triple bottom line" reporting guidelines for the knowledge economy. Their specific recommendations regarding the development of a sustainable knowledge society have recently been tabled by the EC:

- Re-emphasising and sustaining the rapid deployment of high-speed network access in every community in Europe.
- Systematically seeking higher added value and greater efficiency in all resources used, by business and governments.
- To sustain investments in human capital through lifelong learning for all, in social capital through peer-to-peer network developments, and in our cultural capital through promotion of diversity and creativity.

The impact of the above three recommendations on future business is fundamental. It again confirms the responsibility of business beyond its own employees to include also its stakeholders and society in general.

7.3.8 Activating shareholders

Robert A S Monks

Robert Monks is the founder of Institutional Shareholder Services, the world's leading corporate governance consultancy, and the world's leading shareholder activist. In 1992 he founded the investment fund LENS which has developed the institutional activist method of investment. In 1998 he founded a similar organization, Hermes LENS Asset Management Company in the UK. He is a graduate of Harvard, Cambridge and Harvard Law School.

Monks's viewpoints

Institutional money management (e.g. pension funds) is one of the biggest industries in the world. The amount of money is simply staggering in terms of its impact on whole communities. In this

case, Monks (2002) argues that the pensioner is the appropriate beneficiary and shareholder in the long term. The fund managers run these funds for people who are not inanimate objects, but instead human beings, who want to retire into a civil society. They want companies to follow policies that will make it a clean world and civil society. Monks (2002) therefore makes it very clear about who the shareholder of a corporation is. There already is strong evidence of perseverance by ordinary pensioners to articulate a detailed ownership agenda. This is leading to strong shareholder activism around investment options.

The following principles in terms of investment options are relevant:

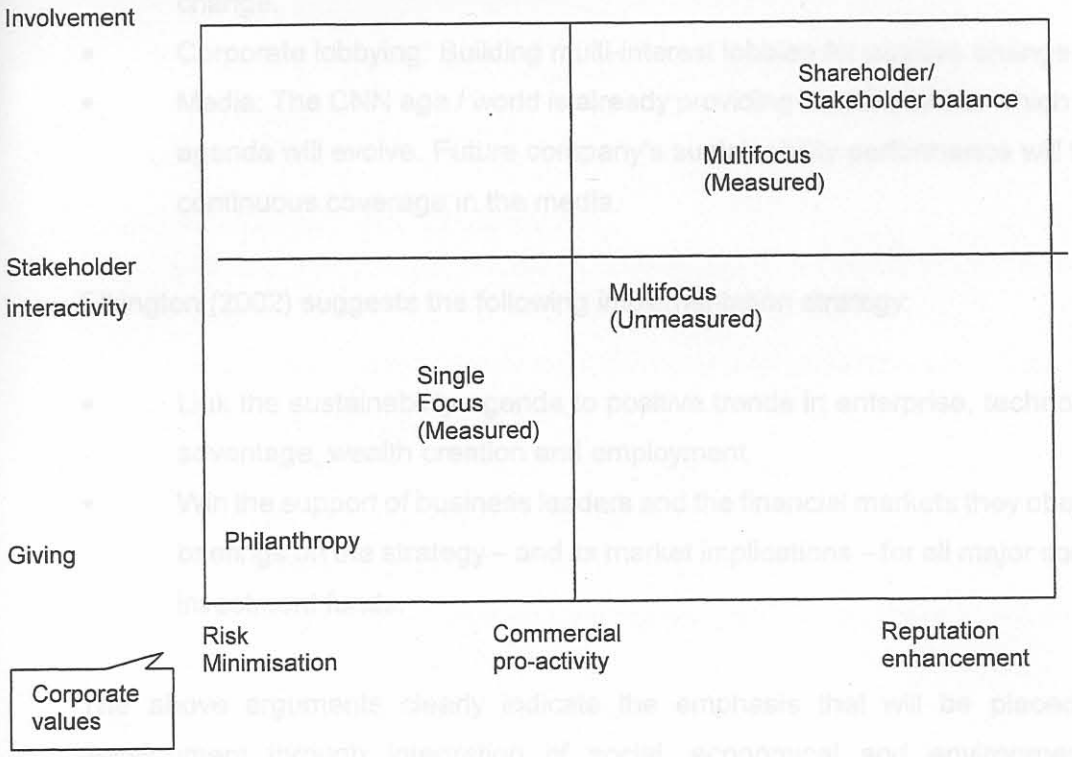
- Disclose publicly how their functioning impacts on society.
- Obey the law.
- Exercise restraint in influencing and financing government.

If these policies are faithfully observed, the public can have confidence that it lives in a country with laws that legitimately express the will of the people, and it can be content simply to require corporations to behave lawfully. It could therefore be accepted that shareholder activism ranges from the ordinary citizen (pensioner) to institutional investors. Dealing with the expectations and perceptions of this diverse group certainly complicates the business landscape. Furthermore, the speed with which information on an organisation, either good or bad news, is disseminated and distributed ("CNN age") confirms the changing nature of business. Ultimately, perceptions of an organisation are key determinants of trust and loyalty towards it. Reputation is built on trust, loyalty and integrity and is becoming a global risk factor which will require active management in future.

Figure 7.1 offers a framework on the process of building an enhancing reputation (Hoskins 2002).

University of Pretoria etd – De Jongh D 2006

Figure 7.1. The "Moving Escalator" (Source: Hoskins 2002)



7.3.9 The sustainability agenda

John Elkington

Sustainability (founded in 1987) sees itself as a hybrid – part management consultancy, part think-tank and part lobbying organization. John Elkington launched the idea of "triple bottom line" accounting in 1995. Its success is based on knowing how businesses think and act. So thinking as well as doing is influenced. The organisation is determined to stay small and employs 20 people of 10 nationalities.

Elkington's viewpoints:

Elkington (2002) argues that sustainable development is on the business and political agenda but remains diffuse to many people. Many companies still operate their economic, social and environmental activities in departmental silos. Integration is needed to ensure sustainable development and will be a key differentiator between successful and unsuccessful companies in the future. Elkington (2002) suggests the following plan of action to integrate these three areas, also known as the triple bottom line:

- Developing a business case for sustainable development.
- Market and corporate transformation is needed.
- Emergin markets: With the bulk of global population growth likely to occur in the developing world, business in future will have to view these markets through a different set of lenses.

- Engaging stakeholders: Transparency, reporting and benchmarking are key drivers of change.
- Corporate lobbying: Building multi-interest lobbies for positive change.
- Media: The CNN age / world is already providing a matrix within which the sustainability agenda will evolve. Future company's sustainability performance will therefore receive continuous coverage in the media.

Elkington (2002) suggests the following implementation strategy:

- Link the sustainability agenda to positive trends in enterprise, technology, competitive advantage, wealth creation and employment.
- Win the support of business leaders and the financial markets they obey. One possibility: briefings on the strategy – and its market implications – for all major socially responsible investment funds.

The above arguments clearly indicate the emphasis that will be placed on sustainable development through integration of social, economical and environmental imperatives. Sustainable development will undoubtedly be on the agenda far more explicitly in board meetings than ever before.

7.3.10 The European Enterprise Summit

The Progressio Foundation, The Industrial Society and the State of the World Forum held the European Summit on 4 – 5 November 2002 in London. Over 80 leading thinkers, activists, business leaders and policy advisers discussed, debated and developed an agenda for developing a future enterprise strategy for Europe. The consensus of the summit was that although a major challenge, Europe did indeed have much to offer the world in terms of lessons in institutional building and developing a progressive form/s of market capitalism. It also recognised the ongoing quest to reform capitalism in order to ensure that it is truly innovative, accountable and embedded in notions of excellence, social justice and inclusiveness.

The following main conclusions and action points of the final session of the summit were tabled. These points have a definite impact on the future business world not only in Europe, but also globally.

"What are the major constraints for change?

- The fact that breakthrough tends to require a context of crisis.
- Western self-interest and complacency about wealth / resource disparity.
- Lack of unanimity and focused countervailing opinions among NGOs.

- Overconcentration on old paradigms and failure to focus on critical new systems and levers of change.
- Failure to listen to and include the disadvantaged in international dialogue and micro-initiatives.

What is the action plan for business?

- Needs to be partly a process of political and business leaders engaged in political debate in Europe.
- The need for engagement with the reality of organisational life – incentives to change is, at best, mixed.
- New models need to be created in practice as well as in theory – creating networks of innovators across businesses, not just at the top of businesses.
- Measuring progress differently is fundamental and has to be developed further.
- Creativity in society rests on a broader definition and value of entrepreneurship.

What is the action plan for civil society?

- Purist definition: voluntary, citizen-based, not–for-profit organisations working for the common good.
- The current system of values and organisations leads to an unsustainable future.
- Whenever we trust the new values inside ourselves we re-enchant ourselves.
- This is the energy of the future civil society, e.g. the Global Public Access Television Network: Jubilee 2000.
- Action plan: to make the media socially responsible by, for example, introducing a tax on advertising which is used to promote consumer literacy. The media needs to be opened up to new values and new actors in order to shift from the unsustainable paradigm.
- Mainstreaming serendipity and grass-roots creativity, building a high impact civil society.

What is the action plan for government?

- Take steps to harmonize and share CSR practices across Europe, taking account of regional and cultural diversity. Government has a role in facilitating productive debate within the business community on the principles of CSR.
- Recognize that government affects business at different levels, by different means, e.g. from legislation to exhorting good CSR practices, Government should look at new ways to incentivise CSR, e.g. via procurement, recognition programmes, supporting research to justify the business case for CSR – to convert the unconverted.
- Ensure clear ministerial responsibility for CSR; raise the profile of the minister.
- Responsibilities to include legislation relating to CSR, and perhaps even a budget for internal CSR practices and to ensure that internal CSR practices are of an acceptable

standard. Government to act as "role models" to other countries and multinational organizations.

- To create the environment in which companies are able to be transparent and communicate widely with government, NGOs and others, for example improving the information available to the public by reports, better labelling etc. Ensure that companies and public sector bodies are "allowed to fail" as part of the learning process.
- Improve understanding of CSR, ethical consumption etc. via education programmes for individuals of all ages.
- Government has a role in creating an environment of social cohesion / inclusion that can be understood and actioned in partnership with business.

Integrated action plan – business, civil society and government?

- Focus on a few key factors that emerged from this summit and bench-mark and target work, e.g. business schools.
- To get socially responsible entrepreneurism on the education agenda both at secondary school and business school level.
- Create multiple platforms for dialogue across groups that are not normally in contact. Be able to think the unthinkable and the unfashionable.
- Encourage more platforms to create understanding, e.g. internet, face to face, tri-sectoral. Think about the power in creating practical ways forward.
- Fulfil own responsibilities.
- Harness the institutional investment communities, e.g. target pension fund trustees.

What are possible new organizational forms?

- Encourage new organizational forms through the promotion of ethical reporting / management systems
- Examine and reform the institutional framework for social entrepreneurs
- Appraise and reform the structure of trusts, charities and foundations to empower them under different national systems to invest and support socially responsible enterprises.
- Pension fund trustees to declare ethical and social objectives, as suggested in CSR Green Paper.
- The European Commission to encourage information dissemination / best practice amongst social entrepreneurs across member states via national action plans and an "ideas bank".
- Promote partnerships between sectors – establishing innovative bidding mechanisms to encourage better partnerships between public, private and voluntary sectors.

What are the successful processes that have been used to achieve change?

- Involved but intelligent government intervention making full use of stakeholder's abilities in order to create a consensus environment, e.g. the Dutch and Scandinavian cultures.
- Create transparency both internally and externally with all stakeholders. Create rules for transparency and for audit, specifying criteria, measuring in time, e.g. La Farge involving the WWF, and the World Bank; also the Shell sustainability report.
- Body Shop example for communicating concepts and not just products, creating trust in them. Max Havelaar identified key consumers prepared to pay more for socially responsible business, which has led to business innovation.
- Involve the arts and innovation in marketing, making use of their inherent creativity to express feelings and create change.
- Promote role models / best practice / innovation / heroes / visions of the future, using the press. Acknowledge progress, creativity and innovation through awards. Put on record what the best practices are.
- All stakeholders in society, including businesses, should have a permanent open dialogue between consciousness and human development and the use of capital and traditional business practices.

What are the best practices / best European models?

- More democratic global institutions are needed to create incentives for companies to change.
- More accessible information and greater transparency are needed so that consumers can monitor corporate behaviour.
- There are many examples of best practice – not just one European model to be copied elsewhere – these need to be underpinned by values such as transparency, compliance, positive screening.
- Challenges to find ways to build relationships between the different sectors and find better ways for stakeholder dialogues.
- We must communicate the agenda better and translate the jargon.

Initial future actions:

There were several levels of activity identified at the summit. Initial follow-up ideas were as follows:

- Arrange bilateral meetings with the European Commission and the International Labour Organisation.

- Develop the agenda discussed at the summit through separate smaller meetings and working groups in different European centres. These meetings could also act as a means of enlarging the network prior to the next major summit in 2003.
- Develop the ideas around a research agenda whose common theme is defining and better measurement of the European enterprise model.
- Plan for a larger Davos-style summit in 2003 that will require major financial and logistical support from members of the network and others.

In summary, the above top level European thinkers, business leaders, analysts and activists agree on the following agenda points for a progressive future business environment (Isles 2002):

- The future of globalisation should be dependent on it being bounded by law and justice and offering opportunities that will benefit the many and not just the few.
- Core business values should reflect ethical behaviour, environmental and human standards, ethical investment, sustainable public procurement programmes, a transparent transaction regime, new forms of public interest companies, etc.
- Building blocks for common European enterprise strategy include education, building new cultures and ensuring common values.
- Adopting "hard" CSR measures and ensuring that shareholders can no longer be preferred over other stakeholders.
- Building organisational capacity from new sources of knowledge for example through stakeholder engagement.
- Corporate restructuring should follow clear principles that seek to minimise disruption, harm to local communities, damage to future employment prospects, etc.
- Commitment to diversity, trust relationships, creating a balance between stakeholder interests and high levels of information exchange.
- Recognising the "new fundamentals" of business as to the need to move beyond the concept of sustainability towards forms of global environmental legislation and bio-economics, which redefines the concept of profit and recognises the role of "human obligations" alongside the well established idea of human rights.
- Integrative approach that encourages innovations and strategies at European, national, regional, community and individual levels.
- Reform of current financial systems, e.g. taxation on consumption and environmental use, are critical elements in building a more inclusive form of market capitalism.

- Finally, European enterprise believes in a strong public infrastructure. Public services exist to serve the public good. The public sector needs to be allowed the discretion to be more creative and entrepreneurial in order to achieve improved social outcomes, without losing accountability or transparency.

The next section of Chapter 7 will offer some viewpoints according to the researcher on the changing business world. Although these viewpoints are merely personal opinions, they will be critically reviewed by a leading expert and author in the field of Corporate Citizenship in South Africa, Sean de Cleene: Director of the African Institute of Corporate Citizenship as well as two European authors and experts, Dr Simon Zadek, CEO of Accountability and Mr David Grayson, Director of Business in the Community (UK). The three leading experts' viewpoints are integrated into the following twenty-two trends as suggested by the researcher.

7.4 FUTURE TRENDS IN BUSINESS

In Chapters 2 to 6 some arguments and viewpoints on the changing nature of business were presented. It could therefore be argued that it is no longer "business as usual" but rather "business as unusual" that will be the driving principle of the future business landscape. The following viewpoints, according to the researcher, will offer some characteristics of the future business landscape, as seen from a South African perspective as well as some general perspectives. These trends might map the route that SA businesses and international businesses will probably follow in the future. A constant factor however is change. The pace at which future businesses will have to change or adapt to a changing environment will increase.

Before presenting the list of trends it is important to contextualise change. According to Bartunek, (1984, 1987), and Moch (1987) change is fundamentally precipitated by certain orders of change. Most change is first order, and works within one system (political, social or economic) or the set rules of the game that define the system's boundaries. First order change is a simple incremental and linear adjustment that occurs when, for example, a business replaces one supplier with another. However, redefining the rules of the game is something called second order change that involves change between two systems. This describes change in the basic positions of the parties, where the range of possible outcomes changes. For example, rather than simply evaluating a supplier according to traditional factors such as price, quality and delivery time as key decision factors, environmental and social impact factors may also become part of an evaluation process. The FTSE 4 GOOD and JSE / SRI Indexes are good examples of criteria for evaluating businesses' compliance with this changing environment. A relatively rare form of change involves an even more profound shift that may be associated with paradigm shifts (Kuhn,

1962). This means changing the way we even think about our systems and involves not just change between systems, but change in system definitions, called third order change.

It is therefore argued that this third order change describes the future business landscape. Wadell (2002) argues that the traditional dominant economic perspectives on business and society collaboration are being successfully challenged by new business and society frameworks that come from a third order change paradigm and systems perspective. The following SA trends as well as some general trends will characterise the future business landscape.

SOUTH AFRICAN TRENDS:

7.4.1 Corporate governance

With the advent of the King 2 report on corporate governance and global awareness on governance issues, it is safe to argue that this will change the face of business in future. There are already strong indications of the Companies Act in SA that will be under review in 2004 whereby elements of the King2 Report on Corporate Governance might be incorporated. Elements of "triple bottom line" reporting and what seems to be referred to as sustainability reporting, will emphasise the responsibility put on SA businesses to govern their actions beyond the realm of financial sustainability. South Africa is according to international acclaim already taking the lead from a governance point of view, which confirms the impact on SA businesses having to comply with what is seen as leading steps towards creating legitimate business practice.

7.4.2 South Africa as an emerging economy/market

South Africa is regarded as a developing economy. What makes the country different from any other developing country however are its capital base, strong business voice and economic presence on the African continent. It is in this regard that reference is increasingly made to SA as a so-called emerging market rather than a developing economy. The rate at which the SA market is growing from an international investment perspective as well as local economic growth and development, leads to a situation whereby a possible new definition of corporate social responsibility is required. The role of Multi National Enterprises (MNE's) operating in SA suddenly changes the way business is conducted in SA from a CSR perspective. The responsibility of MNE's to be aware of, and to contribute towards shaping CSR practices in SA may have positive and negative results. The financial power of MNE's can influence the local CSR landscape without due understanding of the social imperatives of SA. This may lead to a situation whereby locally based enterprises are faced with unbearable social challenges as a result of MNE's involvement in mainstream CSR practices, most of which are with good intent but with limited

understanding. This will lead to a changing face of business in SA whereby local and international organisations will have to collaborate beyond competitive lines in order to address the realities of the SA social development landscape.

7.4.3 Business beyond SA borders

With the advent of dual listings of SA businesses for example, Investec, Old Mutual and SASOL as well as market expansions into Africa for example, KUMBA Resources, ESKOM, MTN, and VODACOM, the sphere of influence specifically from a CSR perspective has far-reaching consequences. The same argument therefore becomes appropriate for SA businesses to acknowledge and understand the CSR realities of the countries it will be conducting business in. It will specifically be important for SA businesses to acknowledge their influence on the existing disparities between developing local capital markets, versus economic development imperatives in the rest of the African continent.

7.4.4 Black Economic Empowerment

The Black Economic Empowerment (BEE) report that was launched in 2002 could be regarded as a critical milestone that will change the face of business in SA. Furthermore, this is perpetuated with the advent of the Mining Charter (2002) as well as strong indications that the banking sector will follow the same path with the launch of a Banking/Finance Charter, in which clear BEE objectives are listed. BEE is already an integral part of the indicators as suggested by fro example, the African Institute of Corporate Citizenship as well as the indicators proposed by the JSE/FTSE SRI Index. From a reporting point of view, SA organisations therefore will have to indicate their BEE performance according to these indicators. There will also be increasing international pressure on SA companies to comply with BEE guidelines from an investment and shareholding perspective. Investment opportunities will be driven by BEE compliance, cutting into the core of corporate citizenship and building a business case for mainstreaming CSR into business practice hence changing the face of SA business.

7.4.5 HIV/AIDS

The impact of HIV/AIDS on the SA business sector is generally regarded as a major risk and a serious threat to sustainable businesses not only in SA but also on the African continent. There are also already strong signals from an international investment perspective that potential disinvestment in SA will mainly be driven by a risk averseness against the impact of HIV/AIDS. Furthermore, the business sector is not perceived to be acting collectively in addressing HIV/AIDS. Organised business for example, Nedlag, reacted against the February 2003 "State of the Nation " speech of President Thabo Mbeki by reiterating that unless the Government does

not deliver a clear strategy on the fight against HIV/AIDS, the business sector will refrain from taking the lead. This has damaging consequences for the SA business landscape which could nullify attempts by individual organisations to address the impact of HIV/AIDS. The HIV/AIDS pandemic will enter the boardroom and in future demand that businesses integrate it into business strategy and practice.

7.4.6 Aligning business strategies

Business strategies will be closely aligned with the national (specifically governmental) and international developmental agenda. It was noted during the Johannesburg Summit (2002), that the business sector is emerging as a key partner in sustainable development. Business objectives will clearly reflect the sustainable development agenda and alignment of infrastructure to support these objectives that can be attained. Integrated management principles, supporting collaboration between government and civil society will enhance the alignment philosophy, strengthen the "license to operate" and will give new meaning to systems theory. Business alignment, therefore no longer only refers to internal process and functional alignment but specifically to broader alignment with external stakeholders. Alignment will be measured through a scorecard that incorporates sustainability parameters.

GENERAL TRENDS:

7.4.7 Reputation

Managing reputation will be a key imperative for future businesses. Corporations are the target of social and environmental activists as well as ordinary citizens who will judge the performance and behaviour of businesses in real time. The so-called"CNN age" also widens the audience and opens up new frontiers of global criticism at a speed no one really anticipated. Reputation therefore will become a "tangible" imperative and a variable recognised and valued by not only the consumer and shareholder, but also by financial analysts and stock brokers. Reputation will be viewed amongst the top three key performance areas of the executive team of an organisation. Reputation risk will also be placed alongside financial risk factors and will be internationally regarded as a key risk area in Enterprise Wide Risk (EWR) Management.

7.4.8 Marketing and branding

Brand value will directly be determined by Corporate Social performance. Social marketing will be a key marketing imperative, utilising marketing expertise and infrastructure to empower communities and give stakeholders a "voice" through marketing and communication channels. There will be a definite split in marketing spending towards traditional and non-traditional marketing initiatives, the latter referring to social and development marketing. Cause-related

marketing (CRM) will create support on the one side, but strong resistance on the other side. CRM will have to be seen as authentic and not exploiting society to the benefit of the business. Marketing will in general become less "glossy" and "truer", reflecting business values rather than "good deeds". A new marketing specialist will emerge combining philanthropic, social and business science qualities.

7.4.9 Business as the change agent

The business sector will be the drivers and change agents behind global social transformation. The business sector will set the pace and to a large extent influence the future of the social landscape. This change will be a "third order" change, referring to systems change and paradigm shifts. Change management, due to the speed of change and drivers of change, will take on a new meaning and irrespective of the size and nature of businesses, will demand adapting strategies in order to survive as a business. The true fabric of business will reflect a new order, unknown and foreign to the unconverted and extremely opportune to the converted. There will be a race between a few leading businesses that will define business practice in revolutionary terms, increasing the speed of change and possibly widening the gap between the converted and the unconverted.

7.4.10 Business schools

The new business landscape will be reflected in business schools curricula. Business schools will also drive social transformation through their formal and non-formal training and education solutions. Such schools will also support the integrative approach through cross-sector partnerships, the latter contributing towards curriculum development and also offering opportunities for practical internships and community practice. These internships will become a mandatory requirement for all courses offered by business schools.

7.4.11 Socially responsible investment (SRI) funds

A new "breed" of fund manager and investment analyst will enter the marketplace. SRI funds will become the funds of choice and will outperform all other funds on global securities exchanges.

7.4.12 Financial analysts

Financial analysts and stock brokers will judge an organisation's performance against financial as well as social (and environmental) indicators specifically in developing economics. Social transformation in the form of new legislation and regulation will be viewed as strengthening the pillars of a healthy economy instead of leading to market speculation and forcing share prices down. Again, this will lead to a new "breed" of financial analyst and stock broker. The gap

between the social and economic scientist will decrease notwithstanding the critical importance of financial and economic sustainability of an organisation.

7.4.13 Accounting practice

Generally accepted accounting practice will take on a new meaning. Social accounting and reporting will be fully integrated into "gaap" with GRI becoming the global reporting guidelines and AA 1000 and AA 1000 S the global accounting standards. The auditing of "intangibles", i.e. reputation, social impact, etc. will be viewed as "tangibles" and as important for sound business practice and stability as the financial auditing of an organisation. Social practice in general therefore will be viewed by analysts as key indicators in determining the overall value of an organisation during a due diligence exercise.

The cost of either good or bad social practice will be allocated to the bottom line of an organisation and will represent an asset or liability to an organisation.

7.4.14 Management science

Social scientists will have legitimate roles in the executive management teams of organisations. Social science / human sciences will no longer be viewed as 'soft" sciences but as"hard" sciences that have a fundamental impact on the success of a business. The business language will therefore also be transformed to the extent that social terms will also be relevant and valued during board meetings and executive meetings.

7.4.15 Leadership

A new leadership quality, "bridging leadership" emerged. Successful leaders will be the ones who possess the ability to engage with stakeholders and who succeed in forging partnerships with key stakeholders. These leaders will also inculcate a culture of partnership building and value and develop the role that staff have in bridging the gap between an organisation and its stakeholders. Again, social leadership becomes a differentiating value in an organisation.

7.4.16 The learning organisation

Organisations will learn through experiences. Each new relationship or partnership with stakeholders will differ from the previous ones. Diversity will be embraced and business philosophy will move from an expert controller basis to a co-producer with its stakeholders. Organisations will realize that there are no answers in text books on the new business landscape and learning will be experiential, adopting trial and error principles. Stakeholders will however "tolerate" legitimate mistakes because organisational practice will be transparent and

consultative in nature – and based on partnership principles. Organizations will also "learn" from their stakeholders and incorporate these learnings into key strategic imperatives.

7.4.17 Opportunity creation

Social transformation of the business landscape is viewed as a strong business case for creating new opportunities and expanding the marketplace. Social responsibility will no longer be seen as a pure responsibility, but also as a means to create wealth for all stakeholders. The business case for corporate citizenship, therefore, will have been proven to the extent that social development interventions have been integrated into mainstream economy.

7.4.18 Business as a community

Business will be an integral part of the community and vice versa. Boards will be structured in such a way that various stakeholders and community members will have representation on the boards of organisations. Although voting rights will be limited, in certain cases where direct social impact of decisions occurs, the voting rights of these board members will come into play. Organisations will act as the key facilitator in forging cross-sector partnerships (public sector, private sector and civil society). Furthermore, organisations will encourage, facilitate and provide the incentive for active participation of employees in community activities. Corporate volunteerism will be a mainstream business philosophy that will receive local and international recognition through media award ceremonies and investor support.

Corporate social performance will be determined by the level of community development and progress and the level of contribution towards this progress. The core focus or indicator of success therefore will be externally measured which will be contrary to current belief. Overall performance of an organisation will be determined and judged through a 360° assessment, i.e. shareholders, staff, government, consumers, civil society, etc. This new philosophy or order of business will offer the notion of interdependence between all sectors, ensuring sustainability for all.

7.4.19 Mutual gain

Business will operate on a mutual gains business-society perspective whereby corporations engage other sectors and issues. This framework is based on systems of mutuality and exchange in which power is shared. Participation depends upon deep understanding and recognition that combining the distinct competencies and self-interests of the sectors allows participants in collaboration to achieve outcomes that are otherwise impossible.

Waddell (2002) refers to this type of relationship as "collaboration enterprise". Furthermore, in such a relationship, stakeholders are defined as those who are related to an opportunity or problem, rather than to a corporation. This philosophy again confirms the interdependence between all stakeholders in mainstream economy and society.

7.4.20 Global agenda of business

With globalisation going the full circle, and world trade becoming a reality even for small and medium enterprises, corporations have integrated the global development agenda into their core business strategies. Corporations are measured against their ability to contribute towards global sustainability objectives. The business sector will be the main drivers of future world summits on sustainable development, contrary to the current situation in which the United Nations and governments are the primary role-players. The business sector has produced activists for sustainable development and openly criticises its peers for lack of participation and contributions. Business leaders are taking the lead in what was traditionally purely a political and governmental affair, hence shaping the future of sustainable development irreversibly.

7.4.21 Activism

Activism, public campaigns and radical outcry against social and environmental abuse, not only by powerful NGOs, but also by ordinary citizens have become the norm. The ordinary man in the street has been empowered to exercise his / her opinion and the availability of a wide variety of media makes public opinion a powerful force that business regards amongst the most critical risk factors to deal with on a daily basis. The mere fact that stakeholders have been included in mainstream economy through the mutual gain philosophy puts the business sector in a highly visible, almost fragile position in which managing perceptions, expectations and reputation become the name of the game.

7.4.22 Business intelligence

Access to, accuracy of and speed at which market intelligence is sourced will become a major competitive advantage of corporations. New types of information as well as alternative sources of market intelligence have emerged. Community perceptions and expectations on business activities and ventures are regarded as key determinants in corporate decision making. Formal communication channels between society and corporations have been established to secure a continuous flow of information between them. Seconding employees to community structures have also been formalised to the extent that staff are working full-time in communities. Again, due to globalisation, these employees are strategically positioned not only in a single area, but also amongst government's civil society structures and across borders. Management Information

University of Pretoria etd – De Jongh D 2006

Systems (MIS) are more flexible in the sense that formal and non-formal sources of intelligence are mobilised to ensure broad-based coverage of critically needed information.

7.5 CONCLUSION

One certainty about the future business landscape is that it will undergo dramatic change. The changes that will take place will definitely be of a higher order or "third order" change referring to almost radical shifts in paradigms resulting in systemic changes with no or limited predictable or linear patterns. What will make this changing landscape an even bigger challenge is the fact that the business sector will take the lead in driving change on the global front. The business sector will be the change agent, setting the pace and facilitating change not only within the business sector, but across sectoral boundaries. The business sector will drive the global sustainability agenda to the extent that governments all over the world will follow the trends and interventions suggested by the business world in creating and ensuring a sustainable future for the planet and its people.

This role that the business sector will be playing will therefore lead to a new "breed" of business leaders. For the first time the value of social scientists will be embraced by executive management and boards of organisations. These leaders will realise the value of stakeholder engagement and partnership building. They will forge a culture of independence not only between an organisation, its staff, consumers, shareholders, society and environment, but also intersectorally between public sector, private sector and civil society. This will inevitably lead to a global business culture of mutual gain whereby the open market is viewed by all role-players as opportunities to benefit all, consequently creating wealth for all participants.

This landscape however will require a fundamental understanding and appreciation of the dynamics and complexities by the various role-players. It will specifically be the business sector, which is the major creator of wealth and economic sustainability that will have to deal with complex sets of information from a wide variety of sources. Market intelligence therefore will become a major competitive advantage, but also an organisation's ability to act on new sets of information and dynamically steer the strategic indicators possibly in new directions. What makes this landscape even more challenging in this complex environment is the base-line expectation of transparency, disclosure and inclusivity. Any action by an organisation will immediately be known and judged by a global audience. The novelty of information technology in the so-called "CNN – era" now also suddenly becomes a serious threat.

The business sector therefore finds itself in an environment characterised by intangible value indicators. Reputation, perceptions, trust, loyalty and market expectations are but a few of these "intangibles" that will require ongoing management intervention. There already are to the contrary, viewpoints in support of referring to these indicators as "tangibles". These indicators are already viewed as key risk areas that demand risk management intervention and through social accounting practices will be valued alongside financial indicators in determining the overall value of an organisation.

Finally, during the Rio summit (1992) there was an outcry from civil society and social activists to empower the ordinary citizen and more specifically, the most vulnerable people with a "voice". This was reiterated during the Johannesburg Summit (2002), referring by the same people, to the limited progress that had been made in this regard. There already was a strong increase in social activism evident during the Johannesburg summit pointing out that the business sector had again "highjacked" the summit as a trade expo and ignored the fact that it was supposed to be a summit on sustainable development. It will be up to the global business sector to prove these activists wrong in a future which places a responsibility upon the business sector far greater than ever expected.

University of Pretoria etd – De Jongh D 2006

CHAPTER 8

RESEARCH DESIGN AND METHODOLOGY

8.1 INTRODUCTION

The purpose of this study is to develop indicators for corporate social performance in South Africa. The literature review covered in Chapter 2 to 6 did not reveal specific indicators generally accepted in South Africa. There is however a growing awareness of the need to develop indicators that can offer practical guidelines to the business sector in its pursuit of becoming good corporate citizens. This does not exclude or negate the existence of frameworks and guidelines developed by local and international institutions such as the African Institute of Corporate Citizenship (AICC) and the Global Reporting Initiative (GRI). The aim of the study however rather focuses on basic, generic and generally accepted indicators which reflects the uniqueness of the SA landscape, and strongly supports practical application by the corporate sector ranging from small/medium enterprises to multinationals operating in South Africa.

Formal research in South Africa in the field of corporate citizenship is limited. Furthermore, although increasingly the preferred term used more generally is "corporate citizenship", it can still be regarded as a new term in a field that is in need of further research locally. This study introduces an even "newer" term "corporate social performance", which attempts to reveal more specific measurement criteria or indicators that could benefit not only the corporate sector, but certainly society as a whole. The need was therefore identified to pursue an in-depth exploration and analysis as well as experimentation in the field of corporate social performance. This study therefore falls in the exploratory, qualitative research domain focusing on an in-depth literature review on the topic combining in-depth interviews with leading SA authorities in the field of corporate citizenship.

Due to the contemporary nature of this field as well as its contextuality in the South African business landscape, any data gathered through qualitative or quantitative research design can be regarded as rich data. The decision to follow the qualitative methodology was based purely on the scarcity of both existing research and leading experts in the field.

It was therefore decided to conduct in-depth interviews with 15 leading South African experts in the field of corporate citizenship (refer to 8.4.3. for a detailed description and selection of participants). Their opinions were solicited through a semi-structured interview comprising five open-ended questions. The responses obtained can certainly be regarded as rich data that

needed to be enhanced and preserved. The qualitative methodology to a large extent ensured this but also ensured that the data was contextually maintained. Debating of the topic takes place almost on a daily basis not only locally and internationally, but also on levels associated with policy issues and the global practice of corporate citizenship. It is therefore imperative to maintain data contextuality, and by doing this critically analysing the responses to the questions of the participants.

It is generally accepted that the corporate citizenship landscape is changing rapidly. With the emergence of global policy frameworks and guidelines as well as high level debates on regulatory practices locally and internationally, the need to capture critical SA perspectives and opinions was seen as an important impetus in shaping the future of organisational behaviour. The decision to follow the qualitative methodology can be seen as the more difficult option, but as reported in the above paragraphs, a high premium is placed on preserving the richness of data solicited through in-depth interviews specifically in a timeframe characterised by a rapidly changing landscape.

Chapter 8 will explain qualitative research design in more detail. Chapter 8 will also elaborate on the content analysis methodology that will be followed in analysing the interview data. A description of the in-depth interview questions, as well as the participants, and the selection process that was followed in identifying the participants, will also be offered.

8.2 QUALITATIVE RESEARCH DESIGN

8.2.1 Defining qualitative research

To define qualitative research it is important to critically view the quantitative methodology in brief. Critics of empirical research (for example Blalock 1991; Willer and Willer 1973) focused their criticisms on the deductive nature of the quantitative process and the preoccupation which researchers supporting the quantitative process have with statistical analysis to the detriment of quality data production (Janesick 1998). They claim that this narrow approach forces researchers to work within theory, rather than challenge or extend it.

As reported in section 8.1 of this chapter, the field of corporate social performance can be regarded as a relatively new field. It is therefore imperative to challenge viewpoints and opinions on the field due to its rapid development and continuous change in character. It is also important to extend the known boundaries of the field which can only be done effectively through qualitative methodology.

Supporters of qualitative research design (for example Layder 1993; Piore 1983; Stainback and Stainback 1988; Strauss 1987 and Corbin 1990) identify the tasks of qualitative research "to uncover and understand what lies behind any phenomenon about which little is yet known" or gain novel and fresh slants on things about which quite a bit is already known". They also claim that "qualitative methods can give the intricate details of phenomena that are difficult to convey with quantitative methods". This for example indicates the usefulness of qualitative data in interpreting quantitative findings. Supporters of a qualitative approach claim that a deductive methodology constrains researchers without current theory, whereas an inductive method encourages theory development or theory extension.

It is with the above arguments in mind that the decision was made to follow the qualitative approach. Developing indicators for corporate social performance in South Africa can be seen as new theory development. The current framework and guidelines on corporate citizenship, hence corporate social performance, will be extended in so far as integrating the current perspectives through qualitative research on critical indicators, contextualized within the South African business landscape.

Janesick (1998), in his book Stretching exercises for qualitative researchers referred to Eisner's (1991) well-known features of qualitative study as the framework that is critical for any qualitative study to comply with. These features are:

- Qualitative studies are field focused.
- They rely on the self as research instrument.
- They are interpretive in character.
- They rely on the use of expressive language and the presence of voice in the text.
- They attend to particulars.
- They become believable and instructive because of their coherence, insight, and instrumental utility.

The in-depth interviews that were conducted we recorded and transcribed into a rich text format. The qualitative interpretation (see content analysis, section 8.3.) will be done in an accessible, informal, narrative style and in ordinary language to solicit key groupings of coherent data that have explicit meaning and relate to an indicator of corporate social performance. This "informal" reporting style has certain advantages (Janesick 1998):

University of Pretoria etd – De Jongh D 2006

- It disrupts what some have called academic writing, which not only distances the reader from what is written, but also denigrates the readers' experience.
- It educates and engages the reader, who may not, until now, have had an interest in qualitative research.
- It inspires the reader to go further and read the writings on theory and practice in qualitative research.
- It demystifies the research process by the use of ordinary language and thereby opens up the pool of researchers in the specific field.
- It democratises the research process. Qualitative research techniques open up the process of research to many more researchers, which in the case of this study is critically needed.

The following table (Table 8.1) presents a summary of differences in quantitative and qualitative research (Jarret 1996).

University of Pretoria etd – De Jongh D 2006

Table 8.1: Qualitative vs Quantitative research (Source: Jarret 1996)

DIMENSIONS	QUANTITATIVE PARADIGM	QUALITATIVE PARADIGM
Purpose reliability	Prediction and control, stable reality is made up of facts that do not change	Understanding dynamic reality changes with changes in people's perceptions
Viewpoint	Outsider reality is what quantifiable data indicate it to be	Insider reality is what people perceive it to be
Values	Value-free values can be controlled	Value-bound values will impact on understanding the phenomena
Focus	Particularistic defined by variables studied	Holistic
Orientation	Verification	Discovery
Data	Objective	Subjective
Instrumentation	Non-human	Human
Conditions	Controlled	Naturalistic

8.2.2 Rationale for qualitative research

As reported in previous paragraphs of this chapter, for the purpose of developing critical indicators for corporate social performance, qualitative research design offers the most appropriate methodology in reaching the stated research objective. If one considers the qualitative paradigm (Table 8.1.) in an attempt to defend the decision of following qualitative research design, the following rationale emerges:

- A fundamental understanding is needed of the key drivers of corporate social performance in the S A context. According to the researcher, the current frameworks and guidelines (e.g. AICC and GRI) relate to specific objectives with limited contextualisation within the SA context.

- The field of corporate citizenship and corporate social performance is dynamic. In the advent of a changing socio-political and socio-economical SA landscape, for example Employment Equity and Black Economic Empowerment, to name but two, reality changes resulting in people's perceptions changing. Political power and economic prosperity leading to a sustainable future for S A and all the citizens, dictate the agenda and policy parameters associated with social development. Again, politics and prosperity are dependent on perceptions which will have to be harnessed through a qualitative design in order to capture changing opinions, hence shaping the dimensions of reality.
- The reality of corporate social performance is what people perceive it to be. It is therefore important to solicit "insider" viewpoints from leading experts in the field who represent all sectors of society.
- Through qualitative research, differences in values between participants will be acknowledged which will enrich the data and have a positive impact on understanding the phenomena.
- The primary focus of the study will be to offer a holistic view of corporate social performance, focusing specifically on the indicators or drivers of corporate social performance. This can only be achieved through qualitative research.
- Qualitative research allows for free-ranging discovery. The orientation towards the data gathering is to discover new, original and un-verified information in order to enhance the richness of the data and improve the contextuality thereof in a rapidly changing landscape.
- Qualitative research is however regarded as subjective. The instrumentation used, in the case of this study semistructured interviews, is dependent on human interface and error. The conditions under which the interviews are conducted, are naturalistic to enhance free-flowing opinion and value production by the participants.

In an attempt to address possible criticism and concerns around the qualitative design, and more specifically the subjectivity issue, it was decided to outsource the analysis and interpretation of the data solicited through the in-depth structured interviews. An expert content analysis research practitioner's services were obtained to do the final analysis of the data obtained through the interviews.

The textual data of the transcribed interviews were analysed through content analysis by this expert in an attempt to enhance objectivity and to offer an undisturbed view on the data presented. The final results of the interpreted data were offered to the researcher on which certain recommendations were made, with specific reference to the main objective of the study, i.e. to present indicators for corporate social performance in the SA context.

The following section of Chapter 8 will offer a theoretical overview of the technique of content analysis.

8.3 CONTENT ANALYSIS

8.3.1 Definition

Weber (1990) defines content analysis as a research method that uses a set of procedures to make valid inferences from the text. These inferences are about the sender (s) of the message, the message itself, or the audience of the message. The rules of this inferential process vary with the theoretical and substantive interest of the investigator.

Furthermore, according to Weber (1990), there is no simple "right way" to do content analysis. He argues that instead, investigators must judge what methods are most appropriate for their substantive problems. It is for this reason that an external content analysis expert who specialises in content analysis, did the analysis of the data following a methodological approach most appropriate to the specific nature of the study and objectives to be reached.

8.3.2 Purpose of content analysis

Content analysis can be used for many purposes. Weber (1990) lists the following points (adopted from Berelson 1952) that refer to the variety of uses of content analysis:

- Disclose international differences in communication content.
- Compare media or "levels" of communication.
- Audit communication content against objectives.
- Code open-ended questions in surveys.
- Identify the intentions and other characteristics of the communicator.
- Determine the psychological state of persons or groups.
- Detect the existence of propaganda.
- Describe additional and behavioural responses to combination.
- Reflect cultural patterns of groups, institutions, or societies.

- Reveal the focus of individual, group, institutional or societal attention.
- Describe trends in communication content.

Considering the above uses of content analysis, it becomes clear that content analysis is the most appropriate technique to follow in analysing the textual data obtained through the structured in-depth interviews.

8.3.3 Advantages

According to Weber (1990), compared with other data-generating and analysis techniques, content analysis has several advantages:

- Communication is a central aspect of social interaction. Content-analytic procedures operate directly on text or transcripts of human communication.
- The best content–analytic studies use both qualitative and quantitative operations on text. Thus content analysis methods combine what are usually thought to be antithetical modes of analysis.
- Documents of various kinds exist over long periods of time. Culture indicators generated from such series of documents constitute reliable data that may span many centuries.
- In more recent times, when reliable data of other kinds exist, culture indicators can be used to assess quantitatively the relationships among economic, social, political and cultural change.
- Compared with techniques such as interviews, content analysis yields unobtrusive measures in which neither the sender nor the receiver of the message is aware that it is being analysed, consequently, there is little danger that the act of measurement itself will act as a force for change that confounds the data.

It is however important to note that for the purpose of this study the interviews with the participants will not be the object of analyses, but the transcribed versions of the recorded interviews. The textual data therefore will be the main content that will be analysed.

8.3.4 Reliability

According to Krippendorff (1980), there are three types of reliability that are pertinent to content analysis:

University of Pretoria etd – De Jongh D 2006

- Stability

  Refers to the extent to which the results of content classification are invariant over time. Stability can be determined when the same content is coded more than once by the same coder. Inconsistencies in coding constitute unreliability.

- Reproducibility

  Sometimes called intercoder reliability, the above term refers to the extent to which content classification produces the same results when the same text is coded by more than one coder. Conflicting codings usually result from cognitive differences among the coders, ambiguous coding instructions, or from random recording errors. High reproducibility is a minimum standard for content analysis.

- Accuracy

  Refers to the extent to which the classification of text corresponds to a standard or norm. It is the strongest form of reliability. Krippendorf (1980) however notes that except for training purposes, standard codings are established infrequently for texts, with the result that researchers seldom use accuracy in reliability assessment.

In the case of this study, only one person who is regarded as an expert qualitative researcher and content analyst will be coding the textual data. High levels of stability will therefore be reached in the coding process, ensuring acceptable levels of reliability.

8.3.5 Validity

When using content analysis as the research methodology, the term "validity" can possibly be confusing. Therefore it is necessary to differentiate between the validity of the classification scheme, or variables derived from it, and the validity of the interpretation relating content variables to their causes or consequences (Weber 1990). In the case of this study, the validity of the classification scheme will enjoy priority in so far as the methodology or process that was followed by the expert content analysts.

It is however important to relate to the various types of validity and its applicability within content analysis. Weber (1990) offers the following explanations:

University of Pretoria etd – De Jongh D 2006

- Face validity

  According to Weber (1990) this is perhaps the weakest form of validity. It consists of the correspondence between investigators' definitions of concepts and their definitions of the categories that measured them. A category has face validity to the extent that it appears to measure the construct it is intended to measure. Content analysts often rely heavily on face validity, resulting in scepticism by some critics.

- Construct validity

  A measure has construct validity to the extent that it is correlated with some other measure of the same construct. This construct validity entails the generalisability of the construct across measures or methods. A measure has high construct validity when it correlates with other measures of the same construct (convergent) and is uncorrelated with measures of dissimilar constructs (discriminant).

- Hypothesis validity

  Relies on the correspondence among variables and the correspondence between these relationships and theory. A measure has hypothesis validity if, in relationship to other variables, it "behaves" as it is expected to.

- Predictive validity

  Refers to the extent that forecasts about events or conditions external to the study are shown to correspond to actual events or conditions. These predictions may concern future, past or concurrent events. Predictive validity is powerful because the inferences from data are generalised successfully beyond the study to situations not under the direct control of the investigator. Content analytic data are seldom shown to have predictive validity.

- Semantic validity

  Semantic validity exists when persons familiar with the language and texts examine lists of words (or other units) placed in the same category and agree that these words have similar meanings or connotations. Although this seems an obvious requirement for valid content analysis, many difficulties arise because words and category definitions are sometimes ambiguous.

8.3.6 Steps in content analysis

Weber (1998) suggests that the process of creating and applying a coding scheme consists of several basic steps. If investigators have identified the substantive questions to be investigated, relevant theories, previous research, and the text to be classified, they next proceed with the following necessary steps:

University of Pretoria etd – De Jongh D 2006

Step 1: Define the recording units

There are six commonly used options, i.e. words, word sense, sentence, theme, paragraph or whole text.

Step 2: Define the categories

In creating category definitions, investigators must make two basic decisions. The first is whether the categories are mutually exclusive and secondly how narrow or broad the categories should be. Webber (1990) suggests that it may make sense to use much more narrow or specific categories such as in the case of this study, for example social development as a key performance area for management staff.

Step 3: Test coding on sample of text

Testing not only reveals ambiguities in the rules, but also often leads to insights suggesting revision of the classification scheme.

Step 4: Assess accuracy or reliability

In the case of this study, making use of one coder, the reliability is guaranteed.

Step 5: Revise the coding rules

Ensure continuous revision of the coding process. In the case of this study, the revision will be done by the researcher.

Step 6: Return to Step 3

This cycle will continue until the coders achieve sufficient reliability or until the coding procedures work correctly. Again, a step unnecessary in this study.

Step 7: Code all the text

When high coder reliability has been achieved, the coding rules can be applied to all the text.

Step 8: Assess achieved reliability or accuracy

The reliability of human coders should be assessed after the text is classified. Never assume that if samples of text have been coded reliably, then the entire corpus of the text will also be coded reliably. Human coders are subject to fatigue and are likely to make more mistakes as the coding proceeds.

To sum up, the above steps have been followed by the independent coder with close supervision by the researcher. Furthermore, due to only one coder doing the analysis, reliability is guaranteed. Finally, the coder was present during all the interviews as an observer which brought the coder closer to the empirical process on the one hand, but still maintained independence in so far as his/her role was defined during the interviews. The researcher also required a basic

understanding and knowledge of the field of study from the coder due to its contemporary nature and contextuality in the SA environment. The coder fulfilled these requirements.

8.4 RESEARCH METHODOLOGY

8.4.1 Introduction

An exploratory approach to the identification of critical indicators for corporate social performance in the South African context is based on the assumption that there are no generally recognised and acceptable indicators currently being used in SA. The reality of such indicators, especially in a time when the topic is globally quite contemporary, is socially constructed and therefore contextual in nature. Thus, inquiry into the indicators determining adequate social performance by SA corporations must be qualitative. According to Janesick (1994), in qualitative research, the aim is to look for the meaning and the perspectives of the participants in the study.

For SA corporations, representing private, public and civil society sectors, to delve more deeply into their own social performance practices, the use of narratives (in the case of this study, interview transcriptions), becomes important. With the advent of social and environmental concern integrated with economic growth and sustainability ("triple bottom line" Imperatives), driven globally from an institutional level, the role of corporations has shifted to that of respected citizens which value, respect, embrace and protect societies and, the natural environment. The global agenda of social and environmental cohesion is becoming a key focus of business leaders, governments and civil society organisations.

The focus of the interviews will therefore be to elicit the viewpoints and opinions of the 16 participants being respected individuals in SA who have developed unquestionable reputations in the field of social development. These people often express their opinions publically and this shapes the landscape continually and makes it necessary to harness these opinions into a framework. The structured in-depth interviews will allow this to be realised, resulting in the main objective of this study.

8.4.2 Role of the researcher

According to Lincoln and Guba (1986), the role of the researcher in an interpretivist paradigm is that of a "passionate participant" actively engaged in facilitating the "multivoice" reconstruction of his or her own construction as well as those of all other participants.

In this study, the aim of the researcher is to listen to and record the responses of the 15 participants. Although only five key questions were asked during the interviews, probing was

extensively used as a follow-up technique in reaching deeper levels of viewpoints and opinions of participants. The researcher also forwarded the five questions to the participants one week prior to the actual engagement with the participant. This allowed the participant the necessary time for preparation. Through the use of qualitative techniques, which in the case of this study was mainly content analysis of the interview transcriptions (textual data), the researcher gained insight and knowledge from leading SA experts in the field of corporate social performance. It was the researchers' intent to provide rich descriptions of the opinions of these experts on what determines adequate corporate social performance. Their opinions will inevitably influence, transform and shape the practice of corporate citizenship in SA.

It is however important to record the researcher's background and beliefs. This reporting will aim to disclose any bias and / or agendas that the researcher might be accused of. The researcher has been involved in the field of corporate social responsibility and investment for the past five years. The past twelve months have been the most extensive period during which the researcher was responsible for establishing a Centre for Corporate Citizenship at the University of South Africa. The key focus areas of the Centre will be the offering of training and education products and services to the private, public and civil society sectors in SA and on the African continent. It will furthermore also offer research solutions in the broad field of corporate citizenship.

The result of this study will undoubtedly contribute towards the compilation of curricula within the Centre as well as the identification of future research that might be carried out by the Centre. Ultimately the Centre will offer solutions in the field of corporate citizenship which will influence and shape business practice in future. Although this motive of the researcher might be viewed as an "own agenda" in doing the research in the first place, the scientific contribution and deepening of the understanding of the topic in general will neutralise bias in favour of a critical need to produce research results in an area with limited research substance.

Finally, the changing nature of this field and the global attention to sustainable development almost demands some scientific coping mechanisms of which the recording of 15 SA leading experts' opinions on the same occasion is but one such mechanism. This recording almost forces the changing environment and continuous development to a standstill, thus allowing documentation and the development of case history to take place.

8.4.3 Description of the participants

The key participants in this study were 15 leading experts in the field of social development and more specifically the corporate sectors' responsibility towards social development. The selection

of the 15 participants was based on convenience sampling although an attempt was made to include representatives from public, private and civil society sectors. The participants have a fundamental understanding of the corporate social responsibility and are generally regarded by the business sector as leading experts who have shaped the corporate citizenship landscape in SA to the level it currently occupies. Furthermore there are not a large number of such experts in SA, resulting in a situation in which the 15 participants almost represent the total population of such experts in SA. These participants have also influenced the business, public and civil society sectors on a strategic and institutional level, taking part not only in high level discussions but also determining policy parameters for the future corporate citizenship landscape in SA. Recognising that these influences take place at a very high level, the experts who participated in this study occupied executive positions in their various organisations. Their decision-making power also stretched further than the organisations they represented, culminating in influencing agendas and policy issues on an institutional level that has national and in some cases global impact.

Although these 15 experts work independently from one another, because of global and local development and change in practices, procedures and regulations, some of them have worked collaboratively, building between them a body of knowledge surpassing any other such group of experts in SA.

The following 15 individuals, representing the three sectors, participated in the research:

The Private Sector

1. Mr Phillip Armstrong : Managing Director: ENF Corporate Governance Advisory Services
2. Mr Mpho Makwana : Chief Executive Officer : Saatchi & Saatchi (SA)
3. Mrs Nicky Newton-King : Director : New Business & General Council: Securities Exchange South Africa
4. Dr Bongani Khumalo : Chairman: Transnet
5. Mr Paul Kruger : Chairman : SASOL
6. Mr Mohammad Adam : Corporate Council and Company Secretary: ESKOM
7. Mr Clem Sunter : Chairman: Anglo American Chairman's Fund

The Public Sector

8. Dr Zola Skweyiya (MP) : Minister of Social Development
9. Mr Vukani Mthindzo: Manager Stakeholder Relationships Department of Social Development
10. Mr Bruce Koloane : Chief Director: Economic Development Africa and the Middle East : Department of Trade and Industry

University of Pretoria etd – De Jongh D 2006

The Civil Society Sector

11. Mr Sean de Cleene : Director African Institute of Corporate Citizenship
12. Prof. Barney Pityana : Principal and Vice Chancellor University of South Africa
13. Rev. Sunette Pienaar : General Manager Heartbeat : Centre for Community Development
14. Mr Allister Smith : Congress of South African Trade Unions (COSATU) representative on Naledi – The research and development arm of COSATU
15. Mrs Margie Keeton : Chairperson : Tsikululu Social Investment Services

The representation of participants in the three sectors was as follows:

Private sector:	50%
Public sector:	20%
Civil Society sector:	30%

The main reasons for having more private sector participants were as follows:

- To allow free-flowing, active idea generation of social performance from the group most knowledgable about corporate social responsibility.
- The private sector in SA is currently taking the lead in shaping the landscape around mobilisation of resources to fast-track social development. Their active participation during the Johannesburg Summit (WSSD, 2002) is proof of this.
- The researcher is of the opinion that a sustainable global society and environment will in future be determined by the private sector. Global resources and infrastructure, including knowledge, skills and capital are still in the hands of the private sector.

8.4.4 In-depth interviews

In-depth semi-structured interviews were conducted with the 15 participants. The interviews were recorded and transcribed to create textual data for each interview. These narratives were then analysed, using content analysis as the qualitative research methodology. The interviews were semi-structured. Although the same five questions were put to the participants, the probing questions relating to specific questions differed, depending on the specific perspectives of the participants. The probing questions related to the five key questions however allowed for deeper delving into the main question body, ensuring richness of text and maximum contribution by the participants. The interviewing time allowed per participant was one hour and in most cases was sufficient to cover the five key questions.

The five questions were asked in a specific order. Question 1 and 2 were introductory questions which focused on creating a general context, leading up to Question 3, which was regarded as the key question, aiming to elicit the participants' viewpoints on the indicators of corporate social performance. Question 3 therefore related to the core of this study - the main source of data collection in achieving the aim of this study.

Questions 4 and 5 were more futuristic and allowed for generating scenarios which might contribute towards the shaping of the SA corporate citizenship and social performance landscape. Although the content of Questions 1, 2, 4 and 5 were analysed and reported on, Question 3 was analysed in more depth in order to reach the main objectives of the interviews.

Janesick (1998) lists the following types of interview questions:

- Basic descriptive questions

  Example:

  "Can you talk to me about your car accident? Tell me what happened that evening?"
- Follow-up questions

  Example:

  "You mentioned that planning time is important to you. Can you tell me how you use planning time?"
- Experience / Example questions

  Example:

  "You mentioned that you loved going to Paris. Can you give me an example or two that made you love Paris?"
- Simple clarification questions

  Example:

  "You used the term corporate citizenship today. Can you clarify that for me?"
- Structural / Paradigmatic questions

  Example:

  "You stated that this was a problematic situation. What would you describe as the cause of this problem?"

During the interviews, a combination of the above types of questions was asked. Usually, the five key questions were basic description questions, followed by some probing / follow-up questions, clarification and experience questions per key question.

University of Pretoria etd – De Jongh D 2006

8.4.5 Deciding on the research questions

The literature study revealed fundamental elements relating to the corporate citizenship debate. When placed in the SA context however, these theoretical arguments seem to lack some element of reality grounding if one considers the uniqueness of the SA socio-economic and socio-political landscape. After analysing the existing theoretical perspectives on corporate social performance, the following outcomes that emerged, fundamentally created the research constructs from which the actual research questions were derived. These outcomes were furthermore contextualised within the SA landscape in an attempt to refine the essence of the expected data to be analysed by the author. These theoretical outcomes were:

- Integrating social development imperatives with business strategy and practice – Question 1

The theory revealed the desperate need for aligning business imperatives with social imperatives. It also reported on local and international institutional drivers, for example The King 2 Report on Corporate Governance and the Global Reporting Initiative that are preparing the business landscape for large-scale transformation. This section of the literature review also revealed the complexity of the business landscape with specific emphasis on intangible value indicators, for example trust, integrity, reputation and culture. It also revealed the risk associated with the social construction of business and the inability of organisations to predict these factors. It also emphasised the emotional value embedded by society and the demands placed on an organisation to manage it.

It was therefore critical to obtain the viewpoints of the respondents on the integration of social imperatives with business imperatives.

- Stakeholder engagement and partnerships – Question 2.

The SA reality demands a concerted effort by all sectors to make SA a better place for all. Although strongly argued in theory, the partnership philosophy seems to be superficial if one considers the socio-political and economic history of SA. Pure engagement with stakeholders therefore seems marginal if cultural, political, social and economic factors are not acknowledged. The nature of the relationship between stakeholders and the expected value also need to be recognised. SA does not have a history of cross-sector collaboration and partnerships and therefore it requires de-coding of these relationships before it could be regarded as a key indicator of corporate social performance. The benefits are still viewed with a certain amount of sceptisism.

The theory therefore had to be challenged in order to create a more context relevant basis which is relevant to the SA situation. A broad understanding was therefore necessary; therefore a general question on the viewpoints of the participants on stakeholder engagement was included.

- Indicators of corporate social performance in SA – Question 3

In the theory a strong argument was posed in favour of a Euro-centric approach in defining CSR, CSI and corporate citizenship. The models and foundations of corporate citizenship however, related to First World environments where there is generally a lack of socio-economic and socio-political reality. Furthermore the notion of philanthropy and corporate giving which could be seen as the origin of CSR does not, in its full consequence, relate to the SA scenario. The indicators, criteria and frameworks as described in the literature review also relate to American and European imperatives where socio-economic growth and development are largely absent. It was only since the advent of democracy in 1994 that civil action in SA was given its rightful place and the impact of this felt by the SA corporate sector.

Corporate social performance and corporate citizenship in SA therefore needed to be re-defined. The dynamic nature of the post-1994 era especially from a regulatory point of view demanded a relevant perspective and definition of corporate citizenship. The SA business sector has realised its role in social transformation, but is finding it difficult to operationalise this within its core business strategies. The question relating to indicators of corporate social performance therefore was seen as a first step in closing the gap between European/American and therefore First World perspectives and South African realities.

- Future landscape of corporate citizenship in SA – Question 4

The literature revealed the dynamic nature of corporate citizenship. It does not however contextualise this within the SA reality. The current and future political and social landscape in SA already suggests stronger civil action and regulation. Furthermore it is evident that alignment of effort and definite cross-sector partnerships (even between companies in the same sector – competitors) will be the only solution in reconstructing not only SA, but also the African continent.

In order to contextualise the indicators, an understanding was needed of the future landscape. Social cohesion as defined by the European Union certainly cannot be superimposed on the SA situation. It was therefore decided to create a few scenarios on how the changing landscape might affect the indicators against which social performance could be measured.

- Three critical areas of corporate citizenship in SA – Question 5

The theory suggests fundamental driers of corporate citizenship in future for example integrated social accounting, auditing, reporting and assurance as well as measuring return on social investment to name but a few (see Figure 6.4). What is however critical in the SA environment which is characterised by a strong and sophisticated business voice on the one hand, and civil action and regulation on the other is the extent to which a significant impact can be made on social transformation. HIV/AIDS, poverty and job creation are the key social imperatives that are threatening the existence and sustainability of SA as a country, let alone the African content as a whole.

The question therefore related to the practical next steps needed to start a process of social transformation in which the corporate sector will play a fundamental role. The question also related to generating priorities which could highlight the critical indicators that deserved immediate attention by all sectors in SA and was intended to "uncover" the unique SA indicators (see phase 3 of Figure 6.4 p. 280).

QUESTION 1

What are your views on the integration of social development with business strategies in SA?

Examples of clarification / probing questions:

- What are the key issues that drive the business sector in SA to become more socially responsible?
- What are the issues that the business sector should bear in mind when integrating these two philosophies?

QUESTION 2

What are your views on the business sector's engagement with stakeholders in SA?

Examples of clarification / probing questions

- Who are the key stakeholders in the corporate citizenship landscape in SA?
- What is the nature of the relationship between these stakeholders?
- How could the relationship between these stakeholders be strengthened?
- Your understanding of cross-sector partnership?

QUESTION 3

In your opinion, what are the key indicators of Corporate Social performance in SA?

University of Pretoria etd – De Jongh D 2006

Examples of clarification / probing questions

- When will a business know if it's performing adequately in social terms?
- What are the most important management implications for the business sector that wants to be more socially responsible?

QUESTION 4

Characterise the future landscape of corporate citizenship in SA

QUESTION 5

If you had the opportunity to shape the future of corporate citizenship in South Africa, what will be the three most critical areas that you will focus on?

Questions 4 and 5 allowed for free-flowing thought generation with little if any follow - up or clarification by the researcher. The probing questions (examples under Questions 1 – 3) are just examples and were only asked if necessary. Furthermore, the individual unique responses of the participants also led to specific clarification questions that are not listed above. Finally, standard to all questions, was the "why" question that was asked as a matter of principle. The "why" question allowed for deepening of responses specifically to responses that were viewed by the researcher as controversial in nature. This was also asked to reduce subjectivity and bias during the content analysis of the interview transcriptions.

8.4.6 General assumptions

Because of the interpretive nature of qualitative research, it is important that the researcher's basic assumptions, upon which and through which the study is conducted, are explicated. This should facilitate the understanding not only of the choice of methodology, but also of the positional analysis taken. Because this form of research reflects a critical tradition in that it will confront observed societal injustices, it is fundamental to articulate some general assumptions. These assumptions, of which some are suggested by Janesick (1985), are as follows:

- With regard to data collection, interviews were recorded and transcribed, not measured. Behaviour has not been described. The sample was intensive rather than extensive. The data resulted in the discovery of key indicators and some future scenarios.
- Interpretation and meaning were understood within the sectorial (public, private and civil society) context.
- Truth was not constructed or understood outside of its social, political and cultural context.

- The interpretation of truth did not exist apart from some set of idealogical precepts. These precepts were reported in the literature review of this study with specific focus on Chapter 7, dealing with a changing business landscape.
- There was no single voice or single truth that was dominant. Thus, this study assumes the research position of a postmodernist.
- Although the actual outcome of the study, i.e. determining the key indicators for corporate social performance represents the main objective of the study, the opinions and perceptions of the participants outside the main objective, were seen as equally important. The documentation of the SA business and social landscape as well as future perspectives of the changing business landscape were also of direct interest to this study.
- Reality is multiple, interrelated and divergent (Janesick 1985).
- There are representative power relations at work within each of the three sectors as well as within the collaborative which are socially and historically constituted.
- The power of language mediates the experience and the experienced against and within the subjective. The richness of the textual data as per the interview transcriptions allowed this mediation to realise.
- The research was intended to be transformative in so far as reporting on the key indicators which prior to the execution of the study, did not exist. Although the intention was to record the information gained, it was not viewed as the main intent, but rather in support of the main objective.

To sum up, Janesick (1998) argues that qualitative research is an interdisciplinary, transdisciplinary field that uses a multimethod approach for its research. Its perspective is naturalistic and interpretive with regard to the understanding of human experience. It stresses the socially constructed nature of reality, the intimate relationship between the researcher and the participants who are the experts who guide the researcher or through the area of the study and the situational constraints that shape inquiry. It emphasises the value-laden nature of inquiry and answers questions that stress how social experience is created and given meaning. This study therefore attempted to create meaning through a process of inquiry into the minds of 15 experts who in SA are regarded as leading figures in the field of corporate social responsibility.

University of Pretoria etd – De Jongh D 2006

8.5 ANALYSIS OF DATA

8.5.1 Grounding analysis in the data

In Social Research Methods Lawrence Neuman (1994) suggests four key distinctions between quantitative and qualitative research. The last of these, that qualitative analysis is somehow less abstract than quantitative analysis and therefore 'closer to raw data,' is particularly vulnerable to post-modern critique and is not a principle concurred with in this study.

The remaining three assertions however resonate with the qualitative approach followed in this research and inform the choice of analytical method adopted, as will be explained.

Quantitative research in the social sciences is traditionally utilized to prove a hypothesis. Strictly speaking, quantitative techniques are employed to disprove a null hypothesis (an alternative explanation to that which the researcher favours), thus rendering the alternate hypothesis (the explanation the researcher anticipates to be correct) a more probable explanation. Statistical analysis does however have broader applications in practice, but the point Neuman is attempting to make is that quantitative approaches are applied in a very structured research setting, where the process is conducted by rote. As soon as a statement is posited on social phenomena, a predetermined process is invoked that will result in statistical approval or dismissal.

The rote is very useful, especially for the credibility of the social sciences. These techniques are known, available, tried and tested, trusted and produce a clear result. The quantitative process is refined to an instrumental level, where researchers can choose, based on the nature of the problem and more especially the data under scrutiny, what set of quantitative tools they will employ. Neuman's second point is that quantitative methods are thoroughly standardised.

By contrast, qualitative techniques are neither rigid nor standardized to the same extent. Not all research questions are satisfactorily answered quantitatively because not all questions posit a hypothesis. Quantitative researchers choose ahead of time what methods of analysis they will employ according to the type of data their research is designed to deliver. However, one may not always be aware of the type of data one will be confronted with when the analysis must finally be made.

"Qualitative analysts do not often enjoy the operational advantages of their quantitative cousins in being able to predict their own analytic processes; consequently, they cannot refine and order their raw data by operations built initially into the design of the research" (Schatzman & Strauss 1973: 108).

Sometimes some investigative play is called for, free of assumptions that would constrain the research process and this is where qualitative techniques are useful. Schatzman and Strauss as well as Neuman are expressing some of the sentiments that form the basis for a grounded theory approach.

Grounded theory recognizes that rather than mutilating data to fit the method, method and theory should emerge from the data. Neuman further allows for this by identifying qualitative analysis as the method which allows for analysis as the research process progresses, rather than as a particular step that is undertaken once the data are in. This progressive analysis influences subsequent data collection in the same research process.

8.5.2 Systematic coding

Having asserted the freedom to engage the data as the data dictate, it is still important to propose a systematic approach, which is transparent and will allow consumers of this information to judge whether subsequent assertions are plausible.

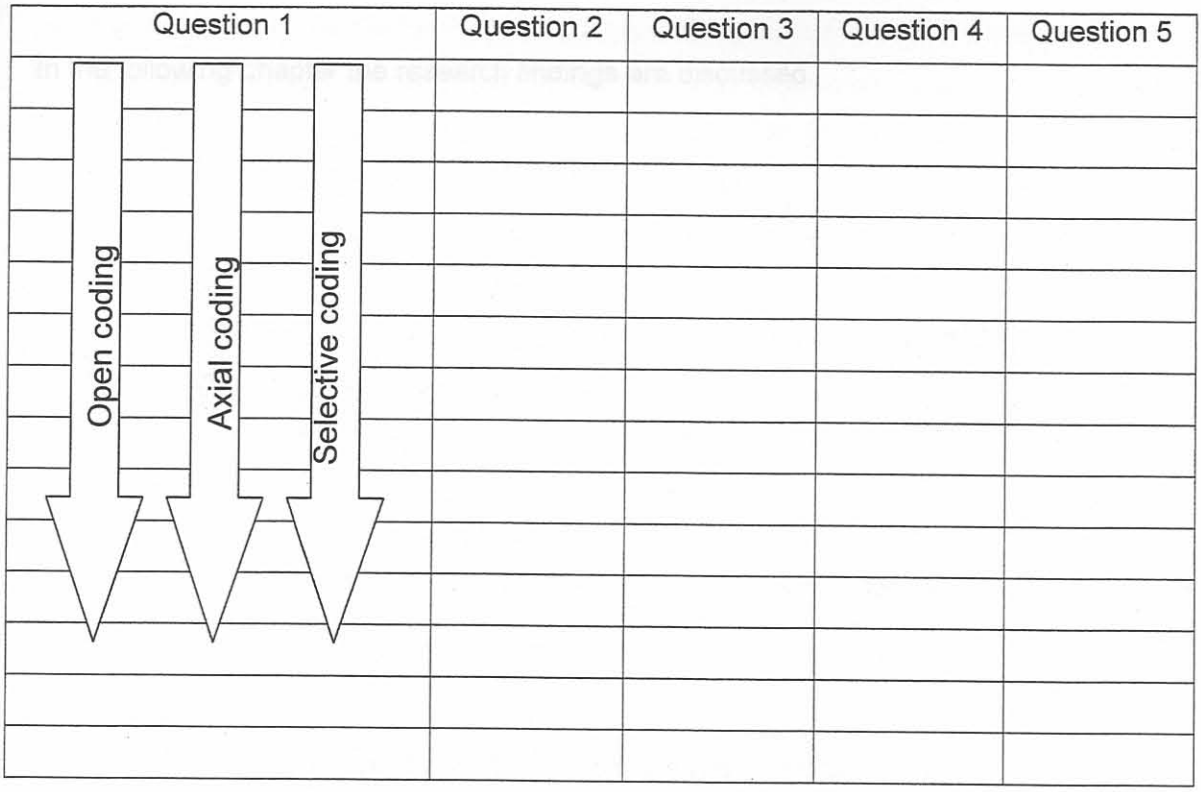
The data constitute five natural categories, based on the five questions put to respondents. The initial steps in the analysis will treat data in these five categories. A three-step coding process will be applied to each category:

- Open Coding
  Within a category, the researcher will attempt to identify themes in responses and assign initial codes. Themes are abstract concepts that repeatedly emerge from the concrete data (transcriptions of interviews).
- Axial Coding
  Within a category, the researcher now refines the set of themes, eliminating, confirming and merging themes into a reasonable list. The researcher now begins to consider relationships and linkages between themes within the category and begins to describe and where necessary, attempt to explain these relationships.
- Selective Coding
  This process involves coalescing the themes that have been emerging in the data into coherent concepts, generalizations and proposing positions based on the data, using illustrations from the data as empirical evidence.

Through this process the researcher will identify commonalities and contrasts in the responses, explore and explain these, and consider their implications for the research question at hand (see Table 8.2 for process flow).

Once the coding and analysis have been completed within categories, the researcher will, with the themes that have emerged, review the data without the categories, considering whether patterns emerge that transcend the directive tendency of specific questions. This last pass through the data may open up new venues of investigation and confirm or provide additional insight into analysis results.

Table 8.2: Data analysis process flow (Source: Beney 2003)



8.6 CONCLUSIONS

To be able to investigate the research problem and objectives, a thorough and formal methodology should be used. It was therefore decided to follow qualitative research methodology in executing the actual research. The reason behind this decision was due to the lack of existing research in this field of study as well as limited expertise in South Africa.

The universe was identified from which the sample frame was derived. Fifteen South African experts in the field of corporate social responsibility and corporate citizenship and using semistructured interviews were interviewed.

University of Pretoria etd – De Jongh D 2006

The data that was generated through in-depth semistructured interviews therefore were viewed as rich data that allowed for qualitative methodology as the most appropriate research strategy to follow. To obtain meaning through the data, the interviews were transcribed into rich text that was analysed through the content analysis methodology. The content analysis was done by an expert researcher who spesialises in content analysis. Through plausible constructionism, the data obtained through the interviews were analysed to identify coherent groupings of meaningful information. These coherent themes that emerged in the five questions that were asked, related to the research questions at hand in order to reach the stated objectives of the study.

In the following chapter the research findings are discussed.

University of Pretoria etd – De Jongh D 2006

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 demographies. 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

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).

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.

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.

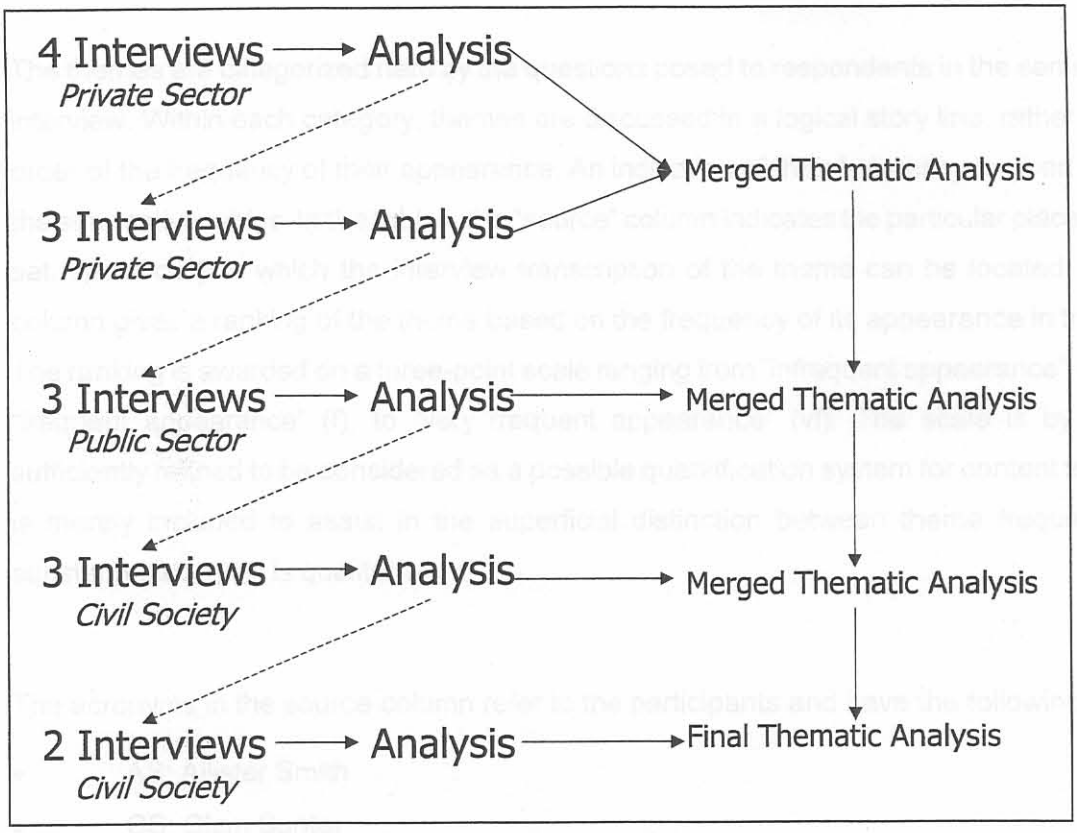


Figure 9.1: The Content Analysis Procedure (Source: Beney 2003)

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.

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.

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.

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.

University of Pretoria etd – De Jongh D 2006

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.

University of Pretoria etd – De Jongh D 2006

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

University of Pretoria etd – De Jongh D 2006

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.

University of Pretoria etd – De Jongh D 2006

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

University of Pretoria etd – De Jongh D 2006

9.5.4 Question 5: Shaping the corporate citizenship agenda

"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

University of Pretoria etd – De Jongh D 2006

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".

University of Pretoria etd – De Jongh D 2006

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.*

University of Pretoria etd – De Jongh D 2006

	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.*

University of Pretoria etd – De Jongh D 2006

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.*

University of Pretoria etd – De Jongh D 2006

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.*

University of Pretoria etd – De Jongh D 2006

Standard Setting 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.	24. Demonstrated stakeholder loyalty. *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".

University of Pretoria etd – De Jongh D 2006

Table 9.8: Contextual "drivers"

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

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.

University of Pretoria etd – De Jongh D 2006

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.

University of Pretoria etd – De Jongh D 2006

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.

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:

University of Pretoria etd – De Jongh D 2006

- 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.

10.2.3 Can the "triple bottom line" be satisfied?

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:

- Compassion
  Sharing success with those less fortunate in society
- Honesty
  Transparency and integrity in all business dealings
- Fairness
  In treatment of staff in relation to work-life balance and opportunities for continuous learning.
- Respect
  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.
- Responsibility
  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).

- 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).

University of Pretoria etd – De Jongh D 2006

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.

University of Pretoria etd – De Jongh D 2006

- Types of outcomes

  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.

- Reasons for the response

  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.

- Impact on the company and the CSI department

  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.

- CEO and Top Executives' evolving role

  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.

University of Pretoria etd – De Jongh D 2006

- 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.

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.

University of Pretoria etd – De Jongh D 2006

(ii) The internet and CSR

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) Branding and the new economy

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) Stakeholder concerns in the new economy - Nike's experience

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)

University of Pretoria etd – De Jongh D 2006

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

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.

- 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.

University of Pretoria etd – De Jongh D 2006

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 SUMMARY

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**

University of Pretoria etd – De Jongh D 2006

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.

University of Pretoria etd – De Jongh D 2006

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