

**The corporate social dimension of the  
triple bottom line –  
a sustainable development perspective**

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## **DECLARATION**

I, the undersigned, hereby declare that the work contained in this thesis is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree.



## **ABSTRACT**

In the past the social dimension of business has often been neglected and regarded as inferior to issues related to the financial sphere of business. The rise of sustainable development and a growing awareness regarding the frailty of earth's resources have placed renewed emphasis on the importance of the corporate social dimension for sustained business success. Scrutiny of the literature revealed that numerous misconceptions regarding the corporate social dimension still prevailed and that the success of sustainable development is often jeopardised by a lack of implementation. The triple bottom line (TBL), a concept that embraces corporate economic, environmental and social elements, was identified as a most appropriate way of elucidating the corporate social dimension and for operationalising sustainable development, as it provides several philosophic and implementation principles and guidelines.

The objective of this study was to contribute to an improved understanding of the corporate social dimension and its implementation as one of the three parts of the TBL, within the perspective of sustainable development. To achieve this objective it was considered fundamental to analyse the importance and development of the corporate social dimension, the concepts and terminology related to the social dimension, and the current status of the corporate social dimension in both a South African as well as a global context. The positive aspects and limitations of extant approaches were subsequently delineated. Another important prerequisite for achieving the objective of the study was the clarification of the importance, meaning and implications of sustainable development, and the TBL approach as an operationalisation method. The development, three dimensions, importance and benefits of the TBL approach were analysed and several fundamental principles and compulsory guidelines were identified as vital conditions (e.g. a stakeholder approach, leadership support and involvement, equal consideration of all the elements of the TBL, etc.) for apt TBL adoption and sustained business success.

An analysis of the relevance of sustainable development and TBL principles and guidelines for the corporate social dimension, and the interrelation between business, government and the social dimension, contributed towards an improved understanding of the social dimension of the corporate triple bottom line and its implementation within the perspective of sustainable development, thereby facilitating the achievement of the objective of the study.

The most salient conclusions of the study focused on the importance of addressing the corporate social dimension in an integrated manner within the perspective of sustainable development and by means of the TBL approach, despite the seemingly elusive nature of the social dimension and numerous debates and viewpoints regarding it.

Based on the conclusions of the study a number of recommendations were made regarding the process of leveraging the context-specific and dynamic nature of corporate social definitions and viewpoints, the advancement of business application, and the advancement of theory.



## OPSOMMING

In die verlede is die sosiale dimensie van besigheid dikwels geïgnoreer en beskou as ondergeskik teenoor kwessies verwant aan die finansiële sfeer van besigheid. Die opkoms van volhoubare ontwikkeling en 'n groeiende bewuswording van die beperktheid van die aarde se hulpbronne het hernieude aandag gevestig op die belangrikheid van die korporatiewe sosiale dimensie vir volhoubare besigheidssukses. 'n Literatuur ondersoek het getoon dat verskeie wanbegrippe met betrekking tot die korporatiewe sosiale dimensie steeds bestaan en dat die sukses van volhoubare ontwikkeling dikwels op die spel geplaas word deur 'n gebrek aan implementering. Die "triple bottom line" (TBL), 'n konsep wat die korporatiewe ekonomiese, omgewings en sosiale elemente omhels, is geïdentifiseer as die mees geskikte manier om die korporatiewe sosiale dimensie toe te lig en volhoubare ontwikkeling te operasionaliseer, aangesien dit verskeie filosofiese en implementerings beginsels en riglyne verskaf.

Die doelwit van hierdie studie was om 'n bydrae te lewer tot 'n verbeterde begrip van die korporatiewe sosiale dimensie en die implementering daarvan as een van die drie dele van die TBL, binne die perspektief van volhoubare ontwikkeling. Ter bereiking van hierdie doelwit is dit as fundamenteel beskou om die belangrikheid en ontwikkeling van die korporatiewe sosiale dimensie, die konsepte en terminologie verwant aan die sosiale dimensie, en die huidige status van die korporatiewe sosiale dimensie, beide in Suid-Afrika en in 'n globale konteks, te analiseer. Die positiewe aspekte en beperkinge van bestaande benaderings is vervolgens ondersoek. Nog 'n belangrike voorvereiste vir die bereiking van die doelwit van die studie was die uitklaring van die belangrikheid, betekenis, en implikasies van volhoubare ontwikkeling, en die TBL benadering as 'n operasionaliserings metode. Die ontwikkeling, drie dimensies, belangrikheid en die voordele van die TBL benadering is geanaliseer en verskeie fundamentele beginsels en verpligtende riglyne is geïdentifiseer as deurslaggewende vereistes (bv. 'n belanghebbende benadering, leierskap ondersteuning en betrokkenheid, gelyke oorweging van al die elemente van die TBL, ens.) vir gepaste TBL aanneming en volhoubare besigheidssukses.

Die analisering van die relevansie van volhoubare ontwikkeling en TBL beginsels en riglyne vir die korporatiewe sosiale dimensie, en die interverwantskap tussen besigheid, die regering en die sosiale dimensie, het bygedra tot 'n verbeterde begrip van die sosiale dimensie van die korporatiewe TBL en die implementering daarvan binne die perspektief van volhoubare ontwikkeling, en daardeur ook tot die fasilitering van die bereiking van die doelwit van die studie.

Die mees uitstaande gevolgtrekkings van die studie fokus op die belangrikheid van die aanspreek van die korporatiewe sosiale dimensie op 'n geïntegreerde wyse binne die perspektief van volhoubare ontwikkeling en deur middel van die TBL, ten spyte van die skynbaar ontwykende aard van die sosiale dimensie en die vele debatte en oogpunte met betrekking tot die konsep.

Gebaseer op die gevolgtrekkings van die studie is 'n aantal aanbevelings gemaak met betrekking tot die proses van die hefboming van die konteks-spesifieke en dinamiese aard van korporatiewe sosiale definisies en oogpunte, die bevordering van besigheidstoepassing, en die bevordering van teorie.



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“Our God is an awesome God”, a “God of wonders beyond this galaxy” ... I have undeservingly experienced this time and time again – what a privilege!

**To Mom and Dad**



*“The heights by great men gained  
and kept were not attained by  
sudden flight, but they, while their  
companions slept, were toiling  
upward in the night.”*

*- Henry Wadsworth Longfellow -*

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# **CHAPTER 1: INTRODUCTION**

## **1.1 Background**

In the past businesses predominantly regarded their core responsibility as generating profits (Brakel, 2000; Triple bottom line reports for a wider audience, 2003; Hill, Stephens & Smith, 2003). Business decision-making, strategies and activities by large were aimed at generating financial returns and results that would satisfy the needs of organisational owners and shareholders (Friedman, 1970; Knautz, 1997). Although some organisations allowed for additional focus areas and involvements, these were for the most part viewed as subordinate to the main business goals of sound financial performance and results.

The corporate disregard for proactive consideration of a broader set of business dimensions, however, is now seemingly nearing its end. The existing world, both business and society, is changing at an astounding velocity (Percy, 2000; Baker, 2003). Change has become the rule (Johnson, 2001), often the only certainty, and gives rise to a dynamic state of increased volatility (Visagie, 1993; Percy, 2000). Businesses, as interdependent participants of the systemic nature of the world, are unable to evade the above-mentioned change and volatility, and are subsequently faced with an array of significant new challenges and demands from a broadened set of pressure groups (Hardjono & Van Marrewijk, 2001).

One of the foremost sources of new challenges and demands has emerged in the form of a globally acknowledged movement, namely sustainable development. Emphasis on the concept of sustainable development has expanded substantially in recent years (Percy, 2000; Thorvik, 2001). Rogers and Ryan (2001, p. 281) refers to the well-known “ecological limits of the planet Earth” and the “destructive forces of current economic



practices” as motivating forces for this rising importance. Sustainable development presents a holistic review of Earth’s activities and systems for the purpose of inspiring behaviour that enables a sustained existence. It confronts the world and businesses across the globe in particular, with the challenge of reviewing their focus areas, strategies, relations and operations in terms of holistic and integrated sustainability standards. It urges businesses to reassess the impact of their economic practices, and to proceed proactively instead of reactively.

The reassessment of business activities in terms of criteria that satisfy the premises of sustainable development, places renewed emphasis on the inability of a single financial bottom line to ensure sustained business success. Businesses are therefore encouraged to extend their focus beyond generating profits to incorporate a philosophy of responsible management (Waddock, Bodwell & Graves, 2002; Mowat, 2002). Responsible management infers more than achieving good financial results (Hardjono & Van Marrewijk, 2001, p. 228). It expects of businesses to deliberately acknowledge their interdependency with society (Executive Committee, 2002). In 2000 the incumbent British Prime Minister, stated: “Today, a strong economy and a strong society are two sides of the same coin” (Timms, 2000, p. 1), thereby emphasising that the relationship between business and society has never been as critical as now. It has been forced to the top of the corporate agenda by the changing operational context of business, and due to the potential of socially detrimental past practices and actions of hampering the sustained existence and success of business (Baker, 2003; Persaud, 2003).

Sustainable development thus declares that sustained business existence and excellence will, to a large degree, be determined by the extent of a business’ excellence in performance areas that are expanded beyond mere financial results (Percy, 2000; Mohr, Webb, & Harris, 2001; Garvare & Isaksson, 2001; Mowat, 2002; Jayne, 2002). It incorporates businesses’ excellence in their ability to recognise and nurture their societal interdependence, and thus their level of excellence in addressing not only the corporate economic dimension, but the corporate social dimension specifically.



For decades the corporate social dimension has been regarded as one of the inferior and therefore optional business focal areas (Hardjono & Van Marrewijk, 2001). Despite this viewpoint, the corporate social dimension has been widely debated (Stendardi, 1992) and these debates have resulted in many varying opinions regarding the most suitable terms and definitions for the concept and what the nature of the concept should encompass (Knautz, 1997; Lantos, 2001; Mohr et al., 2001; Thorvik, 2001; Frankental, 2001; Department for Environment, Food and Rural Affairs, 2002; Keeler, 2003; Fonteneau, 2003). Furthermore, in the past, a number of businesses indeed harboured some level of social consideration and even engaged in corporate social activities. Regrettably, it appears that many of these corporate efforts have been desultory and characterised by an incomplete understanding of the dimension. Despite widespread debates and various corporate efforts surrounding the social facet of business, it seems that until recently, few businesses have been fervent to embrace the relevant benefits and to award the social dimension of business with its appropriate, equal and beneficial position in the competitive business realm.

The social dimension of business is regarded as an important moderator and determinant of sustained business success (Hardjono & Van Marrewijk, 2001, p. 228). Appropriate comprehension and implementation of this business aspect seems critical. Sustainable development, through its method of application, namely the 'triple bottom line' (TBL) of business (economic, social and environmental bottom lines), offers guidelines and principles that are invaluable for understanding and addressing the corporate social dimension.

The importance of this study resides in its attempt to clarify and more comprehensively understand the concepts of sustainable development and the TBL, for the purpose of extracting relevant principles for application in the social dimension of business as a fundamental contributor to sustained business success.



## 1.2 Problem statement

Corporate social action and performance, as driven by a sustainable development perspective and implemented as part of the TBL, has become an inevitable and critical pursuit for businesses who consider the possibility of sustained success a serious matter (Fonteneau, 2003; Response Consulting, 2003).

Although the concept of sustainable development has grown in importance, many business leaders are seemingly still sceptical about the relevance of sustainable development for profit-generating firms. They apparently doubt the rewards of a proactive quest towards embracing the approach. Many businesses seem to remain unaware of the meaning of sustainable development, and do not yet comprehend the nature of this approach in its entirety. As a result, uncertainty prevails vis-à-vis numerous aspects concerning the implementation of a sustainable development approach within business. Businesses often seem ignorant about the prerequisite principles for sustainable development implementation and when indeed informed about the principles often seem unwilling to apply it to all business dimensions in an equal manner. Uncertainty regarding the implementation of sustainable development extends to the comprehension, interpretation and application of the corporate method of execution of the sustainable development movement, namely the TBL. The TBL is embedded in sustainable development and, in recent years, its corporate importance has increased beyond expectations. (Mowat, 2002, p. 24) The approach is business-specific and offers valuable insights into the essence of the corporate social dimension.

It is evident that one of the major reasons for the reluctance of businesses to adhere to the premises of a sustainable development and TBL philosophy, is that it necessitates the same level of consideration for business' social dimension as it requires for the corporate financial dimension and for all other business priorities. Many organisations still foster an insular disposition towards the social dimension of business and yet have to recognise and comprehend the full meaning, nature and scope of this dimension of business. As a consequence of the uninformed and often negative attitudinal state of



businesses and business leaders regarding this dimension, they seemingly either fail to see the many advantages of thoroughly addressing the social dimension, are sceptical about it or are unaware of the potential detrimental effects of neglecting the dimension. It appears that businesses that do attend to this dimension often fail to benefit from their efforts, as they do not address it in a holistic and strategic manner according to sustainability and TBL principles. This could, to a certain extent, be attributed to prevailing business uncertainty concerning the relation between sustainable development, the TBL and the corporate social dimension, and the implications of sustainable development and thus TBL adoption for the corporate social dimension.

The implications of the above situation indicate the following:

- (a) It is important that adequate attention be devoted to the comprehension of what the nature of the corporate social dimension should entail for the purpose of optimally contributing to sustainability. It is also vital to review the development of the dimension, and past viewpoints and approaches to ensure awareness of relevant past strengths and principles, and furthermore to identify defective aspects – the so-called approach of learning from past mistakes.
- (b) Sufficient knowledge about the concept of sustainable development appears to be critical for raising belief in the approach and enhancing present and future adoption and application of the philosophy to social and other business dimensions. An initial step to contributing to an applicable and valuable reassessment of the corporate social dimension is establishing clarity regarding the concept of sustainable development. This includes examining the growing importance of the approach (Shriberg, 2000; Percy, 2000; Rondinelli & Berry, 2000; Thorvik, 2001; Epstein & Roy, 2001; Hardjono & Van Marrewijk, 2001; Rogers, & Ryan, 2001, p. 282); the meaning of the concept (Pearce and Warford, 1993; Rosner, 1995; Sathiendrakumar, 1996; Rondinelli & Berry, 2000; Garvare & Isaksson, 2001; Thorvik, 2001; International Journal of Higher Education, 2003; Article 13 – turning obligation into opportunity, 2003) and the nature, conditions



and implications thereof. (Rosner, 1995; Sathiendrakumar, 1996; United Nations, 2002; Johannesburg Summit, 2002)

(c) Contrary to past practices the concept of sustainable development should be proactively operationalised (Johannesburg Summit, 2002; United Nations, 2002). It seems that numerous critiques regarding sustainable development have had its origin with the lack of implementation of the approach and the subsequent inability to tap into the benefits of the philosophy. The TBL approach has been suggested as a facilitator for sustainable development implementation (Rondinelli & Berry, 2000; Percy, 2000; The business case for local government and TBL, 2002) and is rapidly rising in importance (Zairi, 2000; Wilson & Lombardi, 2001; Mowat, 2002; The triple bottom line, 2003; Hayward, 2003) due to its potential corporate benefits. This approach is meticulously relevant for the corporate social dimension as it focuses on implementation; it is business specific (The business case for local government and TBL, 2002; Vinassa, 2002); it explores the relationship of the social dimension with other business priorities (Vinassa, 2002; The triple bottom line, 2003); and it expands on broad sustainability beliefs by delineating them into more specific guidelines and principles.

### **1.3 Objective of the study**

The objective of the study is to contribute to an improved understanding of the corporate social dimension and its implementation as one of the three parts of the TBL, within the perspective of sustainable development.

### **1.4 Scope of the study**

The concept of the social dimension of business has been analysed from various perspectives, has been the subject of numerous discussions and debates, and has been

interpreted by a host of researchers, resulting in an array of definitions. The diverse range of definitions relating to the social dimension has often been the reason for the debates surrounding the concept and various corporate practitioners and grant-makers have pleaded for a universally accepted definition for the social responsibilities of business. It has to be noted that this study deliberately refrains from joining the definition debate and does not aim to suggest yet another definition for the social involvements and responsibilities of business. The study rather suggests the embrace of what appears to be an elusive and dynamic concept by focusing on underlying principles of the corporate social dimension instead of focusing on an exact definition.

Although the study ultimately recommends a context-specific approach to corporate social behaviour, the study in itself primarily departs from a general stance and employs a general frame of mind throughout. A minor part of the study examines the status of the corporate social dimension in specific countries and continents, including the United Kingdom, the broader Europe, Asia, the United States of America, and South Africa, but for the larger part the study retains its general perspective.

Even though the social dimension of business is critical for a wide range of small, medium-sized and large businesses, this study – due to its particular objective – maintains its general approach and does not differentiate between various types of firms according to size, location, industry or other typological dimensions.

This study acknowledges the vital role of sustainable development in securing the prolonged existence of earth and its resources. The concept – nature, meaning and importance – is reviewed for the purpose of illustrating its potential influence on business excellence and success, and its relevance for the social dimension of business. As such, this study does not aspire to provide an in-depth explanation of sustainable development, but aims at developing an understanding of the motivational role of the concept in terms of the dimensions of the TBL.



The TBL approach to business is presented as a suitable and relevant method for operationalising the concept of sustainable development. In this study the dimensions of the TBL is sufficiently delineated, but for the purpose of achieving the objective of the study a greater level of attention is intentionally granted to the corporate social dimension.

Finally, this study provides an integration of the relevant findings to contribute to an improved understanding of the corporate social dimension and its implementation as a part of the triple bottom line within the perspective of sustainable development.

## **1.5 Methodology**

The basis of this thesis is qualitative in nature and predominantly rests on secondary data that has been collected through library and Internet search. The sources from which data was collected include academic and popular, published and unpublished books, articles, company annual reports, websites, conference papers, and other relevant sources of information, originating from North America, Europe, Asia, Australia and South Africa.

The method of investigation exhibits heuristics elements, i.e. “exploratory open-ended enquiry, self-directed search”, “immersion in the topic”, etc. (Moustakas, 1990) and proceeds according to the nature of qualitative research as comprehended by Denzin and Lincoln (2001) by engaging in the act of enquiry through acknowledging the existence of prior images, asking questions, determining relations, and interpreting findings.

The relevant collected material has been organised, categorised and presented in a logical sequence to accomplish an enhanced comprehension of important concepts, and facilitate meaningful analysis and evaluation. The study is deductive in nature and ultimately, as a result of the collective interpretation of the individual chapters, provides

applied inferences to contribute to an improved comprehension of the corporate social dimension of the TBL as driven by a sustainability perspective.

In the spirit of qualitative research it is acknowledged that the “empirical world necessarily exists always in the form of human pictures and conceptions of it” (Denzin & Lincoln, 2001, p. 123). Thus, consistent with postmodernism, this research does not claim defeat of the impossibility of a value-free and neutral approach to research (Babbie and Mouton, 2001). This study implicitly extracted data that seemed sensible to the author in her perception of the “human pictures and conceptions” of the relevant sector of the “empirical world” (Denzin & Lincoln, 2001, p. 123). The author agrees with the post-modernistic view of the heterogeneity of knowledge production and accepts that there might be other viewpoints, opinions and priorities within the specific field of enquiry.

## **1.6 Structure of the presentation**

This study is presented in 8 chapters.

Chapter 1 forms an introduction to the thesis and provides an important background to the study. A problem statement, explaining the motivation for the thesis, follows the background. The overall objective of the study is stated and the scope within which the analysis was made is subsequently delineated. An outline of the methodology of the study follows, and the chapter concludes by presenting the structure of the thesis as a means of demonstrating the flow of the argumentation.

Chapter 2 serves as a platform for emphasising the important influence exerted by the corporate social dimension on sustained business success. The chapter provides an essential background to and basis for the development of an improved understanding of the social dimension of business. The chapter explores and reviews the terminology used by different parties for describing the concept of the corporate social dimension,



the meaning of the different terms and the relation of these terms with the corporate social dimension. The chapter aims at contributing to a clear comprehension of the origin and development of the social dimension of business. Relevant terminology regarding the corporate social dimension and concepts related to it are reviewed. Finally, the development of the corporate social dimension and the resulting perspectives and approaches are revisited in an effort to identify significant past contributions and defects.

Chapter 3 analyses and compares the current status, both local (RSA) and international, of the corporate social dimension. Emphasis is particularly placed on the concept of corporate social investment, and related recent developments are explored. The chapter concludes by summarising the deficient and constructive aspects of past and extant application of the corporate social dimension, for the purpose of indicating priorities for improved future behaviour.

Chapter 4 proposes the concept of sustainable development as a guideline for rethinking extant corporate social perspectives. The chapter explains the vital importance of the sustainable development philosophy and approach, and clarifies the meaning and nature of the concept. The chapter refers to past deficiencies in sustainable development implementation and recommends the TBL approach to business as a suitable method for operationalising sustainability.

Chapter 5 provides an extensive analysis of the development of the TBL and clarifies the three dimensions – economic, environmental and social – of the concept. The chapter elucidates the importance of the TBL approach for enabling sustained business success, and in support of this, it reviews the far-reaching benefits of adopting the concept.

Chapter 6 presents the implications of TBL adoption in the form of fundamental guidelines and principles that are regarded as inevitable for the successful implementation of sustainable development. These guidelines and principles centre around the equal importance of TBL dimensions; a systemic approach to strategic TBL



integration; leadership commitment and involvement; a stakeholder approach; transparency; ethics; and accountability and reporting. The chapter explores these aspects due to their criticality in achieving sustained business success, and their significant relevance for the corporate social dimension.

Chapter 7 synthesises arguments from previous chapters regarding the deficient and constructive past aspects of the corporate social dimension, and combines this information with principles and guidelines suggested by the sustainable development approach and the TBL as its method of implementation. This chapter thus serves as a logical synthesised argumentation for an improved understanding of the social dimension of the corporate TBL as driven by a sustainable development perspective.

Chapter 8 embodies the summary, conclusions and recommendations of the study. Recommendations concerning the promotion of business applications and the advancement of theory development through targeted research efforts are made. The chapter concludes the thesis by conveying an overall encompassing view of the study and by summarising the most pertinent conclusions and findings regarding the corporate social dimension, sustainable development and the TBL.

## **CHAPTER 2: IMPORTANCE AND DEVELOPMENT OF THE CORPORATE SOCIAL DIMENSION**

### **2.1 Introduction**

In the past the term 'corporate social responsibility' (CSR) has been the term most often used to describe the social dimension of business. Despite continued neglect of the employment of CSR in its entirety, debate surrounding the concept has been in existence for decades (Stendardi, 1992). The ample debates and varying viewpoints from a host of researchers, practitioners and governing bodies have resulted in many attempts to define the concept and consequently a multitude of often vague and ambiguous (Schwartz & Carroll, 2003) CSR definitions and interpretations can be distinguished (Lantos, 2001; Mohr et al., 2001; Thorvik, 2001; Frankental, 2001; Department for Environment, Food and Rural Affairs, 2002; Keeler, 2003; Fonteneau, 2003). Robert Knautz (1997, p. 2) appropriately stated: "social responsibility means many things to many people ... there are as many opinions as stars in the sky, and each one has at least one special interest group working towards it".

### **2.2 The importance of the corporate social dimension for sustained business success**

The tendency of businesses to regard profit generation as their core responsibility and other responsibilities (e.g. environmental and social responsibilities) as inferior, has previously been mentioned (Friedman, 1970; Knautz, 1997; Brakel, 2000; Triple bottom line reports for a wider audience, 2003; Hill et al., 2003). Now it also appears that organisations seem to engage more readily in environmental or conservation activities,



rather than getting involved in social issues as social issues are often more sensitive and more prone to political and other repercussions (Experts urge Thai Officials to Press Firms for More Social Responsibility, 2003). The social efforts organisations do employ are often artificial and not preceded by sufficient integration with organisational strategy (Experts urge Thai Officials to Press Firms for More Social Responsibility, 2003).

Social efforts are often confused with environmental efforts and many organisations that focus on environmental and economic issues erroneously assume that they are already addressing social issues. Consequently social efforts are lacking. (Mohr et al., 2001; Aaronson, 2003)

Although the number of companies who report on social and ethical performance in conjunction with environmental and economic performance, has increased, the number of social and ethical reports is still substantially less than the number of companies who engage in environmental reporting. (CSR report reaching a 'critical mass', 2003) Elkington has stated that although financial and environmental reporting is now well-established, further challenges facing companies are related to evaluating social indicators in "such areas as community, employee and supplier relationships" (Zairi & Peters, 2002, p.1). While a continued economic focus remains important and the environmental crisis state of the world indeed calls for a strong ecological focus, it will be insufficient for long-term viability. Sustainability requires that other fundamental issues such as equity, human rights, structural oppression or disadvantages, and empowerment, that form part of the social TBL dimension, also be addressed (Rogers & Ryan, 2001). It seems as if recognition of the corporate social dimension, in other words corporate social responsibility as an important part of business behaviour, has increased enormously in recent years. Researchers and successful managers agree that CSR has undoubtedly become, not only a permanent feature of the corporate landscape (Keeler, 2003), but also one of the most critical issues affecting the business world today. (Response Consulting, 2003) Bodies such as The Association of British Insurers' guidelines have warned that public interest in CSR has grown to the point where poor social, environmental and ethical practices constitute a risk to investment return

(Cooper, 2003). Therefore, “corporate social responsibility has become a must” for every business that regards its sustained success as of the essence (Fonteneau, 2003, p. 1).

## **2.3 Corporate social responsibility and related concepts**

As mentioned previously, the term ‘corporate social responsibility’ has most often been used to express business efforts and activities related to the corporate social dimension. The term CSR will thus be used when describing the development of the social dimension. Additional concepts and terms related to the corporate social dimension do exist. For the purpose of clarity and completeness this section explains the relevant additional concepts and explores the relation of these concepts with CSR.

### **2.3.1 Corporate social responsibility and corporate philanthropy**

The debate over corporate philanthropy is not new (Stendardi, 1992). The New Collins Concise Dictionary of the English Language describes the elements of the term corporate philanthropy in the following way:

Corporate:

1. forming a corporation; incorporated
2. of a corporation
3. of or belonging to a united group; joint.

(McLeod & Hanks, 1985, p. 250).

Philanthropy:

1. the practice of performing charitable or benevolent actions
2. love of mankind in general

(McLeod & Hanks, 1985, p. 850).



The phrase corporate philanthropy thus literally means the practice, by a corporation, of performing charitable or benevolent actions – these actions most often being in the form of monetary donations and often encompassing little or no expectations for specific returns.

Some researchers have wrongly used the term corporate philanthropy interchangeably with related terms, such as corporate citizenship and corporate social responsibility, resulting in some confusion and erroneous interpretations (Rondinelli & Berry, 2000, p. 80). An example is a statement by Mowat (2002, p. 25) saying “more and more large companies are now adopting corporate philanthropy ... as part of their business plans.” However, it seems that most other researchers agree that corporate philanthropy in its essence is a concept that is considered with increasingly less positive regard by business. It appears that corporate philanthropy as an independent concept is hardly ever employed by businesses that truly understand their business needs and sustainability.

Corporations are no longer content to justify their giving on the basis that they will receive some general, unspecified benefit from a grateful society at some time in the future” (Stendardi, 1992). Today, investors and other stakeholders want to see financial gains from their firms’ philanthropic initiatives (O’Brien, 2001) and all organisational actions, including the actions relating to the corporate social dimension, must ultimately contribute to the business’ sustainability (Rondinelli & Berry, 2000). Businesses thus rather prefer strategic investment initiatives (implying the expectation of returns) than philanthropic initiatives (O’Brien, 2001).

Corporate philanthropy is often employed as part of a broader concept. O’Brien (2001) mentions corporate philanthropy as a part of CSR and Carroll also includes philanthropy as one of the elements of his CSR model. (Schwartz & Carroll, 2003; Maignan & Ferrell, 2003) Corporate philanthropy can be meaningful when viewed as a part of the social dimension of the triple bottom line together in conjunction with aspects such as



workplace health and safety, and workforce diversity. (PWC Management Barometer survey, 2002)

It seems that corporate philanthropy represents a past era of corporate social responsibility – an approach of good intent, a course of action still employed by some organisations due to a lack of strategic integration, and ultimate a route for which there is little room for autonomous existence in the current competitive and demanding business arena.

### **2.3.2 Corporate social responsibility and corporate citizenship**

Corporate citizenship is seemingly a term often used by researchers and practitioners to convey a specific nuance of the social dimension of business activities, and resides in very close proximity of the concept of CSR.

It has been said that corporate social responsibility is a theme underpinning corporate citizenship (Joseph, 2001). It appears that, in its essence, the term corporate citizenship does not differ notably from the concept of corporate social responsibility and many researchers agree that these two terms are concepts that can be used interchangeably due to their similarity. (Rondinelli & Berry, 2000; Frankental, 2001; Keeler, 2003; Article 13 – turning obligation into opportunity; 2003; The World Bank Group, 2003) The above infers that often findings regarding corporate citizenship can also be viewed as relevant for CSR.

Efforts to define corporate citizenship have resulted in definitions that most often encompass the same aspects as included in the definitions of CSR. Maignan and Ferrell (2001, p. 38) for instance, have defined corporate citizenship as “the extent to which businesses assume the economic, legal, ethical, and discretionary responsibilities imposed on them by their stakeholders.” The aspects addressed in this definition are the same aspects used by Carroll to describe corporate social responsibility (Maignan &



Ferrell, 2003, p. 3; Hill et al., 2003, p. 340; Schwartz & Carroll, 2003, p. 504; Lantos, 2001, p. 595).

An analysis of how the dictionary defines the elements of the term corporate citizenship provides a good idea of what was intended with this term. The term corporate has been explained elsewhere in this study.

The term Citizenship refers to:

1. the condition or status of a citizen, with its rights and duties
2. a person's conduct as a citizen

(McLeod & Hanks, 1985, p. 202)

Therefore the term corporate citizenship refers to the conduct of a corporation as a united group with the status of a citizen that implies certain rights and duties. Bishop and Beckett (2000, p. 32) especially supports the view that a business' status of citizenship implies certain duties: "Some businesses today are trading in an economic super league – rivalling in dollar value even some medium-sized states." This makes these businesses very powerful, and "with such power must come responsibility" (Bishop & Beckett, 2000, p. 32). This responsibility includes behaving as a good corporate citizen, and also protecting the value of the enterprise against charges that its activities are undemocratic and unsustainable" (Bishop & Beckett, 2000). According to Rondinelli and Berry (2000) the view of business as corporate citizens identifies the broader role of economic institutions as value creators rather than mere profit takers (Bishop & Beckett, 2000).

Although the concept of corporate citizenship is most often used interchangeably with CSR, it should also be viewed as encompassing a broader selection of business priorities, as businesses are not only expected to be responsible in terms of their social responsibilities, but also continuously in terms of their economic and environmental responsibilities.

### **2.3.3 Corporate social responsibility and corporate governance**

The importance of good corporate governance has been dramatically elevated in recent times (Jayne, 2002; Wasik, 2003) as corporate scandals have shaken the world's financial foundations (PricewaterhouseCoopers, 2003), and external and internal pressures have increased. This trend is likely to increase in the future. As stated by Rousseau (2001), the proper governance of companies will become as crucial to the world economy as the proper governing of countries. The quantum leap of being amongst the best regarding corporate governance will require dedicated commitment from business, government and all stakeholders. (Vinassa, 2002)

Corporate governance has been defined in numerous ways by an array of researchers and practitioners. Generally, a narrow and a broader stance can be identified. In the narrow sense corporate governance is described as being concerned with the internal governance of companies. According to the Cadbury Report, published in the United Kingdom, corporate governance in the narrow sense is refers to the system by which companies can be directed and controlled. (Rossouw, 2002).

Another narrow stance definition states that "corporate governance relates to the internal means by which corporations are operated and controlled." (OECD Principles of Corporate Governance, 1999; Article 13 – turning obligation into opportunity, 2003)

The definition of corporate governance as inferred from the dictionary meaning of the words also represents a narrow stance:

The term governance refers to:

1. government, control, or authority
2. the action, manner, or system of governing

(McLeod & Hanks, 1985, p. 482).



The definition compounded from the dictionary terms 'corporate' (as previously explained) and 'governance' is concerned with the actions and systems of governing and controlling the united group, namely the company.

In summary, the narrow stance is primarily concerned with internal systems for the control and direction of the corporate behaviour and activities.

The era in which business is currently conducted promotes a much broader, inclusive and integrated approach to corporate governance. Corporate governance is now defined as "a system where shareholders, creditors and other stakeholders of a corporation ensure that management enhances the value of the corporation as it competes in an increasingly global market place." (Code of corporate governance, 2003) The broader stance corporate governance has also been described as being "concerned with the systems of laws, regulations and practices, which will promote enterprise, ensure accountability, trigger performance and increase the value of the enterprise by effectively meeting its legal and statutory obligations" (Pielle Consulting Group, 2003).

The broad stance to corporate governance in a sense embraces the narrow stance by referring to systems for directing corporate conduct, but also extends beyond the narrow stance by making reference to other important aspects of corporate governance. These aspects include:

- Sound management of all business endeavours (McRitchie, 2003)
- Increased accountability, in turn implying increased transparency (McRitchie, 2003)
- Accountability, not only reflecting the interests of shareholders, as was often the case in the past, but accountability to a broader group of stakeholders (Frankental, 2001)
- Systems of control for a greater purpose than mere control, namely enhanced value, performance and success. This stance thus represents what is said to be the essence of any system of good corporate governance – that boards must be free to drive their companies, but that this freedom must be exercised within a framework of effective acceptability. (Rousseau, 2001)



The Organisation for Economic Co-operation and Development (OECD) provides a good synopsis of the current situation regarding corporate governance approaches when stating that there is no single model of good corporate governance, but experience and research have identified a host of common and relevant elements that underlie good corporate governance. (OECD Principles of Corporate Governance, 1999)

Guidelines such as the OECD Principles build on the above-mentioned common elements (OECD Principles of Corporate Governance, 1999) and provide a set of principles for improved corporate governance. An even more extensive set of guidelines for good corporate governance can be found in the form of the King Report on Corporate Governance that has been compiled by the King Committee on Corporate Governance. (Corporate Governance, 2003; Cliffe Dekker, 2003)

The King Committee was established in 1993 by the Institute of Directors in Southern Africa (Corporate Governance; 2003; Jackson, 2003) and was headed by former High Court judge, Mervyn King (Cliffe Dekker, 2003; Jackson, 2003). The Committee produced the first King Report on Corporate Governance in 1994 (Corporate Governance, 2003; Cliffe Dekker, 2003). This report embraced the inclusive approach to corporate governance. It was published and internationally accepted as the most comprehensive publication on the subject (Corporate Governance, 2003).

The second King Report was launched in 2002, (Corporate Governance, 2003; Jackson, 2003) in answer to a number of unattended areas identified in the first report and the realisation by the Institute of Directors and the King Committee that continuous innovation of corporate governance practices and guidelines is critical for remaining competitive, meeting new demands and grasping new opportunities (OECD Principles of Corporate Governance, 1999).

The King Committee examined corporate governance from every conceivable perspective (Vinassa, 2002). The resulting King report advocates a broad stance



integrated approach to good corporate governance in the interests of a wide range of stakeholders. (Cliffe Dekker, 2003; PricewaterhouseCoopers, 2003). The report addresses, amongst others, the issues of Integrated Sustainability Reporting; organisational integrity; codes of ethics; SHE (Safety, Health and Environment); society and transformation requirements; human capital; members of boards; functions of boards; board meetings; distinctions between chairpersons and CEO's; directors; directors remuneration; evaluation of directors; remunerations committees; allocation of share options; dealings in securities; annual reports and general meetings; company secretaries; appointments; auditing; reporting; risk management; non-financial matters; compliance and enforcement; etc. (King Report on Corporate Governance for South Africa, 2001; Cliffe Dekker, 2003).

While the King Report is not enforceable in the strictest sense, various entities such as the Johannesburg Stock Exchange will not consider listing a company that does not comply with the recommendations made in the report (Vinassa, 2002).

The reciprocal relationship between the concepts of corporate governance and corporate social responsibility is acknowledged in the King report as this report does not only address financial and regulatory aspects of corporate governance (Cliffe Dekker, 2003; PricewaterhouseCoopers, 2003).

The King report is the first corporate governance report anywhere to deal with sustainability as a major and growing (Jayne, 2002) issue of business and business governance. In the report this aspect of sustainability is referred to as integrated sustainable development. Integrated sustainable development advocates sustainable behaviour in all spheres of business, including the corporate social dimension and it can thus be deduced that corporate governance is an important element of CSR (Jackson, 2003; Nieuwlands, 2003).

Corporate governance is an important part of integrated and holistic business strategy and accountability and should not exclude the social dimension of the triple bottom line and focus purely on financial and/or environmental governance. Continued corporate



well-being does not rest solely on the financial bottom line and therefore the social and environmental bottom-lines must be governed as well. (Jayne, 2002) Therefore planning regarding corporate governance should incorporate consideration for the corporate social dimension and planning regarding CSR should incorporate regard for guidelines set by the business' corporate governance strategy and the King Report.

#### **2.4 The development of the corporate social dimension – an overview of extant viewpoints and approaches**

The term CSR can continually be used as representative of the corporate social dimension. However, the elusive nature of CSR, a consequence of the fluctuating beliefs and attitudes regarding the concept in association with the relevant issues of the day, should be embraced in the comprehension of the concept in a specific era (Hill et al., 2003).

Although researchers such as Frankental (2001, p. 20) states that CSR “emerged in the Victorian era in the form of paternalistic gestures to consolidate company relationships with particular communities”, most writings and research about CSR stem from the 1900s. This section reviews the development of corporate social responsibility with the aims of contributing to an improved understanding of the concept, and identifying the positive and deficient contributions of definitions from various eras.

In 1953 Bowen presented an enlightened opinion when stating that corporate social responsibility emphasises that businesses exist at the pleasure of society and therefore their behaviour and methods of operation must fall within the guidelines set by society. In other words, businesses must act as moral agents within society. (Bowen, 1953; Balabanis, Phillips & Lyall, 1998). Bowen's views were primarily of an ethical and moral nature, similar to the views of researchers such as Davis (1975), Tuzzolino and Armandi (1981), Donaldson (1983), Angelidis and Ibrahim (1993), and in more recent times the work of Freeman who stated that organisations should be aware of society and follow the route of “ethical CSR” (Lantos, 2001, p. 602). The above researchers agreed that



businesses exist for society and due to resources provided by society, and should therefore return the societal favour.

However, Bowen's progressive 1953 opinion failed to last as the dominating CSR belief. Milton Friedman reacted with strong conviction during the 1970s. Friedman became well known for his essay "The Social Responsibility of Business is to increase its profits". In this essay Friedman concluded that there is only one social responsibility of business, being the responsibility towards the owners of the company. (Friedman, 1970, p. 5; Knautz, 1997) This responsibility involved employing the resources of the company and engaging in activities designed to increase the profits of the business. According to Friedman's view it was thus expected of an organisation to conduct business in accordance to the desires of the owners, and their desires were generally considered to be making as much money as possible, while conforming to the basic rules of the society, both those embodied in the law and those embodied in ethical custom" (Friedman, 1970, p. 1). Friedman thus viewed the only social responsibility of companies as generating profits for the business by legal means (Hill et al., 2003).

Friedman agreed that managers sometimes might feel impelled to get involved in what is termed 'social responsibilities'. He stated, however, that "in these respects he [the manager] is acting as a principal, not an agent: he is spending his own money or time or energy, not the money of his employers or the time or energy he has contracted to devote to their purposes." Social responsibilities are therefore, according to Friedman, individual responsibilities and not corporate responsibilities." (Friedman, 1970, p. 1)

Friedman's viewpoints have been supported by researchers such as Carr (Lantos, 2001). These viewpoints represent the basis of what is termed the narrow stance to CSR. The narrow stance believes that businesses are acting socially responsibly as long as it is acting ethically and within the law (Jones, 2001). It seems that the narrow stance further see profit generation as the only viable purpose for organisational existence, leaving little scope for corporate social involvement and often viewing any form of corporate philanthropy as non-essential to business.



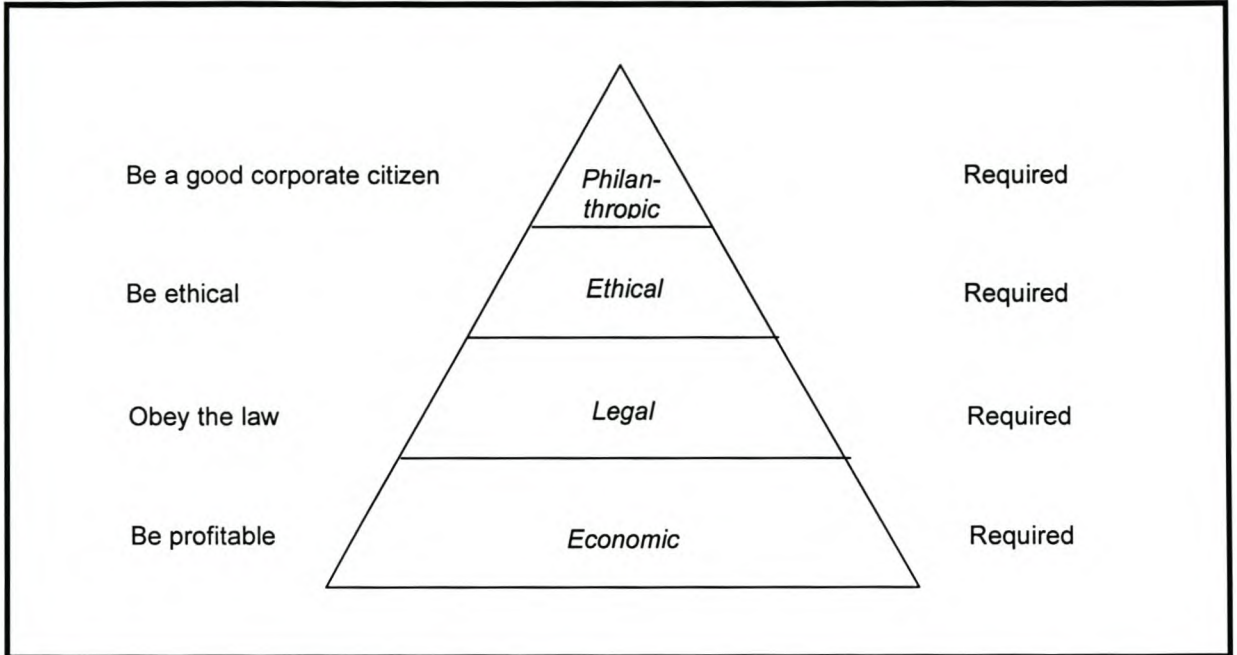
It appears that through the years, developments in the field of CSR and in the methods of employing the concept, have increasingly embodied a broader CSR stance. Businesses with a broad stance on CSR “accepts the premise that organisations are moral agents and, like individuals, have a duty to examine every situation from a moral perspective” (Jones, 2001, p. 154). The broad stance acknowledges that corporate giving is indeed important to business and should be actively engaged in, even when no laws or societal ethics are applicable to a given situation.

The broad stance is, however, still subject to the reality that, even within the broad stance towards corporate social responsibility, a wide array of CSR understandings, beliefs, meanings and definitions can be found and actions and involvements vary from mere ethics and corporate philanthropy to more pro-active corporate involvement.

In the late 1970s, after an era characterised by Friedman’s viewpoints, Carroll was one of the first researchers who embarked on the route of the broad stance with a noteworthy model for CSR. Despite later criticism to this proposed CSR model, it was widely accepted at the time of its conception and has been used extensively. Carroll (1979, p. 500) suggested that corporate social responsibility be defined as the “economic, legal, ethical and discretionary demands that society places on business.” This approach by Carroll thus included four domains: economic, legal, ethical and discretionary/philanthropic. (Lantos, 2001, p. 595; Maignan & Ferrell, 2003, p. 3; Hill et al., 2003, p. 340; Schwartz & Carroll, 2003, p. 504) Figure 2.1 offers an illustration of Carroll’s CSR model.



**Figure 2.1 Carroll's Pyramid of Corporate Social Responsibility**



(Carroll, 1991, cited in Carroll & Schwartz, 2003)

Carroll's approach, often classified as altruistic CSR, has been described as a community service or corporate social performance perspective. (Lantos, 2001) Although the scope of Carroll's definition included four dimensions of CSR, he emphasised (1979, p. 500): "The first and foremost social responsibility of business is economic in nature. Before anything else, the business institution is the basic economic unit in our society" (Maignan & Ferrell, 2003, p. 4). This view was supported by (Balabanis et al., 1998, p. 28) who stated that "corporations must reach an acceptable level of economic performance before devoting company resources to meet social demands." In later years criticism arose against the model for its suggestion that the economic element is more important than the other elements such as philanthropy. Further criticism was against the hierarchical nature of Carroll's model and against the fact that the model pyramid does not illustrate the overlap between the elements of the model. (Schwartz & Carroll, 2003).

In the early 1980s Tuzzolino and Armandi (1981) joined the CSR debate by describing the concept as the fulfilment of a firm's internal and external self-actualisation needs, in other words, the needs located at the top of the organisation's hierarchy of needs as advocated by Maslow. (Balabanis et al., p. 27) The definition by Tuzzolino and Armandi seems admirable until revisiting the Maslow's theory. In Maslow's pyramid of needs self-actualisation comprises the fifth and final level of the pyramid. Maslow regarded self-actualisation as the ultimate level of existence, the level that individuals and organisations aspire to achieve. CSR is thus regarded as forming part of the ultimate level of existence. However, Maslow's theory also stated that self-actualisation needs can only be attended to once the first four levels of the pyramid have been fulfilled. The initial levels of Maslow's needs pyramid constitute survival needs that must be met before the need for self-actualisation can be satisfied. (Schiffman & Kanuk, 2000) In the early 1980s, when Tuzzolino and Armandi formulated their definition and the concept of sustainability was much less of a business consideration than in the current era, managers considered survival needs as financial/economic in nature. The Tuzzolino and Armandi definition of CSR thus implied that financial/economic needs must be met before the need for CSR, a self-actualisation need, can be satisfied. A better suggestion would be to view CSR as the essence of eternal existence and sustainability, not as higher order activities, but in conjunction with economic and environmental needs, as a survival need.

The late 1980s and early 1990s saw the emergence of a wide variety of CSR definitions. These definitions gave rise to certain CSR principles still regarded as relevant today. Epstein (1987) defined corporate social responsibility as "the discernment of issues, expectations and claims on business organisations regarding the consequences of policies and behaviour on internal and external stakeholders. He said that corporate social responsibility focuses more on the consequences of organisational actions. (Balabanis et al., 1998, p. 27) In 1992 it was stated that corporate social responsibility means that a corporation should be held accountable for any of its actions that affect people, communities and the environment in which these people or communities live



and in 1993 it was emphasised that corporate social responsibility refers to corporate social actions whose purpose is to satisfy social needs (Balabanis et al., 1998).

These definitions, emanating from the late 1980s and early 1990s, placed emphasis on three relevant aspects:

- The importance of organisational accountability and thus the need for an organisation to take responsibility for the impacts of its actions.
- The era also signalled the introduction of the tendency toward a broader stakeholder orientation in contrast to a mere shareholder orientation. .
- The vitality of acknowledging and addressing social needs in addition to the other needs of stakeholders.

The late 1990s were characterised by a growing realisation of the diverse nature of CSR practices. Balabanis et al, (1998, p. 27) conveys this by stating: "What can be conceived as 'social responsibility' can range from simply maximisation of profits, to satisfaction of stakeholders' social needs, or fulfilment of social contractual obligations, fulfilment of a firm's needs, achievement of a social equilibrium, etc. – depending on the stance taken." Not surprisingly, this diverse nature of CSR resulted in confusion among managers and other parties. Often, when asked to define CSR, some executives would discuss philanthropy, others community involvement, or even the environment and employee programs. (Burton, 1999) Consequently, and not surprisingly, this era introduced increased scrutiny regarding what constituted true CSR and whether organisations should be allowed to decide this for themselves at the risk of some businesses defining CSR in the way Friedman did – as the quest for maximising profits. This era of CSR development seemingly brought renewed appreciation from researchers and practitioners for the diverse and evolving nature of CSR that continues to define itself (Burton, 1999), the variety of topics that can be addressed under the banner of CSR, and the ability of the concept to be applied in relevant ways in different contexts.

The new millennium's changing business realm and growing emphasis on CSR, seemingly necessitates a more comprehensive understanding of the concept. As in past



era's many current researchers and practitioners have suggested definitions for the concept of CSR.

The extant definitions and CSR approaches highlight important and relevant principles, but due to the complex nature of the concept (Mohr et al., 2001), no one definition seems to constitute a sufficient representation of the construct. This section will not attempt to deliver an all-encompassing new millennium definition of CSR, as this seems almost impossible. Rather, this section reports on the most representative definitions after exploring a host of proposed definitions, the purpose being to deliberately derive some of the current trends of principles regarded as fundamental for the comprehension and successful employment of the CSR concept. Table 2.1 presents the definitions of and the fundamental principles embraced by CSR.

**Table 2.1 Definitions of and fundamental principles embraced by CSR**

<b>Definition</b>	<b>Source</b>	<b>This definition embraces:</b>
"Social responsibility is an organisation's moral responsibility to stakeholder groups that are affected directly or indirectly by the organisation's actions."	Jones, 2001, p. 153	<ul style="list-style-type: none"> <li>• A stakeholder approach</li> <li>• Acknowledgement of organisational responsibility</li> <li>• A moral responsibility</li> <li>• Consideration for direct and indirect organisational impacts</li> </ul>
"CSR represents an interesting evolution and culmination of philanthropy and ethics."	O'Brien, 2001, p. 3	<ul style="list-style-type: none"> <li>• An ethical frame of mind</li> <li>• A philanthropic element</li> <li>• The evolutionary nature of CSR</li> </ul>
CSR, "implies that a company is responsible for its wider impact on society".	Frankental, 2001, p. 19	<ul style="list-style-type: none"> <li>• An organisation's acceptance of its responsibility</li> <li>• Acknowledgement of responsibility for a wider impact</li> <li>• An organisation's link with society</li> </ul>
CSR "involves identifying every	Joseph,	<ul style="list-style-type: none"> <li>• A broad stance to CSR</li> </ul>



<p>aspect of society on which a company has an impact, through its non-core as well as core activities.”</p>	<p>2001, p. 121</p>	<ul style="list-style-type: none"> <li>• Consideration for direct and indirect organisational impact</li> <li>• An organisation’s link with society</li> </ul>
<p>CSR: “achieving commercial success in ways that honour ethical values and respect people, communities, and the natural environment.”</p>	<p>Nieuwlands, 2003, p. 80-81</p>	<ul style="list-style-type: none"> <li>• The continuous striving towards business success</li> <li>• An ethical frame of mind</li> <li>• Consideration for people, communities and the environment, thus a stakeholder approach</li> </ul>
<p>CSR is a philosophy or approach to how responsibilities are recognised and fulfilled to the different stakeholders who are affected by what is done and how it is done.</p>	<p>Richards, 2003, p. 1</p>	<ul style="list-style-type: none"> <li>• The acknowledgment of organisational responsibility</li> <li>• CSR as a mindset and application</li> <li>• A stakeholder approach</li> <li>• Awareness of the impact of organisational actions</li> <li>• Consideration for operational conduct</li> </ul>

Although researchers seldom agree on a specific CSR definition, the above analysis of the most relevant and representative CSR definitions of the current business era demonstrates a trend towards a core set of prominent, common underlying principles.

- The evolutionary nature of CSR and thus its ability to be applied in various industries and contexts
- The acknowledgement and acceptance of a broadened corporate responsibility beyond what is legally and commercially required (Business Europe, 2001; What is corporate social responsibility? 2003)
- The importance of process and conduct (thus, “how” goals are achieved) and not only the goals to be achieved (thus, “what” is to be achieved)

- A continuous and deliberate focus on ethical behaviour and conduct (Aaronson, 2002, p. 357).
- Consideration for direct and indirect organisational impacts of core and non-core organisational actions (Pielle Consulting Group, 2003)
- An approach characterised by stakeholder inclusion (Business Europe, 2001; Aaronson, 2002; SA corporations give generously, 2003; Corporate social responsibility, 2003; What is corporate social responsibility? 2003)
- An emphasis on contributing to sustained business value and success (SA corporations give generously, 2003)
- Acknowledgement of CSR as both a mindset and an application (Richards, 2003)



**CHAPTER 3:**  
**A REVIEW OF THE CURRENT STATUS OF THE**  
**CORPORATE SOCIAL DIMENSION**

### **3.1 Introduction**

Despite past criticism regarding the evolvement of the corporate social dimension through various eras, and the apparent indefinable nature of the field, nowadays the realisation is growing that this elusive nature of the corporate social dimension should be regarded as a positive and context-specific consequence of the fluctuating beliefs and attitudes regarding the concept in association with the relevant issues of the day (Hill et al., 2003). This chapter reviews the current status of efforts regarding the corporate social dimension in an attempt to ultimately identify potential positive and negative, generic and specific, focus areas.

### **3.2 Corporate social investment – an extant point of view**

Various policies regarding the corporate social dimension, as adopted by organisations, can be viewed as legitimate, whether seeing the corporate social efforts as a marketing opportunity or as a long-term investment. (Joseph, 1995). The concern is rather which approach is more suitable for optimally benefiting the company and stakeholders. Joseph (1995) states that companies should refrain from fooling themselves into mindless altruism, as were often the case in the past. "Presently, stakeholders are requiring companies to go beyond the notion of strategic philanthropy and international codes of conduct. Investors want to see financial gains from their firms' investments in CSR initiatives." (O'Brien, 2001, p. 3) As a consequence of the above, it seems as if knowledgeable and proactive business leaders are currently leaning towards a concept

that is termed 'corporate social investment' (CSI) to address the social dimension of their businesses.

CSI is a concept that embraces the TBL and sustainability, and offers a powerful tool to strengthen both the economy and society (Timms, 2000). Many attempts have been made to define CSI, but, as is the case with other corporate social dimension definitions, it seems impossible to find one definition that is acceptable to all concerned (Visagie, 1993). The United Kingdom Investment Forum has described CSI as financial transactions intended both to achieve social objectives and to deliver financial returns to investors (Timms, 2000) and other writers have described CSI as any expenditure of money, expertise, or effort that is aimed at building social or human capital (UK social investment forum, 2003).

Corporate grant-makers have pleaded for a clear definition of CSI, and CSI specialists have responded repeatedly that "the approach to CSI, and therefore its definition, is often dependent on where projects are located within a company" (Rockey, 2001). Although no clear all-encompassing definition exists, it can be deduced from attempts to define the concept, that CSI extends beyond financial contributions and it expects a return on efforts exerted as it sets out to enable benefits for both business and society. This statement by Joseph thus seems to be as relevant for the corporate social dimension as it is relevant to other business dimensions: "An investment is an investment and should yield a return. The size of the investment is relative to the return expected" (Joseph, 1995, p. 13).

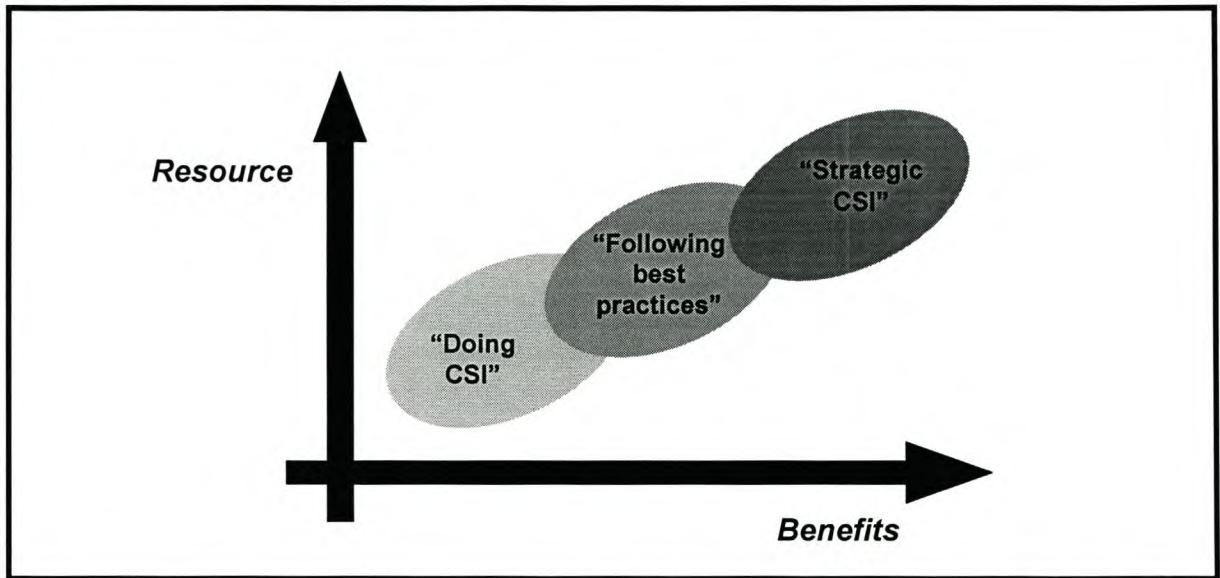
The concept of CSI has in the past been used interchangeably with terms such as corporate philanthropy, described simply as "doing CSI" (Rockey, 2001, p. 24). Figure 3.1 illustrates prevailing viewpoints that acknowledge different levels of CSI and a possible process of migration to strategic CSI.

Although the other two levels of CSI, as illustrated in the diagram, namely "doing CSI" and "following best practices" can be adopted by organisations, strategic CSI represents



the concept as originally intended and thus delivers the most benefits. (Rockey, 2001, p. 24)

**Figure 3.1 Migration to strategic CSI**



(Rockey, 2001, p. 24)

At present the close relationship between CSI and 'socially responsible investment' (SRI) is becoming more apparent. It is said that the concept of SRI experienced significant expansion during the turbulent portion of the 1970s as a consequence of the Vietnam War, urban strife, and Apartheid (Hill et al., 2003, p. 340). SRI refers to "an investment strategy that takes into account a company's ethical, social and environmental performance as well as its financial performance." (Article 13 – turning obligation into opportunity, 2003) "Socially Responsible Investing is all about wealth creation and profit. This is not a trade-off at the expense of shareholder value, but a powerful way of making sustainable profits and achieving lasting value for the shareholder and everyone else" (Hardjono & Van Marrewijk, 2001, p. 231).

Current research shows that businesses can benefit extensively from the prevailing trend of strategic address of the corporate social dimension and socially responsible investing. Potential benefits, as described in The CSI Handbook 6<sup>th</sup> edition (Rockey, 2003, p. 14), include:

- Enhanced corporate reputation
- Contributions to the corporate citizenship agenda
- A company that employees are proud of
- Contributions to transformation, for instance by means of engagement in a programme such as the Black Economic Empowerment (BEE) transformation agenda (Republic of South Africa)
- Support for the company's mission statement and values
- Stable and competent communities surrounding the company
- An enhanced stabilised environment that is critical for company survival
- Enhanced access to specific stakeholders
- Promotion of company credentials to secure government tenders
- Improved ability to attract and retain talented employees
- Support for businesses' commercial objectives
- Enhanced uncovering of opportunities for the business
- Protection of companies' license to operate

It has been mentioned that the corporate social dimension has not yet reached its optimal state. Current researchers, such as O'Brien (2000, p. 25), say that the above-mentioned and even more benefits will only be accrued through corporate social behaviour that have progressed beyond the level of what is termed 'social investment'. O'Brien (2000, p. 25) state that social investment is a "dangerous stage to be at, for the distinction between concern for corporate strategies can easily become blurred". He recommends a "systemic involvement" that infers "consultation leading to joint decision making" and he suggests an even higher level of corporate social behaviour that is termed "symbiotic involvement" referring to "partnership leading to empowerment and enablement" (O'Brien, 2000, p. 24).

Businesses have often mentioned uncertainty regarding implementation as a reason for their lack of actively addressing the dimension and deliberately engaging in accountability regarding their social efforts. Businesses are now starting to realise that "while profitability remains the platform on which businesses stand, this very platform will



be weakened if growth is not accompanied by transformation” in terms of corporate behaviour. (Rockey, 2003, p. 8)

“A key driver of this shift in attitude is the increasingly powerful spotlight now falling on corporate behaviour, with a host of local and international initiatives” providing guidelines for the implementation of social efforts organisations across the world (Rockey, 2003, p. 8). These initiatives include:

- The King Report on Corporate Governance, 2002 (also referred to as King II) (Rockey, 2003, p. 8)
- The Global Compact, a United Nations initiative (Rockey, 2003, p. 8) developed “to help companies understand the rising expectations of global corporate responsibility in three critical areas of greatest external pressure: human rights, labour standards and environmental practices” (Topfer, 2000, p. 39).
- The Global Reporting Initiative, an international body aiming at standardising TBL reporting (Rockey, 2003, p. 8).
- AA 1000, “an international voluntary code that provides guidance on the stakeholder engagement process” (Rockey, 2002, p. 8; Mowat, 2002).
- SA 8000, “an international code of practice relating to workplace conditions (Rockey, 2003, p. 8; Nieuwlands, 2003).
- SRI index, a Socially Responsible Investment Index on the JSE Securities Exchange (Rockey, 2003, p. 8; JSE, 2003).
- The Dow Jones Sustainability Index (Rockey, 2003, p. 8; Dow Jones Sustainability Index, 2003)

### **3.3 Current status of the corporate social dimension in global context**

The diverse status of attitudes, perspectives and behaviours regarding the social dimension of business provides a good demonstration of the development still required in terms of this dimension.

#### **3.3.1 Asia**

It appears that in recent years the Asian world has experienced tremendous growth in many areas, including the area of business and profits. The business attitudes of many of the Asian countries apparently harbour a strong social component due to the nature of the Asian culture, but, although growing strong, sustainability and broad accountability is still in its infancy (Chung, 2001).

Senator Mechai Viravaidya has stated in an address at the Asian Forum on Corporate Social Responsibility that the idea of CSR is still a relatively new concept in Asia. He further stated that “it is time for Asian businesses to play a greater role in bettering society” – “business is needed to do more things to push society forward such as putting more percentage of profit on corporate social responsibility activities” (Experts urge Thai Officials to Press Firms for More Social Responsibility, 2003).

Somchai Homal-or, secretary-general of Forum Asia, a regional human-rights non-governmental organisation, supports the view of expanded organisational responsibilities, but he refers to several constraints that will prevent the expansion of these responsibilities. These constraints are mostly related to the social dimension of the TBL, particularly human-rights related activities. Homal-or says that Asian organisations, in fear of political repercussions, only engage in “safe issues”, such as environmental or conservation activities and refrain from getting involved in sensitive human-rights issues. Another constraint in Asia is that businesses often do not understand the social aspects of the TBL and sustainability related issues, and merely act because of a mandate from their parent company, resulting in the artificial



appearance of their efforts and a diluted contribution to sustained success. (Experts urge Thai Officials to Press Firms for More Social Responsibility, 2003)

It has been suggested that sustainable solutions in Asia will be inspired by:

- Close co-operation between government and business, from community to national level regarding social and environmental issues
- Tax incentives for expenditure on social and environmental programmes, as is the case in some countries such as Thailand, where two percent can be deducted of their expenditure on social programmes (Experts urge Thai Officials to Press Firms for More Social Responsibility, 2003)

The Association for Sustainable and Responsible Investment in Asia (ASRIA), a non-government organisation, is currently exerting deliberate efforts to encourage socially responsible investment in Asia as the body views sustainable and responsible investment as a suitable and necessary approach for the Asian world due to its integration of personal and societal values with investment decisions. (Chung, 2001).

### **3.3.2 Europe**

Europe, where efforts are driven to a large extent by the European Commission, seems to be a leader with regards to TBL adoption and implementation. In the current era, emphasis is placed extensively on the social dimension of the TBL, due to its critical impact on sustained organisational success.

A growing number of European corporate leaders have stated that adherence to CSR makes good business sense. (Aaronson, 2002) "A September 2002 MORI poll of some 12000 consumers across 12 European countries proved this view to be accurate. The poll found some 70% of European consumers said they weigh a company's commitment to social responsibility when purchasing a good or service and 58% said businesses must take on more responsibility for addressing social issues (Aaronson, 2002, p. 358).



The European Commission states that “CSR can help companies achieve their objectives in terms of reducing costs, boosting productivity and improving quality and customer service” and that the “lack of it [CSR] undermines employee morale and motivation.” (EU Policies, 2001). The Commission is encouraging firms to address CSR-related issues proactively and to assess their performance not on profit margins alone, but also on the welfare of their workforce and care for the environment. (<http://pippo.emeraldinsight.com>, 2003) The Commission strives to encourage and support organisations in the process of TBL adoption and has, for example, recently taken its own initiative with a consultation paper and subsequent communication, encouraging use of CSR but leaving implementation and reporting on a voluntary basis. (Baker, 2003)

Organisations in Europe offer a good example of the interdependency of the economic and social dimension of the TBL, as in Europe investors are one of the major prominent forces behind CSR. (Aaronson, 2002)

Furthermore, in Europe the positive role of legislation that enables CSR is realised, but criticism has been raised regarding the lack of logic if CSR activities and efforts are regulated and simultaneously organisations are expected to be proactive and do more than legislation requires in their actions (Aaronson, 2002, p. 360).

### **3.3.3 Great Britain and the United States of America**

As they enter the 21<sup>st</sup> century the United States of America and Great Britain are similar in many instances. Both nations have made the painful transition from energy-intensive heavy industries to new sectors, such as services and high-technology; both have economic, social, and political cultures that reward innovation; and both are home to many of the world’s largest, most powerful firms. (Aaronson, 2003) The stakeholder awareness of the exceptional power of American and British corporates, necessitates them to use their power wisely and to be especially responsible in terms of economic, social and environmental actions and impacts (Medawar, 1978). Whereas the economic



dimension of corporate activity has been a focus area within the USA and Great Britain, and the consideration for the environmental dimension has grown in recent years, the current business era requires firms to proactively address the social dimension of business actions. (Timms, 2000)

The USA and Great Britain are similar regarding various business operations and also in terms of some facets of CSR, for instance, both countries have complimentary definitions of global CSR. Business for Social Responsibility, America's largest organisation devoted to corporate social responsibility, defines CSR as "business decision making linked to ethical values, compliance with legal requirements, and respect for people, communities, and the environment around the world". (Aaronson, 2003, p. 310) The British counterpart to the Business for Social Responsibility is the Prince of Wales Business Leaders Forum and it defines CSR as "open and transparent business practices that are based on ethical values and respect for employees, communities, and the environment" (Aaronson, 2003, p. 310). The countries are similar in regards to their CSR focus as both views CSR as a decision-making strategy, rather than an ethical commitment, and both are increasingly banning or restricting trade and investment in blameworthy countries. (Aaronson, 2003) Despite their similarities, due to the different economic and political cultures in the countries, business leaders as well as government officials translate CSR definitions into actions differently and Great Britain has developed a strategy that is much more "ambitious" and "coordinated" (Aaronson, 2003, p. 309).

Great Britain agrees to guidelines set by the European Commission (UKSIF Submission, 2001) and indeed seems to be one of the most progressive, if not the most progressive, countries with respect to CSR. This might be because the country's seriousness regarding the concept is driven by their government. Already in 2000 The UK Prime Minister expressed the realisation that "(t)oday, a strong economy and a strong society are two sides of the same coin" (Timms, 2000, p. 1). – that a strong society and a strong economy belong together. Subsequently, in 2000, the British government became the first government to appoint a minister for CSR. (Aaronson, 2002). The CSR earnestness



has also been embraced by the economic community as illustrated by the Association of British Insurers' guidelines that warn organisations to address CSR as public interest regarding the concept has grown to the point where poor social, environmental and ethical practices constitute a risk to investment return. (Cooper, 2003).

Although not as ambitious as British counterparts, in the USA consideration for CSR has increased. More companies are embracing a stakeholder definition and addressing workplace and safety issues beyond legal requirements (Verschoor, 2003) and more multinational corporations are releasing related reports. (Hansen and Gleckman, 1994) (Rondinelli & Berry, 2000) Despite increased efforts, it seems that confusion regarding what constitutes CSR might be a threat for the successful address and implementation of the concept. Both US and British firms regard environmental actions and reporting as part of CSR. Although the three dimensions of the TBL are interrelated, environmental and social activities are still independent. Environmental efforts are admirable, but should not, deliberately or unknowingly, be confused with social activities as this will ultimately result in the lack of attendance to an equally important TBL dimension.

The challenge for both British and US firms seems to be the implementation of their wide range of TBL and CSR policies.

### **3.3.4 The Republic of South Africa**

Although many regard Great Britain as the most progressive implementer of TBL dimensions and CSR, South Africa seems to be one of the few countries that understands that sustainability is not only a financial issue, but also a social and environmental issue (SA corporations give generously, 2003). South African leaders in the field of sustainability, such as Reuel Khoza, president of the Institute of Directors, have said that the TBL and CSR is "not the flavour of the month or an attempt to be politically correct. It is an imperative for success and it is here to stay." (Vinassa, 2002, p. 14)



In addition to consideration for the economic and environmental dimensions of the TBL, South African organisations are embarking on the route of increasingly understanding the true nature of the social dimension of the TBL. This is most probably due to the extreme need in South Africa for action in the social sphere, and due to the rising comprehension by relevant South African role players that foreign direct investment is dependent on how ethically corporate affairs are conducted (Vinassa, 2002) in all the dimension of the TBL, including the previously often neglected social dimension.

According to Paul Kapelus, a founding director of the African Institute of Corporate Citizenship in Johannesburg, "South African businesses are world leaders when it comes to corporate social investment" and therefore related expenditure annually fluctuate between two billion and four billion Rand. (SA corporations give generously, 2003) Kapelus emphasises that South African organisations must continue to realise that, irrespective of its comprehensiveness, a company's SI programme is only part of the requirements. Attention to a broader social dimension is critical. In South Africa this broader social dimension includes, amongst others, workplace policies, health and safety programmes, management of HIV-Aids, employment equity, diversity programmes, black empowerment, environmental impact, and relationships with partners such as suppliers. (SA corporations give generously, 2003)

The true essence of corporate social responsibility and the challenge for an organisation in South Africa is to demonstrate that it can manage the above-mentioned social and societal issues in conjunction with managing the risks to stakeholders, whilst adding value to society and stakeholders. (SA corporations give generously, 2003) South African organisations, as is the case in other countries such as the US, have to face the challenge of contributing to the development of social and societal aspects, whilst not creating a dependency syndrome in communities or groups where they are involved (SA corporations give generously, 2003) as this will fail to add value to these communities and fail to contribute to a sustainable existence.



### 3.4 Summary of positive and deficient aspects of extant approaches to the corporate social dimension

Table 3.1 offers a summarising analysis of the positive and deficient aspects of extant approaches to the corporate social dimension as explained in chapter 2 and 3.

**Table 3.1 Summarising analysis of positive and deficient aspects of extant approaches to the corporate social dimension**

	Aspect	Positive	Deficient	Positive and/or deficient
1.	Social dimension viewed as inferior and optional		X	
2.	Indefinable and elusive nature of CSR			X
3.	Realisation of optimal employment of CSR when regarded as context-specific	X		
4.	Philanthropy no longer sufficient	X		
5.	Social efforts must be strategic investments	X		
6.	Lack of strategic integration		X	
7.	Artificial nature of some CSR efforts		X	
8.	Growing realisation of business responsibility broadened beyond financial liabilities	X		
9.	Lack of broader perception of responsibilities		X	
10.	Community social efforts often create dependencies		X	
11.	Confusion between social and environmental aspects		X	
12.	Array of benefits from CSR and CSI	X		
13.	Lack of implementation of CSR policies, plans and strategies		X	
14.	Lack of commitment to implementation		X	
15.	Lack of leadership involvement and support		X	



16.	Growing leader realisation regarding CSR/CSI importance	X		
17.	Assessment often only in terms of financial profits and gains		X	
18.	Legislation and/or regulation often static in nature		X	
19.	Growing awareness of self-regulation option			X
20.	Investor demands for CSR involvement			X
21.	Lack of holistic impact assessment (thus impact of business on society and social constituencies)		X	
22.	Lack of a broader view of the CSR dimension		X	
23.	Realisation that government commitment is not synonymous with regulation	X		
24.	Lack of stakeholder focus		X	
25.	Growing realisation of importance of a stakeholder focus	X		
26.	Lack of employment of corporate social dimension in its entirety		X	
27.	Greater focus on environmental than social aspects		X	
28.	Corporate philanthropy still the premise for many businesses		X	
29.	Organisational power not always accompanied by responsibility		X	
30.	Lack of social control systems		X	
31.	King report on corporate governance and other guiding principles	X		
32.	Growing realisation of interrelationships between CSR and other business areas	X		
33.	CSR/CSI not viewed as a survival need		X	
34.	Lack of awareness of consequences of irresponsible CSR/CSI related actions		X	
35.	Lack of social accountability and disclosure		X	
36.	CSR/CSI beyond what is legally required	X		
37.	Continued emphasis on ethics and value	X		
38.	Important emphasis on process and conduct in addition to focus on goals			

39.	Awareness of direct and indirect organisational impacts	X		
40.	Awareness of impacts of core and non-core organisational activities	X		
41.	CSR/CSI embraced as both a mindset and application	X		

The above analysis contributes to the achievement of the stated objective of the study and also delineates areas for future business consideration and research.



## **CHAPTER 4: SUSTAINABLE DEVELOPMENT AS AN IMPORTANT FACET OF BUSINESS SUCCESS**

“Business and organisations have a privilege denied to ordinary mortals – they don’t have to die. This makes them especially responsible.” (Charles Hardy) (Zairi, 2000, p. 172)

### **4.1 Introduction**

The possibility of prolonged existence and business success is seemingly a prominent driver of most organisational actions. The eternal quest for prolonged existence and business success, in conjunction with the acceptance of extended responsibility, also appears to be the underlying basis for the concept of sustainable development. In the past, although businesses had the need to perform over an extensive period of time, sustainability was apparently an unknown concept and did not dictate business operations.

### **4.2 The rising importance of sustainability**

The changing business environment has imposed an urgent revolution regarding the above. Well-known writer, Peter Drucker, has noted that the western world has been through two major transitions in the last 500 years: one starting with the events at Gutenberg and the other with the steam engine. Then he proclaims that the world is now at the brink of a similar trembling transition, namely sustainable growth. (Hedstrom & Isenburg, 2002)

In recent years the emphasis on the previously unknown concept of sustainability has escalated as companies have increasingly perceived the longer-term returns and increased shareholder value from promoting the concept (Rondinelli & Berry, 2000; Dow Jones Sustainability Index, 2003). The issue of sustainability has become so important that the Dow Jones company, publisher of “the world’s most vital business and financial news and information” and since 1882 “synonymous with accuracy, integrity and trust”, has developed a Sustainability Index that is derived from and fully integrated with Dow Jones Global Indexes, and share the same methodology for calculating, reviewing and publishing the indexes. (Dow Jones Sustainability Index, 2003). Sustainable development has thus become an important imperative for businesses who consider their long-term viability and competitiveness a serious matter (Percy, 2000; Thorvik, 2001) and therefore vast transitions are underway in how business relates to society (Hedstrom & Isenburg, 2002). Even CEOs are discussing corporate responsible behaviour and sustainability more often than in the past (Epstein & Roy, 2001; Hardjono & Van Marrewijk, 2001) as to them it has become clearer that for those with a vision for sustainability “opportunities exist in seeking to enhance, rather than exploit, nature’s gifts” (Rogers, & Ryan, 2001, p. 282). The opportunities provided by sustainable development include the prospect of improving the lives of the world’s people and simultaneously enhancing the long term success of the business. (Corporate social responsibility, 2003) Pursuing sustainability enables morality, intergenerational equity, risk reduction and survival, and provides various organisational benefits (Shriberg, 2000).

In the belief that it would never occur critics have stated that “corporate strategies to take leadership positions with respect to sustainability issues will only lead to long-term business success if customers, specifically, and society, generally, demand sustainability in their market decisions and choices.” (Percy, 2000, p. 202). Although some businesses are still prepared to risk their peril by not adopting sustainability (Hedstrom & Isenburg, 2002), many businesses, international organisations and even national and local governments are embracing the pressures from internal and external



organisational stakeholders and adopting a sustainable business approach (Rondinelli & Berry, 2000; Hardjono & Van Marrewijk, 2001).

#### **4.3 Clarification of the concept of sustainable development**

The dictionary defines the word 'sustain' in the following way and presents an indication of the nature of the concept of sustainable development:

Sustain:

1. To hold up under; withstand
2. To undergo; suffer; to sustain
3. To maintain or prolong
4. To support physically from below
5. To provide for or give support to by supplying necessities
6. To keep up the vitality or courage of
7. To uphold or affirm the justice or validity of
8. To establish the truth of; confirm

(McLeod & Hanks, 1985, p. 1176).

Sustainability has been defined according to a narrower and broader meaning. The narrower meaning of the concept views an activity as sustainable if it can be continued indefinitely. Using the term of sustainability in the broader sense refers to building a sustainable global society. In this sense, sustainability includes all the interrelated activities that promote the long-term flourishing of earth's human and ecological communities (<http://pippo.emeraldinsight.com>, 2003). Both these stances seem to remain applicable.

Researchers have defined the concept of sustainable development in various ways. Pearce and Warford (1993) have described it as development that secures increases in the welfare of the current generation provided that welfare in the future does not

decrease and Garvare and Isaksson (2001) referred to the process of reaching a steady state where both humanity and nature thrive.

The definition developed by Brundtland (Thorvik, 2001; Article 13 – turning obligation into opportunity, 2003) is presumably the most-quoted sustainable development definition. It is considered to be all encompassing and most suitable. Gro Brundtland, former prime minister of Norway, was the Chairperson of the United Nations' World Commission on Environment and Development (WCED, 1987). (Sathiendrakumar, 1996) Brundtland defined sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Rosner, 1995, p. 110; Sathiendrakumar, 1996, p. 152, Rondinelli & Berry, 2000, p. 70; Garvare & Isaksson, 2001, p. 11).

The Brundtland definition of sustainable development seemingly acknowledges the needs for progression of those involved, but also incorporates the importance of responsible actions during the progression process, in order to ensure sustained living.

#### **4.4 Implications of adopting the sustainable development approach to business**

Organisations adopting and implementing sustainable development have to be aware of and comprehend the nature of the concept and the requirements posed by it. The vision of sustainable development does not only require economic progress. Amongst others it requires peace, economic and social justice, concern for future generations and concern for nature itself. (<http://pippo.emeraldinsight.com>, 2003, p.1)

The definition of sustainability inherently implies that the concept embraces three main aspects:

- Sustainability is a means to an end, the end being to fulfil needs
- Sustainability means maintaining this ability to fulfil needs for the future, and



- Sustainability includes the fulfilment of needs for all present and not only for some. (Rosner, 1995)

The above illustrates that the concept of sustainability in its essence involves visionary and responsible behaviour, and an inclusive approach.

Du Toit (2001) supports the above by stating that sustainability is characterised by an inclusive approach within a systems framework. He describes the other features of sustainability as: connectivity between the environment and social and economic goals; equity; prudence; and security of both eco- and social systems' irreplaceable stocks.

Sathiendrakumar (1996) summarises several conditions for sustainable development. He states that these conditions are vital for sustainability to exist and organisations therefore have to deliberately consider addressing the conditions when adopting the sustainable development approach to conducting business. The conditions are:

- Maintaining a minimum population
- Reducing poverty
- Optimal depletion of non-renewable resources
- Optimal depletion of renewable resources
- Preventing environmental degradation
- Improving energy efficiency

At the 2002 World Summit for Sustainable Development the United Nations also identified several pressing concerns to be regarded as priority action areas. The World Summit on Sustainable Development was hosted by the United Nations and took place in Johannesburg, South Africa, from 26 August 2002 to 4 September 2002. The summit was attended by 104 Heads of state and government, joined by more than 21 000 people, including more than 9 000 delegates, 8 000 non-government organisations and 4 000 members of the press. The Summit united governments, businesses and civil society from all over the world with the purpose of affirming the importance of sustainable development for the twenty-first century, defining the central elements of

sustainability and identifying priorities for action.” (<http://pippo.emeraldinsight.com>, 2003, p. 1)The Summit laid the groundwork and paved the way for action by establishing critical new targets and emphasising the importance of implementation.

The previous Earth Summit was held in 1992 in Rio de Janeiro and it has been agreed that “progress in implementing sustainable development has been extremely disappointing” since the event “with poverty deepening and environmental degradation worsening.” (Johannesburg Summit, 2002; United Nations, 2002) Therefore the overriding theme of the 2002 Summit was to promote action in addressing some of the most pressing concerns of poverty and the environment, mostly on a local, national and regional level. (Johannesburg Summit, 2002) Various commitments were made by attendees and United Nations Secretary-General, Kofi Annan, summarised the priority areas for action to reach new goals and targets. (United Nations, 2002) A number of these priority action areas share common characteristics with the conditions identified by Sathiendrakumar (1996) as essential for sustainable development. The action areas identified at the Summit comprise the following:

- Water and sanitation

Over one billion people lack access to safe drinking water and two billion lack access to proper sanitation.

- Energy

Some two billion people lack access to electricity and rely on traditional fuel sources.

- Health

An urgent need was recognised to address the causes of ill health.

- Agriculture

Most of the world’s poorest people make a living through subsistence agriculture – these people’s abilities have to be improved.

- Biodiversity and ecosystem management

The aim was identified as confronting the continuing decline of the world’s biodiversity and deterioration of ecosystems.

- Finance, trade and globalisation



At the Summit governments agreed that opening up access to markets is key to development.

The above priority areas serve as important guidelines as to where organisations can exert their sustainability efforts. It is important to note that business organisations can play an important role in all of the above focus areas, and not only with regards to the business related focus area of finance, trade and globalisation.

The Dow Jones Sustainability Index state that leading sustainability organisations, in addition to the above, actively attend to: strategy by integrating long-term economic, environmental and social aspects in their business strategies while maintaining global competitiveness and brand reputation; meeting financial expectations of shareholders and owners; customer relationships and product innovation while using financial, natural and social resources in efficient, effective and economic manners over the long-term; the highest standards of corporate governance and stakeholder engagement; and human, for instance workplace, issues. (Dow Jones Sustainability Index, 2003).

#### **4.5 Sustainable development operationalised – a triple bottom line issue**

Even though very relevant, the macroeconomic Brundtland definition of sustainable development provides little guidance on how this concept should be made operational on company level. (Epstein & Roy, 2001; Hardjono & Van Marrewijk, 2001)

##### **4.5.1 Introduction**

Managers still question how to implement a strategy that will encourage corporate sustainability when there are many competing organisational constraints and numerous barriers to implementation. (Epstein & Roy, 2001; Hardjono & Van Marrewijk, 2001) Some researchers have attempted to create sustainable development models for the purpose of enhancing the understanding and the implementation of the concept (Epstein

& Roy, 2001; Garvare & Isaksson, 2001), and although these models identify critical implementation elements, a generally accepted valid and reliable implementation model has yet to be developed. Even though guidelines for priority action areas have been provided by the United Nations, the risk still exists that the same lack of implementation that occurred after the Rio Summit can impair the potential positive impacts of sustainable development.

The critical question for businesses is therefore: how will businesses implement sustainability to simultaneously benefit the mentioned focus areas and the business as a separate entity longing for sustained existence and success?

#### **4.5.2 Sustainable development implementation and the triple bottom line approach**

The solution to the above-mentioned problem emerges in the form of a concept named the “Triple Bottom Line”.

Over the past decade it has been stated by many researchers that, in its essence, sustainable development involves a broad rethinking of business and society, and the development towards an integration of environmental, economic and social goals (Garvare & Isaksson, 2001; Government of Western Australia, 2001; Allen Consulting Group, 2002; Mahoney & Potter, 2003; Corporate Social Responsibility, 2003)

Sustainable development thus has expanded to the “simultaneous consideration of economic growth, environmental protection, and social equity in business planning and decision-making.” (Rondinelli & Berry, 2000, p. 70) This triad of sustainability elements or, as named by Percy (2000), the trinity of sustainable development – economy, environment and social – in turn constitutes the dimensions of the TBL.

Considering that sustainable development is reliant upon compatible environmental, economic and social outcomes (The business case for local government and triple



bottom line, 2002), and the TBL is the embodiment of an integrated focus on economic, environmental and social dimensions, it becomes comprehensible why the TBL is described by some researchers as “a strategy to operationalise the planning, monitoring, measurement and reporting of sustainable development” and all related activities and impacts. The TBL is not only a method of operationalising sustainable development, it is a vitally important vehicle for achieving performance through sustainable development. (The business case for local government and triple bottom line, 2002)

### **4.5.3 Summary**

The sustainable development implementation predicament leads to the realisation of the critical association between sustainable development and the TBL that culminates in a reciprocal relationship where sustainable development serves as an overarching driver for the TBL (Mahoney & Potter, 2003) and the TBL as a method for employing sustainable development and securing sustained business performance and success.

## **CHAPTER 5:**

### **THE TRIPLE BOTTOM LINE IN BUSINESS CONTEXT**

#### **5.1 Introduction**

The concept of the integrated triple bottom line of corporate sustainability represents to date the most comprehensive approach to understanding and bringing together a business' environmental, social and economic bottom lines (Vinassa, 2002). It attempts to unite these three interrelated spheres of activity in order to present a balanced view of overall corporate performance (The triple bottom line, 2003) and achieve sustainability (The business case for local government and triple bottom line, 2002).

#### **5.2 The development of the triple bottom line approach**

The concept of the triple bottom line emerged from the business sector (The business case for local government and triple bottom line, 2002) and was developed and first introduced by British environmental expert and management consultant, John Elkington. (Bridger, 1999; Rogers & Ryan, 2001; Partnership Sourcing, 2001; McDonough & Braungart, 2002; Zairi & Peters, 2002) When referring to the TBL Elkington states: "We are talking about a global revolution in business culture ... more profound in its impacts than the quality revolution (of the 80s). And one that has decades still to run". (Triple bottom line agenda key to business success, 1999)

Elkington coined the TBL concept in an attempt to express what he believed the future will require of business. He asserted that, in addition to the 'normal' financial results, companies must be willing to give an account of the impact that their activities have on the social as well as the biological and physical environment. (Partnership Sourcing, 2001) This proclamation challenged many researchers and practitioners to rethink what they regarded as a business' responsibility and sphere of impact in its pursuit of



efficiency and sustained success. In the past, business was more readily characterised by the pursuit of efficiency in the form of a single ubiquitous bottom line, namely profit. (Brakel, 2000; Triple bottom line reports for a wider audience, 2003) Later, thinking regarding the pursuit of efficiency, acknowledged a socio-technical model in the form of a dual bottom line of “man and work” (Brakel, 2000, p. 99), and in the 1980’s a renewed environmental focus resulted in a fragmented, disproportionate emphasis on profit, people and the planet (Brakel, 2000; Triple bottom line reports for a wider audience, 2003).

Only later did Elkington pioneer the concept of a more holistic triple bottom line, focusing on three distinct, yet interrelated dimensions. The fragmented focus on profit and people and planet was substituted by a new integrated profit/people/planet approach named the triple bottom line. The concept of the TBL represents a shift in focus from a purely financial bottom line to encompass three comprehensive dimensions – economic, environmental and social. (Brakel, 2000)

### **5.3 Dimensions of the triple bottom line**

Writers have repeatedly stated that in the future “success will go to those that can deliver across all three dimensions of sustainability ... and frustration will go to those that maintain a narrow focus, say just profit or just environmental stewardship” (Percy, 2000, p. 195). It seems as if the three dimensions of the triple bottom line – economic, environmental and social – are defined by a diverse range researchers, writers and managers to encompass a unique selection of factors. This section summarises what each dimension of the TBL entails for the purpose of providing the clarity required for enhanced success in TBL implementation.

### **5.3.1 The economic dimension of the triple bottom line**

The economic dimension of the TBL seemingly refers to value creation by a company in a wider sense than only creating financial benefits. This broader value definition includes creating human capital through training and other investments in human resources, fostering a good community for living, generating investments in infrastructure in the surrounding area, profitability, wages and benefits, labour productivity, job creation, etc. (Applying the triple bottom line approach, 2003). The Global Reporting Initiative (GRI) – an international body working towards standardised TBL reporting (Rockey, 2003) – agrees that the economic dimension includes, but is not limited to, financial information, expenditure on outsourcing, and expenditure on research and development (Mahoney & Potter, 2003). Bridger (1999) emphasises how important it is that the economic dimension of the TBL exist in unison with the social and environmental dimension. A sound social and environmental dimension is vital for economic success, and, simultaneously, economic investment is vital for the creation of sound social and environmental dimensions (Applying the triple bottom line approach, 2003).

### **5.3.2 The environmental dimension of the Triple Bottom Line**

It seems that recognition of the importance of this dimension has grown considerably in recent years. The environmental dimension of the TBL includes consideration for the impacts of processes, products, and services on air, water, land, biodiversity and human health (Mahoney & Potter, 2003). This dimension also involves the management of the above-mentioned issues (Bridger, 1999) and extends to the information provided regarding it (Applying the triple bottom line approach, 2003).

### **5.3.3 The social dimension of the Triple Bottom Line**

“Nowadays, the ‘soft’ social dimension of organisations contributes largely to the company’s competitive edge and adds to its financial performance, while reducing corporate risks” (Hardjono & Van Marrewijk, 2001, p. 228).



The social component of the TBL is multi-dimensional and it includes a wide spectrum of stakeholders, e.g. employees, communities, etc. It also encompasses a wide spectrum of issues, activities and involvements such as healthy and safe working conditions, health and safety programmes, investment in societal communities, urban and social investment, empowerment, entrepreneurship, education, human rights, workplace policies, labour practices, management of HIV/AIDS, employment equity, diversity (i.e. ethnic, diversity, etc.) programmes, black empowerment, employee schemes, relationships with partners such as suppliers, minority involvement, social impact of technology, etc. (Balabanis et al., 1998; Rogers & Ryan, 2001; Frankental, 2001; SA corporations give generously, 2003; Applying the triple bottom line approach, 2003). The dimension involves awareness regarding the above-mentioned issues, the management thereof and provision of related and required information.

#### **5.4 Importance of the triple bottom line approach for sustained success**

The triple bottom line triad of concerns – economic growth, environmental protection and social equity – was once considered an “impractical, blue-sky ethic” (McDonough & Braungart, 2002, p. 251). Many researchers and practitioners regarded the TBL as a concept with little potential for an extended existence. In addition it appears that unethical behaviour by some companies in one or more of the TBL dimensions provided critics with the information they needed to support their views that the triple bottom line and sustainability is merely a fad. A former favourite among environmentalists, namely Enron, exemplified the scepticism about the triple bottom line and sustainability. An internal Enron memo in 1997 boasted of how it was winning plaudits from Greenpeace, the World Wildlife Fund and Worldwatch. However, Enron’s involvements failed to extend to the social dimension of the TBL and their achievements in the environmental sphere alone were not enough to result in sustainable existence and success. (Elkington, MacKenzie, Moody-Stuart & Zemke, 2003; Hayward, 2003)



Many critics seemingly refuse to accept the worth of the TBL due to what is perceived as a lack of financial benefits, while, in effect, improved financial performance is one of the most important benefits of the TBL (Mowat, 2002). Adoption of the TBL approach directly and indirectly influences financial performance, but a large part of its origin can be attributed to ‘the recognition that economic measures are not by themselves the best measures of broad progress and well-being, that policies stressing growth in economic output can bring negative social and environmental effects, and finally, that all three are essential but interdependent elements of good policy, and of just and sustainable societies’ (Salvaris personal communication, cited in Mahoney & Potter, 2003, p. 3). Unfortunately, “capitalism, even in a social market economy, identifies value almost exclusively in the economic realm. Yet products designed for economic gain have an enormous impact on the social and ecological world as well” (McDonough & Braungart, 2002, p. 253). There is a growing recognition that the ‘value’ of corporate activity is being too narrowly defined and that important organisational role players expect value no longer to be defined in financial terms alone, but according to a much broader definition (Jayne, 2002, p. 60). The business world is increasingly accepting that prosperity, profitability and shareholder value alone do not represent the value of the company. The company’s ability to grow and to improve continuously is now determined, in addition to its economic performance, by its social competencies, ethical responsibility and environmental contributions. (Hardjono & Van Marrewijk, 2001)

Wilson & Lombardi (2001) have stated that although negative shareholder and stakeholder attitudes towards the triple bottom line is not new, more often it has been found that the negative attitudes resulted from a mere lack of understanding of the concept, or as a result of conclusions drawn by critics from defective TBL application. Despite criticism and concerns, the triple bottom line approach to business is a movement that is “gaining momentum around the world” (Mowat, 2002, p. 24). It appears that businesses are indeed realising the importance of responsibility and accountability for a broader spectrum of dimensions. It is becoming clear that neglecting the adoption of the TBL will result in an inability to savour sustained business success. TBL founder, John Elkington, stated in his book, *Cannibals with Forks*: “To refuse the



challenge implied by the triple bottom line is to risk extinction” (The triple bottom line, 2003).

A survey published by PWV encountered similar findings. The survey emphasised that “companies that ignore the triple bottom line are ‘courting disaster” as the triple bottom line is increasingly being regarded as an important measure of value (Hayward, 2003, p. 42). Corporations are expected to go beyond being profitable and to demonstrate their value in terms of positive and sustainable economic, environmental and social performance over the long term (Wilson & Lombardi, 2001). Although some organisations still regard the adoption of the TBL as a personal choice, others are starting to realise that companies and their stakeholders will have no option but to address the emerging triple bottom line (Zairi, 2000).

The TBL ultimately becomes an important strategic approach for managing conflicting issues and this, in due course, determines a company’s ability to continue as an operating (and competitive) concern, or on the contrary face extinction (The triple bottom line, 2003).

## **5.5 Benefits of adopting the triple bottom line approach**

“While there are many risks to not choosing the triple bottom line approach, the motivation and the business case is more readily found in its benefits”(Mowat, 2002, p. 27).

Bob Willard, a former IBM senior manager, stated in his book, *The Sustainability advantage: seven business case benefits of a triple bottom line*, that today’s companies are squandering bottom-line benefits that could easily have been achieved by adapting sustainable development strategies. (The Sustainability advantage: seven business case benefits of a triple bottom line, 2003) Once organisations embrace the triple bottom line approach in its totality and devote themselves to the holistic consideration and



application of all the TBL dimensions (economic, environmental and social), the benefits of a triple bottom line approach seem a greater probable reality.

It is important for business to realise that the benefits derived from a TBL approach are seemingly not always experienced directly, but often in an indirect, yet valuable way. It appears that it is sometimes difficult for managers to perceive these benefits and, consequently, to trust the positive potential of the triple bottom line approach.

Another apparent characteristic of the benefits of the TBL that seemingly influences the willingness of managers to trust the importance of the movement is that the positive impacts of embracing the TBL and conducting business accordingly, is often long-term in nature. Although short-term benefits also occur, due to the proneness to long-term benefits the TBL approach is, like many novel concepts, subject to scepticism regarding its ability to ultimately produce these benefits.

Whether the benefits accrued are direct or indirect, experienced over the short-term or long-term, the truth remains that engagement in the TBL and claiming the derived benefits will impact a business' long-term business performance, success, sustainability, and will result in a stronger competitive advantage. (Mahoney & Potter, 2003; Rondinelli & Berry, 2000)

### **5.5.1 The triple bottom line and reputation**

One of the most influential benefits of employing the TBL approach to business is the reputational advantages it holds. The reputation of a business has a vast ability to positively or negatively influence, amongst others, corporate identity and brand equity and subsequently organisational success and sustainability (Rockey, 2003). As rightly stated by Friedman and Miles (2001, p. 523): "Currently reputational risk, and hence how companies manage environmental, ethical and social reputations, is on the core corporate governance agenda" due to its impact on many business operations, the high costs involved and the ultimate ability to affect sustainability. (Keeler, 2003, p. 19)



Scholars and managers are increasingly realising the ability of a reputation to enable a favourable corporate and brand image (Rondinelli & Berry, 2000), but also to impact most other organisational relationships, partnerships and activities. The right reputation can differentiate a firm in a very crowded market of suppliers, buyers, consumers and other constituencies (Percy, 2000).

Organisations are thus being more attentive to the fact that in a very fast changing business and market environment, a firm's reputation may be the only real fragment of certainty that can be provided to stakeholders and that can differentiate a firm from its competitors (Percy, 2000). Although indeed an influential benefit, reputations can be swept away almost over night as some of the largest global corporations have in recent years discovered due to their lack in integrity, responsibility, engagement and transparency (What is corporate social responsibility?, 2003).

It seems beneficial for companies to manage their reputations pro-actively. Glen Peters, head of reputation assurance at Pricewaterhouse Coopers, argues that rather than waiting for a crisis to hit, a company should plan in advance to protect its reputation, targeting any action toward its key stakeholders (Peters, 1999). Companies should also deliberately extend reputation related planning efforts to incorporate all three dimensions of the TBL as this will enable them to defend their reputation against an array of stakeholders (Mahoney & Potter, 2003).

Hedstrom and Isenburg (2002) identified five forces predicted to extensively influence the ability of an organisation to innovate and experience business success. One of the forces is dubbed as "the rising tide of emotion" (Hedstrom & Isenburg, 2002). Events such as September 11, globalisation protests, etc. has spurred an increase in the display of anger and simultaneously an increase in the display of passion by organisational stakeholders (Hedstrom & Isenburg, 2002). In the wake of this rise in emotion, an organisation's reputation, as an independent benefit, and its ability to initiate or prevent other benefits seemingly becomes even more critical.



### **5.5.2 Preservation of crucial resources and raw materials**

Corporations' awareness is increasing that Earth's resources will not be able to continuously withstand the challenges posed to it by business (Rondinelli & Berry, 2000).

Consequently, business now face the undeniable challenge of acknowledging their responsibility for resource preservation and of actively engaging in nurturing and developing the future resources they might need in their quest for sustainability, profitability and business success. (Rondinelli & Berry, 2000)

The nature of the resources required has changed over the years. Organisations need raw materials and other resources provided by the environment. Engagement in environmental protection will provide greater certainty regarding the availability of these resources. However, modern day businesses especially require social resources as it offers some of the most important necessities for business today. Human resources are an example of social resources and are important not only for the supply of physical labour, but also for the provision of intangible assets, such as intellectual capital – the source of creativity and innovation. (Wyatt, 2002)

### **5.5.3 An enhanced ability to hire top talent**

Adoption of the TBL provides a business with an enhanced ability to hire top talent (Percy, 2000; The Sustainability advantage: seven business case benefits of a triple bottom line, 2003)

Employees are important sources of ideas, creativity and innovation. (Percy, 2000) As previously mentioned they are the embodiments of indispensable intangible assets (Wyatt, 2002), and they are also the problem solvers and the strategists. In the current business era, due to fierce competition for the right employees, it is more difficult than



ever to attract new talented people and at the same time, it is more difficult to keep existing employees satisfied. (Hardjono & Van Marrewijk, 2001)

It appears that reputation plays an important role in securing the necessary human resources. As stated by Percy (2000, p. 197): “the best reputations attract the best employees and provide a company with access to the best ideas”. The more positive your company’s reputation, the more “top-notch employees will want to work for you” (Mowat, 2002, p. 27; The Sustainability advantage: seven business case benefits of a triple bottom line, 2003). A sound reputation’s benefits thus extend to an enhanced organisational ability for hiring the required human resources.

#### **5.5.4 A greater number of retained valued employees**

A company who displays an authentic economic, social and environmental responsibility have a greater probability of treating its employees, and the environments in which their employees live, just and fair. Satisfied employees are more likely to continue their employment contracts with their employee. This will guard the intellectual capital of the organisation for an extended period of time and enable the reduction of cost relating to recruitment and selection. (Percy, 2000; The Sustainability advantage: seven business case benefits of a triple bottom line, 2003)

#### **5.5.5 The triple bottom line and important partnerships**

Another benefit of the TBL, in part enabled by a good reputation, is the enhanced willingness of various parties to engage in business relationships and partnerships with the TBL adopting company. The best reputations do not only attract the best employees and the best customers, it also attracts the best partners at times when it is vital to have these partners. (Percy, 2000)

New partnerships provide access to the best new ideas, improved innovation and continuous learning. Innovation and learning excellence are necessities for sustained



business success. (Waddock et al., 2002) Innovation aids in creative problem solving and new product development (Percy, 2000; Rondinelli & Berry, 2000; McDonough & Braungart, 2002). In conjunction with continuous learning (Waddock et al., 2002) it provides for a substantial competitive advantage.

TBL adoption and subsequent good partnerships leads to reduced operating risk at a time when risk and uncertainty is a detrimental given (Rondinelli and Berry, 2000; Johnson, 2001; Hardjono & Van Marrewijk, 2001; Mowat, 2002; The Sustainability advantage: seven business case benefits of a triple bottom line, 2003; Henderson, 2003). Low perceived risk is a prerequisite for investors and can enable greater access to capital (Rondinelli & Berry, 2000, p. 74).

The adoption of the TBL approach and the resulting good reputation has the ability to improve relations with regulating bodies and governments. These bodies frequently have the sanction to approve or deny necessary and often vital partnerships and strategic initiatives and positive relation with these groups can thus have a substantive positive effect. (Percy, 2000)

### **5.5.6 The triple bottom line and consumers**

Besides improved relations with employees, partners, regulating bodies and governments, as mentioned in the above, the TBL and a good reputation seemingly also provides benefits in the form of better relations with other stakeholders such as consumers.

A positive reputation, through the adoption of the TBL, enables an organisation's sustainability and enhanced success by attracting and retaining customers (Percy, 2000; Mowat, 2002). Today's consumer is very educated, more sophisticated and very cynical about the motivations of business for pursuing their goals (Mowat, 2002). "The brand loyalty that once existed – where consumers would purchase a product because they had always used that product – is being put to the test" (Mowat, 2002, p. 27). Modern



consumers want more information that is more readily available and will think twice about their involvement with organisations who are not transparent (Allen Consulting Group, 2002; Mahoney & Potter, 2003).

The 1999 Environics Millennium poll (Mowat, 2002, p. 27) found these responses from customers:

- 90% of those surveyed stated that companies must focus on more than just profitability
- 60% of those surveyed stated that they form impressions of a company based on its social responsibility
- 40% of those surveyed stated that they respond negatively to companies that are perceived to not be socially responsible
- 17% of those surveyed stated that they actually avoid products of companies that are perceived not to be socially responsible.

Mohr et al. (2001, p. 69) have found that consumers will not always react positively when companies act especially responsible in terms of all the dimensions of the TBL, but consumers will definitely react negatively when companies display corporate behaviour that is irresponsible: "Consumers are more likely to boycott irresponsible companies than to support responsible companies."

Mowat (2002, p. 27) summarises: "A company's image, reputation and sales are in jeopardy if customers have a negative perception of a company's behaviour. This negative perception, in turn, erodes brand loyalty and consumer confidence. Consumers want good value, but they are also demanding that companies perform in a manner that is socially and environmentally responsible. Failing to do so can have a direct (and increasing) impact at the point of sale. This is a trend that is likely to gather momentum in the years ahead. The message is that the corporate community needs to get on the trend, and put social and environmental responsibility at the centre of business strategies, welded to financial success".

The above supports the view that the TBL holds benefits in terms of relationships with customers and it also emphasises the positive or negative effects that the TBL, or the lack thereof, can have for corporate image, brand image and brand loyalty (Rondinelli & Berry, 2000).

### **5.5.7 More triple bottom line benefits**

Other benefits of embracing a TBL approach, as identified by researchers and practitioners, amongst others include: increased productivity (The Sustainability advantage: seven business case benefits of a triple bottom line, 2003); reduced expenses at commercial sites (The Sustainability advantage: seven business case benefits of a triple bottom line, 2003); reduced manufacturing cost (The Sustainability advantage: seven business case benefits of a triple bottom line, 2003); reduced operating costs (Rondinelli & Berry, 2000); and increased revenue and market share (The Sustainability advantage: seven business case benefits of a triple bottom line, 2003).

A host of direct and indirect benefits can be accrued through employment of the TBL concept and it must be agreed that, ultimately, the TBL approach to business indeed influences social, environmental and financial performance and can award a stronger competitive advantage. (Rondinelli & Berry, 2000; Mowat, 2002; Mahoney & Potter, 2003)



## **CHAPTER 6:**

### **IMPLICATIONS OF TRIPLE BOTTOM LINE ADOPTION – FUNDAMENTAL PRINCIPLES AND COMPULSORY GUIDELINES**

#### **6.1 Introduction**

In the above some of the potential benefits of adopting a triple bottom line approach to business in the pursuit of sustainability and business success have been delineated. These benefits will only become a reality for businesses if they adhere to a selection of TBL implementation premises. These premises include a broader and accurate understanding of your business, a holistic approach to business, the acceptance of a broader sphere of responsibility, a stakeholder approach, leadership commitment, an authentic ethical inclination, transparency, a current strategic approach, and accountability and reporting.

#### **6.2 An accurate and holistic business understanding**

Robert, Schimdt-Bleek, Aloisi de Larderel, Basile, Jansen, Kuehr, Price Thomas, Suzuki, Hawken and Wackernagel (2002) emphasise the importance of thoroughly understanding your business. In the current era of business this infers understanding and exerting efforts for controlling the consequences of your actions and involvements. Robert et al. (2002) further assert that it is to be doubted whether any firm/organisation can claim to understand its business if it does not understand it holistically. The capacity of a company to offer a more holistic and future-facing view of its abilities to utilize its social and intellectual capital alongside its physical assets, is becoming increasingly important and illustrating the importance of a holistic view that incorporates all dimensions of the TBL. (Partnership Sourcing, 2001)



### **6.3 The equal importance of all triple bottom line dimensions**

Under the TBL, the three dimensions, namely economic, environmental and social and their impacts are regarded as interdependent, mutually reinforcing, and subsequently equally important (Allen Consulting Group, 2002). The dimensions are interconnected, impacting on business performance and sustainability individually and collectively, and it is thus important to grant balanced attention to all three elements of the triple bottom line (The triple bottom line, 2003). It has been said repeatedly that long-term corporate operational sustainability is essentially becoming a function of how well a company can identify, understand, evaluate and manage its position within the three spheres of the triple bottom line – undervaluing or failure to address one or more of these spheres will compromise the potential of the other spheres and will eventually impact and damage a company's sustained ability to successfully compete in an increasingly turbulent operating environment (Percy, 2000; The triple bottom line, 2003). Success will ultimately be experienced by those organisations that achieve the predetermined objectives without compromising the balance of the relationship between the three TBL dimensions (Mahoney & Potter, 2003; Maxwell & Van der Vorst, 2003).

As mentioned previously, in the past, organisations addressed the economic dimension of the TBL extensively as this was seen as the primary reason for the existence of the organisation (Friedman, 1970; Knautz, 1997). Recent years saw the rise of the environmental dimension of the TBL. Organisations are engaging in new and more effective ways of solving and preventing environmental problems through partnerships and collaboration, the aim being to secure benefits for both businesses and the environment. (Rondinelli & Berry, 2000) Proactive environmental management practices have become an integral part of the business operations of most international corporations (Rondinelli & Berry, 2000). Organisations have realised that environmental issues are amongst the most serious the world and business are facing (Rosner, 1995) and that good economic figures are of no worth if the long-term viability of the firm is being compromised by bad environmental practices (Jayne, 2002). The growing emphasis on environmental issues has induced greater prominence of environmental



reporting, to such an extent that in countries such as France and Denmark environmental reporting is now mandatory (Jayne, 2002). Thus, the economic and environmental dimensions of the TBL are increasingly managed to contribute to sustainability.

At present, the greatest threat for the success of the TBL and sustainability is the lack of sufficient focus on the third and equally important dimension of the TBL, namely the social dimension. (Hardjono & Van Marrewijk, 2001)

#### **6.4 Leadership commitment and involvement**

“Integrating sustainability thinking and practice into organisational structure is not a trivial task and it requires vision, commitment and leadership” (Joseph, 2001; Zairi & Peters, 2002; Azapagic, 2003, p. 303).

Business leaders – chief executive officers, managers, etc. – are key in the operationalisation of the TBL approach as they are responsible for the vision, mission, core ideologies, values, strategies and goals of the organisation (Morden, 1999). It appears that a lack of commitment by business leaders will result in the failure of the TBL adoption process and that companies need strong leaders who are bold and clear about their company’s commitment to all three dimensions of the TBL, and their company’s commitment to attending to these dimensions in an ethical and proactive manner. (Rockey, 2001; Mowat, 2002; Keeler, 2003; Msimango, 2003)

Business leaders are the ones faced with the challenge of making the vital decision of whether to pursue the TBL responsibility pro-actively or reactively, in other words, whether their business will be a ‘first mover’ or a ‘fast follower’ (Percy, 2000, p. 196).

Business leaders seem to be the initial decision makers regarding the choice of whether to adopt the TBL approach in its totality or only partially. Often businesses

begin their commitment to sustainability with a clear understanding of their economic goals and a tendency to focus firstly on these goals, instead of focusing on all three dimensions of the TBL and sustainability. (McDonough & Braungart, 2002) Leaders have to realise and communicate that a company's ability to grow and to improve continuously is, in addition to economic success, also determined by its social competencies, ethical responsibility and environmental contributions (Hardjono & Van Marrewijk, 2001).

Business leaders appear to be the ones determining the sincerity of the business' TBL efforts. Many organisations' initial TBL responses tend to be "window dressing" and not genuine commitment, and will not result in long-term benefits. (Keeler, 2003, p. 21)

Business have to familiarise themselves with the needs of all stakeholders in the pursuit of long-term value (Joseph, 2001). They are the driving forces behind setting, communicating and implementing values and they also have to model the way to responsibility and accountability. Their internal actions have to testimonial to clear support for responsibility goals (Waddock et al, 2002). They are thus the ones who have to display and ensure the necessary support for all TBL adoption related processes and activities. (Business for social responsibility, 2003)

The above illustrates the vital importance of business leaders' support and involvement. The support of company directors and owners are equally important for ensuring the holistic adoption of the TBL approach in the pursuit of sustainability.

## **6.5 A stakeholder approach**

It seems as if the single bottom-line emphasis of past years has resulted in the harbouring of a shareholder focus in the midst of most organisations. As good financial performance was regarded as the only indicator of business success, shareholders were considered as the only relevant parties affected by this success.



Companies today are facing a growing array of stakeholder pressures that has significantly impacted their prevailing shareholder emphasis. The rise of sustainability and the triple bottom (Rondinelli & Berry, 2000), in conjunction with a luring movement from individualism to community (Rogers & Ryan, 2001) has increased stakeholder expectations and demands for businesses' greater economic, environmental and social responsibility and accountability towards a broadened selection of stakeholders. (Mowat, 2002; Waddock et al., 2002; Allen Consulting Group, 2002; Mahoney & Potter, 2003; O'Brien, 2001) The TBL approach thus expects that, within their context and capabilities, organisations must not only be accountable to their shareholders for their contribution to sustainable development, they must supply information regarding the impacts of their actions to an expanded group of stakeholders. (Suggett, 2000; Wilson & Lombardi, 2001; Allen Consulting Group, 2002; Mahoney & Potter, 2003)

Organisations are now faced with a dual challenge: they have to identify, engage in, and continue with activities that stakeholders regard as important, but simultaneously they have to balance these activities with what the companies' vision, mission, strategies and values regard as being of primary importance. (Grundfos embraces corporate social responsibility, 2002; Waddock et al., 2002). Organisations thus have to optimally satisfy the needs of stakeholders whilst accomplishing the same for the organisation (Joseph, 1995).

Although most businesses seem to be accepting the notion that a sole focus on shareholders is somewhat insular, several debates are continuously in process regarding who should be included in an organisation's stakeholder definition, and thus for whom an organisation should accept responsibility and to whom a business should be accountable.

Some researchers declare that business are only responsible to corporate stakeholders and not to society as a whole (Clarkson, Donaldson & Preston, cited in Maignan, & Ferrell, 2003). Waddock, et al. (2002) divides stakeholders into two broad stakeholder



groups: primary stakeholders, such as owners, employees, customers, and suppliers; and secondary stakeholders, such as non-governmental organisations (NGOs), activists, communities, and governments.

According to Mohr et al. (2001) the term 'stakeholder' in its simplest form includes: owners, customers, employees, community, and the public at large. Peters (1999) includes five key stakeholder groups, namely shareholders, customers, employees, society, and partners in his definition, and Mahoney and Potter (2003) and Percy (2000) state that stakeholders comprise of customers, employees, suppliers and communities.

Richards (2003) includes the following parties as stakeholders: employees, shareholders and other providers of capital, customers, suppliers, partners and the communities in which business is conducted. Maignan, Hillebrand and McAlister's (2002) definition of stakeholders consists of employees, competitors, shareholders, suppliers, activists, consumers, investors, government, non-governmental organisations and the media and Nieuwlands' (2003) definition includes shareholders, employees, analysts, regulators, activists and labour unions.

Viewed collectively the above definitions provide a good summary of the parties generally considered as being part of the stakeholder concept. Employees and customers seem to be the two groups most often regarded as organisational stakeholders. It appears that many organisations also regard their suppliers and the communities in which they operate as stakeholders. Groups that are mistakenly less often embraced in the stakeholder definition include business partners, non-government institutions, governments, activists, the media, business analysts, regulators, labour unions, and even competitors.

It is interesting to note that although some organisations include shareholders, owners, and providers of capital in their stakeholder definitions, these groups – more readily associated with the "old" financial bottom line – are seemingly less often included in the stakeholder definition of organisations and still viewed as separate entities. This could



incur questions regarding organisations' interpretations of the importance of the social and environmental bottom lines of organisations and whether organisations still regard these bottom lines as being inferior to the economic bottom line.

Maignan and Ferrell (2001, p. 38) have stated: "A reactive business rejects the responsibilities assigned by its stakeholder groups. A proactive business is aware of, meets, and anticipates, the responsibilities imposed by its stakeholders." Although the choice regarding whom to include in their specific stakeholder definitions seemingly remains the prerogative of individual organisations, it should be remembered that the positive effects of including more than merely shareholders in the stakeholder definition could be invalidated by failure to involve all relevant stakeholders.

Organisations should engage in the management of relationships with all possible direct and indirect stakeholders proactively as to ensure the accruable advantages and in advance avoid negative consequences, as this will increase the credibility of organisations with stakeholders (Waddock et al., 2002) and improve stakeholder confidence (Mahoney & Potter, 2003).

## **6.6 The rising importance of transparency**

In recent years the rise of sustainability and a TBL approach to business has increased stakeholder demands for greater transparency (Percy, 2000; Waddock et al. 2002; Verschoor, 2003; Hilten, 2003).

Transparency is a critical underpinning and goal of the TBL approach and without transparent policies and organisation-wide practices businesses cannot claim the holistic adoption of the TBL approach (Cliffe Dekker, 2003).

Organisational awareness regarding all three spheres of the TBL is a prerequisite for transparency. O'Brien (2000, p. 23) has emphasised that transparency is impossible

without awareness of one's position: "many corporates are involved in community interventions and outreaches without being aware of what their position actually is, let alone the implications of that position."

Continuous and dedicated ethical behaviour is another prerequisite of transparency as sincere transparency is complicated if an organisation harbours unethical policies and practices and organisations forfeit many valuable benefits offered by transparent practices if they engage in unethical operations (Percy, 2000). Organisations are recommended to be transparent about all their behaviour, including unethical behaviour, rather than ever engaging in behaviour that is not transparent.

There are several reasons for the importance of transparency:

#### **6.6.1 Transparency in reaction to stakeholder demands**

Hedstrom and Isenburg (2002, p. 14) have exempted transparency as one of the five most important forces to influence business success in the next two decades: "We are now in an era of transparency, where stakeholders inside and outside have greater access to information; everything about your company can and will be known."

Stakeholders nowadays regard transparency as vital and insist on open and equal information for the purpose of being informed and better protecting their interests. As such, stakeholder awareness of the social and environmental impacts of business has grown and stakeholders now demand greater transparency. (Wilson & Lombardi, 2001; Garvare & Isaksson, 2001) Transparency enables an organisation to build stakeholder confidence and creates a basis for effective engagement with them (Mahoney & Potter, 2003).



### **6.6.2 The detrimental rise of corruption**

The question often arises whether corporate executives, who are continuously under pressure to reduce costs, will rather attempt to shift their operations to nations with lower social, environmental, and transparency requirements, or to nations with weak enforcement of such rules, than engage with countries and organisations that rigorously enforce transparency rules. (Aaronson, 2003) Whatever the answer may be, corruption and fraud has increased as major development obstacles and consequently, the pressure for transparency as a method of combating these impediments, has escalated. (Garvare & Isaksson, 2001; Husted, 2003)

### **6.6.3 Transparency and trust**

Transparency seems to be an important moderator of organisational trust. Trust comes from delivering on promises in a way that is transparent and observable (Percy, 2000). Trust is vital for receiving valuable external input and feedback, and for building a good reputation (Percy, 2000). Organisations that are not transparent will not be regarded as trustworthy and high in integrity, and this will impact their relationships with all their stakeholders (Mowat, 2002). It appears that engaging in sustainable development and subsequently the employment of the TBL approach requires that transparency be embraced by all organisational policies and practices.

## **6.7 The triple bottom line and the continuous role of ethics**

“Ethics are no longer exclusively the preoccupation of philosophers – the quest for truth has become big business” (Joseph, 2001, p. 121).

Researchers agree that ethics and sustainability go ‘hand in hand’ and that corporations are much more likely to win the requisite trust of a varied group of sustainability



constituents if they conduct themselves in an ethical manner and according to high ethical standards (Percy, 2000, p. 199; Hill et al, 2003).

Awareness is growing that “one cannot simply judge a company’s ethics by reviewing a company’s balance sheets” (Aaronson, 2002, p. 356). The TBL acts as an ethical mindset (Mahoney & Potter, 2003) and the ethical responsibilities of companies co-exist with their TBL – economic, social and environmental – responsibilities and therefore the ethical excellence of a company must be judged in conjunction with the excellence of the TBL (Hardjono & Van Marrewijk, 2001). It has to be ensured that performance standards and audit systems accommodate ethical, social and environmental criteria in addition to economic criteria, and that rewards systems consider a broader set of performance indicators (Frankental, 2001). Frankental (2001, p. 19) has stated: “The significance of the triple bottom line is that if companies are audited according to their environmental and social impact, and penalised if they do not perform ... then financial markets will begin to judge companies according to their wider impact on society. Share prices will then positively reflect the ethical dimensions of a company’s operations.”

Ethical corporate behaviour can be enabled by setting ethical values, norms and principles for all the dimensions of the TBL (Mohr et al., 2001; Aaronson, 2003). Values help to define ethical companies from their competitors and are important (Mowat, 2002, p. 25). It must be remembered that “long-term sustainable performance does not just come from proclaiming values; it comes from consistently putting them into practice – living them” (Keeler, 2003, p. 22). The same applies to ethical principles that can be agreed upon by managers and be useful for management decision-making, but whose “real challenge seems to be in their use” (Carroll, year, p. 24).

Accepting an ethical responsibility as part of the TBL adoption process will positively impact the companies’ ability to grow; its ability to improve continuously (Hardjono & Van Marrewijk, 2001); its reputation (Fandray, 2000; What is corporate social responsibility, 2003); its ability to secure foreign direct investment (Vinassa, 2002); the



loyalty and commitment levels of its employees; and ultimately its bottom lines (Fandray, 2000).

Ethical management behaviour and management commitment to ethics are important prerequisites for an ethical organisation. Fandray (2000, p. 76) emphasises that efforts regarding the enforcement of ethics are important “but if the CEO doesn’t seem to care, it’s all just a sham”. Management also has to model impeccable ethical behaviour and “it is management’s task to ensure that the ethical value system of a company is not confined to senior management, but permeates the whole organisation” (McDonald & Zepp, 1992, p. 9).

## **6.8 Triple bottom line adoption – inspiring accountability and reporting**

The TBL approach to fulfilling sustainability seemingly dictates a high level of disclosure and reporting. Public interest groups are increasingly expressing their concerns that corporations have grown to powerful and as a consequence, public awareness of social and environmental impacts of large corporations is rising and leading to demands for greater transparency and disclosure in all three the dimensions of the TBL – economic, social and environmental. (Wilson & Lombardi, 2001; Aaronson, 2002)

“Once it was enough to present the financial facts of the year past. Today so much exists beyond the numbers that captures stakeholder interest and affects their decision-making. Stakeholders now demand that you responsibly present and interpret performance not just in terms of the bottom-line returns, but within a broader context” (Jayne, 2002, p. 60). “Companies are now being asked by their stakeholders for more information about their impacts on the environment, the economy and society, and to attest to ethical conduct and sound governance of their business” (Allen Consulting Group, 2002; Mahoney & Potter, 2003, p. 3). Corporations are thus expected to go beyond being profitable, to demonstrate positive and sustainable economic, environmental and social performance over the long term and to display willingness to



be held accountable for their actions and performance in all these spheres. (Wilson & Lombardi, 2001)

Reuel Khoza, president of the Institute of Directors, has stated that “financial reporting – the balance sheet – gives an indication of the performance of the company at a point in time, and is focused on looking backwards. Reporting on non-financial matters can reveal what drives underlying or future value creation within an enterprise and thereby give stakeholders an indication of its future performance – sustainability” (Vinassa, 2002, p. 14). Although at present many organisations tend to view TBL reporting “as a luxury or novelty” and in some contexts essentially serving as a “PR device” (Mahoney & Potter, 2003, p. 9), TBL reporting is in effect a way of adding value to investors. (Triple bottom line reports for a wider audience, 2003) It provides a platform for checking, measuring and reporting on the nature, extent, depth and consequences of the organisation’s impact, and it offers a basis for superior decision-making by governments and other parties seeking to plan effectively (The business case for local government and triple bottom line, 2002; Mahoney & Potter, 2003). TBL reporting ultimately changes how businesses and shareholders view corporate imperatives (Papmehl, 2002) as they are no longer held accountable only for their financial results, but experiencing pressures for accountability regarding their social and environment performance as well (Zairi & Peters, 2002; Mowat, 2002; Waddock et al., 2002).

As mentioned previously, the TBL approach infers that an organisation adopts a stakeholder approach as opposed to a shareholder approach. Organisations are thus accountable not only to shareholders, but to a broader spectrum of stakeholders, and subsequently have to report to all the relevant stakeholders (Mowat, 2002). Triple bottom line reports should not be aimed only at investors, but at a much broader range of audiences and interests: shareholders, customers, employees, business partners, governments, local communities, the public and all the other stakeholders relevant to the context of the organisation (Triple bottom line reports for a wider audience; 2003).



It seems as if the diversified selection of stakeholders places new demands on the methods and media employed for accountability and reporting purposes. In the past reporting occurred by means of, for instance, company reports and the publication of financial results in newspapers. Currently, more organisations appear to be releasing social and environmental news on their company websites. However, an array of stakeholders is voicing complaints regarding a lack of easily accessible company information. (Mohr et al., 2001)

Companies, who do present and promote themselves as responsible and as a result make transparent and trustworthy information available, unfortunately are often challenged to deal with excessive “criticisms of any irresponsible behaviour they are seen as committing.” (Mohr et al., 2001, p. 69)

A study by PWC emphasised that adoption of “expanded reporting may be hampered by the lack of sufficient measures in the social and environmental areas” (PWC Management Barometer survey, 2002). More thorough disclosure and reporting can only occur if performance results are available and measuring organisational performance on all aspects of the triple bottom line is thus very important for success, as it enables the management of all the TBL dimensions (Percy, 2000). “Business excellence ultimately implies that corporations integrate social, ethical and environmental criteria into their investment decision-making processes: they measure their performance against three bottom lines (the Triple P of planet, people and profit)” (Hardjono & Van Marrewijk, 2001, p. 225).

In the past financial results were mostly obtained by means of a financial accounting audit. It has been suggested that organisations measure their social and environmental impacts by means of social and environmental audits. These audits are defined as standard processes for “identifying, measuring and reporting the ethical, social and environmental impact of an organisation” (Johnson, 2001, p. 30). Whilst social and environmental auditing has the ability to improve performance in a way that is transparent, reflects accountability to stakeholders, and will strengthen relationships with



them, it is still not employed as widespread in the corporate world as it ought to be (Mowat, 2002).

The process of auditing and reporting, whether economic, social or environmental should be externally verified as external validation increases the credibility of the results and decreases the opportunities for possible stakeholder criticism (Mowat, 2002). Waddock et al. (2002, p. 144) state that “there is an intense pressure on companies to use external auditors and publish the results of responsibility audits” as external auditors provides stakeholders with assurances that the presented reports are reliable and reasonable. “The vital importance of external verification cannot be overstated.” (Hardjono & Van Marrewijk, 2001; Mowat, 2002, p. 28)

Joanna Perry, KPMG’s partner in charge of financial reporting has warned that the process of “getting the right measures in place for TBL reporting takes a long time” and is often very challenging (Jayne, 2002, p. 61), but remains important as the old saying is still relevant: “what gets measured gets managed” (Percy, 2000, p. 199).

The measurement of performance cannot occur independently from the process of setting performance standards. The setting of standards will not only facilitate the process of measuring and managing performance, it is also regarded as critically important by various stakeholders who are demanding transparent standards. (Waddock et al., 2002)

Some organisations complain about the lack of standardised metrics for measuring an organisation’s environmental and social costs and benefits, and about a lack of reporting guidelines. Consequently these organisations doubt the feasibility of total TBL adoption. However, businesses should be aware of the existing (Nieuwlands, 2003) guidelines regarding standards and reporting, provided by initiatives such as the Total Responsibility Management approach (Waddock et al., 2002); SA 8000 (Nieuwlands, 2003); the Global Reporting Initiative (GRI) (Panchak, 2002; Mahoney & Potter, 2003;



Verschoor, 2003); the Global Compact (Topfer, 2000; Panchak, 2002); AA 1000; the King Report, etc. (Rockey, 2003).

Where the above guidelines are not applicable or suitable organisations should regard it as the ideal opportunity to be a “first mover” and to actively participate in developing and determining the necessary guidelines (Percy, 2000, p. 196).

### **6.9 Strategic integration and a systemic approach to the adoption of sustainability through the triple bottom line**

It has been stated by researchers Mahoney and Potter (2003) that the TBL can be applied to four possible levels within organisations.

The first level of TBL adoption employs the TBL as a reporting mechanism, representing a primary focus on reporting and not necessarily accountability with respect to the three TBL dimensions. The second level refers to the TBL within planning and reporting. On this level, although TBL principles are embedded into the planning and reporting, the approach is still fragmented and each dimension is not necessarily considered as being of equal importance. The third level views all the TBL dimensions as being of equal importance and all activities, including planning and reporting, are integrated. The fourth level of TBL implementation is the desired level as it represents a strategy approach and commitment to sustainable development. It infers that a commitment to the TBL underpins the organisation and is embedded in its vision, values and philosophy. The fourth level of TBL adoption can be referred to as strategy-level implementation as it incorporates the first three proposed levels and progresses beyond these levels to make all the dimensions of the TBL an integrated part of the organisation’s corporate business strategy. (Mahoney & Potter, 2003, p. 7) The fourth- or strategy level application results in “a strategy that integrates the sustainability agenda and all the aspects of the triple bottom line of economy, environment, and equity” (Percy, 2000, p. 197) and it implies



the full integration of the TBL with existing corporate business, product development and sustainability systems. (Maxwell & Van der Vorst, 2003)

The understanding by some researchers that the TBL can be applied to four different levels within organisations seemingly presents an impediment to the success of the concept as only the final proposed level of total strategic integration is driven by a sustainability agenda and thus adheres to the true nature of the TBL approach and its prerequisites for success (Mahoney & Potter, 2003, p. 7). McDonough & Braungart (2002) has stated that sustainability, referring to efforts made to ensure continued business existence and success, is a way of life that starts with the point of strategy. An organisation who has decided on following a sustainability agenda and consequently on adopting the TBL approach to business thus has to ascertain what their decision entails for corporate strategy (Percy, 2000).

The term 'strategy' has been defined as the determination of long-term goals and objectives by corporate leadership, and it has been conceived as a "pattern of policies and plans developed by top management to achieve predetermined goals." (Andersen, 2002, p. 185-186) In the past strategy was often about forecasting future environments and developing products, assets and organisations to succeed in those environments. (Percy, 2000) Today, strategy involves acting on a conviction, whilst considering an increased number of relations and impacting variables, with a view toward "surviving in a very volatile and unpredictable world" (Percy, 2000, p. 196). Strategy thus remains related to a long-term focus, anticipation of the future, and forecasting, but it also involves moving in a new direction that respects people, the environment, and the economic bottom line. (Mowat, 2002, p. 29) Adoption of sustainable development and the TBL philosophy as a critical part of corporate strategy, thus infers that an organisation takes a deliberate strategic position, not only regarding financial aspects, but regarding the three core TBL areas – economic prosperity, environmental quality, and social justice. The business thus accepts responsibility for embedding the organisation's strategy, policies, targets, and activities in all three dimensions of the TBL (Appendix 11: Triple bottom line, 2003). Companies who act on their conviction by



steering their corporate strategy in a new direction will “profit in ways they never dreamed of. They will not just deliver good operating results. They will also be making a meaningful difference in the world.” (Mowat, 2002, p. 29)

A strategy level approach to TBL integration requires that business leaders rethink the residency of all the TBL dimensions in the structure, strategic planning and decision-making process of the organisation. The position of TBL-related decision-making and functional activities in the organisation, and the extent to which planning and decision-making extends to all the elements of the TBL, act as an important indicator of the real value that companies append to the TBL and sustainability. (Frankental, 2001; Mowat, 2002) The TBL needs to be embedded across the organisation horizontally and vertically for it to be more than a public relations gimmick (Frankental, 2001; Maxwell & Van der Vorst, 2003). Sustainability and all the dimensions of the TBL also has to be deliberately considered and accommodated in the budget of the business as the extent to which it is addressed in the business’s budget will influence the success of the approaches and also act as an indicator of the real value appended to it (O’Brien, 2001).

A strategy-level approach to TBL integration seemingly implies a commitment by a business and its leaders, to proactive and positive corporate behaviour. Proactive thinking and behaviour regarding strategic TBL integration enables a business to participate in “writing the rules of the game” and setting standards, to become a “pacemaker” or a “first mover” instead of a mere follower, and to act before its competitors do. (Percy, 2000, p. 196-197) Positive corporate behaviour infers that a business does not only engage in strategic TBL integration for the purpose of minimising the negative effects of the industry. Although minimising negative effects can be viewed as a positive first step towards identifying problems, ultimately it will result in strategies for managing negative effects – an agenda built on trying to be ‘less bad’. (McDonough & Braungart, 2002, p. 252) Many businesses have engaged in the above-mentioned being ‘less bad’ approach to strategic TBL integration and due to the possible negative impacts of such an approach, McDonough and Braungart (2002) have suggested a ‘Triple Top Line’ (TTL) approach as opposed to a TBL approach. McDonough and



Braungart (2002) stated that, although the TBL remains a useful tool for integrating sustainability into the business agenda, it often becomes a measure of the degree to which a company has minimised a liability. According to McDonough and Braungart (2002, p. 252), in contrast to the TBL, the “concept of the triple top line moves accountability to the beginning of the design process, assigning value to a multiplicity of economic, ecological and social questions that enhance product value.” It seems, though, that the TTL approach represents nothing other than the true TBL approach as originally intended by Elkington – unaffected by misinterpretation and erroneous implementation – and that a new approach, such as the TTL, is not as necessary as the correct interpretation and application of Elkington’s TBL.

It seems relevant that strategy-level integration of the TBL be implemented according to the most current strategic management approach. It appears that, in the past, various approaches to strategic management (e.g. SWOT analysis, BCG, Porter) have been used and some of these approaches have served well during specific time-periods. In recent years Percy (2000, 1. 198) has suggested the importance of thinking “*systematically* about the important environmental and social issues affecting and affected by the firm.” Azapagic (2003, p. 303) has stated that the integration of sustainability and thus the TBL into organisational structure and decision-making requires a *systems* approach with an appropriate management framework that enables the management and communication of corporate sustainability policies. (Azapagic, 2003, p. 303)

In the fast-changing, network-innovative, knowledge-driven economy that gained momentum in the last decade of the 20<sup>th</sup> century, the deficiencies of the above-mentioned traditional, relatively systematic strategic management approaches, tools and processes have become evident (Leibold, Probst & Gibbert, 2002, p. 69). Waddock et al. (2002) have stated that although a systematic and a systems approach are applicable, a broader view is more suitable for managing the complete set of a company’s responsibilities to its stakeholders and the natural environment.



This broader recommended view seemingly arrives in the form of a systemic approach to strategic management. A systemic approach refers to the holistic perspective that has become known in the 20<sup>th</sup> century science as opposed to the systematic perspective. In the systemic approach “each part can be seen as an organ that shapes the other parts, thus being both an organised and a self-organised being” (Leibold, Probst & Gibbert, 2002, p. 134).

Bartlett (2001, p. 2) differentiates systemic thinking from systematic thinking and systems thinking in the following way:

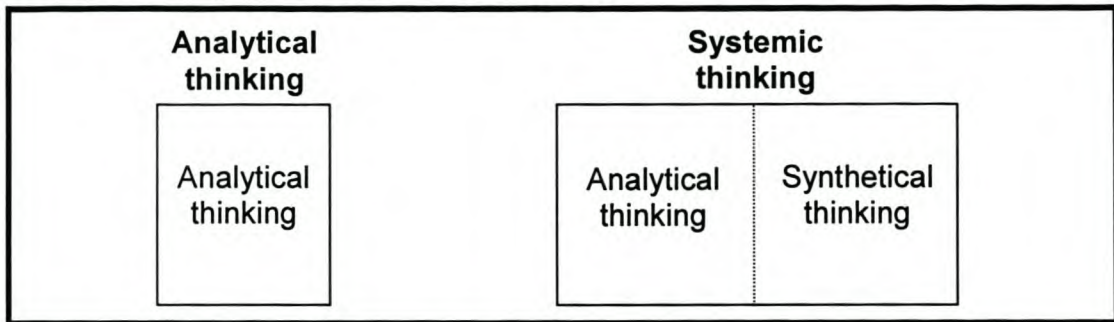
**Table 6.1 Systematic, systems and systemic thinking**

<b>Systematic thinking</b>	<b>Systems thinking</b>	<b>Systemic thinking</b>
Thinking methodological	Thinking about how things interact with one another	A simple technique for finding systemic focus and insights into complex situations and problems

(Bartlett, 2001, p. 2)

The employment of the TBL approach to business requires organisations to shift their thinking from the linear, industrial age type of thinking to a more dynamic view of the world and it requires business leaders to question and rethink underlying business models in order to continuously create value. As assumptions, beliefs and mental models of what constitutes success are reshaped, higher values in the world of work and more holistic perspectives, such as a systemic approach to strategic thinking and management, can be embraced. (Allee, 1999)

Bartlett (2001, p. 2) states that systemic thinking differs from analytical thinking as illustrated by figure 6.1:

**Figure 6.1 Analytical VS systemic thinking**

(Bartlett, 2001, p. 2)

The analytical mindset is focused more on identifying differences than similarities. (Bartlett, 2001) In the light of the complexity of the issues facing the world today, the analytical approach to strategic management no longer provides reliable results. The systemic mindset, however, provides a broader, more organic view and incorporates the social and environmental dimensions of the TBL. (Allee, 2000; Human & Scheepers, 2003) The systemic approach combines the analytical approach with a synthetical approach. This implies that analytical thinking occurs initially, but instead of listing only a few elements during the process of analytical thinking, as is the case with the pure analytical approach, in the case of systemic thinking it means listing as many elements as possible. After the analytical thinking phase, synthetical thinking takes place. Synthesis refers to the process of gaining an understanding of the larger system's interactions and interrelationships. It means deliberately focusing on identifying repeating patterns (or common themes) across a system or situation, instead of focusing only on the most promising element, as is the case with analytical thinking. (Bartlett, 2001)

A number of "robust rules" that form part of the systemic strategic management process can be utilised to guide the behaviour of a business in the process of adopting the TBL approach (Leibold, Probst & Gibbert, 2002, p. 136). These rules "provide general direction but do not confine activities and behaviour" (Leibold, Probst & Gibbert, 2002, p. 136) and comprise the following:



- Boundary rules: “rules of thumb” that can be used for instance in screening opportunities
- “Activity rules: ‘how to’ rules that designate a common approach for a company to approach and exploit opportunities”
- “Priority rules: rules to determine priorities in resource allocation”
- “Timing rules: rules for lead and scheduling times”
- “Exit rules: termination and disengagement rules”. (Leibold, Probst & Gibbert, 2002, p. 136)

When adopting the TBL approach to business it often occurs that old mental models need to be “unlearned”, as they often form part of the reason why management occurs only on a single bottom line level and subsequently refrains from sustainable development and TBL adoption. Consequently, new models have to be “relearned” in an attempt to successfully address and manage not only economic, but also environmental and social issues in a systemic strategic manner. (Rosner, 1994, p. 118)

**CHAPTER 7:**  
**TOWARDS AN IMPROVED UNDERSTANDING OF THE SOCIAL  
DIMENSION OF THE CORPORATE TRIPLE BOTTOM LINE AND ITS  
IMPLEMENTATION WITHIN THE PERSPECTIVE OF  
SUSTAINABLE DEVELOPMENT**

## 7.1 Introduction

The study, thus far, has analysed the corporate social dimension in terms of its importance, meaning, related terminology, development and current status. The study also explained the vital importance of the concept of sustainable development for prolonged business success and delineated the TBL approach and its guidelines and principles as a means of operationalising sustained business existence.

The analysis clearly indicated that business is unavoidably related to society and that the environmental and social dimensions of business have become as important for prolonged business success as the corporate economic dimension (Balabanis et al., 1998; Hardjono & Van Marrewijk, 2001). Aaronson emphasised: "Corporations ... have a social and environmental impact and ... [therefore] a social and environmental role. Business needs the approval of society to make profits and prosper over time." (Aaronson, 2002, p. 357). As stated by Panchak (2002, p. 7): "In sum, it's no longer just the bleeding heart liberals and tree huggers who are demanding that corporations manage and account for their social and environmental impact. Executives of some of the most respected companies in the world have embraced the trend". (Panchak, 2002, p. 7)

The CEO of a famous multinational company pointed out: "In the long run, no company can exist against the society within which it operates. The consequence is that in the



long run all external environmental costs will become internalised in some way, be it by law, by market boycotts, by the restriction imposed on suppliers, by an unmotivated work force, by liability payments, by increased cost of waste disposal or any other mechanism. A company that considers these future expectations in its long-term decision-making will more easily be able to convert the threat of environmental issues to a competitive advantage. Finally, the individual goal becomes identical with society's goal – and that is what cooperation is about.” (Rosner, 1995, p. 119)

The social dimension of the TBL has the ability to extensively influence business success (Lantos, 2001) and yet has often been subjected to neglect, erroneous comprehension and ineffective application. In previous chapters a number of deficiencies and positive aspects, stemming from past and extant comprehension and application of the corporate social dimension, have been identified. The aim of this chapter is to contribute to an improved understanding of the corporate social dimension and its implementation, by addressing the relevance of sustainable development and TBL principles and guidelines for the social dimension, and by providing additional information that is specific to the social dimension and will accommodate its improvement.

## **7.2 Corporate social responsibility and sustainable development**

Corporate social responsibility stands in a reciprocal relationship with sustainable development and thus has the ability to influence the sustained success of a business (Mahoney & Potter, 2003). Sustainable development dictates that all corporate social activities and involvements should be conducted in such a way that the ability to fulfil current and future needs is maintained in terms of all the possible constituents in the business' social realm. (Rosner, 1995) Planning and activities related to the corporate social dimension should consider the conditions for sustainability as described by Sathiendrakumar (1996) and aim at addressing these conditions by exerting deliberate commitments and efforts to implement related strategies and plans (Johannesburg



summit, 2002; United Nations, 2002). Organisations can utilise the areas identified at the 2002 Earth Summit as guidelines for directing their efforts as all of these spheres have a potential social component (Sathiendrakumar, 1996). An organisation can, for instance, address the area of "Finance, trade and globalisation" by contributing to education and development related to the field in an effort to improve knowledge, skills and intangible assets; or address the area of 'Water and sanitation' by offering monetary assistance in an effort to improve societal living standards (United Nations, 2002).

### **7.3 Corporate social responsibility and an accurate and holistic business understanding**

An organisation that considers a true and holistic understanding of its business as one of its aims, must ascertain and acknowledge the role, position and impacts of the corporate social dimension as an independent and interrelated part of the business (Robert et al., 2002; Allen Consulting Group, 2002). Only if an organisation has a holistic and accurate understanding of its business will it be able to align its CSI efforts to the nature of the business and achieve greater impact by virtue of access to internal resources and expertise (Rockey, 2003). Organisational awareness, accommodated by purposeful systems and structures (O'Brien, 2001), is vital for the process of comprehending, from a holistic point of view, an organisation's social impacts, and the potential of the organisation's social capital. (Partnership Sourcing, 2001).

### **7.4 Corporate social responsibility and the equal importance of all the triple bottom line dimensions**

The dimensions of the TBL – economic, environmental and social – are equally important and undervaluing of or failure to address the social dimension as an interdependent and mutually reinforcing element, will harm the ability of a business to



compete successfully. (The triple bottom line, 2003; Percy, 2000; Allen Consulting Group, 2002)

Businesses have to be committed to identifying, understanding, evaluating and managing their position regarding the social dimension to the same extent as is the case with the economic and environmental dimensions (The triple bottom line, 2003).

### **7.5 Corporate social responsibility and leadership commitment and involvement**

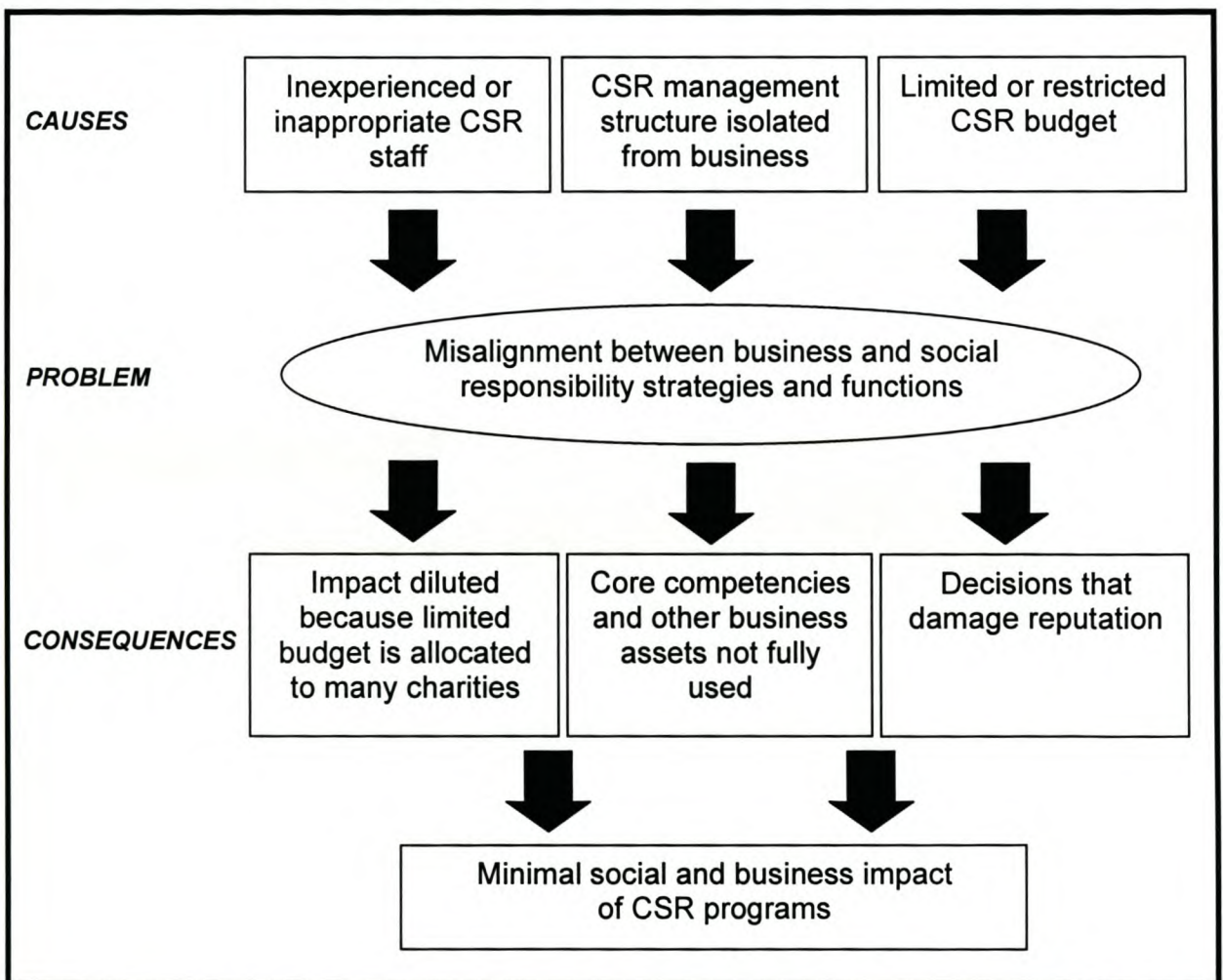
Hill et al. (2003, p. 360) have stated that the most significant impediment to the growth of corporate virtue is a dearth of vision among business leaders. Corporate social performance is influenced extensively by the commitment of business leaders to incorporating the social dimension into the vision, mission, core ideologies, values, strategies and goals of the organisation, and by leaders' visionary thinking regarding the corporate social dimension and its potential (Morden, 1999; Azapagic, 2003)

Sincere leadership commitment, support (Waddock et al., 2002) and involvement is critical as it will result in pro-active corporate planning and behaviour regarding the corporate social dimension (Percy, 2000), characterised by leaders familiarising themselves with the social needs of all stakeholders (Joseph, 2001), and long-term benefits becoming a greater reality (Keeler, 2003). Sincere leadership commitment to social responsibility will also result in leader behaviour that models the way for employees and other constituencies. (Kouzes and Posner, 1992)

A lack of leadership commitment to the corporate social dimension will impact on the appropriateness and experience of CSR staff, the residency of the CSR function within the structures of the organisation, and the extent of the CSR budget, ultimately resulting in a misalignment between business and CSR strategies. Figure 7.1 illustrates the causes and consequences of the misalignment between business and CSR strategies. The mentioned misalignment will dilute the impact of corporate social actions, lead to

decisions that damage the reputation of the firm and result in the under-utilisation of core competencies and other business assets. Business and CSR leaders are very important role players in ensuring the optimal impact of CSR efforts and are urged to convey CSR lip service into proactive behaviour by communicating the importance of the social dimension and granting CSR an equal place in organisational structures, decision-making, and budgets (O'Brien, 2001).

**Figure 7.1 Causes and consequences of the misalignment between business and CSR strategies**



(O'Brien, 2001, p. 6)



## **7.6 Corporate social responsibility and a stakeholder approach**

An organisation has to ascertain from a social perspective who the stakeholders – thus not only shareholders – of the organisation are, and what the expectations, demands and needs of those stakeholders seem to be (Maignan & Ferrell, 2001; Waddock et al., 2002).

In an attempt to proactively satisfy organisational and stakeholder needs, it has to be determined what the relationship of the organisation is with the identified stakeholders, how the social impacts of the organisation affect these stakeholders, what is necessary to anticipate and meet the responsibilities imposed by stakeholders, and how both the organisation and the stakeholders can benefit from the relationship (Joseph, 1995; Maignan & Ferrell, 2001).

An organisation can benefit if relationships with stakeholders related to the social dimension is healthy and sound, for instance: corporate social behaviour can be leveraged through the media as stakeholder; business stability can be enhanced through stable relations with labour unions; extreme regulation regarding CSR can be countered through a good understanding with regulators and government; social involvement can be directed or facilitated by interdependencies with non-profit organisations; employee well-being, retention and commitment can be improved through contributing to their development and engaging in their communities; etc. (O'Brien, 2001; Mowat, 2002; Waddock et al., 2002; Allen Consulting Group, 2002; Mahoney & Potter, 2003)

## **7.7 Corporate social responsibility and transparency**

The increasing demands for business transparency extends to transparency about the corporate social dimension and involves transparency regarding internal organisational matters (e.g. employee relations, human rights, equity, working conditions, ethical



production, etc.) as this will influence organisational trust and employee commitment (Percy, 2000), and external involvements and feedback (Percy, 2000).

Transparency implicitly emphasises the importance of sincere social involvement, even though involvements are strategic and beneficial to the organisation. Transparency regarding CSR is only possible if organisations do indeed engage in CSR and if the CSR actions are sustainable in nature and above suspicion. (Percy, 2000)

Stakeholders' simultaneous perception of greater transparency, and lower corruption and fraud can be enhanced if information regarding the organisation's social actions is easily accessible via easily accessed media (Garvare & Isaksson, 2001; Hedstrom & Isenburg, 2002; Husted, 2003).

## **7.8 Corporate social responsibility and ethics**

Research has demonstrated that Adam Smith's concept of self-interest is still the driving force of post-modern society (Hardjono & Van Marrewijk, 2001, p. 225) and also the working assumption of many firms participating in CSR (Husted, 2003, p. 482). The concept of self-interest is not necessarily negative, but can result in fraud, unethical behaviour and a lack of transparency if not "enriched with sufficient ethical, social and environmental elements." (Hardjono & Van Marrewijk, 2001, p. 225)

Organisations have the option of employing a teleological approach or a deontological approach to ethics. "Teleology deals with the moral worth of a behaviour as determined by its consequences" while "deontology deals with the methods and intentions involved in a particular behaviour". (Schiffman & Kanuk, 2000, p. 8) The ethical approach adopted by organisations will influence the corporate environment, the corporate philosophy, corporate partnerships, and corporate and employee ethical behaviour. Organisations are the masters of their own choices regarding the ethical extent of their behaviour (e.g. production, treatment of employees, etc.) and involvements (e.g. the



causes they support, etc.), but should bear in mind that companies are held responsible for their own actions, and indirectly also for the actions of the parties they choose to do business with. (Maignan et al., 2002, p. 641).

## **7.9 Corporate social responsibility and accountability and reporting**

Stakeholder demands for improved social transparency and ethics, in conjunction with a broadened set – economic, environmental and social – of investor decision-making criteria, and the finding that CSR disclosure is associated with concurrent financial performance (Balabanis et al., 1998), have raised the expectations for social accountability and disclosure.

Disclosure and reporting regarding corporate social performance requires organisations to obtain and, when not available, to develop standards, criteria and systems, that are suitable for measuring efforts in this dimension. Besides the guidelines provided by the TBL approach an array of guiding standards and principles are available for organisations to employ in their voluntary adherence to social accountability and disclosure. In addition to the guidelines for implementation provided in chapter three, these guiding standards include, most prominently, the CERES principles, a ten point code of conduct; the well-known Sullivan principles; principles for global responsibility, benchmarks for measuring business performance; the CAUX round table, principles for business; “the business charter for sustainable development”; and “social responsibility initiative by the Foundation for Ethics and Meaning” (Zairi, 2000).

The social audit has been suggested as a method for gathering the relevant information and managing corporate social efforts. The social audit has been defined as “a standard process for identifying, measuring and reporting the ethical, social and environmental impact of an organisation” (Johnson, 2001, p. 30). The concept was first seriously proposed in the mid-1950s and experienced a rapid increase in interest and discussion. It eventually collapsed due to various proposed reasons, such as a lack of enthusiasm

for voluntary auditing by the business community. Increased demands for CSR has spurred renewed interest in the social audit as a contributor to acceptable social accountability and reporting. (Johnson, 2001)

The social audit leads to disclosure often in the form of a social report that is not an end in itself, “but an evaluation and assessment of performance and progress on commitments, and a vehicle for improving social ... performance in the future” (Mowat, 2002, p. 29).

Ingram (1978) has emphasised that the social audit should be market and context specific and thus adopted to be relevant to the field of business in which it is employed. External verification of the process of social auditing and reporting is critically important, as it will improve the perceived credibility of the social results, and minimise stakeholder criticism. (Hardjono & Van Marrewijk, 2001; Mowat, 2002)

Organisations have to ensure that the results obtained through auditing or measurement is available and easily accessible to the relevant social stakeholders, in a format that can be comprehended without difficulty (Mohr et al., 2001, p. 69). This might infer making use of multiple reporting media, whilst remaining aware of and balancing the relevant costs.

#### **7.10 Strategic integration and a systemic approach to corporate social responsibility within the perspective of sustainable development**

“Corporate social responsibility ... occurs in a tension between two worlds: a strategic world where cost considerations are predominant and a non-strategic, even altruistic one, where they are less important, although not entirely irrelevant.” (Husted, 2003, p. 482)



Altruism has been described as the consumption of “warm glow” (Strahilevitz & Myers, 1998, p. 435). Lantos (2001) describes the altruistic form of CSR as doing good works at possible expenses to stockholders, and strategic CSR as good works that are also good for the business and can be viewed as the only legitimate form of CSR.

Strategic integration of the social dimension of business implies that CSR is no longer about philanthropy or altruism, but “about providing winning outcomes for all corporate constituencies including shareholders” (Percy, 2000, p. 198).

The strategic CSR decisions facing managers today relate to the CSR projects in which the company should get involved and how CSR activities should be managed as to reduce the costs associate with the activities (Husted, 2003). Corporate social behaviour and investment will not be successful or beneficial if decision-making regarding the social dimension is not incorporated into higher-level organisational strategic thinking and planning. This infers that social goals should be included in an equal manner in the broader organisational vision, mission, values, strategies and goals as social responsibility is an “important component of organisational effectiveness”. (Schiffman & Kanuk, 2000, p. 10)

Strategic integration involves commitment to social responsibility and solemnity regarding corporate social performance, and will be evident, as previously mentioned, through leader involvement and support (Joseph, 2001; Zairi & Peters, 2002; Azapagic, 2003); integration of social functions into the organisational structure, instead of referring it to a segregated business unit on the periphery of organisational activity (Frankental, 2001); apportionment of competent employees to social functions; and sufficient consideration for social endeavours in the organisational budget (O'Brien, 2001).

Strategic integration infers that the social dimension will be managed proactively according to a long-term frame of mind and in anticipation of future challenges and opportunities. (Mowat, 2002)



The nature of the systemic strategic management approach is congruent with the elusive nature of the corporate social dimension and thus very suitable for managing the dimension (Burton, 1999; Hill et al., 2003). It implies that the corporate social dimension will not merely incorporate a predetermined selection of variables and be managed according to a set formula. The corporate social dimension will be considered according to a more organic and holistic view, and managed, through a combination of analytical and synthetic thinking, as a unique and context-specific entity that forms part of various interdependent relations. (Allee, 2000; Bartlett, 2001)

Organisations can make use of robust systemic strategic management rules that provide guidance: for approaching, screening and exploiting opportunities; for determining priorities in resource allocation; regarding suitable timing for commencing, continuing and terminating involvements. (Leibold, Probst & Gibbert, 2002)

CSR leaders have to ensure the process of unlearning old and inefficient CSR models and develop methods for relearning new and relevant CSR frameworks, such as the framework suggested by systemic thinking. (Rosner, 1994)

### **7.11 Business, government and corporate social responsibility: a sustainable development perspective**

In a joint effort after realising the importance of managing responsibly, governments and businesses, have pushed CSR up the corporate agenda (Baker, 2003; Waddock et al., 2002). The question regarding the optimal relationship between governments and business regarding CSR often surfaces, and, in an attempt to contribute to the improved understanding of the corporate social dimension, it seems relevant to review the diverse viewpoints relating to CSR, government intervention and regulation.

Some investors and corporate officials are increasingly directing appeals to governments to get involved in CSR by providing clarity regarding CSR strategies, as so



many codes that were designed to promote CSR, exist and these often send confusing signals (Aaronson, 2003). Some businesses even prefer that government forces businesses through regulations to change the way they conduct business by embracing CSR. (Mowat, 2002)

Winston (2000) has acknowledged the potential positive role of government: "Governments could and should be doing a great deal more than they currently are, not only in the process of standard setting and negative regulation, but also in providing tax and other regulatory incentives that will reward corporations for good behaviour." (Winston, 2000, p. 87). Aaronson (2002) stated that legislation that enables CSR can have a positive role to play, but also voiced the opinion of the 2001 incumbent United Kingdom CSR minister, Douglas Alexander: "CSR can't be imposed by the government, but must grow internally within a business." (Aaronson, 2002)

A United Kingdom Department of Trade and Industry report has emphasised: "the Government is clear that CSR cannot be imposed through regulation" – "a statutory approach stifles innovation and leads only to a 'tick box' culture." (Joseph, 2001, p. 122). Organisations are encouraged to react to stakeholder pressures and make the necessary changes regarding their social responsibility, because if they "fail to take responsibility now to do what's right – both to increase [their] competitive edge and to support [their] communities and environment – [their] customers, who are also voters, will turn to government to make those changes." (Mowat, 2002, p. 29) Mowat (2002) says that organisations should not risk inaction regarding their social responsibilities, as this will probe government to impose new regulations on business.

Although government can enforce strict regulations and their involvement in CSR can play an important role, especially in providing incentives for CSR activities that are sustainable and developmental in nature, government regulations will not be able to change the attitudes or cultures of organisations in favour of CSR (Hardjono & Van Marrewijk, 2001, p. 226).

Even though it is not expected of organisations to take over the role of government (SA corporations give generously, 2003), businesses should improve relations with government officials (Balabanis et al., 1998), closely co-operate with government at community to national level for the purpose of creating sustainable solutions, nurture continuous dialogue with government (Aaronson, 2002), and even contribute through consultation to improved coherence of government actions (Aaronson, 2002).

It is suggested that businesses should rather encourage CSR and related matters, such as accountability and reporting, ethics, transparency, etc. through light internal regulation (Azia, 2003) and industry wide self-regulation (Schiffman & Kanuk, 2000; Mohr et al., 2001), and avoid government intervention with its potential for inefficiency and insensitive bureaucratic methods (Balabanis et al., 1998, p. 26).

Businesses are encouraged to contribute to a better society by declaring their social responsibility and voluntarily taking on commitments that go beyond common existing regulatory and conventional commercial requirements, and progresses in sophistication faster than regulatory requirements. (Percy, 2000; Baker, 2003)



## **CHAPTER 8:**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **8.1 Introduction**

The objective of the study has been outlined in chapter 1, and it was designed for the purpose of contributing to an improved understanding of the corporate social dimension and its implementation as one of the three parts of the TBL, within the perspective of sustainable development. The study was conducted by way of critically analysing past and extant approaches to the corporate social dimension and conceptually clarifying the concepts of sustainable development and the TBL, thereby expounding their relevance for the corporate social dimension. In view of this a comprehensive conceptual study encompassing all extant international literature on the subject was conducted, culminating in a synthesis of the current status of research and future challenges in this scientific field of endeavour.

This final chapter summarises the most pertinent findings of the study and provides recommendations regarding the practical business applications (implementation and testing) and the advancement of theory development through future research efforts. The chapter is presented in three sections. Firstly, a summary of each chapter is provided. Secondly, the most relevant conclusions drawn from the conceptual study are outlined. Finally, recommendations for future research and advancement of understanding and application in this field are presented in ascending order of priority.

#### **8.2 Summary**

The study is summarised according to the chapters of the thesis.

### **8.2.1 Introduction (chapter 1)**

The introductory chapter sketched the background to the study, explaining the need for an improved understanding of the corporate social dimension and its implementation. Against this background a conceptual base for the study was identified and interpreted through the statement of the problem. The objective of the study, designed as a corollary of the preceding argument, was subsequently stated. The study aimed at contributing to an improved understanding of the corporate social dimension and its implementation as one of the three parts of the TBL, within a sustainable development perspective. The scope of the study followed the previously provided broad conceptual base and purposefully limited the focus of the investigation. The methodology was employed in the spirit of the qualitative research approach and centred on heuristic and post-modern principles. The chapter concluded by describing the sequential outline of the thesis as a guiding framework for the reader.

### **8.2.2 Importance and development of the corporate social dimension (chapter 2)**

An important task of the study was to contribute to improved beliefs regarding the criticality of the corporate social dimension and thus, the chapter sketched the importance of proactive behaviour regarding the corporate social dimension for sustained business success. It emphasised the significance of differentiating between environmental issues and social issues. The term “corporate social responsibility” (CSR) was identified as the phrase used most often to refer to the corporate social dimension, and the relationship between CSR and a number of related concepts were reviewed. It was established that corporate philanthropy is no longer regarded as a suitable approach to CSR; that corporate citizenship remains a relevant concept, whether used interchangeably with CSR or as a broader concept; and that sound corporate governance is vital for CSR consideration, implementation and ultimately sustained business success.



An important objective of the study was to provide an overview of past viewpoints and approaches regarding the corporate social dimension as these viewpoints and approaches serve as a suitable contributing platform for understanding current positive aspects and deficiencies of the dimension. This objective was achieved by analysing the development and evolution of CSR through various phases, and identifying the positive and negative aspects of past orientations that are most relevant for CSR today. A compound summary of these aspects and aspects identified in the next chapter is provided at the end of chapter 3.

### **8.2.3 A review of the current status of the corporate social dimension (chapter 3)**

The objective of the chapter was to further contribute to an improved understanding of the corporate social dimensions by, firstly, reviewing the current status of the corporate social dimension and extant approaches to the concept, both in general and in specific countries and continents across the globe, including the Republic of South Africa, the United Kingdom, the broader Europe, Asia and the United States of America. It was established that the extent of CSR consideration and implementation vary widely across the globe, but that most nations who regard their competitive economic position as a serious matter, are starting to realise the importance of the concept. Analysis of extant CSR viewpoints indicated that the term “corporate social investment” is now used more often to describe a business’ social involvements due to the preferred inherent inference regarding return on investment as embedded in the meaning of the concept.

The chapter, secondly, aimed at contributing to an improved understanding of the corporate social dimensions by summarising the findings of chapter 2 and 3. This summary is based on the belief that past and extant approaches provide positive elements that businesses could and should leverage, but also present several deficiencies and challenges regarding the corporate social dimension that need to be addressed to prevent harm to sustained business success.



#### **8.2.4 Sustainable development as an important facet of business success (chapter 4)**

This chapter acknowledged the rise of the concept of sustainable development as an important determinant of prolonged business success and thus as a critic regarding lack of sustainability mindsets in current approaches to the corporate social dimension. The chapter explained the importance, the meaning, and the nature of the concept and provided a summarised representation of the matters relating to the implications of adopting a sustainable development approach to business. The implications include: acknowledgement by business of important action areas and prerequisite conditions for sustainability; business agreement regarding its commitment to the nature of sustainable development; and dedication to sustainable development implementation. It was determined that a lack of sustainable development implementation presents a prominent predicament for the success of the concept, the sustained existence of Earth, and prolonged business excellence. The “triple bottom line” (TBL) approach was identified as a most appropriate method for operationalising sustainable development and accruing the subsequent benefits. The chapter concluded by providing clarity regarding the relationship between sustainable development and the TBL approach to sustainable development implementation.

#### **8.2.5 The triple bottom line in business context (chapter 5)**

This chapter firstly aimed at providing insights into the development and importance of the TBL as a business approach that extends beyond mere financial matters. It was determined that the TBL is a business-specific concept that was initially developed by John Elkington to aid in the pursuit of sustainability.

The chapter clarifies the concept of the TBL by emphasising the importance of conducting business responsibly in various business spheres and presenting a description of the three equally important dimensions that constitute the TBL concept, namely the economic, environmental and social dimension.



An analysis of the importance of the TBL established that researchers and practitioners are increasingly agreeing that the TBL approach is a vital tool for creating a sustained business existence, success, and competitive advantage, and that valuable potential benefits can be accrued through adoption of the concept. A summary of the potential benefits of adopting the TBL approach, as was delineated in this chapter, is presented:

- Reputational benefits
- Preservation of crucial resources and raw materials
- An enhanced ability to hire top talent
- A greater number of retained valued employees
- Beneficial partnerships
- Consumer-related benefits
- Increased productivity
- Reduced expenses at commercial sites
- Reduced manufacturing cost
- Reduced operating cost
- Increased revenue and market share

Benefits of TBL adoption should not necessarily be regarded as limited to the benefits presented above. It was found that benefits of TBL adoption are often indirect and long-term in nature and thus not always easily observable over the short-term.

#### **8.2.6 Implications of triple bottom line adoption – fundamental principles and compulsory guidelines (chapter 6)**

It was established in previous chapters that the TBL approach is a most suitable method for addressing the inaction surrounding sustainable development implementation. In this chapter several fundamental principles and guidelines, inherent to the TBL concept and critical for successful sustainable development implementation, were identified and explained. These principles and guidelines are centred on the following:

- An accurate and holistic business understanding

- The equal importance of all TBL dimensions
- Leadership commitment and involvement
- A stakeholder approach
- Transparency
- Continuous ethics
- Accountability and reporting
- Strategic integration and a systemic approach to the adoption of sustainability and the TBL

The chapter emphasised the critical importance of adhering to these guidelines and principles on all levels of the TBL when claiming the adoption of the approach and pursuing the benefits thereof.

### **8.2.7 Towards an improved understanding of the social dimension of the corporate triple bottom line and its implementation within the perspective of sustainable development (chapter 7)**

In the light of the identified limitations and positive contributions of extant approaches to CSR, the objective of this chapter was to provide an integrated presentation of the particular relevance of sustainable development and the TBL for the corporate social dimension. The sources consulted during this conceptual study agreed that the corporate social dimension has in the past received less consideration than the other elements of the TBL, namely the economic and environmental dimension, but that the social dimension will play a particular significant role in future business excellence.

This chapter acknowledged the principles, guidelines and suggestions presented in previous chapters and explained the particular relevance thereof for the corporate social dimension of the TBL. In addition to the above the chapter examined the relations between government, business and corporate social responsibility and delineated diverse opinions regarding regulation and government involvement in the corporate social dimension of business.



### **8.2.8 Summary, conclusions and recommendations (chapter 8)**

This is the final chapter of the thesis and presents a summary of the study, conclusions regarding the most salient aspects and insights of the study, and recommendations for leveraging the context-specific and dynamic nature of corporate social definitions and viewpoints, the promotion of business application and the advancement of theory development through targeted research efforts.

### **8.3 Conclusions**

The impetus for the research was delineated in chapter 1 as contributing to an improved understanding of the corporate social dimension and its implementation as a part of the TBL and driven by a sustainable development perspective. The most salient conclusions of this study are the following:

- (a) Upon analysis of the prevailing definitions, conceptualisations and viewpoints of the corporate social dimension, the following conclusions are made:
  - (i) The corporate social dimension is most often interpreted and referred to as corporate social responsibility, but businesses are increasingly refraining from philanthropic address of the corporate social dimension and as a demonstration of their refrain moving towards terminology such as corporate social investment, systemic social involvement and symbiotic social involvement.
  - (ii) Despite continuous pleas and widespread debates, efforts for establishing an universally agreed upon definition for corporate behaviour within the social dimension, have not yet been successful, and might even not be as critical a priority as it was considered to be in the past
  - (iii) It is more important to establish context-specific (e.g. industry-wide, organisational) action-enhancing definitions for understanding the corporate social dimension and encouraging positive behaviour than it is to agree on a universal definition

- (iv) The elusive and indefinable nature of the social dimension of business should be regarded as a vital aspect of this dynamic concept in its pursuit of continuous relevance instead of being regarded as a negative characteristic
  - (v) The corporate social dimension is still regarded by many businesses as inferior and optional and therefore efforts relating to this dimension lack strategic integration, is often harboured on the periphery of the organisational structure; are attended to by inappropriate staff; and receive lesser consideration in the organisational budget
  - (vi) Corporate regard for the importance of the corporate social dimension is rising, but this dimension is faced with the challenge of demonstrating its value and relevance by undeniably contributing to business performance, competitiveness, excellence and success
- (b) Enquiry regarding opportunities for the corporate social dimension to optimally demonstrate its value, continuously and predominantly returned to the concept of sustainable development. In this regard the following conclusions are made:
- (i) Sustainable development as such refers to a way of living that is, in addition to its relevance for other societal spheres, also applicable for business in its pursuit of sustained existence and success
  - (ii) Sustainable development echoes the importance of corporate social responsibility as it advocates a broadened business perspective that extends beyond financial performance to incorporate economic, environmental and social efforts
  - (iii) The concept of sustainable development inherently implies a number principles and suggests priority action areas that serve as helpful guidelines to direct corporate behaviour, particularly in the social business sphere
  - (iv) Difficulties relating to sustainable development centres around the implementation of the concept and the TBL, a concept that stands in a



reciprocal relationship with sustainable development, are suggested as the most appropriate method for operationalising sustainable development

- (c) The TBL has proven to be an ethical framework of great worth for implementing sustainable development. An in depth analysis of the concept provided the following conclusions:
- (i) The TBL is a revolutionary concept that impels researchers and practitioners to rethink what they regard as their sphere of impact and thus their responsibility
  - (ii) The TBL comprises three dimensions that can be viewed as interdependent entities that stand in a mutually reinforcing, yet independent relationship with one another
  - (iii) The TBL approach to business provides several fundamental and compulsory guidelines and principles that any business, who claims the adoption of the approach, has to adhere to
  - (iv) Adoption of the TBL will result in an array of benefits, conditional to the adoption of the concept in its entirety and equal application of the principles and guidelines across all dimensions of the concept
- (d) The corporate social dimension should be regarded as an integrated part of the TBL and an important factor in a business' pursuit of sustainability. This means that thinking, planning, decision-making and behaviour regarding the social dimension will be grounded in and guided by sustainable development and the TBL, and the principles inherent to these concepts. In addition to the above, acceptable corporate behaviour related to the social dimension will embrace the following:
- (i) An accurate and holistic understanding of the relevant business, its interests and its social impacts
  - (ii) Leadership commitment, support and involvement
  - (iii) A stakeholder approach to conducting business and managing the social dimension

- (iv) An ethical frame of mind and continuous transparency
- (v) A suitable framework for measurement, accountability and disclosure regarding the social dimension that is validated by external verification
- (vii) Strategic integration and management according to a systemic strategic management approach
- (viii) Sound and proactive relations with government to ensure benefits for business, government and society and avoid unnecessarily restrictive regulation
- (ix) Guiding principles from a variety of sources as outlined in the study

The above conclusions indicate the relevance of analysing extant approaches to the corporate social dimension, the vital role of sustainable development in ensuring the corporate social dimension's contribution to business success, the critical worth of the TBL as a vehicle for applying sustainable development, and the importance of holistically and strategically addressing the corporate social dimension as an integrated part of the TBL and of business operations and planning.

## **8.4 Recommendations**

Recommendations are offered in three categories, vis a vis recommendations for leveraging the context-specific and dynamic nature of corporate social definitions and viewpoints, recommendations for the advancement of business application, and recommendations for the advancement of theory.

### **8.4.1 Recommendations for leveraging the context-specific and dynamic nature of corporate social definitions and viewpoints**

This study reviewed the corporate social dimension from a general perspective but the significance of context-specific research should not be underestimated. Instead of debating the meaning of CSR, CSI and other terminology related to the corporate social



dimension in an effort to arrive at a universally accepted definition, researchers and practitioners should combine efforts to embrace the dynamic and specific nature of the social dimension of business. Particular recommendations in this regard are:

- (a) Constructive and relevant debating and empirical research should address industry-specific issues and strive to:
  - (v) Responsibly define CSR or CSI, etc. within the industry without compromising on the guidelines and principles as advocated by sustainable development and the TBL
  - (vi) Determine from a systemic perspective the elements of the corporate social dimension that is particularly relevant for the specific industry
  - (vii) Establish guidelines for implementation of corporate social efforts within the industry
  - (viii) Derive codes of conduct stipulating the behaviour that is deemed applicable, suitable, ethical and valuable within that industry
  - (ix) Set standards and develop benchmarks that can be utilised in the specific industry to guide behaviour and measurement
  - (x) Develop industry-specific measurement systems for evaluating corporate social behaviour within the industry without compromising the sophistication of the tool due to its context-specific nature
  - (xi) Determine the most suitable place for the corporate social function in the structure of organisations in the specific industry
  - (xii) Agree upon industry regulations vis-à-vis social behaviour, accountability and reporting of businesses within the industry, whilst simultaneously making provision for the inherent dynamics of the industry
  
- (b) Constructive and relevant debating and empirical research should address country- and/or region-specific issues and strive to:
  - (i) Determine the developmental and other social needs within a specific country and/or region as these needs often:



- (a) present possible action areas that can benefit both society and business
- (b) offer direction for the corporate social behaviour of firms situated and/or operating in the specific country or region
- (c) affect the resources offered by the country and/or region and required by the business
- (d) represent the needs of the communities from which employees emanate

#### **8.4.2 Recommendations for the advancement of business application**

The following recommendations for the advancement of business application are made:

- (a) A critical step for business leaders is about displaying the “courage of conviction” (Mowat, 2002, p. 29) and taking the “quantum leap” (Vinassa, 2002, p. 15) in terms of their commitment to and belief in the potential of the corporate social dimension. In order to reap the benefits of CSR it is necessary that business leaders acknowledge that the importance of the corporate social dimension extends beyond philanthropy, “bleeding heart liberals and tree huggers” (Panchak, 2002, p. 7). This acknowledgement often does not occur as the result of a spontaneous gesture by business leaders and might require a level of encouragement from parties external to the leader, such as CSR practitioners. CSR practitioners and CSR managers within the organisation should exert efforts to ascertain the most effective methods (i.e. relating CSR to business performance, providing evidence of detrimental effects of a lack of CSR support, etc.) of moving business leaders towards a stance of supporting and endorsing corporate social efforts and even displaying personal CSR involvement.
- (b) This study provided a summary of existing initiatives, guidelines and principles that can be employed for the optimal depletion of efforts regarding the corporate social dimension. Managers who are actively involved in or responsible for the corporate social dimension of the business should thoroughly familiarise



themselves with the existing guidelines and principles, relate these guidelines and principles to the needs of the organisation, and determine the sufficiency of the existing guidelines and principles for addressing the business' specific situation. If the existing standards are regarded as sufficient they should be proactively applied; if the standards are regarded as insufficient the business should deliberately embark on the route of developing their own guidelines and principles without compromising the sustainable nature of the concept.

- (c) Practitioners and managers who are responsible for the corporate social dimension should actively pursue the improvement of their fund management abilities and the enhancement of stakeholder perception of their abilities for the purpose of ensuring better fund distribution and increasing related trust and credibility.

#### **8.4.3 Recommendations for the advancement of theory**

During the course of this conceptual and deductive study, in addition to the previously mentioned context-specific research suggestions, several areas were discovered as deserving further scholarly efforts and empirical research. These areas are subsequently presented in ascending order of priority and serve as preliminary recommendations for the advancement of theory:

- (a) Emphasis is increasingly placed on the importance of measurement, accountability and disclosure. The following suggestions for research regarding these aspects are made:
  - (i) Enquiry into the suitability of current reporting methods and media will provide direction for future disclosure and address stakeholder complaints regarding the accessibility of information
  - (ii) Enquiry into the failure of the social audit in previous eras will provide guidelines for ensuring future successful application



- (b) This study indicated improved partnerships as a potential benefit of addressing the corporate social dimension as a part of the TBL. Research regarding mutually beneficial partnerships in terms of the corporate social dimension, for instance relations with non-profit organisations, government, etc., should be conducted.
- (c) The social and environmental dimensions of the TBL are mutually reinforcing, but despite their interdependency these dimensions remain two separate entities. Organisations often refer to their social responsibility and related behavioural and monetary efforts, but when these involvements are analysed the majority of the areas addressed form part of the corporate environmental dimension. Well-communicated research that clarifies what constitutes social aspects and what constitutes environmental aspects will prevent a possible lack of corporate social behaviour due to the confusion of social aspects with environmental aspects.
- (d) Organisations are aware of the reciprocal relations of the elements of the TBL and agree that these elements impact one another. The nature and particularly the extent of these impacts are still vague and further research would contribute to the enhanced understanding of the interaction effects of the TBL dimensions.
- (e) The concept of systemic strategic thinking and management suggests a number of robust rules that can be employed to provide direction. Further research regarding the applicability of these rules and the contribution of it to improved corporate social performance would provide valuable insights and direction for future application.
- (f) Fundamental for the advancement of theory relating to the corporate social dimension is empirical research that examines and validates the relation between:
  - (i) Corporate social performance and overall business performance
  - (ii) Corporate social performance and financial performance of the business
  - (iii) Corporate social performance and influential factors such as:



- (iv) Organisational culture
  - (v) Strategic residency of the corporate social function
  - (vi) Staff appropriated to the corporate social function
  - (vii) Budget consideration for the corporate social function
- (g) Although efforts have been made to examine some of the above relations and especially the relation between CSR and financial performance and overall business performance, none of the studies conducted are viewed as all-encompassing, and entirely generalisable. Considering the long-term and indirect nature of TBL benefits and thus benefits related to the corporate social dimension, a longitudinal study that systemically examines a broad selection of a moderating and influencing variables should be conducted.

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