

Business Frontiers:

Social Responsibility, Sustainable Development and Economic Justice

By Wayne Visser (ICFAI Books, 2005)



~ 25 UBUNTU CAPITALISM ~

A South African Vision

Within the space of a decade, South African business has moved from being pariahs of the world to leaders in the global corporate responsibility movement. This section highlights the significant progress which has been made by the private sector, as well as the potential for South Africa to continue to shape a new agenda for capitalism across seven key dimensions.

Legal Reform

Building on the ANC's Reconstruction and Development agenda (which in turn was based on the Freedom Charter), human rights, sustainable development and corporate transparency became enshrined in the 1996 constitution and embedded in what is widely regarded as some of the most progressive legislation in socio-economic and environmental development in the world. For example, the environmental rights now enshrined in the Bill of Rights are hailed worldwide.

While many countries still rely on outdated legislation, the wave of reform over the past decade in South Africa has resulted in brand new statutes on ecological responsibility (e.g. the National Environmental Management Act), occupational health and safety (e.g. the Mine Health and Safety Act), investment in human capital (e.g. the Employment Equity Act), governance (e.g. the Promotion of Access to Information Act), ethics (e.g. the Prevention and Combating of Corrupt Activities Act) and socio-economic development (e.g. the Broad-based Black Economic Empowerment Act).

By inextricably linking social, economic and ecological development in its legal framework, South Africa is showing the world that the old conflicts between environmental conservation, social development and economic growth can be resolved by adopting a new model of integrated sustainable development. The foundation for improved quality of life has therefore been laid and in the next 10 years in South Africa we can expect to see:

- Civil society demonstrating increasingly healthy activism to bring about environmental and social justice;
- Government continuing to enact and refine progressive legislation and to enhance its enforcement capacity; and
- Business becoming the primary vehicle for ensuring that integrated sustainable development is delivered on the ground.

Corporate Governance

When the Institute of Directors in Southern Africa (IoD) published the King Report on Corporate Governance in South Africa in 1992, it was the first of all the governance codes in the world to stress the importance of wider stakeholder interests beyond narrow shareholder demands. This global thought leadership was once again demonstrated when, in its revised King Report in 2002 (King II), the IoD included a whole chapter on sustainability reporting, including extensive referencing to two leading-edge international standards, the Global Reporting Initiative's Sustainability Reporting Guidelines, and Accountability's AA1000 framework.

The King II requirement that "every company should report at least annually on the nature and extent of its social, transformation, ethical, safety, health and environmental management policies and practices" has already paid dividends. Surveys by KPMG show that 85% South Africa's top 100 listed companies in 2003 were already reporting on sustainability-related issues, compared with only 48% in 1997. This remarkable progress is assisted by the fact that the Johannesburg Securities Exchange has made compliance with King II a listing requirement.

In King II, therefore, we see that South Africa's progressive legislation is backed up by a voluntary corporate code which contains all the elements of world-class sustainable business, combined with national relevance. For example, in addition to detailed specifications on reporting, King II also contains specific recommendations on best practice management in business ethics, organisational integrity, safety, health (including HIV/AIDS), environment, stakeholder engagement, social and transformation issues (including black economic empowerment), human capital (including employment equity / diversity management) and values (including African humanism or "ubuntu"). In the next 10 years, we can expect:

- South Africa's top companies to achieve full compliance with King II, proving that they have among the best corporate governance practices in the world;
- The influence of South Africa's corporate governance agenda to spread throughout Africa, contributing to the African Renaissance; and
- Civil society begin to employ the underlying corporate governance principle of transparency in order to uphold their constitutional rights.

Socially Responsible Investment (SRI)

One of the trends taking the world by storm is socially responsible investment (SRI). As it happens, South Africa has the dubious honour of having been a major catalyst for the birth of SRI in the 1980s, as international investors began screening their funds to ensure that they were not inadvertently supporting the apartheid regime. However, in 1992 as the political reforms began to gain momentum, the labour movement took the initiative of launching the Community Growth Fund, marking South Africa's entry into the SRI market as a positive player.

Ten years later, there are more than 20 SRI funds nationally, with almost all of them using a screening approach to bring about constructive change. For example, some funds donate a portion of their fees to various causes such as addressing the plight of rural women, while others based on the Muslim principles of the Sharia will not invest in companies that are involved in alcohol, pork, tobacco or gambling. Still others only invest in black economic empowerment companies. In 2002, South African legal and consulting firm Edward Nathan & Friedland added to the momentum by launching its Sustainability Index which scrutinises and ranks the JSE Top 40 listed companies based on sustainability criteria.

And most recently, in May 2004, the Johannesburg Securities Exchange launched its own tradable SRI Index, the first of its kind in an emerging market. In the first year, 51 companies met the criteria, which are based on the triple bottom line approach of environmental, social and economic sustainability, underscored by good corporate governance. Included in these were 17 JSE MidCap and 3 SmallCap companies, which underscores the fact that sustainable business is not just a large company phenomenon in South Africa. Research by Trialogue shows that the growth in SRI is already having a positive impact, with approximately 55% of South Africa's top companies claiming that their corporate citizenship activities are motivated by the need to satisfy SRI Indexes. In the next 10 years, we can expect:

- South Africa to attract significant international investment through its alignment with global SRI funds and sustainability indexes;

- The JSE SRI Index to become a benchmark for all emerging markets to engage in the SRI movement; and
- A “race to the top” by South African companies competing for good rankings on the South African and global SRI indexes .

HIV/Aids Response

HIV/Aids may be the single biggest threat facing South African business and the economy as a whole over the next 10 years. South African author and Anglo American executive Clem Sunter makes the point that unless we declare full scale war against the disease, we will face a national catastrophe. However, recent responses by leading companies show that it is a battle that corporate South Africa is both willing to fight and determined to win.

One of the organisations marshalling the troops is the voluntarily organised South African Business Coalition on HIV/Aids (Sabcoha). In one initiative, Metropolitan Life partnered with Sabcoha to develop and launch an Aids Web Portal in 2002, designed to collect and share data on prevalence rates and other important information on the disease. Sabcoha also played a leading role in the drafting of the Global Reporting Initiative’s Reporting Guidelines on HIV/Aids, which were launched in November 2003. And in May 2004, Sabcoha launched a toolkit that aims to help small and medium businesses curb the spread of HIV/Aids and manage its consequences, both in the workplace and communities.

It is not only collective business action which is making a difference. Anglo American showed itself to be a global pioneer when in August 2002 they announced that they would enhance their HIV/AIDS wellness programmes by making anti-retroviral therapy available at company expense to HIV positive employees. Other large companies have since followed their courageous example. In the next 10 years, we can expect:

- The vast majority of South African companies to have developed an HIV/AIDS policy and a program to address the disease in the workplace;
- Progressive South African businesses continuing to take the world lead in developing and sharing solutions for combating the disease; and
- Significant turnaround statistics which show the spread of AIDS in Southern Africa being halted and reversed, thereby giving hope to the rest of the continent and the world.

Niche Excellence

In a number of specific areas, South Africa is demonstrating that it can blaze a trail for responsible business worldwide. This shows that, far from having to play “catch-up” with developed countries, we often have the ability to leapfrog industrialised nations. For

example, Sasol has a range of world-class technological innovations which simultaneously deliver social and environmental benefits, such as its low-sulphur fuels and its unique Fischer-Tropsch gas-to-liquids energy conversion process. South African Breweries, now SABMiller, is another example, having achieved world-beating water efficiency rates in some of their breweries.

But it is not just the multinationals who are excelling. Spier Wine Estate in the Western Cape has become a global role model for the integration of economic, social and environmental considerations in their business management. This includes restoring historically significant buildings, converting to organic farming, integrating eco-principles into their hotel design, biological waste-water treatment, constructing an eco-village for the community, sponsoring a Waldorf school, implementing a share ownership scheme to empower workers, and creating an amphitheatre for staging artistic talent, among numerous other initiatives.

It is also not only profit-driven companies who are pushing the boundaries of achievement. Collect-A-Can, in its first year of operation in 1993 as a non-profit recycling initiative achieved 25% recovery of the total output of cans in South Africa. Since 1997, Southern Africa ranks amongst the best in the world in steel beverage can recovery. Current recovery rates for Southern Africa are 66%, which compares favourably with recovery rates quoted by First World countries. What's more, over 37 000 people are earning or supplementing their income through can recoveries (including many from poor communities), and more than R270 million has been paid to collectors in the last 10 years. In the next 10 years, we can expect:

- South Africa to become a hotbed for social and environmental entrepreneurship;
- South African multinationals to become increasingly recognised for global best practices in social and ecological design; and
- Certain niche sectors in South Africa, like organic farming and catalytic converter manufacturing, to become global centres of excellence.

Partnership Model

The South African private sector has shown itself to be both willing and able to engage in partnership with various sectors of society to bring about social transformation. Among the numerous examples, one could mention the Urban Foundation, which was formed by senior business leaders after the 1976 Soweto uprising, and the Consultative Business Movement, formed in the late 1980s to help bring about a peaceful negotiated settlement, as well as post-apartheid initiatives like Business Against Crime and the National Business Initiative.

The achievements of an organisation like Business Against Crime (BAC) are indicative of the power of South Africa's partnership approach. Since BAC was established in 1996, specific projects have resulted in: the awaiting trial prisoner detention cycle time being reduced by 28%, from 122 to 87 days, saving millions of rands and relieving the overpopulation problem in prisons; conviction rates improving by 1200%; court utilisation increasing by 17%, thus reducing backlogs; more severe sentences being passed with 33% of convictions excluding the option of a fine; and the Criminal Record System improving record access times from 78 to 16 days, resulting in a prisoner's previous record being more readily accessible for use in trials.

South Africa's partnership model is not only confined to local business action. South Africa has also shown its unique skill in facilitating dialogue on the corporate responsibility agenda, from hosting the international HIV/Aids Convention and the World Summit on Sustainable Development (WSSD), to our role in the African Union, the Non-Aligned Movement and the G-77 countries. Indeed, one of the strong themes which South Africa embedded into the Johannesburg Summit (the WSSD) in 2002 was the critical role of partnerships in addressing sustainable development. In the next 10 years, we can expect:

- South African companies being at the leading edge in helping government to address the Millennium Development Goals;
- South African business continuing to forge new and innovative public-private partnerships to achieve social ends; and
- South Africa, especially top executives, increasingly playing a role in brokering key global bridge-building initiatives, such as between the World Economic Forum and the World Social Forum.

Values-based Philosophy

Along with the wave of black economic empowerment, the values-based philosophy of African humanism (*ubuntu*) has begun to transform the corporate culture in South Africa towards a more people-centred style which is inclusive, participative and integrity-based. Indeed the King Report on Corporate Governance in South Africa is unique in the world in the way in which it emphasises to directors the importance of embedding *ubuntu* as the underlying governance ethic of their organisations.

Ubuntu reflects the African proverb which means "a person is a person through other people" or "I am because we are". This community-oriented spirit stands in sharp contrast to the individualistic creed (and greed) that has fuelled the American brand of capitalism over the past 50 years and which underlies much of the current anti-globalisation, anti-American and anti-corporate sentiments. On the other hand, the philosophy of *ubuntu*

aligns extremely well with the growing tide of corporate responsibility which is sweeping the globe.

South African business is in fact the crucible in which a new model of capitalism is being forged, one that transcends the divisions between First and Third World, one that integrates economic, social and environmental goals, one that balances shareholder returns with stakeholder returns, and one that brings the heart and soul back into the workplace. For South African companies, creating this new way of doing business is a matter of survival in our transforming society, but more than that, it is a sense that South Africa is a country of miracles, where nothing is impossible and dreams do come true. In the next 10 years, we can expect:

- South African companies to continue to break new ground and find new ways to express *ubuntu* in the workplace;
- South African business to be regarded by the rest of the world as pioneers in embedding responsible, ethical and sustainable practices in their business culture; and
- South Africa to take the lead in beginning to shape a new model of free enterprise in the world, one which may even become known as *ubuntu* capitalism.

In conclusion, we see that across a range of issues, from legal reform, governance, SRI and HIV/Aids to partnerships, niche excellence and values-based philosophy, South Africa has laid the platform for some truly remarkable achievements in the coming decade. I fully expect that South African business will be heralded as global leaders in all of these highlighted areas in the next 10 years and that we could indeed be instrumental in writing a new chapter in the story of capitalism, which may yet prove to be our most significant legacy for the world and all its people.

Source:

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