

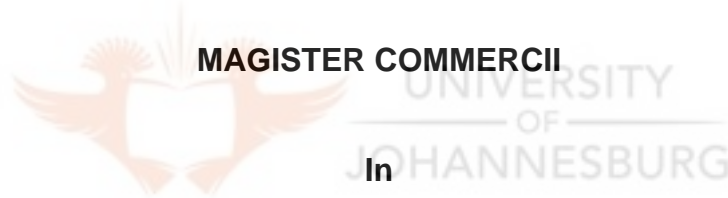
**ENVIRONMENTAL AND SOCIAL REPORTING AS A TOOL FOR
DIALOGUE WITH STAKEHOLDERS IN THE HIGHVELD REGION.**

by

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SHORT DISSERTATION

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ABSTRACT

Challenges to businesses have become ever more complex and unpredictable in a fast changing and globalised world. Businesses continuously have to find ways to respond to pressing challenges that were not on the agenda in the past two decades. The traditional stakeholder base has broadened and includes diverse groups of interested parties inside and outside the boundaries of business. The business imperative is now the ability to balance the conflicting demands of its various stakeholders. Businesses are anxious to protect their reputation and to comply with legislation, however, growing stakeholder activism signals emerging gaps or barriers between organisational methods and stakeholder expectations.

Broader stakeholder engagement and collaboration to find a win-win solution to these concerns, while valuing stakeholder relationships is key to unlocking value in today's ramified network based economy. Businesses need to establish meaningful collaborative communication with stakeholders.

The possibility to enter into dialogue and advocate greater transparency and information disclosure per stakeholder group is highly recommended. It is also recommended that business consider a shift from stakeholder management to stakeholder collaboration practices.

DECLARATION

I, Makoma Maureen Mboshane, student number 920060199 hereby declare that:

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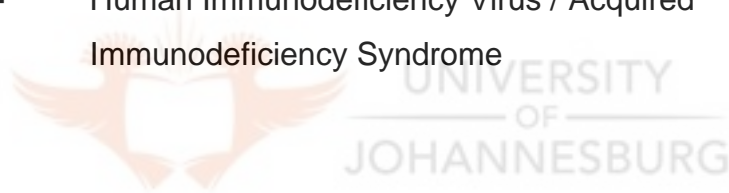
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Glossary of Terms

CSI / R	-	Corporate Social Investment / Responsibility
NGO	-	Non-governmental organisation
GRI	-	Global Reporting Initiative
SHE	-	Safety, Health and Environment
UNEP	-	United Nations Environment Programme
NEF	-	New Economics Foundation
UN	-	United Nations
PR	-	Public Relations
TXU	-	Texas Utilities (UK & Australia)
AA1000	-	Stakeholder Engagement Standard (AA1000SES)
DEAT	-	Department of Environment and Tourism
HIV/AIDS	-	Human Immunodeficiency Virus / Acquired Immunodeficiency Syndrome



CHAPTER 1

1. INTRODUCTION TO THE STUDY

1.1. INTRODUCTION

Today, environmental and social management is an integral part of business management for the corporate world. Creation of wealth through business and sustaining its success depends not only on how effectively finances are managed, environmental and social issues, but how stakeholders (the people who are influenced by the organisation), perceive the role of an organisation to be.

There is an increase in the demand for large and small businesses to be transparent on an environmental and social level in addition to their financial performance reporting. There is growing activism among company stakeholders to demand information on the triple bottom line performance of the organisation, especially in those specific areas mentioned by the minister of the Department of Environment and Tourism. The issues pertaining to the triple bottom line refer specifically to financial, social and environmental issues often referred to as the triple P (profit, people and planet).

The minister of the Department of Environment and Tourism has formally declared the Highveld Priority Area as a national air pollution hotspot. The declaration was made in terms of the National Environmental Management: Air Quality Act, 2004 (Act No.39 of 2004). This was done in terms of section 18(1) of the National Environmental Management Act, 2004 (No.39 of 2004).

According to the Department of Environment and Tourism, "South Africa's air quality is not regarded as being an overall problem, [however] there are many localised areas that suffer extremely poor air quality. In these air-pollution hotspots there is little doubt that people living and working in these areas do not enjoy air quality that is not harmful to their health and wellbeing". The Air Quality

Act provides for the legislative mechanism known as the priority area approach that was specifically devised to provide key strategic elements for air quality management, namely focusing of limited resources, formalising intergovernmental co-operation and air shed management.” This formal declaration, made in terms of the Air Quality Act, was published in the government gazette of 23 November 2007.

To ensure broad participation in the development of the required plan, the department has invited nominations for membership of a multi-stakeholder reference group for the Highveld Priority Area from interested and affected businesses and industry associations, non-governmental organisations and organised labour and community groups. The Act requires compliance with legislation and broader engagement with stakeholders; those who are influenced by the organisation.

Stakeholders' expectation of information disclosure goes beyond financial reporting; they now expect companies to voluntarily engage them and disclose information on environmental and social performance, but also to make a commitment to improve the performance progressively, and to come up with some kind of disclosure statement.

The government prioritises the improvement of the lives of the majority of the people in South Africa. Government aims to achieve this by creating jobs, alleviating poverty and generally improving the standard of living, which includes creating a healthy environment.

Companies are expected to report on how they contribute to the improvement of living conditions of the communities in which they operate, either as a matter of compliance with legislation or as a way of engaging the stakeholders.

Environmental and social reporting to stakeholders demonstrates business' commitment towards sustainability as it underlines the company's responsiveness to those who have a vested interest in the company.

According to UNEP (United Nations Environment Programme), the corporate accountability challenge is now the greatest in two areas. Firstly, social and ethical accountability and reporting, and secondly, integration of social, environmental and economic information streams into managerial processes and decision-making.

The concept of triple bottom line reporting has been developed to address public concerns about the broader effects of business activities and decisions. The development of corporate social reporting in the 1970s changed the way business reporting was viewed. In the utilitarian environment in which companies were regarded as meeting the needs of the majority of people, problems such as dangerous products, fraud and corruption were regarded as 'financial' problems affecting profitability, which had wider implications. More specifically that the financial viability of the enterprise might have been threatened. This began to change when the business model of corporates changed from satisfying public demands to increased social responsibility.

Corporate social accounting and reporting is concerned with the voluntary identification and disclosure of information about the relationship of an organisation with its employees, its local community and society in general (Anon a. 2008). The biggest ethical concern of companies to date is that the environment and people in areas surrounding their industry must be catered for in their strategic business plans. Should strategic decisions be based on economic or social and environmental concerns?

Communication is carried out to all interested groups, more so on the effects of organisations' financial activities, but very little is communicated about the

environmental effects of the organisations. There is no legislation enforcing such reporting, so such must be done voluntarily.

Gary, Owen & Maunders (1987) are of the opinion that stakeholder interests can be considered in terms of four different 'logics' or moral viewpoints, that form a link between the descriptive notions of stakeholder accountability and the normative ethical considerations. These four viewpoints are:

- Interest-based: assesses the consequences of actions and policies solely in relation to parties with a direct interest in those actions. It encompasses self-interest, group interest and the concept of utilitarianism.
- Rights-based: 'rights protection supersedes interest satisfaction'
- Duty based: 'is governed by the ethical concept of duty or responsibility to communities rather than individuals.'
- Virtue based: 'to concern itself with issues such as environmental awareness.'

The fact that companies might be accountable to any person or organisation affected by their activities or otherwise having a 'right' to information about them, poses a challenge to the companies, thus environmental and social reporting can be a tool for the extension of a broad dialogue with stakeholders to improve relationships with and perceptions about the company.

There is an unsatisfactory way in which information is transparently shared and disclosed to the stakeholders. However, a satisfactory way for information to be disclosed must be voluntary (Werhane & Freeman, 1997).

1.2. PROBLEM STATEMENT

Social accounting can be defined as “the process of communicating the social and environmental effects of the organisations’ economic actions to particular interest groups within society and to society at large” Gary et al. (1987)

A gap exists to establish a channel of communication for the stakeholders’ engagement. To accomplish such, a framework for monitoring and evaluating a company’s accountability to stakeholders is essential. Stakeholders have various moral viewpoints and therefore environmental and social reporting needs to be customized to address their specific requirements, that is reporting must not be generic.

The minister’s demarcated areas of the Highveld include the area where Sasol Secunda, Harmony Gold Mines, Eskom and Anglo Coal SA operations are, and by the nature of their business, which is conversion of coal to liquid fuels, gold mining, coal mining and electricity generation, it is imperative that information regarding the companies’ activities be voluntarily shared with and disclosed to the people whose lives are affected by these companies’ operations.

Reporting to stakeholders has traditionally been focused more on businesses’ contribution to social upliftment, and less on the environmental impact of the Highveld operations.

The communication to stakeholders through conventional corporate reporting does not address the social and sustainable development requirements of stakeholders.

1.3. KEY RESEARCH QUESTION

To determine how traditional corporate reporting can be enhanced with adequate social and sustainable development intervention.

1.4. RESEARCH OBJECTIVES

1.4.1. Primary Objectives

The current CSI/R (corporate social investment / responsibility) reports cover a variety of generic issues or focus areas. The biggest challenge is to ensure that the report provides the information required by the range of stakeholders for whom it is intended, what the reporting organisation is trying to achieve, and the variety of issues to be covered.

The primary objective of this research is thus to enhance corporate reporting for stakeholders by including adequate information on social and sustainable development.

1.4.2. Secondary Objective

The secondary objectives are:

- to determine requirements of investors, community, NGOs (non-governmental organisations) and other stakeholder groupings,
- to determine the elements of enhanced reporting,
- to explore various stakeholder requirements, and
- to identify extended reporting mechanisms.

1.5. LITERATURE OVERVIEW

“Progressive businesses are increasingly aware of the interconnections and complexity of environmental, social and economic issues and recognise they cannot act alone to find solutions. Stakeholder engagement is rapidly emerging as a vital tool to develop an understanding of what sustainability means for companies and how it can add value and viability to their operations” (Anon b.n.d.).

Stakeholder(s) is defined as “any group or individual who can affect, or is affected by, an organisation or its activities. Also defined as, ‘any individual or group that can help define value propositions for the organisation’ (Anon b. n.d).

Traditionally, corporate stakeholders have been identified as those parties with a direct financial interest in an organisation, such as shareholders and other financial providers. However the concept of stakeholder has been broadened to include not only equity investors and creditors, but also employees, analysts, business contacts, governmental and non-governmental organisations, and government and the general public. Thus companies may be accountable to any person or organisation affected by their activities, earning a right to information about them.

The creation of company values occurs as a result of contributions of multiple stakeholders. In fact high-quality company–stakeholder relationships may be one of the most important keys to unlock value in today’s network-based economy (Svendsen & Wheeler, 2006).

Svendsen & Wheeler (2006) further state that, as businesses progress in the Twenty-first Century, challenges to business become ever more complex and unpredictable. Business leaders face new risks and new opportunities. How should businesses respond to pressing global issues – climate change, human rights and HIV/AIDS, for example – that were not on the agenda of businesses 10 years ago?

Bonham (2004) says 'Profitable Business equals Stakeholder Engagement'. Stakeholder engagement deals with how companies treat communities they operate in, how they deal with NGOs and how they are dealing with other stakeholders. Conventional reporting, considered to be superficial, has changed. One cannot talk about customer satisfaction anymore without inevitably addressing stakeholders' engagement.

"Consultation where the company has already determined their plan is no longer a consultation, at best, it is an information session, and at worst a staged PR event. Real consultation means that all parties come to the table with an open mind and a willingness to work together for the best good "(Bonham: 2004)

The success of an organisation depends on its ability to balance the conflicting demands of its various stakeholders. Stakeholder theory is a descriptive theory that attempts to justify the provision of social information in an attempt to gain stakeholder support and minimise the costs of dealing with complaints and actions that might otherwise affect them (Bonham:2004).

Traditionally, companies have concerned themselves with providing relevant information to the more powerful, interest-based groups, while other groups, with less of a vested financial interest, and have been regarded as less important to corporate interests. It is imperative for a company to harness the energy, ideas and commitment of diverse groups of interested actors inside and outside its boundaries to create value from intangible, network-based assets that clearly exist in the space between the company and its key stakeholders.

Svendsen (1998), after an extensive study and analysis of stakeholder management versus stakeholder collaboration, concluded that corporate social responsibility is about finding win-win solutions at every turn. Litz (in Svendsen 1998) argues that "to the extent that the firm is able to recognise its interdependence, reflect upon the ethical standards appropriate to the situation,

and react in a timely and responsive manner, it possesses a valuable, rare and non substitutable strategic resource”.

Svendsen (1998) further contends that the stakeholder base is broadening and keeps broadening thereby posing a challenge to companies to engage them effectively.

1.6. BENEFITS OF THE RESEARCH

The following are alternate benefits that this research hopes to gain an understanding of:

- Establishing meaningful communication with stakeholders (which enhances the trust and helps demonstrate performance and future plans for improvement).
- Improving the company’s reputation by demonstrating concern for the environmental and social issues by fostering transparency and accountability.
- Embedding professional ethics in decision making.
- Stakeholder engagement and relationships building.
- Improving environmental and social risk management (by identification of such risks, their origin, etc which would facilitate better management).
- The concept of ‘stakeholder consultation’ versus ‘stakeholder engagement’.

1.6.1. Establishing meaningful communication with stakeholders

Benefits include:

- Demonstration of willingness to voluntarily identify and disclose information.
- Social contributions to community organisations.
- Future plans for improvement.
- Demonstrate performance by being socially accountable as is evident through reporting of the ‘triple bottom line’.

1.6.2. Improving the company reputation

Benefits include:

- The company’s ability to balance the conflicting demands of its various stakeholders.

- Recognition and acknowledgement of stakeholder 'rights 'and moral viewpoints.
- Demonstrate transparency by disclosing information.

1.6.3. Embedding professional ethics and decision making

Benefits include:

- Demonstration of professional ethics in decision making.
- Sharing of information of plans to improve.

1.6.4. Stakeholder engagement and relationships building processes

Benefits include:

- Improved relationships
- Engagement and interaction
- Information sharing
- Stakeholder segmentation and mapping

1.6.5. Improving environmental and social risk management

Benefits include:

- Risk assessment and analysis
- Share ways to improve environmental and social risk management

1.6.6. The concept of 'stakeholder consultation' v/s 'stakeholder engagement'

Benefits include:

- Differentiate between consultation and engagement of stakeholders
- The value and benefits of engagement versus consultation
- Stakeholder mapping and segmentation

1.7. LIMITATIONS OF THE RESEARCH

The following are limitations that have been identified:

- Access to 'sensitive 'information on environmental issues. Departments of Safety, Health and Environment have technical statistical data regarding pollution, emissions levels and waste disposal measures; some of this information is not readily accessible to the general public.

- Reluctance of Safety Health and Environment department to openly share information needed for research.
- Stringent policies with regard to the disclosure of information to some stakeholders.

1.8. RESEARCH METHODOLOGY

1.8.1. Nature of the research

This research will be qualitative in nature. By utilizing a qualitative approach, an attempt will be made to understand stakeholder engagement from the subjective perspective of the individuals that will be interviewed. Time will be spent on interviews with relevant role players pertinent to the company-stakeholder engagement. The complexities and diversity of each role player within the stakeholder paradigm can only be captured by describing their real perceptions and expectations, and by incorporating the context as well as their frame of reference within which they operate (Mouton, 2002).

According to Rubin and Rubin (in Mouton 2002) qualitative interviewing emphasizes the relativism of active participation of the interviewer and the importance of giving the participant a 'voice'. Given the wide range of perceptions regarding the value or risks of companies that are associated with transparent and honest engagement with stakeholders, the extraction and capturing of these 'voices' is especially important.

1.8.2. Research Design

The research will be qualitative in nature; therefore the appropriate research design will be exploratory in order to support the qualitative approach taken. For the purposes of this research the researcher is going to explore, analyse and investigate the effectiveness and benefits of stakeholder engagement and social investment/responsibility in the corporate environment and how that will improve the levels of satisfaction by the stakeholders. Recommendations to further engage stakeholders for better results will be made.

Exploratory research is used principally to gain a deeper understanding of something. According to Routio (2007), “research is exploratory when you use no earlier model as a basis of your study. The most common reason for using this approach is lack of earlier case models or irrelevant contexts of available theories “.

Routio (2007) further states that, “in the early stages of the decision-making process, exploratory research is used to assess the situation in hand with the minimum cost and time possible. Versatility and a wide-ranged approach to the preliminary investigation are the main benefits of this genre of research. The exploratory research can draw on interviews, observations, group interviews, secondary data sources and case histories”.

1.8.3. Sampling

Sampling is the process of selecting units (e.g. people and organisations) from a population of interest so that by studying the sample the results can be generalised to the population from which they were chosen. (Trochim, 2007).

Rudestam & Newton (2001) define the participants in qualitative interviewing as experiential experts on the phenomenon being studied. It is for this reason that participants that are going to be used or involved will not be randomly selected and ‘criterion sampling’ technique will be used.

Katz’s method (in Trochim 2007) of defining inclusionary and exclusionary criteria will be put into practice. Only participants that are subject matter experts, and those with a direct interest and argumentative opinion on stakeholder engagement, albeit positive or negative, will be eligible for selection. Others will be selected based on their prominent position in society, in business or in the community. Suitable participants identified will be those who currently occupy jobs that are relevant for this research, such as the Corporate Social Investment specialists and managers who are accountable for environmental and social reporting in their organisations.

1.8.4. Data gathering

1.8.4.1. Primary data

Unstructured interviews with an interview schedule will be held with identified groups of people for the purposes of this research. The researcher will do external research to investigate how other companies within the Highveld region are conducting extensive reporting. A comparison study will be conducted with other companies in the area. Companies that are identified for this study are Harmony Gold Mine, Eskom and Anglo Coal SA

1.8.4.2. Secondary data

The researcher will do a study of literature (secondary data) to find out best practices that are available in the business environment that could be a solution to the problem under discussion, to further enhance the point that effective communication is targeted and timely.

1.8.5. Data analysis

The qualitative data will be analysed and results or findings will be reported in the essay. The results will be summarised and presented, conclusions be drawn and recommendations will be made.

1.9. DEMARCATION

The research will focus on the social and environmental reporting within the identified companies in the Highveld region i.e. Eskom, Sasol in Secunda, Anglo Coal SA and Harmony Gold Mine. Financial reporting will be excluded.

CHAPTER OUTLINE

This research report consists of five chapters.

Chapter One

This chapter provides the introduction to the study, the problem statement, research objectives, research methodology, the benefits and the limitations of the study.

Chapter Two

This chapter is focused on the literature review on corporate reporting in a South African context, understanding corporate stakeholders and stakeholder dialogue. The chapter also covers the importance of stakeholder mapping and stakeholder matrixes.

Chapter Three

This chapter focuses on reporting and reporting mechanisms that are available for companies to utilise to engage the stakeholders. In this chapter the methodology for stakeholder engagement that can be used and the pros and cons of each method are discussed.

Chapter Four

Focuses on the research methodology used in the study and the interviews with identified role players. This chapter reports on the responses to questions that were asked, summarises and reports the views of the respondents to the questions.

Chapter Five

This chapter deals mainly with the conclusion and recommendations on stakeholder engagement, consultation and reporting in the Highveld region.

CHAPTER 2

2. AN OVERVIEW OF STAKEHOLDERS

2.1. INTRODUCTION

This chapter provides an overview of stakeholders; it focuses on understanding stakeholders, the concepts of corporate social and environmental reporting and accountability in a South African context, and some approaches to stakeholders' dialogue.

2.2. CORPORATE REPORTING IN A SOUTH AFRICAN CONTEXT

The King 2 Report (2002), states that the concept of accountability on the part of all legitimate stakeholders must be rejected for the simple reason that to ask the board to be accountable to everyone affected by the organizations' actions would result in their being accountable to no one. This implies that relying on the board to account to all stakeholders is not a reliable arrangement; they tend to use the annual reports and sustainable reports to inform the company stakeholders.

The board has responsibility to inform owners of shares and other stakeholders of financial performance and risk management strategies. However, as a result of the multiplicity of stakeholder groups with various interests, power, dynamism and issues they are concerned with, the problem of reporting appropriately for each one is emphasised.

Financial performance is vital to stakeholders who have a financial interest vested in the company. Such stakeholders are accounted for via the annual and sustainable development reports as per Global Reporting Initiative guidelines, however, stakeholders with a social interest are concerned with the non-financial performance of the company and have traditionally not been catered for.

According to the King 1 Report of 1994 an integrated approach to good governance in the interest of a wide range of stakeholders having regard for the fundamental principles of good financial, social, ethical and environmental

practice is needed beyond financial and regulatory aspects. The King 2 Report (ibid) urges companies to recognise that they no longer act independently of the society and the environment in which they operate.

Disclosure of non-financial information should be governed by the principles of reliability, relevance, clarity, comparability, timeliness and verifiability as stipulated in the Global Reporting Initiative Sustainability Reporting Guidelines on economic, environmental and social performance.

Reporting and communication in terms of accountability must be made in the context that society now demands, society which calls for greater transparency from companies regarding their non-financial matters. Reports should present a comprehensive and objective assessment of the activities of the company so that shareholders and other relevant stakeholders with a legitimate interest in the company's affairs can obtain a full, fair and honest account of its performance. In communicating with its stakeholders the board should take into account the circumstances of the communities in which the company operates.

Every company should report on the nature and extent of its social, transformative, ethical, safety, health and environmental management policies and practices annually. The board must determine what is relevant for disclosure, having insight into the company's particular circumstances. Therefore it is evident that stakeholder reporting requires an integrated approach (King Report: 2002).

The inclusive or integrated approach as proposed in the King 2 Report (2002) requires that the purpose of the company be defined, and the values by which the company will carry on its daily operations be identified and communicated to all stakeholders. The stakeholders relevant to the company's business should also be identified. According to the Report, the following seven characteristics are considered to be good corporate governance:

1. **Discipline:** Corporate discipline is a commitment by a company's senior management to adhere to behaviour that is universally recognised and accepted to be correct and proper. This encompasses a company's awareness of, and commitment to, the underlying principles of good governance, particularly at senior management level.
2. **Transparency:** This is a measure of how effective management is at making necessary information available in a candid, accurate and timely manner. Transparency is the ease with which an outsider is able to make meaningful analysis of a company's actions, its economic fundamentals and the non-financial aspects pertinent to that business.
3. **Independence:** This refers to the extent to which mechanisms have been put in place to avoid potential conflicts of interest that may exist.
4. **Accountability:** Mechanisms must exist and be effective to allow for accountability.
5. **Responsibility:** Responsible management would, when necessary, put in place what it would take to set the company on the right path. While the board is accountable to the company, it must act responsively and responsibly towards all stakeholders of the company.
6. **Fairness:** The systems that exist within the company must be balanced by taking into account all those that have an interest in the company and its future. The rights of various groups have to be acknowledged and respected. For example, minority shareholder interests must receive equal consideration as those of the dominant shareholder(s).
7. **Social Responsibility:** A well managed company will be aware of, and respond to, social issues, placing a high priority on ethical standards. A good corporate citizen is increasingly seen as one that is non-discriminatory, non-exploitative, and responsive to environmental and human rights issues.

The King 2 Report (2002) further recommends that companies should be ready where practicable, to enter into dialogue with institutional investors based on constructive engagement and mutual understanding of objectives. However, the dialogue should also be extended to other stakeholders not only investors, to

enable them to also have an understanding of the objectives, activities and plans of the company.

The Kyoto Protocol, (article 7 of 1998) states that “each Party shall.... incorporate in its communication... the supplementary information necessary to demonstrate compliance with its commitments”. According to the Kyoto Protocol each ratified party must do the following to promote sustainable development:

1. Implement and/or further elaborate on policies and measures in accordance with its national circumstances.
2. Co-operate with other [ratified] Parties...to this end Parties shall take steps to share their experience and exchange information on such policies and measures, including developing ways of improving their compatibility, transparency and effectiveness.

By acknowledging this call for engagement, corporations find themselves having to devise strategies to engage stakeholders with plans for communication, reporting mechanisms and other means to meet their expectations.

Dekker (2002) says that the use of an annual report is supported by a study done by Zeghal and Ahmed (1990), where the initial intention was to make use of all the communications by an organisation to determine the extent of its social and environmental reporting.

2.3. UNDERSTANDING THE STAKEHOLDERS

Stakeholders can be defined as “any group or individual who can affect, or is affected by, an organisation or its activities. Also, any individual or groups that can help define value propositions for the organisation” (Anon a: 2005). This group of stakeholders range from shareholders, employees, customers, suppliers, NGOs, government at all levels and the community. All these groups demand to be informed of the activities of the organisation.

2.3.1. Stakeholder analysis

According to Freeman (1984) an attempt must be made to ascertain the 'stake'(involvement) of each group and the power they have, keeping in mind the different levels of involvement. Basic analysis of an organisation may include a map of the stakeholders, which will give a clear indication of which stakeholders are influenced and which stakeholders influence the corporation. Such a map can be drawn in such a way that it depicts the power, influence and interest of each stakeholder.

Freeman (1984) further states that stakeholder management capability emerges as a function on the stakeholder map with organizational processes and stakeholder transactions. The understanding of stakeholders, the processes for dealing with them, and the business processes used to carry out relationships with stakeholders must fit together.

He (Freeman: 1984) goes on to state that corporations should involve themselves with stakeholder management, and attempt to understand the stakeholders that influence and are influenced by their corporation. The corporation should, at the very least prepare a stakeholders' map of its stakeholders.

Carroll (in Freeman 1984) is of the opinion that the corporation can increase its understanding of these stakeholders by answering the following questions:

- Who are our stakeholders?
- What is their involvement?
- What opportunities and challenges are presented to our firm?
- What responsibilities or actions should our firm take to best deal with stakeholder challenges and opportunities?

2.3.2. Stakeholder matrix mapping

The identification of stakeholders is an important first step, but the interpretation of the relationships between the organisation and the stakeholders is the second

and almost most important step. There are several methods that can be used by corporations to interpret and understand the influence stakeholders have on the organisation and/or the influence the organisation has on the stakeholders.

2.3.2.1. The stakeholder identification process

During the stakeholder identification process the organisation should take the following into account:

- Some stakeholders will be essential for an organisation to determine its social responsibility issues. The relationship between the organisation and other stakeholders may be more strategic in nature.
- Care must be taken to identify the most appropriate people from within stakeholder groups, which is particularly challenging when dealing with groups that are not formally organised, such as neighbours to a plant.
- Those within the organisation who are identifying the stakeholders will often have differing views on who should be included. These views may differ owing to people's experience, their role and possibly their education. Involving a team of people in the identification process may help neutralise any bias.
- Some stakeholders may identify themselves. The organisation should consider the legitimacy of their interests through relating them to sustainable development and the welfare of society and be transparent in the decision it makes as a result.
- Some stakeholders may be surrogates for those that cannot have a voice. There can be representation issues with this approach and an organisation should be aware of potential abuse.
- The stakeholder list may be different across geographic regions, the activities of the organisation and whether the whole or part of the organisation is under consideration. (Bendell : 2000)

Once the identification process has taken place, the stakeholder list should be documented and it should be revisited periodically as interests and relationships

change and develop over time. One such documentation method is known as the 'stakeholder map'. (Anon c: 2008 in Freeman 1984). Three approaches to matrix mapping are represented in the following figures: 1. position/importance matrix, 2. power/dynamism matrix and 3. power /interest matrix.

FIGURE 1: POSITION / IMPORTANCE MATRIX

		Low	High
Position	Oppose position on	A Problematic	B Antagonistic
	Issue or proposal support	C Low Priority	D Supporter
		Importance	

Source: Mendelow (in Freeman 1984)

Figure 1: The position/importance matrix illustrates how stakeholders are categorized according to their position on a particular issue or proposal and their importance. The stakeholders are identified and assessed whether they oppose the corporation on the issue or support it.

The four categories of stakeholders that result from this analysis are as follows;

- Problematic stakeholders: those who would oppose the organisations' course of action, and are relatively unimportant to the organisation.
- Antagonistic stakeholders: those who would oppose or be hostile to the organizations' course of action, and are very important to the organisation.
- Low priority stakeholders: those who support the organizations' course of action and are relatively unimportant to the organisation.

- Supporter stakeholders: those who would support the organizations' course of action, and are important to the organisation (Bryson in Freeman 1984).

After the categorization is complete, managers can develop tactics or strategies to most appropriately deal with each stakeholder. The following are examples of strategies that can be developed:

- Strategies for problematic stakeholders: target moderate stakeholders with educational programmes, adjust corporate plans to accommodate stakeholders, and prepare defensive plans if coalitions of stakeholders form.
- Strategies for antagonistic stakeholders: identify potential coalitions and take defensive action, prepare for undermining supporters, anticipate nature of objections and develop counter-arguments and engage selected stakeholders in bargaining, and determine plan changes to gain support.
- Strategies for low priority stakeholders: provide educational programs and promote involvement with supporters.
- Strategies for supporter stakeholders: provide information to reinforce position, and ask supporters to influence indifferent stakeholders (Freeman 1984)

FIGURE 2: POWER / DYNAMISM MATRIX

	Low	High	
Power	Low	A Few problems	B Unpredictable but manageable
	High	C Powerful but unpredictable	D Greatest danger or opportunity
	Dynamism		

Source: Mendelow (in Freeman 1984)

The power held by stakeholders and their dynamism, that is, predictability, are variables used to determine the type of stakeholders influencing the corporation.

There are four possible types of stakeholders, as depicted on figure 2 above:

- Highly predictable stakeholders with low power that present few problems,
- Unpredictable stakeholders with low power that are manageable,
- Stakeholders that are predictable with high power, and
- Powerful stakeholders with low predictability that present the greatest danger or opportunity for the corporation.

Managers should develop strategies to influence the stakeholders or to counter the power of stakeholders. Stakeholders in quadrant D are the most difficult as they can either block or support new strategies or programmes. Management should test initiatives with this group of stakeholders prior to establishing an irrevocable position.

Stakeholders in quadrant C are problematic but managers should attempt to influence their stance by formulating strategies that will address their expectations or demands. Stakeholders in quadrant A and B are less critical but should not be ignored as they might have an influence on the attitude of the more powerful stakeholders.

The third matrix is the power/interest matrix which is based upon the power stakeholders have and the extent to which they are likely to show interest in the corporation's activities.

FIGURE 3: POWER / INTEREST MATRIX

	Low	High	
Power	Low	A Minimal effort	B Keep informed
	High	C Keep satisfied	D Key players
	Interest		

Source: Mendelow (in Freeman 1984)

After the stakeholders are assessed and categorized, management must formulate appropriate relationship strategies. In particular, the reaction or position of 'key players' (quadrant D) towards the corporation's initiatives must be given prominent consideration. The stakeholders in quadrant C are the most challenging to maintain relationships with despite their lack of interest in general,

such a stakeholder group might exercise its power in reaction to a particular event or corporate activity.

The three mapping matrixes are similar in approach and in most circumstances management would use one at a time.

2.4. A NEW APPROACH TO CORPORATE STAKEHOLDER RELATIONS

2.4.1. Stakeholders and social capital

Social capital is any aspect of organisational arrangement that creates value and facilitates the actions of stakeholders within and outside of the corporation. Social capital is created when relations between stakeholders and the corporation changes in ways that facilitates increased understanding, co-operation, and co-ordination. In effect, the corporation's stakeholders are a network, that is, a pattern of ties linking the corporation with those influences and those that can influence it (Seibert et al., 2001 in Bendell 2000)

2.4.2. Stakeholder Collaboration

According to Svendsen (1998), recent approaches to business management focus on changing the relationship between the corporation and its stakeholders, namely from that of "management" to "collaboration". Stakeholders' management emphasises mechanisms of how organisations identify, monitor and respond to their stakeholders. The mechanisms include issue analysis, consultation, strategic communication, and formal contacts. The recent approach focuses on building stakeholder relationships that are reciprocal, evolving and mutually defined, and that are a source of opportunity and competitive advantage.

Collaboration is a meta-capability to establish and maintain relationships which allow the organisation to tap into a powerful source of creative energy, a large pool of innovative ideas, and a wider network. The goal is to increase organisations' environmental stability and to enhance control over changing circumstances. The following table summarises the characteristics of old and new approaches to corporate-stakeholder relations.

TABLE 1: SUMMARY OF CORPORATE STAKEHOLDERS

Stakeholder Management	Stakeholder Collaboration
Fragmented among various departments	Integrated management approach
Focus on managing relationships	Focus on building relationships
Emphasis on buffering the organisation	Emphasis on creating opportunities and mutual benefits
Linked to short-term business goals	Linked to long-term business goals
Idiosyncratic implementation dependent on different interests and personal style of manager.	Coherent approach driven by business goals, mission, values, and corporate strategies.

Source: Svendsen (1998)

Svendsen (1998) argues that stakeholder management focuses on mechanisms by which organisations understand and respond to the demands of their stakeholders, and that stakeholder relationships can be managed using techniques such as issue analysis, consultation, strategic communications, and formal contracts or agreements. Managers are seen as having the power to direct and control interactions between a corporation and its stakeholders.

Stakeholder management is seen as buffering the organisation from the negative impacts of stakeholder activities. The 'stakeholder management' approach has arisen from the belief that corporations need to take steps to defend themselves from demands of the stakeholders (Svendsen, 1998).

Svendsen (1998) goes on to say that through positive, long-term relationships, companies can identify "win-win" opportunities that serve the corporation as well as the stakeholders and society. The stakeholders' strategy should be based on the view that companies and society are interdependent. Therefore, business prosperity is linked to the well-being of local and global communities as well as the corporations' other key stakeholders, such as employees and suppliers.

Svendsen (1998) continues to claim that the convergence between the interests of shareholders and other stakeholders intensifies the importance of corporate social responsibility to bottom-line success. Often what is good for the community and the company's other stakeholders is also good for shareholders and the bottom line.

2.4.3. Stakeholder Dialogue

Dialogue refers to communicating with stakeholders in a way that takes serious account of their views. It does not mean involving stakeholders in every decision, or that every stakeholder request will be met. It means that stakeholder input should be acknowledged and considered thoughtfully. It is about giving stakeholders a voice, listening to what they have to say, and being prepared to act or react accordingly.

Though dialogues are, in effect, simply meetings, it is important to remember that they provide a powerful tool to listen and learn more about stakeholders. They also offer a mechanism in which to share one's own thinking and to maintain and/or strengthen relationships. Such dialogue offers a tool for businesses to engage stakeholders in serious discussion, and facilitate future dialogue with those persons and institutions that have a stake in their activities. (Bendell,2000).

2.4.4. Should business engage in dialogue?

Today, business has to make decisions in a more demanding and informed global society. Increasing competition, more domestic and international pressure to be transparent and changing societal expectations make it impossible for companies to operate without being in close contact with those around them.

A sharp increase in stakeholder engagement activities has been seen recently, as companies have come to realize that people or groups outside the core areas of influence can also be stakeholders. The traditional circle of stakeholders has expanded. This group has now grown to embrace a wider range of actors such as youth and religious groups, NGOs, global institutions, and many more. Well

planned and specifically designed stakeholder dialogue can ensure direct engagement of different groups and can help to forge alliances, collaborative partnerships and shared principles.

2.4.5. Open Sharing of Information

It is important that there be a good two-way flow of information so that dialogue can be well informed. For the company, having access to as much local information as possible is vital for various processes, from environmental impact assessments to the implementation of labour rights and the funding of community projects. A company needs to understand the community issues and concerns in order for it to work together with that community.

At the same time, it is vital that there be an exchange of information from the company to the community as well. This interchange is central for building relationships and achieving proper understanding, so that both sides can move beyond rhetoric and posturing. Social or environmental reports are key stages in any stakeholder dialogue process, while at the same time a stakeholder dialogue process is a key stage in any valuable social or environmental report (Bendell, 2000).

Dialogue is understood to be a flow of information between two or more entities, be they groups or individuals. Stakeholder dialogue occurs all the time, as managers communicate with staff or suppliers with consumers during the normal course of business. Dialogue continues in an organic fashion after-hours in the communities. However, more proactive and structured stakeholder dialogue initiatives have become an increasingly important management issue in the last five years, to the extent that traditional ideas about Public Relations are being re-defined. In the modern context, different dialogue intention levels can be identified and distinguished.

2.5. APPROACHES TO STAKEHOLDER DIALOGUE

2.5.1. Dialogue as Therapy

Therapy is a non-participatory approach, although with more positive intentions. The aim of dialogue as therapy is to educate critical stakeholders. For example, environmental management systems are believed by the company to be justified, and the job of dialogue is to achieve stakeholder support. Traditionally, businesses held the perception that such communication's sole intention was to persuade, now it is considered an opportunity to listen (Bendell, 2000).

2.5.2. Dialogue as Information

This is the type of dialogue where the company aims to be transparent about its activities and policies and inform stakeholders of such. It is dialogue only in so far as the stakeholders are able to respond by asking questions of clarification. There is no expectation on behalf of the company to learn from stakeholders, and little or no expectation to manipulate or educate stakeholders' views. Although largely one-way, it is an important first step toward real dialogue. Most corporate environmental and social reports have begun in this fashion, with minimal stakeholder dialogue over the relevance of the information provided.

2.5.3. Dialogue as Consultation

Consultative dialogue involves the accessing of stakeholder opinions through techniques such as attitude surveys, and neighbourhood and consumer or staff meetings. Similar to market research, it is largely a one-way flow of information, in the opposite direction, so opportunities for learning are also limited. The role of the company to interpret the information and then determine actions is reinforced in consultation exercises.

2.5.4. Dialogue as Placation

Some companies seek to placate stakeholder concerns by establishing close dialogue with a few key critics, and in limited ways. For example, well-known critics or experts can be invited onto advisory committees. This allows these critics or advocates to advise, review and plan ad infinitum but the corporation retains the right to judge the legitimacy or feasibility of the advice given.

2.5.5. Dialogue as Partnership

As opposed to placation, real partnership implies that the power of the partners is redistributed between them through negotiation. Dialogue through partnership means, for example, that planning and decision-making responsibilities are shared through joint committees. As Uwe Schneidewind argues in 'Terms for Endearment', business-NGO alliances can create new forms of power to change social, economic and cultural structures that shape our choices and actions.

Zohah (in Bendell 2000) asserts that it is important to rewire the corporate brain and that dialogue is a powerful means by which we can grow new neural connections. It could be argued that this view of corporate citizenship suggests the highest level of dialogue intention; dialogue as democracy.

2.6. Principles of stakeholder engagement

The concept of stakeholder engagement is emerging as a means of describing a broader, more inclusive, and continuous process between a company and those potentially impacted by the companies' activities. However, there is no 'one size fits all' approach when it comes to engagement (Anon b: n.d.).

2.6.1. What are the building blocks of stakeholder engagement?

Stakeholder engagement is an umbrella term encompassing a range of activities and interactions. These can be divided into eight components:

- Stakeholder identification and analysis
- Information disclosure
- Stakeholder consultation
- Negotiation and partnership
- Grievance management
- Stakeholder involvement
- Reporting to stakeholders
- Management functions

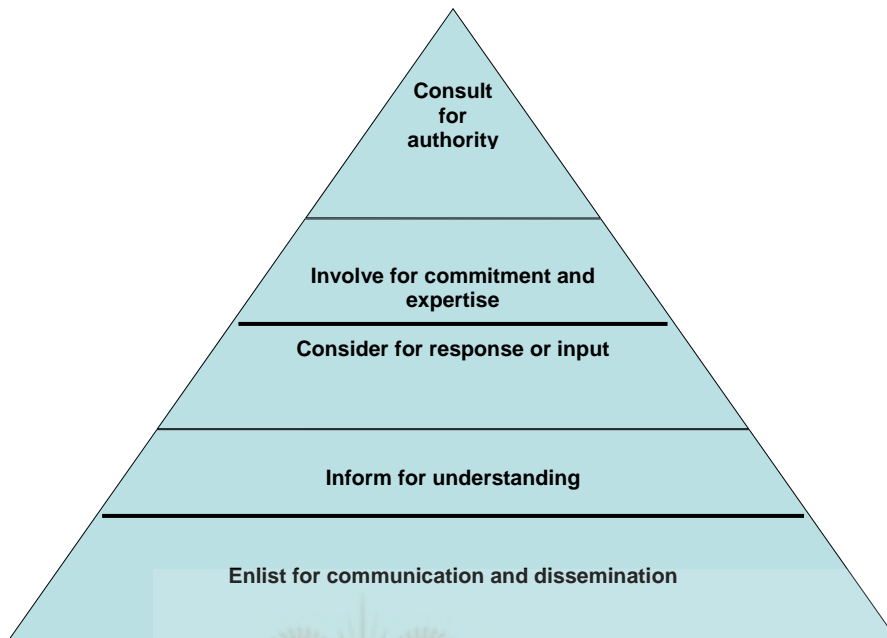
Not all stakeholders in a particular group or sub-group will necessarily share the same concerns or have unified opinions or priorities. The first step in the process of stakeholder engagement is stakeholder identification - determining who the company's stakeholders are, and their key groupings and sub-groupings and identifying those stakeholders directly and indirectly affected by the company.

'Interest based 'analysis and mapping can help clarify the motivations of different stakeholders and the ways in which they might be able to influence the company. It is not practical, and usually not necessary, to engage with all stakeholder groups with the same level of intensity all of the time.

Being strategic and clear as to whom the company is engaging with and why, can help save both time and money. This requires prioritizing stakeholders and, depending on who they are and what interests they might have, figuring out the most appropriate ways to engage them. When prioritizing, it might be helpful to consider the following:

- What type of stakeholder engagement is mandated by law or other requirements?
- Who is critical to engage with and why?
- What is the optimal sequence of engagement?
- Who strongly supports or opposes the changes?

FIGURE 4: IDENTIFIED ENGAGEMENT ROLES FOR STAKEHOLDERS



Source: Anon c: (2008)

The following four main factors affect the way organisations engage with their stakeholders

- Organisational objectives: organisation relevance and aims
- Stakeholder needs: accessibility of engagement and receptiveness to engage
- Organisational-stakeholder relationships: maturity of relationship, and organisation and stakeholder knowledge and skills
- Issues of dialogue: maturity of issue, nature of issue, context of issue, and links between issues (Anon d. n.d.)

Stakeholder dialogue and engagement does not necessarily require an organization to develop a new communication system, but can build on existing experiences, approaches and results. Table 2 summarises the key principles of stakeholder engagement and also gives an outline of each principle.

TABLE 2: PRINCIPLES OF STAKEHOLDER ENGAGEMENT

Commitment There should be a commitment to engage with segments of the stakeholder that have a vested interest in, or will be impacted by, the outcome of the standards activity. The commitment to engage must be reciprocal.
Transparency There should be an open and transparent process for standard activities.
Communication Communication with stakeholders relating to standard activities should be timely and provide appropriate and relevant information
Participation Relevant stakeholder groups should be afforded the opportunity for meaningful involvement in standard activities while managing stakeholder fatigue.
Balance Consideration should be given to balancing the participation and influence of stakeholder groups.
Continuity Consideration should be given to ensuring that there is continuity in participation and representation in standard activities.
Flexibility Standard processes should be responsive to the unique needs of stakeholders and the complex interactions between stakeholders when engaging them in standards activities.
Effectiveness Stakeholder engagement should be supported and facilitated in as cost-effective manner as possible balancing the cost and benefits.

Source : Anon c: (2004)

CHAPTER 3

3. TALKING REPORTING

3.1. INTRODUCTION

Chapter 2 provided a literature review on corporate reporting in a South African context, a new approach to corporate stakeholders, understanding stakeholders and approaches to stakeholder dialogue. This chapter explores broad engagement and reporting mechanisms that are available for use in order to enhance stakeholder reporting.

Charnley (in Bendell 2000) is of the opinion that “reporting is a craft... even a reporting textbook can't be a model of objectivity. Though it rests on a body of fact, its usefulness is in what it says (or chooses not to say) about its postulates. Reporting takes positions, readers should examine them watchfully. Whereas dialogue is conversing, it is exchange of ideas, and it allows information to flow.”

According to Bendell (2000) social or environmental reports are key stages in any stakeholder dialogue process; while stakeholder communication is a key stage in any valuable social or environmental report. The first corporate social report that recognised this fact was The Body Shop Social Statement 95'. The approach taken by this company was to focus on the interests and perspectives of stakeholders and measure the company's performance from that vantage point. An attempt was made to let the stakeholders speak for themselves, so the report was punctuated with stakeholder quotes that were selected by the NGO helping them with the report, the New Economics Foundation (NEF).

Over the last five years there have been efforts to integrate social and environmental reporting into sustainability reports, culminating in a major, multi-stakeholder, international undertaking called the Global Reporting Initiative (GRI). Its mission is to develop and disseminate globally applicable sustainable reporting guidelines for voluntary use by organisations reporting on the

economic, environmental, and social dimensions of their activities, products and services. Since its inception in 1997, the GRI has worked to design and build a common framework for reporting on sustainability.

Facilitating dialogue with all stakeholders is a key aim of the GRI, as it promotes reporting that provides stakeholders with reliable information that is relevant to their needs and interests and that invites further stakeholder dialogue and inquiry (GRI, 2000). The GRI reinforces the link between stakeholder dialogue and reporting in its 'underlying principles of GRI reporting', where it sets out a definition of the material required by sustainability reports: materiality in economic, environmental and social reporting is dependent on what is relevant either to reporting organisations or to their external stakeholders (GRI, 2000).

The GRI goes on to recognise that different stakeholders may not agree on what is material, so the reporting organisation needs 'continued interaction with stakeholders' (GRI, 2000). The role of stakeholder dialogue is reinforced in the section on 'qualitative characteristics for GRI reporting', which emphasises that reporting must be relevant, and that the "issue of what is or is not relevant may best be gauged through various forms of stakeholder engagement conducted by reporting organisations or by external parties" (GRI, 2000).

With major funding from the United Nations (UN), and widespread interest from the business community, and input from civil society, the GRI is a key leadership initiative that will shape the future of reporting-oriented stakeholder dialogue.

One company that piloted the reporting guidelines is TXU-Europe. In their latest sustainability report TXU states in the opening page of its philosophy that by talking regularly with stakeholders, they have learned not only how best to include their stakeholders in decision-making processes, but also how to account for the company's behaviour (Bendell, 2000).

Bendell (2000) further states that; stakeholders' quality engagement needs to:

- Allow stakeholders to assist in the identification of other stakeholders,
- Ensure that stakeholders trust the social and ethical accountant (internal or external) that is collecting and processing the findings of the engagement,
- Be a dialogue, not a one-way feed of information,
- Involve stakeholders in defining the terms of engagement,
- Allow stakeholders to voice their views without restriction and without fear of penalty or discipline,
- Include a public disclosure and feedback process that offers other stakeholders information that is valuable in assessing the engagement and allows them to comment upon it, and needs to;
- be between parties with sufficient preparation and briefing to have well-informed opinions and decisions.

According to Morsing and Schultz (2006), Wolters Kluwer maintains regular dialogue with its most important stakeholders. Customers, shareholders, employees, governments and business partners are informed and consulted at corporate level as well as at the business unit level. At corporate level, shareholders are invited to give their views on the company strategy during road shows, one-on-one and group meetings and during sector-specific seminars throughout the year. At the business unit level, customers and employees are contacted for dialogue and feedback.

Again, at Wolters-Kluwer, business units also interact with government authorities on a number of key issues specifically related to the company's businesses where it has significant influence. This type of engagement with stakeholders goes beyond annual reporting at corporate level to dialogue and feedback at business unit level. The reputation surveys suggest that the increasing importance of minimal releases such as annual reports and websites are a preferred means of corporate social responsibility (CSR) communication by stakeholders on behalf of corporate advertising or corporate releases.

Prior research (quoted by Morsing and Schultz, 2006) has argued that implicit forms of communication (e.g. organizational rituals and folklore) are perceived to be more credible than explicit forms, such as press releases and policy statements. This argument suggests that CSR communication will be perceived as more plausible if it is indirect and subtle, such as, for example, in the presentation of more objective data in non-financial reports which supports the tendency shown in reputation surveys that many stakeholders prefer more subtle forms of CSR communication.

Nevertheless, while non-financial reports may be used as a type of 'subtle CSR communication', they are still predominantly designed as a means to 'give sense' to potentially critical stakeholders. They are produced to inform and convince public audiences about corporate legitimacy and, as such, they are framed within a one-way communication perspective. In addition, they may be illusory as they may possibly lead managers to conclude that they control meanings and perceptions among stakeholders (Crane & Livesey in Bendell 2000).

Non-financial reports may seem to be an appropriate response and 'sense giving' tool for making stakeholders aware of corporate CSR efforts, but they also raise the potential risk of organisational self-absorption. Organisational communication research has shown that one of the major risks for communication in practice is that corporate managers publish the information that they themselves find important, taking pride in what is presented, and therefore also believe it is what other stakeholders want to hear (Morgan, 1999 and Christensen & Cheney, 2000 in Bendell 2000). Even with market analysis as an analytical tool to collect data to understand stakeholder concerns, there is a risk of self-fulfilling prophecies in market surveys and opinion polls (Christensen, 1997 in Bendell 200).

3.2. ENVIRONMENTAL AND SOCIAL REPORTING / ACCOUNTING

Social accounting became prominent during the 1970s when the performance of businesses in a wider arena than the stock market, tended to become an

increasing concern. This concern was first expressed through an interest in social accounting; an approach to reporting a firm's activities which stresses the need for the identification of socially relevant behaviour, the determination of those to whom the company is accountable for, its social performance and the development of appropriate measures and reporting techniques.

Corporations today must answer not only to concerned investors, but also to a variety of increasingly empowered stakeholders demanding that they promote diversity, eradicate poverty, foster public health, be on guard against child labour, protect human rights, oppose corrupt regimes, eliminate hunger and report their results and actively engage with stakeholders about it (Savitz & Weber, 2006).

Sasol chief executive officer, Pat Davies said, "my challenge to Sasol is to move from our comfort zone of focusing on delivering financial profits, to a zone where we make not only financial profits, which remain vitally important, but also provide gains for our people and benefits for our country and our planet."

Svendsen and Wheeler (2006), point out that, it is no secret that well-organised environmental or community groups can bring corporate projects to a grinding halt. They go on to "call it the age of accountability: corporate leaders that want their companies to survive for the long haul must develop a more integrated, responsible and sustainable way of doing business – driven not by philanthropy or government regulation but by the hard and fast truths of succeeding in a global economy. They must find ways to provide an array of benefits to the world even as they enrich their shareholders".

Savitz and Weber (2006) emphasise the fact that corporations have to answer to a variety of stakeholders on a variety of issues. Over and above measuring and reporting their results, stakeholders still expect to be 'actively engaged'. It is in this active engagement where corporations and stakeholders together can discuss issues of concern, which begs whether annual reporting is sufficient on its own, if left up to the board.

According to Savitz and Weber (2006) mutual dependence isn't merely financial. It is also relative to reputation and legalities. Doing business in this emerging world – freer and more interdependent, with more powerful, and vocal stakeholders – demands a high degree of accountability. They (Savitz and Weber, 2006) continue to say that an organisation cannot “pretend to operate in a vacuum. Instead, they're in a crowded neighbourhood where everyone knows their business. The relationship between business and its stakeholders has become more complex and inherently interdependent”

Social accounting encompasses a wide range of aspects of corporate performance and recognises that different aspects of performance are of interest to different stakeholder groupings. These aspects can include the concerns of investors, a focus upon community relations or a concern for ecology. Measuring performance in terms of these aspects will include, in addition to the traditional profit-based measures, such things as: consumer surplus, economic rent, environmental impact and non-monetary values.

Just as financial accounts are the shop window for what should be happening regularly and systematically within the organisation (i.e. management accounting, risk management, internal control, and basic cash handling systems), so social accounts are the place where impact studies and stakeholder dialogue can be reported. The stakeholders judge an organisation on their overall perceptions rather than a narrow view of project success or failure.

Like good impact assessments, the social accounting process needs to be owned by the organisation and ought to lead to learning and change. As a framework for managing stakeholder dialogue, the AA1000 is a very useful model. With its increased emphasis on organisational learning and change, the AA1000 series that was launched in June 2002 is now a welcome development to the emerging social accounting standard for many working in the fields of enterprise development and impact assessment.

Focused on engagement with stakeholders, AA1000 seeks to link the definition and implementation of an organisation's values to the development of performance targets, thus tying social and ethical issues into the organisation's strategic management. Organisational learning and improvement is seen as central to the approach as is the link between organisational accountability and developing trust with stakeholders (Anon a:n.d.).

3.3. STAKEHOLDERS ENGAGEMENTS METHODOLOGY

Aristotle said that “if communication is to change behaviour, it must be grounded in the desires and interests of receivers” (Anon a: n.d.). New age business management with a focus in openness and transparency encompasses such thinking. In order to ensure successful communication, the stakeholder considerations must be examined and communication content and mechanisms designed accordingly.

TABLE 3: STAKEHOLDER COMMUNICATION MATRIX

Stakeholder	Key concerns	Existing networks	Communication methods	Key messages
Employees	<ul style="list-style-type: none"> •Job security •Safety •Pay benefits •Pride in company 	<ul style="list-style-type: none"> •Human Resources •Unions •Supervisors •Corporate communications departments 	<ul style="list-style-type: none"> •Bulletin boards •Email •Intranet/internet •Direct home mailings •Company paper •CSR report •Pay check inserts 	<ul style="list-style-type: none"> •EHS vision and goals •EHS successes •Competitiveness •Enhanced reputation •Corporate responsibility •Value to company/jobs

Investors	<ul style="list-style-type: none"> •Company financial performance •No (bad) surprises •Full disclosure of material of risks •Risk prevention 	<ul style="list-style-type: none"> •Investor relations •Senior management •CFO •Investor analysis 	<ul style="list-style-type: none"> •Annual meeting •Annual report •Internet •Media coverage •CSR report •Briefings 	<ul style="list-style-type: none"> •EHS risk management •Biz case for eco-efficiency •Increased competitiveness •New business opportunities •EHS improvements
Community	<ul style="list-style-type: none"> •Understanding of company activities •Health impacts •Jobs •Emergency response 	<ul style="list-style-type: none"> •Community relations •Employees •Local managers •Media relations •Advisory council •Public affairs 	<ul style="list-style-type: none"> •Website •Visitors' centre •Speakers' bureau •Tours/open house •Community newsletter •Media 	<ul style="list-style-type: none"> •Emissions reduction efforts •Response waste management •Responsive and concerned neighbour
Customers	<ul style="list-style-type: none"> •Product quality •Product cost •Product safety •Product liability •Buying from responsible companies 	<ul style="list-style-type: none"> •Marketing department •Sales representatives •Customer service 	<ul style="list-style-type: none"> •Website •Advertising •Point of purchase •Toll-free info line •Product information •Sales calls 	<ul style="list-style-type: none"> •Commitment to responsible practices •Willing to address environmental concerns
Activists	<ul style="list-style-type: none"> •Waste elimination •Global warming •Ozone depletion •Biodiversity •Local pollution •Green washing 	<ul style="list-style-type: none"> •Public affairs •Media relations •Corporate EHS •Legal department 	<ul style="list-style-type: none"> •Website •Individual interactions •Association efforts •CSR report 	<ul style="list-style-type: none"> •Commitment to continuous improvement •Interest in working together for greater good •Full disclosure, transparency, •Accountability
Media	<ul style="list-style-type: none"> •See employees •See community •See activists •See investors 	<ul style="list-style-type: none"> •Media relations department •Union officials •Employees 	<ul style="list-style-type: none"> •Advertising •Interviews •Press releases •Plant tours 	<ul style="list-style-type: none"> •Emissions-reduction efforts •EHS success stories

Government	<ul style="list-style-type: none"> •Compliance with laws and regulations •Proactive beyond compliance initiatives 	<ul style="list-style-type: none"> •Public affairs •Corporate EHS •Legal 	<ul style="list-style-type: none"> •Legislative and regulatory input •Trade association •Individual interactions 	<ul style="list-style-type: none"> •Responsible company •Pros and cons issue •Willingness to partner
Suppliers	<ul style="list-style-type: none"> •Being supplier of choice •Long term relationships 	<ul style="list-style-type: none"> •Purchasing •Design department 	<ul style="list-style-type: none"> •Intranet/internet •Workshops •Associations and networks •Contracts •Day-to-day contact 	<ul style="list-style-type: none"> •EHS procurement goals •New product innovation

Source: Makower (2004)

The table above indicates the key concerns, existing networks, key messages and preferred communication methods for the various organisational stakeholders. This implies that companies need to adapt their key messages and also use communication messages that the stakeholders prefer. Disclosure can be defined as a formal-sounding term for making information accessible to interested and affected parties (Anon a.n.d.). Communicating such information in a manner that is understandable to stakeholders is an important first (and ongoing) step in the process of stakeholder engagement. All other activities, from consultation and informed participation to negotiation and resolution of grievances, will be more constructive if stakeholders, including affected communities, have accurate and timely information about the project or company, its impacts and other aspects that may have an effect on them.

Today, the term “stakeholder engagement” is emerging as a means of describing a broader, more inclusive, and continuous process of communication between a company and those potentially affected by it and includes activities and approaches to such communication (Anon a.n.d.).

Table 4 gives an indication of prominent methods of engaging stakeholders. The table also shows the pros and cons of each method. It is evident from this that stakeholder engagement requires a careful selection of a suitable method. Table 3 depicted various stakeholders and their preferred or suitable methods of communication, as well as the key messages anticipated from companies.

TABLE 4: SUMMARY OF METHODS FOR ENGAGING STAKEHOLDERS

Method	Uses	Pros	Cons
Conference style events	Buildings awareness	<ul style="list-style-type: none"> •Target larger groups •Ideal for giving information and building awareness •Can be energising if done well 	<ul style="list-style-type: none"> •Not personalised •Not that conducive to getting the 'real issues' on the table •Not able to ask questions freely
Workshops and plenary sessions	Developing understanding and building support	<ul style="list-style-type: none"> •Good for working through issues in smaller groups •Ideal for looking at specific issues, •Enables quieter members to voice opinions, •More personal and if done well can encourage genuine buy-in. 	<ul style="list-style-type: none"> •Not totally individualised •Needs to be facilitated by credible individuals who have the interpersonal skills to deal with challenging issues •If actions not followed through can destroy trust
Exhibitions	Awareness	<ul style="list-style-type: none"> •Can be used to target wider groups •Open to everyone •Individual able to pick time •Exhibition can contain actual demonstration •Stimulates discussion outside of exhibition 	<ul style="list-style-type: none"> •Costly •Needs a lot of space •Needs a lot of planning to work well •People are likely to choose for themselves whether or not to attend and thus this medium cannot be used solely for sending out essential information

Corporate events	Awareness and building support	<ul style="list-style-type: none"> • Invitation event, therefore special • Able to stage messages • Glossy show • All get same message • Provides a sense of involvement 	<ul style="list-style-type: none"> • Only selected audience present • Not able to ask questions freely • Dependent on others cascading info after event • Limited opportunities for interaction
One to one meetings	Understanding and building support (best used with leaders decision makers because of the time required)	<ul style="list-style-type: none"> • Able to explain points in own language • Preferred method of communication • Forum to ask questions • Very personal 	<ul style="list-style-type: none"> • Very time consuming for project team (or managers) • Never sure who will be getting the message and when • Is the message consistent?
Cascade briefings	Understanding and building support	<ul style="list-style-type: none"> • Personal • Specific • Action oriented • Question and answer encouraged 	<ul style="list-style-type: none"> • Relies on those cascading to stick to the brief and be positive • Need to ensure that cascade has happened
Obtaining slots on the agendas of existing meetings	Awareness, understanding and building support	<ul style="list-style-type: none"> • Stakeholders not required to make changes to accommodate meeting • Personal and tailored • Dates already in diaries • Potentially easier to relate it to operational day-to-day activity 	<ul style="list-style-type: none"> • Time consuming for project team • Small agenda slot within other meetings may not provide sufficient time
Engagement of stakeholders as change agents	Support	<ul style="list-style-type: none"> • Enables stakeholder insight and empowerment i.e involvement in decision making process 	<ul style="list-style-type: none"> • Can be damaging to project and wider stakeholders if communication is not handled professionally • Role must be clear

Non verbal communication (posters, leaflets etc.)	Awareness	<ul style="list-style-type: none"> •Help to get points of awareness across to individuals •Improve general awareness 	<ul style="list-style-type: none"> •Provides limited information •Doesn't usually provide opportunity to raise issues •May not be personalised to the issues of the stakeholder group
Websites	Awareness	<ul style="list-style-type: none"> •Provides access point for information that can be re-visited •Can provide an opportunity for direct feedback to project team or sharing of issues •Provides platform for the regular updates for those who want to know more 	<ul style="list-style-type: none"> •Time consuming to set up •Tends to be a 'pull' for information rather than a 'push' •Needs regular maintenance or will not have credibility
Newsletters, emails or circulars	Awareness/ progress updates	<ul style="list-style-type: none"> •Can provide regular updates on progress giving a sense of momentum •Opportunity for stakeholders to get familiar with project team members /issues and successes •Can give positive impression of desire to keep stakeholders informed 	<ul style="list-style-type: none"> •Many stakeholders may never read the document / newsletter •A large percentage of people will not read the newsletter or ignore circular •Can be time consuming to prepare well on regular basis. •Not personal to a particular stakeholder group.

Source: Makower (2004)

The next chapter focuses on the research methodology the researcher used. It provides insight into responses received from the various respondents interviewed and their perceptions and/or experiences with regard to environmental and social reporting or accountability.

CHAPTER 4

4. RESEARCH METHODOLOGY AND DATA COLLECTION

4.1. INTRODUCTION

“Research seeks to, through data, discover what is true absolutely. In a sense, research is a constant pursuit after the complete meaning of data” (Leedy .1997).

Chapter Three was a reflection on stakeholder engagement and available reporting methods. This chapter outlines the research methodology that was used to obtain the primary research data. The chapter further provides a framework or plan of the research done to obtain empirical data based upon which the research problems will be resolved. This chapter will also give an indication as to how data will be collected, analysed and interpreted. It further summarises the views and responses of the interviewed participants.

4.2. THE METHODOLOGICAL APPROACH TO THE EMPIRICAL STUDY

4.2.1. Nature of the research

The research that will be undertaken will be qualitative in nature. By utilising a qualitative approach, an attempt will be made to understand stakeholder engagement and communicative processes. This will be done not only from the perspective of the individuals that will be interviewed, but also from the business perception of these issues. The aim is to identify suitable methods of communicating with various stakeholders on a variety of company issues in which the stakeholders have an interest or by which they are affected.

Qualitative research is, according to Zikmund (2003) an exploration of what is assumed to be a dynamic reality. It does not claim that what is discovered in the process is universal, and thus replicable. It involves an in-depth understanding of human behaviour and the reasons that govern human behaviour.

Unlike quantitative research that explains and predicts, confirms and validates (Leedy, 1997), qualitative research describes and explains, explores and interprets. It investigates the why and how of decision making, as compared to what, where, and when of quantitative research (Zikmund, 2003). Hence, the need is for smaller but focused samples rather than large random samples. Unlike quantitative research, which relies exclusively on the analysis of a numerical or quantifiable data, data for qualitative research comes in many mediums, including text, sound, still images, and moving images. The following table depicts the differences between qualitative and quantitative research.

TABLE 5: DETERMINING THE NATURE OF THE RESEARCH

Question	Quantitative	Qualitative
What is the purpose of the research?	To explain and predict To confirm and validate To test theory Outcome-oriented	To describe and explain To explore and interpret To build theory Process-oriented
What is the nature of the research?	Focused Known variables Static design Context –free Detached view	Holistic Unknown variables Flexible guidelines Emergent design Context- bound Personal view
What are the data sampling techniques?	Representative, large sample Standardized instruments	Informative, small sample Observations, interviews
What is the form of reassigning used in analysis?	Deductive analysis	Inductive analysis
How are the findings communicated?	Numbers Statistics, aggregated data Formal voice, scientific style	Words Narratives, individual groups Personal voice, literary style

Source: Leedy (1997)

Leedy (1997) further says that it is particularly important to know that data and methodology are inextricably interdependent. For that reason, the research methodology for a particular problem must always recognise the nature of the data that will be amassed in the resolution of that problem. The nature of the data will be to answer questions about the nature of phenomena with the purpose of describing and understanding the phenomena from the participants' point of view. Leedy (1997) further indicates that qualitative research is also referred to as the interpretative, the naturalistic, the constructivist or the post-positivist approach. The above reasons provide the basis for the qualitative nature of the research in which the approach is to describe and explain, and explore and interpret the data collected.

4.2.2. Research design

Zikmund (2003) is of the opinion that an exploratory study is useful as a preliminary step that helps ensure that a more rigorous, conclusive future study will not start with an insufficient understanding of the nature of the problem. It is intertwined with the need for a clear and precise statement of an observed problem. Exploratory research helps to find information to use in analysing a situation and also provides qualitative data that leads to greater understanding of the problem under investigation, instead of providing precise measurement or quantification.

Qualitative research helps in determining the research design, data collection method and subjects selection. Exploratory research also relies on secondary data such as literature reviews and analysis of previously collected data. Primary data is collected through informal discussions with respondents, and a more formal approach through in-depth interviews, focus groups, projective techniques, case studies and pilot studies. There are, according to Zikmund (2003) three inter-related purposes of exploratory research which include; situational diagnosis, screening of alternatives and discovering of new ideas. The main criteria for this research in particular are situational diagnosis and screening of alternatives. The literature review on environmental and social reporting

supports the research with the aim of exploring and identifying other methods of stakeholder engagement that can be utilised for environmental and social reporting, serving as a tool for the extension of a broad dialogue with stakeholders in the Highveld region.

4.2.3. Primary Data

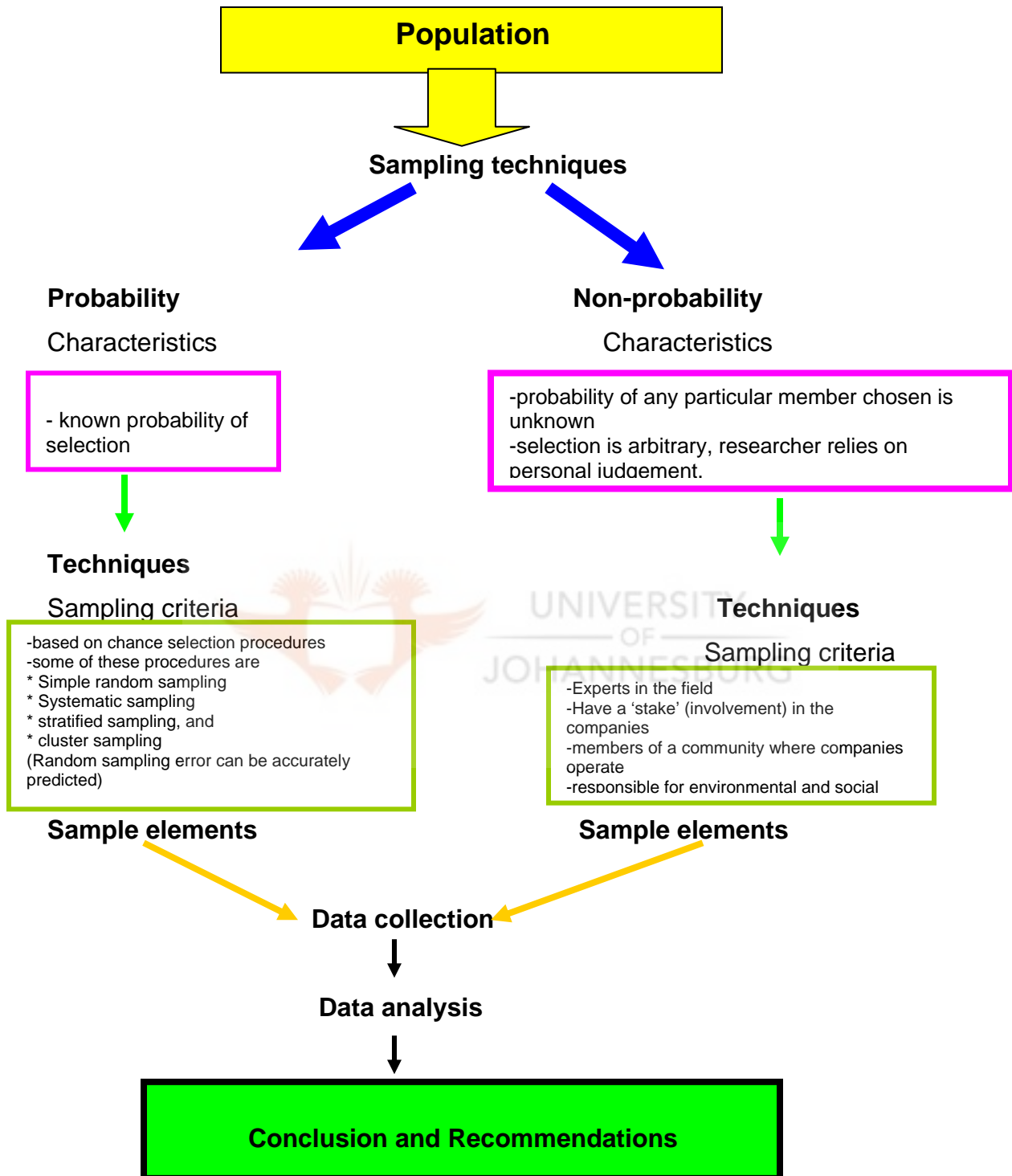
Primary data will be collected through structured one-on-one interviews with business representatives and guided by a questionnaire. The researcher has used this approach to determine various company practices on the topic under research. The researcher will interview various managers accountable for environmental and social reporting in their respective companies. The second approach used was through unstructured focus group interviews, guided by an interview schedule.

The objective was to determine from these stakeholders' groups, what their preferences are and whether that is aligned with the companies' utilised methods of reporting. The other objective of using this approach was to allow the researcher to probe for further explanation and elaboration. From this, the researcher will attempt to determine how other companies within the Highveld region are doing stakeholder reporting and will also determine what the subjective views of their stakeholders are regarding company reporting processes.

4.3. SAMPLING

According to Zikmund (2003) the process of sampling involves any procedure using a small number of respondents from the whole population to make conclusions regarding the whole population. The purpose of sampling is to enable researchers to estimate some unknown characteristics of the population. There are several alternative ways of taking a sample. The major sampling plans may be grouped into probability techniques and non-probability techniques. In probability sampling every element has a known nonzero probability of selection, whereas in non-probability sampling the probability of any particular member of the population being chosen is unknown (Zikmund, 2003).

FIGURE 5: SAMPLING METHODOLOGY



Source: author derived

“Purposive/judgement sampling is a non-probability sampling technique in which an experienced individual selects the sample based on his or her judgement about some appropriate characteristics required of the sample members” (Zikmund, 2003).

The sample members for this research were selected due to the following shared characteristics:

- they work in the environment / sustainable development specialists/administrators,
- they are SHE officers in the company,
- they manage departments/sections that are responsible for corporate social responsibility /investment ,
- they are community forums/structures that have an interest in environment and social impact of companies,
- they represent a company stakeholder.

The Highveld region has been the main focus of this research. The close proximity of the chosen industries and identified focus groups makes it convenient for the researcher to move from the one to the other. Snowball techniques will not be used; the researcher will focus on the identified focus groups and individuals. The four industries that will form part of this study will be Eskom power station, Anglo Coal S.A, Harmony Gold Mine and Sasol Secunda.

The focus groups identified for this study were identified from the Highveld region, particularly from the communities where these companies' operations are situated. The researcher identified homogenous focus groups for this study, particularly because these focus groups are closer to the companies, have an interest in the environmental and social impact companies have on the communities, and finally because these focus groups interact with these companies as and when there are issues that need to be addressed. Therefore,

these focus groups are groups that know the identified companies to a certain extent.

4.4. RESEARCH OBJECTIVES

The objective of this research is to determine how traditional corporate reporting can be enhanced with adequate stakeholder involvement for social and environmental reporting.

4.4.1. Primary Objectives

The primary objective of this research is to enhance corporate reporting to stakeholders by including adequate information on social and sustainable development information.

4.4.2. Secondary Objective

The secondary objectives are:

- To determine requirements of the community, NGOs , and other stakeholder groupings,
- To determine the elements in enhanced reporting,
- Exploring stakeholder requirements,
- To identify extended reporting mechanisms.

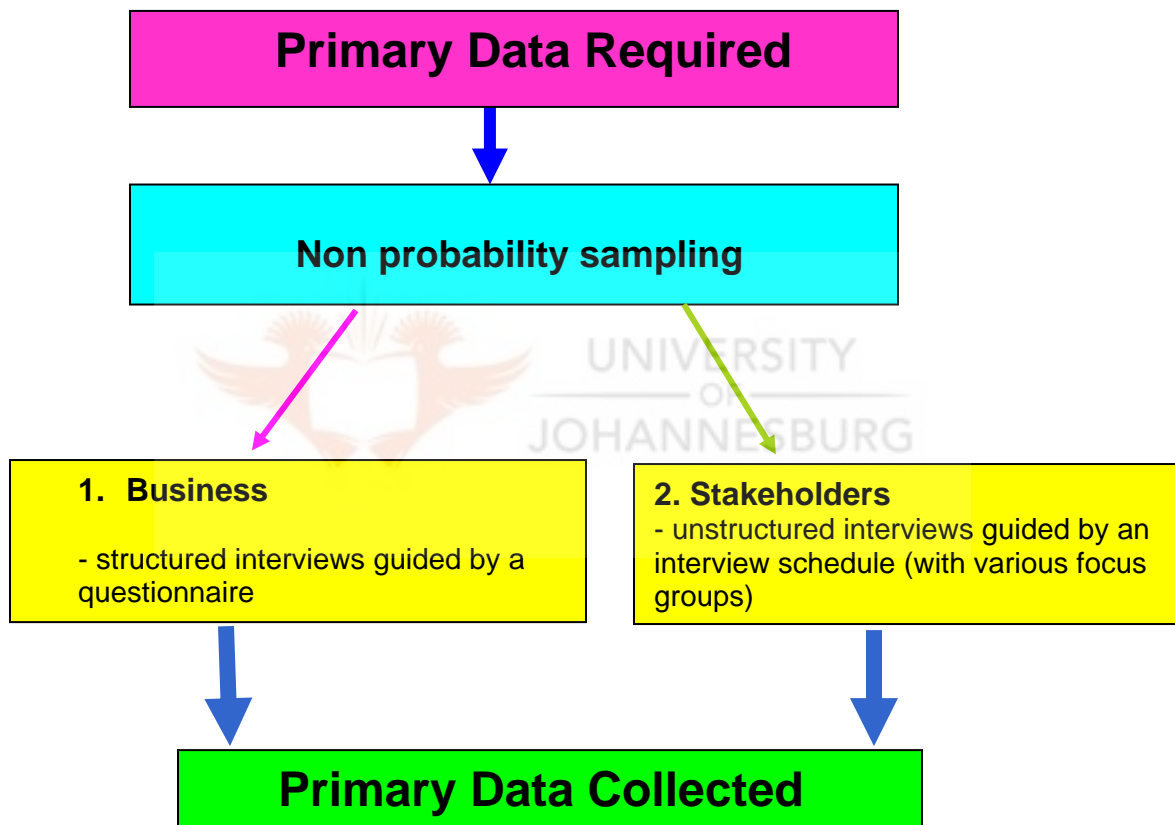
4.5. DATA COLLECTION

Two approaches were used to collect data. The data collection process is presented in Figure 6. The first approach was through structured one-on-one interviews with business representatives, guided by a questionnaire. The researcher used this approach to determine company practices, company procedures and reporting methodologies on the researched topic.

The researcher interviewed various business representatives who are responsible and accountable for environmental or social reporting, or both, in the identified companies within the Highveld region. These business representatives were interviewed in their offices or by telephone as preferred or requested by the manager.

The second approach used was through unstructured interviews, guided by an interview schedule, with various focus groups. The objective was to determine from these stakeholders' groups, whether they are content with the current methods of communicating and reporting that is currently being used, as well as consultation and engagement methods by companies.

FIGURE 6: EMPIRICAL STUDY



Source: Author derived

Focus groups sessions were arranged with identified stakeholder committees or forums within the Highveld region (Annexure B). The main objective of using this approach was to allow the groups to elaborate on their responses, thereby giving

room for clarification. The researcher also used the probing method to allow respondents to further explain and elaborate on their views.

The focus groups were in groups of not more than 10 but not less than 6 people at a time. Interviews were conducted at and during scheduled and agreed upon time slots. The researcher started by explaining the purpose of the interview and what the results would be used for. The meeting venues were arranged in advance before the groups met.

The focus groups identified were comprised of homogenous groups (a group of people that stand for the same issue). The researcher chose homogenous focus groups because this allows the researcher to focus and concentrate on individuals with similar interests and experiences. Homogenous focus groups allow the focus group sessions not to become confused with too many arguments and different viewpoints stemming from participants' diverse backgrounds.



The focus group met at a venue that was preferable to all so that it could create a comfortable atmosphere and ensure that the mood of the sessions was relaxed and as natural as possible. The primary advantages of the focus group interviews are that they are relatively brief, easy to execute, quickly analysed and inexpensive (Zikmund, 2003). Content analyses of the focus groups were done through an in-depth analysis of responses generated in the group discussions. For better understanding of the problem and clarification, the researcher asked follow up questions.

For the purposes of this research, the researcher has chosen and identified key role players who will contribute to and be part of primary data gathering. These key role players are, among others:

4.5.1. Businesses role players:

- Corporate Affairs Managers and CSR specialists – These are experts in the field, who are responsible for the corporate social investment and responsibility.
- Communication manager and communication specialist – They are responsible for communication both internal and external to the company.
- Safety, Health and Environment officials – These are company officials that are in the SHE department and are responsible for the safety, health and environmental issues in the company.

4.5.2. Stakeholders groups:

- Local government officials – the local authorities that the company interacts with,
- Suppliers – they are people doing business with the company and are impacted by the company activities,
- NGOs – a variety of NGOs have a stake in the company and are directly or indirectly affected and interested in company activities. For instance, the environmental activist groups of NGOs have a voice on issues relating to environmental accountability.
- Community structures (Women group, Youth structures etc) – the community where the company operates is directly impacted by the activities of the company. This is a stakeholder category that is the biggest beneficiary or the most impacted by the companies.

The researcher telephonically contacted the identified participants to make appointments for interviews. Interview requests were then diarised in both the researcher's diary and in those of the participants. An effort was made to accommodate focus groups at their earliest convenient time slots, and where agreed time slots were altered, the researcher accommodated the request to update the time agreed upon. Some focus groups whose members are working indicated that they were comfortable with after hour sessions and weekends.

The researcher had been in constant contact with the participants by telephone prior to the interview to re-confirm their availability for the interview. The questions were sent to the individual participants before the interview date, and this enabled the participants to participate more freely and to also ask questions for clarity from the researcher. Before the interview started, the researcher explained to the participants what the purpose of the survey was and what the results would be used for, and also requested that they be honest and open with their responses. Some participants did not want to be recorded, but those who agreed had their responses recorded which are available on tape.

4.5.3. Findings from Stakeholders

For this study, the identified stakeholders were those who have a 'stake' or are involved with the companies in the area, those who have an interest or are involved in social and environmental impact issues with the companies, and community members who are impacted by the area companies' operations. Guided by the interview schedule, the objective of these unstructured focus groups' interviews was to get a better understanding of the research phenomena.

The following areas were covered;

- Company activities / operations
- Consultation v/s engagement or reporting mechanisms
- Environmental and social accountability
- Satisfactory communication processes

4.5.4. Company activities / operation

The stakeholders in the Highveld region could identify the companies in the region. Most of them however, indicated that they regarded Sasol in Secunda as the biggest company in the area and that their expectations from Sasol in Secunda were higher than their expectations from the other companies in the area.

The stakeholders are of the opinion that their involvement with the company is not only as 'stakeholders', but also as business partners. They were able to link their involvement with the issues they represent, for instance, environmental NGO's indicated that all they are interested in is information on the impact of the companies' activities on the environment. Those whose interest is in social issues also indicated that they are interested in information regarding what the companies in the area do, are planning to do, or have done for the communities.

4.5.5. Consultation v/s engagement or reporting mechanisms

The stakeholders indicated that they prefer to have meetings with companies as a form of feedback or communication. However, the stakeholders could not distinguish between consultation and engagement, and therefore could not select which of these methods were preferable to them. However, they regard sufficient consultation as 'being transparent' through regular information sharing. Other respondents regard meetings as engagement sessions, although they are of the opinion that such meetings should not be to only inform them, but also to get their views.

Respondents were of the opinion that the best engagement methods for them are meetings. However, they could not differentiate between consultation and engagement. Others described consultation as information sessions where company officials come and report back to them. Furthermore, engagement was described as company sessions where only their committee members hold meetings with senior company representatives on issues that the company wants them to take note of.

Focus groups indicated that they dislike consultation sessions because usually the companies come there to inform them of 'what they are going to do' and not to seek their opinion on the issue. Focus groups indicated that they dislike engagement methods where the company wants them to agree with them on an issue so that they can comply with legislation. Stakeholders view this as being cheated into thinking they matter, whilst the company is protecting its licence to

operate. They are of the opinion that regular meetings where minutes are taken are better, because they can express their views, agree or disagree with certain issues, get clarity and enhance their understanding.

4.5.6. Environmental and social accountability

4.5.6.1. Environmental reporting

Some focus groups were interested in environmental reporting, especially on air pollution and waste management. The respondents indicated that their understanding of environmental reporting was that companies are supposed to give them regular updates and qualitative and quantitative reports on environmental impact of the companies. Stakeholders indicated that they expected companies to involve them in finding solutions to problems concerning companies' environmental impact.

Stakeholders are of the opinion that there is room for more regular interaction where they can engage in discussion and be able to ask questions for clarity. The lack of regular meetings or interactions was viewed by the stakeholders as an indication of a lack of transparency by companies.

4.5.6.2. Social reporting

These stakeholders were of the opinion that social reporting meant giving reports and feedback on plans and achievements on company issues like employment opportunities, training, SMME business opportunities, local economic development, poverty alleviation, sponsorships and bursaries. These stakeholders also indicated that they expect companies in the area to do more in these areas. These particular focus groups indicated that that they have a great need to be kept up to date with progress made by companies on these issues.

4.5.7. Satisfactory communication processes

The stakeholders indicated that they are not completely satisfied with the way the companies communicate to them. Some of the reasons they cited for their dissatisfaction were;

4.5.8. lack of consistent forms of communication or reporting to them,

They indicated that sometimes the companies schedule meetings, and sometimes the companies send them written reports and make media announcements.

In general, the stakeholders agree that there is some level of interaction with the companies. However, they indicated that with some companies the interactions are regular and with others interactions are very irregular.

They all agreed that meetings are their preferred method of communication, engagement and consultation. The stakeholders could not distinguish and differentiate between engagement and consultation; they used the two concepts interchangeably. They agree that they want to be engaged and consulted regularly and early, not after decisions have been made. The respondents indicated that consultation that is done after a decision is made is an indication that their opinions are not worth considering. Therefore they would feel no obligation to support the company, and may also encourage their constituencies to oppose the company on that issue.

Some of them cited that their members are not literate enough to read the sustainability development reports, therefore they rely on companies that are willing to spend time with them discussing issues, where they can ask questions and get clarity. They commended companies that have established forums and discussion sessions and regarded such companies as transformational and progressive.

In conclusion, focus groups feel that there is room for improvement on how companies interact with them, and this improvement could build a trusting and transparent relationship where both stakeholders and companies could share information and work together as business partners. All focus groups expressed a need for companies to use different methods of communicating since using only one method at all times is not sufficient.

4.6 Findings from Business

The researcher carefully identified people with experience and the right exposure to the social and environmental reporting requirements by companies. The respondents were comprised of managers from four different companies namely; Eskom, Harmony, Anglo Coal SA and Sasol Secunda Shared Services (Annexure A). The questions asked were open-ended, and provided respondents with an opportunity to elaborate and to state their own opinion on the issues.

All people interviewed have direct involvement in the social and/or environment reporting in their respective companies; therefore they could provide first hand experiences in their responses. The aim of the interview was to get better understanding on the research phenomena. The interview covered the following areas:

- company social investments and social responsibility
- company environmental accountability
- company reporting and stakeholder engagement methods
- company stakeholders

4.6.1 Company social investments and social responsibility

All the respondents could identify their companies' corporate social investment programmes or projects. Respondents cited corporate citizenship, 'protection of the licence to operate' and reputation management as strategic drivers for environmental and social responsibility. All companies are engaged in social investment / responsibility in the areas in which they are situated. They all view corporate social investment / responsibility as a non-negotiable.

4.6.2 Company environmental accountability

The respondents confirmed that their companies are environmentally accountable. However, the media reports continue to reflect a negative picture with regard to green house gas (GHG) emissions and the carbon footprint reduction. (Alex Perry, 2008).

The respondents expressed a strong belief that the SH &E department should be responsible for informing the external stakeholders about the impact of the company's activities to the environment. Some companies have formal processes of handling queries from external stakeholders, other companies are in the initial stages of establishing communication mechanisms, whilst others are still considering whether or not to formalise external reporting to communities and other stakeholders.

Respondents are of the opinion that their companies try very hard to inform affected stakeholders about the impact of their companies' activities to the environment, and often wonder why these stakeholders are not content with the report.

4.6.3 Company reporting and stakeholder engagement methods

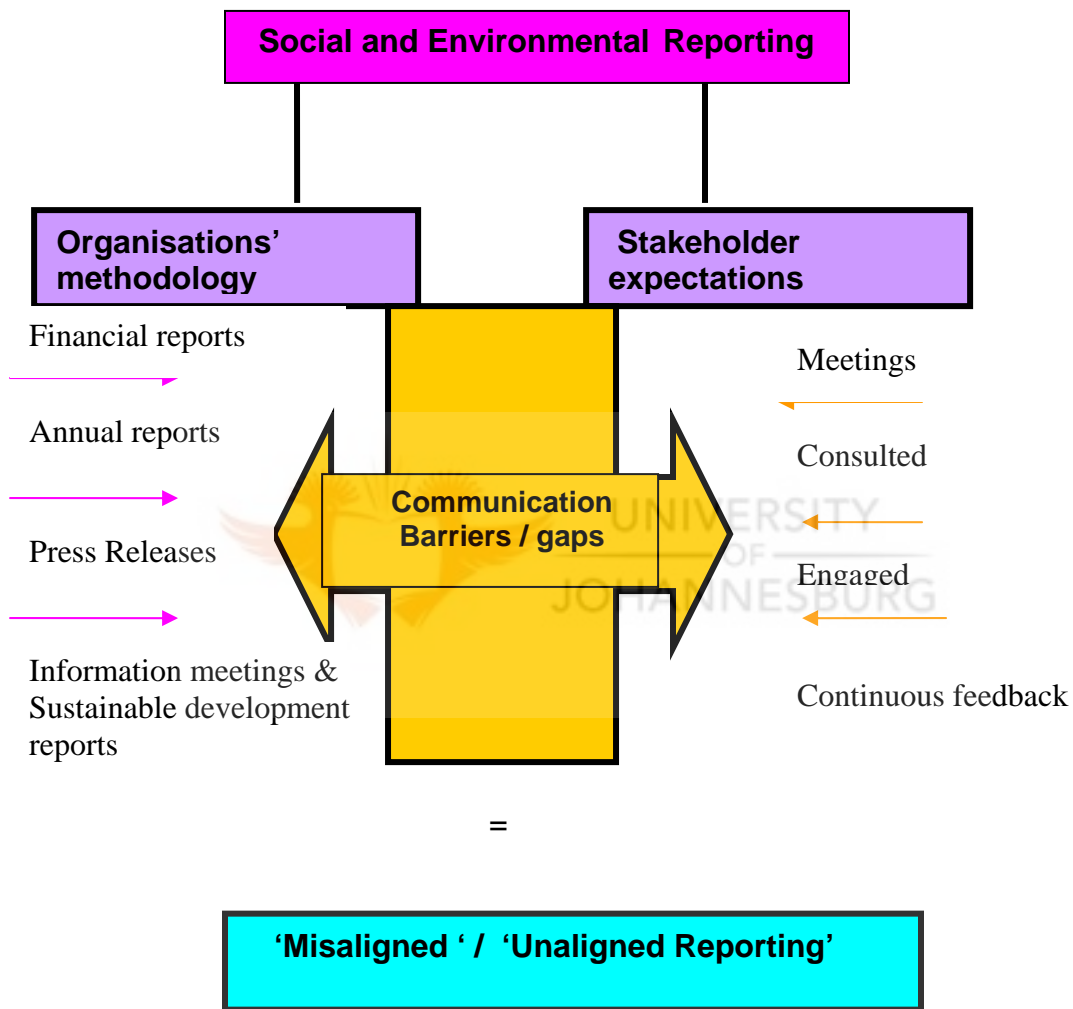
The respondents gave examples of various methods that their companies use, and this differed from company to company. Some respondents viewed writing reports to their own senior management as reporting to critical stakeholders. They were of the opinion that writing reports to own company management, placement of media articles in local papers, meetings with local government as well as capacity building programmes/projects in the community are ways of engagement and reporting.

It also emerged that methods of engagement and reporting are not pre-determined by the companies, but vary from time to time depending on what the current manager's preferences are, or depending on the project the company is busy with and the people involved.

Some respondents said that they hold community forums or social dialogue sessions as reporting and engagement methods, whilst others indicated that they have not yet started but are in the process of establishing what they would call environmental community 'Lekgotla' in the communities where their operations are situated. All respondents confirmed that their companies have not

determined which methods of communication are preferred by all their various stakeholders. Figure 7 depicts the mismatch between stakeholders' expectations and organisations' methodology.

FIGURE 7: COMMUNICATION BARRIERS



Source: Author derived

4.6.4 Company stakeholders

Although respondents indicated that there is a need to determine who their critical stakeholders are, they were all convinced that they are aware of and they know who their stakeholders are. However, the respondents also indicated that they also regard local government as their most important and critical stakeholder. All respondents agreed that they have not yet determined whether the methods used to report are convenient and preferable to their identified stakeholders.

4.7 CONCLUSION

In conclusion, the findings indicate that both business and their stakeholders have preferred ways of reporting and communicating to each other.

- Business:

The respondents were of the opinion that enough communication and reporting is done through various methods. Business prefers reports and to a certain extent meetings

- Stakeholders:

They were also of the opinion that companies need to consider communicating and reporting to them through methods that are preferable and useful to them. Stakeholders prefer regular meetings as a form of reporting.

In summary, there is a great need to align business methods of reporting and communication with stakeholders' expectations. As is clear from the above, this chapter captured the understanding and views of business and stakeholders on environmental and social communication and reporting methods.

The next chapter (five) will focus on the conclusion and recommendations.

CHAPTER 5

5 CONCLUSION AND RECOMMENDATIONS

5.6 INTRODUCTION

The objective of the study was to explore ways to enhance traditional corporate environmental and social reporting to the stakeholders. Chapter One provided the introduction to the study. Chapter Two provided a detailed discussion on the concepts of social and environmental accountability, stakeholder engagement approaches and stakeholder methods of engagement. Chapter Three focused on reporting and reporting mechanisms. Chapter Four provided the results and findings from the empirical study. This chapter provides a conclusion and recommendations linking the primary data to the research objectives.

The recommendations are useful to organisations that want to improve their engagement and consultation approaches, communicative and reporting methods on environmental and social issues with a view to an extension of a broader dialogue with stakeholders.

5.7 CONCLUSION

The following can be concluded from the organised and analysed data, and recommendations based on the conclusions are proposed.

5.7.1 Company Social investments and social responsibility

It is concluded that businesses have corporate social investment/responsibility programmes. This is however a one sided view from inside the organisation. Stakeholders from outside the organisation dispute this.

5.7.1.1 Recommendation

It is recommended that organisations view their programmes from outside the organisation and put matrices in places to measure it.

5.7.2 Company environmental and social accountability

It is also concluded that organisations are of the opinion that they are environmentally and socially accountable to their stakeholders. However, this is again a continuation of the one sided inward view by organisations. However, stakeholders as well as the media hold a different view and continue to report negatively on environmental and social impact of organisations. Stakeholders view company environmental and social accountability in a different light.

5.7.2.1 Recommendation

An external view of environmental and social accountability must be considered. It is therefore recommended that organisations regularly (monthly) report and communicate to stakeholders through qualitative and quantitative reports on environmental and social impact of their organisations. Organisations should consider developing local area position papers on environmental and social impact issues that stakeholders must be informed about. Organisations need to consider extending the role of SH&E departments in external stakeholder communication.

5.7.3 Company reporting and stakeholder engagement methods

A conclusion is therefore drawn that organisations' reporting and engagement methods are not determined per stakeholder and per issue. Organisations use a 'one size fits all approach'. Stakeholders have preferences and consider other communication and reporting methods to be insufficient. However, the conclusion drawn is that both stakeholders and organisations find it difficult to distinguish engagement from ordinary reporting.

5.7.3.1 Recommendation

It is therefore recommended that companies determine, per stakeholder group, and guided by the stakeholder grid, which reporting and engagement methods are suitable and preferable to their various stakeholder groups. Organisations are advised to develop an engagement and reporting matrix per stakeholder per issue. A clear distinction and understanding of the concepts of engagement,

consultation and reporting is recommended, to enable organisations to clear the confusion in the usage and interpretation of these concepts by their stakeholders.

5.7.4 Company stakeholders

The reference to own senior management (by some business representatives) as critical stakeholders is an indication of serious operational ineffectiveness within those organisations.

5.7.4.1 Recommendation

Organisations should consider doing a proper stakeholder analysis to ascertain the 'stake' (involvement), the power, influence or issue that each stakeholder group represents. The companies need to increase their understanding of their stakeholders by drawing up a company specific stakeholder matrix and to answer questions that will capture the essential information needed for effective stakeholder engagement. Questions that should be asked include:

- Who are our stakeholders?
- What is their involvement?
- What opportunities and challenges are presented to our firm?
- What responsibilities or actions should the company take to best deal with stakeholders' challenges and opportunities?

5.7.5 Company activities / operations

Stakeholders have satisfactory knowledge of the companies and operations in the area. The stakeholders are clear about what issues they represent, what the level of involvement with the organisations on these issues is, and what their expectations are of the organisations concerning every issue. However, it can be concluded that organisations are not very knowledgeable about their stakeholders' level of interest in the issues they represent.

5.7.5.1 Recommendation

It is recommended that organisations develop their own organisation specific stakeholder grid/matrix to determine which stakeholders represent which issues.

Knowledge of stakeholders' issues is critical for the development of appropriate communication and reporting methods per stakeholder group.

5.7.6 Consultation versus engagement reporting mechanisms

There appears to be a great deal of misalignment between stakeholders' expectations and organisations' communication and reporting processes or mechanisms. It can be concluded therefore that a distinction between consultation and engagement cannot be drawn by both business and stakeholders. Therefore, organisations walk into stakeholder sessions and either consult when they should be engaging and vice versa.

5.7.6.1 Recommendation

It is strongly recommended that organisations define and distinguish between consultation and engagement accordingly, and also determine per issue and per stakeholder, which reporting method is suitable and preferable to that stakeholder group. The following methods are useful and can be recommended for different purposes:

- conference style is a useful method for building awareness,
- workshops are useful for developing understanding and building support,
- one on one meetings are useful for building understanding and support, and are best used with leaders and decision makers,
- Meetings are preferred by many because of their interactive nature and the fact that the meetings afford participants the opportunity to seek to clarify issues.

5.7.7 Satisfactory communication processes

Stakeholders prefer meetings as a form of communication and reporting methods by organisations. Stakeholders prefer to seek clarity, to air their views on issues and to express their opinions in meetings. However organisations still consider reports as the best communication process, a process the stakeholders dislike. In general, it can be concluded that stakeholders like interaction, prefer to express their views, to listen and to be listened to in meetings.

5.7.7.1 Recommendation

Organisations must give stakeholders a voice, listen to what they have to say, and be prepared to act or react accordingly. Consider dialogue with stakeholders to ensure that there is direct engagement, forging of alliances, establishment of collaborative partnerships and sharing of principles. The following dialogue intentions are recommended;

- dialogue as therapy helps the company to educate critical stakeholders,
- dialogue as information enables the company to be transparent about policies and activities,
- dialogue as consultation allows the company to access stakeholder opinions,
- dialogue as placation enables the company to placate stakeholder concerns,
- dialogue as partnership enables the company to share its planning and decision making through joint committees.

Therefore it is recommended that organisations consider communicating information in a manner that is understandable to their stakeholders.

5.7.8 Closure

In the South African context and in the Highveld region in particular, work still needs to be done in terms of determining suitable engagement methods, consultation processes and reporting methodology to the multiplicities of stakeholders. This research was aimed at determining the alternative and preferable methods available that companies can use to report to and to communicate with these multiplicity of stakeholders. Therefore it is evident that a new form of environmental and social expression is inevitable.

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ANNEXURE A: RESEARCH QUESTIONS


- a) Questions to Businesses
- b) Questions to Stakeholders

Areas covered in the questions are;

Company social investments and social responsibility
Company environmental accountability
Company reporting and stakeholder engagement methods
Company stakeholders

1. Company social initiatives

1.1 Describe your company's engagement in social and environmental programmes and/or projects?

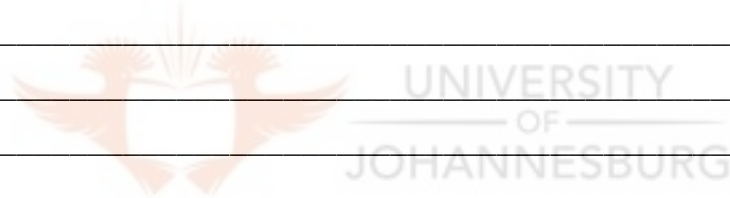


1.2 What are the key business and strategic drivers for environmental and social responsibility? (for your company)

2. Company environmental accountability

2.1 In your opinion, is the company environmentally accountable? If so, please elaborate.

2.2 How does the company ensure that (affected) stakeholders are informed about the impact of the company's activities on the environment?



2.3 If not, how do you think they can ?

3. Company reporting and stakeholder engagement methods

3.1 How does the company report to its stakeholders on social and environment issues?

3.2 What is the company's most preferred method of reporting to stakeholders?

3.3 Has the company clarified which method of communication is preferred by the various stakeholders?

4. Company stakeholders

4.1 Have you determined the company stakeholders?

4.2 If yes, who are your critical stakeholders and why?

4.3 What do your stakeholders prefer, consultation or engagement?

4.4 Which engagement or consultation methods are satisfactory to your stakeholders? How did you determine that?

b) Questions to Stakeholders



Areas covered in the questions are;

- Company activities/operations
- Consultation v/s engagement or reporting mechanisms
- Environmental and social accountability
- Satisfactory communication processes

1. Company activities / operations

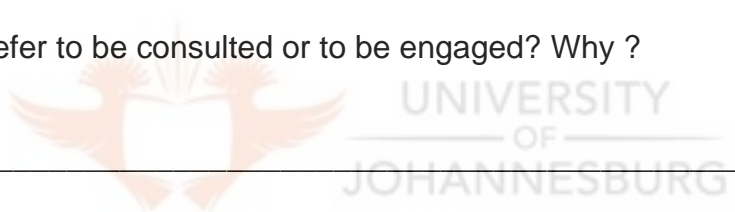
1.1 How well do you know the companies that are operating in this region?

1.2 What is your involvement in the company's activities or operations?

2. Consultation v/s engagement or reporting mechanisms

2.1 How do you prefer to be given feedback or communicated to on any matters that are of interest to you?

2.2 Do you prefer to be consulted or to be engaged? Why ?



2.3 What do you regard as sufficient consultation? (for your specific needs)

2.4 What do you regard as sufficient engagement? (for your specific needs)

2.5 What do you like the most about the consultation methods used by the company(ies) , and what do you dislike the most about consultation methods used?

2.6 What do you like the most about the engagement methods used by the company (ies), and what do you dislike the most about the engagement methods used?



3. Environmental Reporting

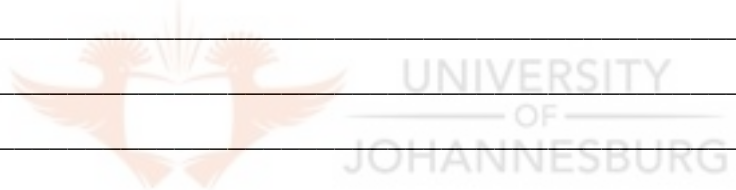
3.1 What do the concepts of environmental reporting mean to your organisation?

3.2 Which environmental issues are of interest to you? Do you think the company is reporting enough on that?

4. Social Reporting

4.1 What do the concepts of social reporting mean to your organisation?

4.2 Which social issues are of interest to you? Do you think the company is reporting enough on that?



5. Satisfactory communication processes

5.1 Are you satisfied with the way the company is communicating / reporting to your organisation / forum / committee? If not, why not?

5.2 For your specific needs, how best can the company **engage** with you?

5.3 For your specific needs, how best can the company **consult** you?

5.4 For your specific needs, how best can the company **report** to you?



ANNEXURE B: INTERVIEW SCHEDULE

BUSINESS INTERVIEW SCHEDULE

Designation	Company
1. Corporate Affairs Manager	Sasol Secunda Shared Services
2. CSI/R Manager	Sasol Secunda Shared Services
4. Environment (SHE)Management Manager	Sasol Synfuels
5. Manager: Sustainable Development	Sasol Limited
6. General Manager and LED manager	Harmony Gold Mine
7. Corporate Affairs Manager	Anglo Coal S.A
8. Human Resources Manager	Eskom
9. Environment & Quality Management Manager	Eskom

STAKEHOLDERS' INTERVIEW SCHEDULE

Focus Group	Place group operates from	Issue / Interest they represent	Group composition
1. Government: Local	Gert Sibande district municipality	Local Economic Development	IDP Managers
2. Senior local and district government officials.	Gert Sibande district municipality	Administration	Heads of department (Environment and Tourism, Community and Waste Management)
3. Women structures / forum	Gert Sibande district municipality	Status of women	PWSA (progressive women's movement SA, Mpumalanga chapter)
4. Youth structures	Gert Sibande district municipality	Employment & skills development	Progressive Youth Committee
5. NGO's	Gert Sibande district municipality	Pollution & waste management,	5.1 HECEMA 5.2 ROSE 5.3 Voice of the Voiceless
6. Business community	Gert Sibande district municipality	Small & medium businesses	Nafcoc & SMME association

8. Community members	Secunda	Job creation Poverty Alleviation Pollution Safety Health	Women, youth , business, church leaders, unemployed
9. Suppliers' forum	Highveld area	Business opportunities	Suppliers



ANNEXURE C: SUMMARY OF FINDINGS

Categories	Groupings	Unit of analysis
To determine stakeholders who will use extended reporting.	<ul style="list-style-type: none"> -Company stakeholders -Environmental reporting -Social reporting 	<ul style="list-style-type: none"> -To determine whether stakeholders do need extended reporting mechanisms. -To determine whether organisations use the stakeholder grid to categorise their stakeholders.
To determine requirements of stakeholders	<ul style="list-style-type: none"> -Consultation v/s engagement reporting mechanism - Satisfactory communication processes 	<ul style="list-style-type: none"> - To determine knowledge of the difference (can distinguish) between consultation and engagement, and whether they can indicate the benefits thereof. (both organisations and stakeholders) - Assess what their preferences are with regard to reporting methods.
To determine the elements in enhanced reporting	<ul style="list-style-type: none"> -Social investments and social responsibility -Company activities/operations 	<ul style="list-style-type: none"> - To determine the stakeholders' knowledge and involvement with organisations in the Highveld region. - To ascertain if organisations' reporting focus areas.

Exploring stakeholder requirements	-Environmental accountability	<p>- To establish whether stakeholders have an interest in getting feedback, information or reports on environment and social impact of organisations in the Highveld.</p> <p>- To find out what organisations have done / are doing to meet the expectations of their stakeholders with regard to environmental and social reporting.</p>
To identify extended reporting mechanisms.	-Reporting and stakeholder engagement methods	<p>- To make certain whether stakeholders are content with the current reporting methods used by organisations, especially on environmental and social issues, and to establish whether they have a preference for other reporting methods.</p> <p>-To find out from both business and stakeholders whether they would consider exploring other ways of enhancing reporting and or communication.</p>