

**Developing a corporate personality measuring instrument
based on an established CSR framework**

LJ van Wyk

Thesis submitted in fulfilment of the requirements for the degree *Philosophiae*
Doctor in Sociology at the North-West University

Promoter: Prof JF Cronjé

November 2011

ACKNOWLEDGEMENTS

I would like to express my **sincere gratitude** to the following persons who provided me with support and assistance in completing this study:

- to my Heavenly Father, for granting me many blessings throughout my years of study, including the opportunities and strength to be able to complete this work
- to my wife, Jacqueline, for all her support and kindness throughout the duration of this project and for always being near and willing to help with any part of the work
- to both my parents, Pieter and Moekie, for their help and assistance, particularly with the dissemination of the questionnaires, as well as their general support during the course of my studies
- to Prof Freek Cronjé, who continues to be an excellent study leader and friend, for all his guidance and wonderful acquaintanceship and for being a good role model over the past few years
- to all the people at the *Bench Marks Foundation*, especially Moses Cloete and John Capel, who provided me with the opportunity and privilege to work on such an important theme
- to all the survey participants of this study, for offering their much valued time out of busy schedules to complete the questionnaires
- to Miss Tarryn Lambrechts, for the professional manner in which she conducted the language editing
- to Mr Pardon Masuka at *Figures Consulting*, for his kind assistance with the statistical analysis of the data

SUMMARY

The increasing amount of power and potentially negative impacts that corporations exert within society has become a growing concern for many people. In response to this and due to the changing role of business in society, more and more members of social groups, who are affected by corporate activities, are claiming their rights to be better informed of and more involved in corporate decision-making. Consequently, the need for companies worldwide to be more accountable for the ways in which they conduct their business has grown at a tremendous rate. Especially during the last decade, companies have globally been placed under increasing pressure from different stakeholder groups to demonstrate and prove their commitments to the idea of Corporate Social Responsibility (CSR). In order to facilitate and guide these CSR-commitments, society has for many years already begun to implement various standards of behaviour/performance, which corporations need to achieve in order to be accepted as being part of the citizenry. However, despite an abundance of such standards in terms of CSR-related guidelines and codes, a clear need has been identified for the development of better measuring tools of CSR, in order to efficiently assess and monitor companies' performance.

The *Bench Marks* is one of the most comprehensive sets of social and environmental criteria and business performance indicators available. It offers an ethical standard on which to base decisions about global corporate social responsibility. Consequently, the need arose from the Bench Marks Foundation - in collaboration with the Bench Marks Centre for Corporate Social Responsibility at the North-West University – to develop the current *Bench Marks* CSR Framework into a practical measuring instrument. This need has successfully been fulfilled through this research by means of two methods, namely a literature review and an empirical study. During the literature study, the concepts CSR and Corporate Personality were contextualised - particularly with the investigation of related concepts; as well as critically examined - specifically in terms of their theoretical measurement properties. During the empirical research, quantitative research techniques have been utilised which involved: the application of certain 'theoretically recognised phases' of *measuring instrument development*; as well as a *survey* in the form of a 'preliminary measuring instrument' (in questionnaire format) that was administered on a random sample respondents ($n = 350$), including the statistical analysis of the results. 189 Questionnaires were completed, which gave a response rate of 54%.

The statistical analysis mainly served as an effective guideline for determining the best CSR items (in terms of reliability and validity) to be included in the final version of the instrument. Apart from measuring CSR performance in line with the *Bench Marks*, the instrument that has been developed by this study, can also be used as a measuring mechanism for *Corporate Personality*. This is achieved by assessing company behaviour in terms of the theoretical dimensions of CSR (economic, legal, ethical and philanthropic) and Sustainable Development (economic, social and environmental). In doing so, this instrument provides companies with a unique way of identifying their status of being true Corporate Citizens.

Keywords: *corporate citizenship, corporate governance, corporate personality, corporate social investment, corporate social responsibility, socially responsible investing, stakeholder engagement, sustainable development*

OPSOMMING

Die toenemende hoeveelheid mag en potensiële negatiewe impakte wat maatskappye in die samelewing uitoefen, is vir baie mense 'n groeiende bekommernis. In reaksie hierop en ook as gevolg van die veranderende rol wat besighede in die samelewing speel, eis al hoe meer sosiale groepe wat deur korporatiewe aktiwiteite geraak word, hul reg om beter ingelig en betrokke te raak met betrekking tot die besluitnemingsprosesse van maatskappye. Gevolglik het die behoefte vir maatskappye (regoor die wêreld) om meer verantwoordelik op te tree volgens die wyse waarop hulle besigheid doen, teen 'n geweldige tempo toegeneem. Veral gedurende die laaste dekade, is maatskappye onder al hoe meer druk deur verskillende belangegroepes geplaas, om hul verbintenis en toegewydheid tot die idee van Korporatiewe Maatskaplike Verantwoordelikheid (KMV) te kan bewys. Ten einde hierdie toegewydheid tot KMV te kan rig en fasiliteer, het die samelewing alreeds vir baie jare lank verskeie standaarde vir gedrag/optrede daargestel wat maatskappye moet nastreef en bereik om aanvaar te word as deel van die samelewing. Nogtans is daar, ten spyte van 'n oorvloed van hierdie standaarde in terme van KMV-verwante riglyne en kodes, steeds 'n duidelike behoefte geïdentifiseer vir die ontwikkeling van beter meetinstrumente van KMV. Hierdeur sal dit moontlik word om maatskappye se KMV-prestasies meer doeltreffend te evalueer en monitor.

Die *Bench Marks* is een van die mees omvattende stelle van sosiale- en omgewingsgeregtigheid kriteria, asook prestasie-aanwysers wat tans bestaan. Dit bied 'n etiese standaard waarop besluite oor globale KMV gebaseer kan word. Gevolglik het die behoefte by die *Bench Marks Foundation* - in samewerking met die *Bench Marks Sentrum vir Korporatiewe Maatskaplike Verantwoordelikheid* aan die Noordwes-Universiteit - ontstaan om die huidige *Bench Marks* KMV Raamwerk te ontwikkel in 'n praktiese meetinstrument. Hierdie navorsingstudie het suksesvol hierdie behoefte vervul, deur middel van twee metodes, nl. 'n literatuurstudie asook 'n empiriese ondersoek. Die literatuurstudie het behels dat die konsepte *KMV* en *Korporatiewe Persoonlikheid* gekontekstualiseer word - veral met die ontleding van verwante konsepte; asook kritiese ondersoek word - spesifiek in terme van hul teoretiese meting-eienskappe. Tydens die empiriese navorsing, is kwantitatiewe navorsingsmetodes aangewend, wat die volgende behels het: die toepassing van sekere 'teoreties erkende fases' van *meetinstrument ontwikkeling*; asook 'n *opname* in die vorm van 'n 'voorlopige meetinstrument' (in vraelys-

formaat) wat toegepas was op 'n ewekansige steekproef ($n = 350$), insluitende 'n statistiese analise van die resultate. In totaal, is 189 vraelyste voltooi wat 'n responskoers van 54% gegee het.

Die statistiese ontleding het hoofsaaklik gedien as 'n effektiewe riglyn vir die bepaling van die beste KMV items (in terme van betroubaarheid en geldigheid) wat ingesluit moet word in die finale weergawe van die instrument. Afgesien van die meting van KMV prestasie in lyn met die *Bench Marks*, kan die instrument wat deur hierdie studie ontwikkel is, ook gebruik word as 'n meetinstrument van Korporatiewe Persoonlikheid. Dit word gedoen deur middel van die beoordeling van maatskappy-gedrag in terme van die teoretiese dimensies van beide KMV (*ekonomiese, wetlike, etiese en filantropiese*) en Volhoubare Ontwikkeling (*ekonomies, sosiaal en natuurlike omgewing*). Sodoende, maak hierdie instrument dit moontlik vir maatskappye (asook ander gebruikers) om op 'n unieke wyse hul status as ware 'korporatiewe burgers' te kan bepaal.

Sleutelwoorde: *betrokkenheid van belanghebbendes, korporatiewe burgerskap, korporatiewe bestuur, korporatiewe sosiale belegging, korporatiewe maatskaplike verantwoordelikheid, korporatiewe persoonlikheid, sosiale verantwoordelike investering, volhoubare ontwikkeling*

TABLE OF CONTENTS

Acknowledgements	ii
Summary	iii
Opsomming	v
Table of Contents	vii
List of Tables	xii
List of Figures	xiv
List of Abbreviations	xv
Chapter One: Introduction and Problem Statement	1
1.1 Introduction	1
1.2 Central Theoretical Argument	2
1.3 Problem Statement and Motivation	5
1.4 Research Objectives	9
1.5 Research Methodology	10
1.5.1 Research Approach	10
1.5.2 Research Procedures	11
1.5.2.1 Literature Study	11
1.5.2.2 Development of the Measuring Instrument	11
1.5.2.3 Survey	12
1.6 Ethical Considerations	13
1.7 Chapter Layout	14
Chapter Two: Conceptual Context	15
2.1 Introduction	15
2.2 Corporate Governance (CG)	15
2.2.1 Conceptual Overview of CG	15
2.2.2 Practical Implications and Strategies of CG	17
2.2.3 The Importance of CG, Particularly to CSR	19
2.3 Socially Responsible Investing (SRI)	21
2.3.1 Conceptual Overview of SRI	21
2.3.2 The History of SRI	23
2.3.3 Scope of Modern SRI	26
2.3.4 Approaches/Levels of SRI	28

2.4 Stakeholder Engagement (SE)	30
2.4.1 Conceptual Overview of SE.....	30
2.4.2 Background to the SE Concept	33
2.4.3 Challenges for Stakeholder Theory	38
2.4.4 Importance and Benefits of SE.....	40
2.4.5 Stakeholder Engagement as part of CSR	42
2.5 Sustainable Development (SD).....	44
2.5.1 Conceptual Overview of SD	44
2.5.2 Background to the SD Concept	47
2.5.3 The Dimensions of SD.....	49
2.6 Conclusion.....	54
Chapter Three: Corporate Social Responsibility (CSR): A Theoretical Overview.....	55
3.1 Introduction.....	55
3.2 Defining and Describing CSR	57
3.2.1 Overview of CSR.....	57
3.2.2 Defining CSR	59
3.3 The Development of CSR	62
3.4 The Case Against and For CSR.....	68
3.4.1 Attacks on Social Responsibility	68
3.4.2 The Indispensability of Corporate Social Responsibility.....	70
3.4.3 Benefits of Implementing CSR.....	71
3.5 CSR in South Africa.....	74
3.5.1 Overview of CSR in South Africa.....	75
3.5.2 Drivers of CSR in South Africa	77
3.6 The Dimensions of CSR	79
3.6.1 Economic Dimension.....	79
3.6.2 Legal Dimension.....	81
3.6.3 Ethical Dimension.....	82
3.6.4 Philanthropic Dimension.....	85
3.6.5 The CSR Pyramid	87
3.7 CSR in an African Context	89
3.7.1 Economic Responsibilities	89
3.7.2 Philanthropic Responsibilities	90
3.7.3 Legal Responsibilities.....	91

3.7.4 Ethical Responsibilities.....	91
3.7.5 African CSR Pyramid.....	91
3.8 The Three-Dimensional Model of CSR	93
3.8.1 Purely Economic	95
3.8.2 Purely Legal	95
3.8.3 Purely Ethical	95
3.8.4 Economic / Ethical.....	95
3.8.5 Economic / Legal.....	96
3.8.6 Legal / Ethical.....	96
3.8.7 Economic / Legal / Ethical	96
3.9 Conclusion.....	97
Chapter Four: CSR Codes and Guidelines	99
4.1 Introduction.....	99
4.2 OECD Guidelines for Multinational Enterprises.....	102
4.3 Global Sullivan Principles of Social Responsibility	104
4.4 The UN Global Compact.....	105
4.5 ISO 14000 Series of Standards and Environmental Management	108
4.6 ISO 26000 Standard on Corporate Social Responsibility	111
4.7 AccountAbility 1000 Framework.....	113
4.8 King Reports on Corporate Governance	115
4.9 OECD Principles of Corporate Governance	119
4.10 The Global Reporting Initiative (GRI)	121
4.11 The Bench Marks.....	122
4.12 Conclusion.....	126
Chapter Five: Corporate Personality.....	128
5.1 Introduction.....	128
5.2 Organisational Culture (OC)	129
5.2.1 Conceptual Overview of OC	129
5.2.2 Dynamics of OC	131
5.2.3 Importance of Organisational Culture	133
5.3 Corporate Personhood.....	135
5.3.1 The History of Corporate Personhood	136
5.3.2 Consequences of Corporate Personhood.....	137
5.4 Corporate Citizenship (CC) – The Ideal CSR Personality	142

5.4.1 Conceptual Overview of CC	142
5.4.2 Link between CC and CSR.....	143
5.4.3 Key Characteristics of CC	145
5.4.4 CC in an African Context.....	148
5.5 Different CSR Personalities	150
5.5.1 High (almost purely) Economic CSR - with Very Low SD	154
5.5.2 High Legal CSR - with Low SD.....	155
5.5.3 High Economic and Legal CSR – with high Environment SD.....	156
5.5.4 High Economic and Legal CSR – with high Social SD.....	158
5.5.5 High Economic and Legal CSR – with high Economic SD.....	160
5.5.6 High Economic and Ethical CSR – with high Environment SD.....	162
5.5.7 High Economic and Ethical CSR – with high Social SD	164
5.5.8 High Economic and Ethical CSR – with high Economic SD	166
5.5.9 High Legal and Ethical CSR – with high Environment SD.....	168
5.5.10 High Legal and Ethical CSR – with high Social SD	170
5.5.11 High Legal and Ethical CSR – with high Economic SD	172
5.5.12 High Economic, Legal and Ethical (with Philanthropy) CSR and Strong SD	174
5.5.13 Summary of Corporate Personality Profiles	176
5.6 Conclusion.....	180
Chapter Six: Empirical Research: Measuring Corporate Citizenship	182
6.1 Introduction.....	182
6.2 The Planning Phase	183
6.2.1 Specifying the Aim of the Measure	183
6.2.2 Defining the Content of the Measure	185
6.2.3 Developing the Test Plan	190
6.3 The Item Writing Phase	191
6.4 Assembling and Pre-testing the Experimental Version.....	192
6.5 Item Analysis Phase	194
6.5.1 Overview of the Statistical Analysis	194
6.5.2 Item Analysis.....	197
6.5.3 Conclusion of Item Analysis.....	218
6.6 Revising Phase.....	218
6.7 On-going Revision and Refinement	223
6.8 Example of a Company CSR and Personality Profile	226

6.9 Conclusion.....	231
Chapter Seven: Conclusion and Recommendations.....	232
7.1 Conclusion.....	232
7.1.1 Summary of Results	232
7.1.2 Study Contributions and Possible Implications	234
7.2 Recommendations.....	234
7.2.1 General Recommendations.....	234
7.2.2 Limitations and Potential Resolutions	235
Bibliography.....	238
Appendix A: Corporate Social Responsibility (CSR) Questionnaire	268
Appendix B: Illustrating the Electronic/Online Format of the Final Instrument	287
Appendix C: Corporate Personality Measuring Instrument – Final Version	290

LIST OF TABLES

Table 1: Primary Stakeholders – Nature of Interest and Power.....	36
Table 2: Secondary Stakeholders – Nature of Interest and Power.....	37
Table 3: Comparing the Older and Newer Version of CSR	67
Table 4: Examples of Ideally Responsible Corporate Actions	141
Table 5: Descriptive Statistics and Reliability Statistics.....	196
Table 6: The Ecosystems Scale	197
Table 7: The National Communities Scale	198
Table 8: The Local Communities Scale	199
Table 9: The Indigenous Communities Scale.....	200
Table 10: The Resource Use/Extraction Scale	201
Table 11: The Employed – Conditions Scale	202
Table 12: The Employed – Health and Safety Scale.....	203
Table 13: Women in the Workforce Scale.....	204
Table 14: Minority Groups Scale.....	205
Table 15: Persons with Disabilities Scale	206
Table 16: Child Labour Scale.....	207
Table 17: Forced Labour Scale.....	208
Table 18: Suppliers Scale.....	209
Table 19: Financial Integrity Scale.....	210
Table 20: Ethical Integrity Scale	211
Table 21: Corporate Governance Scale.....	212
Table 22: Shareholders Scale.....	213
Table 23: Joint Ventures Scale	214
Table 24: Customers and Consumers Scale.....	215

Table 25: Corporate Social Responsibility Scale..... 216

Table 26: Item Numbers That Designate CSR Dimensions 221

Table 27: Item Numbers That Designate SD Dimensions 222

LIST OF FIGURES

Figure 1: Structure of the SRI Market	27
Figure 2: The Dimensions of Sustainable Development (SD)	49
Figure 3: The Pyramid of CSR.....	88
Figure 4: CSR Pyramid in an African Context	92
Figure 5: Three-Dimensional Model of CSR	94
Figure 6: Corporate Responsibility Emphases	150
Figure 7: Actions Taken During the Revision Phase (<i>coding, item selection & removal</i>).....	220
Figure 8: Average Scores Obtained for Main CSR Themes.....	227
Figure 9: Average Scores Obtained for Items Measuring CSR Dimensions.....	228
Figure 10: Average Scores Obtained for Items Measuring SD Dimensions	230

LIST OF ABBREVIATIONS

AGM	-	Annual General Meeting
AIDS	-	Acquired Immune Deficiency Syndrome
AU	-	African Union
CC	-	Close Corporation
CC	-	Corporate Citizenship
CEO	-	Chief Executive Officer
CERES	-	Coalition for Environmentally Responsible Economies
CG	-	Corporate Governance
CP	-	Corporate Personality
CSI	-	Corporate Social Investment
CSR	-	Corporate Social Responsibility
ECCR	-	Ecumenical Council for Corporate Responsibility
ETF	-	Exchange Traded Fund
FSAP	-	Financial Sector Assessment Programme
FSF	-	Financial Stability Forum
GDP	-	Gross Domestic Product
GRI	-	Global Reporting Initiative
GSP	-	Global Sullivan Principles
HIV	-	Human Immunodeficiency Virus
ICCR	-	Interfaith Center on Corporate Responsibility
IFA	-	International Framework Agreement
ILO	-	International Labour Organization
ISO	-	International Organization for Standardization
JSE	-	Johannesburg Stock Exchange

KMO	-	Kaiser-Meyer-Olkin
LLC	-	Limited Liability Company
MBA	-	Master of Business Administration
MDG	-	Millennium Development Goal
MNC	-	Multinational Corporation
NCP	-	National Contact Points
NEPAD	-	New Partnership for Africa's Development
NGO	-	Non-Governmental Organisation
OC	-	Organisational Culture
OECD	-	Organisation for Economic Co-operation and Development
ROSC	-	Review of Observance of Standards and Codes
SADC	-	Southern African Development Community
SD	-	Sustainable Development
SE	-	Stakeholder Engagement
SED	-	Socio-Economic Development
SMEs	-	Small and Medium Enterprises
SPSS	-	Statistical Package for the Social Sciences
SRI	-	Socially Responsible Investing
TBL	-	Triple Bottom Line
UN	-	United Nations
UNEP	-	United Nations Environment Programme
UNGC	-	United Nations Global Compact
WCED	-	World Commission on Environment and Development
WSSD	-	World Summit on Sustainable Development