THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY IN RETRENCHMENT

Ryk Ludolph Croukamp
M.A.

A thesis submitted in fulfillment of the requirements for the degree of Doctor Philosophiae in Industrial Sociology at the School of Behavioural Sciences at the North West University (Vaal Triangle Campus).

Vanderbijlpark
October 2007

Promoter: Dr. L. Moolman

INDEX

Key concepts	ii
Summary/opsomming	iii
Declaration	ix
Prologue and acknowledgements	x
Table of contents	xii
List of figures	xxii
List of tables	xxiv
List of annexures	xxvii

Sleutelwoorde:

gobalisering; verandering, mededingingsvermoë; kennis werker; produktiwiteit; afskaling; personeelvermindering deur afdankings; belangegroepe; korporatiewe sosiale verantwoordelikheid; strategie; waardesisteem

Key descriptors:

Globalisation; change; competitiveness; knowledge worker; productivity; long term sustainability; downsizing; retrenchment; stakeholders; corporate social responsibility; strategy; values

OPSOMMING

DIE ROL VAN KORPORATIEWE SOSIALE VERANTWOORDELIKHEID IN PERSONEELVERMINDERING

INLEIDING

Personeelvermindering as gevolg van operasionele redes word gelykgestel aan 'n ekonomiese doodstraf, aangesien geaffekteerde werknemers weinig, indien enige skuld het aan hierdie traumatiese ervaring. Die toenemende bekommernis oor hierdie verskynsel en die totstandkoming van mense- en arbeidsregte het dan ook veroorsaak dat hierdie verskynsel op 'n internasionale vlak omsigtig en deeglik benader word deur beide wetgewers en arbeidsorganisasies.

Verandering in die wêreld geskied teen 'n snelle pas en vind op alle terreine van die samelewing plaas. Suid-Afrika is onlosmaakbaar deelgemaak van hierdie wêreld en word dus ook blootgestel aan honger internasionale maatskappye wat almal veg vir oorlewing en groter markaandele in 'n globaliserende wêreldekonomie. Dit laat Suid-Afrika met 'n dringende behoefte om meer mededingend te word. Om dit te kan bereik, moet aan die knellende behoefte aan opleiding aandag geskenk word, sowel as aan die skepping van aantreklike internasionale beleggingsgeleenthede. Internasionale beleggers raak gou afgeskrik deur hoë werkloosheid en misdaad, en hier is Suid-Afrika ver agter die Ooste. Die tendens van globalisering en die uitwerking van sekere aspekte daarvan op werkloosheid noodsaak dus dringende fokus op kwellende kwessies, soos: Hoe om werkloosheid te verminder, teenoor die behoefte aan verhoogde produktiwiteit en verbeterde internasionale mededingingsvermoë.

Hierdie veranderinge het ook meegebring dat verbruikers, werknemers en die gemeenskap waarin maatskappye besigheid bedryf, uiters sensitief begin word het

vir onverantwoordelike optrede van maatskappye teenoor die gemeenskap, die werknemers en die omgewing. Hierdie veranderinge en die gevolge daarvan lei tot 'n groeiende bewustheid van en ernstige behoefte aan korporatiewe sosiale verantwoordelikheid. Die waarde hiervan word in 'n al hoe groter mate besef en maatskappye aanvaar hierdie verantwoordelikheid toenemend in alle dimensies van die gemeenskap.

Die manier waarop maatskappye met mense omgaan, word direk beïnvloed deur werkspraktyke en korporatiewe sosiale verantwoordelikheid het dus 'n fundamentele uitwerking op hoe potensiële hoëgehalte kennis-werkers die maatskappy beskou. Dit word derhalwe al hoe belangriker dat werkgewers die menings van hulle eksterne- en interne belangegroepe ernstig opneem, aangesien globalisering besig is om die magsbasis tot voordeel van die werknemers te verskuif.

Intussen sal personeelvermindering voortgaan ten spyte van duidelike bewyse dat die langtermynvoordele daarvan verdag is, en dit plaas 'n enorme sosiale verantwoordelikheid op werkgewers. Die goed nagevorste verband tussen misdaad en werkloosheid dui duidelik op die onderprestering van die regering teenoor beloftes wat gemaak is. Dit is juis om dié rede dat die rol van maatskappye in die gemeenskap al hoe meer onlosmaaklik deel van die besigheid word. Die uiteindelike gevolg hiervan is 'n onaanvaarbare hoë misdaadsyfer, wat weer lei tot 'n gebrek aan beleggingsvertroue, wat op sy beurt weer lei tot personeelvermindering.

DOEL VAN DIE STUDIE

Die navorser het met hierdie studie onderneem om die verband aan te dui tussen veranderinge in die wêreld, die toenemende rol wat korporatiewe sosiale verantwoordelikheid speel in die langtermynmededingingsvermoë van 'n maatskappy en hoe verhoogde mededinging kan lei tot personeelvermindering, wat weer op sy beurt 'n negatiewe effek op die belanghebbendes en beleggers van die organisasie

kan hê. Daar is verder gefokus op hoe hierdie verskynsel se frekwensie verminder en hoe die nadelige uitwerking daarvan bestuur kan word.

Die hoofdoel van die studie was dus:

- om die rol van korporatiewe sosiale verantwoordelikheid te bepaal binne die milieu van tipiese personeelbestuurspraktyke, veral wanneer personeelvermindering as kostebesparingsmeganisme oorweeg word.

Voortvloeiend hieruit, was die sekondêre doelwitte van die studie:

1. Om vas te stel hoe korporatiewe sosiale verantwoordelikheid vergestalt in die personeelontslagmeganismes in 'n chemiese bedryf in die Vaaldriehoek;
2. Om die rol wat middel- en senior bestuurders in 'n chemiese bedryf in die Vaaldriehoek speel in die uitvoering van die bedryf se korporatiewe sosiale verantwoordelikheid, aan te dui;
3. Om die belangrikheid van globalisering as 'n vergestalting van verandering aan te dui in 'n chemiese bedryf in die Vaaldriehoek; en
4. Om bewustheid te skep oor die behoefte aan 'n gewysigde bestuurs-benadering ten opsigte van die krimpende grense tussen die bedryf en die gemeenskap en wat die invloed hiervan op die handhawing van lang- termyn-volhoubare winsgewendheid is.

Dié navorsing het daarin geslaag om hierdie vraagstukke te beantwoord en die doelstellings te bereik.

METODE VAN ONDERSOEK

Die navorser het van 'n deeglike literatuurstudie gebruik gemaak en dit ondersteun met empiriese navorsing. Daar was beoog om met die afleidings en gevolgtrekkings

wat uit die studie voortgespruit het, die kwalitatiewe tendense van wêreldverandering toe te pas op die unieke Suid-Afrikaanse situasie. Die doel hiervan was om riglyne daar te stel wat sommige van die brandpunte in Suid-Afrika se ekonomie aanspreek. Hierdie brandpunte, wat in 'n spesifieke verhouding tot mekaar staan, is die buitengewone hoë werkloosheidsyfer, misdaad en die tekort aan beleggings en beleggingsvertroue, wat weer om die beurt negatief inwerk op die moontlikheid om personeelvermindering te verhinder of te bekamp.

GEVOLGTREKKINGS EN AANBEVELINGS

Die verskynsel van verandering is allomteenwoordig en neem eksponensieel toe. Die wêreld word dus ook toenemend meer kompleks waar die reëls van sukses en oorlewing vir ondernemings al hoe meer dubbelsinnig en vaag word, gepaardgaande met ongeëwenaarde druk om betyds aan te pas by hierdie veranderinge. Waar hierdie aanpassings nie betyds gemaak word nie of geïgnoreer word, is die uiteinde die voortydse agteruitgang en sluiting van so 'n onderneming, wat personeelvermindering en werkloosheid tot gevolg het. Soms is personeelvermindering wel nodig, maar dit moet met die grootste omsigtigheid en uiterste verantwoordelikheid benader word.

Suid-Afrika het 'n drastiese verbetering in mededingingsvermoë en produktiwiteit nodig om te kan kapitaliseer op internasionale geleenthede. 'n Tekort aan geskoolde arbeid en 'n verkeerde werksetiek verhinder dit egter tot 'n groot mate.

Die volgende aanbevelings behoort van hulp te wees om hierdie probleme aan te spreek:

- Vermy personeelvermindering sonder die gepaardgaande herontwerp van die besigheidsproses.

- Put *alle* moontlike alternatiewe finaal uit voordat 'n oorhaastige besluit gemaak word om personeel te verminder. Dit sluit in die vereiste visionêre leierskap om slegs personeel te verminder wanneer die maatskappy absoluut nie meer kan oorleef nie, of waar die kostebesparing aangewend gaan word om toekomstige werksgeleenthede te skep of te verseker.
- Verseker dat die arbeidswetgewing streng nagekom word wanneer personeelvermindering onvermydelik is. Duur litigasie kan die kostebesparing van personeelvermindering uitwis.
- Empatie en alle moontlike ondersteuning aan alle werknemers, die afgedanktes en diegene wat agterbly, moet opreg en vir die regte rede gegee word. Enige persepsie van valsheid sal opgemerk word en die onderneming sal die gewraakte gevolge daarvan dra.
- Samesmeltings en oornames van organisasies het 'n kenmerk van die hedendaagse tyd geword en het 'n groot bydrae tot personeelvermindering gelewer. Die waarde van hierdie strategieë om produktiwiteit en mededingingsvermoë te verbeter, word egter betwyfel. Waar sulke strategieë wel werklik nodig en voordelig is, behoort die kundigheid van gedragswetenskaplikes in die organisasie in die werkbaarheidstudies aangewend word om sodoende die versoenbaarheid van die nuwe mannekrag-samestelling en die onderskeie kulture te bepaal en korrek te integreer.
- Bestuur moet besef dat korporatiewe sosiale verantwoordelikheid 'n positiewe bydra kan maak tot die winsgewendheid van die organisasie. Die filosofie moet opreg wees en deur topbestuur weerspieël word. Rookskerms sal vervaag en die organisasie ontbloot as oneerlik, wat op sy beurt die bestaansreg van die organisasie in daardie gemeenskap negatief sal beïnvloed.
- Kweek 'n kultuur van konstante verandering in die organisasie. Dit sal die werknemers se aanpassingsvermoë verhoog en die weerstand teen verandering verlaag.

- Kommunikeer gereeld met die hele werksmag oor die stand van sake in die organisasie. Dit sal sorg dat werknemers vroegtydig bereidwilligheid aan die dag lê om kreatief te raak oor kostebesparings wat hulle poste kan regverdig as dit finansieel begin sleg gaan.
- Kweek 'n mentaliteit van korporatiewe sosiale verantwoordelikheid en etiek by topbestuur. So 'n paradigma sal deurskemer tot op grondvlak en as personeelvermindering werklik nodig word, sal daar kredietwaardigheid aan so 'n strategie verleen word, en die negatiewe uitwerking op die onderneming verminder word. Op dié manier kan die maksimum waarde en kostebesparing uit personeelvermindering geput word.

SLOTOPMERKINGS

Ten slotte word daarop gewys dat Suid-Afrika oor die talent, die vermoë, die infrastruktuur en die geleenthede beskik om homself te bewys as ekonomiese kragpunt van die subkontinent. Die frekwensie van personeelvermindering kan verminder word, maar 'n paradigmaskuif van die staat en besigheid is nodig om 'n kultuur van verantwoordelikheid teenoor die land as geheel te kweek.

YUNIBESITI YA BOKONE-BOPHIRIMA
NORTH WEST UNIVERSITY
NOORDWES UNIVERSITEIT
ACADEMIC ADMINISTRATION
PO Box 1147 Vanderbijlpark 1911
Tel. (016) 910-3111 Fax: (016) 910-3116
http://www puk ac.za
Enquiries. Mrs J Lourens
Tel (016) 910-3118
Fax (016) 910-3116
E-mail: advjeml@puknet.puk.ac.za

SOLEMN DECLARATION

I declare herewith that the thesis / dissertations / mini-dissertation entitled:

The role of corporate social responsibility in retrenchment

which I herewith submit to the North-West University as completion / partial completion of the requirements set for the Ph.D. degree, is my own work and has not already been submitted to any other university.

I understand and accept that the copies that are submitted for examination are the property of the University.

Signature of candidate: _____ _ _____

University number: 106237362

Signed at _____ this _____ day of_____ _____

Declared before me on this _____ day of _____ _____

Commissioner of Oaths: _____

VAAL TRIANGLE CAMPUS
PO Box 1174, Vanderbijlpark, South Africa, 1911
Tel: (016) 910-3111 • Fax: (016) 910-3116
Internet. http://www nwu ac za

PROLOGUE AND ACKNOWLEDGEMENTS

All my praise and thanks goes to my Heavenly Father for giving me so much opportunity and blessing in order to finish this study. With the completion of this study, I wish to express my deepest gratitude to the following people:

- My dear wife Yolanda and children, Mariëtte and Bianca. I thank them from my heart for their inspiration and support; and the enormous sacrifices made without complaint. This is as much your success as it is mine. I love you deeply.
- My father, brother and sisters who never doubted me and continuously prayed for my success in this study. I hope I made you proud.
- My mother and father-in law, for their unwavering belief in my abilities and their continued encouragement when the going got tough. Dad, thank you for all the stimulating debates.
- Dr. Leon Moolman for the inspiration, motivation and confidence in my abilities. Thank you for your friendship, support, role modeling and encouragement.
- Professor Christo van Wyk for his guidance, coaching and feedback.
- The personnel at the Ferdinand Postma library for their caring, passion, friendliness and professional assistance and advice. No request was ever asking too much of you.
- Mrs. Elize van der Westhuizen and the other personnel at the Sasol library, who spared no effort in sourcing relevant information and for their continuous support.
- Ms. Dorothea Stoltz at NASPERS for the language editing and technical care.
- Anessa van der Merwe who provided IT support for the empirical research, without ever complaining and for whom no effort was ever too much to achieve excellence. You helped me more than you will ever realize.
- Professor Faans Steyn for the statistical analysis, guidance, teaching and patience with me.

- Professor Casper Lessing for ensuring that the bibliography was accurate, complete and to the correct standard.
- Omar Goolam for providing me the opportunity and support in getting to completion.
- Dr. Ivor Zwane for always having time for me and for helping me to crystallize my thoughts on the subject.
- All my colleagues, who had to put up with me and for having to listen so often, you have supported me in ways you will not always recognize.

Heavenly Father, I know that You love us deeply. You are my only source of life. I pray that, by using the talents and opportunities that You gave me, not by my own merits, but by Your everlasting grace and mercy, that this study will bring you glory and bring Your light into this world.

TABLE OF CONTENTS

CHAPTER 1

INTRODUCTION, MOTIVATION, PROBLEM STATEMENT AND DESCRIPTION OF KEY CONCEPTS

1.1	Introduction	1
1.2	Problem statement	5
1.3	Purpose of the study/ research objectives	10
1.4	Research questions	11
1.5	Method of investigation	11
	1.5.1 Literature study	12
	1.5.2 Empirical research	13
	1.5.3 Research design	13
1.5.4	Writing style	14
1.6	Demarcation of study area	15
1.7	Measuring instruments	15
1.8	Key concepts	16
1.9	Deployment of contents	16

CHAPTER 2

GLOBALISATION AS A MANIFESTATION OF CHANGE AND ITS RELATIONSHIP TO RETRENCHMENT AND UNEMPLOYMENT

2.1	Introduction	19
2.2	Definitions and concept clarification	
	2.2.1 Globalisation	22
	2.2.2 Productivity	26
	2.2.3 Competitiveness	28
2.3	Factors generating change	30
	2.3.1 Technology	33

2.3.2 Ideology 36
2.3.3 Conflict and competition 37
2.3.4 Polity 43
2.3.5 Economy 44
2.3.6 The effect of structural strains 46
2.3.6.1Demographic imbalances 46
2.4 The need for change in South Africa 47
2.5 Globalisation as both a positive and negative change phenomenon 53
2.6 Social change in South Africa 60
2.6.1 The reality of social change in South Africa 60
2.6.2 The role of the state in social change in South Africa 62
2.6.2.1 Institutional capacity 64
2.6.2.2 Administrative capacity 65
2.6.2.3 Technical capacity 65
2.6.2.4 Political capacity 67
2.7 The South African government and COSATUs' views on globalisation and retrenchment. 67
2.8 Foreign direct investment, competitiveness and sustained development 73
2.8.1 Foreign direct investment 73
2.8.2 Skills and competitiveness 78
2.8.3 Labour standards and competitiveness 83
2.8.4 Sustainable economic development 86
2.9 Implications of globalisation for South Africa 89
2.10 Globalisation and the African Renaissance 93
2.10.1 Is the African Renaissance a reality? 93
2.10.2 The new struggle 95
2.11 Human resource challenges and globalisation 97
2.11.1 Education 97
2.11.2 Training 99
2.11.3 Human resource development 99
2.12 Conflicting interpretations of the effects of globalisation on South Africa 102
2.13 Affirmative action, black economic empowerment and globalization 104
2.14 Globalisation and employment 108

2.15 Summary 109

CHAPTER 3

A LEGAL VIEW AND DISCUSSION ON RETRENCHMENT

3.1 Introduction 111
3.2 Definitions and concept clarification 112
3.2.1 Dismissals due to operational requirements (retrenchment) 112
3.2.2 Substantive and procedural fairness 116
3.3 The significance of unemployment arising from retrenchment 118
3.4 The notion of employment and employment rights 120
3.5 Economic reasons for retrenchment 124
3.5.1 Mergers, acquisitions, joint ventures and closures as causes of retrenchment 125
3.5.2 Downsizing as economic rationale for retrenchment 130
3.5.3 The downsizing decision, benefit realization and sustainability 134
3.5.4 Technological change as a reason for downsizing 138
3.5.5 Closures of businesses 139
3.6 Retrenchment and the employment relationship 140
3.7 The legal perspective -the Labor Relations Act (66/1995) 141
3.7.1 The need for a policy 144
3.8 The notion of fairness 146
3.9 Substantive reasons to retrench 147
3.10 Procedural fairness 151
3.10.1 Prior consultation 152
3.10.2 When to consult 154
3.10.3 Who to consult? 155
3.10.4 Attempt to reach consensus on certain matters 156
3.10.5 Appropriate measures to avoid dismissals 156
3.10.5.1 Natural attrition 158
3.10.5.2 The granting of either paid or unpaid leave 159
3.10.5.3 The reduction or elimination of overtime, work on Sundays and

short time 160
3.10.5.4 Moratorium on the hiring of new employees 161
3.10.5.5 Voluntary retrenchments 162
3.10.5.6 Transfer to other positions or re-deployment in the same company and training or retraining of employees 163
3.10.5.7 Reduction of wages 164
3.10.5.8 Productivity improvements 164
3.11 Appropriate measures to minimize the number of dismissals 165
3.12 Appropriate measures to change the timing of the dismissals 165
3.13 Appropriate measures to mitigate the adverse effects of the dismissals 166
3.14 Written disclosure of relevant information 168
3.15 Allow an opportunity to make representations and the consideration thereof 169
3.16 Selection of employees for dismissal 170
3.17 Severance pay 173
3.18 Mergers, closures, sale businesses and acquisitions 175
3.19 Resolution of disputes over retrenchment 179
3.20 Remedies for unfair retrenchment 180
3.21 The Labour Relations Amendment Act 2002 182
3.22 The effectiveness of labour law 186
3.23 Fair reason for operational requirements dismissals in the South African context 187
3.24 Summary 190

CHAPTER 4

CORPORATE SOCIAL RESPONSIBILITY AND THE IMPACT OF RETRENCHMENT

4.1 Introduction 194
4.2 Definitions and explanations of the concepts of corporate social responsibility and corporate citizenship 198
4.3 The business case for corporate social responsibility 204
4.4 The dimensions of corporate social responsibility 209
4.4.1 Economic responsibility 210

4.4.2 Legal responsibility 211
4.4.3 Ethical responsibility 211
4.4.4 Philanthropic responsibility 212
4.4.5 Other approaches 213
4.5 Business and the society- the triple bottom line 215
4.6 The changing social environment and the social contract 220
4.7 The stakeholder approach to corporate social responsibility 227
4.8 Corporate social responsibility in human resource management 229
4.9 Effects of corporate social responsibility on global competitiveness and employment 233
4.10 Corporate social responsibility and training 236
4.11 Corporate social responsibility, sustainable development and competitiveness 238
4.12 Ethics and corporate responsibility 241
4.13 Managing the impact of retrenchments 243
4.13.1 Impact of retrenchment on business 244
4.13.2 Low morale, productivity and competitiveness and quality 245
4.13.3 Economic rationale and profitability 247
4.13.4 Organizational culture 249
4.13.5 Sabotage 251
4.14. The impact of retrenchment on employees 252
4.14.1 Retrenchees 252
4.14.2 Remaining employees 258
4.14.3 Managers 261
4.15. Impact of retrenchment on society 263
4.15.1 Unemployment, retrenchment and crime - the circular relationship 263
4.15.2 Economic downturn 265
4.15.3 Cultural values and the family 268
4.16 Strategies for the effective management of downsizing and consequential retrenchments 270
4.16.1 Avoiding retrenchment altogether as part of corporate social responsibility 270
4.16.2 Mitigating the negative effects on the departing employees as part of corporate social responsibility 275
4.16.3 Mitigating the negative effects on remaining employees as part of

corporate social responsibility 276
4.16.4 Mitigating the negative effects on other stakeholders as part of corporate social responsibility 279
4.17 Summary 279

CHAPTER 5

EMPIRICAL RESEARCH

5.1 Introduction 283
5.2 Purpose of the study/ research objectives 283
5.3 Research questions 285
5.4 Research design 286
5.4.1 The questionnaire as a measuring instrument in research 286
5.4.2 The advantages and disadvantages of structured questionnaires 288
5.4.3 The structure of the questionnaire 289
5.4.3.1 Cognitive interviewing and pilot study 290
5.4.4 Study terrain 291
5.4.5 Sampling 293
5.4.6 Study population and response percentage 293
5.4.7 Survey procedure 295
5.4.8 Statistical method 296
5.4.8.1 Descriptive statistics 296
5.5 Empirical data and analysis of the most important findings 297
5.5.1 Section A: Biographical information 297
5.5.1.1. Question 1: Age of respondents 299
5.5.1.2 Questions 2; 3; 4 and 6: Gender, race, marital status and levels in the company. 299
5.5.1.3 Question 5: Educational levels of respondents 301
5.5.1.4 Question 7: Years of service with the company 302
5.5.1.5 The relationship between years of service (question 7) and qualifications achieved (question 5); and the relationship between age (question 1) and years of uninterrupted

service (question 7). 303
5.5.1.6 Question 8: Functions of respondents 304
5.5.2 Section B: Globalisation as a manifestation of change and competitiveness (questions 9-22) 306
5.5.2.1 Question 9: The global nature of the industry 307
5.5.2.2 Question 10: Aspects of globalisation that respondents believed have the greatest impact on this company. 308
5.5.2.3 Question 11: The advent of the knowledge worker as an outflow from globalisation and how it relates to talent management and retention strategies. 311
5.5.2.4 Question 12: The robustness of the companies' global growth strategy 312
5.5.2.5 Question 13: The impact of increased competition arising from globalisation. 314
5.5.2.6 Question 14: Does the companies' value system translate to a global enterprise? 316
5.5.2.7 Question 15: Globalisation brought about a need for a different paradigm regarding the employment contract in this company. 315
5.5.2.8 Question 16: Job security as a result of globalisation has decreased 318
5.5.2.9 Question 17: People are the most critical component for the long-term sustainable competitiveness of this company 321
5.5.2.10 Question 18: Were there ever a time when you had to contemplate retrenching people as a direct or indirect result of globalisation? 322
5.5.2.11 Question 19: If respondents answered yes to question 18, they had to also answer this question to provide the qualitative information that the researcher needed. 323
5.5.2.12 Question 20: Employees in this company are aware of the global issues that impact this company. 323
5.5.2.13 Question 21: Employees value the fact that change is necessary in this company to successfully compete on a global scale. 326
5.5.2.14 Question 22: This company, like many others in South Africa, is facing the challenges listed in tables 30 and 31 hereunder. 325

5.5.3 SECTION C: CORPORATE SOCIAL RESPONSIBILITY (questions 23-35) 330

5.5.3.1 Question 23: With the advent of globalisation came an increased awareness and need for corporate social responsibility in this company 331
5.5.3.2 Question 24: Corporate social responsibility is critical for long-term sustainability. 332
5.5.3.3 Question 25: The business case for corporate social responsibility 332
5.5.3.4 Question 26: The importance that the company gives to listed corporate social responsibility components. 333
5.5.3.5 Question 27: This company is willing to sacrifice profit for the well- being of the community in which it operates. 335
5.5.3.6 Question 28: This company is aware of its responsibility towards the community in which it operates. 336
5.5.3.7 Question 29: Employees in this company are aware of the fact that the way they perform their jobs contribute towards the companies' corporate social responsibility. 337
5.5.3.8 Question 30: The locus of control for corporate social responsibility. 338
5.5.3.9 Question 31: Stakeholder satisfaction with the companies' corporate social responsibility. 340
5.5.3.10 Question 32 and 33: This company fulfils its corporate social responsibility and its doing the right things to demonstrate true corporate social responsibility. 342
5.5.3.11 Question 34: Is corporate social responsibility a value, a culture or neither? 344
5.5.3.12 Question 35: Constraints that prevent the company from executing its social responsibility 345

5.5.4. SECTION D: RETRENCHMENT (questions 36-49)

5.5.4.1 Question 36: There are many valid and fair reasons for retrenchment, some of which are more valuable than others 348
5.5.4.2 Question 37: The labour legislation allows for the retrenchment of employees to increase profits 350

5.5.4.3 Question 38: Alternatives to avoid retrenchments 352
5.5.4.4 Question 39: The success of retrenchment as a mechanism to sustain profitability. 355
5.5.4.5 Question 40: The frequency of retrenchment 356
5.5.4.6 Question 41: The success rate of retrenchment in improving profitability. 357
5.5.4.7 Question 42: The importance of considering corporate social responsibility in drafting a company retrenchment policy. 358
5.5.4.8 Question 43 and 44: The retrenchment process design – legal compliant or corporate socially responsible? 359
5.5.4.9 Question 45: Retrenching employees is a great tool to enhance profitability in this company. 360
5.5.4.10 Question 46: Are respondents familiar with the companies' retrenchment policy? 362
5.5.4.11 Question 47: The perceived fairness of the company retrenchment policy. 361
5.5.4.12: Question 48: Issues that are incorporated into the company's retrenchment policy. 364

5.6 SUMMARY AND CONCLUDING REMARKS 366

CHAPTER 6: CONCLUSIONS, FINDINGS, RECOMMENDATIONS AND FINAL REMARKS 367

6.1 INTRODUCTION 367
6.2 CHAPTER 1- INTRODUCTION AND PROBLEM STATEMENT 367
6.2.1 Summary 367
6.2.2 Conclusions 368
6.3 CHAPTER 2: GLOBALISATION AS A MANIFESTATION OF CHANGE AND ITS RELATIONSHIP TO RETRENCHMENT AND UNEMPLOYMENT 368
6.3.1 Summary 368
6.3.2 Findings and conclusions 369
6.3.3 Recommendations 375

6.4 CHAPTER 3: A LEGAL VIEW AND DISCUSSION ON RETRENCHMENT 376
6.4.1 Summary 376
6.4.2 Findings and conclusions 377
6.4.3 Recommendations 381
6.5 CHAPTER 4: CORPORATE SOCIAL RESPONSIBILITY AND THE IMPACT OF RETRENCHMENT 383
6.5.1 Summary 383
6.5.2 Findings and conclusions for corporate social responsibility as strategy and value 384
6.5.3 Recommendations for corporate social responsibility. 390
6.5.4 Findings and conclusions for the prevention and mitigation of retrenchment as part of acting in a corporate socially responsible manner 392
6.5.5 Recommendations 393
6.5.5.1 Prevention strategy 393
6.5.5.2 Mitigating strategy 396
6.6 CHAPTER 5: SPECIFIC FINDINGS AND RECOMMENDATIONS 401
6.6.1 Summary 401
6.6.2 Specific findings and conclusions 401
6.6.3 Specific recommendations 405
6.7 PROBLEMS EXPERIENCED DURING THE STUDY 406
6.8 SUGGESTIONS FOR FURTHER RESEARCH 408
6.9 CLOSING REMARKS 409

LIST OF FIGURES PAGE NUMBER

Figure 1 The rate of change 20
Figure 2 The interaction of the sources of social change 32
Figure 3 Re-inventing a business 88
Figure 4 Drivers that lead to mergers and acquisition activity in companies 127
Figure 5 Retrenchment procedure 143
Figure 6 Dispute resolution 183

Figure 7	Social goals of an organization	200
Figure 8	An interactive model for social responsibility	209
Figure 9	Elements in the social contract	222
Figure 10	The new social contract	225
Figure 11	Unemployment as a result of poor training	237
Figure 12	Bringing together business ethics and corporate social responsibility	242
Figure 13	The person centered dynamics of retrenchment	258
Figure 14	Age distribution of respondents	298
Figure 15	Gender, race, marital status and levels of respondents	300
Figure 16	Highest level of education	302
Figure 17	Years of uninterrupted service with the company	303
Figure 18	Functions of respondents	306
Figure 19	The impact of the knowledge worker	312
Figure 20	The robustness of a global growth strategy	313
Figure 21	Increased competition resulting from globalisation	314
Figure 22	Graphic illustration of how respondents perceive that the company's value system translates to a global enterprise	317
Figure 23	Perceptions regarding the need for a new kind of employment contract	319
Figure 24	The effect of globalisation on job security	317
Figure 25	The criticality of employees in long term sustainability	322
Figure 26	Retrenchment frequencies due to globalisation	320
Figure 27	Employee awareness of global issues that impact this company	324
Figure 28	Employee's valuation of the requirement of change for global competitiveness	327
Figure 29	Increased awareness of corporate social responsibility	331
Figure 30	The criticality of corporate social responsibility in long-term sustainability	332
Figure 31	The corporate social responsibility business case	333
Figure 32	Willingness to sacrifice profit for the community	336

Figure 33	The company awareness of corporate social responsibility	337
Figure 34	Employee contributions to corporate social responsibility	338
Figure 35	The locus of responsibility for corporate social responsibility	339
Figure 36	Stakeholders satisfaction with the corporate social responsibility actions of the company	341
Figure 37	The fulfilment of corporate social responsibility	343
Figure 38	The nature of corporate social responsibility	346
Figure 39	Ranked order of constraints faced by the company in fulfilling its corporate social responsibility	347
Figure 40	Perceived fairness of the LRA (Act 66 of 1995)	351
Figure 41	The success of retrenchment as a tool to sustain profitability	355
Figure 42	The frequency of retrenchment	356
Figure 43	The success of retrenchment as a tool to improve profitability	357
Figure 44	The importance of considering corporate social responsibility in retrenchment	358
Figure 45	The nature of the retrenchment process	360
Figure 46	Retrenchment as a tool to enhance profitability	361
Figure 47	Managers' knowledge of company retrenchment policy	363
Figure 48	Issues that form part of company retrenchment policy	365
Figure 49	Drivers of globalization	369
Figure 50	The Sigmoid curve	371
Figure 51	The effects of downsizing	380
Figure 52	Effectively using social investment	389
Figure 53	A model for excellence	404

LIST OF TABLES

Table 1	World Economic Forum investment stock	74
Table 2	Regional globalizations comparisons	77
Table 3	GEAR's actual versus projected results	123
Table 4	Employment in the formal non-agricultural business sector	123

Table 5	Retrenchment options	158
Table 6	Strategic approach to social investment	206
Table 7	The transition to the new global perspective	230
Table 8	Advantages and disadvantages of structured questionnaires	288
Table 9	Age distribution of respondents	298
Table 10	Gender, race, marital status and levels of respondents in the company	300
Table 11	Educational levels of respondents	299
Table 12	Years of uninterrupted service in the company	302
Table 13	Functions of respondents	305
Table 14	Respondents' beliefs whether this company is truly global	307
Table 15	The relationship between whether the companies' values translate to a global enterprise and the perceptions that the company is a truly global company	308
Table 16	Aspects of globalization that impacts the company	310
Table 17	The effect of the knowledge worker on talent management and retention strategies	311
Table 18	The relationship between the robustness of a global growth impetus and the statement that people are the most critical component in long term sustainable competitiveness of a company	313
Table 19	The effect of globalisation on competition	314
Table 20	The relationship between employee awareness of the impact of global issues and the robustness of the companies' global growth impetus	315
Table 21	The companies' value system translates to a global enterprise	316
Table 22	The changing paradigm regarding the employment contract due to Globalisation	315
Table 23	The effect of globalisation on job security	319
Table 24	The relationship between job security and the need for a new paradigm regarding the employment contract	320

Table 25	The importance of employees for long term sustainability	321
Table 26	Retrenchment frequencies as a result of globalisation	322
Table 27	Employee awareness of global issues that impact on this company	324
Table 28	The correlation between employee awareness of global issues and their valuation of the need that change is necessary for global competitiveness	325
Table 29	Employees value the need for change to be competitive in a global economy	327
Table 30	The order of importance of the top 5 issues brought about by globalisation for the company	329
Table 31	Total list of priorities for this company	329
Table 32	Globalisation brought an increased awareness of the need for corporate social responsibility	331
Table 33	The importance of corporate social responsibility for long- term sustainability	332
Table 34	The importance that the company gives to listed corporate social responsibility components	334
Table 35	The companies' willingness to sacrifice profit for the community	336
Table 36	The companies' awareness towards its corporate social responsibility	337
Table 37	The awareness of employees of their contribution towards corporate social responsibility	338
Table 38	The locus of responsibility for corporate social responsibility	339
Table 39	The relationship between the extent to which this company fulfils its corporate social responsibility and the locus of corporate social responsibility	340
Table 40	Stakeholders satisfaction with the corporate social responsibility actions of the company	340
Table 41	The extent to which the company fulfils its corporate social responsibility and executes the correct socially responsible actions	343
Table 42	The relationship between years of service and the definition of	

	corporate social responsibility	345
Table 43	Is corporate social responsibility a value, a culture or neither	346
Table 44	Constraints faced by the company in fulfilling its corporate social responsibility in order of ranking	347
Table 45	Ranked result for reasons to consider retrenchment	350
Table 46	The perceived fairness of retrenching employees to increase profits	351
Table 47	The correlation between perceived fairness to retrench employees in the quest for more profit and the perception that the process of retrenchment is designed with a view to corporate social responsibility	352
Table 48	Alternatives to retrenchment	354
Table 49	The success of retrenchment to sustain profitability	355
Table 50	The frequency of retrenchment	356
Table 51	The success of retrenchment as a tool to improve profitability	357
Table 52	The importance of considering corporate social responsibility in drafting a retrenchment policy	258
Table 53	The nature of the retrenchment process	360
Table 54	The relationship between the perception of fairness towards retrenchment to increase profits and retrenchment as a great tool to enhance profitability	362
Table 55	The perceived fairness of the company retrenchment policy	363
Table 56	Issues that form part of the company retrenchment policy	365

REFERENCES **412**

LIST OF ANNEXURES

Annexure A: Covering letter and Invitation to participate in the research 443

Annexure B: The questionnaire 444

Annexure C: Invitation to participate in the pilot study 462

Annexure D: Permission request to do the research in this company 463

Annexure E: Reminder to participants to complete the questionnaire 465

Annexure F: Extension in deadline for submission of questionnaire 466

Annexure G: Questionnaire statistics 467

Annexure H: Permission to use reference 469

CHAPTER 1

INTRODUCTION, PROBLEM STATEMENT AND DESCRIPTION OF KEY CONCEPTS

1.1 INTRODUCTION

Globalisation as a high level manifestation of social change on a global scale, commensurate with retrenchment and unemployment, has become a general concern for many South Africans, especially in the global economy. The new rules of doing business in a global economy have forced deep transformations in a variety of structures, governments and industry. According to Hatcher (2003), this brought about diminishing boundaries between business, government and society. Borucki & Barnett (1990) argues that transitions are an ever increasing frequent fact of organisational life, and that social and technological change is not just an old story - it is *the* story.

This phenomenon, however, is not unique to South Africa. Technological advancement in communication and travel, amongst other things, has made the world a smaller place. Limited resources will continue to become scarcer and scarcer, the world's population explosion has reached critical levels and thanks to contributions by medical science, mortality rates are much, much lower.

Business has become highly competitive and the principle of "survival of the fittest" is a sure fact in today's world of trade. Finnemore and Van Rensburg (2000) stated that organisational mortality rates would increase in the emerging world. Hormats (2004) noted that one phenomenon is commonly seen in emerging nations - sweeping economic change that threatens older industries, traditional ways of living and social and national cohesion. The big factor in this phenomenon, according to Hormats

(2004), comes through exposing economies and societies to new and powerful competitive forces (see section B in chapter 5) which arise from globalisation. Reducing employment costs in the form of retrenchments in order to sustain profitability has become a growing phenomenon (see section D of chapter 5). Mergers, acquisitions, joint ventures and take-overs are some of the characteristics of the global age, according to Galpin & Herndon (2000), and the reviewing of employment levels as a consequence of globalisation is receiving more and more attention. It is not possible to see into the future, and although the most modern forecasting and planning techniques are available, an accurate prediction of future events remains debatable. The tragic events on September 11, 2001 at the World Trade Centre and the effects on the world economy bear testimony to this. Checa, Maguire & Barney (2004) noted in this respect that companies now need to be much more diligent in the analysis of the links between political, economical and financial risks.

According to Silver (2003), the rise of the corporation as an entity capable of shaping society has emerged as a phenomenon with a role definable somewhere on the continuum of neo-liberal economics (legitimisation of greed) on the one side and the end of shareholder value on the other side. This varying role has manifested in a growing divide between those corporate social leaders who have embraced the responsibilities of corporate citizenship and those who, through ignorance or design, continue the exploitation of both human and natural resources. He mentioned in this regard that the past age has seen an unprecedented exploitation of the environment and exclusionary employment practices which clearly is not sustainable. Prakash (2003) stated that large corporations are coming under intense pressure to act in a socially responsible manner. Commensurate herewith, the establishment of human rights, an occurrence vastly differentiating the modern age from former times, has led to the establishment of a new set of guidelines for human interaction and the roles they play in business.

The labour relations arena is no different and seeing corporate social responsibility functioning in this domain has lead to a new approach by business stakeholders such as unions, according to Nel *et al.* (2008). The profound changes after the 1994 elections heralded a new era for South Africa; resulting in a different approach to managing labour relations. Do we have the inherent ability to manage change to such an extent that we can balance sustainable growth with the need to create employment for future generations? The changes in the world, specifically arising from globalisation, the impact on South Africa and the associated social changes as phenomena will be interpolated with the need for retrenchment in chapter 3.

According to Kingdon and Knight (2007) from the Global Poverty Research Group, the unemployment rate of South Africa is amongst the highest in the world at between 36% and 42%, based on the wider definition. One of the biggest contributors to job losses arising from dismissals is the practice of retrenchment. The effect of job losses on employees and the community is extreme and in this respect, Swanepoel *et al.* (2000), best describes the extent of this by comparing retrenchment to economic capital punishment. He states that dismissals due to operational requirements are deemed to be deserving of special treatment and that special compassion is called for on the part of employer. Bendix (2000) adds that retrenchment is among the most serious and unfortunate undertakings of a company, as it not only affect the employee concerned and his family, but the society as a whole.

Bendix (2001) argues that previously it was deemed the right of the employer to change the workforce by enlarging or reducing it to suit the production and economic cycles with a view to business rationale. In Bezuidenhout *et al.* (1998), this view is upheld. The Labour Relations Act (Act 66 of 1995) has changed the emphasis to a new growing focus on employee rights, especially the right to job security. In a sense, this is a positive move towards sound labour relations, especially in a country with high unemployment figures where the social impact of retrenchments may very well lead to the demise of communities totally dependant on that particular employer.

McKersie and Sengenberger (1983) mentions that the most dramatic expression of major dislocations are plant closures and large scale dismissal of workers, where such impact is particularly serious if the declining industry is concentrated in a particular area that does not have industrial diversity. Examples of areas in South Africa that may potentially be disastrously affected by mass retrenchments could be the steel and chemical industries in the Vaal Triangle and the gold industry in the Free State towns of Welkom and Virginia, and Stilfontein in the North West province.

Bond (1998) indicated the terrible effects of mass retrenchments by referring to the town of Welkom in the Free State as struggling for economic survival in the aftermath of mass retrenchments following a fall in the gold price. It goes on to say that approximately 50 000 employees in the gold mining industry found themselves unemployed and that the town of Welkom was fighting the economic decline that could turn it into a ghost town. A lay-off of this magnitude affected unemployment to a great extent and further added to the troubling crime rate.

Employers are forced to review staffing levels in the face of the reality of prevailing economic conditions, redundant technologies and production inefficiencies and economic downturn. This has become a sensitive issue, since the impact of retrenchments has enormous social consequences on society. Nel *et al.* (2008) indicated in this respect the relationship between unemployment and crime. This places an enormous responsibility on employers to act in the best interests of business, the community in which it conducts its operations and society in general. When retrenchments become inevitable, do employers do enough to minimise the effects and to what extent do they accept social responsibility at the expense of improved profits? As the management of AIDS can be seen as a dimension of corporate social responsibility, so can the management of the impact of retrenchments on society be seen as dimension of corporate social responsibility. This notion will be explored in greater detail in chapter 4.

It has been said by Grogan (2003) that retrenchment can be equated to economic capital punishment. For this reason dismissals due to operational requirements are dealt with in the legislation. For the same reason an enormous responsibility rests on employers' shoulders to contribute positively to strategies by either averting or minimising retrenchments. For the exact reason the International Labour Organisation has laid down guidelines to prevent and manage retrenchments. Internationally, many countries require preliminary procedures intended to minimise the prejudice against employees and these are inevitably laid down in the legislative framework (Grogan, 2003).

1.2 PROBLEM STATEMENT

A South African example of how a changing world could affect staffing levels is worth mentioning in an attempt to dimension the problem:

The South African economy was built on gold, but the commodity has lost its lustre. The reason for this profound change was to be found in the ending of the cold war. Investors sought alternative and more adventurous investments, as the need for hedging against a potential world crisis diminished. In the mid-eighties, gold was selling for well above the US$ 400 per fine ounce. The gold mines flourished and contributed significantly to the South African gross domestic product. Gold production in 1991 amounted to 601 tons, but was gradually eroded to a mere 372.8 tons in the year 2003, the lowest output in 46 years. During 1996, production fell to 498.3 tons and employment numbers in the gold industry stood around 350 000. During 2000, however, as demand and production kept on falling, volumes reduced to 428.2 tons with total employment numbers reaching only 215 450. During 2001 and 2002, employment levels further reduced to 201 698 in the face of the lowest production of gold since 1953 and the continued spate of mergers and acquisitions. Then, finally in 2003, employment levels fell to as low a figure as 196 964 (Department of Minerals

and Energy, 2001; Department of Minerals and Energy, 2002; Department of Minerals and Energy, 2004).

Rationalisation became a first priority in order to survive; a few mergers and acquisitions soon followed suit, resulting in more employment rationalisation exercises. A major mining house, renowned for revitalizing marginal gold mines, purchased two metallurgical assets from another major mining house during 2000 and three more of the same mining house late in 2001 and immediately embarked on cutting substantial percentages of its personnel, thereby reducing fixed costs. This was done in the face of imminent closure due to the reduced grade of gold extracted. The mines had been saved, for now. The difficulties faced by this industry continued for some time on the back of a volatile South African exchange rate.

This example is quoted purely because the biggest contribution to fixed costs in the mining industry can be found in the labour component and secondly because it has had such a tremendous impact on unemployment figures in South Africa. It is a known fact that approximately 50% of the cash cost of gold production is to be found in the labour component. One of the arguments most often quoted against investment in South African gold stocks, especially for long-term investors, is the high labour contingent on deep level gold mines (Lamont, 2002). As a result, strike actions, AIDS and the high mortality rate due to mining accidents has had a profound influence on investment returns and as such, created cautious investment in gold.

Along the same vein, newer, more modern mines, such as Harmony's new Target plant, situated in the Free State town of Allanridge, rebuilt the gold extraction plant and sank new shafts by employing the latest technology in mining. The end result was a massive increase in production compared to the old plant, with substantially fewer employees on the payroll. Indeed, Lamont (2002) reported that the new mine will produce 350 000 ounces of gold per annum with a mere 600 employees, compared to other mines where a similar scale operation would require

approximately 12 000 employees. The above two examples indicate two separate methods for reducing cash costs that lead to the same effect - job losses.

The chemical industry is a large and strategic supplier and stakeholder to the mining industry. The consequences of major retrenchment in the gold mining industry therefore reverberate through the chemical industry and can lead to large scale business closure in the chemical industry as well. Clearly the consequences hereof in a fairly undiversified industrial area like the Vaal Triangle could potentially also devastate the region economically.

According to the World Economic Forum (2004), South Africa is ranked very low in terms of productivity. When the anomalies in expendable income structures are disregarded, labour costs, however, are still proportionately high when compared to international benchmarks. To exacerbate the problem, the required paradigm shift towards global competitiveness did not materialise concomitant to the speed of the reduction of trade barriers in the post apartheid era. McLagan (quoted by Keyser, 1999) supports this statement by saying that the era of apartheid and its particular form of authoritarianism has contaminated business and all its stakeholders. Business needed to keep pace with rapidly changing technologies, productivity improvement in line with world tendencies and world best practices in order to become globally competitive and very fast, at that. Chapter 2 deals more extensively with global competitiveness.

Linked to this phenomena, is the need to become adaptive to a rapidly changing world, and to become what the researcher terms "change fit". Companies have to survive, and in the absence of solutions to the problems stated, a tragic means of survival may be more retrenchments as a quick fix. This leads to the contentious issues surrounding globalisation which will be dealt with in more detail in chapter 2. South Africa has to find answers to this challenge and it needs to do so fast. The anomaly as described in the above paragraph is fully supported by Finnemore and Van Rensburg (2000) when the need to restructure industries that are not

competitive, the need for improved productivity and the impact of unions and management relations on South Africa is reviewed.

The real problem facing South African business, and the government, now emerges: the rapid loss of foreign direct investment that leads to economic crises (sometimes triggered by perceptions of political blunders and corporate scandals), coupled with sudden adverse shifts in the international economic trade flows that could lead to mass job losses and bankruptcy (Hormats, 2004). This brings about the need for job protection and creation in the face of excessive unemployment figures and becoming more competitive internationally at the same time. The problem therefore is:

1. Business does not yet fully comprehend the impact on industry that is brought about by globalisation (see section C of Chapter 5)
2. Business does not yet fully understand that retrenchment can be caused by shifts in the new global economy (globalisation) and its consequences are an important dimension of corporate social responsibility, (see section B of Chapter 5)
3. Business does not yet fully comprehend the paradigm shift required from legal compliance to stakeholder management in the context of corporate social responsibility in the employment realm, (see section D in Chapter 5)
4. Though a lot of research has been done on globalisation, retrenchment and corporate social responsibility as individual notions, the researcher could not find any research to support the notion that retrenchment is specifically treated as a potential consequence of globalisation and that the management of retrenchment can be strongly related to and holistically viewed as a dimension of corporate social responsibility.

In closing, it would be naïve to think that retrenchments can be avoided altogether. It would also be naïve to think that companies and global multinational corporations will sacrifice much profit for pure philanthropic reasons without pursuing a sound business case. This research will therefore not be aimed at finding quick fix solutions

to the need for retrenchments, but will investigate the need for a different management paradigm in a chemical industry's contribution to South Africa's participation in the global economy. This is the paradigm of an increased awareness of the need for and an expanded view on corporate citizenship and social responsibility. Harman & Porter (1997) describes this as the notion that sits behind the emergence of a new "world view". At the risk of creating a socialistic perception right at the outset of this research, social responsibility of employers (and the state) in the biggest possible context dictates a higher purpose and implies the transcendence of mere political and economic goals, as illustrated by the research done in January 2007 by McKinsey (The state of corporate philanthropy, 2008). They argued that, in this context, the problem is exacerbated by the limited awareness of big companies and corporations of the true value of corporate social investment as a profit generator and long term sustainability driver, confirmed by their findings that only 1 in 5 corporations surveyed actually met their social goals and stakeholders' expectations.

This clearly provided a burning platform to research the need of having higher levels of the awareness of the value of true corporate social responsibility in a chemical industry in the Vaal Triangle, as it is currently engaged in global expansion and therefore playing in the global economy. Based on the research done by McKinsey, corporate social responsibility is therefore arguably still seen as "doing the right thing", in other words it is simply done to have the right image, and not being pursued as a sound business case commensurate with higher purpose.

This study will also attempt to highlight one of the underlying principles of corporate social responsibility that determines that legal solutions are not always sufficient. This is particularly viewed in the light of retrenchment and unemployment as consequences of unsound employment practices. This is so because of the time lag problem of the law - where legislation is passed to solve a problem that has already occurred, making it reactive in nature. According to Nel *et al.* (2007), this is why

there is movement away from the notion of "industrial relations" to "employment relations", implying a pro-active approach based on relationship building.

1.3 PURPOSE OF THE STUDY/ RESEARCH OBJECTIVES

From the introduction and the problem statement, the primary objective of the study will be:

- To determine the role that corporate social responsibility plays in retrenchment.

The secondary objectives of this study will be to:

1. Establish how corporate social responsibility manifests inside the retrenchment realm in a chemical industry in the Vaal Triangle (section D of Chapter 5);
2. Indicate the role of high middle, senior and executive management in corporate social responsibility in a chemical industry in the Vaal Triangle (section C of Chapter 5);
3. Indicate the importance of the globalisation phenomenon as a manifestation of change on a chemical industry in the Vaal Triangle (section B of Chapter 5);
4. Create an awareness that the traditional management philosophy needs to change to include the much wider boundary of the society that ultimately becomes part of long term sustainable development and profitability (section B of Chapter 5).

1.4 RESEARCH QUESTIONS

The problem described in paragraph 1.2 leads to the following research questions:

1. To what extent are middle and senior managers in a chemical industry in the Vaal Triangle aware of retrenchment as a dimension of corporate social responsibility? This question is researched in section D of chapter 5.
2. What level of awareness exists at the middle and senior management levels in a chemical industry in the Vaal Triangle of the impact of globalisation as a manifestation of change on their industry? This question is dealt with in section B of chapter 5.
3. To what extent are middle and senior managers in a chemical industry aware of the contributions that they should make in the execution of corporate social responsibility? This question is answered in sections B and C.
4. To what extent do middle and senior managers of a chemical industry in the Vaal Triangle understand the diminishing boundaries between business, society and the government and the role that they play therein? This question is investigated in section C of chapter 5.

1.5 METHOD OF INVESTIGATION

The researcher engaged in a thorough literature review, followed by an empirical investigation relating to the research objectives mentioned herein. Some aspects of the research are so pervasive and universal that it cannot be covered by empirical research only, and hence is covered by the literature review only.

1.5.1 LITERATURE STUDY

By using a thorough literature study, the researcher wishes to bring to the fore the enormous social challenges, (e.g. crime, unemployment and a changing social contract) and employment practices faced by industry in a rapidly changing environment and how these challenges relate to South Africa's most burning social and economic issues.

Relevant international and local literature will form the base of the literature study and these sources will then be analysed and interpreted to establish qualitative trends in the global village and how these are applicable to the South African context. From the results of the literature study, the researcher contemplates making recommendations for the prevention and management of retrenchments. The research will also set out to create an awareness that the traditional management philosophy needs to change to include the much wider boundary of the society that ultimately becomes part of long term sustainable development.

Every research project has to include a literature review. The following reasons are given to illustrate the importance hereof:

- Avoidance of the duplication of another study;
- It provides background to and context for the research;
- It establishes the existence of a problem;
- It provides theoretical perspective as a source of concepts as well as ontological and epistemological assumptions;
- It can provide methodological considerations of relevance to the selection of research strategies;
- Discovering the most recent and authoritative theorising on the subject;
- Discovering the most widely accepted empirical findings in the field of study;
- Identifying available measuring instruments;

- Establishing the most widely accepted definitions of key concepts in the study field; and
- The aim of any literature review is indicative of the state of knowledge with respect to research questions. (Mouton, 2001; Blaikie, 2004; Jankowicz, 2000).

Furthermore, the occurrence of globalisation as a manifestation of change is so pervasive and applies to such a wide spectrum of our society that it is extremely difficult to measure empirically.

Lastly, by consulting various sources, the researcher found that very little, if any, research has been conducted on the role and demands of globalisation (read change) on corporate social responsibility and the retrenchment realm.

1.5.2 EMPIRICAL RESEARCH

The literature study will be followed by empirical research. See chapter 5 for details regarding research design.

For the statistical analysis of gathered data, the North-West University (Potchefstroom Campus) SAS and Statistica systems will be utilised.

1.5.3 RESEARCH DESIGN

Questionnaires designed to measure some of the research objectives stated were issued electronically in a web based format to a selected level of management, with permission and assistance from the industries' Information Management function. The management of change on a strategic business level and the practice of

corporate social responsibility is a senior and executive management function at a tactical and strategic level and hence befall the target population.

The specific chemical industry in the Vaal Triangle will be used as the target population for the following reasons:

- It represents a large portion of the chemical industry in the Vaal Triangle.
- The chemical industries in principle have become a focus area in the global arena following the Enron scandal and some of the worlds' most disastrous incidents, like the Bhopal India incident.
- Various businesses and production sites of this company are in close proximity to each other, enhancing access, saving time and resources;
- The researcher works in this industry and hence, access to the companies' intranet enabled questionnaires to be web based, facilitating quick and easy responses. A further advantage of web based questionnaires is the ease with which response tracking can be managed. It also has the added benefit of eliminating the possibility for mail to be lost.
- The researcher is familiar with the chemical industry;
- Being an employee in the chemical industry, a number of personnel members are colleagues to the researcher and a greater number of employees can be accessed personally; and
- The researcher's employer will benefit from the study.

1.5.4. WRITING STYLE

The researcher decided to utilize the American Psychological Association guidelines for writing this thesis. This writing style is the preferred style for research in the fields of psychology and sociology (Wagner & Seas, 2007).

1.6 DEMARCATION OF STUDY AREA

The phenomenon of change is a pervasive concept, ranging from the micro level of personal growth to the macro level of globalisation, permeating all levels and functions of society. In terms of time and space, we recognise that change is ubiquitous and inescapable. Jick (1993) states in this respect that change has become an extremely potent issue, because nowadays the norm for change arises from simultaneous, unpredictable and turbulent pressures. Due to the vastness and the universal nature of this concept, the researcher attempted to highlight what is changing in the world economy (globalisation) and then indicate the effects of these changes on a global scale. Using these changes as a base, the regional effects on the South African situation are extrapolated. The macro level changes in the world are thereby funnelled into the micro level changes that affect the South African economy and labour force. From here, the effects at industry level where an attempt will be made to deliver home based solutions to the difficulties experienced by industry resulting from globalisation. This is also important from the viewpoint that industry has an ever increasing social burden to carry, with the ability to influence public policy.

1.7 MEASURING INSTRUMENTS

The research was done through the utilisation of questionnaires which were distributed to a selected population in the Chemical Industry in the Vaal Triangle. The questionnaire was compiled with the assistance of the North-West University's Statistical Services, the researched industries' Information Management function, respondents from the pilot study and previously used questionnaires, i.e. Du Plessis (2004); Moolman (1996). The measuring instruments used for the research are detailed in chapter 5.

1.8 KEY CONCEPTS

Throughout this research paper, the following key concepts will occur on a regular basis, but will be clarified, defined and explained in more detail in the beginning of each chapter:

- Retrenchment and redundancy/ dismissal for operational requirements, unemployment;
- Corporate social responsibility, corporate citizenship, corporate social investment, triple bottom line;
- Productivity;
- Competitiveness;
- Globalisation, global change.

1.9 DEPLOYMENT OF THE CONTENTS

Chapter 1 deals mainly with the purpose of this study and the area of application. A few key concepts that will manifest regularly during this study are noted.

In chapter 2, globalisation as the ultimate manifestation of economic change will be explored in detail and the impact that it has on South Africa will be dimensioned. The researcher will also provide an orientation for the reader towards the ubiquitous nature of change. The need for change in South Africa is also addressed. Critical problem areas are reviewed; in particular the need to improve competitiveness and productivity and to alleviate unemployment. The interaction between the challenges of globalisation, the ultimate need for retrenchment and resultant unemployment is discussed through the interpolation of the role of the state and that of business and expressed as a manifestation of corporate social responsibility.

Once the need for retrenchment can no longer be ignored and it becomes a reality to be faced by government and business, the need for institutionalising procedures to manage it properly is addressed in chapter 3. These procedures and systems are found in the labour legislation and therefore the discussion has a strong legal undertone. The economic rationale for embarking on such profound steps is investigated and discussed in some detail.

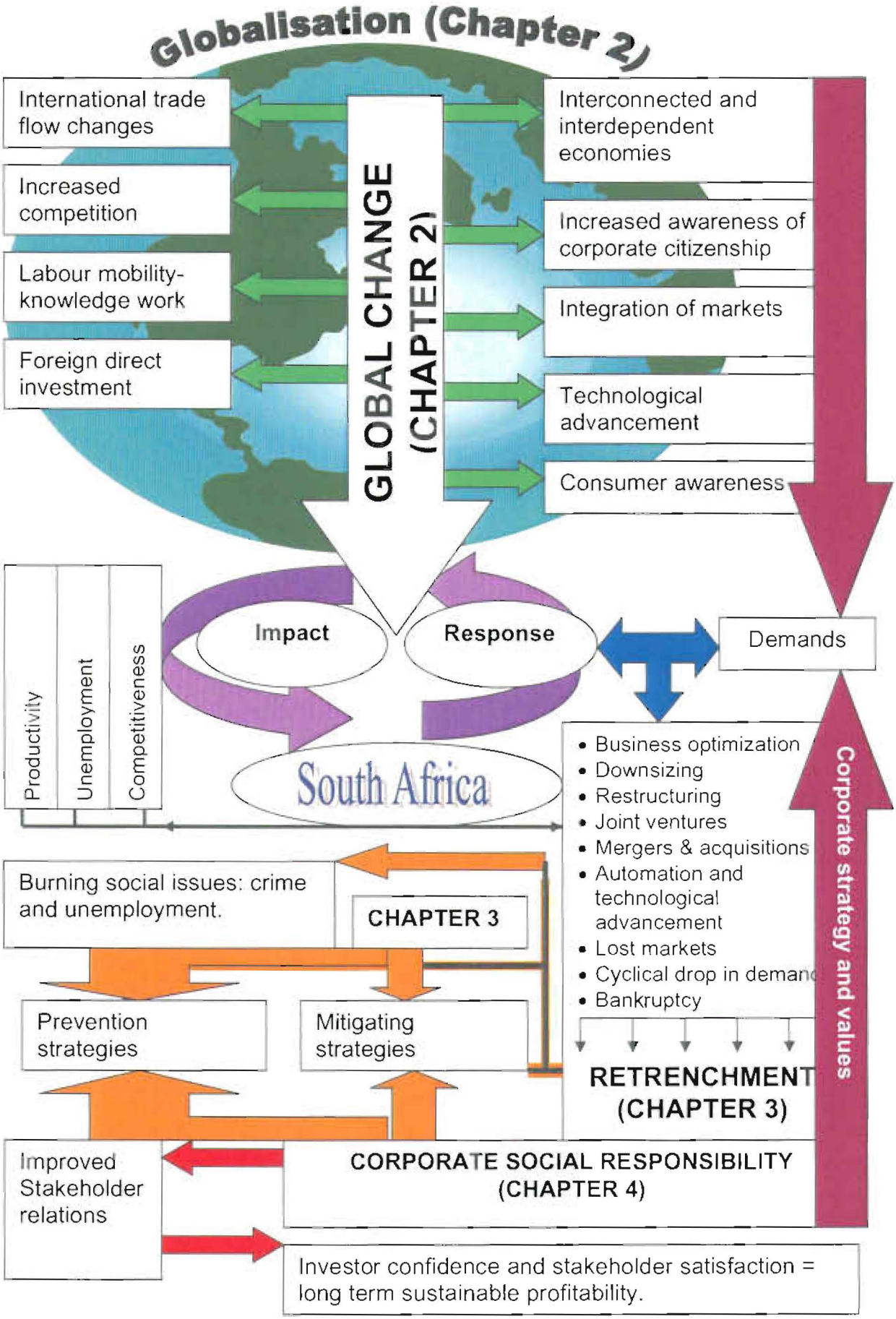
Once retrenchments are past the legal phase and it has physically materialized, it has an impact on business, employees and the society. The strategies to avert it altogether and the management of the effects of retrenchments are discussed in chapter 4, with a view to providing some guidelines to minimise the macro and micro level effects as a dimension of corporate social responsibility.

Chapter 4 also deals with the principles of corporate social responsibility and why business has a moral duty towards all of its stakeholders - the shareholders, the employees, the community and the environment. This duty includes the effort in ensuring long-term employment prospects for the community in which it wants to operate legitimately and addresses the contribution of corporate social responsibility as a driver of sustainability (Herrman, 2004).

Chapter 5 will contain the empirical research as described herein.

Lastly, chapter 6 will focus on concluding remarks and research findings. Recommendations are made with respect to the role of the state and business in terms of addressing the need for retrenchment and minimising unemployment resulting from it. It will also highlight the growing need to embrace proper corporate citizenship as a tool for long-term sustainability.

The deployment of this thesis can be summarised and explained as follows:


Globalisation (Chapter 2)
International trade flow changes
Increased competition
Labour mobility-knowledge work
Foreign direct investment
GLOBAL CHANGE (CHAPTER 2)
Interconnected and interdependent economies
Increased awareness of corporate citizenship
Integration of markets
Technological advancement
Consumer awareness
Productivity
Unemployment
Competitiveness
Impact
Response
Demands
South Africa
• Business optimization
• Downsizing
• Restructuring
• Joint ventures
• Mergers & acquisitions
• Automation and technological advancement
• Lost markets
• Cyclical drop in demand
• Bankruptcy
Corporate strategy and values
Burning social issues: crime and unemployment.
CHAPTER 3
Prevention strategies
Mitigating strategies
RETRENCHMENT (CHAPTER 3)
Improved Stakeholder relations
CORPORATE SOCIAL RESPONSIBILITY (CHAPTER 4)
Investor confidence and stakeholder satisfaction = long term sustainable profitability.

CHAPTER 2

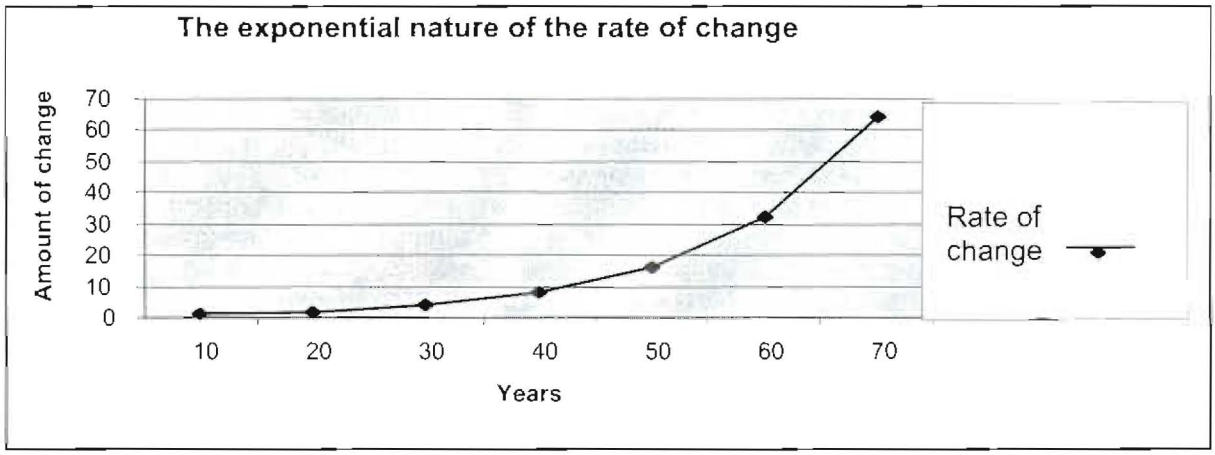
GLOBALISATION AS A MANIFESTATION OF CHANGE AND ITS RELATIONSHIP TO RETRENCHMENT AND UNEMPLOYMENT

2.1 INTRODUCTION

According to Vago (1999), change is an ever-recurring phenomenon. It is ubiquitous and is known to be the only certainty in today's world, and according to Jick (1993), if one would extrapolate change to a global scale, the forces that drive change would multiply exponentially, resulting in intensified competition, more complex relations with other stakeholders, and increased strategic choices; all of which require adaptation to survive. The issue of social change is a widely researched subject and a variety of theories of social change have been developed during the years. Some change phenomena are so profound that they can be termed turning points in the history of the planet. September 11, for instance, created a moment of discontinuity, bringing about a fundamental shift, both contextually and in content in the US foreign policy and international relations. Similar incidents along these lines would be the release of Nelson Mandela and the fall of the Berlin Wall (Friedman, 2006; Jordan & Pile, 2002). Change is also a function of speed and the rate of change is increasing exponentially (Senior, 2002; Landis, 1995).

To demonstrate exponential change:

Figure 1: The rate of change



Source: Researcher

Since change is so discomforting and ubiquitous, it is then not surprising that so many theories have been developed regarding the phenomenon of change. Vago (1999) mentions that social change can be described as planned or unplanned qualitative or quantitative alterations in social phenomena. From this definition, it is easy to extrapolate social change into the realm of globalisation. Weber (2002) notes that globalisation implies global social and political change.

Of great significance is the way organisations inter-relate with change occurring in its operating environment and beyond. The above graph is indicative of the anomaly facing not just South African organisations, but also every organisation wishing to remain competitive and enjoy longevity (Apgar 1998). Organisations, according to Venter (2006), who fail to recognise the need for continuous and sustained change, will inevitably face the reality of evaluating their workforce again and again, only to reach another dead end in their quest for survival.

Global change patterns affect organisations in profound ways. Burnes (2000) commented that, according to research done in 1992, 80% of managers reported that their businesses encountered restructuring in the past five years and as Jick (1993) mentioned, there is no slackening in the pace of change. Ignoring the need for change can prove catastrophic for organisations, for if they do not keep pace with the

world around them, the first cost-cutting exercise contemplated could be laying-off people, with its negative consequences on society.

Change in South Africa was profound after 1994, with the ANC assuming power in the national government. The country was characterized by radical socio-political change, with immense pressure from sanctions, disinvestment and capital flight that threatened to finally torpedo an already floundering economy (Venter, 2006). These changes created many opportunities for the country, but also many threats. The country is struggling with unemployment and poverty as a major social ill, and without the correct economic growth plan, unemployment cannot be addressed and will result in higher crime rates, which in turn will discourage investment (as opposed to foreign aid) - something any developing country needs to stimulate growth and avoid retrenchments, according to Business Monitor International (2000).

Kotze (2000) mentions that South Africa has been through unprecedented change during the past 10 years, resulting in more political, social and economic change than was ever experienced during the 70 years that followed the establishment of the modern South African state in 1910. The changes in our country come at a time when globalisation takes effect at an alarming rate, increasing the urgency to effect a successful transformation of our society. To illustrate South Africa's vulnerability to globalisation: after record profits in 2001/2002 that followed in the wake of the demise of the South African currency post September 11, 2001, things were looking on the upside for the gold industry. Within two years, the currency recovered from a low level of R 14/ US$ back to R 7.20/US$, destroying the growth prospects for this industry and leading to the imminent need for yet another mass retrenchment exercise. The gold price did, however, recover to sustainable levels, but South African gold producers have invested heavily in the fast growing, high yielding and growing West African gold mining countries, notably Ghana, Mali and Guinea.

The low level of education and shortage of skills also hamper economic growth and commensurate with low productivity levels and higher wages, South African business

will struggle to compete internationally, according to the World Economic Forum (2004). Export poses a great opportunity, but at the expense of a weak currency. The value of the South African currency has and continues to change violently and with its extreme volatility, it is becoming increasingly difficult to manage these changes.

In this chapter, the impact of globalisation as it is felt in South Africa and eventually in organisations will be explored and a number of concepts will emerge as key issues to be addressed. The relationship between globalisation and retrenchment will also be focussed on. The importance of these issues justifies some explanation.

2.2 DEFINITIONS AND CONCEPT CLARIFICATION

2.2.1 GLOBALISATION

Globalisation can be defined as an evolving pattern of cross border activities of companies involving international investment, trade and collaboration for purposes of product development, production and sourcing and marketing (Leisink, 2000). Another view, according to Schwartz & Gibb (1999) regarding the globalisation phenomenon is:

- An increasingly shared awareness across many publics;
- A new, international financial web;
- New, open space into which dominating cultures can move;
- Progress from "inter-national" to global institutions;
- Declining geographical importance;
- Dangerous new linkages;
- Greater speed of events; and
- A trend away from nation states towards regions.

Globalisation broadly refers to the expansion of global linkages, the organisation of social life, the growth of a global consciousness and the ultimate consolidation of a world society. Another broad view by Grazio-letto-Gillies (2003) and Nash (2000) is that globalisation is a complex phenomenon which is more in the nature of a process than that of a state of affairs, summarising that most definitions boil down to the fact that globalisation is both a process of geographical/spatial outreach and of an increased degree of interconnectedness and interdependence amongst and between people, groups and institutions based in different countries of the world. The following summaries quoted by Lechner (2001) may serve to highlight some views on globalisation, as no single definition would appear adequate to describe this amazing phenomenon:

- The relentless integration of markets, nation-states and technologies never seen before on such a massive scale. This change enables individuals, corporations and nation-states to reach into new countries quicker, deeper and cheaper, meaning the spreading of the free market system to virtually every country in the world.
- The compression of the world and the intensification of consciousness of the whole world leading to concrete interdependence within the 21st century.
- Globalisation is a social process in which constraints of geography on social and cultural arrangements recede and in which people are becoming aware of the receding arrangements.
- The making or being made global by the active dissemination of practices, values, technology and other human products throughout the globe; when global practices exercise an increasing influence over peoples' lives; when the globe serves as a premise in shaping human activity.
- Integration on the basis of a project pursuing market rule on a global scale.
- The historical transformation of the economy, the livelihoods and modes of existence, loss in the degree of locally exercised control and in culture - a devaluation of a collective achievement.

The ultimate form of change, for purposes of this study, is a phenomenon called globalisation. Djelic and Quack (2003) described globalisation as a change phenomenon as follows:

- At the first level as a redefinition of global economic rules and of institutionalising systems within national spaces, therefore the process of institutionalised change and the evolution and transformation of national business systems; and
- At the second level it is about the elaboration of these global economic rules, it is about building a new institutional framework, particularly within the spaces between and across nations.

Globalisation can therefore be seen as the ultimate manifestation of global change. All the sources of change; be it technological, structural, economical or cultural will manifest in globalisation. Globalisation has been described by Henriot (2002) as the fourth stage of outside penetration into Africa by forces that have negative social consequences. The first three stages were slavery, colonialism and neo-colonialism. He argues further that the neo-liberal ideology (which forms the base for globalisation) merely means that greed becomes a virtue, competition a commandment, and profit a sign of salvation. He states that economic growth under the auspices of globalisation is an end in itself and the use of macro-economic indicators are the only means of the measure for a healthy society. The researcher feels, however, that his viewpoints are somewhat removed from reality, as the base for his argument borders on that of philanthropic ideologies.

Bendix (2001) notes that in many South African companies, change has become a "buzz word". Despite the profound socio-political changes in South Africa since 1990, the process has just begun. She notes that a lot of catching up awaits our organisations, since we find ourselves out of step with global practices. To keep pace, change needs to occur very fast indeed. Nel *et al.* (2008) is in no way uncertain about the impact of globalisation on intensely increasing competition and the

acceleration of labour and capital mobility. This extended change pattern stems from not only our new dispensation under a democratic South Africa, but from a steady, gradual and ever increasing pace of change in the global village. These changes will materialise in a shift in labour demographics and affect employment levels. As Venter (2006) indicated, one of the most pressing issues in South Africa is the high rate of job attrition due to downsizing.

The concept of globalisation means more than just a company simply marketing its products into the international arena. The traditional distinction between domestic and multi-national companies became progressively unclear by the end of the 1980's when international competition was no longer the preserve of industrial giants. By comparison, statistics in the 1960's indicate that 6% of the USA's economy was exposed to international competition - by the late 1980's the figure rose to over 70% and is increasing at a rapid rate (Evans *et al.* 2002).

When reasons for the emergence of globalisation are contemplated, the concept highlights itself as change phenomena. The ingredients of change in the globalisation context, although not exhaustive, are briefly:

- Steady dismantling of trade barriers in Western Europe and North and South America;
- Increased availability of global capital;
- Advances in computing and communications technologies; and
- Progressive convergence of consumer tastes.

Although all the key ingredients for globalisation have been around for some time, a critical mass was achieved whereby these trends became mutually reinforcing, according to Evans *et al.* (2002). Other characteristics of the modern world contributed to this change phenomenon. Economic barriers such as national borders are becoming less relevant, widespread deregulation and privatization opened new international business opportunities, distance and time zones became less

problematic when faxes made way for e-mail communication and fixed phone lines were replaced by mobile networks. The unexpected obliteration of communism in Russia and Eastern Europe, commensurate with China's adoption of market orientated economic policies resulted in huge new markets being opened up.

However, globalisation also brings problems and threats. Society by its very nature is and will become more and more interdependent in respect of its social, political, economical and cultural dimensions (Sztompka, 1994; The Economist, 2001). These threats lie in the ability of any one nation state to engage effectively in this new world. Mills (2000) quotes the then German Vice-Chancellor and Minister of Foreign Affairs saying that globalisation opens up entirely new opportunities for the exchange of information and goods, but also brings greater vulnerability to external influences against which the poorer states are often far less protected than other regions of the world.

One of the consequences of globalisation, according to Gaughan (1996), is the increased occurrence of mergers, acquisitions, joint ventures and take-overs which has a bearing on employment and retrenchment. Venter (2006) stated in this respect that unemployment arising from downsizing has become one of South Africa's most pressing issues. This aspect will receive more attention later in this study.

2.2.2 PRODUCTIVITY

According to Salamon (1987) productivity, as seen in the wider context, can be seen as the relationship between the output of the organisation and its overall utilisation of its resources. Obviously, labour is on one of these resources. The concept of productivity is directly linked to employment levels. Globalisation as an outflow from change and productivity go hand in hand, as an increase in productivity can only occur through i.e. a change of either the cost structure of the organisation, job restructuring, process re-engineering, organisational restructuring or job re-design.

Productivity refers to the relative cost of labour. Finnemore & Van Rensburg (2000) states that for a given rate of economic growth, the demand for labour will be determined by both the cost of labour and the production produced by that labour. Political uncertainty, poor educational standards, unrealistic affirmative action targets, social conflict, crime and violence, lengthy transport routes brought about by demographic imbalances, basic health facilities and housing are but a few issues that contribute to low productivity in South Africa.

Where productivity falls below the required competitive benchmark, the markets' share for products or services offered will succumb to the more competitive organisation. Salamon (1987) notes that the nature of bargaining on new work methods (to improve productivity) has changed significantly during the 1960's as a result of changes in the economic and industrial environment. In the 1960's, the new work methods were conducted against the backdrop of demand for both product and labour. The keynote was therefore more efficient use of scarce resources. In the 1980's, the backdrop was one of recession and declining demand for labour. The introduction of new technology then focused the attention on its effects on employment levels. Concomitantly, reduced employee power and unions resulted in less emphasis on bargaining to obtain it.

Van Niekerk (1986) defines productivity simply as the ratio between input and output. He warns that productivity should not be seen as a measurement of production quantities or profitability, a guarantee against inflation or a technique to make employees work harder.

Venter, Grossett & Hills (2003) define productivity as the ratio between the amount of goods and services produced and the amount of labour employed in doing this. The output element is measured in the price paid for the product or service, while the number of workers is used as the measure for employee input. Ultimately, labour productivity is a sensitive indicator of a country's economic performance. Productivity and competitiveness goes hand in hand, as is evident from the explanation of

competitiveness. In Venter (2006), the impact of globalisation and the need for a more productive workforce in South Africa are cited as critical issues in the post 1999 era.

2.2.3 COMPETITIVENESS

A close link exists between competitiveness and productivity. According to Porter (2003), a nation's standard of living is determined by its productivity of its economy. This economy is measured by the value of goods and services produced per unit of the nation's human, capital and natural resources. Productivity depends both on the value of a nation's products or services, measured by market prices it commands, and the efficiency with which it can be produced. Ivanchevich *et al.* (1997) defines competitiveness as "the degree to which a nation can, under free and fair market conditions, produce goods and services that meet the test of international markets while simultaneously maintaining or expanding the real incomes of its citizens". True competitiveness is therefore measured by productivity, for it allows a nation to support higher wages, a strong currency and attractive returns on capital with its commensurate high standard of living.

When evaluating the South African competitive landscape against international benchmarks, the troubles faced by industry loom larger than life. Lombaard (1998) reported that South Africa is rated 42nd out of 53 exporting countries in terms of global competitiveness, only slightly ahead of Zimbabwe, Russia and the Ukraine. This means that South Africa is seen to be the 12th least competitive nation in the world - not a good sign if retrenchment is to be avoided and jobs created. Global competitiveness, according to the World Economic Forum (2004), is important from the perspective that it determines the ability of a country to attain sustained economic growth over the medium and long term. It is generally accepted that, in economic terms, few things matter more for the welfare of a country's citizens than the aggregate growth of the economy.

Several observers have claimed that South Africa's competitiveness is hampered by high wages, especially of low-skilled workers, which exceed corresponding productivity levels (International Labour Organisation, 2001). Venter (2006) also notes that South Africa is seen as unfavourable for foreign direct investment due to low productivity. This is attributable to the exponential growth in compensation without commensurate increases in productivity and in this way renders the country less competitive.

This issue is addressed in detail in this work. Bendix (2000) notes that South Africa ranks second to last on the global competitiveness register. Various and different rankings have come to light through a variety of measuring mechanisms, but the actual ranking is of lesser importance than the indicative trend of very poor competitiveness and low productivity.

Dekker (1999) asks the question whether society is using its resources to produce goods and services in an optimal way so that the economy is productive enough to sustain and develop the quality of life of its entire people. He lists the following criteria that should be considered in the pursuit of increased competitiveness:

- Increased living standards;
- Productivity enhancement;
- Increased rate of employment;
- Industrial justice;
- Removal of barriers to job creation; and
- Creation of part-time jobs without discrimination, etc.

It would appear that the active pursuit and ultimate success in achieving these goals would alleviate the need for retrenchment in South Africa. Globalisation, with its opportunities, can only be exploited by actively pursuing improved productivity and competitiveness. Calitz (1996) shares this sentiment by stating competitiveness will not be enhanced through the redistribution of wealth, but through focus on ways to

improve productivity. Through his research he found that worker participation can be an effective intervention to improve competitiveness.

2.3 FACTORS GENERATING CHANGE

A variety of factors and sources exist that influence and generate change in the world and society. Jordan & Pile (2002) argue that change does not happen in one society only, but across a variety of societies and as such impacts globally to finally manifest in the collective term called "globalisation." As such, with the development of information and travel technology, the world is becoming smaller and smaller. As the globe "shrinks" and the global village emerges, the factors influencing change will become more profound and materialise in many more levels. Nash (2000) accurately brings these global change forces under the heading of globalisation when she argues that a number of complex and interrelated processes (notably economic, technological, cultural, environmental and political processes), combined with the emergence of social networks and political institutions, influence society and the way it is governed and shaped.

When we extrapolate the "felt" cycles of change to the timeframe of the new global economy, we discover very specific change cycles and repetitive change patterns. Cyclical change involves repeated turning points between opposing poles of behaviour. Strebel (1992) says that the limits inherent in the too much of one behaviour create the opening for stimuli supporting the opposite type of behaviour. He further states that cycles incorporating the tension manifests in many areas: the socio-political area; economic area; industrial arena; the corporate world and business unit level. In light of these, the deeply embedded Western belief in continuing progress kicks hard against the notion of cycles, and so Western economies tend to emphasize the notion of equilibrium, the idea that deviations will be cut short through competitive forces that will ensure things go back into equilibrium. Strebel (1992) reasons further that the ideology of progressive

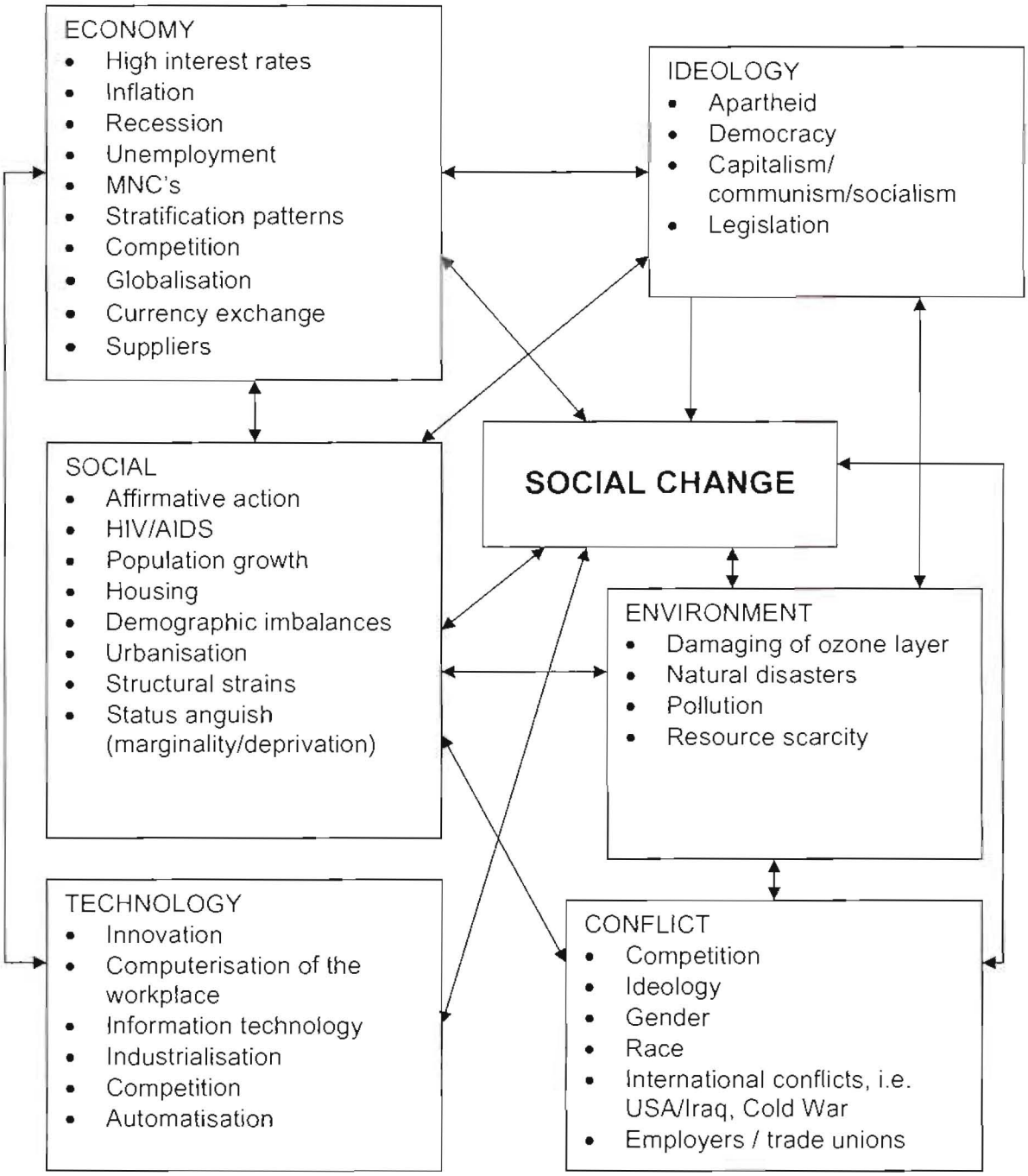
equilibrium finds it difficult to accommodate the notion of repetitive turning points and cycles. To correctly address this anomaly and to identify patterns of change in various milieus correctly, he uses an evolutionary cycle and applies it to human organisations (markets and hierarchies).

When contemplating the variety of sociological theories ranging from evolutionary approaches, to conflict theory, to structural functionalism, to post modernity and globalisation theory, systems theory and many other approaches in the context of these cycles, the under-currents of economy, technology, ideology, polity, conflict and structural strains emerge clearly (Ritzer, 2000; Vago, 1999; Sztompca, 1994; Etzioni-Halevy, 1981; Landis, 1995; Jordan & Pile, 2002).

For purposes of establishing the relationship between the impact of globalisation as a change phenomenon and the influence on retrenchment and unemployment on society, a brief discussion of these factors generating social change (sources of change) is prudent. Therefore this discussion is aimed at indicating that the sources of change that drive globalisation are potentially the same as those that could lead to retrenchment and hence unemployment. It is in this way globalisation impacts unemployment resulting from retrenchment in South Africa.

Figure 2 hereunder illustrates the vast interaction in the factors that generate and foster social change:

Figure 2: The interaction of the sources of social change



Source: Adopted and modified from Moolman (1996)

2.3.1 TECHNOLOGY

In our current technological age, it is not difficult to understand the immense role that technology plays in fostering change in the world. In actual fact, Edari (1976) states categorically that of all forces of change, technology has to be the leading force. Landis (1995) specifically discusses technology and ideology as sources of change. It was, after all, technology that separated mankind from other species and he is clear that it is indeed through the application of technology that many of our current world changes occur. The enormous speed of technological development is mind-boggling.

According to Strebel (1992), long economic cycles are attributed to bursts of technological innovation following in its wake. Industries follow in the aftermath of innovation, leading to growth in employment. The trend is continued until the momentum is lost and the innovative period runs out of steam. The impulse that sets this in motion comes from new consumer goods, new methods of production or transportation, new markets and new forms of industrial organisations. It is also noted that the pace of innovation is stimulated by economic depression, as good and easy times reduce innovative activity, whereas the pressure of economic survival forces people to break out of old ways. The turning points that create a technology cycle are:

- Divergence of competitive behaviour stimulated by new technology emerging, based on commercialisation of a new invention that is often accompanied by a swarm of entrepreneurs; and
- Convergence around the existing technology, indicating the potential exhaustion of improvements to technology, accompanied by a saturation of end users.

Development in the technological arena of life has grown dramatically since the industrial revolution and has continued growing at an exponential rate. Today we live

in a technological age. As Ramo (1980) puts it: "every year the fraction of all the goods and services we produce that properly can be labelled technological increases."

Technological change has had a positive and negative impact on change, according to Vago (1999) and Frederick *et al.* (1992). They state that as soon as technology becomes a negative force, it has a social cost. This can be seen throughout history. For example, agricultural technology impacted on the quantities of food produced, resulting in a food surplus required for the growth of cities. The atomic bomb forever changed Japan. In a way this can be seen as a negative impact at the time, but out of this came the positive attitude of the people to reconstruct the country and develop it into the super power economy that we know today. Industrialisation created the need for change in gender roles and work environments. Traditional farmers who led a life of subsistence moved to cities to work in factories, creating a totally new social order. New friendships were forged and new problems with urbanisation materialised. The impact of industrialisation, originating from technological change - competition for scarce resources and the need to achieve more, ultimately resulting in the shift from an industrialised society to the modern information society that we know and live in today (Hamilton, 2002).

Technology influences society, the structures, functions and the very organisation thereof and as such, creates problems, but also opportunities. A higher standard of living could be achieved, but may also result in greater differentiation of classes, which in turn results in conflict or competition. According to Nel *et al.* (2008), a new power balance between labour and management was established with the formation of trade unions, a direct result of industrialisation and the exploitation of workers.

Improving technology also leads to increasing competition and requires a more and more skilled and motivated employee. Venter (2006) notes that improvements in technology, especially information technology, have fundamentally altered the employment relationship. Production lines have been automated and information

systems have replaced the middle to lower tiers of management. As technology advances, competition for markets increase and higher discipline levels evolve. Economies grow as a result and in this way, the economic factor of change is affected. As time becomes more precious, non-work time is affected. On the other hand, highly automated industries can cultivate feelings of alienation, feelings of being powerless and meaningless, resulting in self-estrangement and social isolation. Technological changes also affect the composition of the workforce, the nature of work *per se* and where people work. In this respect, Apgar (1998) mentions that technological change enabled people to work very differently. This means that the traditional office bound, stuck-in-traffic scenario for employees may disappear in future. The alternative workplace is developing fast, resulting in work coming to employees and not employees going to work. It is already estimated that between 30 and 40 million American workers are home based or telecommute.

This is made possible with the development in communications technology and computers. In this respect, Gill (1985) mentioned that 15 years ago the power of computers have already increased 10 000 times. Where the computer of 1963 required several tens of thousands of hand-made connectors, the equivalent modern computer would only require ten elements in a large-scale integrated circuit. Senior (2002) mentions the explosive nature of the spread of the internet and the opportunities brought about by the development of information technology in today's age. The sentiment is shared by Lussier (2000) when he alludes to the fact that technological change has increased the rate of change.

The effects of technological advancement on employment levels can be severe, but the researcher will focus on these issues in the context of retrenchment in ensuing chapters. In this respect, the automation of industries to become more competitive will result in job losses, in turn affecting the society that needs to feed those mouths that lost their jobs, leading to other pressures borne by that society.

2.3.2 IDEOLOGY

Vago (1999) mentions that ideology underlies all social and political discourses and the function of ideology can be described as legitimisation and rationalisation of behaviour and social relationships, the provision of a basis for solidarity and motivation of individuals for certain actions. Development in industrial technology paved the way for the origins of capitalism. This occurred as a result of a change in work ethic, or as Max Weber called it "this worldly" orientation. The shift for farmers from subsistence farming to working in factories underscores this belief. On the other hand, it is argued that ruling ideas of society are ideas of its ruling class. Karl Marx argued that ideologies are developed and maintained, transferred and the implications of an ideology determined and communicated and managed by powerful groups. This infers the development of ideas from people to move in a certain direction (change). Ideologies are therefore values and norms based. The effects of the communist ideology and the changes it brought about still reverberate in modern society, as we know it today. The effect of this ideology on the Eastern Block economies remains as evidence (Vago, 1999).

According to Vago (1999), political ideologies impact on institutions of society, creating the source for action and as such, may be viewed as the most powerful source of social change. Behaviour of people will be guided by the perceptions of people subscribing, as they measure the principles against their perception of reality. Examples are communism, democratic socialism, liberalism (divided in classical and modern), conservatism and authoritarianism. These ideologies clearly impact on the way economies are structured, access to resources provided (or the method of access), freedom of the society to make their own decisions, the composition of a society, and even competition. In a purer form of communistic society, competition is diluted to the point of almost extinction, impacting on economic growth. Venter (2006) mentions that the political dispensation should reflect the ideology supported by the majority of votees for the current government. The workplace can be seen as the microcosm for of the wider society. Therefore political aspirations will manifest in the

workplace. It then becomes clear that economic growth is the key to avoid retrenchments and therefore the ideology of the day is of paramount importance to avoid the negative repercussions of downsizing.

2.3.3 CONFLICT AND COMPETITION

Vago (1999) argues that conflict can be seen as another form of competition. The difference is found in the character of the goal sought. Conflict is about different goals, where competition is about similar goals. The base therefore assumes a situation of imbalance, where a struggle occurs between scarce commodities. Conflict is ever present in humans, derived from man's changing needs and arises from a scarcity of commodities, be it anything from money, power and love to recognition, prestige, etc. The nature of conflict spreads over many strata in society - between countries, families, organisations, institutions and the like - and is endemic to all social relations.

According to Sztompca (1994), three bases of conflict can be established beyond substantive conflicts - symbolic, ideological or cultural. Symbolic conflict can occur where allegiance to a nationality is refused, ideological conflict relates to possible differences in views towards typically the economic structure of society (capitalism versus communism), and cultural conflict, driven by values and lifestyles. The source of conflict can be found in structural differentiation and change occurs through this conflict, not merely as an outcome of improperly functioning systems.

Marx, according to Vago (1999), firmly believed that no progress can be made without conflict and described this occurrence as the law which civilization followed to the present day. He was of the opinion that every society rests on an economic foundation that he called the "modes of production of commodities". These modes entail the forces of production (physical or technological arrangements of economic

activity) and the social relationships of production (the indispensable human interaction in carrying out economic activity).

Marx, according to Harris (1989), deemed the material economic conditions of society as its basis. He then defined the economic realm as containing the conditions and forces of exchange (including the structure of the market and the organisation of commerce), the conditions of production (including the resources and historical settings), the forces and modes of production (including scientific knowledge, the means of production, capital and the organisation of labour and ownership), and the relations of production (relations between owners and controllers of production and those who actually produce). The relations of production form the basis of the class structure, whereby conflict occurs between the one that owns and controls the means of production and the other exploited party that actually produces. His premise was that individuals in a society are required to satisfy their basic human needs for food, clothing and shelter to survive. In the process of satisfying these needs, human beings enter into economic and social relationships with each other. It is the nature of these relationships which changes as the process of satisfying these needs change.

Lastly, Marx believed that the state is the superstructure of society whose shape depends on economic conditions and class interests (Etzioni-Halevy, 1981).

Economic and other conflicts arise between two or more opposing economic groups with separate and opposing economic interests. This conflict (conflict of classes) leads to further social and political conflicts with each group pursuing their own interests at the expense of others. This polar model means simply that society is divided into two classes - the Bourgeoisie and the Proletariat, the haves and the have-nots. The two parties stand in stark contrast to each other, leading to conflict: Ownership, wealth and abundance opposite hired labour, poverty and deprivation; rich opposite poor; privileged opposite exploited; master opposite slave; patrician opposite plebeian; lord opposite serf; guild-master opposite journeyman, oppressor

opposite oppressed - these concepts all stood directly opposite each other and contributed to class conflict (Sztompka, 1994).

Conflict, like technology, has positive and negative implications. Conflict is deemed necessary to move one party from a position to another as desired by another party, in this case to the benefit of both. As such, conflict plays a major role in change. Conflict also generates energy for higher-level thinking and finding innovative ways to accommodate another need (Vago, 1999).

Coser (1956) held that social conflict may contribute to the maintenance, adjustment and adaptation of social relationships and social structures. Conflict is part of the socialisation process and that no social group can be without conflict. He held that conflict has both positive and negative elements, as it can resolve disagreements and will eventually lead to unity. Conflict within a group may serve to remove dissociating elements in a relationship and serve to re-establish unity and cohesion where it has been threatened by hostile and antagonistic feelings among the members. Conflict and its resolution have a stabilizing function and becomes an integrated component of the relationship. People learn to get along as a result. Inter group conflict also leads to "in-group" cohesion as they stand together against a common enemy (Coser, 1956).

On the other hand, not all conflicts are positively functional. The negative impact of conflict, according to Dahrendorf (1976), is that open and loosely structured societies, by allowing conflicts, devise safety mechanisms against the types of conflict that could possibly endanger basis consensus, thereby minimizing the danger of divergences touching the core values of that society. This is mostly due to the interdependency of antagonistic groups. The crisscrossing within societies of conflict in relation to the interdependence of conflicting groups serves to cancel each other out, preventing social disintegration.

Those whose needs are not satisfied will attempt to change the situation by confronting the opposing group that suppressed their goals. The benefit of conflict is recognised through the establishment of new boundaries, the alleviation of tension and the development of new group structures to deal with the conflict. New alliances may arise and the distribution of new social values will lead to a new social order. In this way conflict generates social change (Vago, 1999). The clash of values and interests, tension between what is and what should be, conflict between vested interests and new strata and groups demanding their share of power, wealth and status and so forth all contribute to the vitality and growth in society (Dahrendorf, 1976).

Dahrendorf (1976) developed his conflict theory on the basis of opposing needs for authority, rather than viewing social class differences as the source of conflict. In essence then, like Marx, he understood that society is divided into two groups, but portrayed the opposing groups as those who have authority and those who have not.

Social conflict has a structural origin and he claimed that conflict should be understood in terms of conflict about the legitimacy of relations of authority. He contended that two opposing groups share in common experiences, roles and interests. One group seeks to maintain the status quo whereas the opposing group seeks change. The conflict then leads to change due to a change in the dominant relations (Dahrendorf, 1976).

He then views the basic factor of conflict not necessarily in the ownership of the means of production by one class, but rather the power that one class wields over another. It appears therefore that the ownership of the means of production is merely one instance of the general concept of power, resulting in the view that Marx possibly had a too narrow view of class conflict. Ownership can be abolished, but not power and where power gives rise to class conflict, this conflict can neither be abolished. In this way, the conflict will inflict social change (Etzioni-Halevy, 1981).

Dahrendorf (1976) further suggested that interest groups would emerge from what he termed "quasi" groups as members of the group to develop leadership, effective intra group communication, a consistent ideology and an awareness of their common interest. As this group becomes more organized, the conflict with the other group will increase. The intensity and violence of this conflict will be determined by certain conditions of the conflict.

Intensity and violence are then the variables, according to Dahrendorf (1976) of class conflict. These conditions are opportunities for social mobility and the responses of the agents of social control. The degree of intensity is determined by the energy expenditure, emotional involvement and animosity felt by participants. A certain conflict may be intense if the cost of victory or defeat is high, and hence the more importance is attributed to the issues and substances of the conflict, the more intense the conflict will be. In contrast to intensity is the violence of conflict. The violence of conflict relates more to its manifestations than its causes, or as Dahrendorf (1976) stipulates: "it is a matter of the weapons that are chosen by conflicting groups to express their hostilities".

Structural change is then also effected as a result of the change in the dominance relations. The conditions of this structural change depend on the ability of those in power to stay in power and the potential of the dominated interest group to sustain the pressure. Examples of this theory can be found in the union versus management argument where the unions exerted pressure to the point where structural change occurs. Dahrendorf (1976) himself suggests that conflict groups, once they have organized themselves, engage in conflicts that effect structural changes.

The attributes of products offered by competitors are met by customer demands in individual markets, where supply and demand dance together in symbioses. Then competitive turning points are driven by competitors. These turning points are:

- Divergence away from existing product or business system standard that corresponds with a shift in competitive focus from delivered cost to perceived value competition; and
- Convergence around a product or business system standard that corresponds to a shift in the opposite direction from perceived value to delivered cost competition.

Competition arises due to scarcity of goods that are universally desired and restricted by laws, tradition and custom. Competition, as seen above, is a cause and effect of change. Supporters of certain political ideologies differ with respect to competition in that competition is deemed a means of oppression, but necessary for progress. This relates back to the perceived notion of reality by the community, according to Vago (1999).

Competition generates change where the possibility exists for securing additional resources and is found in many social arrangements. In a capitalist environment it impacts on economies, where increased profits and ever increasing standards of living are sought. It therefore controls choices of goals. Competition can also result in the internal structures of businesses. A re-alignment or cutback of resources may be required, resulting in possibilities such as restructuring, new rules and policies, entering productivity, have or exiting markets or acquisition of a competitor. Competition and its associated factor have a profound effect on employment and retrenchments, as will be clear later under the heading of globalisation.

The inter-relationship can already be seen between conflict, competition, ideology and economy. An example is the cold war where differences in ideology created conflict between nations and the structures of the economies. Looking at the World Trade Centre disaster on September 11, 2001, the whole world order changed due to conflict and different ideologies.

From the above, it appears that conflict probably played one of the biggest roles in transforming society, although one could argue that technology has led to some of the conflicts described here.

2.3.4 POLITY

Vago (1999) states that the socio-political cycles can be identified by patterns of individualism versus group orientation, progressive versus conservative, democratic versus dictatorial and left wing versus right wing. These will not be discussed in detail in this paper.

Political power relates to the ability to allocate resources that affects the change in the lives of people in numerous ways. Change in this regard takes place on a variety of levels, for example, national, provincial or municipal.

Polity plays an important role in effecting change, for example land reform, economic reform, systems affecting health, social structure, distribution and re-distribution of land and resources. Attempts at addressing racial issues have been seen to foster major social changes in South Africa. Change in this respect is effected essentially through a system of distribution (where small numbers of people are involved) regulation and re-distribution. Regulation here means restriction of certain actions, such as protection of consumer rights or labour relations management, whereas redistribution refers to a transfer of resources among or between large groups of people. Affirmative action can be seen as the re-distribution of opportunities, benefiting some in society and not others.

Political systems therefore are sets of values, beliefs and rituals, formal and informal institutional procedures that operate systematically and consistently to the benefit of some and at the expense of others. This immediately infers conflict and resistance that can go so far as to affect change to counter the imbalance of power and benefit.

Economically speaking, polity can foster some of the following changes, according to Vago (1999):

- Creation of conditions supportive of economic development without interference, for example support of trade, business, entrepreneurial and other activities; while protecting rights of ownership of resources.
- Regulation of activities such as protection of rights under an advanced capitalist system.
- Direct involvement, interference and even ownership of economic activities, such as the previous communist systems.

In closing, polity facilitates integration of society through conflict regulation and accommodation of demands. The current ANC initiatives in forging multiracial societies bear testimony to this.

2.3.5 ECONOMY

The analysis of the business cycles that we are so familiar with, indicates the manifest economic cycles. These periods are recognisable by alternating periods of expansion and contraction, and higher and lower growth rates. The two main reasons for these cycles have been explained from the perspective of unanticipated behaviour changes of government, business and consumers. The first can be found in erroneous forecasting resulting in over- or underinvesting in the economy, shifts in consumer demands and unexpected monetary fiscal policy moves by governments. The second reason is that inflexible prices prevent the markets from replacing scarce resources or using surplus resources, causing cyclical fluctuations between expansion and contraction, according to Strebel (1992). These cycles are characterised in terms of two related turning points, as was mentioned in the introduction of this section. These points are:

- Divergence away from existing economic activity toward greater expenditure, expansion and new growth opportunities; and secondly
- Convergence around existing economic activity, towards less expenditure, contraction and lower growth.

Economic systems shape the dimension of society. Capitalism in the USA and communism in the former Soviet Union provide an insight into the magnitude of the different impacts on the social structure, both systems originating from an ideology.

Technological advancement results in increased economic activity, gives rise to changes in spending patterns and influences class divisions. In turn, people affected by the economic system entrenched by polity need to change and adapt which could give rise to a change in demographics, in turn impacting on the social structures and kinships. Values of society are influenced by a change in morality originating from the ideology followed. Economic factors and systems impact on equality and inequality, depending on the system followed.

Not only does the economy influence stratification patterns; it can also make or break communities. It is commonly known that competition by regions for resources can lead to the development of some at the expense of others, all with a view to competition and a need to develop. Large organisations can become so powerful that they can put pressure on polity for change. In the same way, economic factors from abroad can affect change in a local community. Pressure to conform to international ideologies exists in full form today and manifests in issues such as sanctions and the removal of financial support. At present, Africa is a prime example of a very large community following the pressures of eastern and western ideologies.

2.3.6 THE EFFECT OF STRUCTURAL STRAINS

2.3.6.1 DEMOGRAPHIC IMBALANCES

The word "structure" refers to a set of relatively stable and patterned relationships of social units. The word "function" refers to the consequences of social activity that leads to adjustment of a given structure (Vago, 1999). By implication, this means that "function" means a dynamic process within the structure, where "structure" remains relatively stable. The structures are the various parts of the social system. In the society, the structures referred to may be equated to the institutions of society, i.e. family, government, economy, religion and education, as examples. The analysis then focuses on the interrelationship amongst these institutions. Each structure has a specified function to assist society in fulfilling its functions.

The principle doctrine of the structural-functional approach is summarized as follows:

- Society must be analyzed holistically as systems with interrelated parts;
- Cause and effect relations are multiple and reciprocal;
- Social systems are in a state of "dynamic equilibrium";
- Perfect integration is never achieved. Every system has strains and deviations which are neutralized through institutionalization;
- Change is a slow adaptive process and not revolutionary;
- Change is the consequence of adjustment of changes outside the system; and
- The system is integrated through shared values.

Strain implies discrepancy in a system assuming that the social system is made up from inter related components. Where these components are compatible and serve each other, the system is stable. Conversely, if the balance is disturbed, change is inevitable. Demographic imbalances, anomie, forms of scarcity, role conflicts, imbalance between real and ideal, values conflict and status anguish are potential sources of incompatibility. According to Edari (1976), if the division of labour arising

from increased structural differentiation causes existing structures to become meaningless and ineffective in the fulfilment of its primary functions, change could occur to restore these functions and structures.

Population growth results in an increase in the scarcity of resources. This can lead to the seeking of alternative venues for attaining the sought after resources (e.g. employment opportunity), which can be a direct result of globalisation, economic conditions, conflict, competition, etc. With the mobility of labour in this respect, comes the potential inability of the new system to accommodate the new arrivals. Economic growth of the new area may not be in the same proportion as the demand from the new dilapidated environment. Squatting arising from urbanisation can be seen as a good example of this.

Likewise, population growth creates imbalances in food supply, adversely affecting resource utilisation. Urbanization leads to big concentrations of people, competing for the available resources and due to the concentration of people, puts pressure on the infrastructure in coping with the masses. Traffic congestion, overloaded health care facilities, deterioration in the quality of education, etc. flows directly from this phenomena.

2.4 THE NEED FOR CHANGE IN SOUTH AFRICA (See questions 9 and 10 in chapter 5)

The above discussion contributes to understanding of what drives change in the world, although not one single explanation fully comprehends the change phenomenon. The following discussion is aimed at bringing the changes in the world closer to home, and in a way that addresses the issues of importance arising from globalisation.

We live in turbulent times with an exponential increase in the pace of business and life. Moolman (1996) and Jick (2003) state that change is a continued process and that the rate of change increases exponentially. During a video-conference attended at the North-West University's Vaal Triangle campus, it was stated that we live in a "white water" world, where change is experienced as profound.

The consumer revolution has accelerated enormously, people are a lot more enlightened and many more dynamic and competitive forces are operating. Organisations may be able to survive in a local market, but without global competitiveness, they will have no place to operate. Companies who do not learn to adapt to these changes, will loose out on these opportunities, a situation hardly affordable in an ever-increasing world of competitiveness, according to Ivancevich, *et al.* (1997). Quality standards have been raised to a point where there is no point in trying to fake it if a company is to survive in the global market.

Tom Peters, in the sixth annual Worldwide Lessons in Leadership Series, explained that the new leadership challenge is to team principles with practices in a time of change. Dr. Steven Covey supports this philosophy in his well-known book, "Principle Centered Leadership". It was clearly stated that a company has a choice - be distinct or extinct. This statement indicates how serious the author was in establishing the need for change (Covey, 2001).

To ignore this need for change, companies will face a great danger. To quote an old saying from Michelangelo Buonarotti: "the greatest danger for all of us a is not that our aim is set too high and we miss it, but that it is set too low and we reach it". This saying has profound implications for companies operating on a global scale. There will be no room for low targets, as it will mean a destiny of failure.

Ambitious targets should be set, but an organisation should also realise that it would require the means to achieve this. The need for change is required in all sectors - healthcare, business, government, social, etc. The markets served by these

organisations demand transformation to become more competitive, according to Venter (2006). To meet customer demands, organisations need to be able to produce goods and services in a fast, friendly and flexible manner on a consistent basis that serves the customer needs. South Africa is facing the difficult task of entering the global market, especially considering the historically protected environment, and if it does not adapt and become globally competitive, while simultaneously address transformation issues, will die a slow economic death (see par. 5.5.2.2, question 10 and par. 5.5.2.5, question 13 in chapter 5).

Venter (2006) notes in this respect that South Africa is hampered by the following severe difficulties that must be resolved to re-launch the country on a path of sustainable global competitiveness:

- Decreasing per capita income;
- Low levels of real growth in GDP; and
- Rapidly increasing levels of unemployment.

To achieve this, the prime economic objective must therefore be growth and job creation and one way of achieving this, according to Venter (2006), is to ease up on the stringent labour legislation that places a downward trend on the employability of people.

Management needs to change and learn that employees must be enabled, encouraged and rewarded to give full force or effect to the needs for change (see chapter 5, par. 5.5.2.5). Creativity is needed for change and this is where many companies, too rigidly structured and operating from a base of hierarchical control, will loose their competitive edge. The typical reaction to this problem is to cut fixed costs - i.e. labour.

Ignoring change would be to allow a company to be swept away by a strong current, leaving it without control of its destiny. With an unknown destiny, how could such a

company be steered to excellence, except by a stroke of luck? Although South Africa may be behind the rest of the world, a start has to be made in accepting change and even initiating change. This need is driven from the basics of removing poverty, resulting in empowerment. Empowerment will enable people to gather the strength to effect changes that are vital to the progress of our country.

Building learning capability and changing organisations to learning organisations and developing knowledge workers is critical for the future (see 5.5.2.3, question 11 of chapter 5). Ignoring such a need will surely lead to an organisation incapable of meeting the requirements to compete in a global market. With the advent of technological advancement, organisations should accept that continuous improvement is critical in keeping up with development changes and that ignoring these needs for adaptation will lead to the early demise of such an organisation (see par. 5.5.2.3, question 11 and par. 5.5.2.9, question 17 in chapter 5).

One of the biggest stumbling blocks in meeting the challenges of this required change in the new order is the ability to adapt to new demands timely. Eisenhardt & Brown (2003) is of the opinion that business and opportunities constantly fall out of alignment in turbulent markets. To stay aligned, businesses must be flexible enough to adapt timeously to global demands and shifting markets by aborting the traditional approach to strategy and replacing it with a model that allows for strategy to emerge from individual business units. The traditional bureaucracy simply does not work anymore.

Anon (2003) aptly asks the question on how to develop the necessary flexibility and capacity to serve customers and markets and grow profitably. One element of success, according to Blanchard (2007), is to have relentless focus on customer results. To effectively adapt, the nature of work must also be changed and the emergence of the knowledge worker bears testimony to this. With this knowledge comes productivity and competitiveness, without which a company will not enjoy longevity. This is where South Africa is in a desperate situation. The availability of

skilled labour remains problematic, with a poor ranking of 79 out of 102 countries on the quality of math and science education and a rank of 67 for the loss of skilled labour through "brain drain". This is also evident through the ranking of our tertiary enrolment rate as 65th out of 102 countries on a global scale (World Economic Forum, 2004). The challenge is to shift our comparable African advantage upmarket, away from current dependence on low skill, low income, slow-growth activities. Skills are required to meet this challenge and South Africa is desperately short of skilled labour. The government took the right direction with the promulgation of the Skills Development Act (97/1998) thereby addressing the desperate need for skilled workers, but this will take time to take effect.

Internal challenges, such as deeply embedded cultural and structural problems and obsolete products and external challenges, such as over capacity in the private sector, technological driven changes, new competition such as growing customer sophistication and market saturation should become management prerogatives as a matter of urgency.

Hawkins, (1998) stated that the region must seek export growth through extra-regional trade, meaning trade away from just the SADC regions. A far greater participation in the globalisation process than currently would mean securing competitive advantages through private investment (not aid) in productive and technological capacity. Currently, the SADC region has a low globalisation co-efficient when contemplating the low openness indexes, foreign direct investment inflows, non-equity linkages (in the form of cross border strategic alliances) and the international mobility of skills and expertise. Worst, the impact of HIV/AIDS on foreign direct investment is ranked 101 out of 102 countries, according to the World Economic Forum, with number 100 on the impact of HIV/AIDS on business!

Tourism and travel could help in achieving sustainable economic growth, provided the fears generated by the high crime rate are addressed effectively. Solid marketing is needed to achieve this. Naisbett (1994) mentions that tourism as a contributor to

the global economy has no equal. South Africa is seen as the world in one country and with the enormous exposure suffered due to apartheid, the country needs no introduction to the world. The following statistics indicate just how much tourism could assist:

- Tourism employs 204 million people worldwide, 10.6% of its total workforce;
- Tourism is the world's leading economic contributor, contributing approximately 10.2% of the world gross domestic product;
- Tourism produces tax revenues of US$ 655 billion;
- Tourism is the world's largest industry in terms of gross output, approaching US$ 3.4 trillion;
- Tourism accounts for 10.9% of all consumer spending, 10.7% of all capital investment and 6.9% of all government spending.

South Africa should not fail to capitalise on these golden opportunities, as a growing number of countries are recognising the desires of people of the world to experience environments and cultures other than their own. This brings us to the next challenge.

The economic policy of South Africa will dictate the success in alleviating poverty, as the inflows of foreign direct investment is directly proportionate to investor confidence; something that will only improve if we send the correct messages to international investors. To achieve this goal, it is suggested that the government:

- Consolidate its young and liberal democracy and reform its economy to become globally competitive;
- Strengthen the state's ability to provide essential services in the face of reduced capacity resulting from globalisation and create a climate conducive to economic growth within the wider global context; and
- Prioritise a large amount of socio-economic issues, including but not limited to: education, HIV/AIDS, unemployment and poverty reduction, corruption and

good governance, the excessively high crime rate and the weak criminal-justice system.

The questions asked in chapter 1 are aptly discussed in Mills (2000). He reasons that this is crunch time for Pres. Thabo Mbeki. He has to maintain domestic stability by managing the social and political costs of necessary economic reform. At the same time, he has to have a central foreign policy, which has immediate domestic implications, notably the need to stabilise the violent and weak regional neighbours. In fact, Silver (2003) in her research demonstrated clear evidence that multinational capital that is attracted by the promise of cheap and controllable labour, also brought along the transfer of the power bases. Consequently, labour was not only successful in raising wages, improving working conditions and strengthening workers' rights, but actually played a leading role in pushing social transformation agendas far more aggressively.

2.5 GLOBALISATION AS BOTH A POSITIVE AND NEGATIVE CHANGE PHENOMENON

As was already indicated, the world economic landscape is changing dramatically due to globalisation. The globe is being pulled into a network of relationships (social, economical, political and cultural) that transcends conventional borders. Technological advancement, the widespread movement towards trade and capital market liberalisation and the increase in multi-national corporate production and distribution systems are all contributing to the reduction of trade barriers and improved labour mobility (see paragraph 5.5.2.1 - question 9: The global nature of the industry in chapter 5).

This phenomenon is creating opportunities, but also problems. Loots (2002), Nash (2000) and The Economist (2001) argue for two schools of thought - one for and one

against globalisation. As a case in point, consider the following views on globalisation: (see questions 9, 10 and 16 in chapter 5 for research findings)

- Jobs are exported from multinationals to developing countries by virtue of foreign direct investment and production in special economic zones. This bodes bad news for developed countries, but could benefit developing countries.
- Domestically produced goods are replaced with goods purchased abroad, negatively affecting the GDP of that nation. Trade liberalisation is the main cause hereof.
- Globally operating companies specifically contribute to unemployment through the increased use of technology, thereby reducing their dependency on labour and causing retrenchment.

The opposite view holds that:

- Globalisation, through foreign direct investment, new technology and liberalisation contributes to growth, which is the key to employment.
- Unemployment is the government's failure to adopt sound macro-economic and labour market policies.

The position from whence this phenomenon is viewed will obviously be critical to the analysis. The following examples will illustrate the vastness of globalisation and the rate at which the world is changing:

- ITT employs over 400 000 workers in sixty-eight countries;
- Exxon operates in almost a hundred countries;
- General Motors has facilities in thirty-nine countries with annual revenue of over US$ 80 billion;
- Multi-nationals account for more than one fourth of total world economic production and this ratio is growing (Vago, 1999);

- The daily average volume traded on world foreign exchange markets has grown from US$ 15 billion in 1973 to what currently exceeds US$ 1000 billion;
- Global trade has expanded from a world export averaging US$ 1,000 billion in the 1970's to US$ 2,650 billion in the 1980's to an average of US$ 5,440 billion in the 1990's;
- World trade as percentage of world gross domestic product (GDP) increased from averages of 33% and 38% in the 1970's and 1980's respectively, to 41% on average in the 1990's;
- The volume of foreign direct investment inflows as percentage of world GDP increased from 0.7% in the 1980's to 2.2% in 1998, whereas world foreign direct investment inflows as percentage of gross domestic capital formation in all industries rose from 2.3% in 1980 to almost 11% in 1998;
- These trends took place despite a slow down in the world economy, which is clearly indicative of the unmistakable trend towards the globalisation of production (Loots, 2002).

No country is a self-sufficient island, as was evident in the spectacular collapse of the South African apartheid regime. Societies become interdependent in many areas of life, be it political, economical, cultural or social and these interdependencies become truly global with time. The true depth of globalisation as change phenomenon can possibly be better comprehended at the hand of the following analogy described by Sztompca (1994):

- The past societies encompassed an extremely diversified, pluralistic, heterogeneous system of isolated social units. Multiple and separable political entities ranging from hordes, tribes, kingdoms and empires to the most recent phenomenon called nation-states. The economies were independent, self-contained and autarkic units, with a variety of indigenous cultures that preserved their unique identities.
- The present unfolding society shows something very different. Politically speaking, the supranational units of variety jump to mind, such as NATO, the

former Soviet Union bloc, the "Group of Seven", the European Community, the United Nations, and so forth. World governments are starting to emerge, evidence of which can be found in the European Parliament, the International Tribunal of Justice or Interpol. In the economic realm, we observe the development of supranational co-ordination and integration in the form of the OPEC countries, EFTA and EC, regional and international trade agreements, global division of labour and the growing role of multi-national and international corporations. The demise of planned, state controlled economies heralded the emergence of an economic universal embracing the globe. The sensitivity of currencies to global events bears testimony to this global economic emergence.

Vago (1999) argues that globalisation has profound positive implications for developing countries, where new opportunities, wider markets for trade, an expanding variety of tradables, capital inflows and improved access to technology creates all these marvellous opportunities. However, the impact of globalisation has to be established in every unique situation to weigh up the benefits and/or disadvantages to the nation. Despite his view, the research done World Bank (2000; 2004; 2006) indicates that this capital inflow has not been as strong as it could be. South Africa has not fully benefited from foreign direct investment, as the effects of change in our society (as will be evident later on) created negativity and caution in the investor's mind. This problem will receive more attention later in this chapter.

Globalisation also fosters change in other ways. It contributes to the reduction of geographical and entrepreneurial frontier opportunities, sharpens the dichotomy between employed and unemployed and contributes to the rise in higher expectation and keener perception of the gap between potential and actuality. Harman & Porter (1997) also mentioned the increasing inequalities, rising unemployment and underemployment, commensurate with what they term "jobless growth," as outflows from globalisation. Economic difficulties such as fluctuation in currencies, foreign debt (of which Africa can never be left out of equation) and trade deficits can also

trigger further change as, we will see later on in the study. Mandle (2003) discusses two views on globalisation:

- The one view upholds the positive, where global market integration is seen as desirable, a process that helps to advance worldwide living standards.
- The other view holds that globalisation poses overwhelmingly negative consequences. The driving force behind the negative view is that the globalisation impetus is driven by greed of multinational companies, with benefits accruing almost exclusively to the already wealthy. In this sense, where globalisation goes, inequality deepens. The rich are becoming richer and the poor more desperate and numerous.

Sztompka (1994) supports the argument by saying that globality is an unavoidable problem of modern life, bringing both hope and danger. The process is all embracing in contemporary life - social, political, economic and cultural and is reflected in the social consciousness. New images of the world appear, some remaining at a level of common sense, some become articulated in globalism or anti-globalism ideologies.

Controversial as it is, globalisation is a phenomena that will not go away - it is part of a new world order, good or bad. In the great work of Stiglitz (2003), the controversy is addressed when he mentions that the international bureaucrats, the faceless symbols of the world economic order, are under attack everywhere. The conflict that this brings is manifesting through conflict and turmoil at virtually every meeting of the World Bank, the International Monetary Fund and the World Trade Organisation. Why, one would ask, does this happen as it also brings promises of improvement. One reason is that the globalisation agenda is driven by the West, ensuring that it garners a disproportionate share of the benefits, at the expense of the developing world. They are doing so by pushing the poorer countries to eliminate trader barriers, but keeping up their own barriers. The result is a growing divide between the "haves" and the "have-nots". The reality is that, despite repeated promises of poverty

reduction made during the past decade, the actual number of people living in poverty increased by almost one hundred million people!

The start of the new millennium, ironically, was a media event - one in which the vast growth in communication and information technology (so typical of globalisation) was typified in the fears of the millennium bug. The fortunes of states are now, more than ever, dependent on external events, as we will see later on in this study. The backlog in global connectedness incurred as a result of the former apartheid policies, poses many globalisation challenges for South Africa. Globalisation opens up many opportunities, but along with these opportunities come responsibility. One of the most important aspects to consider in this respect is the promotion of the rule of law and human rights. These are indispensable prerequisites for sustainable economic development and therefore for private investment, jobs, social equality and the reduction of poverty, according to Mills (2000).

Africa is plagued by a vicious cycle of conflict, poverty, failing states and lack of capital. Mills (2000) states that Africa (and hence South Africa), depends on the international community for sustainable development and the improvement of the unemployment rate. President Thabo Mbeki reiterated the role of the international community at the European Union's Africa Summit in Cairo during April 2000 when he stated categorically that he seeks agreement from Europe that extraordinary steps must be taken to encourage foreign direct investment inflows into Africa. The extent of foreign direct investment will be dealt with later on.

Globalisation has a negative effect on Africa, a sentiment echoed by the various authors mentioned here above. Some argue that the continent's under-development stems from disadvantageous structural relations with the rest of the world. However, the author postulates that, although agreeing with the need for foreign direct investment, the message sent by African leaders has shown quite the opposite to that of responsible governance and that the time has come for African leaders to accept responsibility for their own actions. The developed world cannot rightly be

expected to continually bail Africa out of the mess created by itself and its irresponsible leaders. In this respect, a famous saying comes to mind; "you cannot explain yourself out of a situation into which you behaved yourself". Zimbabwe's catastrophic land reform policies are a case in point. No developed nation in his right mind will invest in such a country.

Challenges for Africa brought about by globalisation, according to Mills (2000) are as follows:

- The declining importance of the control of territory as a critical factor in the creation of wealth;
- The awareness that modernity is created on industrialisation, innovation and education. It is known that scientific invention has been the spark of economic growth, allowing for rates of expansion that outpace that of the population growth - something South Africa desperately needs (although the impact of AIDS has not yet been quantified in this respect);
- The understanding that peace and social harmony are a function of better governance. The reality of the current crime rate and racial tension in South Africa unfortunately does not portray this understanding;
- The realisation that the supreme state power has given way to greater sovereignty by the people and the concomitant spread of accountability and justice within and between states; and
- The development of improved parity between sexes and races.

In the following section, the researcher will aim to address global change phenomena with a view to its impact on South Africa.

2.6 SOCIAL CHANGE IN SOUTH AFRICA

2.6.1 THE REALITY OF SOCIAL CHANGE IN SOUTH AFRICA

It has been said in this study that South Africa has been through profound change since the 1990's when our democratisation began. South Africa fared reasonably well when considering the predictions of Afro-pessimists that the disintegration of authoritarian rule would not lead stable and accountable government, but to a state collapse and intensified corruption. This clearly indicates the critical importance of the role of the state in sustaining our democracy. However, the general sentiment tends to lean itself towards some negativity with respect to the effects of social change on South Africa and the ANC government is not in an enviable position with respect to addressing these concerns.

The pace of change is not doing the South Africa population much good either. It has been found that the radical change that occurred in South Africa since the 1990's are causing people to experience change as traumatic due to the magnitude and speed of change (see par. 5.5.2.12, question 20 and 5.5.2.13, question 21 in chapter 5). Communal life is experienced as insecure, unsafe, violent and corrupt, with mainly a negative future vision without hope. The changes to be faced are numerous, such as those brought about by technological progress, ecological problems, economic progress, and catastrophic and drastic changes in norms and value systems. Similar daunting challenges face many South Africans in the political, educational and social frameworks. Concerns that are becoming more and more prevalent, according to Prinsloo (1998) are:

- Many people are unable to cope with all the societal, political and economic changes because these changes are overwhelming;
- Some people have become disrupted and corrupt to the extent that they resort to crime and violence unknown on this scale;

- Some people have resorted to unreasonable demands for expected (and promised) privileges; and
- Some people have resorted to the indifference of utter hopelessness.

These concerns relate back to what was said in the first chapter of this study - the government's needs to marry the needs of the economy to that of the people within a very small timeframe. Manning (1997) warned in this respect that once South Africa joined the global marketplace, the pace of change was not going to be dictated by South Africa. Other players with their own agendas were going to make the rules, and South Africa has little clout to swing business our way. The following results from research done by Prinsloo (1998) need to be considered with a view to understanding the implications of our new democracy and should serve as burning issues that need to be addressed in embracing globalisation:

- Demographic shifts: Uncontrolled population growth, despite a general realisation of the dangers of overpopulation. Lack of job opportunities drives people to the cities where urbanisation is getting out of control (also due to illegal immigrants and poor immigration control policies). The end result is high density living in squatter camps with health and safety risks to people and property respectively. Health and educational facilities are taking strain and there are more and more poor and unemployed people, putting additional strain on welfare. It is reported that the general living standard of the lower and middle economic classes is dropping rapidly.
- Economic progress: With the advent of the new government in 1994, great expectations arose in the minds of many South Africans with expectations of material and financial rewards in some or other way. These promises and expectations obviously never materialised, leading to bitterness in relationships arising from this desire for wealth and possessions. The "Ubuntu" spirit, calling for joint effort to the benefit of all, had to make way for a spirit of "as much as possible for myself." Respondents in the research attributed the lack of basic necessities to a lack of interest to create job opportunities. The

RDP programme in the minds of the respondents failed dismally and the demise of previously well-functioning institutions are brought about by affirmative action as competent people being replaced by unskilled and uneducated people. Further economic decay is evident in the vandalising of schools, libraries, cinemas, parks and playgrounds and the culture of non-payment of bonds and electricity accounts. The unacceptable high crime rate is also bringing about fear and uncertainty, leading to the withdrawal of much needed capital and investment that could aid job creation and retention.

Mills (2000) supports these concerns when mentioning the apparently declining ability of the government to provide for the increasing numbers of citizens and to generate economic activity, leading to lower unemployment figures. The researcher wishes to add the apparent inability of the state to control illegal immigrants to South Africa that adds to the burden. Visagie & Botha (1998), Venter (2006) and Nel *et al.* (2008) support this notion when they unequivocally state that the single most serious economic issue facing South Africa is the relatively high unemployment rate. This was said in 1998, and here in 2008, the position has only deteriorated.

The state has a major role to play in achieving the effective counteraction of the findings of the research. The following section will seek to address this issue.

2.6.2 THE ROLE OF THE STATE IN SOCIAL CHANGE IN SOUTH AFRICA

As we have seen in the introduction of this chapter, change is ubiquitous and increasing in pace. South Africans have no choice but to face the realities of changes brought about by not just our own transformations, but also those of globalisation. Russel (2002) sums it up very well when she states that people are either connected and integrated as part of the new global network of capital, information and power, or not connected; dividing the world not into North and South anymore, but between the networked who makes money and the rest. Everybody either suffers or enjoys the

consequences. Globalisation therefore does not integrate everybody into the new economy; in fact, it currently excludes most people, but affects everybody.

Linked to this important role, is that of building institutional capacity, i.e. the ability to provide social services such as schools, welfare, economic infrastructure and symbols such as a national flag and anthem, official languages, etcetera. Part of this responsibility is to deliver these goods to the whole of the nation, where state autonomy transcends communal loyalties and obligations. If this does not happen, the state will be viewed as a partisan ethnic state serving as an instrument of dominion or discrimination favouring certain communities in the provision of public goods (Kotze, 2000).

To achieve this goal, the government announced its RDP plans, including fixed socio-economic goals. One very important goal of RDP was the creation of some 2.5 million jobs in 10 years. Having failed to achieve what was set out to achieve, (despite some successes) the Growth, Employment, and Redistribution plan was launched in 1996 in replacement of the RDP (Department of Finance, 1996). The RDP programme would, however, continue as an instrument of the government's socio-economic planning. The RDP programme would serve in an explicit position in favour of a quota system for employment in the civil service. Personnel were subsequently replaced at an accelerated rate to the point where state autonomy came under pressure due to the vast losses in skilled people. This added to the brain drain, as professionals left the country and so left the state with an "experience deficit".

Now it appears evident that the state has a major role to play in sustaining its autonomy, implying its capacity to meet its social and economic objectives. This is crucial for the growth of the economy, something that we need desperately to counteract the effects of retrenchment and unemployment. According to the World Bank in the World Development Report (1997), it is the states' responsibility to match activity with its capacity. They state that many governments try to do too much with

too little resources and littler capacity. Where a government focuses on core public activities that are crucial to development, these will enhance their effectiveness. The second issue that the report focused on was that over time, the state must look for ways to improve its capacity by reinvigorating public institutions. So, capacity building is critical. This capacity can be measured in terms of the effective execution of institutional, technological, administrative and political functions.

2.6.2.1 INSTITUTIONAL CAPACITY

State administration should be seen to be stable and predictable. An increased or even perceived increase in crime, corruption, the misapplication of power and/or the jeopardizing of property rights indicate a weakening of state institutions. One merely needs to reflect on the disastrous consequences observed as a result of Zimbabwe's recent irresponsible land reform actions to understand the importance of this statement.

The percentage of South Africans that believed that the government is on the right track declined from 76% in 1994 to 43% in 1998. A part of this problem is attributable to the fast pace of transformation in the government, leading to capacity problems arising from the loss of experienced people (Kotze,2000).

This growing pessimism is also attributable to the rising crime rate. The causal link between economic decay and rising crime has been shown many times, with statistics indicating the most dramatic rise of crime in the post 1991 period. Contributing factors to rising crime were the appointment of black judges, reduced judicial output, the shortage of qualified public prosecutors and the numerous confirmed cases of corruption. This became so serious that the World Bank report of 1998 indicated corruption as the most serious government related constraint in doing business with South Africa (Kotze:2000). The trends indicated by the World Economic Forum (2002; 2003; 2004), ranking South Africa's position on organised

crime is very disturbing. South Africa started off with a rank of 70th out of 102 countries, regressing to number 81 in 2004. We have now reached a point where our democracy is in danger of collapsing if this does not improve.

2.6.2.2 ADMINISTRATIVE CAPACITY

Service sector budget cuts can also lead to capacity constraints. The profound effects of the transformation that the state went through reverberate into the aftermath of the collapse of provincial government. Kotze (2000) reasons that acute staff cuts may be necessary in certain provincial government structures to avert the total collapse of service provision and infrastructure. The Limpopo province has already reached 90% of its annual budget by spend on salaries and certain state departments are grossly overstaffed.

These problems led to the inability of government to maintain a strong and effective government. The democratisation of local government led to enormous capacity problems with the commensurate culture of non-payment for services resulting in debts worth R10 billion. Despite Nelson Mandela's launch of the "Masakane" campaign in an attempt to speed up service delivery and re-instating a culture of payment of accounts, recalcitrant inhabitants continue with this culture. The end result will be a further decline in the ability to deliver service and hence more job losses may be incurred.

2.6.2.3 TECHNICAL CAPACITY

The ability to analyse and manage macro-economic policy has improved considerably since 1994. The GEAR strategy aimed to promote economic growth, job creation and inflation control, according to the South African Department of Finance (1998). To achieve these goals, the GEAR strategy needed to deliver on sustained

growth, requiring a competitive, export orientated economy. In the process, a growth rate of 6% was estimated together with the creation of 400 000 job opportunities annually by the year 2000 to meet the demands of international competitiveness.

The world agrees that this strategy is well designed, but concerns remain whether sufficient political support is present for its effective implementation. An opinion poll conducted in November 1998 revealed that job creation/unemployment (73%), crime (67%) and education (24%) are viewed as the most burning issues facing South Africa. These figures correlate with those quoted in the Global Competitiveness Reports (World Economic Forum 2002; 2003; 2004). These concerns are very valid considering the then forecasted unemployment rate of 37% by the year 2000 and that unemployment rose by nearly 20% during the period 1994-1997. This clearly indicates a high level of dissatisfaction with the state (Kotze, 2000). The latest unemployment statistics supports the concerns.

Another concern relating to the state's capacity is the "orthodox paradox" of economic reform. In terms hereof, reducing the state's control over the economy requires an increase in technical and bureaucratic capacity. This means the ability to supply essential services, improvement of human capital and the facilitation of effective and equitable market functioning. It was mentioned that political support is required for effective implementation of the GEAR policy, but the increased tension between COSATU, the ANC and the SACP does not reflect enough support for it. However, technocratic decision-making and the internationalisation of economic decisions have increased state capacity in this respect.

2.6.2.4 POLITICAL CAPACITY

The government initially did well in responding to the demands of civil society and to encourage public participation in decision-making and conflict resolution. Legislation is developed through extensive public consultation.

However, recent legislation has been passed without sufficient public participation with legislation being steam-rollered through. This led some people to believe that the government does not care for its minority groups. This exclusion may result in loss of the state's capacity to create stability, pressurising the state's legitimacy. The unchallenged implementation of the National Liberation Movement implies that the state is not a neutral, non-partisan entity; but an important instrument that is used to pursue the interests of a class or group of classes. The document states further that the struggle is ultimately about socio-economic resources and their allocation.

The NLM thus caters for the interests of black workers, the black middle strata, black business in its various ramifications and the rural poor and others. Lastly, with the emergence of a rising politically and economically important black capitalist class, the perception of an interventionist state is enhanced because of the emphasis on a state working for the advantage of black peoples. State autonomy, very much like the apartheid regime, may be eroded as a result (Kotze, 2000).

2.7 THE SOUTH AFRICAN GOVERNMENT AND COSATU'S VIEWS ON GLOBALISATION AND RETRENCHMENT

Many arguments have been floated to either support or destroy the approach taken by the South African government and other stakeholders with respect to globalisation and the potential impact on employment levels and the society.

In support of the interference argument, Streak (1997) reasons that institution building (compare with Kotze, 2000) and effective conflict management by the state will contribute to the promotion of development. The argument is based on a certain institutional configuration that will launch the economy into a higher growth path, something that is desperately needed to avert the need for retrenchment. Conversely, she argues that certain constraints are imposed on state action that undermines the creation of institutionalisation and therefore explains the opted route of liberalisation. However, she feels that this choice will render development opportunities uncertain, even poor and that this will leave accelerated growth programmes primarily at the mercy of foreign investors.

Kotze (2000) holds a similar view when it is argued that state capacity is critical for achieving its political and economic objectives. This capacity is measurable in terms of effective execution of institutional, technical, administrative and political functions. The specific state factors that relate to capacity are stability and predictability. An increase in crime, corruption, misapplication of power and/or the jeopardizing of property rights serve to demonstrate a weakening in state institutions, whether these increases are real or perceived.

Enough evidence exists that South Africa has been accelerating its participation in the globalisation process, but with mixed results. Since the ANC took over the leadership of the country in 1994, a major turn towards outward orientated policies has taken place. Employment performance, according to the International Labour Organisation report on the social impact of globalisation (2001) and Jenkins (2005), employment performance over the past decade, despite a slight improvement in the GDP growth rates, has been far from satisfactory. Official data reports a strong decline in the total non-agricultural employment between 1990 and 1993, stagnation from 1994 to 1996 and further job losses in 1997, continued in 1998.

In this respect, the International Labour Organisation (2001) reported on the social impact of globalisation and states that the process of trade liberalisation initiated in

1994 may have contributed to weak employment performance in South Africa. It said that, although the country has recovered from the recession and negative growth rates of the early 1990s, moderate rates of economic growth and an increase in labour productivity still have been associated with a weak employment performance during 1994-97. As a result of the poor employment performance, the already high unemployment rate increased between 1994 and 1997. In fact, the unemployment figure as per the expansive definition quoted by Statistics South Africa was still 41.8% on March 26, 2004. Creating employment is therefore a priority in South Africa, but we cannot be too optimistic. Why is this? Judging by the increase in the number of company liquidations, (an increase of 57% since 1993), Loubser (2005) makes no secret that for a developing country like South Africa with a 41% unemployment figure, this is close to disaster. Therefore, although marginal gains on the unemployment rate are now evident, the trend has not brought enough evidence to lift the issue of unemployment off the countries' burning platform (Statistics South Africa, 2007).

The International Labour Organisation (2001) further found that due to the specialised nature of a capital-intensive market, trade liberalisation favoured these sectors of the economy relative to labour intensive ones, thereby reducing the demand for labour. Furthermore, job losses, as they relate to retrenchments and redundancies, seem to be attributable to the process of rationalisation or downsizing. This downsizing, according to Jenkins (2005) became necessary as a result of increased international competition. However, the introduction of labour saving technologies in the form of new machinery and equipment, (although not the main factor at work), were also contributing factors. In a low-growth environment characterised by low investment rates, enterprises often react to increased international competition by rationalising production and downsizing employment (Venter, 2006).

Although it may appear prudent that some form of state intervention in the economy is necessary, this intervention should be applied in an appropriate manner. Following the strengthening of the South African currency against the backdrop of a weakened

US$ (after the invasion of Iraq), the gold mining industry is yet again facing tremendous difficulty. Record profits in 2001/2002 quickly made place for imminent mass retrenchments, as some major mining houses are looking towards restructuring its South African mining operations and to diversify their international interests. Brown, (2003) states that the DRD group is going from expansion to contraction, leading the company towards "a rightsizing" exercise to remain competitive, commensurate with an expected loss of some 1000 employees with further job losses likely. Bridges (2003) mentions that the Harmony Group warned that a further 10 000 jobs may be on the line if the rand continues to strengthen. At the peak of these difficulties, the government is attempting to steamroll through their ill conceived new Money Bill, requiring a 3% tax on revenue from the mining houses! This will inevitably contribute to job losses. The South African Mining Development Association (SAMDA) states clearly that this bill will increase costs and decrease jobs (South African Mining Development Association, 2003).

Haffajee *et al.*, (2001) mentions that a deal was signed by the Millennium Labour Council and Anglo American with a winning formula for South Africa in 2000. The Millennium Labour Council consists of 12 leaders, 6 each from labour and business. The deal originated from the loss of 700 jobs in the last quarter of 2000 and the rising rate of unemployment. They clearly acknowledged that the economy's inability to generate jobs is a source of social and political instability.

The essence of the deal recognises that a dual economy must come into existence. Labour regulations for the small business should be more relaxed than for the medium to large companies. This foreseen dual economy also means a conflict for business in that the dual economy means minimal government interference or regulation for large companies, versus emerging small and black businesses that need subsidies, empowerment, incentives and regulation.

Controversy still reigns, however. Haffajee *et al.* (2001) mentioned that affiliated unions scathed COSATU for allowing the labour to be stripped of its militancy and thereby loosing their bargaining chip, versus some industries who were worried about

labour's right to strike over retrenchments and the new business transfer laws that will make former owners severally and jointly liable for the provision of retrenchment benefits. The business sector further worries that the threshold for the exclusion of the small business is too low (fewer than 50 employees). The main reason is that most new jobs will be created by small business, not the Anglo American companies of the world. The fear is therefore that these new laws could scare potential employers away, hardly an affordable situation in the face of increased global competition and high unemployment.

As was mentioned earlier in this chapter, controversy still prevails with respect to the correct model to follow amongst business and labour leaders. The model clearly needs to address the already mentioned anomaly of balancing employment creation and retention with that of economic growth and improved productivity and competitiveness.

Nel (2000) mentioned that the proposed amendments to the Labour Relations Act (Act 66 of 1995) evoked an extremely strong response from COSATU. The difference between the perceptions of the Minister of Labour and COSATU could not have been starker. The state holds that the new amendments will contribute significantly to better governance of the labour market and improve the situation for employers and employees, employed and unemployed, large and small business, the public and the private sector. COSATU, on the other hand, held that these amendments would seriously destabilise the new labour dispensation and will facilitate and promote the mass destruction of jobs. They further argued that it will undermine the protection of vulnerable workers and will destabilise the current collective bargaining system (Nel, 2000).

The pleas from COSATU not to proceed with privatisation of state assets culminated in a planned strike that occurred on 1 and 2 October 2002. Smallhorne (2002) states that COSATU is extremely worried about the unemployment rate and fear a national catastrophe with the rise in unemployment from 16% (official and narrow definition) in

1994 to 29.5% in 2001. By using the wider definition which includes the discouraged and those who quit looking for a job, the rate stands at 41%.

Meyer (2000) notes that COSATU is extremely concerned about the socio-economic impact of restructuring and privatisation since it may lead to enormous retrenchment and job losses. Conversely, it is noted that generally speaking, business leaders in South Africa agree that privatisation will stimulate investor confidence, which is already badly dented by the high crime rates and the rands' landslide. The Afrikaanse Handelsinstituut (AHI) has the following view on privatisation:

- Decision-making independent of political approval should encourage better performance of privatised state owned enterprises;
- Improvement in the efficiency and profitability of these enterprises, stimulating economic growth, increasing state revenue directly through the sale and indirectly through tax revenue;
- Broader ownership in the South African economy;
- The more productive use of state funding through privatisation would no longer be necessary to subsidise unprofitable state owned undertakings; and
- Income generated through the sale could be used to repay state debt or expand infrastructure.

As can be seen, globalisation certainly brings technological change to the developed world, but the paradoxes faced by many South African companies in finding the balance between capital intensive business (in order to compete globally) and the injection of labour into the economy to sustain social development is not an easy task. The further daunting challenge is to remain competitive, while having to invest heavily in job creation and the commensurate need for skills development to enable sustained competitiveness (Productivity SA, 2008).

2.8 FOREIGN DIRECT INVESTMENT, COMPETITIVENESS AND SUSTAINED DEVELOPMENT (See par. 5.5.2.1 and 5.5.2.2, questions 9 and 10)

It has become clear by now that one of the key elements of a sustained economic growth path which is critical to reverse the unacceptably high unemployment figure in South Africa is that business has to shape up and become globally competitive. Becoming competitive also infers having the means to become competitive. The means hereto refers to the availability of skills and capital. These skills may be brought in from abroad or derived from a national base. The same applies to the much-needed foreign direct investment.

2.8.1 FOREIGN DIRECT INVESTMENT (see par. 5.5.2.2 in chapter 5)

According to the World Bank (2000), foreign direct investment will go a long way in ensuring that technology (which may negatively affect employment levels in the short and medium term) is affordable to transform non-competitive companies into competitive companies. Improved competitiveness will also support the notion of sustained development. A competitive nation will attract foreign direct investment, as the investment made should theoretically generate a decent return through its competitiveness. This poses the next problem for South Africa. The following table (table 1) illustrates the low levels of foreign direct investment (only 2.8% of all FDI stock) into Africa compared to the rest of the developing world.

Table 1: World Economic Forum foreign direct investment stock

Region	Amount in Billions of US$	Percentage of total
Industrialised countries: • Western Europe • North America • Other	Total: 2,349.4 1,276.5 857.9 215.1	Total: 68% 36.9% 24.8% 6.2%
Developing countries: • Argentina, Brazil and Mexico • Other Latin America • China (incl. Hong Kong) • South-East Asia* • Other Asia • Africa • Other developing countries	Total: 1,043.7 249.2 126.2 244.2 253.1 96.3 65.2 9.4	Total: 30.2% 7.2% 3.7% 7.1% 7.3% 2.8% 1.9% 0.3%
* Indonesia, Republic of Korea, Malaysia, Philippines, Singapore, Taiwan (China), and Thailand		

Source: Adopted from: World Bank (2000).

What is clear from the table is that foreign direct investment flow into Africa is low. Compared to other parts of the globe, Africa only attracted about 5% of the total foreign direct investment between 1991 and 1998. Of this foreign direct investment, the most important recipients were Egypt and Nigeria, accounting for about one third of foreign direct investment into the whole of Africa.

In the address of Mr. Tito Mboweni, Governor of the South Africa Reserve Bank, at the International Jubilee Conference of the Economic Society of South Africa, he stated that the new government supports an open economy (Mboweni, 2001). He felt that this is where South Africa's future lay as a competitive participant in a globalised environment. He claimed that South Africa has changed its focus of trade and industrial policy to the pursuit of employment creating growth through improved international competitiveness.

In furtherance of improved competitiveness, amendments to the Competitions Act (89/ 1998) were promulgated. These objectives are:

- Promotion of the efficiency, adaptability and development of the economy;
- Provide consumers with competitive prices and product choices;
- Promote employment and advance the social and economic welfare of South Africans;
- Expand opportunities for South African participation in world markets and recognize the role of international competition;
- Ensure that small and medium sized enterprises have an equitable opportunity to participate in the economy; and
- To create a greater spread of ownership, in particular to increase the ownership stakes of historically disadvantaged people (South Africa, 1998).

The government committed itself to the privatisation process by selling strategic stakes and forming partnerships with the private sector (Jenkins, 2005). This process is expected to yield benefits for the fiscal budget, attract foreign direct investment and help to reduce prices and improve infrastructure.

The link between competitiveness and productivity has been shown in paragraph 2.2.3 in the beginning of this chapter. However, if South African businesses are to achieve higher levels of sustainable economical growth and improve its competitiveness, the following measures proposed by the National Productivity Institute need to receive urgent attention:

- Establishment of a national productivity agreement;
- Effective application of the new skills development legislation;
- Optimising opportunities presented by new trade dispensations between South Africa, the United States of America and the European Union;
- The beneficiation of raw materials;
- The innovative use of technology; and

- The development of SMME's and empowering historically disadvantaged groups (Productivity SA, 2008).

Productivity SA (2008) notes that the South African Social Plan was a response to the job shedding in South Africa and was agreed to by labour, the government and business. The approach is to strive to prevent job losses and stimulate local economic developments in areas that were hardest hit by job losses. Where retrenchments become unavoidable, the process and affected parties are managed as humanely as possible. In this way, the National Productivity Institute plans to develop the capability to anticipate job losses across all sectors of the economy. They will then establish a co-operative environment for strategies that will make industries more competitive by improving productivity and generating efficiencies. The Social Plan therefore is an appropriate response to the negative consequences of economic restructuring.

South Africa, according to Jenkins (2005) and Venter (2006) has been negatively impacted by globalisation. The measurements for participation in the globalisation process, according to Loots (2002), and Jenkins (2005) are:

- Trade (exports plus imports) as measurement of international trade. This figure serves as the openness of the economy as referred to by the Reserve Bank's president.
- Participation in international financial flows, including portfolio investment (equity and bonds) and
- Total net foreign direct investment inflows.

At this point in time, by investigating the following table, the world's negative sentiment is reflected in the negative number of -0.2 for FDI inflow into South Africa.

Table 2: Regional globalisation comparisons, 1994-1998 (as % of GDP)

Region	*Trade*	*Net FDI inflow*	*Net portfolio inflows*
All emerging markets	82.6%	2.8	1.8
Asia	129.7%	3.3	2.3
Latin America	37.9%	3.2	1.7
Eastern Europe	74.0%	3.1	1.5
Other	57.4%	1.1	1.0
South Africa	49.0%	-0.2	2.8

Source: Adapted from Loots (2002).

From the table it is clear that South Africa scores the lowest on foreign direct investment, although one reason quoted is that South African companies have used the opportunity to invest abroad.

In paragraph 2.6 earlier on in this thesis, the researcher touched on the subject of the government's capacity and the implications of a rising crime rate. This appears to be a huge problem in attracting foreign direct investment into South Africa. The World Economic Forum (2002) rated South Africa 70th out of a possible 75 countries on organised crime, and this figure moved down to number 56 in 2003 and again shot up to number 81 out of 102 countries that were surveyed by the report - disturbing statistics indeed (World Economic Forum 2002; 2003; 2004)! This figure simply has to be brought down substantially if we are to improve the Western societies' perception of our country. The subject of crime and its relationship to retrenchment and unemployment, (according to Venter, 2006) will receive more attention later on in chapter 3.

President Thabo Mbeki, according to Bond (2001) desperately tried to attract foreign direct investment, but by mid 2000, he appeared to concede to the futility of his efforts. In his address to US corporate representatives in San Francisco, President

Mbeki (according to Bond, 2001) stated that many countries have actually created climates conducive to investment, such as trade liberalisation, privatising state assets, reforming the tax structures, and generally adhering to the requirements of the investors. In particular, South Africa has:

- Reduced tariffs to levels equivalent to that of advanced industrialised countries;
- Restructured and reduced subsidies to the agricultural sector to make it one of the least subsidised agricultural sectors of all major agricultural trading nations;
- Developed sound macro-economic policies;
- Developed a sophisticated and equitable labour relations system;
- Played an active role in all multilateral agencies across the globe; and
- Developed and maintained stable and effective fiscal systems.

Despite the above measures, investment, as is evident from table 2 has all but materialised to the extent that it was expected to and unemployment and poverty levels remained high (Bond, 2001; Venter, 2006). The allegation made by President Mbeki against this problem was that the world treats the continent as one country, punishing one country in the south for the sins of another country in the north. As evidence to this problem, the effects of the Zimbabwe fiasco reverberated in our currency values as did the influx of unskilled labour from other African countries.

2.8.2 SKILLS AND COMPETITIVENESS (See par. 5.5.2.2 in chapter 5)

As was mentioned in the introduction of in this chapter, becoming globally competitive is a means of averting job losses in the form of retrenchment. Skills formation is vital in this capacity and the government took the right direction with the promulgation of the Skills Development Act (97/1998). However, legislating and regulating this issue may be fine, but the ultimate test will lie in improvement in

foreign capital that will ultimately be attracted, followed by improvement in the export volume to the globe and a rise in investor confidence in the country.

In the global economy, economies need to transform from resource-based to knowledge-based economies if they intend to become and remain globally competitive (see par. 5.5.2.3, question 11 of chapter 5). In this respect, Davis & Meyer (1998) note that the basis for competitiveness in business is more than just the function of what it knows, but more a function of how it uses what it knows and how fast it gets to know new things. At low levels of economic development, growth is measured by the mobilisation of primary production factors, such as land, primary commodities and unskilled labour. South Africa has an abundance of unskilled labour, according to Venter (2006). As the economy shifts from low to middle-income status, competitiveness becomes investment driven. In this process, global technologies are increasingly utilised for local production. During this phase, foreign direct investment is critical for integration into the international production system. The last phase of economic transformation is a nation generating technology rather than importing it. This could lead a nation to become a high-income economy which, in terms of global competitiveness, is critically linked to high rates of social and science based learning (World Economic Forum, 2002; 2003; 2004). This highlights the critical need for skills development.

Closely related to skills development has to be the retention of talent and skills (see par. 5.5.2.2, question 10 in chapter 5). In order to achieve this, South Africa necessarily needs to create incentives to terminate or at least slow down the loss of skills from the country - commonly known as the "brain drain" (World Economic Forum, 2006). When contemplating the rating achieved for given to South Africa by the World Economic Forum for "brain drain" (we achieved 64th place out of 75 countries) the picture does not bode well for our availability of skills (see par. 5.5.2.3 in chapter 5). Secondly, it does not serve the country in its extreme need for scientific skills to launch the country into a technology exporter and therefore a high income generating economy.

Goffee & Jones (2007) supports this argument when they mention that economies of scale must make way for economies of ideas, since in the knowledge economy competitive advantage can only be generated by ideas and intellectual know how, and not by cost efficiencies which can be duplicated by competitors. According to Reddy & Conger (2007), any company with growth ambitions in the global arena has little hope of achieving its goals without the ability to put talented people on the ground, and fast. A failure to recognise the need for talented employees may cause a steady attrition of talented people and end up having a pool of employees with outdated skills. These companies risk extreme vulnerability during turbulent times if they do not fit the right people in the right holes, according to Cohn, Khurara & Reeves(2005).

Multi-nationals are becoming the conduit through which skills can be transferred to another country. The developed world, according to Brown *et al.* (2001) regards skill formation as a prerequisite for prosperity and social justice. The knowledge economy now has become the symbol of the global, technological and social transformation of the 21st century. (see par. 5.5.2.3, question 11 of chapter 5). Information needs to be turned into knowledge, which in turn should manifest in technology and hence labour. The principle is that economic competitiveness relies on the talents and skills of everybody. Simply put, if everyone can acquire the skills required by business, it should be reflected in higher wages - so reducing the income polarity problems that society faces. The influences of the society must be considered before such a bold step will work, however. These influences will be discussed later (see section 2.11 – Labour Challenges). The relationship between the role of government and the marketplace in the context of economic globalisation for skills development, according to Brown *et al.* (2001) highlights the political economy and how the state, employers and trade unions position themselves in the formulation of skill formation policies. In this respect, a huge challenge will be faced by employees themselves; the issue of employability. Economic efficiencies today will be reflected by employees who have key skills in the arena of teamwork, communication, problem-solving and creativity. Research into modern management practices indicated that creativity is

one of the key attributes that a company will need in the ever increasing pace of change. More emphasis is put on individual initiative and self-reliance that challenge the routine, rule following behaviour in the corporate world. The relationship to retrenchment can be found in the term "employability". With the ever-increasing pace of globalisation, the issue of life-time-employment can be challenged. However, employability also means shifting the responsibility for employment from the government to the individual, ultimately materialising in the balancing of responsibilities with the government who needs to provide regular training to keep an employee "employable" in order to keep up with developments in his work area.

The researcher postulates that, in the South African context, we are very much removed form this reality across the broader base of "employable" people. The first step to take would certainly be to devise steps to keep skilled South Africans from adding to the "brain drain" statistics. Secondly, a culture change is required to transcend people from a culture of being a "victim" to accepting responsibility for who they are and what they become. The role of the government is to stop ill-conceived practices that exacerbate the loss of skills, such as forcing medical doctors to work for two years for mediocre salaries, but with huge study debt and then expect them to stay in the country. A last remark is that the government is probably too focused on maintaining the support of its constituency through affirmative action and black economic empowerment rather than focusing on what the country needs to become more productive and skilled, hence the reduction of training and educational standards. The World Economic Forum indicates just this with a rating of 53 out of 75 for tertiary enrolment and 64 out of 75 for difference in quality of schools. Although tertiary enrolment figures improved, the quality and availability of scientists and engineers have declined from rank number 71 out of 80 countries, to 79 out of 102 countries (World Economic Forum 2002; 2003; 2004).

The relationship between acquiring skills and the "employability" of people, becomes stark when contemplating the organisation of the future, as portrayed by Kotter (1996). He maintains that the employee of the future will have to face terrible hazards

and wonderful opportunities in the organisation, driven by globalisation along with related technologies and social trends. He lists the following attributes of the organisation of the future:

- A persistent sense of urgency. A high sense of urgency helps in completing the stages of transformation and if the external need to change increases, the sense of urgency needs to be high all the time. To achieve this goal, an extremely effective performance information system is required. Candid discussion of issues will become critical and there will be no more room for "political correctness."
- Teamwork at the top. In a slow moving world, a good CEO will work. When the pace turns medium, teamwork will be necessary to deal with periodic transformations, but when the pace really turns on the heat, teamwork is required all the time.
- People will need to create and communicate a vision and strategies. This skill will need to be developed, as managers were taught how to maintain the status quo, whereas leaders will deal with change. This century will require many more leaders than managers. Without this, transformation will not happen at a pace commensurate with globalisations' requirements. Highly controlled organisations tend to destroy leaders, as people are not allowed to blossom, test themselves and grow. The new organisation will have to incubate leadership.
- Broad based empowerment. All the hearts and minds of employees must be required to deal with the fast pace of shifting realities of the business climate. In a disempowered organisation, critical information about quality will reside in the minds of workers and energy to implement change will lay dormant. The secret here lies in flat hierarchies, little bureaucracy, the propensity for risk-taking, self-managing employees and leadership, rather than management focus.

- Delegated management for excellent short-term performance. Excellent systems and a great deal of authority are required to support delegates in achieving results.
- No unnecessary interdependence. Meetings, reports and unnecessary paperwork infringes on the achievement of results. Unnecessary interdependence will become intolerable, leaving the need to have constant cleaning of the system.
- An adaptive corporate culture. Corporations with adaptive attitudes are immensely competitive, as they can embrace and initiate change, and in the process produce and innovate faster than any competitor. These companies run circles around their competitors.

The value of competitive capacity cannot be overstated. However, to maintain this capacity, the continued availability of high skills is imperative in an ever-changing world. The only way to ensure this continued supply of skills is to embrace a process of lifelong learning (Kotter, 1996).

2.8.3 LABOUR STANDARDS AND COMPETITIVENESS (see par. 5.5.2.2 and 5.5.2.3 in chapter 5)

Labour standards can have a profound effect on the competitiveness of industry. In the globalisation of the world economy with increased labour flexibility, industry may seek to invest in countries where fixed costs can be saved through the utilisation of cheap labour. South Africa is known for its violent and unstable labour relations history, but fortunately this phenomenon has levelled out. When the ANC took power in 1994, a variety of new pieces of labour legislation originated. In certain ways, this was good, but in other ways, the government is seen not to be pro labour, but pro union through its alliances with COSATU and the South African Communist Party. This relationship and the associated perception create difficulty in the eyes of potential investors, as restrictive labour relations legislation dissuades investment in

such an oppressive environment. Mabotja (2002:48) quotes the warning issued by Van Niekerk that the perception of South African labour law reform will worsen the country's ability to attract foreign direct investment, blaming the government for being too interventionist. When contemplating the World Economic Forum's ranking of South Africa on labour-employer relations and co-operation (78th out of 102 countries), it certainly is not something that attracts foreign direct investment

There is also a positive side to it, however. Through the trade union movement seeking social justice for members, the International Labour Organisation proposed certain standards for member countries, of which South Africa is one. These standards are invariably embodied in trade agreements between nations. Proving to comply with the conventions of the ILO, trade agreements and contracts can be secured which may assist in embracing globalisation.

Raynauld & Vidal (1998) argue that the intention of labour standards are, not only to ensure the continued business relationship with reputable, non-labour exploiting trade partners, but to preserve a competitive environment that could otherwise be endangered as well. In this respect, the ILO conventions relating to retrenchment (see following chapter) will be enforced and may prevent foreign companies from exploiting cheap labour in South Africa to gain a competitive advantage. However, the argument for the believers that the liberalisation of trade will lower the level of worker's wages due to the need to be the lowest cost producer is torpedoed by the fact that the subscribers to the ILO conventions are all aiming to raise labour standards.

There certainly is a cost involved in adopting high labour standards, but Raynauld & Vidal (1998) discusses the following three reasons for its necessity:

- Workers are forced to acquire a number of minimum consumer goods and services to survive;

- When it contributes to the acquisition and financing of goods that are linked to employers in some way as a result of where it is consumed or how it is financed; and
- To take account of externalities

The cost of adopting the above standards are measured in the number of jobs lost as a result of its adoption, eventually then reflected in consumer and producer surplus losses. This is where the role of the government becomes crucial. The challenge lies in the careful selection of standards, adjustment to incomes and the establishment of the extent, nature and appropriateness of government intervention.

The World Economic Forum (2006) reason that the rationale behind labour standards can be found in the fear that developing countries may intrude on the competitiveness of developed countries, as traditionally, one would expect that developed countries pay much higher wages than the developing countries. This is not the case in South Africa, as the country is rated 62nd out of 75 countries on pay and productivity with a view to competitiveness. This means that our labour costs are viewed as high, yet the average GDP per capita is only US$ 9189. This picture is skewed because of the high unemployment rate.

Heintz (2003) discusses the prevalent view on international labour standards. This view holds that international labour standards should be seen as preventing a "race to the bottom". This means that upward harmonising of standards will stop competitive pressures from reducing labour protections to their lowest common denominator. What this means for competing industries, is that global integration creates a situation in which the deterioration of basic standards is rewarded by increased competitiveness and profitability. And in this situation, individual countries cannot raise labour standards without compromising their competitive advantage. Competitive advantages derived from weak labour standards are frequently seen as "unfair" competition, since international co-operation in the form of global standards could produce better outcomes. However, global labour standards also have its

warnings and downfalls. The arguments against global labour standards hold that it invariably will trigger unintended consequences that may end up hurting the very people that it is intended to protect. In this way, global standards may create market distortions that reduce economic well-being due to an inefficient allocation of resources.

The conclusion drawn is therefore that the government of South Africa (as reflected in the first paragraph of this section) has not yet managed to achieve the correct balance in the adoption of appropriate labour standards. This view is supported by the fact that South Africa has moved from position number 71 out of 75 in the labour-employer relation arena, to number 70 in 2003, and finally moving down to number 78 in 2004 (World Economic Forum 2002; 2003; 2004). The sad reality here is that industry will struggle to sustain the drive towards utilising the opportunities offered by globalisation, as firstly South Africa is not productive and competitive enough, yet have some of the most stringent labour standards in the world. This may negatively affect the need for retrenchment in the near future.

2.8.4 SUSTAINABLE ECONOMIC DEVELOPMENT (see par. 5.5.3.1, question 23 in chapter 5)

In its raw form, sustainable development is defined as development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs (Welford, 1995). It is the continued ability of the environment to supply raw materials and assimilate waste while maintaining biodiversity and quality of life.

In the process of becoming and remaining competitive, the ideology of business needs to change (as we will see in the chapter on corporate social responsibility) to avert the need for retrenchment. National and international legislation and environmental pressures are forcing companies to be more responsible about their

operations. It is no longer good enough to simply add on environmental management to the rest of the management functions. It must be comprehended that business acquires its licence to operate from the community in which it operates. Accidental damage or environmental irresponsibility can shut companies down. The Thor Chemicals mercury poisoning case in Cato Ridge in KwaZulu-Natal in the 1990's proved that irresponsible practices could lead to litigation and claims that amounted to such vast amounts of money that the company can be liquidated (Morris, 2000).

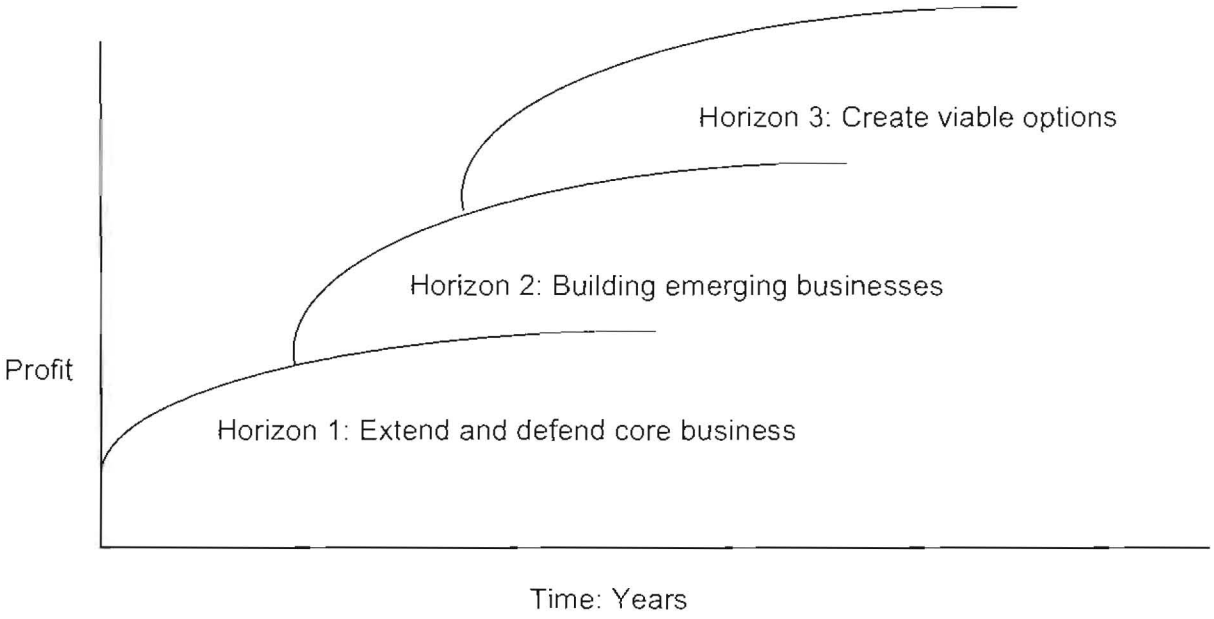
Business must recognise that the issues surrounding human life and economical activity on this planet is a crucial interdependent part of wider ecological processes that sustain human existence. When operating outside these ecological parameters, the ultimate result will be a demise of those very activities as well as human existence.

Globalisation with its phenomenal growth in technology and knowledge not only brought about greater environmental pressures, but also greater environmental awareness. Sustainable development then means the interdependence between economic growth, which is crucial for employment and the alleviation of poverty; and environmental quality. The Brundtland Report, issued by the United Nations, argued that mass consumption is not indefinitely possible and if it does not end soon, there will be nothing left for the future. This then clearly means there will be no need for employment, as the human race will cease to exist.

But the reality is that sustainable economic development is not just vested in environmental issues, but also in the sustainable development of human capital and industry growth. Growth should not be seen in the sense of a single lifespan. As a reminder to the reader, the researcher has already referred to research done that linked organisational sustainability to the ability to re-invent itself (see Apgar, 1998). Along these lines, Baghai *et al.* (1999) notes that the distinguishing factor of corporations that carry on growing, is the ability to create new businesses. They

relate this practically to the organisation's ability to innovate its core businesses and build new ones at the same time. The following diagram illustrates this view:

Figure 3: Re-inventing a business



Source: Adopted from Baghai *et al.* (1999)

Lastly, it should be mentioned that to attract foreign direct investment, to remain globally competitive and hence retain employment levels, more and more pressure is exerted on companies to comply with requirements of not just sustainable development, but also more pronounced equity in the workplace.

In chapter 4, the researcher shall deal more extensively with sustainability as a dimension of corporate social responsibility.

2.9 THE IMPLICATIONS OF GLOBALISATION FOR SOUTH AFRICA

As was mentioned in the beginning of this chapter, change and globalisation can bring many opportunities for South Africa, but these opportunities have certain provisions and pre-conditions.

There can be no doubt that the world is facing a multi-facetted and revolutionary change. Political systems have changed from oppressive, authoritarian and communistic systems to greater democracy. Swanepoel, *et al.* (2000) notes that the world has changed from a bi-polar to a multi-polar order. This shift also infers a drift away from power dynamics in the military sense towards economy driven power relations. Commensurate with these changes, came the information and communication technology revolution. These changes set the stage for free trade and faster moving economic transactions and systems across the globe.

South Africa has not been left out of the globalisation drive. Being part of this global village, South Africa needs to sustain itself by gaining access to these markets and its opportunities. But, opportunities imply the means with which to compete. The means can be found in competitiveness, productivity, skills, effective government, etc. Companies must seek new ways of improving performance to compete in the global markets. One of these mechanisms, when looking at the current ability to capitalise on these global opportunities, is sadly a reduction in employment figures, according to Venter (2006). The big concern is vested in having to compete effectively with 93.8% of the population not having qualifications beyond the formal schooling years (grade 12). The Skills Development Act will hopefully contribute to the solution of this problem.

The rest of the world cannot and will not wait for South Africa to catch up. Manning (1997) discusses the GEAR strategy and the government's quest for becoming a "winning nation" and in his research simply states that despite the time spent on hard debates, the rest of the world is racing away into the future. Nel *et al.* (2008)

mentioned in this regard that COSATU and the SACP have heavily criticized the GEAR policy. In Venter (2006), it is stated that since the inception of the government's GEAR strategy, the net job loss arising from it amounted to some 1.2 million jobs. Our own domestic problems require serious and immediate attention. These problems range from serious crime and violence statistics, to high expectations and growing impatience for drastic improvement in the quality of life of the ANC constituency, to fear of loosing everything by others, according to Nel *et al.* (2008). These anomalies indicate mistrust, uncertainty and increased racism that all lead to tension between reconciliation and nation building, on the one hand, and retribution and dissent, on the other. Spending too much energy on these issues will leave us far behind in the global village and does not indicate any relief from the need for retrenchment.

However, the understanding of the urgency of addressing these issues can be seen in the project called "The Workplace Challenge", launched by NEDLAC in association with the National Productivity Institute and the Department of Trade and Industry in 1995 (Productivity SA, 2008). The essence is to help meet the challenge of re-entering the global village and improved competitiveness. Further aims were improved productivity and employment creation by increasing co-operation between management and labour at workplace level. We are doing some things right, but the researcher postulates that too many highly skilled South Africans have already left and will continue to leave in the face of affirmative action initiatives and the inability of the government to create a trusting atmosphere. The South African government's silence regarding our neighbours' (Zimbabwe) land invasion did not contribute to a feeling of trust by both South Africans and the world, as was evident in the tail spin of our currency during 2001/2002. This will leave our country destitute of skills and therefore the ability to effectively participate in the global economy. Nel *et al.* (2008) highlights in this respect South Africa's oversupply of unskilled workers and undersupply of certain skilled and educated workers and argues that the absence of world-class skills may lead to inferior productivity, which again may jeopardise the continued existence of the organisation, which again in turn affects job creation so

critical for socio-economic growth and stability (see Chapter 5 - par. 5.5.2.3, 5.5.2.5., and par. 5.5.2.9 for empirical findings of the importance of competitiveness in an industry).

Change means development and development means growth. Development again means reducing poverty (implying employment) and access to basic needs goods. Without growth, employment cannot translate into improved welfare outcomes. Streak (1997) argues that development is not synonymous with economic efficiency, but is best conceived as a dynamic process involving economic change and growth characterised by the development of productive forces and the creation of competitiveness in increasingly skill intensive products. In this respect, the current growth trajectory of about 3% will fail to reverse the unemployment crisis and will fail to address the unequal distribution of income.

Streak (1997), takes the argument further by saying that international pressure is exerted through the World Bank, International Monetary Fund and World Trade Organisation by means of their conditionality policies. These conditions disempowered the governments of developing countries in institutional innovation and the development of policies needed for rapid industrialisation. With South Africa a small, open economy with significance in international capital markets, the threat of capital flight will undermine the hopes of rapid development. Clearly, this does not bode well for employment levels and retrenchment aversion. In summary, development prospects and associated employment levels do not paint a colourful picture.

To support this view, the South African economy, according to Barker (2002) is becoming a capital-intensive economy. He states that low economic growth rates and high population growth rates are important reasons for the high unemployment rate in South Africa. In essence, he argues that the employment levels in relation to South Africa's labour absorption capacity are on the decline. The shocking reality is that for the period 1973 to 1977, absorption capacity was 80%, when compared to -11% in

the 1990's. He states that hardly any new entrants to the labour market found employment and in fact, many previously employed workers actually lost their jobs. Smallhorne (2002) echoes the words of COSATU'S Zwelinzima Vavi by stating that retrenchments are negotiated daily, that it has become their profession - how to save jobs, how to cushion the impact of job losses and mostly due to privatisation.

Finnemore and Van Rensburg (2000) summarised the impact of globalisation on South Africa as follows:

- Urgent restructuring of uncompetitive industries is necessary to utilise opportunities brought along by globalisation, but political transformation and economic liberalisation caused some difficulty for South Africa. This is mainly due to fierce competition from abroad and the inability to compete against much higher efficiencies and lower labour costs. The World Economic Forum (2002; 2003; 2004) rated South Africa 34th out of 75 countries in 2002 on competitiveness. Since then the country went to number 32 out of 80 countries and finally down to number 42 out of 102 countries. This trend indicates a decrease in competitiveness. When compared to industrialised and developed countries, however, this is not good enough.
- Improved productivity is becoming critical to global competitiveness, as South Africa's productivity fell during the last two decades. Globalisation forced some industries to address this problem and together with wages not exceeding the inflation rate and some other improvement schemes, the situation has improved.
- The impact on the union/management relationship was profound. The focus has changed to actively seeking harmony, with joint visions of establishing organisational competitiveness, but simultaneously ensuring employment security as well.

Tusenius (1998) adds the following critical issues that need to be addressed if we want to succeed in the global economy:

- Punctuality - Improper timekeeping in today's fast paced world cannot lead to success;
- Work ethic and competitiveness - the hard lessons from post war Japan and Germany teaches us that hard, dedicated work and competitiveness leads to success. Prosperity can only flow from hard, creative, socially responsible, competitive work and not political power;
- Taking action - translating thoughts, words and speeches into concrete action and practical results. African leaders enjoy the rhetoric of "we will look into this and we must do..." too much with too little action; and
- Creative, socially responsible individualism - Individualism means accepting responsibility and not hiding behind the masses. There is no more need for the strong solidarity so needed to free the country from oppressive apartheid legislation. Apartheid is now history and the country has to move on.
- The change process never ends, but keeps increasing in pace exponentially. Although change is ubiquitous, it takes place at various levels and at various paces throughout the world. The concept, however, is so immense that it becomes extremely difficult to fully comprehend the impact of change throughout the world.

2.10 GLOBALISATION AND THE AFRICAN RENAISSANCE

2.10.1 IS THE AFRICAN RENAISSANCE A REALITY?

Much has been said about the African Renaissance, but Africa, through its leadership, has developed the obnoxious reputation of delivering only good speeches, and that's where it ends - no real delivery of the goods. Since South Africa is such a key player in the African renaissance, it is prudent to reflect briefly on what it means.

Unfortunately, it has become clear that, despite the apparent benefits of globalisation to the developing countries, these benefits can only be fully utilised if the recipient country has the ability to start off with the necessary capacity to make the opportunity last and sustain itself, according to the Economist (2001). It has been said that the state plays a vital role in globalisation and that it is not necessarily parasitic and corrupt. The policies of the World Bank and International Monetary Fund actually encourage the strengthening of key elements of the state, even though the structural adjustments and systematic reformation required by them indicate otherwise. Some of the key elements were addressed herein, such as state capacity building and the need for improvement in the quality of the labour force.

The following issues must be addressed, according to Cheru (2002) if Africa wants to have any chance at successfully engaging the globalisation phenomenon:

- Renewing democracy and improve governance;
- Investing in African education;
- Revitalising agriculture and reducing poverty;
- Strengthening regional co-operation - this does not mean the silent approval of Zimbabwe's land reform and human rights atrocities;
- Managing fast growing cities and strengthening rural-urban interfaces; and
- Preventing conflicts and building the foundations of peace.

If the African Renaissance is to come to fruition, the following core elements must be present:

- Self-determination over political and economic development;
- An unwavering dedication to the promotion and protection of human rights; and
- Commitment to democracy and international solidarity.

This clearly implies that Africa, and therefore South Africa, should muster its forces and take responsibility for its own development, failing which permanent marginalisation and increased poverty will stain the country. Unfortunately, the evidence at our disposal indicates that this is not happening.

According to Cheru (2002), the slow growth shown by a few African countries is not solid enough to indicate the start of such a renaissance, as only a few countries completed successful structural adjustments and returned to sustained growth. However, a slow down in growth became evident after 1990 due to civil wars, poor governance in some countries, and some serious externalities such as high oil prices and low commodity export prices. These problems also slowed down human development. The following issues facing Africa needs to be addressed:

- Decline in African education. The demand for educated people is outstripping the supply of facilities and resources;
- Limited access to health care services;
- HIV/AIDS - In the seven countries of Southern Africa (which suffers by far the highest incidence of AIDS), 20% of adults are infected. UNAIDS (2000) estimates that South Africa has the highest HIV infection rate than any other country. The problem with the epidemic is that it has measurably eroded economic development, educational attainment and child survival, and will lead to potential demographic problems in the foreseeable future. The problem simply consumes all resources that could have been applied in the quest to provide training and employment and prevent retrenchment.
- Furthermore, the World Economic Forum ranked South Africa 101st out of 102 countries on the impact of AIDS on foreign direct investment (World Economic Forum, 2004).
- Demographic explosion - a race is taking place between the population explosion and the creation of resources to sustain it, resulting in serious economic development challenges.

2.10.2 THE NEW STRUGGLE

What is of greater concern is that a country's economic strength is vested in its political, security and judicial strength. No country can defend its spiritual, moral and cultural values without these. Tusenius (1998) states that, if a country is plagued by a high crime rate, increasing unemployment and not so prosperous businesses, the country is becoming ripe for a revolution with imminent collapse of the government and its structures. He argues that the values of a country permeate politics, the economy and the security and justice of the country. He maintains that a revolution of the spiritual, moral and cultural values must first take place before economic growth can be sustained. History played its role in altering and contaminating the African culture and mindset. He argues that this awakening or rebirth should take place as follows:

- Re-energising traditional African values and the Ubuntu values;
- Removing the stains of slavery, apartheid, the Cold War and neo-colonialism;
- Adopting, adapting and integrating some desirable characteristics of successful cultures, such as punctuality, creative individualism and competitiveness (some of our members of parliament do not even bother to show up, least caring to be timeous); and
- Achieving a modern winning strength from African diversity.

With the advent of apartheid laws, a paradigm of the armed struggle followed all peaceful attempts to dissuade the government from its damaging policies. In this manner, a "struggle" mindset was borne and nurtured. This struggle was characterised by urban terrorism, intimidation, rent and other boycotts, disobedience against authority, necklacing, making the country ungovernable, liberation before education, burning of schools, political strikes, and many other forms of destructive behaviour. This struggle hampered economic growth and damaged the economic foundation of the country. We all remember with not too much fondness how the ANC called for sanctions. The sad truth is that we now need foreign direct

investment, economic development and job creation, but the lingering mindset of the struggle continues to hamper growth. The new struggle, according to Tusenius (1998) will be for economic development, job creation and survival in the globalisation of the world economy, not a struggle to perpetuate history in order to kill the future. It is understandable that it will be difficult to "unteach" the behaviours previously taught to overthrow the government, but these behaviours or "struggle mentality" is no longer needed or desired and our government has not been successful in making this clear to its constituency.

2.11 HUMAN RESOURCE CHALLENGES AND GLOBALISATION

Critical challenges underlie the labour movement, business and the government. One of these areas, as mentioned earlier in this chapter, is vested in the human resource development arena. Indeed, it was mentioned that the challenge of globalisation is not stopping the expansion of global markets, but to find the rules and institutions for stronger governance. The aim here is not only to preserve the advantages of global markets and competition, but to provide enough space for human, community and environmental resources to ensure the workability of globalisation (Finnemore & Van Rensburg, 2000).

Clearly, the importance of human resource development in successfully engaging in a global economy cannot be overstated. In the next section, this aspect will be discussed (see par. 5.5.2.2 and 5.5.2.3, 5.5.2.13 and 5.5.2.14 in chapter 5).

2.11.1 EDUCATION

The current education levels of the economically active population leaves much to be desired, thanks in part to the deliberately inferior and non-compulsory education system for blacks pre the apartheid liberalisation. Poor investment in education and

training therefore contributed to skills shortages, low productivity and the inability to adapt to new technologies, poor conflict handling skills and poor competitiveness. The government took the right step by allocating a large percentage of the national budget to education.

In this respect, Barker (2002) discusses a few key educational challenges that await us in South Africa:

- Rapidly rising demand in the need for educational services. There is a huge increase in the number of pupils, mostly due to the population growth amongst Africans.
- Previous ideological divisions: It will take a long time for the newly integrated education system to flow down fully to individual school level.
- Unequal distribution of and inadequate resources. The backlog that arose from the previous apartheid system will take a long time to be levelled out. One major problem here is the vast quantity of under-qualified and unqualified black teachers.
- Environment. Family life in the urban areas has been seriously damaged, with inadequate living conditions and dietary deficiencies that hamper education. Also, the amount of teacher strikes, boycotts and disruptions of educational institutions by students and pupils and racial tensions does nobody any good either.
- The educational system fails to deliver the skills required by the economy. A balance between academically orientated and vocationally directed schooling has been emphasised by the private sector for years, but initiatives to correct this was only undertaken recently.

Business has done a lot in support of uplifting of basic adult education and literacy through its adult education programmes

2.11.2 TRAINING

Training provides the basic skills required for any economy to become competitive. The previous disabling apartheid legislation left South Africa destitute of high skills. This neglect has to be redressed to equip employees to embrace new technologies brought about by the globalisation. Business cannot afford not to invest in the production of a skilled labour force to enhance their global competitiveness, ultimately materialising in an empowered workforce. However, as said before, a cultural revolution is also prudent in correctly utilising the skills so acquired. But despite a rise in the tertiary enrolment figures, the shortage of skilled engineers and scientists remain problematic considering the global move towards knowledge workers. Barker (2002) quoted frightening statistics, in that South Africa was ranked last out of 14 comparable developing countries on human resource development. It is also inconceivable to the researcher, when considering the comparatively low spend on training by business, how ignorant South African business is in the face of a globalised world economy. The new Skills Development Act will hopefully go a long way in addressing this crippling problem.

2.11.3 HUMAN RESOURCE DEVELOPMENT (compare par. 5.5.2.13, question 21 in chapter 5)

Ulrich (1998) states categorically that the role of the human resource manager needs to change radically to utilise the opportunities of globalisation - or else face a disaster. He claimed that the role of the HR manager matters more now than ever due to the challenges of:

- Globalisation. Managers are faced with the paradoxical demand to think locally, but act globally. This means managers must develop to move people, ideas, products and information around the globe to meet challenges and utilise opportunities. It also means dealing with volatile political situations,

contentious global trade issues, fluctuating exchange rates and unfamiliar cultures. Literacy with respect to international customers, commerce and competition is becoming critical. All this requires an increase in the ability to learn and collaborate and to manage diversity, complexity and ambiguity.

- Profitability through growth. After clearing debris through business process re-engineering, downsizing, retrenchment, de-layering and consolidation to improve efficiencies, revenue growth is what is required to remain profitable. Such growth drivers require unique talents, creativity, innovation and the open sharing of information and shared learning. When growth through acquisitions, mergers and joint ventures materialise, the capacities of its employees will ensure the sustained success of the new company.
- Technology. This characteristic of globalisation will determine how and where people will work. Employees must figure out how to make the best use of technology to make it part of a productivity improvement - such as working from home and so save on energy in traveling to work and back. People will then have to learn to stay ahead of the information curve and learn to leverage it for the employers' benefit. Apgar (1998) argues that the world of work is changing rapidly, so that with the use of modern technology such as remote access to a company networks, the internet, WAP, 3G technology, Blackberry, etc, employees are much more able to operate from remote sites or even from home. This applies to knowledge workers, of course.
- Intellectual capital. Knowledge has become a competitive advantage for companies. Successful companies will be characterised by the ability to attract, develop and retain employees who can drive the company to embrace globalisation and making it responsive to both its customers and the burgeoning opportunities of technology. This means that talent management and retention strategies are becoming crucial, especially considering the World Economic Forum's negative view on South Africa's "brain drain" phenomena.
- Change, change and more change. The greatest competitive advantage of any company is the ability to embrace, even initiate change. Empirical

> research done by De Geus (1997) indicated that the single biggest trait that contributed to company longevity in Europe, the USA and Japan, was the ability to renew itself, to generate change. South African companies will not be excluded from this statement. This means non-stop change with the ability to learn rapidly, and continuously, innovate ceaselessly, and embark on strategic initiatives faster and more comfortably. In order to thrive they would have to learn to be in a never-ending state of transformation, creating perpetual enduring change.

From these imperatives we can deduce the incredible importance of human resource development in South Africa. This unfortunately leaves much to be desired insofar our skills base is concerned, especially with the need for affirmative action and black economic empowerment. It certainly appears as if the choice has to be made to become competitive first, thereby creating capacity to endure affirmative action programmes.

Ulrich (1998) argues that the organisation's capacity must be built to embrace change. To do this, high performance teams and a culture of change must be designed and woven into the organisational architecture.

The big challenge for an organisation and its people wanting to compete globally is that they are often pushed into several contradictory strategic directions simultaneously, according to Evans *et al.* (2002), heralding what is termed the "transnational" organisation. In this organisation, companies need to respond to a variety of national demands, yet maintain a clear and consistent global strategy (see par. 5.5.2.1, question 9 and par. 5.5.2.4, question 12 in chapter 5). As they put it, most worldwide companies recognise the need for global efficiency, national responsiveness, and the ability to exploit knowledge on an international basis.

As companies then merge, form joint ventures, gets taken over or any other form of restructuring, the need to integrate the skills and knowledge after such restructurings

become paramount for the success of that venture. This principle will obviously also apply to local players who may be threatened by international competition. To maintain this competitive advantage, companies have to improve operational effectiveness, invest in human capital, develop core organisational capabilities and openly transfer and share knowledge. In summary, Peter Drucker (1997) reiterated that the only comparative advantage of the developed countries is in the supply of knowledge workers and knowledge constantly makes itself obsolete, with the result that today's advanced knowledge is tomorrow's ignorance.

2.12 CONFLICTING INTERPRETATIONS OF THE EFFECTS OF GLOBALISATION ON SOUTH AFRICA

There can be no question that the subject of globalisation generates two very distinct views. The impact is contradictory: it offers opportunities for growth, if a country can capitalise on such opportunity. Conversely, it may deepen the divide between the rich and poor, as its impact may be extremely uneven within and between nations. Anon (2003) states that globalisation implies rising income inequalities within most countries, because of the increased demand for relatively skilled labour groups and the resultant reduction in demand for relatively unskilled labour groups. The increased labour mobility across the globe also contributes to this, where unskilled workers in industrial economies are being replaced by equivalently skilled people from cheaper labour locations, who are themselves relatively skilled within their own societies. In this way, inequality in both industrial and developing countries is fostered. Essentially these shifts in labour that occur primarily as a result of globalisation, contributes to social exclusion - the lack of access to a minimum autonomous livelihood of minimally acceptable standard.

The state has a major role to play in not only attracting foreign direct investment, but also in launching the domestic investors that are becoming global. The involvement of the state in this process would be to have some regulatory role for the terms of

entry and exit for capital, and for the activities of foreign investment within the national market, with growth as an objective. The second advantage would be to focus on human resource development, so contributing to improved distributional equity and poverty alleviation.

Hatcher (2003) stated that globalization is changing the public affairs agenda for business operating in a more interdependent world, where roles and responsibilities of governments are being re-defined and the boundaries between business and government becoming less distinct. This poses a daunting array of challenges for today's business leaders, notably the fact that the number of variables that affect the bottom line are increasing at an exponential rate. He states that loosing the faith of stakeholders (which are changing because of globalisation) could prove fatal for organisations if they do not keep up with their expectations. One of these challenges is the unashamed demonstration to anti-globalisation activists that business can bring real value to the developing and developed world. In this respect, it is worth quoting Fishlow and Parker (as quoted by Mandle, 2003): "Televison sets, microwaves, automobiles, and computers have become less expensive and more reliable... The evidence suggests that foreign direct investment has contributed to the growth of US exports, which are produced with more advanced technologies by higher-skilled, better paid workers. To the extent that trade augments competition and expands potential markets, productivity is enhanced, although economists debate the degree of change."

The author argues that these opportunities are being afforded to South Africa, but if our government keep themselves busy with the affairs of the rest of Africa, while our own internal difficulties are being left unresolved, with rampant crime and high unemployment ravaging our foreign direct investment chances, we are headed in the wrong direction. As it is, the World Economic Forum has ranked South Africa number 101 out of 102 in 2004 insofar the effects of AIDS on foreign direct investment is concerned.

Room (1999) supports this argument when he highlights the notion of social exclusion. Social exclusion is a step far beyond just the measurement of poverty. There is growing concern about poverty growth and social disadvantage that arose as serious debates in the European Union as early as 1993. The second element of his discussion revolved around social exclusion in relation to the globalisation of the market economies. He further argues that research into global poverty should be done on a multi-dimensional manner. One of these dimensions includes the expansion into measuring the impact on communities as a whole, rather than individual income differentials. The researcher feels that this area then starts dwelling on the arena of corporate social responsibility, which in itself is a major phenomenon that is occurring as a result of globalisation, maybe even as part of the new age of enlightenment. And in so saying, the International Labour Organisation, the World Health Organisation and some arms of the United Nations represent partial and fragmentary steps towards establishing a global framework for welfare.

2.13 AFFIRMATIVE ACTION, BLACK ECONOMIC EMPOWERMENT AND GLOBALISATION

In the beginning of this work, the researcher mentioned one of the difficulties faced by industry - how to balance energy expenditure with the need for employment, and in the face of globalisation, how to increase the competitiveness of our industry while addressing issues such as employment equity and black economic empowerment. Manning (1997) had some interesting views on this. Given our history and the needs of our nation, companies are under the spotlight. In an interview with the Millennium Magazine, President Thabo Mbeki sounded the warning that there are some partners who treat the national partnership as though it were entirely a vehicle for their own promotion without regard for reconciliation. These are our captains of industry. They indicate zero about what they are going to do.

Companies will increasingly face the demands to contribute to the RDP programme, of making affirmative action work, and of transferring power to a new black emerging middle class. It seems that there are going to be decisions to be made that will be mutually exclusive, all in the face of increasing competition. One of these choices, which really is not a choice at all, is whether to pursue profit or transformation. Both are necessary for the survival of individual organisations, social stability and the economic health of South Africa. And in saying so, the difficulty to reflect a new diverse workforce, uplifting disadvantaged people virtually overnight, while simultaneously becoming more competitive and profitable should not be put on the back burner - the end result thereof will surely be disastrous. There cannot therefore be an "either/or" approach - both has to addressed.

As we have seen, the ability to re-invent itself is a key component of long-term sustainable growth, and growth is the relentless driver that permeates globalisation. Globalisation and competitiveness feed off each other. Manning (1998) discusses how equipped South Africa is in this new rough neighborhood called the global village, where free trade and growing competition is pervasive, where we have to become a global player while urgently addressing the needs of our people. Four key success factors can be percolated from his research:

- Deliver world class products and services. Every company is a global competitor in the global village. In this sense, globalisation is leading to a convergence of standards. Quality, service and low prices are entry requirements for every market.
- Exploit new market opportunities. Profits cannot be grown by merely pushing up prices, markets can only take so much, thereafter new strategies become critical. Continued growth only comes from either offering new value or from capturing new customers. Either way the game is redefined. The new black incomes are soaring. In the year 2000, black expenditure constituted approximately 70% of total consumer expenditure.

- Manage workforce diversity. Multi ethnic workforces are a reality in almost every country today. Affirmative action must form a cornerstone of every company strategy - this is not optional. The view is held that affirmative action should be seen as a corporate social responsibility, because it constitutes reconciliation. The reality unfortunately is that economic power is being concentrated in a small new powerful black elite at the expense of broad based economic empowerment, something that the African Union is warning President Thabo Mbeki against.
- Redefining social responsibility. While there is no questioning the business of business, and it's associated social and environmental responsibility, company aims should still be to earn profits in such a way as to make a real and permanent contribution to the well-being of the people and the development of South Africa. In this way, a pro-active strategy of interdependence is essential (Manning, 1998).

Despite the promises and expectations brought about by the official affirmative action programmes imposed by the government, it could be slowed down. Taking second place behind the economic need for competitiveness and productivity will serve the country's economic needs better, although the political cost may be high. Redressing the past cannot be done commensurate with an urgent need to become more globally competitive. With the exponential nature of the rate of change and globalisation, getting stuck on ideologies will cause the loss of investor confidence and hamper economic growth, and global competitors will not wait for South Africans to first become competitive. This is precisely what the country does not need in the quest to improve the high unemployment rate by avoiding retrenchment. Business carries on, with or without South Africa. Strauss (1998) noted in this regard that transformation can become abusive when poorly devised policy instruments have unintended consequences that could destroy the good that it set out to do. He said that transformation can be destructive when the imposition of the demography of the country on the composition of every incoming class, every major work place and every shareholder register is contemplated. This means taking the good of

transformation and making it into a tyrannical and extremely harmful practice. Considering the goals of transformation (greater wealth and more opportunity, better distributed and in an entrenched democracy), it becomes clear that re-cutting the same pie will not yield the same standard of well being for South Africans. This means growth is necessary, not the re-distribution of the existing. The mechanisms for this, according to Strauss (1998) are:

- Sensible ground rules for transformation;
- Consideration of the impact of global changes on transformation domestically;
- An awareness of the things government cannot change and;
- Appropriate mechanisms for transformation.

The sensible ground rules for transformation are:

- It is a process, not an event. The researcher argues that current redressing programmes are more slanted on the scale towards an event than it is towards sensible process (see opening remarks in chapter 1). Process then also means an end, which is currently not in sight at all.
- Transformation must be organic, not artificial. It should be applied in a manner that builds on existing strengths, rather than in a way that erodes and negates strengths, and so build a future competitive position. (So much for our eroded skill base resulting from our brain drain.)
- During the process, the principle of merit should be maintained and strengthened. Strauss (1998) felt that currently, the transformation initiatives are set up against the notion of merit, as is reflected in our declining competitiveness. Societies that downplay merit as a base for advancement and reward are doomed to failure.

2.14 GLOBALISATION AND EMPLOYMENT (See par. 5.5.2.9, question 17 and 5.5.2.10, question 18 in chapter 5)

Research in four developing nations that became increasingly globalised, indicated that globalisation had a positive effect on some of these target countries, but in fact had a negative effect on employment in South Africa. Import penetration had a significant negative effect on employment figures in large companies, and employment figures on exporting firms also declined. Jenkins (2004) found evidence to support the statement that globalisation had a negative effect on employment levels in South Africa, with only marginal and insignificant improvements on poverty since 1995. However, he also accepts that this significant decline in formal sector employment is only partly due to globalisation and industry's response by restructuring to compete with imports and win export markets. It is suggested that globalisation brings benefit only in certain contexts. The Economist (2001) had a definitive view that globalization must go ahead, as it brings benefit to emerging economies, but this view is not shared by Jenkins (2005), when he states that globalization has not benefited South African employment figures. Further evidence suggests that the changing trade patterns have led to a greater increase in demand for highly skilled labour than for less skilled workers in South Africa. This explains the marginal improvement in the poverty figures. The overall demand for labour is also affected by changes in skill intensity within industries, which may be partly as a result of globalisation. Skills biased technological change that arose from defensive innovation also contributed, as a consequence of companies facing increased import competition. In summary then, it indicates that globalisation only favoured skilled labour at the expense of the unskilled masses. These masses are also typically those that are disposed of through retrenchments. To add insult to injury, of those in the textile industry that were affected by retrenchments, 70% were not able to find alternative employment, thus pushing them into poverty.

Barker (2002) discusses employment as a critical factor in the African Renaissance and mentions that unemployment is a direct contributing factor to two of the

countries' problems: inequality and poverty. High unemployment in South Africa relates, according to Barker, to a high population growth rate, a low economic growth rate and declining labour intensity in the economy. Previous figures indicated a required economic growth rate of 5% to accommodate new entrants to the labour market alone, leaving the current unemployed still unemployed. During the 1998 jobs summit, one of the key issues on which the parties agreed was the encouragement of sectoral summits to facilitate the development of industrial strategies, and to avoid retrenchments while improving productivity.

2.15 SUMMARY

From the above discussions, it appears evident that globalisation is a major change phenomenon, permeating business, governments and societies. One of its manifestations can be clearly seen in increased competition, which leads to a dire need to improve competitiveness. Competitiveness, on the other hand, can also be fostered and nurtured by the shaping ideology of the South African government through implementing its promises to an expectant constituency.

This chapter indicated that the sources of change occur in the globalisation realm and the impact on South African companies is and will continue to be profound. Money makes the world go around and it has become very clear that the global village will not wait for South Africa to catch up by first solving its domestic problems. Many employment opportunities created through the possibilities of globalisation are lost daily through the awkward balance and needs of the government to be both internally and externally focused at the same time.

It is of paramount importance that South Africa's competitiveness improves radically through possible interventions by the state in securing economic growth first and then letting the growth sustain the development of the country beyond its apartheid's legacy of inequality and discrimination. Skills development and a massive paradigm

shift is required if we are to succeed in the global economy. We talk about thinking globally, but acting locally, but to what extent South African leadership actually embraces this issue, remains to be seen. Added to this is the very critical shortage of skills, which is not helped by the "brain drain" of skilled workers from South Africa.

Globalisation, the impact that it has on South Africa, the government's reaction to it, the policies and agreements flowing from it and the commitment by both labour and business will ultimately determine to what extent South Africa will be successfully integrated into the world economies. Some state intervention may be necessary and even desired, but the economy simply does not have the capacity the meet the expectations of the majority of people in the country, unless high economic growth is achieved. However, unlimited intervention may destroy growth prospects and will therefore not reduce poverty, according to Friedman (1992).

It was shown in this chapter that these global change patterns have been seen to lead to retrenchment, as multinationals rationalise their workforces to save on fixed costs and in an attempt to become more globally competitive. In the next chapter, the philosophy of retrenchment as a consequence of change and as a business decision to improve profitability will be discussed in detail.

CHAPTER 3

A LEGAL VIEW AND DISCUSSION ON RETRENCHMENT

3.1 INTRODUCTION

From chapter 2 in this thesis, it has become clear that there are specific issues that generate the need for change in a globalised economy. It also became evident that a variety of factors, namely increased competition, competitiveness, the integration of markets, technological improvements, the advent of the knowledge worker, increased labour mobility, global economic interdependence, the rise of the multinational corporation, lowered trade barriers, and a host of other consequences have a profound impact on the world and in particular, South Africa.

By superimposing these consequences on the current economic landscape and burning social issues (unemployment and crime) in South Africa, the importance of retrenchment as a consequence of globalisation seems paramount (see research questions, par. 1.2 in chapter 1). Venter (2006) states that businesses will continue to downsize and turn to more capital intensive, less expensive means of production, and continue to outsource functions to entities not so tightly bound by South African labour legislation as a means to become more competitive in the global economy. With unacceptably high unemployment figures, the consideration of retrenchment as a means to become more competitive therefore requires a different approach. This notion will be explored in this chapter.

In this chapter, the focus will also be on discussing the economic need, morality and legality of retrenchment, the morality of which in turn can be expressed as an outflow from corporate social responsibility in the context of global stakeholder management (see par. 5.5.2.7, 5.5.2.8 which deals with job security as a change arising from

globalisation). The issue of the morality/ethics and legality of retrenchment will also be explored (see par. 5.5.4.1 and 5.5.4.8 in chapter 5).

Furthermore, some focus will be given to the legal process, since a variety of ethical and moral issues are also captured in the legislation and in cases, form the backbone of legislation against the backdrop of South African society. As a result of historical labour practices, the need for institutionalising methods and procedures to govern the resultant job losses and the rationale of downsizing is vital. These practices in labour legislation will be explored in this chapter and its functionality in the global economy evaluated.

Lastly, the economic rationale behind retrenchment in a globalised economy will be discussed in some detail and finally, the legal perspective on retrenchment will receive attention.

3.2 DEFINITIONS AND CONCEPT CLARIFICATION

3.2.1 DISMISSALS DUE TO OPERATIONAL REQUIREMENTS (RETRENCHMENT)

This type of dismissal form part of the so-called "no-fault" dismissals. When contemplating the sequence listed in the Labour Relations Act (Act 66 of 1995) it would not be surprising to find that the dismissals based on operational requirements finds itself the last one in order of preference. This is the kind of dismissal that can truly be stated to be of no fault on the employees' part, according to Grogan (2003) and Venter (2006). One could postulate that the other no-fault dismissals, such as incapacity due to injury or illness could potentially still be attributable to some form of employee contribution, such as lung cancer due to an unhealthy lifestyle, or an injury due to lack of attention, ignorance of safety procedures, for example.

In the case of dismissals due to operational requirements and where employees do make a contribution to the financial success or failure of the company, one cannot postulate the same degree of control on the employees' part in respect of the need for retrenchments. This is because the wider economic conditions pertaining to that industry are completely out of the employee's control. It has also been suggested that retrenchment is a direct consequence of the inadequate workings of a capitalist system. In this respect, Swanepoel *et al.* (2000) states that dismissals due to operational requirements are deemed to be deserving of special treatment, comparing this action to economic capital punishment. The author further states that special compassion is called for on the part of employer.

A distinction between redundancy and retrenchment may also be prudent at this point. According to Engelhardt (quoted by Bezuidenhout, 1998): "retrenchment means the termination of the employment contract because of financial difficulties of the employer, or an economic recession... Redundancy means the termination of the employment contract due to technological changes or automation, where the specific post held by the employee becomes superfluous." The only difference between the two is in respect of the duration of such termination. Redundancy tends to be more of a permanent nature and arises mostly due to restructuring or technological advancement, whereas retrenchment may mean re-employment when the negative economic conditions disappear. Nel *et al.* (2008) and Nel (1997) argue that retrenchment refers to the termination of services due to cyclical downturn, market losses or other economic justification to reduce the labour force, whereas redundancy refers to the loss of jobs due to restructuring or the introduction of new technology, normally with more permanent consequences.

However, when viewing the following excerpt, it seems that retrenchments are not as temporary as we wish to believe, since re-employment under these circumstances seems unlikely: "Employment in South Africa is at its lowest point in sixteen years. Employment trends in different sectors of the formal economy from June 1996 to June 1997 show that all sectors have lost jobs, with the exception of the wholesale/

retail trade and financial services. In the formal sector, 62 000 jobs were lost in the first six months of 1997, flying in the face of GEAR targets" (Cosatu, 1998). This position has not really improved when contemplating the World Economic Forum's ranking of South African unemployment in global terms. It would be wise to have a global view of where South Africa is in terms of unemployment, since there is a relationship between burning social issues and investor confidence.

The Labour Relations Act (Act 66 of 1995) does not provide for separate procedures for the two respective definitions above and therefore they will be treated as similar cases. This seems logical from the perspective that the impact remains exactly the same, namely a reduction in personnel due to a change in the employers' business environment. Surely technological advancement or automation will be considered purely where business rationale dictates that it be considered. For this reason, the researcher will treat both cases as being similar and will not distinguish retrenchment from redundancy.

Some interesting definitions of retrenchment came from research done by Curtis (1989). In his work, he mentioned that the type of industry where retrenchment took place, had an influence on the type of approach chosen. He found differences between the private and public sectors, The language of "cutbacks," he found was used interchangeably with the terms retrenchment and reduction in the USA, the Germans spoke of "budget consolidation" and the Japanese of "administrative reform". In the private sector, there was a continuation and extension of historic emphasis on turnover, attitudinal measures, and personnel issues as it relates to finance and productivity, leading to high priority issues such as resource liquidation, reintegration and reorganisation and asset reduction. In the public sector, the focus tended to be on public costs and reduced services. There also appears to be differences in interpretation of retrenchment in the private versus the public sector. Cutbacks in the private sector are interpreted as economic indicators of future competitiveness, as manpower resources and as current and subsequent impact on the tax base. Meanings are therefore dominated by economic indicators, whereas

pubic service retrenchments add the considerations of waste and inefficiency which affect all persons. The subsequent implications are therefore political. But, for all settings, there are social and political consequences which influence organisational responses. The retrenchment response is invariably seen to be as an operational failure, a crisis intervention, a last resort and a call for radical change. For purposes of this research, downsizing will be used in an inter-polatory manner with the notion of retrenchment.

Dismissals based on operational requirements; commonly known as redundancies and retrenchments are broadly defined as follows in terms of Section 213 of the Labour Relations Act (Act 66 of 1995):

"Operational requirements mean requirements based on the economic, technological, structural or similar needs of an employer". This definition appears vague and open to many interpretations. What then constitutes "economic needs?" According to Basson *et al.* (1998) it covers all the needs relating to the economic well-being of organisations. It therefore reflects a financial difficulty and examples of the need to retrench can be found in the form of economic downturn, reduced product demand, technological change, automation, and so forth.

Structural needs appear to be related to a change in the structure of an organisation and refers to typical re-structuring exercises, joint ventures, acquisitions, mergers and business process re-engineering. These needs include i.e. a change of the flow of work or shutting down of sections of a production plant.

Technological needs refer to the need for improved production efficiency, automation or new technology. Structural changes may very well follow technological changes. Typical examples are where automation, which implies new technology, results in layers of employees assigned elsewhere and the balance retrenched. New reporting structures may also follow.

Indications of similar needs are somewhat distinguished from the economic needs and tend to be more related to employees than the wider business need. What then is meant with "similar needs?" Four categories can be distinguished:

- Special operational needs of the business;
- The employees' actions or presence affect business negatively;
- The employees' conduct has led to a breakdown of the trust relationship; and
- The enterprise's business requirements are such that changes must be made to the employee's terms and conditions of employment (Basson *et al.*, 1998).

3.2.2 SUBSTANTIVE AND PROCEDURAL FAIRNESS

Throughout this chapter, the notion of fairness will manifest from time to time, justifying an explanation of the concept. Bendix (2001) defines fairness as an action or behaviour where there is balance between the parties, if both parties receive equitable treatment, if there is conformity with universally accepted standards and if consistency was exhibited. The word "fair", according to Salamon (1987), has to do with subjective, value judgments about concepts for which there are no universally accepted criteria. This is not surprising, as various cultures judge fairness according to custom and tradition and the concept may vary significantly from one to another. The Chinese culture treats woman differently to men, so does the Islamic faith.

Procedural fairness, as described by Grogan (2003) and Venter (2006) refers to meeting procedural requirements of the Act, where substantial fairness relates more to the actual reasons for contemplating retrenchments. The concept of fairness, however, is subject to circumstances and interpretation. The Act therefore provides for discretion in this regard.

The definition of operational requirements can be linked to the definition of substantive fairness, as the Act essentially describes the reasons for retrenchment.

Operational requirements, as contemplated by the Act and as described here above, poses many questions. Although the words technological, structural, economic or similar needs appear in the definition, it does not necessarily address the fairness thereof. Can employers for example retrench employees to increase profits? Grogan (2003) argues that retrenchment by an employer can be contemplated, not necessarily to avert a financial disaster, but to increase profits. The expansive nature of the definition of operational requirements in the Labour Relations Act (Act 66 of 1995) clearly leans itself to this reason for retrenchment. It may therefore be deemed fair in terms of the LRA's definition of "economic needs," that an employer dismisses employees on this basis. The writer reminds the reader of the impact of retrenchment described in chapter 1, where it was clear that mass retrenchment can and does lead to the total and utter destruction of a society. This highlights the seriousness with which retrenchment should be contemplated from within the framework of corporate social responsibility. Conversely, it may well be argued that increasing profits will be contemplated to be commensurate with technological improvement, work method improvement and/or re-structuring, following retrenchments. However, this may not necessarily be the case, as is evident from the strong resistance offered by the trade union movement (COSATU, 1998).

The moral obligation and a social responsibility of employers in the employment realm become evident. Balance in the context of global competitiveness seems to be the solution, and the researcher will discuss the philosophy of retrenchment in an attempt to describe the poles on the continuum of minimum legal requirements and total philanthropic approaches to retrenchment and employment (see par. 5.5.4.2, question 37; par. 5.5.4.7, question 42 and par. 5.5.4.8, questions 43 and 44, in chapter 5, all of which links retrenchment practices with corporate social responsibility).

Throughout the rest of this study, the concept of fairness as seen in the context of economic reasons for retrenchment will emerge as a holistic phenomenon in the employment relationship as well as the social relationship.

The aim of this chapter is to focus on issues like downsizing and associated job losses, therefore the rest of the legal inclusions into the definition of operational requirements fall outside the scope of this study and will not be addressed herein.

3.3 THE SIGNIFICANCE OF UNEMPLOYMENT ARISING FROM RETRENCHMENT

Venter (2006) mentions that major job losses still do and will continue to occur as a result of retrenchment. The reader is also reminded that in chapter 2, job loss as a result of globalisation was discussed in detail and the massive impact on society discussed in chapter 1. The problem is therefore not so much vested with the individual who is dismissed due to his own doing, than with the masses of people affected during a major retrenchment or downsizing exercise, hence the importance hereof to society. The multiplier effect in the Stilfontein region after the closure of DRD's Buffelsfontein gold mine was estimated to be 1:14! (The multiplier effect simply means that for every person in the gold industry in this town that looses his job, 14 people in the same community are affected, potentially also loosing their jobs as a result). This statement applies as much to potential retrenchees, as it does to employers. Unemployment, as indicated by Kaufman & Hotchkiss (2000), is one of the most serious and pervasive economic problems in the labour market. The above authors believe that low wages, discrimination, substandard working conditions and other market pathologies can threaten economic security and the well-being of significant numbers of employees. The impact of unemployment can be seen as both a cause of economic hardship and wasted resources. The importance of this can be seen clearly from the public attention it attracts, because it affects everybody.

The rate of unemployment is further of great relevance because of the following reasons stated by Kaufman & Hotchkiss, (2000):

- It is a key indicator of the cyclical performance of the economy. The unemployment rate measures the percentage of the labour force that seeks a job but cannot find one; therefore an increase in the unemployment rate is indicative of a response of business to falling demand and production;
- It measures economic efficiency. With the central goal of any economy being the maximising of the production factors in the production of goods and services, an increased unemployment rate then indicates that some labour input is not being used, with a consequential loss in production; and
- Unemployment adds substantially to the costs incurred by individual workers and their families. These costs take three forms. The first is loss of income, as with prolonged unemployment, significant hardship is induced. The second cost is incurred through scarring of the prospects of finding a new job. Thirdly, prolonged unemployment causes significant psychological and emotional costs on workers and their families and lastly, society bears the brunt of high costs associated with heightened crime, drug abuse and other social maladies.

In the unique South African situation, with excessive unemployment, the profound effects of crime are all too evident (Venter, 2006). Businesses may then seek to re-locate from high crime areas to continue operating in more tolerable areas of society. In a society of high crime, talent and resources are utilised to devise ever more devilish plans and so does not contribute at all to economic stability and progress, but to the demise of the society. The researcher postulates that two major reasons contribute to the high unemployment rate in South Africa - a population growth rate that outstrips the economic growth rate and mass retrenchment in the face of globalisation. The population growth rate falls outside of the scope of this study and hence the focus will be on retrenchment as a consequence of a change in economic conditions. Following the causes of unemployment, are the causes of retrenchment.

The use of mergers and acquisition strategies by business to become competitive or strengthen its current competitive position, according to Thompson & Strickland

(2001) and Lussier (2000) is a much used strategy. According to Tosi *et al.* (2000) and Cummins & Worley (2005), businesses have generally responded to the globalisation phenomena with growth strategies, which include major restructuring efforts and merger and acquisition activity, all in an attempt to achieve operational efficiencies, improved innovation, gaining access to global markets, resource sharing or access to technology. Retrenchment could potentially follow as a consequence of these strategies. Restructuring on a macro scale will inevitably follow from a global merger or joint venture or on a micro scale through the processes of natural attrition or a normal business process re-engineering.

Venter *et al.* (2003) supports this notion when they state that a significant factor in South Africa's unemployment crisis is the poor economic performance that led to the shedding of jobs. The above writer also states the relationship between globalisation and the perceived need of organisations to downsize and restructure in order to become more competitive.

3.4 THE NOTION OF EMPLOYMENT AND EMPLOYMENT RIGHTS

Antiquity shows us that employment was seen as a negative dependency, abuse and regret. The term was a profoundly class based term, implying a low level connotation to it. So the term evolved into a quintessentially 20th century term, crystallizing in the 1930's. This is important from the perspective that employment as a phenomenon became a defining need. Industrialisation required ever more employees, concomitant with the division of labour with a developing premium on employment stability (Standing, 1999).

With the growth of the principle of "secure" employment came certain rights. Article 6 of the International Covenant on Economic, Social and Cultural Rights says: "The State Parties to the present Covenant recognise the right to work, which includes the right of everyone to the opportunity to gain his living by work which he freely chooses

or accepts, and will take appropriate steps to safeguard this right" (Office of the High Commissioner for Human Rights, 1976). It continues to say that the steps to be taken to achieve the full realisation of this right shall include policies and techniques to achieve steady economic, social and cultural development and full and productive employment under conditions safeguarding fundamental political and economic freedoms to the individual.

The ILO conventions (International Labour Organization, 2008) echo these principles in its stated purpose to promote policies to achieve full employment and the raising of living standards. The Universal Declaration of Human Rights, Article 23, continue on this trend by saying that everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment. These and other labour rights finally culminate into the South African labour relations realm through the enactment of our Bill of Rights and the Constitution of the Republic of South Africa, (Act no. 108 of 1996).

It appears, despite the neoliberal economic inclination of the ANC, that the role of the state in social welfare is growing, as is evident through the employment equity and black economic empowerment initiatives. This means that a welfare state is sought to underpin the needs of the ANC constituency with a social net through the RDP programme. However, to sustain this welfare state, high labour force participation is a prerequisite, according to Standing (1999). Without fulfilling this requirement, society will not be able to afford these social rights.

Unemployment resulting from retrenchment is a significant occurrence. The criticality of high unemployment figures on the social stability of a country has been indicated, therefore it is prudent to reflect on the realities facing South Africa. It has been mentioned numerously in this study that South Africa is facing unacceptably high levels of unemployment.

Standing (1999), Mullins (2002), and Cummins & Worley (2005) are all of the opinion that the growth and persistence of mass unemployment contributes to greater global labour flexibility, despite the notion that the greater the flexibility of the labour market, the lower the economic adjustment costs will be and the lower the loss of output. However, unemployment has contributed to this flexibility, because the employee bargaining positions were weakened. Persistent unemployment, like we are facing in South Africa, strengthens the employer bargaining positions and enables the abuse of employee fears of unemployment. By so doing, labour-saving measures are introduced more easily and with lesser resistance. In an environment of scarcity of skilled labour, this will not be so easy to do.

Table numbers 3 and 4 hereunder clearly indicate the inability to deliver on promises and expectations of South Africa's constituency. It is evident that government spending was brought under control, as is the case with the inflation rate, but unemployment rose and the much-needed economic growth rate never materialised.

Table 3 hereunder shows that the inflation target was met, but was countered with poor performance on the real interest rate, much less than expected government investment growth, and hopeless private investment growth, culminating in the achievement of only 50% of the expected economic growth rate. The unemployment rate consequently disappointed with job losses in all but the trade portfolio.

Table 3: GEAR's actual vs. projected results, 1996-2000

	1996	1997	1998	1999	2000	GEAR predicted average	Actual average
Inflation	7.4%	8.6%	6.9%	5.2%	5%	8.2%	6.6%
Real interest rate	12.6%	10.4%	15.85%	10.3 %	N/ a	4.4%	12.3%
Budget deficit (%GDP)	4.6%	3.8%	2.3%	2.4%	2.6%	3.7%	3.1%
Government investment growth	5.3%	4.4%	2.6%	-5.4%	N/ a	7.1%	1.8%
Private investment growth	7.4%	4.7%	-2.9%	-4.4%	N/ a	11.7%	1.2%
GDP growth	4.2%	2.5%	0.6%	1.0%	3.5%	4.2%	2.4%

Source: Adopted from the *South African Reserve Bank Quarterly Bulletin*, June 2000; Department of Finance Budget Review 2000.

Table 4: Employment in the formal non-agricultural business sector (1000s)

Industry	**1994**	**1997**	**1998**	**1999**	**Change**
Mining	601	524	443	416	-185
Manufacturing	1,432	1,374	1,321	1,291	-141
Electricity	40	39	37	34	-6
Construction	355	301	255	225	-130
Trade	740	786	831	884	144
Transport	285	268	249	238	-47
Finance	196	221	214	207	11
Community/social services	1,607	1,577	1,563	1,497	-110
Total	***5,256***	***5,091***	***4,914***	***4,792***	***-463***

Source: Adopted from Statistics South Africa, October Household Survey, 1999.

3.5 ECONOMIC REASONS FOR RETRENCHMENT (see par. 5.5.4.1 and 5.5.4.2, question 37 in chapter 5)

Since it was postulated that the contemplation of retrenchment is a serious issue not to be considered as a first resort to improve competitiveness, the economic reasons and the value thereof will be challenged in this section. Reductions in the workforce arise from, but are not limited to downsizing, closing down (liquidation), cutbacks, restructuring, business re-engineering, introduction of new technology, automation, amongst others.

As was mentioned in the beginning of this chapter, many economic reasons lead to the need for retrenchment. Although not meant to be exhaustive, Grogan (2003) gives the following list as a good indication of these reasons.

- Economic recession. These conditions are totally beyond the control of the enterprise too. The typical cycles of the commodity markets will serve as a good example. In reality, the commodity prices achieved by not just South African companies, but all commodity exporters, have seen a steady decline in real terms. This meant finding alternative ways to achieve growth and profitability, such as mergers, acquisitions and joint ventures;
- Relocation of business premises. This may be necessary to obtain a logistics advantage, to capitalise on tax holidays offered by government or cheaper business premises lease or rent. The availability of land for expansion or moving to less environmentally sensitive areas would also be valid reasons to relocate. The new Coega development project in Port Elizabeth is a good example hereof;
- Technological advancement and/or automation. An example may be where an employer needs to become globally competitive through restructuring of his cost base or by becoming capital intensive;
- Take-over, mergers, joint ventures and closure of business. Numerous examples can be found in practice where synergy is sought between two

competitors. The age of globalisation is characterized by the multitude of mergers, acquisitions, take-overs and joint ventures;

- Economic considerations due to decreased production arising from a weakening demand of the product sold. (See chapter 1, the example of gold production); and
- Similar needs, as contemplated by the LRA (Grogan, 2003).

Since the activity of retrenchment is predominantly aimed at cost reduction or improved profitability, it is important to discuss these reasons as a viable means to achieve what it set out to achieve. As was seen in the study so far, global change has a profound effect on employment levels and the need for retrenchment frequently arises as a result of mergers, acquisitions, joint ventures or closures of business, all as a response to market and global pressures.

3.5.1 MERGERS, ACQUISITIONS AND JOINT VENTURES AS A CAUSE OF RETRENCHMENT

A merger is defined as a combination of two companies in which only one survives - the merged company ceases to exist, according to Gaughan (1996) and Cummins & Worley (2005). The acquiring company then assumes the assets and liabilities of the merged company. Mergers differ from joint ventures in that a joint venture means consolidation, where a combination of two or more companies forms an entirely new company. A subsidiary merger occurs when a merged company becomes a subsidiary of the acquiring company. A reverse subsidiary merger is when a subsidiary of the acquiring company is merged into the target company.

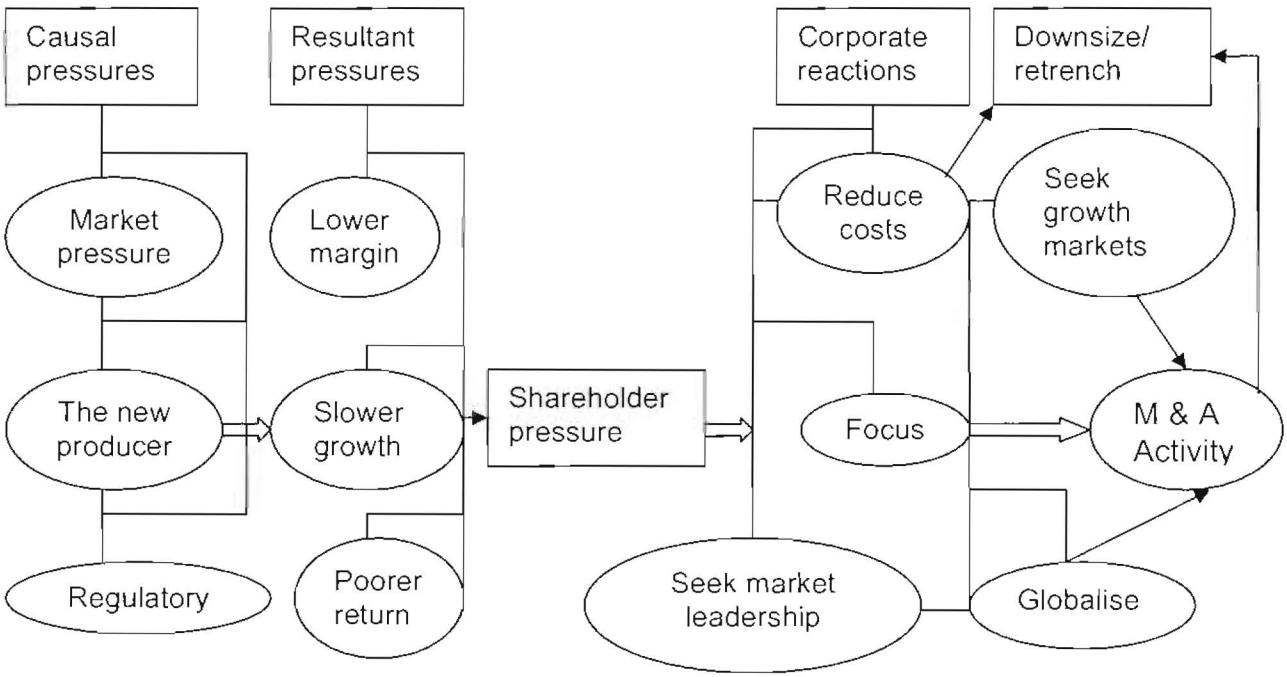
Bendix (2001) also mentions that the number of mergers and transfers between different businesses has increased. We should remember, however, that a causal link exists between a change in economic climate and the need for a restructuring following a merger, acquisition, joint venture or closure. Such re-organisations do not

take place just because the idea is palatable. There will inevitably be economic rationale behind such move, such as technological and competitive forces that contribute to the rise in foreign direct investment, which in itself has an impact on the need for retrenchment. This issue was discussed earlier.

From figure 4 hereunder it is easy to link the change in the industry with the need to reduce costs, either in the form of reducing the labour compliment through retrenchment or progressing with a merger or acquisition that will lead to a restructuring and so affect the total employment levels. It is very seldom indeed that such a merger will take place without rationalising functions and subsequently merging and optimising certain key functions in the new company with a resultant retrenchment of those that do not fit. It is also true that retrenchment may be hidden or obscured by the occurrence of mass mergers and joint ventures. Ingles (2000) reasons that a true merger of equals is very rare indeed and so the dominant company will assert its own will and enforce its own means and ways of rationalising the new combined labour contingent, a view shared by Cummins & Worley, (2005).

Figure 4 hereunder is indicative of the forces that drive business towards the contemplation of merger and acquisition activity as a means to react to competitive forces.

Figure 4: Drivers that lead to mergers and acquisition activity in companies



Source: Adopted from Ingles (2000).

The economic or structural reasons for retrenchment, whether it is a merger followed by a restructuring or a business re-engineering exercise, an acquisition or a technological improvement, are not independent from each other. As an example, a restructuring may follow a merger or acquisition, where the acquisition was made in an attempt to gain access to new technology. The economic reasons for retrenchment are therefore interwoven. This becomes very clear in Sturgess (1989), when he states some of the reasons for the increase in the global merger and acquisition activity as follows:

- Increased importance to larger companies of the implementation of global competitive strategies; and
- Restructuring of industries in following global shifts in demand patterns, cost bases and technological change.

Cummins & Worley (2005), Tosi *et al.* (2000) and Mullins (2002) discuss why companies embark on such profound restructuring campaigns. Companies are forced to take action and seek low capital strategies to ramp up capacities, gain customers, gain access to global markets and technology, achieving operational efficiencies, improved innovation, resource sharing and cut costs. New ways to grow must be found and new sources of revenue are sought in new markets, customers, products and services and sales and marketing capabilities. Companies then seek to leverage their cost of operations by improving productivity and marketing and sales skills and finding economies of scale. Business risks are reduced by lowering investment levels and striving for better returns in the face of more demanding customers. This makes it increasingly difficult for companies to respond timely to these challenges alone and hence partnerships are being forged in response to these needs.

Typically during such a merger or take-over, three questions will arise with respect to employment and retrenchment, according to Powel-Smith & Walsh (1989):

- Whether or not the buyer wishes to inherit the employees of target company;
- If the employees are inherited, what are the consequences of retrenchment resulting from the post acquisition rationalisation and/or plant closures?
- The ultimate harmonising of terms and conditions of employment of the target's employees with those of the acquiring companies' employees.

The European Community requires that European Community member states adopt laws to safeguard the rights of employees during and after the execution of such business strategies.

The sad reality of mergers and acquisitions, as discussed by Galpin & Herndon (2000) is that the merger and acquisition deal never realises its intended financial and strategic impact, which failure is mostly attributable to the "people" side of the change, and it occurs mostly as a result of the change dynamics created by the

merger. Cummins & Worley (2005) state in this respect that, despite the popularity of M&A activity, it has questionable records of success.

Another key success factor (or failure factor) is the loss of much needed talent to make the deal work and the absence of proper due diligence studies with respect to the value systems (read culture) and competencies of personnel from the taken over business, according to Tosi, *et al.* (2000). These departures are also then a major source that serves to derail the deal even before its success can be achieved. This phenomenon must be realised at the onset of such a deal and proper due diligence exercised when contemplating retrenchment. Although the source consulted by the author represents issues in the USA, there can be no doubt as a follower and relatively newcomer to a globalised economy, that South African deals would be any different.

The reality is that the phenomena of mergers and acquisitions are becoming a daily occurrence. Galpin & Herndon (2000) goes so far as to state that these occurrences are so common nowadays that reporters are anticipating the "merger Mondays", reflecting the usual flurry of Monday morning business deals. By considering the following facts by Galpin & Herndon (2000), the way in which the rationale of retrenchment following in the wake of merging activity relates to retrenchment becomes clear.

- Only 23 % of all acquisitions earn their cost of capital;
- As soon as a merger and acquisition is announced, a company's stock price rises only 30% of the time;
- Following such deals, 47% of executives in acquired companies leave within the first year, and 75% leave within the first three years;
- In almost 70% of cases, the projected synergies following the merger and acquisition do not materialise;
- Productivity can reduce with up to 50% in the first four to eight months following the merger or acquisition;

- People and cultural problems are cited as top factors in failed integrations; and
- The average financial performance by the new company is graded by their managers as a C-minus.

The way that the labour legislation views the retrenchment of employees as a result of such a business venture will be discussed in more detail under section 3.18 in this chapter, but it is worth mentioning that labour legislation now deals with mergers and acquisitions following in the wake of the governments' profound understanding of the emerging importance of this phenomena and the way it impacts retrenchment in South Africa.

Finally, after consideration of the dynamics of mergers and acquisitions as a reaction to global competitiveness and the true, but debatable value derived from it, the question has to be asked if it is ever worth considering the ensuing retrenchment as a means to sustain profitability. For empirical findings to these questions, please refer to chapter 5, paragraphs 5.5.4.1; 5.5.4.2; 5.5.4.4; and 5.5.4.6.

3.5.2 DOWNSIZING AS ECONOMIC RATIONALE FOR RETRENCHMENT

The second economic consideration for retrenchment discussed will be that of downsizing. The needs for this action can typically be found in poor performance of a division, financial exigency or a change in strategic direction, such as selling of the non-core parts of its business. Gaughan (1996) states that the term "corporate restructuring" refers to forms of asset sell-offs such as divestitures. The author will simply include restructuring as part of a downsizing exercise, since a logic sequence and interdependence between the two issues is clear. Cascio (1993) and Cummins & Worley (2005) define downsizing as a cost reduction or organizational size decreasing through the planned elimination of positions or jobs.

Lussier (2000) defines downsizing as the process of cutting organizational resources to get more done with less as a means of increasing productivity, with the primary source the cutting in personnel. It may also occur by reducing work, (not just employees), as well as eliminating functions, hierarchical levels or units, cost containment strategies that streamline activities such as transaction processing, information systems or sign off policies.

Sahdev *et al.* (1999) describes downsizing as an intentional set of activities undertaken by management in order to improve overall organisational efficiency, productivity and competitiveness which also results in a reduction of the number of employees required. In the 1990's, many companies engaged in corporate downsizing in the quest for improved efficiency and productivity. These moves were encouraged by the recession of 1990-1991 and by international competitive pressures arising from globalisation.

Some authors (Rubach, 1995) define downsizing as a productivity improvement programme, rather than a last ditch survival effort. Based on historical evidence and the following research, the researcher does not support this view fully. The reality of downsizing companies in the face of globalisation is strongly demonstrated by some of the researched statistics quoted by Tylczak (1991) where it is summarised as follows:

- 30% of all firms that downsize in one year will also downsize in the next;
- Large companies (5000 plus employees) downsized staff by an average of 6.3%, smaller firms cut by 12.6%;
- 64% of the "downsize" managers surveyed said that they expected an increased output with decreased staff after the lay-offs;
- Large firms were 40% more likely to downsize than smaller ones;
- 48.1% of the "downsize" managers surveyed reported that they had more direct reports than before the downsizing, whereas only 7.8% reported had fewer reports;

- Half the "downsize" managers reported having to work longer hours and were under far more stress than before;
- 43% of all companies cut staff as a way to "control costs";
- 36% of companies that had plans to downsize believed that they were not well prepared.

Although true that these statistics quoted may have been valid for 1991, the author is of the view, however, that the already discussed globalisation trends leading to increased competitiveness, more technological and capital intensive industries, etc, would in all probability only increase the propensity of industry to restructure or downsize, rather than ease up on the pace of change and transformation. The statistics in the authors' view therefore can only be worse today. In this regard Ivanchevich (1997) notes that more of this can be expected in the next decade.

According to Cascio (1993), managers in downsizing organisations expect economic as well as organisational benefits. Economically spoken, downsizing companies expect to increase shareholder value. Nevertheless, he states that executives conclude that future costs are more predictable than future revenues. Therefore cutting people is supposed to be a safe bet to increase earnings and improve the share price. The organisational benefits cited are:

- Lower overheads;
- Less bureaucracy:
- Faster decision-making;
- Smoother communications;
- Greater entrepreneurship;
- Increases in productivity

In the next section, this line of argument will be taken further.

Downsizing as a strategy to improve competitiveness can be equally replaced with a growth strategy, although this may not be easy. Developing a growth strategy in the face of globalisation is imperative. SME's (small to medium-sized enterprises) currently provide employment for a large part of the South African labour force and hence the development of SME's in South Africa will become increasingly important in job creation. Commensurate with employment creation, it also creates balance in the economic development of rural and urban areas, which may assist in the demographic shifts occurring as a result of globalisation. Economic stability is enhanced in this manner. This may be the correct mechanism to realise the black aspirations created by the ANC and so address the questions asked in chapter 1. Their contribution to society is likewise essential in the form of social services, training and employment opportunities. These enterprises have the ability to substantially contribute to economic growth and job creation according to Visagie & Botha, (1998). Unfortunately, smaller companies tend not to have specialised labour relations and professional human resource practitioners and so may fall short of their corporate social responsibility in terms of employment practices. This issue should receive serious attention.

Growth can be achieved by expanding into logically related businesses, such as Sasol that adds value to downstream chemical derivatives arising from downstream processes. These businesses should have shared economics that reinforces the core business. Unrelated expansions into "hot" markets should be avoided. Anon (2003) argues that reaction to these challenges should be quick with translation of the strategy into effective structures with the right talent that delivers results. This and this alone, will yield sustainable and profitable growth.

Finally, Gertz & Baptista (1995) found certain permanent requirements for growth to be profitable and sustainable. These are competitively superior value (as defined by customers), comparatively superior economics across the value chain and consistently superior strategy execution through organisational alignment. When

viewing the Sasol growth and expansions strategy as an example, this is exactly what was achieved.

In the final analysis, sustainable and profitable growth seems to be the answer to the growing rate of unemployment and spate of retrenchments in South Africa.

3.5.3 THE DOWNSIZING DECISION, BENEFIT REALISATION AND SUSTAINABILITY (see par. 5.5.4.4, question 39 and par. 5.5.4.6, question 41, chapter 5)

The intended strategic objective or financial benefit seldom realises in the magnitude that the intended downsizing anticipated. The measuring device could be profit maximisation, share price increase, productivity improvement, quality improvement, etc - the verdict is damning.

In research done by Rigby (2002) it became evident that downsizing in a downturn can do more harm than good. Conventional wisdom states that lay-offs are a necessary evil during economic downturn. However, conventional wisdom may prove to be no wisdom at all in some cases. Sometimes managers overstate the numbers by including staff cuts through natural attrition, early retirements, internal transfers and business divestitures. The assumption made is that shareholders will like the lay-offs, considering possibly the fact that the company is serious about controlling costs. The reality, as indicated by research, proves the contrary. Investors more often than not interpret downsizing as a symptom of mismanagement or eroding demand, and consequently shun their stocks. Research further indicated that companies with few or no lay-offs performed significantly better than those with huge lay-off numbers. The reason for this is that large and repeated downsizings are symptomatic of flawed strategies that produce low par results.

These findings should warn managers to carefully consider the reasons stated for the lay-offs. For example, it would be better for such an announcement to state that lay-offs are part of a strategy to consolidate a merger and so capture other business strategies, or perhaps as part of a strategic repositioning by changing product lines or markets, than to simply state that it is necessary to cut costs. The bottom line remains, however, that retrenchments are sometimes inevitable when crisis looms, but the lesson is that is may be dangerous to do so in a reflexive manner. The solution in case of the inevitability of lay-offs, is to make sure that enough time lapses to produce the benefit of the lay-offs. Research indicates that the eliminated positions should remain unfilled for at least 6 to 12 months, possibly 18 months if any financial return is expected. This is so to compensate for the cost of severance packages, temporary decline in productivity or quality and rehiring and training costs. Again, the author postulates that the research clearly indicates that quick fixes or savings with retrenchment does not work in the long term and negatively affects long-term sustainable development of companies.

In research conducted by Cascio (1993), he came across a survey that included 1005 companies. The verdict was that most restructuring efforts fell far short of the intended objectives originally established for it. To name a few examples:

- Only 40% of the said companies agreed that their cuts reduced expenses adequately over time, partly because four times out of five, managers ended up replacing the very personnel that they dismissed;
- Fewer than one in three confirmed that the said profits increased as much as expected; and
- Only 20% reported satisfactory improvements in shareholder return on investment.

One reason cited for this was the absence of preparation and not anticipating the kinds of problems that developed subsequently. These programmes were attempted in a hurried way, typically succumbing to the reactionary pressures to produce short-

term results. The key factor that was found was the ignorance of the massive changes in organisational relationships that resulted from such a re-organisation. Other reasons explained the failure of cost savings to materialise:

- Newly lean companies replace staff functions with expensive consultants;
- Subsidiary business units recreate the kinds of expertise that head office staff formerly supplied by hiring own trainers and planners; and
- Companies discovered that it is expensive to train line managers to handle tasks formerly performed by specialists.

Looking at the promise of organisational improvements as mentioned earlier, in a survey of 1468 restructured companies done by the Society for Human Resource Management, it was reported that employee productivity either stayed the same or deteriorated after lay-offs (Hollet, 2001). More-over, in a study across 30 industries over four years, the findings were that very few implemented downsizing in a way that improved their effectiveness, with most deteriorating rand human relations indicators. Rubach (1995), like all others, support this verdict when she mentions that often it does not produce improved productivity, citing that downsizing can hurt more than do good. Many downsizings are also more expensive than they appear to be, leading to escalation rather than a reduction in long term costs. Yet another survey done by Wyatt consulting found that 71% of companies that downsized did so to increase productivity, yet only 22% of the companies thought that that goal was achieved (Watson Wyat, 1996).

In research done by Eisenberg (1997), numerous examples of failed attempts to improve profitability through downsizing, business process re-engineering and restructuring became evident. The following examples demonstrate the concern:

- 70% of business re-engineering efforts failed because of inadequate consideration to the human element;
- 66% of downsizing companies reported no increase in productivity;

- 55% of downsizing companies did not improve their operating profit;
- In 1468 different companies surveyed, productivity declined in 50% of the cases;
- In a survey done to measure the relationship between lay-offs and profitability in Fortune 100 companies, the financial performance deteriorated over a five year period;
- After these radical interventions, many companies were stuck with more difficult processes to manage than before the re-engineering, commensurate with higher costs, less return on assets and equity and demoralized employees.

Pfeffer (1995) is clear in his argument that achieving competitive success through people involves fundamentally altering the thinking pattern of management about the workforce and the employment relationship. Success, according to him, is achieved by working with people, not by replacing them or limiting their activities. It means therefore seeing the people of an organisation as a source of strategic advantage, not as a cost to be minimised or avoided (see par. 5.5.2.13, question 21; 5.5.4.6, question 41, and 5.5.2.9, question 17 in chapter 5).

The author wishes to add his view that technology can be duplicated or improved (the Japanese have proved this over and over), financing and gearing can be equally achieved through negotiation, plants can be built and partnerships forged, markets can be entered and customers poached, but the only sustainable competitive advantage that companies have, comes through people and their inputs (see par. 5.5.2.9, question 17 in chapter 5). This does not mean, however, that the conventional strategic analysis based on industrial economics, such as the entry of new competitors, the threat of substitutes, the bargaining power of buyers and suppliers, and the rivalry among existing competitors (Michael Porter's' famous framework) are becoming meaningless. It means simply that the source of strategic advantage based on technology, patents and strategic position has shifted over time,

moving towards the reliance on how the workforce is managed. What has become crucial is employees, and how they work.

In closing this discussion, the researcher argues that the literature review was spread across a wide timeframe; starting in the early 1990's and ending in the early 2000's, yet the picture that is painted clearly indicates an unchanged phenomenon - that benefit realisation invariably falls short of its intended objectives through downsizing or restructuring. These failed efforts continue, despite research that suggests solutions to this problem, leaving destitute families and disillusioned employees with shattered dreams in its wake. The value of having a corporate social responsible mindset in employment practices then suddenly looms very large, especially considering that profitability is also a part of the triple bottom line which contributes to sustainable incomes for families (see par. 5.5.3.2, question 24; 5.5.3.8, question 30 and 5.5.3.11, question 34 and 5.5.4.7, question 42 and 5.5.4.12, question 48 in chapter 5).

3.5.4 TECHNOLOGICAL CHANGE AS A REASON FOR DOWNSIZING

Grogan (2003) elaborates that technological innovation refers to the introduction of new machinery or other technical innovation that affect working relationships by causing jobs to become redundant or by requiring employees to adapt to new technologies. Gill (1985) notes that technological change can result in negative repercussions for employment levels. He argues that enterprises have to operate in climates of general economic instability, frequent and cyclical fluctuations, reduced productivity, rising production costs and stiffer competition. This leads to the need to offset the effects of inflation and high-energy costs by concentrating on labour saving techniques and radical transformations in company structures. According to Venter (2006), technology is most often considered as a substitute for labour.

However, technological change can also be good for future employment. Sasol Polymers (then AECI Chlor-alkali and Plastics Ltd.) engaged in such an exercise in the early 1990's. The old production assets, utilizing carbide and acetylene as a feedstock for the production of PVC polymers, became uncompetitive due to exorbitant fixed costs and increasing electricity costs. Due to the pressures exerted by foreign governments, investment in new technology was difficult to attract. World prices were very competitive and as such, continued loss of market share was fast becoming an issue that would lead to the closure of the company. At the same time, Sasol had an abundance of raw material available, specifically ethylene gas. A joint venture called Polifin emerged, following the provision of capital by Sasol to build a new plant at a cost of some R700 million in exchange for half of the shares of the AECI flagship. This joint venture saved the old company from certain death and although retrenchments followed in the wake of this joint venture, it enabled the continued future employment capacity of the company (De Beer, personal communication, 2003).

3.5.5 CLOSURES OF BUSINESSES

The closure of a business unequivocally means that the employer can no longer afford to pay his employees, leaving any offer of labour without the ability to counter-perform in terms of the employment contract, i.e. the ability to provide compensation for it. The poor economic performance of South Africa as indicated by the failure to reach GEAR targets accounts partially for the losses of jobs that occurred as a consequence, as indicated by Venter (2006), and Nel *et al.* (2008).

But, the sad truth is that there is an ever increasing pace emerging in the South African market. Loubser (2005) mentions the latest figures as quoted by Statistics South Africa and expresses rising concern. Hardly surprising, considering that in 2003, a total number of 2110 companies were liquidated, representing an increase of 13.56% compared to the figures of 2002. Over a period of 10 years, the total figure

for company liquidations rose by an alarming 57%! Clearly there is a major implication insofar the retrenchment of employees are concerned, but this will be dealt with in the section that discusses legal implications of retrenchments.

3.6 RETRENCHMENT AND THE EMPLOYMENT RELATIONSHIP

The employment relationship will invariably be suffering some damage as a result of downsizing. Ivancevich *et al.* (1997) is clear on this issue when they state that retrenching companies have difficulty in attracting talent, suffer from demoralized employees, and looses skill and loyalty that took years to build. The researcher also stated previously that the one competitive advantage available is to manage people correctly. By inference, this means relationship building.

Sugalski *et al.* (1995) supports this view when they explain that employment relationships and practices are dramatically affected by retrenchment following in the wake of searing competition, rapid technological change, relentless restructuring and globalisation, etc. They refer to this, as the researcher already mentioned earlier, to a breach of the psychological contract (which may not be a legal contract). The psychological contract defines the employment relationship in terms of money, benefits, training, working conditions, advancement opportunities, and prospects of employment continuity in exchange for time, energy, commitment, loyalty, and the skills that employees bring to the workplace. And using euphemisms like "downsizings" or "rightsizings' to soften the blow on affected employees really does nothing to ease the economic and psychological impact on them. This is particularly true in our unique South African situation with an unacceptably high unemployment rate, where lay-offs are characterised by a high level of despondency and hopelessness.

In times of numerous lay-offs, the logical development in the relationship will be increased labour and management confrontations, a string of negative employee

satisfaction and attitude indexes, lower morale, never ending uneasiness and fear and the resultant lack of commitment and trust. Loyalty will go down the drain quickly and teamwork wrecked in an attempt to survive the onslaught. Increased conflict between work and family life will prevail with higher stress levels at work due to extra pressure that will reverberate back home. The end result hereof may very well be that employees will play it safe, hardly an environment conducive for bold creativity. In short, the psychological contract has been violated and broken permanently. According to Sugalski *et al.* (1995), the only significant return to an acceptable level of commitment and loyalty is to re-instate a new psychological contract in which employees understand and accept the new rules of the game. The author argues that this is probably happening in organisations where the expectations of the labour contingent is managed along the lines of no long-term employment security, a trend that characterizes a globalised and far more mobile workforce (although this is probably more true for knowledge workers than for unskilled workers).

In closing this section, it is important to note that despite all the moral debates and economic justification of retrenchment, it happens - that's just life. In such cases, institutionalised systems are required to govern the activities of employers. These systems in a way define the states' social role in the protection of employees and govern the level of state intervention in the economic affairs of employers. It also sets the scene for the design of legislation against the backdrop of South Africa's unique social context, with low GDP growth and high unemployment and crime.

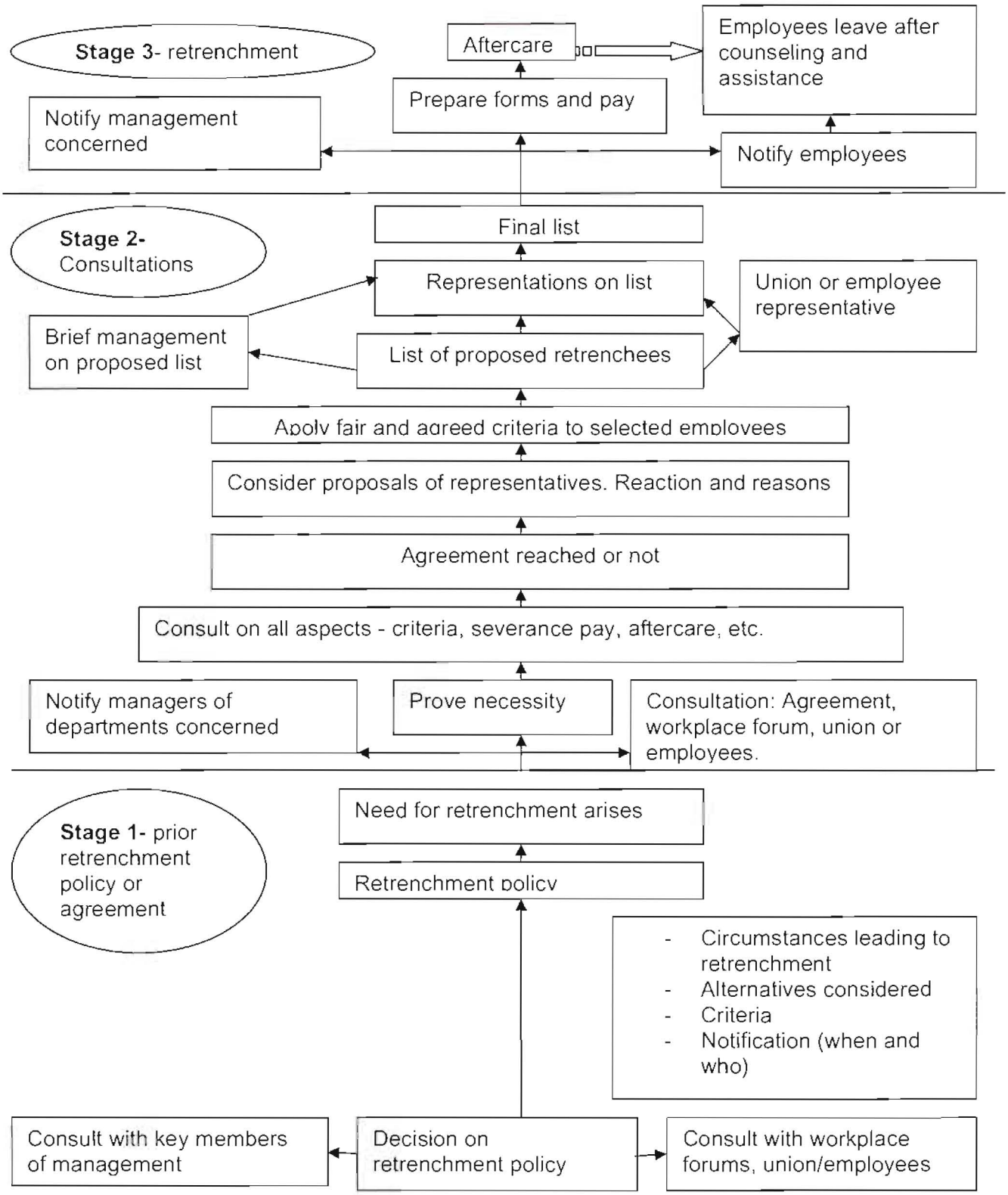
3.7 THE LEGAL PERSPECTIVE ON RETRENCHMENTS - THE LABOUR RELATIONS ACT (Act 66 of 1995)

In the former sections of this chapter, the researcher alluded to the fact that downsizing should be seen as a last resort, and handled with utmost care if any benefit is to be derived form it. Ivancevich *et al.* (1997) states in this respect that the long term effects of lay-offs should be carefully considered. But, as organizations

must do, inevitably these radical strategies have to be considered to survive. When all else fails and retrenchment is imminently necessary, the following section will explain and discuss the mechanisms for dealing with this employment practice.

Figure 5 hereunder outlines the process that will be discussed now.

Figure 5: Retrenchment procedure



Source: Adopted from Bendix (2001).

3.7.1 THE NEED FOR A POLICY

It was mentioned many times in this study that the only certainty in today's world is that change will occur. Business reviews take place regularly in any organisation in the form of meetings, financial statements, etc. and with the innovations in communication technology; it should be reasonably easy for any organisation to forecast looming difficulties. This, however, is a theoretical statement only, as we are commonly aware of many organisations being caught with their pants down.

In this respect, it is wise to ensure that a retrenchment policy is put in place and communicated to all employees. Bendix (2001) contends that this should be done regardless of union presence or not. A pro-active approach is therefore advisable, especially in the South African context where our currency is extremely sensitive to firstly, negative sentiment in the developing markets, secondly political incidents in Southern Africa and lastly to first world economic developments. It is prudent for organizations to consider the effects of the World Trade Centre disaster on September 11, 2001 on the international economic scenario. The gold industry was immediately sought as a safe haven, very similar to the uncertainty that reigned across the globe as a result of the cold war. This incident sparked similar uncertainty, providing a breath of new life into the gold markets, as was evident from the sustained gold price in excess of US$ 300.

Organisations should therefore be prepared with a policy in such events and contingency plans formulated well in advance. Where unions are present, such policies should already have been negotiated and incorporated into the recognition agreements. In the case of bargaining councils, each member should have its own retrenchment policies. Such pre-agreed policies will serve well in informing employees of the manner in which management will handle retrenchments should the need arise and also in guiding management in the event of actual retrenchments becoming necessary.

In the case of Sasol Polymers, the standard company retrenchment procedure was accepted and incorporated into the recognition agreements between Sasol Polymers, SACCWU, MWU and CPPAWU. For purposes of representation, the unions kindly agreed to include staff members (who are not necessarily union members) in the agreement. They upheld the view that staff members have previously contributed positively to alternative mechanisms to retrenchment and so added value to their cause (T. Basil, personal communication 2002).

Bezuidenhout, *et al.*, (1998) mentioned that employers should incorporate the fact that they wish to stay in business and remain profitable, while acknowledging that changing circumstances may lead to a change in the workforce composition to remain profitable. According to Andrew Levy and Associates (quoted by Bezuidenhout, *et al.*, 1998) it is important to decide whether one will merely consult with the union, or engage in negotiations with respect to retrenchments.

Some form of consultation and even negotiation will inevitably occur during the process of establishing a retrenchment policy. During this phase, the following issues should be considered for incorporation into the policy:

- Conditions under which retrenchment will take place;
- The measurables for establishing the need for retrenchment (verification of conditions);
- Selection criteria and the exact procedures to be followed should retrenchment actually become necessary; and
- Alternatives to retrenchments that will be considered, such as redeployment elsewhere in the company and the criteria that will be followed in such an event, guarantees for re-employment once economic conditions allow this, etc. We will focus on these issues at a later stage in the text.

The Sasol Polymers retrenchment procedure allows for the following alternatives to retrenchments:

- Suspension on recruitment;
- Allowing the process of natural attrition to take its course;
- Voluntary early retirement for employees qualifying to do so in terms of the rules and regulations of their respective pension – or retirement funds;
- Voluntary retrenchments at management's discretion; and
- Transfer, redeployment and retraining where possible and under the guidance of the policy (D. Sampson, personal communication, 2002).

In the following section, we will focus on the two legs of fair and legal retrenchments, that being procedural and substantial fairness.

3.8 THE NOTION OF FAIRNESS

What does fairness mean? The word "unfair," or its converse form "fair" is concerned, according to Salamon (1987), with subjective, value judgments about concepts for which there are no universally accepted criteria. This is not surprising, as various cultures judge fairness according to custom and tradition and the concept may vary significantly from one to another. The Chinese culture treats woman differently to men, so does the Islamic faith. Since the concept of unfairness denotes two elements; one receiving and one giving party (or element), the concept of unfairness therefore means that one party will benefit to the detriment of another, otherwise the concept cannot exist. Therefore the omission of an act can also be to the disadvantage of one and to the benefit of another.

The word further implies that there must be a desire for something, the acquisition of which will satisfy the feeling of fairness or in the absence thereof, the feeling of unfairness. The act or omission leading to the perception of fairness does not necessarily have to involve an active party in the act or omission. For example: in a murder case, the suspect is judged by onlookers to be guilty, based on evidence or perceptions and he is acquitted of the charge, the onlookers may experience a

feeling of unfairness towards the victim and his/her family. This then presupposes that in that specific culture, murder is deemed unacceptable when measured against acceptable norms in the society. Similarly, in a culture where human rights are highly valued by society, the same example could be as follows: The murderer is found guilty and receives a death sentence. Due to the high value on human life, the sentence may be deemed unfair, as a strong belief exists for the preservation of life. The onlookers then cannot condone the death sentence under any circumstances. In other cultures, where murder is deemed the ultimate crime, the death sentence will lead to a feeling of fairness, perhaps even for the murderer himself. The Japanese "hara-kiri" and the equivalent Chinese "Seppuku" principles of honourable suicide to receive forgiveness, bear testimony to this phenomenon.

3.9 SUBSTANTIVE REASONS TO RETRENCH (see par. 5.5.4.2, question 37 in chapter 5)

The issue of substantive fairness means that a valid and justifiable reason must be present before an employee can be legally dismissed for operational reasons. The Labour Relations Act, Code of Good Practice: Dismissals place very specific obligations on the employer to ensure that all possible alternatives to retrenchments were explored before talking this course of action (Du Toit *et al.*, 2000). The economic reasons to retrench was discussed in some detail in section 4.5.

The Code of Good Practice: Dismissal also states that, as a general rule, the economic reasons provided by the employer should relate to the financial management of the enterprise; technological needs should relate to the introduction of new technology that affects work relationships through the redundancy of certain positions or restructuring. The code views structural reasons more along the lines of redundancy of positions as a consequence to a restructuring. The same principles seem to apply to the other reasons, being that of "similar needs" of a business. These "similar needs" also have to be aligned with economic, technological or

structural needs and hence a dismissal for reasons closer akin to race or gender diversity performed under the auspices of operational reasons will be deemed unfair. "Similar needs", as contemplated by the expansive definition in the LRA, includes dismissal for incompatibility, a refusal to accept changed conditions of employment and dismissals at the behest of a third party (Van Niekerk, 2002). However, these fall outside the scope of this study.

Similarly, a dismissal for misconduct or incapacity performed under the smoke screen of operational needs will be deemed unfair. It is commonly accepted that many a time, a thin line divides the operational requirements from misconduct or incapacity.

How then does a company retrench employees fairly and with good enough reason? The Act is not very explicit in this respect, but the following question should receive due consideration:

- Is the employers' proposed action genuinely dictated by more than self-interest or preference, or not?

Du Toit *et al.* (2000) argue that if a suitable alternative is suggested during the consultation process, an interest dispute may be looming rather than an operational need. It has been held that the mere submission of an assertion of an operational need by an employer may not be enough, unless accompanied by a tacit or express acceptance by the employee.

The courts have consensus that the reason for the retrenchment must be properly and genuinely justifiable by operational reasons, therefore based on pure business rationale. Although it is generally accepted that the courts will not interfere in the management prerogative to make decisions regarding retrenchment, but to pass a judgment on whether the ultimate decision arrived at was genuine and not an attempt to cover up an ulterior motive for ridding itself of unwanted employees, such as union

members. The exhaustion of the consultation process will bear the testimony whether indeed the reasons for retrenchment were valid or not (Du Toit *et al.* 2000).

Grogan (2003) argues that operational reasons do not necessarily mean a financial difficulty. It could be justifiable to retrench employees to increase profits. He further states that the courts will be slow to deem a retrenchment unfair solely because the employer could potentially have afforded to keep the employees in service. What is most important is that the retrenchment must have affected savings of some sort, even if the savings were not made due to mismanagement.

The Labour Appeal Court stressed that it is not the legislatures' function to "second guess" the economic and business efficacy of an employer, but to judge whether the reasons for the dismissal was in fact a sham or not. This point was clearly illustrated in the *Kotze v Rebel Discount Liquor Group (Pty) Ltd.* (2000) 2 *BLLR* 138 (LAC). The appellant in the case (the retrenchee) alleged that no substantive reason was present to dismiss him and the judge clearly indicated that it is only the courts' duty to establish whether a valid commercial reason existed for the dismissal or not.

The researcher postulates that, even if legislature allows the maximising of profits as a *bona fide* economic reason to retrench, an employer should not ignore the social consequences. The impact on the society is of utmost importance if the enterprise desires long-term sustainability in the community from which it operates. Bendix (2001) states in this regard that a circular relationship exists between crime and unemployment. As the crime rate rises, investor confidence dwindles, leading to lower economic growth that in turn leads to higher unemployment. To sustain themselves, the unemployed turn to crime. Therefore irresponsible retrenchment will lead to ill social effects and in the end; the business that effected the retrenchments will suffer the consequences of increased crime and economic fall-out. The social responsibility of employers will be dealt with in Chapter 4.

As some final remarks, It should be noted that the focus of the courts are in fact changing from a mere function of scrutinising the consultation process to one of establishing onus of proof by the employer on a balance of probabilities of:

- the reason for the retrenchment;
- the definition of the operational requirement forming the base of the decision to retrench;
- a fair procedure in terms of the act; and
- The facts upon which a finding of a substantive fair reason for the retrenchments can be made.

An employer cannot merely rely on compliance to procedures contained in the legislation for retrenchment to be fair (see par. 5.5.4.7, question 42 and par. 5.5.4.8, question 43 and 44 in chapter 5). According to Grogan (2001), the onus rests on the employer to prove that savings can be effected by retrenching employees. Although a cursory reading of section 189 of the LRA indicates a procedural approach to retrenchments, the labour court suggested otherwise. The court implied in the case of *Johnson & Johnson (Pty) Ltd. v Chemical Workers Industrial Union & Others* (1999) 20 *ILJ* 89 (LAC) that a mechanical checklist to ensure compliance with the legislative procedures is inappropriate. It suggested that the occurrence of a joint consensus seeking exercise with a view to the purpose of this particular section of the act be in fact achieved.

The question of substantiveness should enjoy more attention. Employers should essentially run their businesses in such a way that retrenchments could be avoided or minimised, should economic conditions dictate this.

In a discussion with an industrial relations practitioner (name withheld for confidentiality reasons: 2002), the following example materialised: A chemical manufacturer (company "A") acquired a competitor (a producer of a flaked mining reagent product), company "B") a few years ago. The acquisition was in line with the

business strategy of company A to expand its market share. Although acquiring the competitor, most of the company B employees were retained. As time went by, the demand for the flake product became less and less, due to additional hazards of explosive gas liberation during dissolving of the flakes. Conversely, the demand for a liquid based product grew and grew. The first rationalisation project took place when capacity was reduced to enable a fixed cost saving and so maintain the profitability of the business. Demand kept falling for the flakes and kept on rising for the liquid product as substitute. The marketing department offered lower prices throughout the process to induce greater demand, but with limited success. Employees then became aware that final closure would be inevitable. The strangest of all was the unions' contributions to further cut the fixed costs of the business.

3.10 PROCEDURAL FAIRNESS

The seven procedural steps required for a fair dismissal on the grounds of operational requirements are outlined in section 189 of the Labour Relations Act (Act 66 of 1995) and section 41 of the Basic Conditions of Employment Act, 1997. We will analyse these steps in greater detail. Firstly it should be noted that the steps indicated are inter-linked, according to Basson *et al.* (1998) and can sometimes not be separated from each other. An example would be where a retrenchment policy is still being formulated with a union or workplace forum and during this process consultation already took place. During consultations, representations to avoid retrenchment can already be made. We will see that, during the procedural steps, issues relating to the substantive fairness required by the act are interwoven in the procedural steps and we will therefore not deal with the substantive nature of a retrenchment separately.

Before we look into the details of the procedures to be followed, we must note that a *bona fide* reason to retrench was present. The employer has the duty to prove, on a balance of probabilities, that dismissals were in fact based on operational

requirements, as contemplated by the LRA (Act 66 of 1995). The author supports this view, as retrenchments should not be used as an excuse to rid a company of unwanted employees, such as union supporters, non-performing employees, etc. Different mechanisms exist to deal with these issues.

3.10.1 PRIOR CONSULTATION

Consultation is very necessary, not just from the legal perspective, but we already mentioned herein that the impact of retrenchments on communities and the society in which the enterprise conducts its business is enormous. Employers therefore have a huge responsibility towards society.

Narrowing the focus somewhat to the effects on individual retrenchees, the knowledge that he/she may loose his/her job creates profound stress and anxiety, originating from the uncertainty of possibly loosing his/her job. Uncertainty is a great killer of morale. In an interview with a manager (name withheld for confidentiality reasons) of a gold plant in the Free State province of South Africa, the following example can be used to illustrate this point. Once employees became aware that their operations would be sold to another mining house, the rumours about the operating philosophy of the purchasing mining house resulted in a vast decline in morale. The purchasing company is known for its ability to run similar operations with lesser people. Production fell with approximately 28% virtually immediately after the sale was announced. A commensurate increase in accidents marred the mine. In this example, no definite knowledge about who would be retrenched was made available and the grapevine did the rest.

Two points of view can be upheld in this regard.

- The sooner the fact that retrenchments are underway becomes known the better. The benefit of this approach would be to eliminate the lingering effects of

prolonged uncertainty and commensurate problems as described in the example here above. Furthermore, it provides employees with enough time to seek employment elsewhere. The disadvantage will be reduced productivity and an increase in the accident rate. Sabotage may not be ruled out.

- Prolonging the final decision to the very last moment. This view may appear contrary to the LRA, but nevertheless happens in practice. The benefit of this approach would be a maintained productivity level up to the last moment and reduction of accidents. The disadvantage would clearly be the shock on the employee, leaving him disempowered to change his fate in time.

However, the grapevine in any organisation is a powerful communication tool and employees inevitably know that retrenchments are underway. In the text above, the analysis of the difference between retrenchments and redundancies was established. In practice, however, retrenchments normally are more permanent that what one would want to believe, since the business cycles of the manufacturing industry linger too long for retrenchments to be reversed.

For purposes of this study, we will only focus on timely communication. Once an organisation's management becomes aware that retrenchments are inevitable, the need to consult becomes the next stage in the process. This process is vital in the retrenchment process and will be prevalent during various stages of the retrenchment process. Where a pro-active approach was adopted by negotiating and agreeing upfront on a retrenchment procedure, this could already be viewed as part of the consultative process (Bendix, 2001). Consultation should also be genuine, requiring an open mind and a willingness to explore the matter at hand *before* a decision is made, according to Anderson & Van Wyk (2002).

Due to the governments' concern over lob losses, amendments to the Labour Relations Act of 1995, the Insolvency Act 24 of 1936 and the Companies Act 61 of 1973 were made during the last two years. Section 197B(1) was introduced as a measure to force employers to advise employees of facing financial difficulty that

may reasonably result in a winding up of the employer or sequestration of his estate (Loubser, 2005). In terms of section 197 B(2) of this act, employers must provide a copy of the application for winding up or to be sequestrated to employees or the consulting party defined by the act.

3.10.2 WHEN TO CONSULT?

The LRA is quite explicit in this regard and clearly states that consultation should start the moment that management contemplates retrenchment. This ensures that the employees have the opportunity to influence the decision whether to retrench or not (Basson *et al.*, 1998). In (Anon., 2001) the case of *Langa & others v Active Packaging(Pty) Ltd.* was reviewed where a company immediately advised the union of impending financial trouble and possible retrenchments. The dismissals were held to be fair, even after appeal.

Grogan (2001) supports this view, but adds another dimension to it by stating that not only does consultation become necessary when retrenchments are contemplated, but, that the consultations should be exhaustive as a joint problem solving exercise as well. Consultations should therefore not be used as an excuse, but should be a genuine attempt to solve the problem. It is important to note that consultations should not commence after the decision to retrench was made, but when the need is contemplated (Bezuidenhout *et al.*, 1998). This principle was firmly embedded in the case of *Decision Surveys International (Pty) Ltd. v Dlamini & Others.* (1999) 5 *BLLR* 413 (LAC). In this case, the employer notified the employees of the effective date of the dismissals, the number of employees affected and the selection criteria to be used while at the same time inviting them for consultation. However, these actions took place after the employer consulted a labour advisor and decided on a timetable for the dismissals. The invitation to consult in an attempt to reach consensus was therefore not genuine. Needless to say, the employer lost the case.

As a final note, a distinction between consultation and negotiation may be prudent at this point. Bendix (2001) asks the question whether consultation is sufficient and states that the possibility exists that those employers may in future be compelled to negotiate with employees or their representatives. The author rather supports Grogan in this respect, as it appears that consultation in itself has already been found unsatisfactory in many cases by the labour court. Essentially, it means that consultation should be genuine and not a sham in terms of meeting the procedural requirements of the legislation. The question of when to start consulting is not always an easy decision, as the business requirements may dictate that certain actions be taken before the decision to retrench is made, where the outcome of such decision may again influence the very reason to retrench or not.

3.10.3 WHO TO CONSULT?

Brand *et al.,* (1997) lists as follows:

- any person whom the employer is required to consult in terms of a collective agreement;
- where no collective agreement requires consultation, a workplace forum where such a forum exists;
- where no workplace forum exists, a registered trade union in respect of employees likely to be affected;
- where no such union exists, the likely affected employees or their nominated representatives.

The Labour Relations Act (Act 66 of 1995) is very explicit in this regard and the labour court is very strict in the application of section 189 (1).

3.10.4 ATTEMPT TO REACH CONSENSUS ON CERTAIN MATTERS

Linking closely to consultation is the second procedural requirement, that being the attempt to reach consensus on certain matters. In this respect, it would be wise to reflect on what consultation means. The definition of consultation is not to be found in section 189 of the LRA, 1995, but Bezuidenhout *et al.,* (1998) reasons that the act regulates how consultation should be conducted by indicating "that the consulting parties must attempt to reach consensus..."

Once again, the Labour Relations Act (Act 66 of 1995) is quite explicit regarding the subjects that should be considered with a view to reaching consensus.
These subjects are:

- Appropriate measures to avoid the dismissals;
- Appropriate measures to minimise the number of dismissals;
- Appropriate measures to change the timing of the dismissals;
- Appropriate measures to mitigate the adverse effects of the dismissals;
- The method for selecting employees to be dismissed; and lastly
- The severance pay for affected employees.

Each of these subjects will now be analysed in more detail.

3.10.5 APPROPRIATE MEASURES TO AVOID DISMISSALS (see par. 5.5.4.3, question 38 in chapter 5)

It is not surprising that this subject appears as the first one of the listed measures to be taken and a clear sequence of events prevails in the Labour Relations Act (Act 66 of 1995). In this respect, we refer to the International Labour Organisation's guidelines quoted in Bendix (2001) that state firstly "...positive steps should be taken by all parties concerned to avert or minimise as far as possible reductions of the

workforce by the adoption of appropriate measures, without prejudice to the efficient operation of the undertaking, establishment or service." The legislation supports this principle by requiring consultation firstly to avoid dismissals.

Logically, the avoidance of dismissals based on operational requirements should be the first step due to the negative social impact of retrenchments and the contribution that unemployment makes to crime. This is particularly true in the South African context. A disproportionate population growth rate in the face of the current economic growth rate poses a real threat for dismissed employees.

Alternatives certainly exist to taking the profound decision to retrench personnel. It should be noted that retrenchments do not always work the way they should, and similarly, alternatives to retrenchment do not always work equally well. The sensible approach depends on the magnitude of the downsizing and the amount of lead-time for implementation.

It is therefore of utmost importance that the correct alternative is chosen and implemented. The following table summarises a few approaches that can be considered. The role of the human resource manager will be critical to effectively execute such a strategy and a hands-on approach will be essential. Exercising the right choice will mean having thorough manpower planning. The human resource manager should be intimately involved in the business strategy and have a thorough understanding of the direction that the business will take. The following table will illustrate which options to follow:

Table 5: Retrenchment options

(Percentages indicate the approximate head count reduction).

15% +	Deep, across the board terminations	Spin off business units; Series of early retirement or buy-out offers	Close down business unit and re-deploy employees. Diversification based on skills of surplus employees
6-14%	Widespread early retirement/ buy-out; Bring subcontracted work back in-house; Pay reduction, job sharing, move to lower paying jobs	Mobilising troops; Selective terminations; Retrain; re-deploy. Retain; find jobs outside the company. Loan staff	Managed attrition. Spin off staff departments
1-5%	Selective terminations; Target early retirement or buy-out programme	Managed attrition. Convert staff to consultants. Market staff services outside the company	Managed attrition (and many of the other options)
Time to Implement	Less than 1 year (responding to immediate economic threat)	1-3 years	3 years +

Source: Adopted from Tomasko (1990).

3.10.5.1 NATURAL ATTRITION

Natural attrition means allowing employee reductions to take its natural course by not replacing people when they retire, resign, die or are dismissed for other reasons than operational requirements. This implies that a restructuring will occur in the specific department where the employee previously worked. In a large organisation, this

means a process of continued restructuring throughout. For this to work, the department as a whole needs to be evaluated for maximum efficiency and effectiveness by adding responsibilities to other employee portfolios, restructuring workflow and removing non value adding activities. The old saying, "sweating your assets", should work wonders here.

Bendix (2001) supports this view by stating that this should be the first and most obvious choice of action.

Care must, however, be taken not to overburden employees, as the effects of stress and burn out may very well result in much lower productivity, thereby defeating the purpose of the exercise (Ivanchevich *et al.*, 1997). The author postulates that in such an event, although money is saved, costs are not necessarily saved, since lower productivity of remaining employees could cost much more.

The benefit of this approach is that employee paradigms centre on that of continuous change, making change management much easier and can even lead to innovative approaches to improve the organisation. This approach therefore appears hugely beneficial when compared to any other solution, but unfortunately, it cannot be used in the case of a sudden threat to an enterprise's continued existence. A rapidly falling gold price, threatening production at a marginal mine, or the closure of a production unit, like the gasification circuit at the Sasol group of companies, could be seen as a good example of this.

3.10.5.2 THE GRANTING OF EITHER PAID OR UNPAID LEAVE

Unpaid leave may prove an important alternative to dismissing employees, but should this become necessary, time probably has already run out to avoid retrenchments.

Clearly an employer would need to consider which and how many employees he could afford to let go on leave. The nature of its operations, the duration of providing leave and the perceived duration of the financial crisis (if this is the reason for its retrenchment needs), will dictate if this is a viable alternative to retrenchment.

An example would be where a technological change is foreseen and the company needs to save money to finance the installation of new technology. Once his operation is back on line, partial re-instatement may be possible.

3.10.5.3 THE REDUCTION OR ELIMINATION OF OVERTIME, WORK ON SUNDAYS AND SHORT TIME

This appears to be a better alternative to retrenchment than the above example. Overtime in many industries are pretty expensive, especially where weekends and paid public holidays are deemed working days.

Significant savings may be achieved in this regard, potentially eliminating the need for retrenchments. Once again, the nature of the employers' business will dictate if this could be a solution or not. A manufacturing industry, where operational plants run for 24 hours per day for the whole year would find this difficult. The small motor industry (panelbeaters, car sales dealerships, spares shops, etc.) use short time very successfully in avoiding retrenchments, since these industries are cyclical in relation to the motor vehicle accident rate and boom seasons, according to Kemp (personal communication, 2003). He did state that timeous warning of impending retrenchment is critical in ensuring the success of the avoidance mechanism.

However, if paid overtime is to be replaced with non-paid overtime, this would clearly be a change in the conditions of employment of the employees and would need to be negotiated and agreed with employees, unions, workplace forums or employee

representatives before this can be implemented. The author is of the opinion that employees would much rather accept such an alternative than face retrenchment.

Short time appears to be simply a mechanism to delay retrenchments. This can, however, be more beneficial to companies that are somewhat overstaffed. In this event, should a company be in a position to allow for short time and the subsequent savings made, they already proved that the business is not optimised with respect to manpower. Productivity improvement will probably enhance the business performance more than short time and perhaps in this sense prove that retrenchments were necessary.

It must be noted that the nature of the employer's operations need to be critically reviewed before embarking on such an exercise. A delivery of meat after hours can clearly not stand until the next morning before unpacking it. A similar provision will for instance apply to a company who needs to have its cargo loaded onto a vessel ready for departure to an export market.

3.10.5.4 MORATORIUM ON THE HIRING OF NEW EMPLOYEES

This alternative can be fruitful and should be considered together with other options to avoid retrenchments. In the above text, we already referred to an organisational paradigm of constant change. In this respect, the employer should in any event critically review any and all replacements of employees under any circumstances, not just when contemplating retrenchment. This may very well pay off in the long term and we could postulate that in this case, retrenchments could be avoided by having a long-term manpower strategy and optimum manpower utilisation.

However, it still happens today that ineffective manpower strategies or simply bad human resource management results in appointment of too many or even the wrong personnel. This could make it very difficult for a retrenching employer to prove fair

dismissals if he constantly employs more people. Bendix (2001) quotes that there are organisations that keep recruiting new employees, despite the knowledge that retrenchments are looming in the distant future. The hiring of temporary staff and contract labour could similarly cast a shadow of doubt over the credibility and substantive fairness of a retrenchment exercise.

The unions are very adamant about this option and employers would only be able to justify employing new personnel by proving the need for highly specialised skills. Unions would otherwise vehemently oppose the recruitment of new personnel in the face of retrenchments, as it will for sure destroy any hopes of finding a substantive reason to retrench. Therefore, employing new candidates and embarking on contract labour and temporary staff could very well lead to a Labour Court finding against such an employer.

Alternatively, unions can use this option to exercise a form of industrial action. When an employer contemplates retrenchment (whether fairly or not), the ban on recruiting new employees or contract workers could serve as a strong deterrent to embark on retrenchment to rid itself of unwanted employees, such as trade union members. In this way, the union can serve to protect itself and keep its membership numbers strong.

3.10.5.5 VOLUNTARY RETRENCHMENT

Voluntary retrenchments can take the form of early retirement or a bonus for employees who wish to leave with a retrenchment package. This could be a costly exercise for an employer, but seems an appropriate course of action where retrenchments in the longer term can be foreseen.

In the case of early retirement, it can be viewed as a kind of fast tracked natural attrition. Clearly it has to be viable for the employee, especially opposite the rules of

the pension or retirement fund and would appear more appropriate for older employees. However, it may not be a solution to unskilled workers (Bendix, 2001).

In the case of the Sasol Polymers' history of retrenchments, this option has always been used quite extensively. In this regard, the severance package allows for an additional three months salary to be paid if voluntary retrenchment is taken. (D. Sampson, personal communication 2000.)

3.10.5.5 TRANSFER TO OTHER POSITIONS OR RE-DEPLOYMENT IN THE SAME COMPANY AND TRAINING OR RETRAINING OF EMPLOYEES

This application becomes meaningful where technological changes or the shutting down of part of its operations by an employer is contemplated. Where a department is shut down or a plant closed vacancies in the rest of the organisation should be considered for retrenched employees. Logically, they should be reasonably fit and competent to fulfil their new duties. Venter, Grossett and Hills (2003) reason that an obligation to consider transfers probably exists where either a group of related companies is involved or the existing company is large enough to facilitate inter-organisational transfers.

Where gaps exist and the employer needs to maintain productivity, retraining for the new positions can be effective alternatives to retrenchment. Where no such vacancies exist, or the employee does not meet the requirement of the position or does not have the ability to learn the skills necessary for the new position, retrenchment will be inevitable. Nevertheless, this avenue should be exhausted to avoid retrenchment.

3.10.5.7 REDUCTION OF WAGES

A reduction of wages could be seen in parallel to unpaid leave and a reduction or ban in overtime, as it directly impacts on the net disposable income of the employee. This could be a viable alternative where the duration of the prevailing economic crisis is foreseen to be of short duration. However, at Common Law, in terms of the Basic Conditions of Employment Act (Act 75 of 1997) and the Labour Relations Act (Act 66 of 1995), no unilateral reduction in contracted wages is allowed, unless expressly permitted by an applicable wage regulating measure, such as a bargaining council agreement or wage determination. Where this does not exist, the employees or their union must agree to this. This then amounts to agreed altered contract of employment. Failing to do this will result in a unilateral variation of the terms and conditions of a contract which is impermissible by law, according to Venter, Grossett and Hill (2003).

3.10.5.8 PRODUCTIVITY IMPROVEMENTS

Clearly this solution should not be seen as a quick alternative to retrenchments, according to Eisenberg (1997). In any organisation, where retrenchments are becoming a more common phenomenon, the need for productivity improvement should be an ongoing concern.

By having a long-term strategy in place, where constant new work methods, improved efficiencies and international performance benchmarks are strived for, retrenchments may never materialise. This will of course not be applicable in the case where an unexpected and sudden change in the business environment necessitates retrenchments. For a retrenched employee one could argue that where a business was slack in remaining competitive or the politics of the organisation hinders timely decision-making with respect to changing strategies, retrenchments could have been avoided. In this respect, a responsibility rests on the employers'

shoulders to run its business optimally, given the prevailing circumstances. The issue of improved productivity was discussed in some depth elsewhere in this study.

3.11 APPROPRIATE MEASURES TO MINIMISE THE NUMBER OF DISMISSALS

As soon as this phase is entered, retrenchments are inevitable, as all measures to avoid it have been exhausted. The next step would be to attempt minimising the number of dismissals. However, a close correlation exists between measures to avoid retrenchments and minimising the number of employees to be retrenched. In this regard, the only difference between consulting to avoid and implementation of retrenchment, is the fact that consensus has been reached that actual retrenchment is unavoidable.

Grogan (2003) argues that if measures to avoid retrenchments altogether fail, the same measures should be contemplated to minimise the number of employees to be retrenched.

3.12 APPROPRIATE MEASURES TO CHANGE THE TIMING OF THE DISMISSALS

Either prior to or during the consultation process, the employer intending to retrench should give an indication when it proposes to retrench.

Employees would wish to extend or prolong the process for as long as possible, whereas the employer may wish to perform the exercise as soon as possible (Bezuidenhout *et al.*, 1998).

It would be foolish of employees, however, to prolong the retrenchments for so long that the enterprise is disabled and closes its doors before severance packages have been paid.

Another alternative would be to spread the retrenchment over a period of time. This may well be beneficial for the employer too, as the financial impact due to the payment of severance packages will also result in improved cash flow. Similarly, by delaying the timing and spreading the dismissals, the employer may by default then allow the process of natural attrition to minimise the impact on the number of employees to be dismissed.

3.13 APPROPRIATE MEASURES TO MITIGATE THE ADVERSE EFFECTS OF THE DISMISSALS

We already mentioned the responsibility that an employer has to the community within which an employer conducts its business. In this regard, one could argue that those special circumstances pertaining to an employee or a group of employees should be considered. An example would be where an employee supports a number of families, or where illness, without monetary aid, could result in the death of family member.

This matter could be considered to be of the same nature as representation by an employee or group of employees, as clearly the circumstances will be put forward for consideration. Grogan (2003) airs the opinion that the intent of this provision is not clear.

However, Bezuidenhout *et al.* (1998) lists the following considerations:

- Assistance in finding alternative employment. However, in the case of *Sikhosana & others v Sasol Synthetic Fuels,* the court rules that no legal obligation rests on

the employer to do so. The author again refers to the responsibility of the employer towards his employees and suggests that, although not a legal requirement, the employer should consider this option;

- Making a venue available to complete job applications and conduct interviews;
- Provide a reference in addition to the supply of a certificate of service. This reference should indicate that the employee was retrenched in order to enhance his ability to find alternative employment; and
- Undertake to give priority to dismissed employees should vacancies arise.

In support of this argument, Basson *et al.*, (1998) contemplates that some protection is afforded to retrenched employees in terms of the LRA (Act 66 of 1995). It is argued that, where an agreement to this effect is in place, refusal to re-instate or re-employ a former employee constitutes an unfair labour practice. Such an agreement could typically compel an employer to give priority to dismissed employees for a specified period of time. Furthermore, the definition of a "dismissal" in section 186 of the Labour Relations Act (Act 66 of 1995) affords some protection in the event of retrenchment of multiple employees. This provision would apply where a number of employees were retrenched for similar reasons, and the employer offers re-employment to a select few only.

In closing, since retrenchment constitutes something along the line of "economic capital punishment" as quoted herein, it is clear that the effects of retrenchment on an employee are devastating. In this regard, the employer who retrenches employees could consider a support centre, where counselling can be obtained in dealing with their emotions more effectively.

3.14 WRITTEN DISCLOSURE OF RELEVANT INFORMATION

The facts relating to the need for retrenchments must be communicated i.e. the justification or business rationale. The following should be communicated in writing during the process of consultation:

- Reasons for the proposed dismissals. This may include financial statements, contracts received or lost, falling demand for the product, production inefficiencies resulting in a too high cost structure, weakening exchange rates in an import market or strengthening of the local currency when the enterprise exports most of its products.
- Alternatives considered, already described herein;
- Reasons for rejecting proposals for alternatives. Suggested alternatives may not alleviate the financial burden;
- Number of employees potentially affected and job categories;
- Proposed method for selecting employees to be dismissed;
- When the dismissals will likely take place;
- The severance pay involved;
- Offered assistance by the employer;
- Future re-employment prospects;
- The number of employees employed by the employer; and
- In terms of the new Labour Relations Amendment Act 2002, the number of employees that the employer retrenched in the preceding twelve months (Van Niekerk, 2002).

There is, of course, information that may not be supplied, such as trade secrets, confidentiality agreements with customers or ratios of costs that may be extrapolated into raw material ratios, leading to disclosure of production secrets. This knowledge would endanger licence agreements with the suppliers of production technology and may result in total closure of the business. In support of this statement, Basson *et al.*

(1998) states that information relating to other employees or the employer that may cause them substantial harm may also not be disclosed.

Section 16 of the Labour Relations Act (Act 66 of 1995) states that an employer need not disclose information that:

- Is legally privileged;
- May not be disclosed by law or any order of court;
- Is confidential and, if disclosed, may cause substantial harm to an employee or employer; and
- Is private and personal to an employee unless that employee consents to the disclosure.

The disclosure of information is closely related to consultation, as without disclosing information, the consultation will be meaningless. Section 189 (3) of the Labour Relations Act (Act 66 of 1995) is clear with respect to what information must be disclosed, although the list is not meant to be exhaustive (Anderson & Van Wyk, 2002).

3.15 ALLOW AN OPPORTUNITY TO MAKE REPRESENTATIONS AND THE CONSIDERATION THEREOF

It would hardly seem fair if employers contemplating retrenchments do not allow opportunities for representations and would indicate a gross negligence towards its responsibilities. During this phase, individual or collective cases may be put forward for consideration in respect of any of the issues contemplated by the LRA (Act 66 of 1995). These have already been cited as possible alternatives to retrenchment, challenged reasons for retrenchments, measures to minimise the impact, etc. and we will therefore not focus on these again.

What is important, however, is that employers make a genuine effort at considering these representations. Just listening to representations does not meet the requirements of a fair dismissal. Where the employer disagrees with such a representation, its reasons must be stated.

Individual representations may be made on the basis of personal circumstances, such as illness of a family member, or other personal reasons. Should such case be acceptable, the practice of bumping may occur. Bumping occurs where an alternative employee would be identified as a retrenchee as opposed to the initial candidate, based on the consideration of the initial candidates' representation and was discussed earlier in this chapter.

Van Wyk (1990) found in his research in the chemical industry in the Vaal Triangle that the personal circumstances of potential retrenchees are not often considered by employers. The researcher feels that his research was possibly too narrow in the context of a *then* incestuous chemical industry and was applied at a different time. However, with the heightened focus on corporate social responsibility and due to massive restructuring of the chemical industry, this may have changed. This is particularly prevalent following the international exposure of some of these companies.

3.16 SELECTION OF EMPLOYEES FOR DISMISSAL

The selection criteria should be agreeable to all the relevant parties and where no such criteria exist, fair and objective criteria should be established and applied. (Basson *et. al.*, 1998). Once again, the LRA (Act 66 of 1995) is quite explicit in this regard.

Similarly, where a retrenchment procedure has been agreed on between an employer and employees, it must be adhered to.

The only contentious issue would seem to be: what do fair and objective criteria mean? It is prudent to assume that both criteria should be used in its establishment. In this respect, Grogan (2001) argues that a difference in the two standards applies. Criteria can be objective, but unfair, for example all members of a particular race or union. He quotes that "fairness is, however, probably ensured by the provisions relating to automatically unfair dismissals, which cannot be justified by the fact that it occurs in a retrenchment context."

The last-in-last-out (LIFO) principle appears to be the most commonly used criteria and has been applied numerously in practice. It has been held that this principle may not be suitable to apply across the whole spectrum of a large industry. The circumstances prevailing in that business must be considered. It may not be prudent to retrench highly skilled employees, possessing special skills necessary for the continued operation of the business, although they may have joined the company at a later stage.

The question of what LIFO means also arises. An employee may have been transferred to a new department and as a result, deemed to be the last in. He may have worked for the company for twenty years before the transfer. In this respect, the LIFO principle does not seem fair and reasonable.

What is important to note, however, is that agreement must be reached on what criteria to be used and that these criteria be applied in such a way that the interests of the employer and the employee be taken into consideration. A variety of agreed criteria could be the answer.

Basson *et al.*, (1998) lists the following as possible selection criteria:

- Seniority, or "LIFO": Long serving employees are retained at the expense of those with shorter service in similar or less skilled categories of work;

- Conduct: Conduct will be deemed a fair criterion if the employee in question was made aware of unacceptable behaviour and the base for such conduct is objective, such as attendance records and warnings;
- Efficiency, ability, capacity, experience, attitude to work and productivity: These criteria can be used if it is measured objectively and if the employee knew of its importance. Logically, employers will show an affinity towards hard working individuals;
- Attendance: This criterion can be used only if the employee knew the seriousness of this to the employer;
- Bumping: Where retrenchment affects only one department of a business, LIFO can be used to retrench and then to drain the other employees off into other departments. Where the skills of the longer serving employee cannot be used, a less skilled job is offered to replace the less skilled employee in the other department. The court also noted in the case of *Porter Motor Group v Karachi* that the bumping of an individual in the absence of other relevant factors, seldom causes problems and the fact of longer service establishes the fairness thereof. Employees may also be bumped into other divisions of a company with due consideration to the costs and inconvenience suffered as a result (Anon., 2002).
- Early retirement: Employees who have reached the minimum retirement age will be viewed as the first targets. This criterion can be used where physical fitness and strength is a pre-requisite. The choice, however, remains with the employee, or else an automatically unfair dismissal will be imminent;
- Volunteers: Any employee who volunteers for retrenchment. This will typically be an employee who has already found alternative employment;
- Non-residency: Employees who do not reside in a specific residential area could be selected, but care must be taken to avoid an automatically unfair dismissal;
- Double income families: Where both family members are employed by the same employer and one is selected for retrenchment on this basis. This

criterion may be fair, but again, care must be taken to avoid an automatically unfair dismissal.

3.17 SEVERANCE PAY

The Basic Conditions of Employment Act (75/1997) requires that retrenched employees are entitled to compensation over and above leave pay or pay in lieu of notice. The minimum requirement stipulated in the act is equal to at least one week's remuneration for each completed year of continued service with that employer. The Minister of Labour may, however, grant exemption from this rule in the event of financial distress (Bezuidenhout, *et al.*, 1998). The subject of severance pay must, however, be a subject of negotiation and agreement. The law merely requires a minimum to be paid.

A few points are worth mentioning:

- An employee, who has been offered alternative employment and unreasonably refuses to accept it, will forfeit the severance package. The position offered must, however, be substantially the same. It has been held that where the newly offered position is substantially different in nature, wage, status, etc., the refusal of acceptance may very well not be viewed as unreasonable.
- The affected employee's other rights to amounts due to him are not prejudiced. This implies that other money legally due to the employee cannot be withheld because he has been paid a severance package.
- The Minister may review the stated minimum severance pay by publishing a new minimum in the Government Gazette.
- Employers are welcome to offer better benefits than the legal minimum in the event of retrenchments.
- The acceptance of a severance package does not necessarily prejudice the right of the employee to pursue an unfair dismissal action.

Bendix (2001) cites that retrenchment planning is very important. It would indeed be very costly to pay retrenchment packages, only to discover that re-employment becomes necessary shortly after the dismissals. In such a case, temporary lay-offs would be a more suitable financial alternative for the employer. In the case of the Sasol Polymers retrenchment policy, provision is made for severance payment as follows:

- Three weeks severance pay for each complete year of service;
- Pro rata payment for the incomplete year in which he will be retrenched;
- Four months' wages in lieu of notice;
- All accumulated annual leave not taken;
- Where a voluntary package is accepted, an additional three month's wages will be offered;
- The company contribution to the pension or retirement fund of the employee; and
- All pro-rata bonuses payable (Sampson, 1998).

It can be postulated that the provision of financial advice to retrenched employees could be seen as an attempt at minimising the effects of retrenchment on employees. In such a case, the best tax directives can be pursued and sound investment opportunities sought.

Basson, *et al.*, (1998) indicates an interesting notion in the legislation. In terms of the Basic Conditions of Employment Act (75/1997) payment should be made in money or in kind or in money and in kind. Although "in kind" is not specifically defined, but is understood to include issues such as housing, meals, travel allowances, etc. In the offering of a retrenchment package, these issues should also be considered.

Severance pay and the policies agreed to with unions or employee representatives should not be taken lightly. It is intended to soften the effects of retrenchment and to compensate employees for loosing their jobs by no fault of their own. The minimum

legal amount payable should then also deter employers from contemplating retrenchments lightly.

3.18 MERGERS, CLOSURES, SALE OF BUSINESSES AND ACQUISITIONS

In terms of the Common Law, the closure of an employer by closure of the business, sale, merger, take-over or any other means, results in the termination of the employment contract. Closure of a business means giving notice to the employees for contract termination, but in terms of the Labour Relations Act (Act 66 of 1995), such a dismissal would be deemed for operational reasons. Severance pay will then become due and payable. Section 197 of the Labour Relations Act (66/1995) provides for these circumstances as follows:

The employee has to provide his consent to transfer his contract of employment from his old employer to his new employer, unless the whole or part of a business is transferred as a going concern. The Act contemplates the concept of transferring as a going concern only when an employer is insolvent, wound up or sequestrated or because a scheme or arrangement/compromise is entered into to avoid sequestration, winding up or insolvency (Grogan 2001). When such a transfer of his employment contract takes place, the service is deemed uninterrupted, but previous liabilities can still lead to prosecution, conviction and a sentence (Bendix, 2001). This is of particular importance should the employee be retrenched by his new employer.

After transfer as a going concern, the rights and obligations of the old employer will also be transferred, but any trade union or workplace forum agreements can change. Insolvency, liquidation, sequestration, scheme of arrangement or compromise of a business will, however, not lead to a transfer of rights and obligations, but only a transfer of employment contracts. The new employer could not be prosecuted for transgressions of the old employer.

The requirements of the Labour Relations Act (Act 66 of 1995) lead to more questions than answers and as such, the Labour Relations Amendment Bill of 2002 proposed some changes to section 197 to address these concerns. The following questions arose:

Was the transfer of employment contracts under the transfer of a business as a going concern obligatory or enabling? In the case of insolvency, it became obligatory and not enabling, as derived from the meaning of the words:" transfer automatically". Bendix (2001) further mentions that controversy reigned with respect to the meaning and interpretation of the terms "transfer", "parts of the business" and "going concern". The debate in whether a sale was deemed adequate or whether a change of ownership through the share disposition, transfer of assets, mergers, take-overs or other restructuring processes, is needed, left more questions than answers. These questions were left to the courts to decide. Generally, they took account of substance, rather than form, by looking at what has happened rather than what the transaction was called.

To solve these problems, amendments were proposed to the Labour Relations Act (Act 66 of 1995) and have now been promulgated. These changes, according to Grossett (2001) address the following:

- The difficulty in applying section 197 has been clarified;
- The introduction of a new section into the LRA (197A) caters for insolvencies, ensuring consistencies with the Insolvency Bill;
- In the absence of a collective agreement, the new employer may either negotiate new conditions with trade unions or offer conditions that are more favourable on the whole. This will allow more flexibility with transfers;
- The obligations of the new and old employers will be clarified in respect of collective agreements, pension and provident fund obligations, outstanding claims and the circumstances in which severance pay may be claimed; and

- Additional obligations will befall the transferring employer in ensuring that the new employer will be in a position to honour the benefit obligations already accruing to employees.

Laubser (2005) discusses the difficulty faced with apparently conflicting pieces of legislation. One of these provisions is section 38 of the Insolvency Act of 1936 which deals with the effect of sequestration on contracts of service of the employees of the insolvent company. The effect of section 38 prior to its amendment was that the liquidation of the employing company that is unable to pay its debts, meant termination of the employment contracts between the company and its employees. However, section 197 of the Labour Relations Act of 1995 provided that if the whole or part of a business was transferred as a going concern, where the old employer was insolvent and being wound up or sequestrated or because of a scheme of arrangement or compromise was entered in to avoid winding up for reasons of insolvency, all contracts that were in existence immediately before the winding–up, automatically transferred to the new employer. The question was, how do you transfer a contract that has already been terminated? This problem was partly solved by the replacement of section 38 of the Insolvency Act (1936) with a new section in January 2003, in terms of which the employment contracts of employees are suspended, (rather than terminated) from the date on which a winding-up order is issued. During these periods, no remuneration or rendering of services are required. These contracts will however, terminate 45 days after the appointment of a liquidator, except for those who have reached an agreement with the liquidator on their continued employment. In terms of section 38(5), the liquidator may terminate the contracts of the employees in the 45 day period, but not unless he has consulted with the legitimate representatives of the employees as provided for in the Labour Relations Act. The purpose of these consultations is expressly to reach consensus on appropriate measures to save or rescue the whole or part of business of the insolvent employer.

In terms of the spate of insolvencies, liquidations and mergers, acquisitions, disposals and other business strategies, section 197 of the Labour Relations Amendment Act 2001 were designed to offer some protection to affected employees. The terms of transfer need not be identical, they must, on the whole, not be less favourable than those enjoyed when employed by the old employer. Where employees are not satisfied that the terms and conditions of their new contracts of employment are as favourable, they may object to the terms of the transfer.

No prior consultation or negotiation with employees is required where the obligations of the old employer transfer automatically to the new employer. However, where any terms and conditions of employment or any obligations are to be altered, either the old employer, the new employer or the old and new employers acting jointly will be obliged to engage in negotiations on the terms of such changes. These negotiations must be conducted with the trade union representing the employees affected; or in the absence of such trade union, the employees individually.

The old employer must conclude a written agreement with the new employer specifying which employer will be liable for the payment of any amount in respect of accrued leave pay, severance pay if dismissal for operational requirements were contemplated and any other payments that have accrued to the transferring employees but which had not yet been paid by the old employer. In the case of apportionment of liability between the old and new employer, the terms of that apportionment must be spelt out.

Section 197 (b) of the LRA requires an employer facing financial difficulty to advise the trade union representing employees or, in the absence of any trade union representing employees, the employees themselves, of such circumstances. Furthermore, such application must be copied to the representative union or employees for their information (Wilken, 2002).

The amendments to section 197 of the Labour Relations Act (Act 66 of 1995) also provides that, if the employment contract is transferred to the new employer with

substantially lesser terms and benefits to the employee and he does not accept it, the new employer will be deemed to have effected the dismissal. A dismissal that occurs "on account of a transfer" becomes automatically unfair, according to Grogan (2003).

Finally, it became apparent that, in the event of a transfer of business, closure or merger, that the employees are notified of such strategies in time. Du Plessis and Van Wyk (1992) note in this respect that the transferor should give reasonable notice and consult with the employees or representative union well in advance before the take-over date and; steps should be taken to protect the interests of the employees, especially the retention of their jobs.

3.19 RESOLUTION OF DISPUTES OVER RETRENCHMENTS

Section 23 of The Constitution of South Africa provides for certain labour rights, one being the right to fair labour practices. Since a dispute, arising from retrenchment will be a dispute of right the dispute can be adjudicated by the Labour Court.

However, where a bargaining council has jurisdiction, the dispute has to be referred to the bargaining council, but if the collective agreement does not provide for dispute resolution mechanisms or does not have jurisdiction, the CCMA must attempt to conciliate the dispute. No arbitration can be performed without the consent of the parties as the Labour Court has jurisdiction over this kind of dispute. Grogan (2003) is clear about the permission that an employee has to refer a dispute relating to an alleged unfair retrenchment to the Labour Court for adjudication. This is merely permission, meaning that the employee may choose the arbitration route via the CCMA or even a private arbitration.

The employer does not have a choice and has to abide by the request of the employee. It should be noted that such a referral could only take place after the employee has been dismissed, otherwise the Labour Court and/or the CCMA will

lack jurisdiction. Nevertheless, when a dispute is declared, the employee must refer the dispute to either the Labour Court or CCMA (depending on his preference) within 30 days of the date of the dismissal. The 30-day period may be condoned if the referring employee shows good cause for such delay.

The Commissioner has the option of referring the dispute to the Labour Court if the category of the dismissal is not clear, where a question of law arises, or where the matter is very complex or where the public interest demands this. The Commissioner must entertain representations by the parties to the dispute before referral to the Labour Court.

3.20 REMEDIES FOR UNFAIR RETRENCHMENT

A variety of remedies are available to an employee, who was found to be unfairly retrenched, be it for substantive or be it for procedural reasons. The Labour Relations Act (Act 66 of 1995) is very clear in stating the following remedies:

- Re-instatement for a date not earlier than the date of the dismissal;
- Re-employment, either in the work in which the employee was involved prior to the dismissal or any other reasonably suitable work; or
- Compensation. (Basson *et al.*, 1998)

The difference between re-instatement and re-employment, according to Basson *et al.* (1998) is as follows: Re-instatement restores the broken contractual relationship to its former status as if it was never broken, whereas re-employment implies the start of a new employment relationship. Since the difference in the two concepts may have an effect on pension fund payouts, it is worth considering the difference between the two.

There are situations where re-employment or re-instatement will not be feasible. An employee may wish not to be re-instated since he secured employment elsewhere. The second situation could be where the continued employment relationship with the dismissed employee will make the relationship intolerable. This is self explanatory, since an intolerable relationship cannot work. The third scenario could be where it is impractical to re-instate or re-employ the dismissed employee. A retrenchment followed by a typical mechanising exercise is a good example hereof.

As a last note, re-instatement or re-employment may not be ordered if the dismissal was found only to be procedurally unfair. Compensation then becomes the last form of remedy in the event of an unfair retrenchment. Once again, the Labour Relations Act is explicit in its regulation. Basson *et al.* (1998) notes the following:

- If the dismissal was only unfair because a procedure was not followed, compensation must be equal to the remuneration that the employee would have received between the date of dismissal and the last day of the hearing of the arbitration or adjudication. The employee must not have caused any unreasonable delay in initiating the claim.
- Where the reason for the retrenchment was found to be unjustified, the amount of compensation should be equitable, but never more than the equivalent of twelve months' remuneration, calculated at the rate of remuneration when the employee was dismissed.
- If an employee were retrenched, but the real reason for the dismissal is found to be automatically unfair as contemplated by section 187 of the Labour Relations Act, the compensation must also be just and equitable, but not more than the equivalent of 24 months' remuneration, calculated at the rate of remuneration applicable at the time of the dismissal.

Although it appears fairly simple to establish what the compensation would be, it is actually not. Confusion has reigned for a long time in the courts as to what the discretion means in monetary value. What is important, however, is that fairness

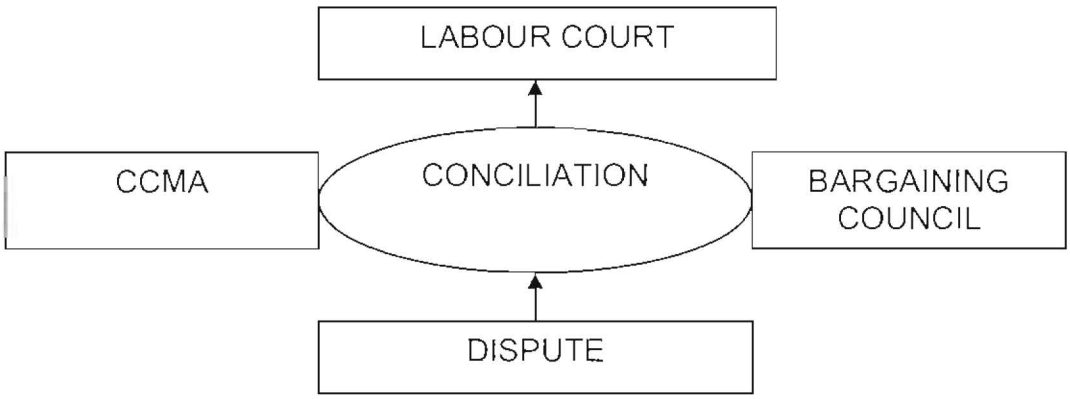
must apply to both the dismissed employee and the dismissing employer (Anon., 2002).

Where an unfair retrenchment is alleged, the affected employee may apply for other forms of relief. These are:

- The granting of an interdict, in line with the provision of making any other order that may be deemed appropriate under the circumstances, or
- Before the dismissal actually takes place, the employee who alleges an unfair retrenchment may apply for urgent interim relief pending the final resolution of a dispute. The requirements for this relief, according to Basson *et al.* (1998) are:
    - Urgency;
    - A *prima facie* right in respect of which irreparable harm will be suffered if the relief sought is not granted;
    - No adequate alternative remedy exists;
    - The damage and inconvenience suffered in the event of the order being refused will be greater than the damage or inconvenience suffered should the order not be granted.

This kind of relief can be sought when the loss of benefits such as a reputation in the marketplace and membership of a medical aid scheme or pension fund scheme is at stake. The following figure summarises this point:

Figure 6: Dispute resolution



Source: Brand *et al.* (1997).

3.21 THE LABOUR RELATIONS AMENDMENT ACT 2002

Various amendments to labour legislation that could materially affect employers came into effect on 1 August 2002. Of significance to this research are the changes to the provisions regulating retrenchment.

Section 189 of the Labour Relations Act (Act 66 of 1995) was significantly revised, resulting in new employee rights and new extended employer obligations, according to Grossett (2001). The amendments imply that the consultation process now has to be more meaningful and attempts at genuine consensus seeking must be evident. To facilitate the process, a facilitator from the CCMA may be used in the event of a major retrenchment.

Grossett (2001) mentions that, if the process fails after 60 days, the union may call for industrial action in organisations employing more than 50 employees or elect to refer the matter to the Labour Court in respect of dismissals over a specified size. However, the provisions of the Labour Relations Act (Act 66 of 1995) for striking must be adhered to, except that 14 days notice is required for a secondary strike. This means that *individua*l employees can now refer disputes to the CCMA, instead of the

Labour Court. Nel (2000) argues that this amendment will significantly increase the load in the CCMA, while decreasing the load on the Labour Court. Strike action in terms of a dispute over retrenchment is limited to substantive reasons - no strike action will be protected if the dispute is over procedural matters.

Should employees elect to refer the dispute about substantive fairness to the Labour Court, the Court may only adjudicate that a dismissal was in fact based on operational requirements, whether the reason was justified on operational grounds, whether viable alternatives were exhausted and whether fair and objective criteria were used.

Where an employer refuses to disclose certain information, the onus will be on the employer to prove the irrelevance of the information. The intent hereof, according to Grossett, is to improve the ability of the unions to participate more meaningfully in the consultation process through the improved access to information. COSATU, according to Nel (2000) disagrees with this. Where the government attempts to streamline large-scale retrenchments by avoiding unnecessary delays, COSATU had hoped for mandatory negotiations. The proposed facilitated consultation, according to them, will not only exclude the majority of workers, but could speed up retrenchments.

Also new to the Labour Relations Act is the addition of section 189 (A). This section applies to any employer who employs more than 50 employees. According to Van Niekerk (2002) and Nel *et al.* (2008) this section also applies when an employer contemplates dismissing at least:

- 10 employees if the employer has up to 200 employees in his service;
- 20 employees if the employer has more than 200, but not more than 300 employees in his services;
- 30 employees if the employer has more than 300, but not more than 400 employees in his service;

- 40 employees if the employer has more than 400, but not more than 500 employees in his service; and
- 50 employees, if the employer has more than 500 employees in his service.

The numbers to be dismissed is calculated by also considering the number of employees dismissed for operational requirements in the 12 months preceding the period for which the new dismissals are contemplated. The date for such calculation will be deemed the date on which notice was served in accordance with section 189(3) of the Act. It is of utmost importance that an employer who contemplates dismissing employees in terms of section 189 (A) recognises that the calculation will be based on the number of employees contemplated to be retrenched, regardless of the number of dismissals that will eventually transpire.

Another major development, although not part of the labour legislation, is the Insolvency Amendment Bill, under the jurisdiction of the Department of Justice. In essence, it facilitates a more equitable position for employees with respect to their substantive rights in terms of their contracts of employment. The NEDLAC agreement stipulates that a contract of employment can be suspended, rather than terminated and limited consultation can take place for employees to find measures to save the employer from liquidation.

Major developments for employees in terms of this mean:

- The entitlement to severance pay when employment contracts are terminated due to insolvency;
- Paying over of employers' contributions as well as deductions made from benefit funds within seven days of the deductions made or the contribution becoming due; and
- Requiring in the Labour Relations Act that employers notify unions or employees of circumstances and proceedings leading towards insolvency,

therefore allowing advance notice of sequestration proceedings (Grossett, 2001).

The implications for employers may be profound, as reasons for increasing profits may be severely challenged by the unions. In line with this argument, employers may now be forced to establish proper social corporate responsibility programmes. This issue is dealt with in Chapter 6. It also appears that the legislators intended to make it difficult for employers to cover up other reasons for retrenching employees, rather than real operational requirements. These deceptive actions typically engaged in by employers will be exposed.

Finally, changes to the Labour Relations Act (Act 66 of 1995) have been made through the passing of the new Labour Relations Amendment Act of 2002. These changes reflect the change in the world and the impact it will have on retrenchment. These changes will result in improved worker rights insofar retrenchment is concerned, reflecting improved conditions for employees. Clarification of compensation payable in the event of an unfairly dismissed employee still remains somewhat problematic and the rule of "nothing or everything" seems to be applied more and more by the courts and commissioners.

3.22 THE EFFECTIVENESS OF LABOUR LAW

The purpose of this discussion is not to analyse the effectiveness of South African labour law, but to sound a warning to our businesses and government in the context of this research. The author came across some research into the effectiveness of labour law. This is important from the perspective of a globalised economy and the specific effects of ineffective labour law in our unique South African context. Globalisation has led to a renewed and increased interest in the issue of ineffectiveness of labour law in certain southern countries. In this respect, the International Labour Organization, to which principles South Africa subscribes,

issued a declaration on fundamental social rights in June 1998, with the aim of establishing a few basic principles that applies to the fields of international trade, almost like a kind of a common ethics framework. This is important also from the point of view that unemployment is not the only factor that affects the socio-economic contexts globally, but its impact on the effectiveness of labour law is generally considered a key factor. He further argues that, its effectiveness is particularly important in the light of the uneven power balance imposed by employers and the fact that some labour law provisions have openly socio-economic objectives, especially those concerning the employment situation and international competition. (Auvergnon, 2006).

This, in the researcher's opinion, is vital with a view to a new more mobile workforce that travels globally in search of international exposure. Generally, one can assume that the greater the conformation to rules, the greater its effectiveness. In this sense, the researcher points to the notion that workers may tolerate illegal situations and will not complain if their jobs are at risk. Therefore job insecurity and a sluggish job market (which is definitely a major issue in South Africa today), will dissuade workers from complaining about their rights and employment conditions. In closing, these factors point to ineffectiveness in labour law because of its susceptibility to the imbalance of power in labour relations resulting from the inequity between the parties. This is also so because labour law could be deemed "political" law

3.23 FAIR REASON FOR OPERATIONAL REQUIREMENT DISMISSALS IN THE SOUTH AFRICAN CONTEXT

Thompson (2006) argues that there is far more subtlety, sophistication and opportunity in the Labour Relations Act than what meets the eye. This is particularly true in the distressing notion of retrenchments. The inherent provisions contain possibilities to head up the upheaval that accompanies economic restructuring of the country as a whole. This is evident in three domains. At micro level, the new law

invites a philosophy of social partnership, a different methodology in the form of joint problem solving and a new institution in the form of workplace forums. At the meso level, bargaining councils have the opportunity to take an inter-company and industry grasp of regional and even national level restructuring challenges, all along while NEDLAC, strengthened by initiatives such as the Millennium Council, has the mandate to forge pre-emptive responses on the macro plane. Therefore comprehensive institutions exist that are capable of producing integrated solutions to assist in structural adjustments in the economy. The researcher has throughout the study so far indicated the imperative for this in the face of our national challenges, notably unemployment.

The participants in these institutions have not yet been able to make significant inroads into the workplaces, indicating that at company level and at council level, these insights into the said possibilities have not yet been explored enough, generally following the low roads.

One of the statements made by the researcher earlier on regarding the development of values in business that requires a higher view of labour issues, is supported by the statement made by Thompson (2006) when he says that social parties work with a compliance mindset, rather than a statutory goal model. The mindset is then one of avoiding legal complications and of claiming all legal rights when downsizing is imminent, rather than seeking to reshape their joint future. This of course applies to both management and unions, when they expect that retrenchment scenarios mean only further bouts of strained relationships and zero-sum outcomes.

Labour legislation, like other legislation shapes the labour markets, especially when it concerns operational requirement dismissals. The courts, however, face the deeply problematic issue when having to judge on the merits of a business plan in order to judge a retrenchment exercise justified. Judges have to balance the interests of employers and the rest of society in promoting business competitiveness and that of employees in a continued access to a livelihood through honest work. Not an easy

task if the courts are not geared for it. Some inconsistency may develop in certain court cases, because it is difficult to define all circumstances that might legitimately form the basis of a fair operational requirement dismissal. Some argue that the fair reason goes to the efficient and productive functioning of an organisation, permitting organisations to react to external circumstances, developments and make innovations in a new global economy. The very wide definition of an operational requirement, to get to a point of departure, could therefore relate to an employers' need to run its business effectively, efficiently and competitively in the marketplace or public sector. In the face of globalisation, this could ease up on fear of litigation ruling against employers when attempting to drive down costs, perhaps to secure a foreign market.

It is important to note that employers contemplating dismissal for operational reasons, not only need to have some form of economic reason, but it must be a fair reason. The debate then creates latitude for employers to execute business restructuring strategies, at least to the point where retrenchments may be involved. The counter performing pieces of legislation, notably the Constitution, applicable statutes and common law, designed to protect and advance employee interests in a fair workplace, makes this a very complex assignment indeed.

Therefore, in case law a variety of approaches have been seen. These ranged from a termination decision taken purely on the basis that the reason was bona fide and imbued with commercial rationale, to decisions that ruled that employment terminations must be a "last resort". The argument is that fairness goes beyond mere bona fides and economic rationale. Other forms of dismissals, such as for disciplinary or performance reasons, hold that it should be as a last resort, and therefore why not also for operational requirements. The justification of fair reasons for retrenchment is getting more and more difficult, it seems. The latest approach of the courts is to have employers prove their reasons on a balance of probabilities of:

- The cause or reason for the dismissals;

- The defined "operational requirement" that the decision was based upon;
- A fair procedure; and
- The facts upon which a finding of a substantively fair reason for the dismissals can be made.

This means that retrenchment should not be contemplated as a first resort, at least. The genuine consideration of alternatives to retrenchment becomes so much more important now. Fairness, not correctness emerges now as criteria. This is so because fairness must now also be applied to the employee - is the retrenchment fair to the employee as well? This entitles the court to also evaluate the reasons or economic justification given by the employer. The fairness of these findings must occur objectively, since it is argued that the court may not have the correct insight into the nature of a business to be making judgments on how best to find business solution. This means that the courts do not have carte blanche in this respect.

So what happens in the final analysis regarding the decision to downsize a company to improve profits? Thompson (2006) argues that where the dismissal for operational requirements is one where an employers' bottom line is threatened by a continued downturn in demand for its products or services, to the point of having redundant staff, fair reason will be easier to pursue than that for an organisation that sits with handsome profits and want to increase it. In the latter case, it would appear hard to convince a court that retrenchment is a "last resort". The researcher wants to add to this point by reflecting on the fact that employers, in a more competitive global economy, should not wait and act in a reactive manner when it is already too late, possibly loosing an international investment opportunity or global market share, but rather make the hard decisions along the lines of long-term sustainable growth which links to its corporate social responsibility. The literature also indicates that the reality of a market driven economy is one in which employers depend on their ability to adapt and compete over time. The ones that don't and tread water, may not survive anyway and succumb to nimble competitors, more so than ever in the new global environment with high labour mobility.

This is where the real philosophy of corporate responsibility and legal compliance meet, in the opinion of the researcher. Business has an operational requirement to remain competitive, but also an obligation on a relational level, to have regard for the interests of all stakeholders. In this lies the foundation of this piece of legislation - to advance and develop economic *and* social justice. The act requires the parties to this issue to define that threshold for themselves and jointly manage its consequences through active and genuine consensus seeking. Some final guidelines in this respect would be:

- Alternatives to downsizing have been properly exhausted;
- The decision is not unfair in that it causes disproportionate hardship; and
- There are no countervailing and over-shadowing policy considerations.

This leads the researcher to the final conclusion that a more difficult task awaits the successful business wishing to retrench people to demonstrate fairness in the process, than the one floundering one. Therefore a business that does exuberantly well that wishes to retrench to do even better, had better properly think about the potential verdict if it happens to disregard the interests of its employees while consulting with them.

3.24 SUMMARY

From the literature so far, it has become evident that a very real need exists to continually review staffing levels. Change in the world leads to the need to adapt and sometimes employment levels are the appropriate means to address the changing environment in which a business operates. The forces operating in the globalised economy necessitate the need for retrenchment in order to become more globally competitive. For this reason, legal protection is necessary to protect the rights of the employees, as unscrupulous employers will not think twice to dismiss employees as they see fit. Numerous cases can be quoted where either or both substantive

reasons or procedural reasons lead to litigation. These could have been prevented by merely following the requirements as laid down by legislation.

Although dismissals for operational reasons are deemed a no-fault dismissal, employees should realise that they do have the ability to influence the ultimate destiny or profitability of a business. This is so because empirical research has linked the relationship between the propensity to retrench people and their reputation as a responsible citizen. Karake (1998) said in this respect that legal solutions are insufficient in dealing with such issues as retrenchment, hence the need to view retrenchment practices in the light of corporate social responsibility. To effectively reduce the potential for retrenchment, employees and management, in fact all stakeholders of industry, should undergo a paradigm shift, away from the antagonistic and traditional management/union relationships towards one of co-operation where change is embraced as a natural phenomenon. Nel *et al* (2008) specifically described the change from managing "industrial relations" to "employment relations" in the context of the changing nature of the industry. This leads to acute awareness of the burning social issues in South Africa, and naturally brings the need to think about employment relations in the context of corporate social responsibility.

Unfortunately, South Africa is not a highly productive or competitive country (Venter, 2006; Nel *et al*, 2008), as the pre-apartheid animosity and mistrust still lingers and union members still vehemently act the victim. This is still so in the face of a globalised economy that South Africa has entered and wish to compete in competitively.

The substantive and procedural fairness of retrenchment, as well as the procedures to be followed when contemplating such a traumatic exercise was explored in detail, as were the mechanisms for minimising the impact of retrenchments at company level.

In the next chapter, the social impact of retrenchment will be discussed in more detail. The responsibility of large employers in the society in which they operate will also be discussed with a view to the impact of retrenchments on the society.

CHAPTER 4

CORPORATE SOCIAL RESPONSIBILITY AND THE IMPACT OF RETRENCHMENT

4.1 INTRODUCTION

In the previous chapter, the notion of reviewing employment levels in the face of global pressures in an attempt to become globally competitive received generous attention. It was also noted that the employment practices of industry could be expressed as manifestations of its paradigm towards corporate social responsibility. In this chapter, the researcher will investigate the research questions cited in paragraph 1.2, positing that business does not yet fully make the connection between being socially responsible and the way it engages with its employees and other stakeholders. The notion of retrenchment is therefore still seen as a phenomenon distinct from corporate social responsibility. The work in this chapter will challenge this assumption.

Thompson & Strickland (2001) states in this respect that societal concerns are shaping corporate strategy, citing the important task to ensure that corporate strategy is designed to be socially responsible. The issues to care about include, amongst other things:

- Organizational activities that are conducted within the constraints of what is ethical and in the interest of the general public;
- Responding to the emerging expectations of society;
- Balancing shareholder interests with those of society; and
- Being a good citizen in the community;

The world scene in which business must operate changed dramatically after the Enron scandal, the tragic Bhopal incident, Chernobyl and the September 11 events, according to Friedman (2006) and Cannon (1992). Phillips & Claus (2002) note that Westernisation and commercialisation are facing anti-globalisation voices with harsh criticism aimed at multinationals and governments that support free trade. Many companies are being scrutinised by government for unethical and irresponsible practices, including employment practices. The new youth is growing up more enlightened with career choices more aligned with their own personal values and these are the future leaders and/or consumers. This will lead to increased pressure on companies to engage in corporate social responsibility. This is of great importance, in the opinion of the researcher, with the advent of the "knowledge worker" in a globalised economy with high labour mobility and the need for organisations to change, adapt and re-invent themselves at a much faster pace (see par. 5.5.2.3, question 11 in chapter 5).

As with the speed of change described in chapter 2, the advent of corporate social responsibility will gradually pick up speed in the face of consumers becoming more enlightened and sensitive to irresponsible companies. The Mori Corporate Social Responsibility Update reviewed this issue and found that 81% of respondents involved in the study indicated that social responsibility was becoming more important for their businesses (Anon, 2002).

The overall responsibility of employers, however, extends way beyond the traditional avoidance of environmental liabilities and the maximisation of profit as a social goal. Thompson & Strickland (2001) notes that being socially responsible means doing more than meeting legal obligations, it goes beyond the law and includes a concern for human duty and the principles upon which it rests. This issue is rather one of acceptance of responsibility that extends into various dimensions of the communities in which they conduct their business affairs. This responsibility includes the provision of longer term employment opportunities, as the very people who helped generate the profits in the first place and contributed to the success of the business has a

stake in the society in which he/she exists. Society develops around businesses and interdependency develops.

Corporate social and environmental responsibility is becoming an important issue for civil society and corporate leaders. This is so partly because the free trade spirit allowed corporations to become immensely powerful, commensurate with a decrease in governments' ability to regulate business activities. It is well known that governments simply do not have the means to effectively address poverty and will progressively rely on big corporations to contribute to social upliftment programmes. Clearly it would not be necessary for social upliftment if society had been in a decent state of affairs.

Consequently, frustration develops in communities when business leaders claim that certain labour, environmental and human rights issues are the responsibility of the society. At the same time, the same leaders are found lobbying for policies, legislation and trade agreements aimed at improving trading conditions while weakening the government's power to address appalling social and environmental conditions. Ultimately, society pays the price while attempting to solve the problems caused by business in the first place. Harman & Porter (1997) describes the following growing fundamental ways in which modern society is not working:

- Militarization of societies across the globe;
- Recognized drift towards anarchy;
- Underemployment and homelessness;
- Widespread alienation and inner-city violence;
- General breaking of the social contract between society and workers;
- Inability to halt environmental destruction;
- The ineffectiveness of the war against drugs;
- The growing divide between rich and poor.

Corporate social responsibility can contribute significantly to a company's competitive advantage and long-term sustainability. To fully exploit this, all the elements of corporate social responsibility must be considered when formulating corporate strategy. Two pitfalls are noted in the failed attempt to gain productive results from corporate social responsibility actions, according to Porter & Kramer (2007). These are the way companies try to pit business against society and in the process fail to understand the interdependence that exist, and the second is the generic way to think about corporate social responsibility rather than fit it snugly with the company strategy. In this sense, an affirmative corporate social agenda moves from mitigating harm to reinforcing corporate strategy through social progress.

Smith (2003) indicates that companies must find ways to come up with a marriage between corporate philanthropy and strategy. This strategy can only work effectively if it is entrenched and well understood by all levels in the organisation. There can be no misalignment and lost synergy. At the highest level, a fundamental understanding of the higher order purpose of a company should be evident. This, according to Goodpaster and Mathews (2003) means executives of a company will look to their board of directors and managers, take the time to hear community representatives and then choose a course of action carefully crafted to meet both their own needs and that of the community. This will happen despite an ambiguous world fraught with conflict. Then, action will come from deeply entrenched values. Beck and Cowan (2006) articulates this view in a phenomenal way through the explanation of spiral dynamics. He discusses the levels of humanity where change happens and relates true change to a concept of core intelligence, where changes in how people think, naturally impact what people think and why they behave the way they do.

According to Cannon (1992), big business should realise that they are an integral part of the society in which they conduct their operations and should therefore ensure the proper treatment of people, including the responsible utilisation of employees. This means a huge responsibility when contemplating retrenchment, as the society so affected may become vigilantes and retaliate with boycotts, unrest and crime.

The concept ranges across many dimensions of business and society, but this chapter will focus on the corporate social responsibility of employers opposite the interaction with retrenchment and unemployment across the various strata in society. The other elements of corporate social responsibility therefore fall outside the ambit of this study.

One specific dimension of corporate social responsibility, as explained by Thompson & Strickland (2001), is the interaction with community leaders to minimize the impact of lay-offs or retrenchments. The immense pressure exerted on society that arises in the face of mass retrenchment must be considered as a corporate social responsibility issue, according to Karake (1998). This notion will be discussed and investigated in this chapter as a strategy to manage the impact of retrenchments. This chapter will start with a definition of what corporate social responsibility is and the concept will be clarified.

4.2 DEFINITIONS AND AN EXPLANATION OF THE CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE CITIZENSHIP

By studying the relevant literature, the researcher came across the following typical statements:

- This is a business, not a welfare organisation;
- Companies do not care;
- Money talks and makes the world go around;
- Survival of the fittest; and
- The bottom line is all-important, etc.

These few statements alarmingly relates to a statement made by Milton Friedman (a Nobel Peace Prize winner). He said that: "corporate social responsibility is a fundamentally subversive doctrine" and made statements to the effect that the only

corporate social responsibility of business is to increase profits (Esterhuyse, 2002; Mullins, 2002; Estes, 1997). Another phrase that Friedman quoted, as stated by Davis (2005) was: "the business of business is business". The debate between the two poles, varying between the "maximisation of shareholder value" and the philanthropic perspective is unfortunately also creating the wrong idea, so obscuring the significance of social issues to business success.

The researcher indicated in the introduction of this chapter that corporate social responsibility cannot be avoided because of the interdependence of business and the society in which it operates. However, the level of commitment and acceptance will vary from industry to industry and one would expect a social commitment commensurate with the size of a company, particularly in societies with low levels of industrial diversity where mass retrenchment leaves the community devastated and without hope (see chapter 1 for examples hereof). Surely without the society, there would be no labour available and no markets to serve, hence no need to exist.

Since corporations vary enormously in size, complexity and products, it is very difficult finding a definition that will suit any or all companies, but what then does corporate social responsibility mean? Many views have been expressed, but the concept of the triple bottom line will become of fundamental importance if companies wish to enjoy longevity and remain profitable and acceptable in the community in which it operates. In support of this statement, Esterhuyse (2002) quotes Henry Ford on a similar sentiment: "If business concentrates on social goals at the sacrifice of short term profit, it may find itself destroyed in its neglect of its long term future. On the other hand, if it emphasises profit to the exclusion of social goals, it may find itself abandoned and destroyed by the people it has ignored". This profound statement should reverberate through big business in South Africa, as the struggle to find the balance between employment retention and creation versus the need for transformation in business and society continues.

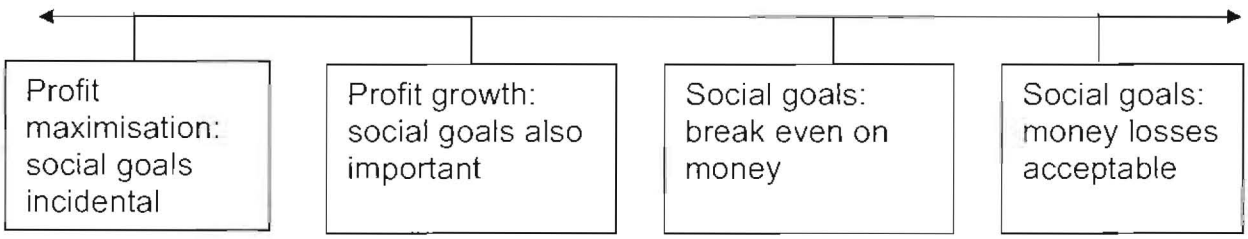
Esterhuyse (2002) continues this line of argument when he states that the Henry Ford statement represents capitalism with soul, capitalism with a human face and caring capitalism. He calls this special responsibility free enterprise in partnership with other stakeholders where the notion of partnership is an inclusive approach to sustainable success.

Farmer & Hogue (1985) defines corporate social responsibility as follows:

"Socially responsible actions by a corporation are actions that, when judged by society in the future, are seen to have been the maximum help in providing necessary amounts of desired goods and services at the minimum financial and social costs, distributed as equitably as possible."

The complexities arising from this definition and the degree to which a company will be deemed to be socially responsible may best be understood by using the following figure:

Figure 7: Social goals of an organisation



Source: Adopted from Farmer & Hogue (1985).

The researcher holds that the definition is evolving and that the above model hails from antiquity and holds a very narrow and misunderstood view of what corporate social responsibility really means, as will become evident later on in the discussion. Grossman (2004) notes that when occupational, safety and health legislation was

promulgated employers feared the change would cause them hardship. They soon realised, however, that a safe work environment actually increased profitability. The true meaning of corporate social responsibility is the next major management paradigm that must, and will shift. Nevertheless in the context of the above model, it is of paramount importance to understand that corporate social responsibility should not be left only for big companies. Social responsibility includes every business and it does not have to generate millions in revenue to qualify as a socially responsible company, especially regarding employment practices.

Bennett & Bennett (2002) describe corporate social responsibility as the relationship of a company with its suppliers, its environment and its customers, containing all aspects of business beyond worrying about the next quarterly profits. His definition relates to the stakeholder theory described later herein, but only in a limited way.

Kotler & Lee (2005) defines corporate social responsibility as a commitment to improve community well-being through discretionary business practices and contributions of corporate resources.

The European Commission described the process whereby companies decide voluntarily to contribute to a better society and cleaner environment, with the concept of responsibility towards the community going beyond the legislative requirements and satisfying stakeholders.

From a spiritual perspective, Mathew (2003) states that charitable and enlightened behaviour is what is supposed to set us apart from lower life forms, but looking at the mess we have created on the planet and the way we sometimes treat each other makes you wonder where our species stand in the civilisation league table. Chakraborty (2004) states in this respect that even spirituality in business (defined as the higher order values in this context), when propagated by institutions like the Harvard Business School, may yet become another instrument to competitiveness. Clearly then, in our capitalistic and instant gratification society, it would be premature

to say that spirituality is the ultimate saviour of mankind, not a business tool. Grossman (2004) states it very eloquently when she says that corporate social responsibility should not be driven by a company's capacity to "do good" but by "being good".

Van Wyk (1984) refers to social responsibility as going well beyond the immediate responsibility of the enterprise itself and includes issues such as employment of minority groups, reduction in pollution, greater contribution and participation in community development, loss control and safety and security. The aim is, according to him, to improve the quality of life of employees and members of society.

The social responsibility of employers can be defined in many ways and it encompasses various types of involvement. These activities could include, but may not necessarily be limited to:

- Sponsorships for social events, such as a theatre to promote cultural awareness;
- The granting of study bursaries to members of the community in which the business operates;
- Organising exhibitions to foster the need for education in scientific skills;
- Career counselling facilities for the community;
- AIDS awareness campaigns;
- Holding employee respect and care as a company prime value;
- Actively seeking ways to balance profitability with care for the society and not letting profit be the beginning and end of all business activities;
- Maintenance of employment levels;
- Post retrenchment programmes;
- Safety, health and environmental commitments
- Assistance in fighting crime. The business against crime initiative is a good example hereof. A chemical company in the Vaal Triangle has, for example, recognised that employees walking home from nigh shift to the workplace and

so face muggings and other crime, is in fact their responsibility. This is so because the victims of such crimes may typically be absent from work the next day due to either injury or trauma sustained as a result of the crime committed against them.

Corporate social responsibility and corporate social investment relates to the concept of the triple bottom line, where not only profits contribute to the sustainability of a company, but also a genuine concern for the communities and the environment in which a company operates. The triple bottom line approach to business implies care for three distinct dimensions, according to Esterhuyse (2002):

- Financial health of the organisation and the need to improve stakeholders' wealth;
- The safety of workers and products; and
- The well-being of the natural and social environment in which the company operates.

Corporate citizenship according to the researcher, relates to the establishment of legitimacy in the community in which an organisation conducts its business, in much the same way that the citizens of a country need to conduct themselves worthy of such citizenship by respecting and obeying the moral, legal and ethical obligations imposed on such citizens. Despite the fact that such an organisation physically finds itself inside the geographic boundaries of the community, legitimacy does not necessarily follow automatically through a deed of sale of property, but through corporate acceptance of these responsibilities. Good governance also relates closely to the notion of corporate social responsibility and the disastrous effects of the Enron scandal bears testimony to the crucial importance of good governance. Corporate social responsibility considers companies not just to be self-centred profit making entities, but that its actions are integral to the economy, society and the environment in which they occur. In this respect, Van Dyk & Herholdt (2003) noted that companies do not exist purely to generate profit ad make money; but is indeed

communities made up of groups of people who are joined together to accomplish something collectively which would not have been possible individually and so contribute to society to provide purpose for their lives.

4.3 THE BUSINESS CASE FOR CORPORATE SOCIAL RESPONSIBILITY (see par. 5.5.3.2, question 24 and 5.5.3.3, question 25 in chapter 5)

Compelling evidence, supremely in favour of corporate social responsibility is emerging in the globalised new world economy (see par. 5.5.3.1, question 23 in chapter 5). During the period 1980 to date, the world witnessed unprecedented economic growth and the development of this global economy. The mind boggling pace of change in information technology, the mobility of organisations that arose through trade liberalisation and global competition for markets and consumers led to the end of comfortable and stable economies. The ever increasing need for business transformation in order to reposition itself in this new world order represents a fundamental shift in the relationships between corporations, individuals and society as a whole (Verwey, 1998). In fact, Kotler & Lee (2005) quotes the sentiment echoed by Carly Fiorina at the Business for Social Responsibility Annual Conference in 2003, that cutting-edge innovation and competitive advantage can result from the integration of social and environmental issues as part of corporate strategy from the outset.

As if this is not enough, not only does the old economic model now have to make way for a new spirituality (which is evident globally), that recognises the sanctity of individual human life and that has compassion for individuals, but more value must be created to ensure sustainability in the future. According to Graves & Addington (2003), this notion reflects our God-given instruction towards proper stewardship. This model will be governed by the new social contract (discussed later in this chapter) that will redefine the boundaries of organisational responsibility.

The third revolution – this is what the new paradigm is called. Can we even begin to comprehend the result of an organisation that missed out on the first industrial revolution? Gupta (in Chakraborty, 2004), in discussing a higher order calling to business, says that profit with a purpose larger than one's narrow self-interest is the best guarantee for long term peace, stability and social cohesion, and is fundamentally necessary for companies to pursue their business unhindered. Sustainability under the third revolution relates to being successful at managing the variables that could potentially affect the bottom line of companies. These variables are growing at an exponential rate. Being ignorant towards these growing variables could prove fatal, for example loosing the trust of stakeholders (Hatcher, 2003).

In this new global economy, ethical behaviour that consists of doing well financially and by doing good socially offers a competitive advantage by meeting market demands. Ivancevich (1997) unequivocally state that ethics and competitiveness are inseparable, where no society can prosper and compete globally where people steal from each other. The interdependence of the markets created by globalisation forces this revolution. In cases where the annual revenue stream of a multinational company outstrips the GDP of the host economy, the importance of genuine corporate social responsibility increases exponentially. The growing importance of consumer activism must be noted here. In a survey of 22 000 consumers, 18 out of 21 countries reported that companies should go beyond the legal definition of their roles in society. This could be so profound that multi national companies may even become strongly influential in public policy formulation, thus carving out their own destinies. The criticality of becoming and remaining globally competitive was discussed at length in chapter 2.

Porter & Kramer (2003) says that companies can use their charitable efforts to improve the competitive context – the quality of the business environment in which they operate. Using a philanthropic strategic approach to enhance the competitive context aligns social and economic goals and improves a company's long term sustainable business prospects (see par. 5.5.3.2, question 24 in chapter 5).

Although the notion of corporate social responsibility is fast becoming as new buzz-word in boardroom agendas, it has to be real, genuine and deliver true benefits for all parties. Consider for a moment the last corporate social responsibility report from the fraudulent energy giant Enron just before their demise - a glossy paper, glamorous report sprinkled with sunlit foliage and smiling ethnic faces, dwelling on how the giant conserved trees in Bolivia and told their security men at its Indian subsidiary to stop beating people up. This was a delightful report for students of irony. The reality, according to James (2003), is that corporate social responsibility and corporate governance are blood brothers.

When business is not prepared to invest in social responsibility, the consequences can be severe. Growing acceptance is evident of the notion that an investment in the society is an investment in a company's long-term sustainability. The following strategic approach to social investment is deserving of some attention.

Table 6: Strategic approach to social investment

	GREEN	GREY
HIGH COST	LEADER High profile, high investment policy	PUNISHED Retro-fitting required: loss of market share
LOW COST	CONFORMER No-cost, low cost measures	LAGGARD Do nothing

Adopted from Sadgrove, (1992)

From this table, it is clear that major benefit can accrue to a company accepting its social responsibility, with severe punishment accruing to the company who chooses to ignore it. Sustainability is inextricably linked to resource usage and hence a sustainable company does not deplete its raw materials or human capital by viewing them as dispensable assets. Ivancevich *et al* (1997) notes in this respect, that companies must manage their competitiveness effectively yet never without considering ethics as part of their strategy. They state that the combative nature of industry that arose from increased competition has led in far too many cases to illegal and unethical behaviour. This is simply not sustainable.

In the South African context, consumers are increasingly looking towards businesses to help solve the myriad economic and social inequities that we face. Corporate brand managers are discovering that the intelligent use of corporate social investment policies are making them more competitive and lifting their brands to higher profiles, according to Irwin (2003). Proof of the value to use corporate social responsibility policies in promoting brand loyalty and so increase competitive positions, can be found in the practical execution of the policies of multinationals like Anglo American and De Beers. There are also the views that broad based black economic empowerment and employment equity should be embraced by corporate social responsibility policies, according to Nkeli (2004). Mosiane (2004) states that corporate social responsibility means that South African companies must realise the big impact and influence it exerts over not just our economic issues, but the burning social issues of our country as well. She says that social and economic issues like HIV/AIDS and poverty that affect communities also affects staff and can directly impact their productivity and ultimately manifest negatively in the company.

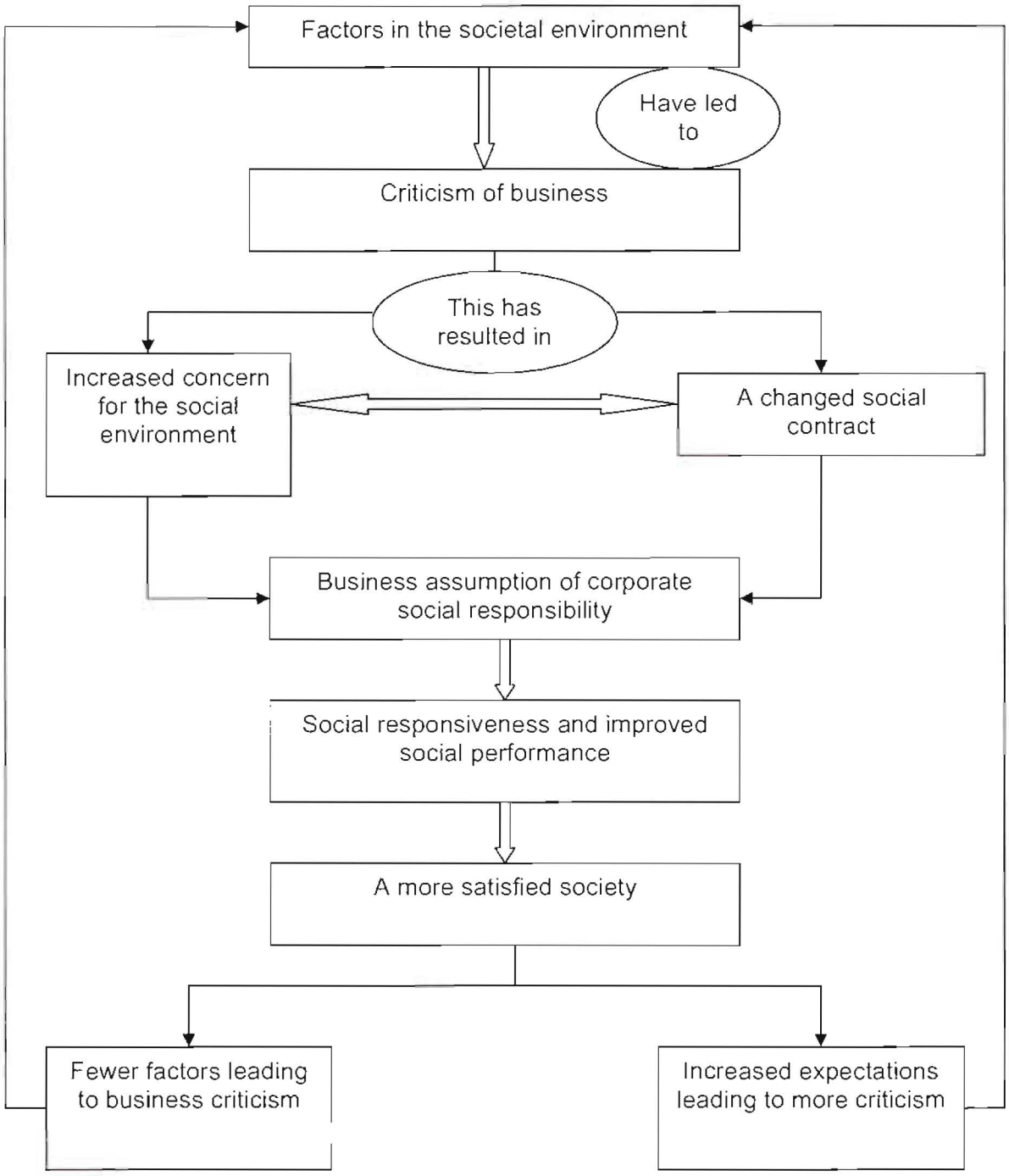
Research done by Maignan & Ralstob (2002) found a variety of drivers for corporate social responsibility. These differed from value driven programmes, to stakeholder driven process and finally performance programmes, all solid business cases, despite the different inclinations. Finally, corporate social responsibility is not just a business case based on profit and business gains, but it should be a corporate strategy driven by deep rooted corporate values, according to Thompson & Strickland (2001). In this sense, corporate social responsibility, particularly in South Africa with the immense unemployment figure, should be driven as part of a company culture, or a fundamental expression of its core values.

Kotler & Lee (2005) listed the following benefits of having a sincere effort towards corporate social responsibility (see par. 5.5.3.4, question 26 in chapter 5):

- Increased marketing and sales, possibly through the affiliation to some or other "cause" in the globally aware economy;
- Strengthening of brand positioning, through the association with Maslows' highest self-actualization level;
- Improved corporate image and clout through the perception of quality and high standards;
- Increased ability to attract, motivate and retain talented employees. The criticality hereof in the global economy was discussed in detail in chapter 2 (also see par. 5.5.2.9, question 17, par 5.5.2.3, question 11 in chapter 5).
- Decreased operating costs, notably through the reduction of waste, the introduction of recycling, water and electricity savings, etc. These could easily be seen as contributions to lessen the need for retrenching employees; and
- Increased appeal to investors and financial analysts, leading to easier access to capital, and is also attributable to perceptions of lower risk.

The interactive nature of business operations with and that of the community can best be depicted by Figure 8 hereunder:

Figure 8: An interactive model for social responsibility



Adopted from: Carrol & Buchholtz (2000)

4.4 THE DIMENSIONS OF CORPORATE SOCIAL RESPONSIBILITY (see par. 5.5.3.5, question 27 and par. 5.5.3.6, question 28 in chapter 5)

Corporate social responsibility, much like change, is pervasive and influences business and society in a variety of ways. Four distinct dimensions can be identified, according to Carrol & Buchholtz (2000):

4.4.1 ECONOMIC RESPONSIBILITIES

This means that business must produce goods and services for the wants and needs of the society at a fair price. The fair profits so made should be adequate to ensure perpetuation and growth to ensure long-term employment opportunities and investor returns. Economic responsibility according to the researcher also means sustained employment and the running of a business in such a manner that retrenchment is either averted or minimised.

In this respect, Phillips & Claus (2002) noted the importance of avoiding scandals that could seriously affect employment, such as formerly encountered at Enron. Scandals of this magnitude reverberate through world markets, shaking it to its core. Thompson & Strickland (2001) specifically notes the importance of interaction with community leaders to minimize the impact of lay-offs or retrenchments, as was evident form the example in chapter 1 of the disastrous impact on society.

Cooper (2004) notes that, from an economic perspective, maximizing shareholder wealth will not only benefit shareholders, but through the working of efficient markets the benefit will also be felt in society.

4.4.2 LEGAL RESPONSIBILITIES

These responsibilities reflect the codified ethics of a business, driven by the permission by society to business for the assumption of a productive role. The business responsibility rests with compliance to these laws and includes not abusing the general ignorance of the labour legislation of employees by retrenching them unlawfully and unfairly. In its very core philosophy, the South African Labour Relations Act (1995) reflects these possibilities, that of providing social justice as well as protect employees against employment malpractices.

Anderson (1989) discusses the fact that current government legislation leaves a corner of society untouched, and this has a significant impact on the interaction between issues that involves government, business and the society. This has developed to a point where multinationals even begin to shape government through its influence.

4.4.3 ETHICAL RESPONSIBILITIES.

Ethics imply doing things not just because it is required by law. It includes activities and practices that are expected or prohibited by societal members. Thompson & Strickland (2001) is of the opinion that what separates companies that practice sincere good citizenship from those that are merely content with legal compliance is that the strong belief in corporate citizenship is anchored in their strategy. Through their behaviour, the strong ethical undertone manifests.

Ethics embraces the concept of fairness and is concerned with the notion of morality, as uttered by society in relation to norms, standards and expectations that reflect a concern for what consumers, employees, shareholders and the community regard as fair, according to Mullins (2002). The moral rightness of this issue is therefore intended and it deals with activities that importantly are right or wrong. It can be

postulated that ethics, being a strong driver for action, pre-empts legislation and is the very driving force behind it. Furthermore, ethics can be seen as embracing and reflecting new emerging values and norms as expected by the stakeholders and therefore goes beyond the basic legislative requirements. An example hereof would be the Responsible Care ® programme, where co-signatories commit themselves to a cradle to grave approach with respect to the products they sell. Another example could be found where a company injects resources into obtaining emissions levels well below the legal limitations.

Mullins (2002) lists the following examples of what business ethics should be about:

- Behaviour towards other stakeholders, such as customers, suppliers and competitors; government agencies and community leaders.
- Treatment of employees, for example the various employment practices such as recruitment, employee rights and dismissal. The way a company treats retrenchment can strongly influence the societies' perception of the business;

4.4.4 PHILANTHROPIC RESPONSIBILITIES.

These are referred to as voluntary or discretionary responsibilities and include activities that are not explicitly expected of the business, such as humanitarian programmes, sponsorships, etc. Contributing at this level will lead to corporate citizenship. For example, the West African Mild Company (WAMCO) got themselves involved a project called the WAMCO Corporate Citizens Project, one of initiative being the involvement in the provision of portable water for six communities. The guiding force being the project is stated as selling WAMCO's support and contribution to social development of a healthy nation in Nigeria (Osagie, 2004).

4.4.5 OTHER APPROACHES

Karake (1998), describes four positions of corporate social responsibility. These are the classical, stakeholder, social demandigness and the social activist theories. These theories postulate that:

- In the classical approach, the view is held that the primary responsibility of business executives is directed towards the shareholders of the corporation with the primary goal of promoting efficiency and the securing of economic performance, or meeting the demands of its shareholders. The fundamental principle of this approach is to perform according to laws and therefore avoid such things as fraud, corruption and deception. The approach is therefore clearly driven by compliance.
- The stakeholder theory, as the name implies, argues that corporate executives are responsible to all stakeholders, such as employees, consumers, creditors, suppliers, and legal sub-systems who are constituents that have a stake in the organisation. The business executive has a direct responsibility towards promoting the interests of this group.
- The social demandigness theory postulates that corporations have a responsibility to protect and promote certain interests of the general public. The difference between this theory and the stakeholder theory is that the stakeholder interests should not override the non-stakeholder's interests or demands, such as safety, health, freedom and prosperity.
- The last theory, the social activist theory holds that business executives should sometimes even strive to undertake projects that advance the interests of the public even if these undertakings are neither expected nor demanded by them. Clearly this is the most socially and morally demanding form of corporate social responsibility.

Some schools of thought argue that leaders are being invited to take a large view of their responsibilities because organisations are seen as much as moral organisations

as they are money making machines. The CEO's of corporations should therefore be elevated to the status of public figures. Corporations are also experiencing increased environmental pressure, and so corporate social responsibility is becoming a function of an evolutionary social response to environmental concerns. Finally, it can safely be said that the role of office of corporate social responsibility serve two functions:

- It lends legitimacy to the consideration of social and ethics agendas at the highest level of organisational decision-making and;
- It symbolically signals to employees and the external stakeholders of the organisation its commitment to high social and ethical principles in the way it conducts its business.

In earlier times, the maximising of corporate profits by a company was seen to be meeting its social responsibility. As time passed, more and more legislation became necessary, simply to enforce the needs and desires of society and the environment so seriously and arrogantly ignored by large companies. However, the socially responsible companies do contribute in solving the problems of society, many times indeed occurring as a result of the companies' presence. However, the degree to which they contribute is subject to the perception of the community.

One key element that needs consideration in terms of a corporate social responsibility, in all of its manifestations, is that it has to be an honest and genuine attempt. Attempts at window dressing will result in loss of credibility and therefore investor confidence when such a company is exposed. Jenner (2002) states in this regard that if any company wishes to take a strategic approach to corporate social responsibility, absolute commitment is essential. When compiling a policy and communicating it internally and externally, but does not follow through, it will fail. Many companies have beautiful glossy publications showing how much they care. Public speeches resound from Seattle to Sydney and boardrooms are abuzz with this jargon. The Enron scandal can once again be quoted. Their last corporate social

responsibility report was sprinkled with images of sunlit foliage and smiling ethnic faces. The report told stories of how they conserved trees in Bolivia, and told their security men at its Indian subsidiary to stop beating people up, according to Cooke (2003). The delusion of grandeur that impressive corporate social responsibility reports can conjure up is amazing. She also quotes the Enron example, a model citizen just before its demise, their good intentions showing in a glossy report. She also says that many companies just do not get it at all. Much of their rhetoric amounts merely to a huff and puff at best and a smoke screen at worst. How does this relate to retrenchment? It shows in the inconsistency between a company's charitable activities and the lousy customer service, insensitively handled redundancy programmes (or even just the fact that it happens to increase profits) and the excessive executive salaries and pay out schemes. The real disclosure of activities also needs attention, as much is hidden behind the gloss and glamour.

4.5 BUSINESS AND THE SOCIETY - THE TRIPLE BOTTOM LINE (See par. 5.5.3.2, question 24, par. 5.5.3.7, question 29 and par. 5.5.3.10, questions 32 and 33 in chapter 5)

In former times, famine, floods, earthquakes and other natural disasters affected large numbers of people, blaming their demise on nature. The advent of mining and industry changed this forever. An explosion, fire or spill of hazardous chemicals could involve hundreds of employees and their families, like the infamous Bhopal incident where an uncontrolled release of a pesticide vapour cloud caused 3 000 deaths and 200 000 injuries in one community (a common good, 2002). Although legislation can be, and indeed has been passed to protect employees, communities and the environment against the impact of business, it remains the responsibility of business to implement it in a responsible manner (Cannon, 1994).

Large corporations are much talked about, as they are both influential and powerful. They provide thousands of jobs, produce much needed goods and services, provide

various forms of satisfaction for society and its employees, they earn profits for shareholders, support education, training and other good things, but they also create problems by polluting the air and the water. Therefore, they are admired, envied, hated, feared and frequently despaired by both admirers and critics. This leads to the importance of triple bottom line. Bhopal, Piper Alpha, *Exxon Valdez*, Herald of Free Enterprise, Three Mile Island, Chernobyl and the likes, are still fresh in the memories of those affected and those that are not and remind us of the crucial role of business responsibility. Companies with high international profiles are particularly prone to scrutiny.

The already mentioned "triple bottom line" approach to business implies care for three distinct dimensions, according to Esterhuyse (2002):

- Financial health of the organisation and the need to improve stakeholders' wealth;
- The safety of workers and products; and
- The well being of the natural and social environment in which the company operates.

Triple bottom line therefore means putting environmental concerns and people equity issues on an equal footing with shareholder return. Included in this will then be the contentious issues of black economic empowerment and affirmative action in South Africa. According to Bennett & Bennett (2002), executives should take account of the impact that their decisions may have on employees, the local communities and even the country, while at the same time making a fair profit. In this regard, a new battle is arising - that between capital and talent. The author postulates that in reality, the famous triple bottom line euphemism is but a woolly affair that lacks stringent definition as to what it means practically. This is so because too much emphasis is still given to profit maximisation. According to Chakraborty *et al.* (2004), the risk of this paradigm in its extreme form can and has led to the Enrons, WorldComs and Parmalats scandals of the world, resulting in the loss of thousands of jobs, a situation

South Africa can ill afford considering the high unemployment rate. The discussion on the social contract hereunder explains this view more fully. Grossman (2004) mentions that corporate responsibility is here to stay, since these indicators provide a means for consumers, investors, governments (especially in the global arena) and other interested parties to learn about the degree to which an organisation is contributing to a sustainable future.

The social well being as well as the financial health of business again implies an element of responsibility not only to shareholders, but also towards employment and retrenchment practices. Although retrenchment may improve the competitiveness of a company in the short term, the impact on the community should receive equal consideration. We have already mentioned in the introduction of this study that some communities are built around a specific industry or company and major retrenchments may lead to the total obliteration of that community. De Geus (1997) in his research states very clearly that individuals, communities and economies are all ill affected, sometimes devastated by untimely corporate deaths. There is growing evidence that corporations fail because policies and practices are too heavily based on the thinking and language of economics. To put this simply, business managers tend to forget that an organisation is a community of human beings that is in business (*any* business) to stay alive.

The Body Shop chairperson, Anita Roddick, proved that businesses could make a profit and make a positive contribution to the society. She made a strong stand when saying that it is foolish to ignore poverty, because when you act in a revolting manner, people will react by revolting. Linking back to Dekker's statement on institutionalising criteria for competitiveness, Roddick argues that if business does not become more thoughtful, responsive to the community and more reflective and if business is not regulated, it will become criminal in its behaviour (Roddick, 2002).

The effects of a major industrial disaster could similarly herald the demise of a community. The terrible space shuttle "Challenger" disaster is a point in case. NASA

had to lay-off thousands of people soon after the disaster when the space programme came to an abrupt halt. Including the support industries and job losses in the surrounding community resulting from NASA's downsizing, a total of approximately 6 000 employees were retrenched. The economic impact was incredible, with hotels in surrounding areas reporting occupancy rates of 50%, down from its former 90% achievements, the real estate industry fell by 18%, construction contracts dropped by 8% (Leana & Feldman, 1992). The list carries on.

Dekker (1999) supports this argument, but adds the element of competitiveness into the equation. He lists the following as criteria for competitiveness:

- Increased living standards;
- Productivity enhancement;
- Increased rate of employment;
- Industrial justice;
- Removal of barriers to job creation; and
- Creation of part-time jobs without discrimination, etc.

However, these goals do require an institutional base to prevent violence, crime and corruption from disrupting the society and a commitment by the labour-market parties (unions and employers) to world-class manufacturing.

Kofi Hannan, the United Nations secretary-general, appealed to the private sector during the 1999 World Economic Forum for assistance in creating a compact set of shared values and principles to give the global economy a human face, according to Blair, *et al.* (2004). In his plea, according to Esterhuyse (2002), he included social responsibility in the global business order. Three areas of action were identified:

- Human rights;
- Labour standards; and
- Environmental concerns.

Esterhuyse (2002) included the following three areas specifically for South Africa:

- Poverty;
- Job creation; and
- People development.

This importance of triple bottom line management and reporting is culminating in the setting up of the Corporate Social Responsibility Indices on stock exchanges, both abroad and in South Africa. It is expected that South Africa will follow in the footsteps of the FTSE4GOOD Indices by October this year. This will be achieved in conjunction with the FTSE Group, with the first draft "Philosophy and Criteria" document revealed in October 2002 (Bennett, 2003). These indices will enable benchmarking of companies by comparing management processes and performance with others in the key areas of workplace and human rights, marketplace, environment and the community in order to improve performance. Responsible companies currently want to start reporting their impact and its improvement to the community (Anon, 2002). A good example of real and genuine commitment to corporate social responsibility is Sasol. The company undertook the following initiatives, some of which very clearly came about because of societal influences and not just for profit's sake (L. Fourie, personal communication, 2003):

- The introduction of natural gas to the Sasolburg site (US $1,2 billion);
- The carbide and acetylene plants at the Sasolburg site were closed down and replaced by the environmentally efficient VCM-Oxy Plant (R560 million);
- The chlorine plant at Umbogintwini was closed down and replaced by an upgraded facility at the Sasolburg site (R100 million);
- Chlorine replacement at Baltimore with a more environmentally friendly process (US $100 million);
- Upgrade of the sulphur recovery plants in Secunda to reduce hydrogen sulphide emissions (R260 million);

- Installation of a tubular reverse osmosis plant to treat water in Secunda (R120 million);
- Installation of a crystaliser evaporation plant to recover salts from effluent in Secunda (R235 million);
- Rehabilitation of the black products site in Secunda (R130 million); and
- Installation of a waste recycling facility in Secunda (R500 million).

What this essentially means is that social responsibility and good corporate citizenship does not just make a huge amount of business sense, but if it is also value drive, it renders a company legitimate in the society in which it operates. Furthermore, since it makes business sense, perhaps the business will enter a new domain of employment and industrial relations that could negate or minimise the need for retrenchment due to high morale and thus improved productivity. This means staying in business and staying in business means retained employment opportunities. Ultimately, the community therefore benefits through the social and moral responsibility of staying in business through reduced crime rates and social peace.

4.6 THE CHANGING SOCIAL ENVIRONMENT AND THE SOCIAL CONTRACT

In chapter 1, par. 1.2, the research problem was described as business that does not yet fully understand the required shift in paradigm from shareholder to stakeholder management through sincere corporate social responsibility efforts and driven by the value system of a business (see par. 5.5.3.11, question 11 in chapter 5). This includes the notion that globalisation brought about different demands by society. This change must be embraced.

In support of the need to remain profitable and the obtaining of a licence to operate, Carrol & Buchholtz (2000) discusses the concept of the social contract. The legitimising of a business arising from the interaction between the society and

business is made manifest through the social contract, according to Steiner and Steiner (1991). The unprecedented exploitation of the environment and exclusionary practices *must* be replaced by a philosophy that truly subordinates profits to the livelihood of all, according to Silver (2003). If not, the deep crisis of social legitimacy that characterised the previous industrial era that actually led to the world wars may emerge again.

As business continues to operate, it evokes criticism from the society in which it operates, leading to changed perceptions and expectations of the community. According to Carrol & Buchholtz (2000), an increased concern for social environment grew out of criticism of business and the idea of the power/responsibility equation. Acceptance of the changed responsibility leads to a new social contract. The social contract is articulated through the following:

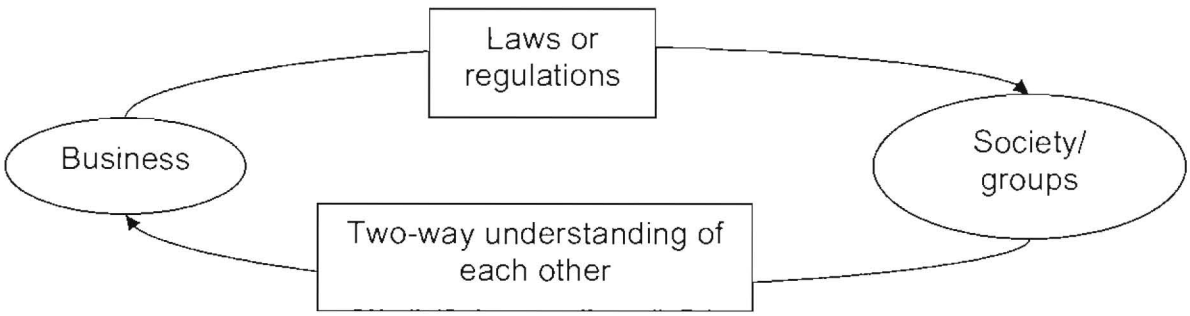
- Laws and regulations that society has established for the business to operate in; and
- Shared understandings prevailing to each group's aspirations.

In line with this argument, is the understanding of the stakeholder theory. Mullins (2002) suggests that an implicit and explicit contract exists between business and the community in which it operates. While society should ensure that an environment exists within which business can operate and prosper, business is expected to create wealth, supply markets, generate employment, innovate and produce enough surplus to sustain itself while contributing to the maintenance of its community. This highlights the interdependency between business and the community unequivocally.
It has become clear that the terms and conditions of this contract are changing. Burke (1999) discusses two reasons why companies stopped pursuing their business goals and strategies without being questioned. The first is the change in the psychological contract, i.e. the implicit expectations between communities and the businesses that operate in them, and secondly, the granter of the licence to operate has shifted from the world's capitals to the communities and neighbourhoods.

Just consider for a moment the changes in labour legislation since the beginning of the industrial revolution. The expectations of business to become more involved in society, commensurate with an increase in serving a wider range of human needs and values will forge new social contracts. Extrapolating this concept into the realm of retrenchment, it simply means acting with a greater awareness of the impact of such actions, perhaps even at the expense of improving profits. To quote Carrol & Buchholtz (2000): "...to strike a new balance between the need to cut costs to be globally competitive and the need to be more responsible corporate citizens." The change will thus continue.

The elements in the social contract can be depicted as follows:

Figure 9: Elements in the social contract



Source: Carrol & Buchholtz, (2000).

The social contract encompasses the stakeholders of the business. One of these stakeholders is the employee of a company. These stakeholders are affected by change, and in particular the needs to re-organise, restructure, re-engineer or re-invent themselves. The resultant downsizing and loss of employees will lead to the emergence of a new social contract. The three dominant forces driving this contract will be:

- Global competition;
- Technology changes (particularly computers and telecommunications); and
- Deregulation (particularly telecommunication and transport).

To this end, the United Nations have boosted the global movement when Kofi Annan launched the Global Compact in 2000. This organisation, consisting of a network of NGO's, companies, labour groups and the UN requires corporate participants to uphold 10 principles relating to human rights, labour, the environment and non corrupt business practices. Since then, according to Blair *et al.* (2004), universal guidelines were published on corporate responsibility. This network then shares ideas on how to improve and become better corporate citizens.

The trade union federation COSATU changed its relationship to its former alliance (the ANC government) as a result of efforts to balance the need for employment and poverty alleviation with that of competitiveness. One of the key arguments upheld is that privatisation lead to job losses. The counter argument can also be upheld and that is that we have a very inefficient public service and that privatisation will lead to longer-term sustainability. In this respect, Phillips & Clause (2002) argues that sustainability links to resource usage, including human capital. They mention that sustainable companies do not deplete its raw material or human resources, but take measures to ensure that they remain consistently available and productive.

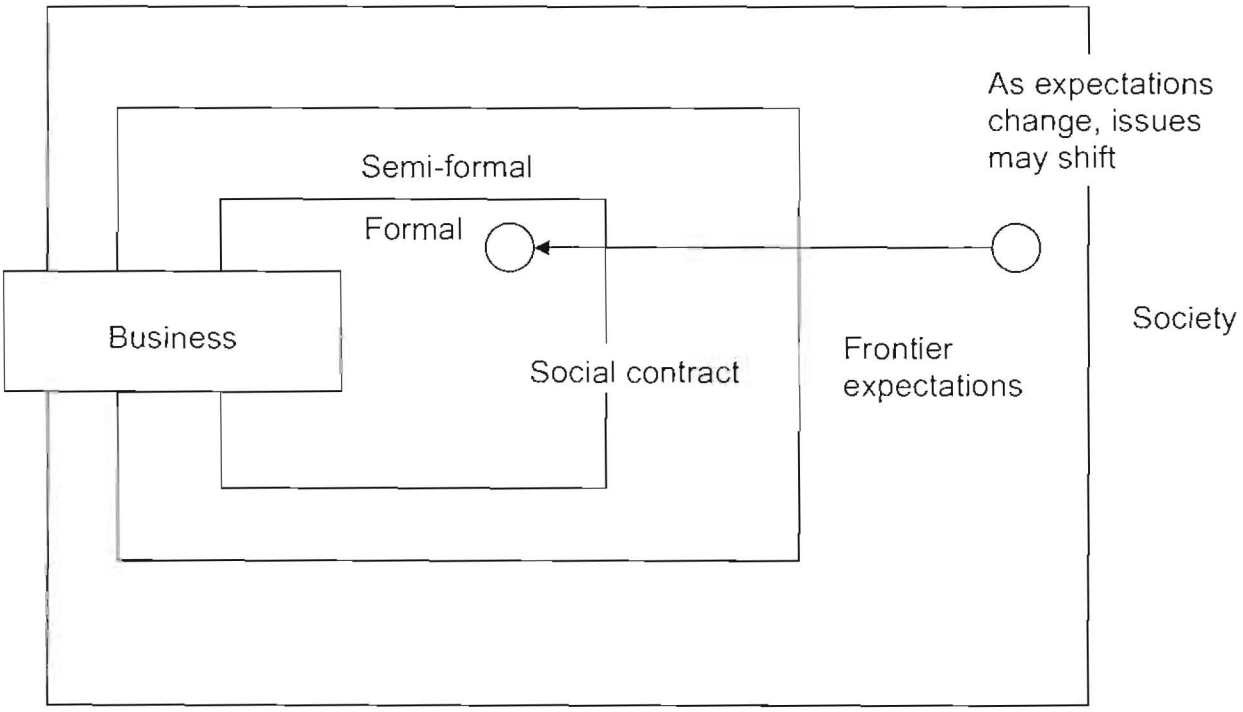
With the way South Africa has changed after 1994, and with the advent of human rights and the concepts of equality, the inference for South African business and its associated corporate social responsibility is very clear. It is just unfortunate that imposing legislation becomes necessary, rather than business showing a pro-active willingness to embrace its social responsibilities. However, Masi (as quoted by Anstey, 1983) points out that the roles of business, welfare organisations and the state cannot be carelessly scrambled. Business still remains business for profit and in remaining profitable can continue to provide employment and goods and services to the community.

The current view is that large companies must build social issues into strategy in a way that reflects their actual business importance. Contracts imply obligations by all parties, but also opportunities and advantages for both sides. To illustrate this, the "business of business is business" mindset leads to the obscuring of vital realities. The first is that companies that ignore social sentiment may miss the opportunity to see early indicators of factors essential to profitability: for example the regulations and public-policy environment in which they must operate, the appetite of consumers for certain goods above others and the motivation of employees, and their willingness to be employed in the first place. By so doing, they may miss those things that could fundamentally alter their future strategic direction, a view echoed by Bonini et al. (2006). To add to this, the impact of social issues on business is growing fast. Examples abound, like the public pressure stemming from excessive prices charged for HIV/AIDS drugs in developing countries, the obesity debate that calls for tightening controls on unhealthy foods, the public resistance to big retailers on new store locations that constrains growth, the redefinition of the tobacco and oil and mining companies. In this way, billions of rands can be at stake as a result of social issues that feed into the fundamental drivers of corporate performance because of being blinded by the shifts of the implicit social contract. In this way, the paradox can be seen where companies who speak the language of "the business of business is business", actually hinder the maximising of shareholder value.

Bonini *et al.* (2006) notes that the social contract is evolving, despite the fact that companies have always had such a contract. The importance of aligning the social contract with company strategy (although it may be an implicit one), is crucial for long term sustainable growth and profitability. Not only is meeting the obligations of the social contract critical to ensure legitimacy of the company, but the conspicuous absence of company executives at socio-political debates and issues can cause a fundamental long-term strategic misalignment.

The new model implies a fundamental understanding of how society interacts with business and this goes way beyond meeting legal and environmental obligations.

Figure 10: The new social contract



Source: Bonini *et.al.* (2006).

In the formal contract section, we find explicit expectations, usually laws such as:

- Regulation;
- Tax policies;
- Private contracts;
- Intellectual property;
- Shareholder rights; and
- Product liability.

In the semi-formal contract section, we find implicit expectations, such as:

- Adhere to global labour and environmental standards
- Following of industry norms and codes of conduct or good practice;

- Fulfilling of brand promises.

We also find that violations here result in swift action by stakeholders, e.g. NGO's local and global communities.

In the frontier expectation section, we find things like:

- Issues that could over time become expectations of business, like for e.g. the health complications resulting from obesity, or concerns over fossil fuels that could lead to natural gas feedstock as alternative.

Narrowing the focus somewhat, the new "national social contract" emerged as the culmination of the Jobs Summit in 1998. Pressure form labour initiated the process and NEDLAC came up with the idea. This plan, which is entirely voluntary, indicates how retrenchment on a national basis should be handled, where the magnitude is large and it potentially impacts on sectors, regional or national interests, proving vital where jobs can potentially be saved in the form of avoiding retrenchment altogether. The plan is divided into three sections, every one led by a different government department, according to Vlok (2001):

- Saving jobs, under the auspices of the National Productivity Institute;
- Managing retrenchments, under the guidance of the Department of Labour who will ensure that if retrenchment becomes inevitable, that the impact is minimised; and
- Creating jobs for local economies, under the leadership of the Department of Provincial and Local Government.

The workability of the plan remains to be seen, although some successes have been reported. However, it indicates a real commitment from labour, the state and business to avoid the negative consequences of retrenchment.

4.7 THE STAKEHOLDER APPROACH TO CORPORATE SOCIAL RESPONSIBILITY (see par. 5.5.3.7, question 29, par. 5.5.3.9, question 31, chapter 5)

Who are the stakeholders of a business in the corporate responsibility sense? According to Chakraborty *et al.* (2004), these are customers, shareholders and investors, employees, business partners, society and the environment and the government. The ultimate aim of companies is to harmonise the expectations of all these stakeholders. Ultimately this then means that a fundamentalist approach to profit is unacceptable, leading to the realisation that a multi-dimensional approach to measuring business success is imperative. Four objectives are now mandatory for business, namely profitability, growth, image and survival.

It is not only competition that threatens survival, but also the law and its sanctions. Companies with injurious products, dubious labour practices, unethical procurement or other practices of such kinds face an erosion of their image, with a negative result on profits and growth. Enron's reckless pursuit of profit caused an economic catastrophe for them, obliterating their workforce. It stands to reason then that a well deserved revenue stream is the only basis for long-term high performance. With the progression of globalisation and the World Trade Organization, undreamt of freedom was given to business, but with commensurate corporate social responsibility, from whence organisations must go beyond profit making for owners to primary engines of growth, job creation, innovation and developing their export markets. It may even include the more philanthropic causes, like provision of basic health, education, water, care for the elderly, arts, culture, AIDS awareness, etc. One question that needs to be asked regarding the real motivation behind such initiatives is whether the motivation lies in real caring or in staying out of trouble with the authorities.

Esterhuyse (2002) lists Archie Carrol's ethical components of corporate social responsibility:

- Performance in a manner consistent with the expectations of social norms;
- Recognise and respect new or evolving ethical norms adopted by the society;
- Prevention of the compromise of ethical norms in order to achieve corporate goals;
- Good corporate citizenship should be defined as doing what is expected ethically; and
- Corporate integrity and ethical behaviour goes beyond mere compliance with laws and regulations.

It was mentioned in chapter 3 that employers may retrench employees to improve profits, not only because they cannot afford to keep the employees in a job any longer. By extrapolating and following the above concepts to the reality of retrenchment, it is evident that organisations will find it increasingly difficult to retrench employees for the wrong reason.

In this respect, Dekker (1999) states that the notion of competitiveness should be used holistically by integrating the social and economic dimensions of development and not by cost cutting through the erosion of and retrenchment of worker rights (see par. 5.5.2.9, question 17 and par. 5.5.4.6, question 41). He does not support the denial of the necessity of efficiency and effectiveness in production processes, but promulgates that these outputs and outcomes should be achieved by the endorsement of human rights. By this it is understood that the identification of certain behavioural responsibility and leadership commitments go sufficiently beyond organisational self-interest in seeking societal values reflecting the ability to satisfy the needs of all groups in that society. The researcher feels strongly that this notion should be interpreted to address the need for retrenchment, not just to ensure survival or increase profits to new records. If not, organisational self-interest at the expense of the community will prevail, with disastrous social consequences.

Dekker (1999) argues validly that the societal responsibility given to the unions and employer organisations allows for the creation of common values. This can be done

when a society consciously responds to globalisation through strengthening civil society. They in turn can encourage labour market parties to institutionalise industrial relations conflicts. His view is that companies will then be able to restructure without drastic retrenchment.

4.8 CORPORATE SOCIAL RESPONSIBILITY IN HUMAN RESOURCE MANAGEMENT (see par. 5.5.2.9, question 17, par. 5.5.2.10, question 18 and par. 5.5.3.7, question 29 in chapter 5)

The links between globalisation, corporate social responsibility and competitiveness is emerging clearly. Since these concepts involve employees, this means a new dimension in human resource management. One of the key factors that will affect retrenchment in the new global village is that of sustainability. Sustainability links back to employment retention and the optimal use of the human resource as a key management function. The new global village is stained with business acquisitions, mergers and joint ventures and it is known that this phenomenon invariably leads to retrenchment of excess employees through the restructuring of divisions and rationalisation of corporate functions.

For this purpose, it is worth mentioning that by 1983, one third of the 1970 Fortune 500 companies had been acquired, broken into pieces or merged with other companies. This figure is much higher today. This implies an early corporate death with a commensurate impact on retrenchment and hence the society. The evidence suggested by De Geus (1997) is that corporations fail because policies and practice are based too heavily on thinking and the language of economics. This implies that managers focus exclusively on producing goods and services and forget that the organisation is also a community of human beings. These humans are in the business to stay alive too and managers concern themselves with land, labour and capital, forgetting that labour means people.

It simply means that organisations with proven longevity managed change properly. They were good at learning and adapting, rather than simply cutting their personnel short. Learning then implies education. Another trait of the successful companies was that their employees all felt part of the whole. The sense of belonging and identifying with its achievements is key to its success. For most part, the ability to change or adapt, lays in the capacity of people. The following table indicates some generic principles that underpin the shift to the new global economy. These are challenges facing the human resource manager.

Table 7: The transition to the new global perspective.

	Old perspective	New global perspective
Technological base	Physical technology	Information technology
Economy	Capital centred	Human centred
Frontier of progress	Material growth	Sustainable development
Institutions	Hierarchical	Decentralised
International relationships	Conflict	Co-operation

Source: Verwey (1998).

To avoid the tragic early death of a company or to at least attempt the avoidance of retrenchment, the human resource manager must therefore ensure that employees are allowed to grow within a community held together by common values. This growth should be viewed concomitant with training in the widest possible sense. Commitment to people should be put before assets, respect for innovation before devotion to policy, the messiness of learning before orderly procedures and the perpetuity of the community before all else (De Geus, 1997). He continues to say that

organisations allowing benefits to accrue to only a few people, will allow employees to be outsiders and not members, resulting in grave difficulty in organisational continuity.

Phillips & Claus (2002) supports this notion when they argue that sustainability is tied to the notion of short-term run versus long-term business planning. Decisions on short-term runs versus long-term stability have to be made frequently, but ultimately short-term benefits must be foregone in favour of long-term benefits. They argue that corporate social responsibility programmes do actually add life to organisations by adding profits in the longer term.

Despite arguments that claim a very solid business case for corporate social responsibility (see par.4.3 and par. 5.5.3.3, question 25 in chapter 5), the deep rooted issue of "human values" emerges in the mind of the researcher. This argument is rooted solidly in the belief that business has divorced itself from humanity, hence the term "human resources". This phrase is indicative of just that - the more we highlight the "resource," the more we loose out on the "being". That is what we are - human beings. The current consumerist society, one in which quick fixes and instant gratification dominates, also does not hesitate to dispose of humans on the altar of competitiveness. The "resource" bit of the human (the employee in this case), is stuffed with opportunity, but only as long as it serves the business. The same goes for corporate responsibility. As long as there is a business case, organisations will do it, because of its inherent drive based on greed. It then serves the purpose of profit again, not because of any reason based on true values and care for human beings and society. In closing this debate, it is premature to speak of spirituality in business in our current climate of hedonistic egotism.

In the retrenchment realm, Singh (2004) debates this point when he says that as competition intensifies, the first knee jerk reaction of companies is to shed manpower - the very same manpower eulogised so often in public as "our most valuable

assets". The thinking suddenly reverses into something that views employees as an "unaffordable cost." There will obviously be exceptions, but it surely is not the rule.

Commensurate with the promise of improved employment of talented employees in responsible companies is the notion of increased profitability. The focus got very sharp after the Enron and WorldCom scandals, calling on Pres. Bush of the USA to give a wake up call to the CEO's of companies to act responsibly. This should be seen in the light of the right business case, as employers may still fear the cost implications of corporate social responsibility. The business case is strong, according to Ross (2003). He states that corporate social responsibility gives you a competitive advantage for having the capacity to attract and retain talented employees which as we have seen, makes the difference in being competitive or not. With the advent of the knowledge worker, a new battle is emerging. In the new knowledge based economy already mentioned herein, value is the product of knowledge and information. Companies cannot generate profits without ideas, skills and talent of knowledge workers, and such companies have to rely on people, not technologies, factories or capital. Knowledge assets are becoming more valuable to companies than capital assets, because the investment in people add more to a company's competitiveness relative to capital investments, according to Martin *et al.* (2003). This makes the case for attracting and retaining talent all the more important, because talent is in short supply. One may argue that the power of talented people is less opposite that of capital in developing countries like South Africa where wealth is scarcer, but the researcher argues that this line of thinking poses even greater risk. This is so because of increased labour mobility, making it real easy for people to explore international opportunities by shifting base. Phillips & Claus (2002) indicated research findings that corporate social responsibility activities increase companies' ability to attract and retain employees, reduce employee turnover and increase productivity and quality of work. It was also found that prospective employees were more likely to pursue jobs from socially responsible companies than others with poor reputations. Considering that a talented, quality workforce is increasingly becoming a source of competitive advantage for companies in the global economy, it speaks a lot

of a company's retrenchment propensity and the ensuing poor employment reputation.

4.9 EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY ON GLOBAL COMPETITIVENESS AND EMPLOYMENT (see par. 5.5.2.12, question 20, par. 5.5.3.4, question 26 and par. 5.5.3.8, question 30 in chapter 5)

According to Phillips & Claus (2002) and Grossman (2004), corporate social responsibility can lead to a competitive advantage. This is achieved through cost reduction, human capital, reduced regulations, access to capital, consumer demand, improved business conditions and new market opportunities. The above factors can certainly only have positive implications for growth opportunities and hence potential retrenchment. Corporate social responsibility indicators give potential investors a hint to which extent a company is contributing to the bigger agenda of sustainability. The notion of growth versus cost cutting was also addressed by Gertz & Baptista (1995) and discussed in the previous chapter.

It was found that prospective job applicants are more likely to pursue jobs from socially responsible companies, most important when considering the importance of talented employees as a source of competitive advantage. In this chapter, we have seen the potential negative effects of employees and consequently future employment prospects when downsizing insensitively. Becoming an employer of choice is increasingly becoming a management prerogative, especially with the emergence of the "knowledge worker" (see par. 5.5.2.3, question 11 in chapter 5). Potential employees, especially those with rare and valuable skills, place significant value on the reputation of a potential employer. This will happen on two accounts, according to Clutterbuck *et al.* (1992):

- How it behaves towards the world at large - does it care for the community and the environment?
- How does it treat its employees?

Developing an ill reputation of a "hiring and firing" organisation with no compassion will only serve to attract the left-overs of a potentially talented employment pool. This is not at all desirable for a company who recognises that capable and motivated employees can make a company competitive.

Access to capital improves because of greater confidence in companies who go beyond the mere legal requirements. They send the right messages to investors. This trait can be a hard lesson to companies who act irresponsibly. As an example, the Thor Chemicals debacle, where employees were struck with mercury poisoning (Morris, 2000) still reverberates through the chemical industry.

Consumers are becoming more socially conscious and are demanding good company behaviour, leading to higher demand for their products and hence improving the longevity of the company. Boycotts will be minimised, as people have become a lot more aware of irresponsible companies, thanks to the advancement of communications technology. Business conditions will also improve since such investment will build the capacity of the community, yielding such benefits as greater resource availability, better-trained workforce and a better consumer market that can sustain the business.

According to Merle (2007), a New York toy industry analyst stated that there is no reward for doing the right thing, but there is a penalty if you get caught doing the wrong thing. A worker abuse scandal, such as was experienced by Wal-Mart Stores clothing line in 1996 where activists found items made by children working in deplorable conditions, could be disastrous for companies, causing negative headlines that spook off customers and causes shares to plummet. Consider for a moment Mattel's efforts at social responsibility. The Mattel toy company's employees,

for instance, reside in halls more modern than the dormitories at top Chinese universities, where employees are extremely well taken care off after hours. The quality of life here is written on the faces of every MDC (Mattel Die Cast China) worker.

Corporate social responsibility is fast becoming a mechanism that may attract more foreign investment and so stimulate economic growth and employment opportunities. International investors are attracted to responsible companies, as it will enhance their own reputations. Ross (2003) notes in this respect that new research indicates that an organisations' corporate social responsibility is increasingly becoming important to investors. According to him, 80% of private shareholders want information on the non-financial performance of companies. However, despite the potential benefits of globalisation, such as better quality goods, higher economic growth rates, employment, etc., it also has its social and ecological costs, with rising concerns about sustainability of such growth, consumption, life styles, inequality, stress, conflict, crime and an erosion of the ecosystem.

It was noted that companies also have a political responsibility. The withdrawal of investment and contracts from irresponsible companies can seriously hamper employment opportunities. Clutterbuck *et al.* (1992) argues that American and European companies that pulled out of South Africa as a result of public pressure against apartheid, made commercial decisions based on the cost of loss of business elsewhere against the profits from their South African operations. The author postulates that this unfortunately also endangered the job and training opportunities for the previously disadvantaged, contributing to the high quantity of low and unskilled employees facing unemployment today. In this respect, these companies may have acted responsibly in their own countries, but not so in their South African operations. Many remaining companies took it upon themselves to develop the skills base of their workforces, despite the apartheid policies of the government of the time. AECI (African Explosives and Chemical Industries) have been running a successful programme called "black advancement" as early as the early 80's.

The effectiveness of corporate social responsibility is also echoed by Anon (2002) when it is said that corporate social responsibility builds trust and gives companies the benefit of the doubt when dealing with customers, workers and legislators. It allows for the effective weathering of storms such as downsizing and retrenchments and it gives the edge in attracting good employees and customers. A good example is South West Airlines in the USA. They are deemed one of the most considerate employers in its industry. After September 11, it was the only airline that did not retrench employees and in 2002, attracted 120 000 applicants for 3 000 positions, plus it was the only sizeable American airline to make a profit.

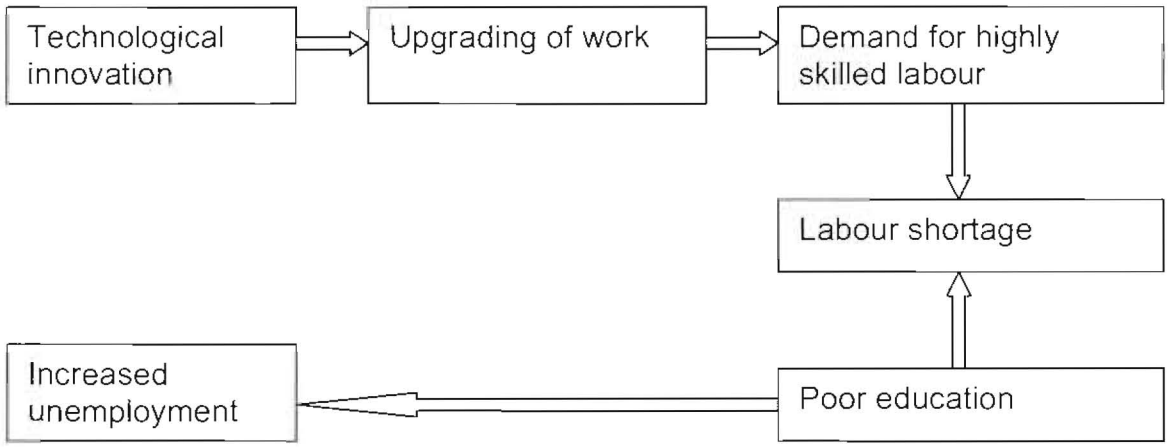
In closing, it is then clear that cost reduction is achieved through cleaner, more efficient technologies. By avoiding environmental and compliance liabilities cost reduction is also achieved. Human capital is improved through the attraction and retaining of employees, reduced turnover, increased productivity and quality of work. All these attributes are good preventative measures to counteract the need for retrenchment.

4.10 CORPORATE SOCIAL RESPONSIBILITY AND TRAINING

The lingering effects of apartheid policies of preventing or restricting access of certain categories of people to training and exposure to higher level jobs, needs to be addressed urgently. This view is echoed by the World Bank (2006) when it states that "... the legacy of apartheid's unequal opportunities and political power will remain for some time to come. It is a long road from such a fundamental political change to changes in economic and social conditions". Without the necessary skills and knowledge to embrace technological change, the global challenges cannot be met and opportunities will be lost. The shortage of skills and knowledge in South Africa puts the country behind the Western economies with a tremendous backlog to catch up. The low economic growth rate versus the population growth further puts pressure

on the educational system, according to Beetge (1995). She saw the process as follows:

Figure 11: Unemployment as a result of poor training



Adopted from Beetge (1995).

Big business therefore has a role to play in terms of upgrading the skills base of the country to allow the embracing of change and global challenges. This will enable the availability of skilled labour from the communities in which they conduct their business.

Moving beyond the need for skills development in order to assist retrenched employees in finding alternative employment and to embrace stiff competition, it is essential to focus briefly on another dimension of training in terms of corporate social responsibility. Surely the lack of ethics training may be at least one of the reasons why corporate social responsibility is only now becoming a big issue. Why did we have to encounter an Enron scandal or the tragedy at Bhopal in India (1984) when Union Carbide (now Dow) killed 3 000 local residents and injured 200 000 more through the emission of a toxic gas cloud over a residential area (Grayson, 2002)? Surely these profound incidents could have been averted by having a strong ethic undertone built into the training of employees and managers. Such training, although

it could never be guaranteed, may bring about a paradigm of responsibility and ethics.

Gioia (2002) argues that too many business schools do not take ethics training as seriously as they should. Business ethics and corporate social responsibility is marginalised at the behest of so-called "core" business subjects. He states that for all the "good" that economic perspectives do, they emphasise a view of the world in dollars, profits, returns, value added, and so forth. Unfortunately, at the same time, it de-emphasises other ways of conceptualising business responsibility. Managers were taught to be lured to the attraction of shareholder returns and share prices. If these returns are not substantially there, it is made to appear that it is there - enter **Enron**. Conceiving the impact of such unethical activities on employees (those that lost their jobs as a result of closure or take-overs) and unsuspecting investors never formed part of the training. By training new MBA's with an emphasis on practical ethics pervading all the management functions, the paradigm may just shift for the benefit of improved social responsibility, or at least serve to remind us that shareholder value and share prices are not the only values that matter to companies, societies and even shareholders.

4.11 CORPORATE SOCIAL RESPONSIBILITY, SUSTAINABLE DEVELOPMENT AND COMPETITIVENESS

As we have explored the essence of corporate social responsibility as an outflow from the globalisation phenomenon, it is prudent to reflect on the relationship between globalisation, corporate social responsibility and the requirements to become more competitive in the new world economy. Uncompetitiveness will not, and cannot sustain an economy or a country. What makes this of even greater importance is the fact that South Africa is increasingly seen alongside China, India and Brazil as becoming part of a new engine for global economic growth (Prahalad & Hamond, 2003). There is a strong message here for South African multi-national

companies; if we in any way wish to exploit this opportunity with a view to alleviating poverty through employment creation we had better do something about our poor international competitiveness rankings.

What does sustainability mean and how is it measured? According to Reinhardt (2003), an accurate definition is important from the perspective of defining and measuring specific actions, rather than a vague indication of "anything goes, as long as it is in the interests of sustainability". This helps define boundaries for issues like increased investment in pollution control, or intensified efforts at community relations, or increased contributions to charitable organisations. The word, in ordinary English, means "capable of continuing to exist", meaning that a course of action either is or is not sustainable. The Brundtland report defined sustainability as "meeting the needs of present without compromising the ability of future generations" (World Commission on Environment and Development, 1987). At company level, it involves a sustainable strategy that has no nett decrease in total assets, or alternatively, the creation of value. This notion is strongly linked to ideas about strategy and competitive advantage, also as far as the integration of these ideas with social cost is concerned. At company level, we can therefore state that a company is sustainable when, in adding value, the inputs and outputs are valued at their social cost.

Enough evidence support the fact that there is a business case for corporate social responsibility, but it is also true that multi-national companies (MNC's) are prime drivers of globalisation. Considering the definition of sustainability here above, it is clear that they can also be held responsible for the success or failure of sustainable development as it relates to continued economic growth without detriment to the environment and exploitation of human workforces through the application of inadequate labour standards. In this regard, Hermann (2004) argues that corporate social responsibility can be seen as a possible remedy for the ills of globalisation that prevent or hinder the realisation of sustainable development. These hindrances are described as inequities in wealth, environmental degradation and the unfair labour practices endemic to globalisation.

In this sense, the author argues that South African companies who operate in communities that are almost exclusively dependant on the sustainability of that company (those communities with little industrial diversity and opportunity), must design their retrenchment practices with a view to their social responsibility.

The question arises if directors and officers are becoming ever more aware that corporate responsibility may provide human rights, labour and environmental protections to the communities in which they live and to the people they employ. As globalisation progresses, the following issues should not only become part of the business case, which, if contemplated, becomes key to sustainable development, but become integral in a company strategic direction and focus :

- Managing risks;
- Protecting and enhancing reputation and brand equity;
- Building trust and the "licence to operate;"
- Responding to or even pre-empting regulations;
- Improving resource efficiency and access to capital;
- Establishing good stakeholder relationships with current and future employees, customers, business partners, socially responsible investors, regulators and host communities;
- Encouraging innovation and new ways of thinking; and
- Building future market opportunities (Esterhuyse, 2002; Jenner, 2002).

Sustainable development is dependant on strongly enforced corporate responsibility policies, according to Grossman (2004). These policies should be there to help managers understand the impact of business decisions, like downsizing or retrenchment, on other constituents than just shareholders, for example. Such business decisions should be made with consideration to the implications on employees, consumers, suppliers, the community in which they operate, NGO's, etc. In the end, a solid understanding of a proper corporate social responsibility programme or policy should result in:

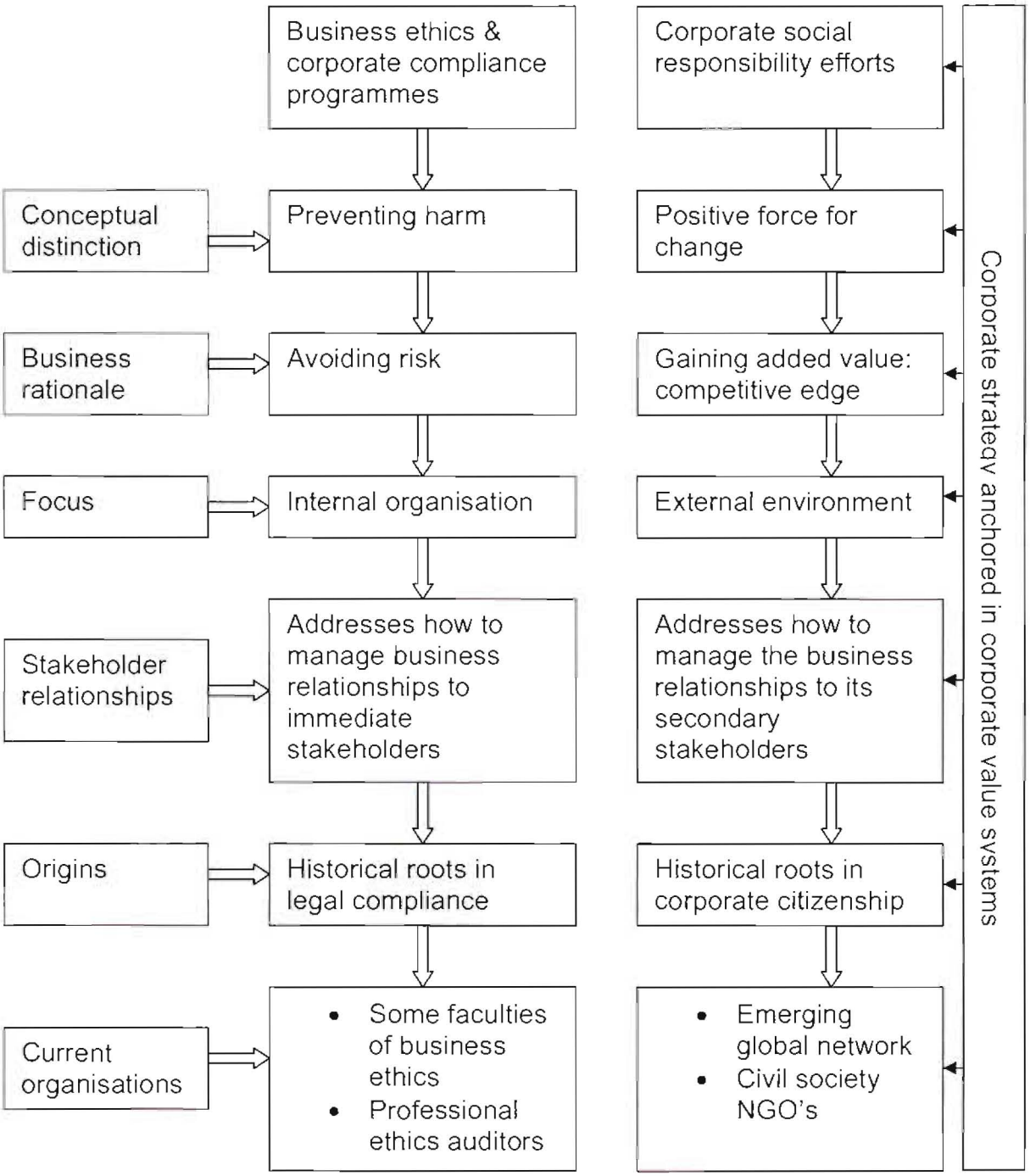
- Respect and care for the community of life;
- Improvement in the quality of human life;
- Changes in personal attitudes and practices; empowerment of communities to care for their own environments,
- Provision of a global framework for integrating development and conservation; and
- Creation of global alliances.

All these should lead a company to long-term value creation for itself, its stakeholders and their respective communities. This is sustainable, something we as South Africans must desperately pursue in our relentless efforts to eradicate our own social ills, like unemployment and crime.

4.12 ETHICS AND CORPORATE SOCIAL RESPONSIBILITY

As we have seen in the foregoing discussions, ethics is a core element of corporate social responsibility. However, it was clear in essence that corporate citizenship does not come about only by legal compliance of labour, environmental and safety legislation. It entails a host of other issues as well, entertaining even some moral issues as was seen in the previous discussions. The following model illustrated in figure 12 explains how business ethics relate to corporate social responsibility.

Figure 12: Bringing together business ethics and social responsibility



Source: Adopted from the taskforce on the churches and corporate responsibilities (2002).

In the final analysis, we should recognise that corporate downsizing and associated job losses, whether moral or immoral, whether economically justified or not, whether it be done in a responsible manner or not, whether it fits the legal requirements or not, it is a reality in today's ever increasing competitiveness drive where the statement of "survival of the fittest" remains valid. The impact on employees remains dramatic and even traumatic. In the next section, how management of retrenchment impact influences the business, employees, the society in which the retrenching company operates and other stakeholders will be discussed with a view to obtaining a fundamental understanding of the issues that surface.

4.13 MANAGING THE IMPACT OF RETRENCHMENTS

Nobody escapes the harsh realities of retrenchment. The devastating impact on not just employees, but also on the employers and indeed on the community as a whole, cannot be understated. Hagevik (2001) supports this statement when she says that it is hard for those who will leave; those who remain and those delivering the message, with little prospect of retrenchments ever diminishing. Losing a position, an income, security, job function, title, responsibility, friends, colleagues, access to information, etc. can be devastating.

Once the legalities and systems driving the process of retrenchment are over and done with, retrenched employees have to face the reality of being unemployed. This may be a very difficult time for such an employee, as the reality of the high unemployment rate was already mentioned. Issues such as the prevalence of black economic empowerment and affirmative action, although very necessary initiatives, also contribute to the problems faced by certain races when becoming unemployed as a consequence of retrenchment.

Similarly, the managers who effectively seal the fate of the retrenched employees also face certain difficulties in ensuring that the retrenchment effort yields the desired

result in the interest of the business. The trauma suffered by managers is very real and employees remaining behind are also not excluded from the process either.
The society into which the retrenched employee is absorbed faces its own unique sets of problems. Someone has to feed the mouths of the retrenchees' family members or face the effects of mounting crime. Without the necessary support structure, such an ex-employee may become a social parasite and contribute to the ills already facing society.

Retrenchment will affect the organisation in a variety of ways, i.e. the effect of low morale prior to the event, the effects of low productivity and ultimately the effect on those employees who will remain after the event. These effects should be managed as effectively as possible. The impact of retrenchment on the business, employees and the community as well as the devastating effects of a high crime rate on the economic growth path of the country will receive some attention in this section.

4.13.1 IMPACT OF RETRENCHMENT ON BUSINESS

Economically speaking, a negative change in the economy will contribute to the prime reason for retrenchment, i.e. to save money on generally speaking, one of the biggest fixed costs of companies - labour. Employers know all too well that their labour contingent can cost them anything from 30% to 80% of their operating costs (Cascio 1993). When savings become necessary to survive, the higher the budget element as constituent of the total budget, the softer the target budget becomes. The notion of saving money is subjective, since hidden costs may arise from downsizing. Reasons cited for this, according to Cascio (1993), are:

- Newly lean companies replace staff functions with expensive consultants;
- Subsidiary business units recreate the kinds of expertise that headquarters employees formerly performed; and

- Companies discover that it is expensive to train line-managers to perform the tasks formerly performed by staff specialists.

Furthermore, retrenchment as a cost saving exercise can actually leave a company devastated if handled incorrectly. In the next section, some negative effects of retrenchment on the business are discussed. People are regularly viewed as the most important asset of any organisation. This means that when employees are retrenched, it amounts to the same thing as "asset stripping", leading to problems for the retrenching employer when the buoyant years return.

4.13.2 LOW MORALE, PRODUCTIVITY, COMPETITIVENESS AND QUALITY

Low morale and lack of motivation and concentration can lead to serious trouble for a company that wishes to downsize. The very first negative impact of retrenchment on the business happens when either:

- The perception that retrenchment or restructuring is planned is formulated (regardless of the validity of the perception);
- Rumours are spread about retrenchment or restructuring;
- The fact that retrenchment or restructuring is planned is officially announced; or
- During any other phase in between the first three possibilities.

Once knowledge of such a change is obtained, employees will invariably start feeling uncomfortable. Fear will become palpable, consuming the energy of employees that should have been directed towards the achievement of organisational goals. Keeping up the morale of the workforce is not just an act of goodwill, according to Myers (1993). Failure to do so will result in significant downside for the company, including:

- lower productivity;
- the inability to reach economic goals and objectives;
- potential loss of the best employees who may survive the downsizing; and
- increased accident rates, especially in the manufacturing industry.

Markets could shrink as a result of the resultant lesser competitiveness that could in turn worsen the downsizing. The best employees may very well leave after the event, not wanting to sacrifice any more for the "uncaring" company. This will put the final nail in the company's coffin, as the word about this company will spread, leaving potential new employees reluctant to accept employment. In today's world, where knowledge workers can make the difference between the survival and demise of a company, such ill reputation may leave it unable to attract the appropriate talent in the right quantity and hence negate the benefits of the downsizing.

The increased accident rate that may result from low morale, lack of attention or the pre-occupation with the looming retrenchments can paralyse a retrenching company and counter-balance the benefits of a cheaper labour contingent. The cost of accidents can soar due to possible settlement claims, litigation, investigations and eventually the payment of compensation to injured employees.

Lower productivity is frequently the case in the event of major downsizing, partly because it focuses on reducing head count, rather than on an integrated, broad based, whole systems change designed to root out redundancies, waste and inefficiency. This should in any way be done as part of a continuous improvement drive, which could prevent the need for downsizing in the first place. Gains after downsizing are invariably short lived. In a survey of 1468 restructured companies, more than half reported that productivity either stayed the same or deteriorated. Most of these reported deteriorated levels of quality, productivity, effectiveness and human relations indicators.

As far as morale and motivation is concerned, study after study indicated that downsizing is followed by employees becoming narrow minded, self-absorbed and risk averse, with sinking morale and increased distrust in management.

Quality can only survive if retrenching companies pay attention to the remaining employees. This notion is supported by Rubach (1995), when he states that excessive overheads are a symptom, not the actual problem. The real problem lies in poor performance, characterised not only by poor productivity, but by poor production and service quality, inferior product design, ignorance of customer needs, lack of accountability among upper management and lack of global strategy. Downsizing for the sake of downsizing then clearly hurts long-term quality.

4.13.3 ECONOMIC RATIONALE AND PROFITABILITY

The business may harm itself further. Guterman (1992) argues that companies who view restructuring as a short-term, crisis orientated, cost saving exercise do not enhance their capacity to respond and adapt quickly to changing circumstances. It implies that restructuring should be done humanely and with a view to having an effective company in the future. He carries on to say that, although downsizing may be necessary for short-term survival, it seldom solves the core problems that led to the symptoms in the first place. Downsizing may therefore be similar to drinking aspirin for a brain tumour.

Similar arguments were aired by Ligus (1994). He mentioned that lost market share resulting from stiff foreign and domestic competition drove executives to seek solutions. The MRP, TQM, JIT, CIM and other quick fix solutions failed, as well as downsizing and decentralisation. The main reason was simply that the elimination of jobs without changing the way people work, left huge voids in the basic processes. This means that a total business re-engineering exercise should be done, but this does not always happen. Another way is to properly apply proven change

management principles to minimise the negative effects. It is too difficult for employers to overcome the organisational inertia associated with such a major change initiative. Simply put, retrenchment without restructuring or business process re-engineering does not work in the longer term. Rubach (1995) says in this regard that downsizing can work to improve profitability, but it should be considered as part of a long-term strategy that should leave a company with good assimilative capacity, able to change and adapt quickly and be responsive to market conditions.

In terms of the argument aired by Ligus, the researcher asks the following: What should be done first? Should the organisation first restructure with a view to improving efficiencies and productivity and then retrench the resultant occupants of redundant positions? Perhaps a retrenchment exercise should be performed to save costs first, (as does happen in industry), followed by a restructuring of the remaining positions to optimise what is left in its wake. Ligus (1994) leans towards the argument that restructuring should follow in the wake of downsizing to optimise the benefits. The researcher feels that moral duty should prevail and positions should be optimised first, before downsizing what is left.

Karake-Shalhoub (1999) argues that a link exists between stock prices and the announcement of downsizing by direct comparison of rising stock prices during a merger or acquisition. The researcher disagrees when contemplating the earlier researched statements indicate that no substantial stock value gains are generally reported following a downsizing. The researcher rather argues that the news that a company is downsizing may negatively affect shareholder value and stock prices, as it could indicate poor financial performance. Investors may wish to withdraw their investments in order not to loose more of its value.

Under certain circumstances, this may not be the case, as profitability may increase as a result of technological advancement and hence lower costs. These circumstances may arise when companies merge or acquire others as a growth strategy, but not as a downsizing strategy. Customers may start feeling

uncomfortable in the continued business relationship with a "struggling" company and look to place their business elsewhere. A clear external communication strategy will therefore be crucial in ensuring the continued business relationship with customers. In this way, the rumours of retrenchment will at least not hurt the markets served by the employer.

Research has established that organisational restructuring in the form of downsizing, has little, if any positive impact on stock market performance or earnings, yet companies continue to downsize. The negative effects are in fact starting to rear its head. Companies continue to report that they are struggling with serious loss of morale, productivity and mistrust following in the wake of continued restructuring and downsizing. The majority of "right-sized" companies have in fact found themselves worse off than when they started.

Despite the numerous arguments, the evidence concludes that in the majority of cases, downsizing and retrenchment does not produce the desired results that it set itself out to achieve in the first place. Period.

4.13.4 ORGANISATIONAL CULTURE

According to Fink, Beak and Taddeo, (as quoted in Karake-Shalhoub, 1999), the organisation itself goes through various stages upon the news of a retrenchment or downsizing announcement. These are:

- As the employees as members of the organisation become aware of the threatened survival of the company, the organisation goes through an initial shock phase. Interpersonal relations become fragmented as individual employees start taking an inward look at themselves, caring more about their own well-being than that of others. Inter-group relations may

deteriorate, communication becomes more difficult and decision-making paralysed.

- The second phase, called the "defensive retreat," is entered whereby strict controls are implemented in order to survive. This can be seen when a "cost saving" drive is announced. Salary increases are suspended, budgets are cut and bonuses forfeited. The company becomes more centralised, information is restricted and planning and goal setting becomes short term orientated. Performance criteria may become more tangible at this stage.
- The next stage is entered when the acknowledgment phase approaches. Individuals look forward to resolving the problems faced by the company. Attempts are made at improving communication, leadership and the decision-making process becomes more participative. Planning and goal setting extends into longer-term exercises. During this phase, organisational changes in structure are anticipated, since uncertainty still surrounds the solutions to the crisis and has not gained enough momentum. The big question emerges - should top management be axed and replaced with new management to solve the crisis? The logic can be found in the need to demonstrate that the company is on the verge of renewal, the old top management represents failed past strategies and need perceptions may be required about the crisis. Although this may be a good theory, the researcher has his doubts if this is the case in the South African situation. Invariably, it is both middle management and the blue-collar workers who are retrenched, hence the strong union movement in our country.

Once the retrenchments are over and done with, the relationship between the remaining employees and the company can never and will never be the same again. This will lead to a new culture in the organisation. Low levels of morale, loss of leader credibility, increased uncertainty and ambiguity, heightened levels of mistrust and insecurity, decreased participation and greater emphasis on control may emerge as new corporate characteristics.

4.13.5 SABOTAGE

The impact of sabotage as an act of revenge for being retrenched can devastate a company. Dean Kingsley from Deloitte Touche Tohmatsu states that cyber revenge in the information age is expected to increase with the advent of retrenchments and companies do not have necessary protection in place.

The following real life examples indicate how sensitive this issue can become:

- Planting a virus in the emergency networks' computer system;
- Hacking into the network from home and deleting employees' hard-drives as they log in;
- Taking a computer copy of a customer master file and selling it to a competitor;
- The systematic destruction of critical files from a bank computer system by hacking in from home. The program was written before he was axed;
- An insurance company employee slipped through the security checks and attacked the mainframe computer with an axe, shutting the system down for several hours;
- An information technology expert wrote a "logic bomb", instructing the mainframe system to destroy vital data if his personal file was dropped from the payroll.

These may cause serious disruptions in the continuation of the company's business, but more seriously could be the wilful damage of property in a manufacturing firm where the safety or even the very life of employees could be endangered. As an example, imagine an employee sabotaging some control instrumentation that regulates temperatures of a chemical reactor that produces toxic or explosive gasses.

Moolman (1993) supports the notion that industrial sabotage may follow in the wake of the knowledge that retrenchments are imminent.

In this sense, it is important to gauge the probability of this occurrence, as it will have a direct impact on the consultative process (see section 39.1) in chapter 3. The timing of the communication with respect to retrenchment is therefore critical in the avoidance or minimising of sabotage.

4.14 THE IMPACT OF RETRENCHMENT ON EMPLOYEES

The psychology of unemployment is a study on its own and hence it is not the intent of this chapter to discuss this issue fully. Some key elements may be reflected upon.

4.14.1 RETRENCHEES

People accept employment and start careers for many reasons. It is important to reflect on the need to work to enable understanding of the effects of retrenchment, however. Why is loosing a job so traumatic?

Standing (1999) argues that work, as human development need, should:

- Ensure a secure subsistence, on an improving basis;
- Ensure that the activity of work does not needlessly endanger intellectual, physical or psychological health;
- Foster and allow individual creativity in the social production process;
- Be compatible with worker competencies, whilst allowing the development of potential competencies. This means the individual has autonomy over decisions on what, with what and how to produce and for whom and what purpose; and
- Foster self-respect.

This phenomenon is best understood simply by referring to Maslow's hierarchy of needs. Du Toit, (1990) lists these needs as follows:

- Physical needs, including the need for food, water, protection, warmth, rest, sex, and other physical needs. Employment provides the money to purchase these things, whereas retrenchment will endanger this security.
- Safety needs may include the loss of income, protection against bodily harm, illness, medical insurance, pension, uncertainty, etc. Du Toit (1990) argues that job security constitutes a very important component of this level of need.
- Love and acceptance. This level of need includes membership of groups, acceptance, friendship, understanding and care. These needs become more social in nature and are fulfilled with contact with other people. Retrenchment therefore endangers this level of need through the disruption of contact at work with colleagues.
- Egoistic needs include elements of pride, self-respect, self-confidence, acknowledgement, praise, status, etc. During this level of needs satisfaction, the individual will feel wanted, needed and useful. Being retrenched will obliterate this level of need satisfaction.
- The fifth level of needs, being self-actualisation, will obviously be the last thing going through the mind of the retrenched employee. He may, however, feel incredibly betrayed by his management after being retrenched.

Where these needs cannot be met in the working environment, they can be met in other arenas, such as possibly sports and hobby clubs which may assist the retrenchee in finding meaning in his life again.

It is important to understand that a relationship exists between an employee's career and his assessment of his identity and self-worth. It has been said in the introduction that loosing a job can be an extremely traumatic experience that can lead to such a serious consequence as suicide. In Frankl (1975) the well-known psychiatrist also

mentions the impact of unemployment on an individual when he states that loosing a job makes it difficult for an individual to focus on the future, since life loses meaning for such a person. Losing meaning in life has disastrous consequences, as it disables an individual to continue on his way forward and he tends to start living in the past. Hence the importance of work for an individual becomes even more pronounced when he loses his job. When this happens, the individual will move through a series of phases. It is prudent to reflect on some of these phases:

Phase 1: This phase occurs immediately after an employee received the knowledge that he lost his job. Typical reactions are shock and disbelief, sometimes accompanied by feelings of optimism towards completing tasks as home. The situation may resemble a forced vacation. If unemployment figures are high and the individual battles to find employment, the feelings of anguish and shock may be acute.

Phase 2: During this phase, acknowledgement of the reality of the situation becomes unavoidable and the effects on personal work identity start manifesting. The identity of "unemployed" slowly settles in, resulting in meaningless and forced leisure activities. The self-worth of the individual stagnates. During this phase, disorientation may occur due to the lack of routine. The relationship with the family becomes strained and it becomes critical for the family to support the unemployed family member. More desperate attempts at finding work will be made. Where failure persists, the hopelessness will increase.

Phase 3: The state of unemployment fully manifests in this phase with no work identity. This phase may be characterised by settling into a new style of living and acceptance of different living conditions. From a social perspective, the family becomes the main point of contact, as the bonds with previous colleagues fade away. If the financial situation allows this, the adult children or the wife becomes the main economic contributor in the family. The symptoms of this phase could also materialise in feelings of inferiority and subordination. This state of affairs has been

described as psychosomatic symptoms and the health of the individual may deteriorate (Gerdes *et al.*, 1988).

Morabe (2001) states that the effect of retrenchment on an employee influences his subjective quality of life, where the phenomenon is indicated by emotional well-being, satisfaction with life and general mental health. Morabe supports the notion that retrenchment causes severe negative psychological and physiological effects.

When loosing a job, an employee needs to go through a variety of cognitive processes to deal with the trauma. Three dimensions of cognitive processes were identified in a study performed mentioned by Leana & Feldman (1992). These were intensity, reversibility and causality.

- Intensity. Many people who took part in research on the impact of loosing a job describe the experience as the worst thing that ever happened to them. The experience generally indicates one of severe intensity. Some even equated the experience to loosing someone to death.
- The second problem, which the researcher deems very relevant to the South African situation, is the perception of the reversibility of unemployment. Hopelessness sets in for the retrenched employee soon after numerous failed attempts at finding alternative employment. This hopelessness stems not only from not finding a new job, but also from not being able to generate the same income to sustain the previously known living standards. The hopelessness also stemmed from the perception that their fate was irreversible; hence the future in the minds of those former employees in the study appeared bleak. General feelings expressed were discouragement, pessimism and despair.
- The third cognitive element that a retrenched employee deals with is causality. This issue relates to the assignment of blame. Numerous newspaper reports, articles in journals and books attempt at explaining the rationale behind retrenchment, from mergers and acquisitions to changes in the capital markets to stiffer competition to globalisation. Organised labour and even individual

employees have neither escaped blame for either reduced productivity or the loss of the "hard work" ethic. Retrenched employees tend to fix the blame on the employer for allowing it to happen. Managerial competence and intra- and inter-company politics is viewed as part of the problem. The government also does not escape blame for not stemming the ever-flowing tide of foreign imports and their failure to offer assistance in the face of declining profitability.

It then becomes clear that, besides the economic necessity to work, the identity, self-assessment, self-worth, health and family roles and family relations of the worker is strongly affected by his occupation. Being retrenched therefore has serious consequences for a retrenched individual, as a lot more than monetary income will be lost.

Before retrenched employees actually leave the engagement with his employer, it remains important to design a careful strategy to avoid problems. Employees may have already received their notices of termination, but need to continue working their notice periods. In this respect, Myers (1993) warns of the following:

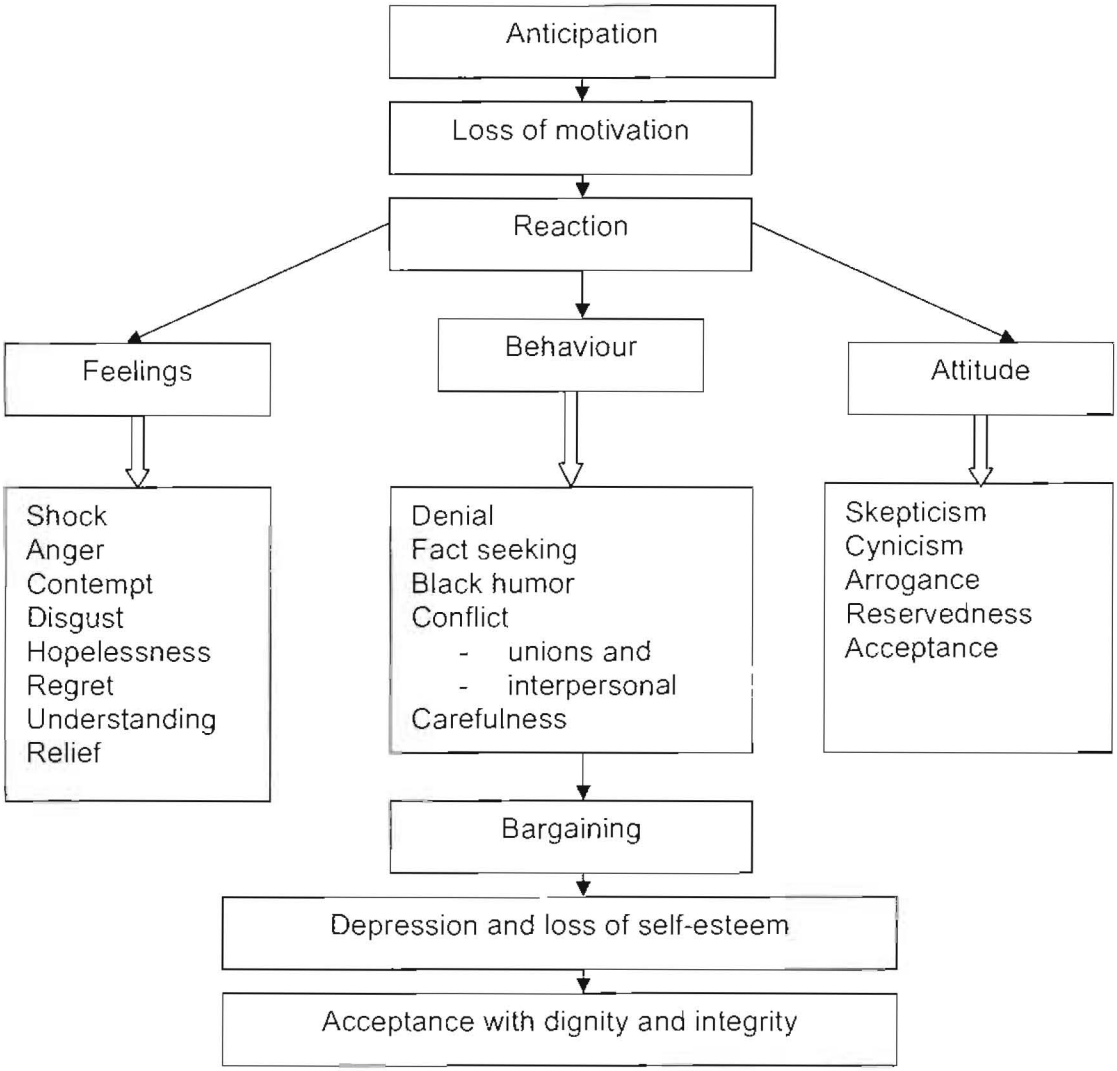
- Maintain productivity. This is of vital importance, especially if long notice periods were required;
- Avoid union organised drives. This could potentially explode into chaos if unions are allowed to instigate employees and instil a culture of retribution;
- Avoid sabotage. This is critical in the prevention of major damage, especially with regard to causing production disruptions and the increased risk of safety hazards. This problem could also materialise in the disclosure of confidential information to competitors, such as disclosing production secrets and customer information; and
- Lessen the shock to affected employees.

The suggested key area of focus seems to be to ensure that morale does not suffer too much. The role of senior management in this respect is critical, according to

Wilson (2002). The effects of downsizing on remaining staff can be devastating, but if employees understand that they share the same fate as senior management, it may cause a greater willingness to stay and see things through. This is where true leadership becomes critical, when the leaders are seen to be taking the responsibility for the actions and avoid indecision and evasiveness. It is suggested that time be spent with key people and get the bad news out all at the same time. In this way, open and honest communication, resulting in trust, can already rebuild the burnt bridges left in the wake of retrenchment, thus ensuring the desired results of becoming more competitive or profitable.

In summary, an organisation that announced retrenchments may have employees facing the following process indicated in figure 13:

Figure 13: The person-centred dynamics of retrenchment



Source: Adopted from Volpe (s.a.).

4.14.2 REMAINING EMPLOYEES

The impact of retrenchment on the employees remaining behind should not be negated, considering that research indicated that among senior managers at recently downsized companies, 74% responded in saying that their workers had low morale, feared future retrenchments and distrusted management (Cascio, 1993). The researcher argues that this is hardly the kind of environment in which to cultivate a

competitive mindset. As an example, if an organisation needs to enhance quality of goods and services, one of the key ingredients is high morale, exactly what has just been destroyed. Employees who were spared the axe have their own sets of problems stemming from the impact of a retrenchment exercise. They tend to find it difficult to return to their normal duties, fearing the next wave of cutbacks. Fears and uncertainty may also prevail in the face of new and added responsibilities with smaller pay increases and lesser bonuses. Sahdev *et al.* (1999) mentions the "survivor syndrome" that manifests itself in the forms of low morale, decreases in psychological participation and involvement with the organisation's goals, guilt feelings, bitterness, anger and frustration, etc. with the primary underlying cause being the violation of the psychological contract.

(Anon, 2002) also discusses this problem and identified the symptoms as "survivor sickness". Although the article focuses on the effects in a law firm, the problems discussed are as relevant to any other employer. The problems associated with "survivor sickness" are typically described as job insecurity, perceptions of unfairness, depression, stress from increased workloads, fear of and resistance to further change, loss of loyalty, reduced risk taking, unwillingness to go the extra mile, denial, negativity, decreased productivity, insecurity and resentment. These negative traits are exactly the opposite of what a company that faces downsizing to cut costs and improve competitiveness needs.

Myers (1993) indicates that those employees remaining behind can indeed suffer from severe morale problems following the announcement of downsizing. Job attitudes and morale suffers from a variety of factors. These include having more work to do, displeasure at the loss of friends, anxiety or guilt, facing stagnant pay and loss of paid overtime opportunities and the possible loss of benefits.

Paige (2001) reasons that a huge toll is also taken on remaining employees, managers and HR personnel that can last for years. She says that remaining employees find it very hard to witness the undignified exit of their colleagues and

then wonder why they escaped the axe. Secret feelings of guilt and the fear that they may go next time consume their energy. This may leave them in such a state of fear of putting a foot wrong and so traumatised that it may take months to recover and be fully productive again. Typically, such remaining employees experience the erosion of trust, a devastated morale and a general feeling of fear and paranoia. Continued contact with retrenched colleagues may deepen the sense of guilt and resentment towards management. It is clear that these consequences are counter-productive to the very efficiencies that the downsizing sought to achieve.

Leana & Feldman (1992) argues that loosing the social support of friends and colleagues at work is one of the most distressing aspects of loosing a job. This applies as much to the departed employees as to those remaining behind. Such employees will also feel angry with management for having caused the retrenchment of their friends in the first place, or for mishandling the process and support for departing retrenchees or for speaking disparagingly about them.

Research done by Allen, *et al.* (2001) on work transitions included job changes relating to inter- and intra-organisational mobility as well as job redesign, change of boss, and change of co-workers. Included is the issue of job loss. They found that remaining employees also go through various stages during and after a retrenchment exercise, but concluded that the various inclinations of remaining employees may change with time. Their hypothesis was supported over longitudinal studies. These stages are preparation, encounter, adjustment and stabilising.

The immediate antecedents and consequences of the change event consist of the preparation and encounter phases, with the preparation phase primarily concerned with psychological readiness. The encounter phase refers to the first few days and weeks following the change event. Psychological defence mechanisms such as denial and withdrawal occur early in the encounter phase before finally assimilating and integrating the change. Once they worked through the initial shock and surprise, the adjustment phase is entered when a new set of priorities emerge, such as

adjusting to the new colleagues, new work roles (typically more responsibilities as jobs are rationalised), the culture of the new environment, etc. Lastly, the stabilising occurs when the employee starts striving to maintain valued elements of his current role or making finer adjustments. Success or failure may follow in its wake.

In summary, environmental variables, such as role clarity, role overload, satisfaction with top management and job security may be influenced through the effects of retrenchments. Some positive consequences may also arise, such as new challenges, seeing the downsizing as an opportunity to grow, better career opportunities through a thinner layer of management and more autonomy.

4.14.3 MANAGERS

Managers are not monsters who take pleasure in causing widespread misery for employees by removing their livelihoods. They sometimes have to make the profound decision of retrenching a number of employees based on their experience and knowledge of where their business is going. Executives will also suffer the feelings of guilt because of being seen as denying a family its livelihood or overhearing himself as being described as ruthless and cold-hearted. Brandt (2002) simply states that if an executive enjoys hiring and firing, he is a sadist unqualified to lead. Yet the task has to be executed professionally.

He says that many times managers break down emotionally in front of the very people that they retrench, as they become so absorbed in their own pain that they are blinded to the wounds inflicted on the employees around them. They confuse self-absorption with sensitivity. To avoid this pain, a manager owes it to his employees for every single possible alternative to be exhausted, such as improvement plans, reorganising talents more effectively, cutting of other expenses, even temporary, etc. Unfortunately, too often the run down excuse of retrenchment is

used to cover up other evils and inefficiencies that lie deeper and managers tend to embark on these mindless reactions too quickly.

Once this decision is made, the leaders of the organisation tend to isolate themselves from others. They do this because they wrestle with the difficult decision and because they fear the effects of communicating the bad news to those who should absolutely not know about it. The first consequence hereof is that rumours start to dominate communication, sometimes to the extent that the fear of losing their jobs can paralyse enough people to seriously endanger the productivity of the company.

The second consequence of withholding information or communicating only half the information is that the rumours are reinforced and take on a life of their own. Once the retrenchment is over and done with, it is very hard to break the cycle of mistrust and bad communication.

Management should heed and take note that much of the remaining negative behaviour of employees may be masked by the energy generated by the restructuring and the business of "going back to business" once the retrenchment is over and done with. This could lead to longer-term problems for the organisation. These are stress and burnout suffered from continuous long hours of work and expected higher performance, higher attrition, (particularly from key players who may feel isolated and not supported in the new organisation), difficulty in acquiring new talent, etc. Managers may suffer the very same symptoms, as many a time they may have lost key support personnel and even friends in their area of responsibility.

Most managers and HR practitioners, according to Paige (2001) are ill equipped to deal with retrenchments and counselling, where it is expected of them to remain detached from their colleagues and deliver the death sentence without emotion. In companies where a manager is expected to repeatedly perform this emotional task,

they tend to become depressed and increasingly traumatised by having to maintain a balanced and dispassionate appearance.

The negative effects of retrenchment on managers are echoed by Gertz & Baptista (1995). They also spoke of the "survivor sickness" which is commonly known as the combination of guilt and depression that often plaque survivors of airplane crashes and military combat. These are the very core employees on whom the company depends on for leadership and creative solutions. Studies have shown that these managers are often suffering from stress, morose, over caution and fatigue.

Lastly, the impact of prolonged cost cutting and downsizing could cause managers to develop tunnel vision. The condition develops when executives are so focused on gaining efficiencies and reducing costs that they fail to think about new possibilities for future growth. The challenge is to change the focus from survival to growth.

4.15 IMPACT OF RETRENCHMENT ON SOCIETY

4.15.1 UNEMPLOYMENT, RETRENCHMENT AND CRIME - THE CIRCULAR RELATIONSHIP

Honorè de Mirabeau (1749-1791) once said: "I only know of three ways of living in society: one must be a beggar, a thief or a wage earner."

Anstey (1983) discusses the meaning of unemployment for an individual, his family and his society. He states that work is a social activity with the two main functions of producing goods required by society and binding the individual into the pattern of interrelationship from which society is built up. Work can therefore be seen as a form of social cement in society. Losing his employment then has serious consequences for an individuals' economic, social and psychological functioning. He carries on to

say that a continuous unemployed and poor in an affluent society is a defeating and oppressing circumstance that produce psychological fatigue, resulting in apathy, hunger, frustration and anger. These then become fertile grounds for more violent modes of responses to an apparent careless society.

The author postulates that this is exactly where the circular relationship between the violent crime dominating South Africa and the high unemployment rate manifests itself in the most profound way. An employee who has lost his job will feel rejected by society, enforcing feelings of the need to turn against society through retaliation in the form of crime. This could occur because he may think that the world owes him something and will probably argue that the world has taken what rightfully belongs to him. In a discussion between the author and a young and upcoming colleague who came from a township, it became evident that a view is upheld by some unemployed people that things that belong to the "haves" also belong to the "have-nots," and that it is perfectly acceptable to share in the abundance that belong to the collective. Likewise, unemployment can contribute significantly to psychological disorders, such as depression that can lead to suicide.

Bendix (2000) refers to this circular relationship as the "Boomerang Effect" when the direct relationship between unemployment, poverty and crime may ultimately result in the destabilisation of a society and the economy. She argues that in the long term, massive retrenchments may destabilise the very organisations who engaged in the retrenchments in the first place.

It is known that free market economies, such as we have in South Africa, have relatively low funded social programmes. A flailing economy will lead to higher joblessness, less money for charity and social safety nets and greater difficulty for retrenched employees to find alternative employment. Such affected individuals may turn to crime to sustain the basic economic needs of his family. The retrenched employee may view the benefits of lawful activity as not outweighing the risks of criminal activity anymore. Two schools of thought exist on the link between economy

and crime. Some argue that doing crime is the free choice of an individual whereas the liberal economists emphasise the role of institutions, family structure, and societal forces in the commission of crimes. However, the majority of studies prove unequivocally that the crime rate is directly related to the state of the economy. These findings were jointly made through the combined efforts of economists and criminologists.

McKersie and Sengenberger (1983) noted that in major downsizing occurrences, the quality of life in a community can be seriously impaired. Firstly, individuals withdraw from community life. Stricken communities then experience diminished church attendance, and generally reduce participation in social events. The vitality of the community goes down, the social bonds that form the fabric of the community is worn down, creating a gloomy atmosphere causing an exodus. In addition, the stricken community gets more and more associated with social deviancy. Research has indicated a relationship between rising unemployment and rising homicide and prison admissions. The ultimate withdrawal from society in the form of suicide also increases.

The social responsibility of employers now seems more evident. A decrease in income and potential earnings associated with involuntary unemployment, such as caused by retrenchment, increase the relative returns to illegal activity. Chronic unemployed individuals also have less to lose by being arrested and incarcerated. In this manner, unemployment is an important determinant of the supply of criminals and hence the crime rate (Amburgey, 2002).

4.15.2 ECONOMIC DOWNTURN

A further repercussion on a society facing mass retrenchment is the effect of lower sales volumes generated in the wider society. Smaller businesses that came into existence in support of the community in which the former employees resided, such

as the supermarkets and clothing stores, may suffer a similar fate due to reduced sales, than the larger companies that downsized. Along the same vein, the support industries that came into existence in support of the large organisations, such as engineering works, safety clothing suppliers, stationary suppliers, etc., will suffer turnover as a result of the downsizing of the larger company. Consider for a moment the negative effects of the massive downsizing that occurred at Iscor (now called Mittal Steel) Vanderbijlpark. This steel factory employed approximately 23 000 employees in the 1980's. Since the process of downsizing began, employment levels have shrunk to approximately 6 000. The battle for survival continues, as the town of Vanderbijlpark came into existence directly as a result of this company.

Potential new developments will not proceed, as the foreseen market for its products will not materialise and in this way, affect the local building industry. The local municipal council will generate less revenue, as the retrenched employees may have to leave the community in search of alternative employment. They may also find it difficult to maintain the payment of taxes. Sport and recreation facilities may need to close down and so the snowball effect can carry on. Lastly, the property market may suffer tremendous consequences as an excess supply of homes opposite low demand will negatively affect the attraction of owning a home in such a society. The banking institutions may also suffer from the sudden increase in delinquency rates from resulting from the incapacity of retrenched employees to pay their bonds and car instalments. The cycle of economic despair may therefore develop a life of its own and start a devastating series of causes and effects.

Leana & Feldman (1992) supports this statement when they argue that communities that came to rely on big companies for their economic vitality may be devastated by a massive retrenchment or closure of a big company. The departure of corporate taxpayers heralds the depletion of municipal funds. Public services will soon start feeling the strain as the swelling ranks of unemployed people increase the demand on it. They state that three different possible community responses prototypes to

massive downsizing. These responses will be based on who decides to shut the plant down and who should deal with the consequences:

- The bystander response. The local government and community leaders play a passive role. Where the closure of the plant is subject to debate, local officials may be present at community or labour-management meetings, but they do not participate in the debates. In this way, market forces are simply allowed to dictate the fate of the plant or company.
- The off-set approach. The local government attempts to influence the process and types of decisions made. It does not make any primary decisions, however. The government would therefore participate in the pursuit of influencing whether and how the plant should close and how resources should be allocated to ease the transition of those affected. Financial inducements may be offered in the form of a tax holiday, offer financial assistance in retraining those affected or special social programmes.
- The player role. In this stage, the local government may cross the line by utilising policies and resources to readjust the process through public decision-making. They play an active role in finding a solution to the problem such as finding a buyer for the business, appointing a new CEO or finding a new product line to replace an obsolete one. An active, rather than a reactive stance is taken.

During any of these responses, the local government can form an alliance with the exiting business or with labour. Arrangements like these can work to the benefit of both the public and private sectors. Local government can receive support and assistance from the big companies and in exchange, the big companies can affect the community in ways that serve its own interests while at the same time serving as citizens who work for the public good.

In the South African scenario, these devastated societies are characterised by the emergence of second-hand stores, second-hand garage dealers and loan shark

businesses that will prey on the misery of the retrenched employees. Many new little businesses may start up as retrenched employees are forced to try their hand at entrepreneurship. Many more will fall as they fail to make the transition from an employee to an employer. In the beginning of chapter 1, the after effects of mass retrenchment on a society were indicated.

The multiplier of job losses may cause a slow and steady decline in a community's economic base, according to McKersie and Sengenberger (1983). The first loss occurs in retail sales due to diminished spending. This will be exacerbated by the loss of purchases of goods and services needed by the by now scaled down company. The combined loss of revenue streams now leads to secondary job lay-offs in other industries designed to support the main industry. These losses will occur in trade, finance, construction, transportation and even the public service. It has been noted herein that in small towns in South Africa, like Buffelsfontein in the North-West province, the multiplier effect can be as much as 1 to 14. Other secondary losses could be things like a decline in property values.

4.15.3 CULTURAL VALUES AND THE FAMILY

The culture of retrenched workers plays a major role in how they will react to loosing their jobs. The sociological effects of unemployment as a consequence of retrenchment on various cultures fall outside the scope of this study, but one example will be prudent. In certain black cultures, where unskilled workers are retrenched, they have no option but to return to their communities from whence they came. With limited economic opportunities, infrastructure in disarray and eroded agricultural assets, retrenched workers under these circumstances have little prospect of escaping the poverty cycle.

In these cultures, migrant workers enjoyed lots of status in their communities, as they earned money that they could send home. Migrant work was prized, as the society

cared for an individual who was profitable. With the loss of their jobs through retrenchment came the loss of dignity, status and respect. Since many of these cultures were based on patriarchies, the retrenchment of many breadwinners led to the foundation of these cultures being shaken to the root.

The next stage occurs when the retrenched men are increasingly seen as superfluous and burdensome on the society, as they no longer own livestock that was traditionally viewed as being wealthy. These hardships can lead to divorce and the breaking up of families. In this way, the cornerstone of society is demolished. As a result of these continued hardships, children may be taken out of school at an attempt to earn an income to support the basic needs of these families, exacerbating the skills shortage problems of the country (Ngonini, 2001).

The families of retrenched workers also suffer negative consequences following the retrenchment of the breadwinner. Relocation in itself has been shown, through research, even by choice and possibly into a better paying position, to be stressful. This is probably due to the uncertainty being faced. Having to relocate to another area in search of a job or possibly to take up a new job (and possibly not one of choice) will certainly take its toll on any family. The children need to adjust to a new school, new friends and the whole social support structure for that family changes.

Leana & Feldman (1992) quotes the words of a participant in their study of the effects of downsizing on families: "Our marriage got pretty rocky when I got laid off. My husband quit his job and went away. He thought we would be able to run from things that had happened. I was offered my job back in December, but I turned it down to stay with my husband."

Children have to live with angry and frustrated parents who are out of work and are at home. They see less toys and vacations, no more dinners at restaurants, no more week-end outings. The reversing of traditional gender roles may occur. The husband

may take up tasks previously performed by his spouse with tension in the marriage arising due to the diminished status of the retrenched breadwinner.

4.16 STRATEGIES FOR THE EFFECTIVE MANAGEMENT OF DOWNSIZING AND CONSEQUENTIAL RETRENCHMENTS

Lots of research has been done on how to manage retrenchments effectively and many practical lessons have been learned by organisations. Clearly, the first thing is to avoid retrenchments altogether. This is Utopia, no doubt, but having human beings in charge of organisations mean that failure can occur from time to time. To ease the pain of such "failure", perhaps it is prudent to mention that there is no such thing as failure in nature; only consequences and lessons. The legislation also provides for extensive mechanisms to compensate employees who are retrenched, but the effects are a lot more profound than just loosing employees. The next section will focus on strategies to minimise the effects of retrenchments on a variety of segments.

4.16.1 AVOIDING RETRENCHMENT

Downsizing does not always pay off. In research performed by Anderson Consulting, it was found that across a study of 537 companies over a three-year period following an employment or asset downsizing, that cutting employee numbers resulted in a decline on their return on assets of approximately 3%. The reason for this is to be found in ill prepared downsizing strategies, not comprehending the negative effects of low morale and lower productivity following such strategies. One could hardly imagine any employee getting excited over the fact that his job security is endangered.

The same applies to business process re-engineering. The Fast Magazine evaluated the impact of re-engineering exercises and found that in a study of 99 cases, 67% of the results were judged mediocre, marginal or failed. Similar comments can be passed with respect to mergers, acquisitions and alliances. Despite its popularity, these business ventures often fail to achieve its objectives. An Andersen Consulting study in 1998 found that of 300 merger deals bigger than US$ 500 million, only 43% of merged companies out performed their peer groups with respect to shareholder returns after three years. In another study involving 34 major acquisitions in 1980, 70% failed to improve shareholder value. The reasons cited were the loss of flexibility, clashes of cultures, loss of management focus, etc. These are all effects brought about by the famous resistance to change phenomenon and the failed efforts of change management.

This problem is highlighted when considering the following summary of failed business restructuring efforts by Galpin & Herndon (2000):

- 23% of all acquisitions earn their cost of capital;
- Stock prices only rise 30% of the time when a merger or acquisition is announced;
- 47% of executives of an acquired company leave within the first year and 75% leave within three years after the acquisition;
- In 70% of the time, projected synergies never materialise;
- Productivity falls up to 50% in the first four to eight months after a merger or acquisition;
- CEO's and CFO's cite "people" problems and cultural issues as the main reasons for the loss of benefit through mergers or acquisitions; and
- The average financial performance of newly merged companies is graded C-minus by their managers.

A key assumption in understanding the value of retrenchment is that every time that it is used as a strategy to improve profitability, it leaves a smaller organisation to cut in

to yet smaller pieces. Downsizing therefore must be diminishing in value. The above statistics are echoed in the research done by the AMA (American Management Association) when Gerts & Baptista (1995) mentions the findings. According to this survey that started in 1988, approximately 45% of downsizing companies reported an increase in operating profits, the same percentage experienced no change or decline in profits after downsizing. To add insult to injury, two thirds of the surveyed companies involved in downsizing strategies have gone back to two or more rounds of workforce reductions. These statistics show a tendency of executives to act from a position of weakness and to use "quick fixes" to boost their bottom line performance. This is aptly described as developing an anorexic organisation to achieve health for a company and is not sensible at all.

This leads to another approach to business - go back to the basics. Profitable growth appears to be a strategy that could be used to avert the need for retrenchments. Four distinct kinds of companies could be distinguished when contemplating the downsizing strategy of improving shareholder value, according to Gertz & Baptista (1995):

- The shrinkers. These are companies whose revenues and operating profits grew more slowly than the industry in which they compete. They are therefore shrinking both in revenue generation and profits when compared to competitors.
- The cost cutters. These companies showed faster revenue growth than competitors, but grew profits more rapidly. Profit growth, by implication came through cost cutting. Many retrenching companies will find themselves in this category. By continuing this trend, they will eventually reach a point where their costs are 0% of their sales at which point revenue growth will be required to grow profits.
- The unprofitable growers. These companies managed to increase revenue faster than competing industries, but without a commensurate growth in profits.

- The profitable growers. These companies managed to increase both revenue and profits faster than their rivals.

In the light of the above, the difficulty faced by companies who do not find themselves as a profitable grower, is that sooner or later, their rivals do exactly the same exercise that leaves them in the same position as before the downsizing. Cost cutters will then eventually run out of fat to trim. The need to generate a future stream of revenue now becomes paramount. Research indicates that downsized companies are outperformed by growing companies, both in the short and long term (Gross, 2001).

Since we now understand the interdependency between business restructuring, mergers, acquisitions and joint ventures and how these lead to retrenchment, the value of completely avoiding retrenchment as a consequence and rather actively pursuing alternatives and/or **proper change management principles** cannot be overstated. Management and human resource practitioners can learn a lot from this.

However, there are many cases where downsizing accompanied by proper business process re-engineering lead to the survival and ultimate growth of companies. Being competitive means not always being in a position of charity, where layers of bureaucratic managers sat and produced systems and rules to justify their positions. Too many management layers and excessive checks and balances kept unseen white-collar workers employed to enforce rigid and unnecessary procedures. Sometimes the need existed to enhance the speed of decision-making by removing layers in the organization. In such cases, there was no mention of growth, but of utter survival.

Besides the legal requirements of exhausting all the possibilities of averting or minimizing the adverse effects of retrenchment, a moral duty rests with the employer in genuine consideration of *all* possibilities to avert retrenchment altogether. Job preservation is a critical necessity for South Africa, given the following:

- The current population growth. South Africa's population doubles every thirty years;
- The unacceptably high unemployment rate. These statistics were discussed earlier in this study, but it is worth mentioning that the absorption rate of new entrants to the economy's formal sector has declined from 74% in 1970, to 35% in 1975-1980, to 12.5% in 1985-1990, to less than 10% currently;
- The rapid and accelerated urbanisation which aggravates urban unemployment, crime, poverty, stress and social demise. Failing to avoid retrenchment then contributes significantly to the ills of society; and
- The rate of retrenchments is unacceptably high (Keenan-Smith, 1992).

Other lessons learnt in the process and from which companies can learn are, according to Anon (2001):

- Downsizing does not always increase profits, especially if a "business as usual" approach is adopted;
- If the downsizing amounts to an across the board cut, it is inevitably a sign that management did not exercise due diligence in workforce planning;
- Avoid letting too many people go by first looking at restructuring tasks and performing a proper business process re-engineering exercise. Too often, management elect to panic to either a real or even a perceived external economic threat and embark on a mindless "knee-jerk" response and say: "when the going gets tough, the staff cuts gets going;" and
- Seek the opinions of employees on how to conduct business in an improved manner, despite the fact that retrenchment may seem the best alternative at the time.

Karake-Shalhoub (1999) stated that companies who managed to avert retrenchments were those who *continually* "right-size." They do this by having a continuous, pro-active assessment of mission-critical work and its associated staff

requirements. It is suggested that the process starts at the top of any organisation. The trick is to run lean and mean, but without having to damage muscle and bone.

4.16.2 MITIGATING THE NEGATIVE EFFECT ON THE DEPARTING EMPLOYEES

Employees who were advised that they are going to be retrenched or who has been retrenched have to face enormous obstacles, as discussed earlier in this chapter. Besides their legal duties, a moral duty rests on the shoulders of reputable employers to attempt everything possible to mitigate the effects of the retrenchments on departing employees. Paige (2001) discusses a few suggestions:

- The willingness to exhaust every possible alternative and the willingness to explore absolutely everything available in order to prevent the retrenchment will go a long way in creating understanding amongst employees and lessen the impact on loyalty of remaining employees. When the tide turns and re-employment becomes an option, the necessary talent may then again be available in sufficient quantity and quality to sustain and grow the company.
- The departing employees should be assisted in finding a new role in society. Companies can do a lot to assist in this respect, such as establishing what skills they have, creating understanding of what options are available to them that they may not be aware of, helping them understand what retraining they may need, sending them for aptitude testing and make suggestions along the findings and assisting in the creation of entrepreneurial skills.

These suggestions may assist a retrenched employee not to adapt a fatalistic approach to life, as they will understand that they have choices, have more confidence in themselves and be more open to explore other opportunities without fear of failure.

Further suggestions include:

- Offering extended membership of a medical aid for a specified duration, as this may become necessary due to the development of disorders resulting from the retrenchment;
- Attempt to secure employment at other companies. The researcher had the personal experience of being able to secure alternative employment with equitable remuneration for a subordinate before retrenching him;
- Giving retrenchees time off to attend job interviews and then allowing them to leave as it suits the employee, not the employer;
- Offering sound investment advice and counselling them not to invest their retrenchment packages in sham investments such as pyramid schemes;
- Helping retrenchees to obtain pay-outs from insurance companies;
- Assisting in the compilation of curriculum vitae and sending it out on their behalf; and
- Provide retrenchment counselling.

4.16.3 MITIGATING THE NEGATIVE EFFECTS ON THE REMAINING EMPLOYEES

It became evident in this chapter that it is critical for the success of the cost saving exercise that remaining employees remain focused on the job at hand, however difficult it may be. Low morale and poor job attitudes could further harm the economic viability of a company. Karake-Shalhoub (1999) is very clear in saying that the reactions of survivors may have potentially important implications for the survival of the company. Myers (1993) suggests the following approach in solving morale and job attitude problems:

- Team building: Team-orientated production methods and employee involvement programmes may assist. It may help involving employees more fully in the decision-making processes and in the process boost productivity.

Care should be exercised not to jeopardise the settling in period of employees. The researcher suggests that, if possible a time interval should prevail in which the employees are given lesser responsibility to allow settling into the new post retrenchment environment and allow them to work through their own emotions.

- Empowering middle managers: Due diligence should be exercised in seeking the feedback of middle managers in finding new direction, as they are normally particularly hard hit by retrenchments. They should be encouraged to design solutions to the problems at hand and given the freedom to implement their recommendations.
- Mentoring/training programmes: Employers may not be able to offer employment security for remaining employees, but it can contribute to raising the employability of employees into future positions in the marketplace or even inside the organisation if downsizing becomes necessary again. It also contributes to their feelings as valuable assets.
- Maintain enhanced communication: Great effort may be needed to keep employees up to date and involved in future developments of the organisation, to give them the necessary skills to fulfil these goals and advise them of their place in the company.
- Recognition programmes: Performance goals should be rewarded when targets are met, possibly with the payment of bonuses. This will lend credibility to the need for the downsizing. Commitment to promoting from within should be genuine and sure.
- Restructuring of benefits: When planning the downsizing, the remaining workforce should not be forgotten. The correct planning of the remaining workforce will be crucial in ensuring that the correct number and quality of employees remain to see the organisation through the difficult time. Overloading remaining employees will not serve the interests of the company and may destroy the potential financial value of the downsizing. Similarly, when having to rehire employees after a year or two because of too few

employees left, the credibility of future downsizing programmes will be endangered.

Adding to this, Anon (2002) reasons that the following suggestions may help alleviate problems suffered by remaining employees:

- Use peer-counselling programmes to allow people to speak their minds about what is happening;
- Ensure that burnout and frustration is properly dealt with. Use an external councillor if required;
- Address job gaps. Before embarking on the retrenchment, draw up an organisational chart and establish the exact numbers of people that need to go. Finding out later that the employer lost indispensable employees may wreak havoc in the company;
- Restate the company's commitment to quality of life options, such as flexible work arrangements, job sharing and telecommuting;
- Address cultural and moral issues as a matter of priority;
- Demonstrate genuine receptiveness to suggestions and further ideas for cutting costs and increasing profitability;
- Provide emphatic counselling for all remaining employees and professional career counselling to assist remaining employees in evaluating their career paths in the company;
- Acknowledge that remaining employees will have continuing relationships with retrenched employees, but ensure that the remaining employees protect the confidentiality and security of the company; and
- Build confidence in individuals regarding their own value, contributions, competence, performance and future in the company by increasing feedback, especially employees whose friends and peers were retrenched.

4.16.4 MITIGATING THE NEGATIVE EFFECTS ON OTHER STAKEHOLDERS

Should the wrong message go out, external entities such as suppliers, customers and the community could also be affected by the company downsizing. Myers, (1993) suggests that a white paper for external communication is a necessity to ensure a consistent outflow of information. This paper should clearly indicate the causes of the need for the downsizing and the nature of the reaction to it by the employer. It is further suggested that all external communications be handled by a small group of people or just an individual public relations officer. Should any employee be questioned, he should divert the question to be answered by the correct person or clear the answer prior to release. Information that conveys the wrong message could send shockwaves through the shareholders and other stakeholders could damage the company any even further, especially by demoralised employees.

Likewise, no employee would want to hear about possible retrenchments in his company from the media without being advised by his employer that this radical step is imminent.

4.17 SUMMARY

From the above chapter, it becomes evident that retrenchment and unemployment is a growing problem for South Africa, and in fact, the world. The retrenchment of employees often fails to address the root causes of problems encountered by companies and only lead to extremely negative consequences in the society in which a business operates. This continued operation is subject to the approval given by the community, although unscrupulous companies will beg to differ. They will pay the price.

Business must realise that the impact of retrenchment bounces back to the business, as interdependence develops between the community and the business. A living system develops with time, with the community becoming the consumers of the products produced by the business. The impact of retrenchment is therefore also felt by business, particularly with respect to rising crime levels and a demoralised community from whence its workforce originates.

The ability to retain and attract skilled and talented employees to ensure a sustained competitive edge is emerging as a management prerogative, especially with the advent of the knowledge worker. Accepting their corporate social responsibilities will assist businesses to continue to operate and ensure longevity. The concept is gaining momentum, as investors increasingly demand responsibility in the running of their business investments. It pays off.

The potential impact of large corporations falling prey to the paradigm of maximising profits, shareholder value and share prices at all costs can be devastating, reverberating through the corporate world. Such behaviour can lead to the demise of communities. The impact of big industrial disasters could similarly lead to community obliteration.

The concept of triple bottom line management is gaining momentum. With the development of communications technology in the face of globalisation, awareness of the responsibility of business is growing and the youth are seemingly aligning their career choices more with that of their values. This will lead to increased pressures to act responsibly. At the same time, the corresponding training in establishing a paradigm of responsible business as opposed to the culture of profit maximisation is not aligned. This will not form a solid base for the launch of a new generation of corporate executives. The community will act accordingly and exert even more pressure.

In this chapter, it became evident that retrenchment as a consequence of change remains a necessary evil in our society. Economic conditions keep getting tougher and competition becomes stiffer by the day. The advent of globalisation and the pressures brought about by it leaves nobody untouched.

Unfortunately, it also brings about the need to dismiss employees for no reason of their own. An employer has to survive and grow to sustain itself and its capacity to provide employment opportunities. Sometimes this means downsizing its workforce. The impact that this drastic step has on employees and their families, the business itself, the managers and the community, is tremendous. Such a profound decision cannot be taken lightly and should be the absolute last resort. This impact is pervasive, penetrating the very core of society and in some cases, leading to its total demise.

Despite evidence to the contrary, workforce downsizing is still perceived as an effective means of reducing costs and improving competitiveness. Retrenchment as a cost cutting exercise does not always work, and in fact tends to fail in addressing causes of the illness of the employer that lie deeper, such as cultural and structural problems. Nevertheless, these strategies are pursued in the quest for ever-improving productivity and competitiveness that would hopefully yield increased profits.

However, employers are not monsters who are out to destroy the very society that gives it its moral licence to conduct its business and from whence it draws its resources for survival and growth. The symbiotic relationship between employers and the society with all of its constituents should not be neglected by employers (and employees, for that matter). Large corporations are powerful and they have the means, ability and sometimes the authority given to it by the society to influence society for its own benefit. However, no relationship is ever a one-way street and employers have a duty to also give back to society.

This means using its power and resources to minimise its negative footprints left in the wake of its operations. These footprints relate not just to its environmental impact, but the total impact on society. When retrenchments become necessary for whatever reason, a huge obligation rests on the shoulders of involved and non-involved organisations to mitigate the adverse effects thereof of on itself, the remaining employees, the departing employees and the society in general.

Having obtained its licence to operate in a given society, employers then have the responsibility to look after it to a larger or lesser extent. This leads to the issue of corporate social responsibility and the social investments made in society.

CHAPTER 5

EMPIRICAL RESEARCH

5.1. INTRODUCTION

The main purpose of this chapter is to explore the results of the empirical investigation, to describe the research design and procedures as well as to address the aims of this study.

The background study through the literature review during the previous chapters of this thesis formed the base from which the research question and objectives were formulated, and in this chapter, the design of the research methodology and interpretation of findings will be discussed fully.

To achieve this, an electronic, web-based questionnaire was constructed as the means for data collection regarding the role that corporate social responsibility plays in the retrenchment realm. Marshall & Rossman (1999) argues that surveys as a research method is the appropriate means of enquiry for making inferences about a large group of people from which data is drawn on a relatively small number of people of that group.

5.2. PURPOSE OF THE STUDY/ RESEARCH OBJECTIVES

By contemplating the literature study and the many variables that interplay with societies and business that operate in these societies, the primary objective in executing this investigation is to establish the role that corporate social responsibility plays in employment practices. In particular, the way that a chemical industry in the

Vaal Triangle relates the practice of retrenchment to corporate social responsibility and how employment practices relate to the demands of a global economy will be explored. When considering the critical need for sustainable development in a globalised economy, the impact of globalisation on issues such as consumer behaviour, consumer expectations and demands, the quick availability of information on the internet on companies defaulting socially or environmentally, etc., the importance of gaining the correct exposure is key. In support of this, stakeholder management as opposed to shareholder management becomes a compelling driver in long-term company survival. One such stakeholder is the society in which the corporate world operates. This society is woven from the fabric made by employees who reside there. The researcher is convinced that the way that senior management of an industry understand their role and contribution to corporate social responsibility is therefore vital to ensure long-term sustainable development and profitability and can only materialise practically if it is entrenched as a corporate value.

This goes alongside the need to become and remain an employer of choice in a highly competitive global village with high labour mobility and the advent of the knowledge worker. This may require another dimension to be added to the current management philosophy and function, one that addresses full stakeholder management and hence includes the notion of corporate social responsibility.

Following from the literature review, the researcher set out the following objectives to be pursued:

- Primarily to indicate the role that corporate social responsibility plays in retrenchment.

The secondary objectives of this study will be to:

- Establish how corporate social responsibility manifests inside the retrenchment realm in a chemical industry in the Vaal Triangle (section D);

- Indicate the role of middle and senior management in corporate social responsibility in a chemical industry in the Vaal Triangle (section C);
- Indicate the importance of change as a globalisation phenomenon on a chemical industry in the Vaal Triangle (section B); and
- Create an awareness that the traditional management philosophy needs to change to include the much wider boundary of the society that ultimately becomes part of long term sustainable development and profitability (section B).

Ultimately, the researcher will illustrate where corporate social responsibility begins and how it manifests as a management and strategic function in a chemical industry in the Vaal Triangle.

5.3 RESEARCH QUESTION

The research questions that will be addressed in this thesis are:

- To what extent are middle and senior managers in a chemical industry in the Vaal Triangle aware of retrenchment as a dimension of corporate social responsibility? (Section D).
- What level of awareness exists at the middle and senior management levels in a chemical industry in the Vaal Triangle of the impact of globalisation as a manifestation of change on their industry? (Section B).
- To what extent are middle and senior managers in a chemical industry aware of the contributions that they should make in the execution of corporate social responsibility? (Sections B and C).
- To what extent do middle and senior managers of a chemical industry in the Vaal Triangle understand the diminishing boundaries between business, society and the government and the role that they play therein? (Section C).

This research answered this question (see results of question numbers 10, 11, 14, 17, 24, 34, 42, 43, 44 and 48).

5.4 RESEARCH DESIGN

5.4.1 THE QUESTIONNAIRE AS A MEASURING INSTRUMENT IN RESEARCH

The questionnaire as a survey instrument in quantitative research is described by Neuman (2006) as the systematic mechanism in which large numbers of people are asked the same questions. Oppenheim (1983) describes a questionnaire as a form of planned data collection to enable the analysis of relationships between variables. It is also the most commonly used data gathering technique for research in the social sciences. Surveys are used to establish behaviour, attitudes, beliefs, opinions, characteristics, expectations, self classification and knowledge, according to Neuman (2006) & Perkin (2003). It is therefore the appropriate instrument to pursue the research objectives set by the researcher.

The results were obtained through the analysis of information obtained from the questionnaire containing sets of closed (structured) questions, combined with pre-selected open questions. Open questions enable the researcher to delve into the richness of responses that could prove invaluable for the research. In this manner, information unavailable to the researcher can be accessed. According to Fourie (1999), both open and closed types of questions are useful in obtaining scientific results. Closed questions are useful in obtaining information that has a pre-determined number of possibilities and are focussed on facts. Fife-Schaw (2000) states in this respect that closed questions requires the researcher to have an idea of the likely responses that he may obtain. This reduces the number of ambiguous answers that may be received. It also has the advantage that it allows for quick and easy answering, an issue that is important from the perspective of the target population that the researcher chose. This layer of management so chosen has

hectic diaries and time is extremely precious to them. With this in mind, the researcher hoped to obtain a good return percentage.

Open questions, on the other hand, are useful in obtaining information where the possibilities are too numerous to be practical and/or where no satisfactory categorisation of main themes can be made, according to Fife-Shaw (2000). Open questions are therefore more suitable to obtain reasons for certain issues, more so than objective facts. In this study, the researcher chose to use closed (structured) questions in most cases, combined with the opportunity for respondents to explain their reasons behind certain answers. In doing so, the researcher allowed this only in selected and appropriate questions for the purpose of avoiding respondent despondency resulting from asking too many questions. Although structured questionnaires have some limitations, it is nevertheless a valid instrument for data collection.

After consultation with the North-West University's Statistical Consultancy Services, the researcher decided (where appropriate) to predominantly use a four point scale based on the Likert technique, rather than a three point or five point scale (Miller, 1991). The benefit lay therein that it prevents respondents from taking a neutral position. However, a selected few questions necessitated a middle road approach. These questions were selected from the results of the pilot study and cognitive interviewing and were based on the views of respondents that they were never engaged in such events. As such, their views could not be based on experience or objective facts, but only on how they think it could possibly be seen.

The researcher discovered during the pilot study that the use of questions requiring ranking should be restricted to ranking only the top few (5 at most). The benefit of this approach also lay in the fact that ranking latter choices became increasingly insignificant for the respondent. Forced ranking of numerous items from "best to worst" or from highest to lowest tend to confuse respondents, causing the subjective view of the respondent to trip him up and making it difficult for him to prioritise. A

second method to avoid these difficulties for respondents is to rather allow respondents to weigh answers, rather than rank it. In these cases, it is indeed easier to allow for a weighting that may bring about more accurate results.

5.4.2 ADVANTAGES AND DISADVANTAGES OF STRUCTURED QUESTIONNAIRES

There is considerable research on the use of open (unstructured) and closed (structured) questions. Wolf (1997), Neumann (2006) and Cicourel (2004) had the following views on the advantages and disadvantages of both structured questions:

Table 8: Advantages and disadvantages of structured questionnaires

Advantages	**Disadvantages**
Easily understood	Suggestion of ideas that do not exist for respondents
Willingness to answer	Answering questions without actually having the right knowledge
Information is readily available	Frustration of not having an own choice
Answers are easy to compare	Too many choices may be confusing
Easy to code and analyse statistically	Misinterpretation can happen and go unnoticed
Reduction in ambiguity	Respondents may be given choices they would never make
Easy replication	Distinctions between answers may become blurred
Response choices can clarify meaning	Forcing simple answers to complex issues
Reach of larger populations	Administrative blunders can skew the result
Anonymity can be ensured	Reliability and validity are difficult to determine
Elimination of researcher bias	Various interpretations of questions based on respondents' "world view" or "inner states"
Easy administration	No visual observation of respondents and hence the deeper interpretations
Objective views enhanced through absence of researcher	Length may give rise to inaccurate responses.
More likely to answer sensitive questions	Low percentage feedback can influence the validity of the research.

(Wolf, 1997; Neuman, 2006; Cicourel, 2004)

5.4.3 STRUCTURE OF THE QUESTIONNAIRE

The questionnaire was issued accompanied by a covering e-mail message providing respondents with the following information:

- the importance of the research for the industry;
- assuring their anonymity;
- providing instructions for participation in the research;
- expressing appreciation in advance for their willingness to participate; and
- providing context for the role that participants may play in the value of the recommendations of the research.

This covering letter is crucial, especially with a web-based survey. The relative ease with which a researcher can invalidate participation is illustrated clearly by Hewson *et al.* (2003). The relative ease of hitting the "send" button" on an incomplete message, or providing undesirable access to materials and conditions compared to traditional methods for spoiling a participant pool, can be frightening. The covering letter invitation is included herewith as annexure C.

The questionnaire was designed by considering the relevant literature on the topic under investigation and was constructed to obtain information as follows:

- Section A: Biographical details of respondents - Questions 1 - 8.
- Section B: Globalisation as a driver of change and competitiveness, questions 9 - 22;
- Section C: Corporate social responsibility, questions 23 - 35; and
- Section D: Retrenchment, question 36 - 49.

The questions were formulated with the specific aim of obtaining information on:

- The attitudes of managers towards the notion of retrenchment;

- The attitudes of managers towards the effects of globalisation on their businesses;
- The attitudes of managers towards corporate social responsibility;
- The extent to which managers believe corporate social responsibility plays a role in employment practices that they are responsible for;
- The attitude of managers towards the importance of employees in the fulfilment of corporate social responsibility; and
- The importance that managers give to the competitiveness of employees in a globalised economy.

5.4.3.1 COGNITIVE INTERVIEWING AND PILOT STUDY

The researcher decided to utilise a cognitive interviewing technique to ensure that questions asked are understood in the way that the researcher anticipated. Neuman (2006) describes the technique where respondents in a pilot study "think out loud" while answering questions, or where the researcher interviews the respondent about their thought processes as they answer questions. This tool, according to Willis (2005) is valuable for improving questionnaire design and for the purpose of detecting problems in the survey questions through pre-testing and then re-iterative testing. The process involves a small sample of the respondent pool initially selected for the research and tests the respondents' comprehension, recall, decisions and judgment and response process. It should be noted that the process did not necessarily improve questionnaire design, but merely pointed out areas for improvement of the questions to ensure that it is well understood by the respondents. Despite the need to use rules for formulating questions in the design of the questionnaire, Willis (2005) argues for the use of a question appraisal system that is useful to remind researchers that:

- Rules for question design are by themselves not specific enough;

- Question design rules sometimes does not comprehensively cover the big picture;
- Design rules assist in designing questions, but sometimes fail to address whether the question is the right question or not.

Oppenheim (1983) shares the sentiment in saying that pilot work can be very helpful in the actual design of the questionnaire, since it can potentially expose fatal ambiguities in the questions. Ary *et al.* (1996) considers the importance of questionnaire pre-testing in terms of being well-constructed, relevant, meaningful and interesting. Questions should also not be too long or in any way be ambiguous in their view.

The pre-testing of the questionnaire was performed by selecting a number of individuals on the basis of non probability samples, specifically through purposive sampling. These individuals, by definition, could have been from the study population, but were from different geographical regions of the same company. The researcher also interviewed a number of subject matter experts to assist in testing the questionnaire.

5.4.4 STUDY TERRAIN

A specific chemical industry in the Vaal Triangle will be used as the study field for the following reasons:

- It represents a large portion of the chemical industry in the Vaal Triangle. Moolman (1996) indicated that a large portion of South Africa's chemical industry is situated in the Vaal Triangle. The business chosen from the chemical industry in the Vaal Triangle is the main contributor to the community in which it operates, and indeed this Northern Free State industrial sector is

noted by South Africa (2006), to be one of the most important in the southern hemisphere.

- Despite the fact that this industry represents a large portion of the chemical industry in South Africa, the study findings can only be applied to this industry.
- The chemical industries across the globe have in principle become an intense focus area in the global arena following the Enron scandal and some of the worlds' most disastrous incidents, like the Bhopal India incident (Wee, 2002; Union Carbide Corporation, 2007). It is for this reason that corporate social responsibility in the chemical industry is becoming a means to sustainable development and company longevity, and not a "nice to have".
- Being situated in one geographical area, the various businesses and production sites of this company are in close proximity to each other, enhancing access, saving time and resources;
- Questionnaires can be issued and received electronically through the industries' intranet, alleviating the need for hand delivered questionnaires;
- The researcher is familiar with the chemical industry;
- The researcher's employer will benefit from the study.

Furthermore, the appropriateness or rationale of the study terrain should equally be defined correctly. According to Berg (2004), the study location or terrain should be where:

- Entry or access is possible. This is indeed very practical for the researcher.
- The appropriate target population will in all probability be accessible and available. This proved to be a challenge to the researcher, mostly due to severe time limitations experienced by the respondents as a result of their responsibilities and level in the organisation.
- There must be the probability that the research field or focus areas are within the grasp of the research population. The researcher ran a pilot study to test the questionnaire, commensurate with cognitive interviewing, question by question, to test the understanding of respondents.

5.4.5 SAMPLING

Sampling is described as the deliberate choice of a number of people who should provide data from which conclusion can be drawn about larger groups who will be represented by the sample. The aim of the sample is to reproduce or generalise the result for the larger group. Samples can be such things as people, social events, places, times, or things, but in this study, people will be the sample (Jankowicz, 2000; Neuman ,2006; Blaikie 2004).

For purposes of this research, the researcher chose to use the non probability variation of sampling called purposive sampling as a tool to compile the study population. In this method, the sample population is chosen by making a judgement and a deliberate effort to obtain representative samples by including only typical areas or groups of people (Jankowicz, 2000; Kerlinger, 1986; Blaikie, 2004 and Neuman, 2006). Berg (2004) refers to this kind of sampling as "judgement" sampling. The specific technique purposive sampling technique chosen by the researcher is "taking slices through the organisation," by which means a vertical chain of command is selected (see next section on study population). In the case of this research, a certain level of manager and higher was chosen because of the strategic nature of the issues that are being researched.

5.4.6 STUDY POPULATION AND RESPONSE PERCENTAGE

According to Blaikie (2004), a population is an aggregate of all cases that conform to some specified and pre-determined set of criteria. In the case of this research, the researcher chose the high middle to senior, senior and top management levels who has direct reports of a chemical industry in the Vaal Triangle, since the nature of the issues under investigation is a management function that befalls the tactical and/or strategic levels of management in this industry. These levels are defined as level 4 and above in this business, which is the equivalent of Patterson level E and F.

According to Barnard & Rothman (1990), it is from this level of management that programming decisions are being made, followed by executive level with policy decisions. Based on the literature review and the best practice of industry, this level of management can and should be held accountable to the results of issues under investigation (the impact of globalisations as a change phenomenon, retrenchment practices and policies and the practical manifestation of corporate social responsibility). A duel career path exists within this industry, with a technical ladder and a management ladder. This allows employees to rise to equivalent job levels as senior management. Due to these duel career paths, the researcher posited that employees at the indicated levels, but without direct reports, be excluded from the study population, since they are not held accountable for business results attributable to people management or strategic business management.

In total, 185 managers were invited to participate in the survey. This study population included *all* the managers in *all* the business units present in the defined geographical area that fell into the job level categories of this industry (one company) described in the previous paragraph. Although the researcher attempted to conduct the research during normal timeframes of this industry (no shutdowns, holiday periods, public holidays, etc.), 17 respondents were on leave and hence could not complete the survey. Due to web browser incompatibility with the data base that captured the feedback, another 7 participants could not submit their responses and refused to redo the survey. This was mainly due to severe time constraints and lost data. In total, 161 respondents were left. A total of 56 replies were received, bringing the total response percentage to 34.7% (56 responses received from 161 questionnaires).

The managers invited to participate are representative of all the various business units of the industry being researched in the Sasolburg region. No sample was taken or calculated, since the survey was issued to all managers at defined levels in this industry that has direct reports (see paragraph 5.4.5). It should be noted that the study terrain involves the biggest chemical industry in the Vaal Triangle, which

industry is also the biggest in South Africa. However, the results can be made applicable only to the chemical industry in this region.

5.4.7 SURVEY PROCEDURE

Neuman (2006) lists the following items for inclusion when reporting on a survey:

- The sampling frame used, e.g. telephone directories;
- The dates on which the survey was done;
- The population that the sample represents;
- The sample size and sampling method;
- The exact wording of the questions asked;
- The method of survey;
- The response rate or percentage of successful submission of results;
- Any missing information or "don't know" responses.

The researcher is employed in one of the business units of the industry in which the research was conducted hence questionnaires could be mailed by using the internal electronic mailing of the same division. For the research done in the rest of the business units (of which there are 13), the study population was compiled by using the categories in the company's data electronic data base. This information was obtained with permission and with the assistance of the human resource department. Each questionnaire was accompanied by a covering electronic mail message letter, explaining the aims of the research (see annexure A). The covering letter is important from the perspective of guaranteeing their anonymity and to ensure they understand the purpose of the research. According to Oppenheim (1983) and Hewson, *et al.* (2003), the guarantee of anonymity is crucial in obtaining revealing and honest answers to the issues under research. Hewson, *et al.* (2003), also notes that by using web-based questionnaires, users can be assured of their anonymity.

Permission was granted by the IM department of the industry being researched to invite participation through the use of the internal e-mail system. The survey was first issued on the 7th of September 2007, followed by a reminder that the deadline for submission was the on the 14th of September 2007. With a very low response percentage at the time, the researcher requested the assistance of the sponsor to motivate participants to complete the survey. As progress was monitored, the need for intervention became imminent and a follow up reminder was sent on the 17th of September 2007. Upon close of business of the day, extension was given to the 20th of September, again with a reminder to participants of their key role and the value that they can bring to the research (see annexure E).

5.4.8 STATISTICAL METHOD

Once all data was collected, it was exported to an Excel spreadsheet and submitted to the North-West University, (Potchefstroom campus) Statistical Consulting Services for further processing and analysis with the SAS® computer programme (SAS Institute Inc., 2001).

5.4.8.1 DESCRIPTIVE STATISTICS

The main form of statistics used in this research is descriptive statistics. Descriptive statistics describe numerical data and can be categorised by number of variables. In this research, univariate, bivariate and multivariate table frequency analysis were performed. Frequency distribution analysis, according to Huysamen (1983) and Neuman (2006), is where tables that indicate respective measuring categories, also measures the number of times that the category occurs. The determined amount of occurrence of one category is known as the frequency. Kline (2004) suggests that, where possible, only the really necessary and the most elemental statistics should be used in the research. The American Psychological Association also suggests that

applicable descriptive statistics, such as variances, group and effect sizes and correlation matrixes should be reported. The results of the frequency analysis were graphically illustrated in accompanying figures and graphs.

The statistical programme was utilised to determine the following:

- Descriptive statistics, i.e. frequency distribution and cumulative frequency and percentage description, means and standard deviations were done for Sections A-D after analysis.
- Two-way frequency tables were used for items in Sections A-D to determine if relationships existed between categories.
- Effect sizes indexes were used to determine the significance of correlations between nominal variables (categories). The effect size indexes were dependant on the nature of the study population (see paragraph 5.4.5). Cohen (1988) describes the significance of effect sizes as follows:
    - Small effect $\varphi = 0, 1$
    - Medium effect $\varphi = 0, 3$
    - Large effect $\varphi = 0, 5$.

To determine effect sizes and the significance thereof, the Pearson correlation coefficient (Phi) was used. The effect size of $\varphi = 0, 3$ is normally considered to be a correlation that typically occurs in the behaviour sciences.

5.5 EMPIRICAL DATA AND ANALYSIS OF THE MOST IMPORTANT FINDINGS

5.5.1 SECTION A: BIOGRAPHICAL INFORMATION (questions 1-8)

The biographical details of respondents were established through the analysis of section A (see section A on Annexure B). Section A consisted of question numbers 1-8.

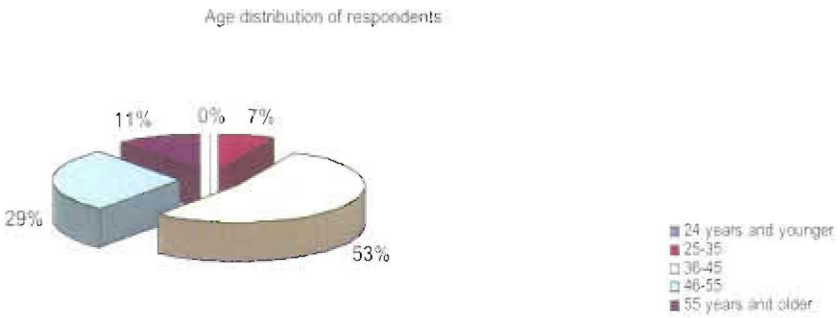
5.5.2 Question 1: Age of respondents

From the 56 respondents, no respondent was younger than 24 years of age and only 7.1% were in the age group 25-35. The majority of respondents (53.6%) resorted in the age group between 36 and 45. The second biggest percentage of respondents was between the ages 46-55 with a few respondents (10.7%) older than 55 years. In total, therefore, 82% of respondents were in the age group 36-55. This indicates to the researcher that a high level of maturity may well be present in the study population which is necessary to entrench a value system of an organisation through behaviour modelling (see research question, paragraph 5.3).

Table 9: Age distribution of respondents

Age groups	Frequency (*f*)	Percentage (%)	Cumulative frequency	Cumulative percentage
24 years and younger	0	0.0	0	0.0
25-35	4	7.1	4	7.1
36-45	30	53.6	34	60.7
46-55	16	28.6	50	89.3
55 years and older	6	10.7	56	100.0

Figure 14: Age distribution of respondents



5.5.1.1Questions 2; 3; 4 and 6: Gender, race, marital status and levels in the company.

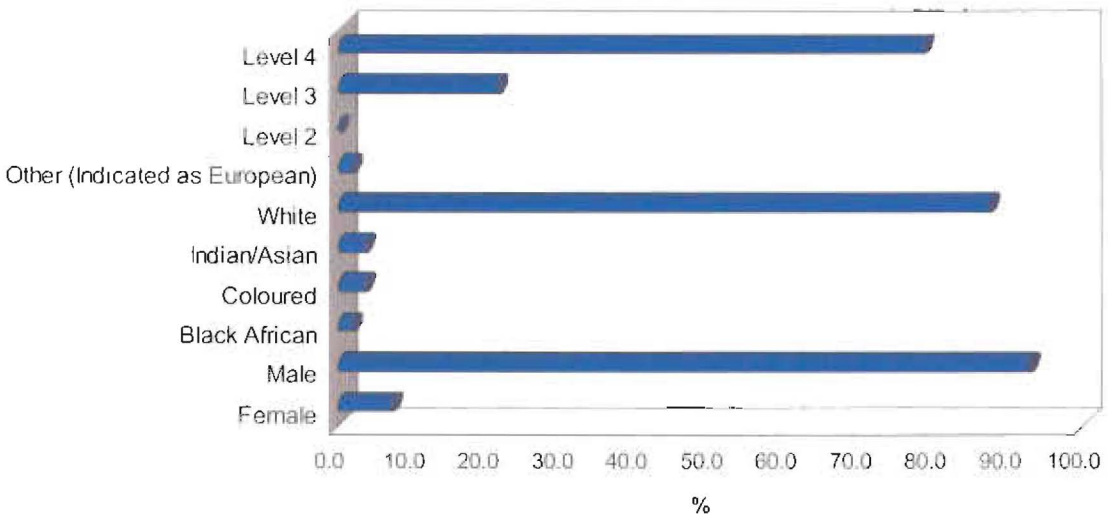
The gender, race and marital status of respondents are given in table 10 hereunder. The major findings were derived from table 10 and are as follows:

- The greatest majority of respondents at this management level are white males.
- There is an exceptionally low level of Black Africans (only 1.79%), followed by females at 7.1%, Indian/Asians and coloureds at respectively 3.6% each. Regretfully, the low levels of representation of Black Africans and other cultures which, in all probability could have displayed far better understanding of issues from their communities, contributes to a lack of full understanding of the role the company plays in the community. The low representativeness of people of colour and females does not bode well for the progress made at this management level on employment equity. In paragraph 2.13 (affirmative action, black economic empowerment and globalisation), the researcher indicated the importance of workforce diversity in a globalised economy. However, this issue falls outside the scope of this study.
- The majority of respondents (91%) were married.
- A negative correlation exists between race and level in the organisation, which indicates to the researcher that this industry is slow in meeting its employment equity targets. The statistical calculation yielded a very weak φ- coefficient of -0.14480.

Table 10: Gender, race, marital status and levels of respondents.

Gender	Frequency (*f*)	Percentage (%)	Cumulative frequency	Cumulative percentage
Female	4	7.1	4	7.1
Male	52	92.9	56	100.0
Race				
Black African	1	1.8	1	1.8
Coloured	2	3.6	3	5.4
Indian/Asian	2	3.6	5	8.9
White	49	87.5	54	96.4
Other	1	1.8	55	98.2
1 respondent failed to complete this question.	1	1.8	56	100.0
Marital status of respondents				
Divorced	2	3.6	2	3.6
Married	51	91.1	53	94.6
Not married	2	3.6	55	98.2
Widow/widower	1	1.8	56	100.0
Level of respondents in the organisation				
Level 2	0	0.0	0	0.0
Level 3	12	21.4	12	21.4
Level 4	44	78.6	56	100.0

Figure 15: Gender, race, marital status and levels of respondents



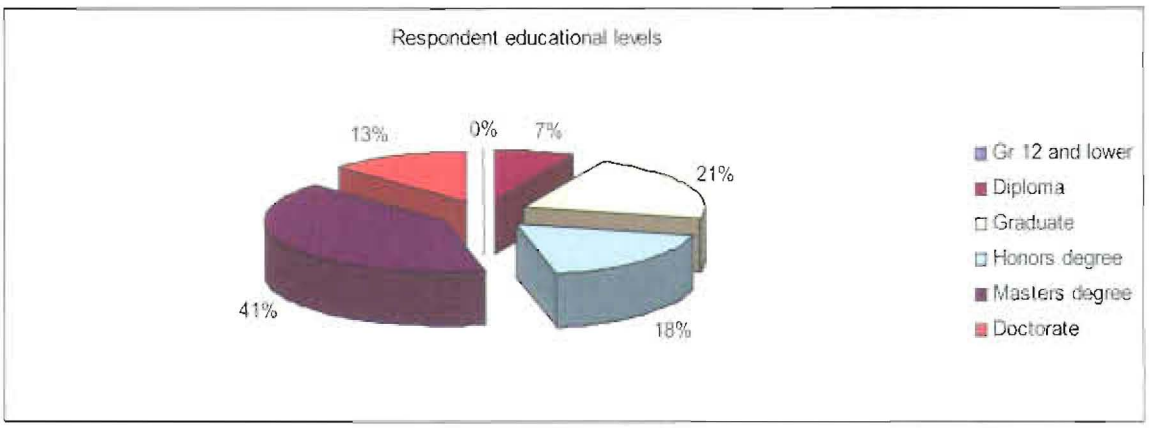
5.5.1.3 Question 5: Educational levels of respondents

From the data in table number 11, it is evident that the researcher was engaging respondents with high educational levels. From the 56 respondents, all had post matriculation qualifications, with the biggest percentage by far having achieved masters' degree status (41.1%), followed by graduates (21.4%) and doctorates (12.5%). This was assumed by the researcher when the study population was defined. The table confirms this assumption and the researcher postulates in this respect that post graduate qualifications for this level of management is critical for all organisations. It is also important from the perspective that training of employees is a must in ensuring long-term sustainability and the researcher is pleased to see this occur in this industry (compare paragraphs 2.11.2 and 4.10). Figure 16 provides a graphical illustration of the education levels of respondents.

Table 11: Educational levels of respondents

Highest educational levels	Frequency (*f*)	Percentage (%)	Cumulative frequency	Cumulative percentage
Diploma	4	7.1	4	7.1
Graduate	12	21.4	16	28.6
Honours degree	10	17.9	26	46.4
Masters degree	23	41.1	49	87.5
Doctorate	7	12.5	56	100.0
* No respondent had any qualification less than post grade 12 and hence this data was omitted.				

Figure 16: Highest level of education



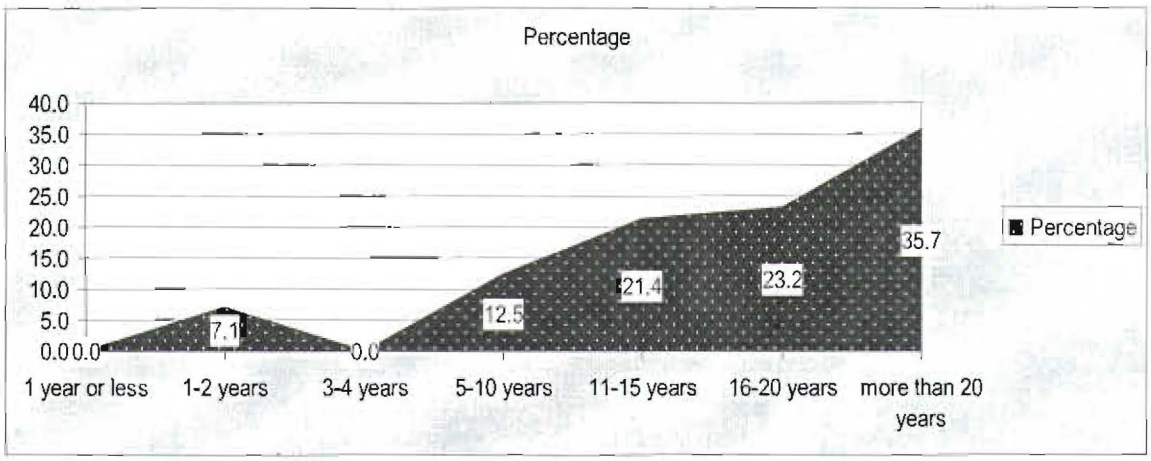
5.5.1.4 Question 7: Years of service with the company

Data gathered from the survey clearly indicates that there is an accumulation of many years of experience in this organisation. This was important for the researcher to know, since at this level of management, the researcher postulates that managers would have a thorough understanding of the corporate culture (see question 34). By necessity, years of service and being in senior managerial positions, it would be expected to see a high level of understanding for the compelling need for change for this company. Globalisation brings about far reaching consequences (see paragraph 2.3) and it will be expected of these managers to bring about the required change to meet the challenges of the global markets.

Table 12: Years of uninterrupted service in the company

Years	Frequency (f)	Percentage (%)	Cumulative frequency	Cumulative percentage
1 year or less	0	0.0	0	0.0
1-2 years	4	7.1	4	7.1
3-4 years	0	0.0	4	7.1
5-10 years	7	12.5	11	19.6
11-15 years	12	21.4	23	41.1
16-20 years	13	23.2	32	64.3
more than 20 years	20	35.7	56	100.0

Figure 17: Years of uninterrupted service with the company



5.5.1.5 The relationship between years of service (question 7) and qualifications achieved (question 5); and the relationship between age (question 1) and years of uninterrupted service (question 7).

Strong correlation exists between years of service in the company and qualifications achieved, which is evident through the Phi coefficient of 0.7069 (very high correlation). The highest number of qualifications (n=20) is evident amongst those respondents with the highest years of service (20 years plus). This could be indicative of the company's talent attraction and retention philosophy.

Strong correlation could also be drawn (Phi coefficient of 0.7096) between question 1 (age) and question 7 (years of service in the company). The data revealed that 53.57% of respondents are between the ages 36-45, with 35.71% of respondents having 20 years and more service with the company. The researcher is encouraged to see the relationship between age and years of service and also indicates good talent attraction and retention capability in the organisation.

5.5.1.6 Question 8: Functions of respondents

Respondents were asked to state the functions in which they operate. This was important to ensure a holistic view from all disciplines and business units of the company being researched. It proved interesting that the greatest percentage of respondents (19.6%) were from the engineering and research and development functions respectively, followed by operations (14.3%).

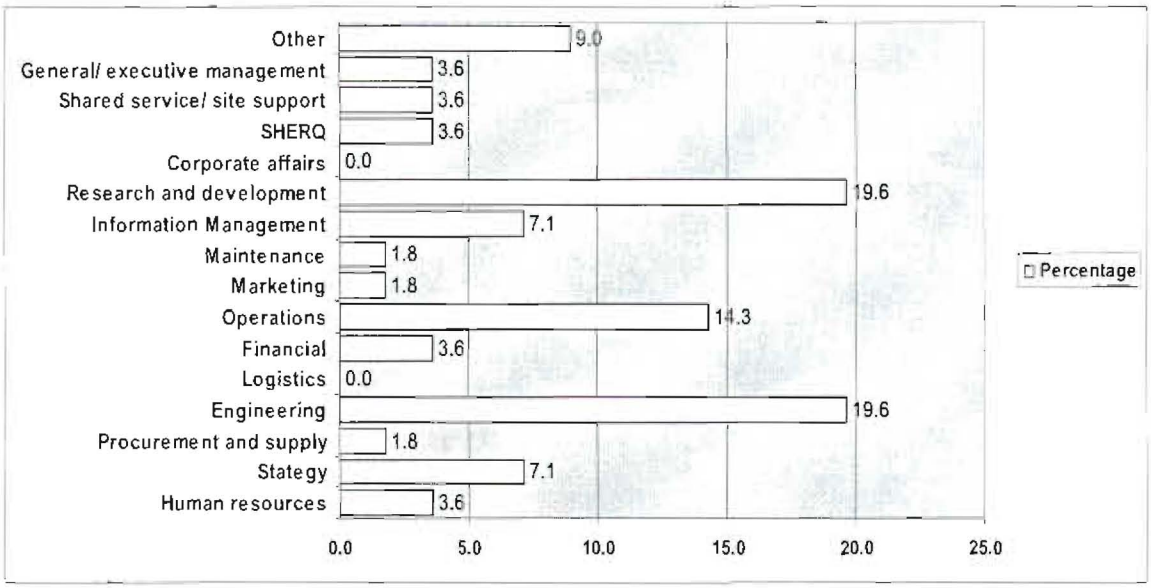
An interesting correlation exists between the functions of respondents (question 8) and qualifications achieved (question 5). The engineering discipline had the highest frequency of all qualifications (n = 11), with masters degrees (n = 6) the highest level of frequency of all disciplines. The research and development department featured an equal amount of qualifications (n = 11), but also indicated the highest frequency of doctorates (n = 5). The second closest function was operations, which featured a frequency of 8 qualifications of all kinds. All the rest of the functions indicated much lower frequencies of qualifications. This could be attributable to the fact that the engineering and research and development functions are the workplaces where the highest number of level 3 and 4 respondents in this company works (see figure 18) and could be indicative of the dominant nature of the company.

Table 13: Functions of respondents

Function	Frequency (f)	Percentage (%)	Cumulative frequency	Cumulative percentage
Human resources	2	3.6	2	3.6
Strategy	4	7.1	6	10.7
Procurement and supply	1	1.8	7	12.5
Engineering	11	19.6	18	32.1
Logistics	0	0.0	16	32.1
Financial	2	3.6	14	35.7
Operations	8	14.3	28	50.0
Marketing	1	1.8	1	51.8
Maintenance	1	1.8	2	53.6
Information Management	4	7.1	6	60.7
Research and development	11	19.6	17	80.4
Corporate affairs	0	0.0	16	80.4
SHERQ	2	3.6	17	83.9
Shared service/ site support	2	3.6	21	87.5
General/ executive management	2	3.6	51	91.1
Other *	5	9.0	56	100.0

Other *	Percentage (%)	Cumulative percentage
Business Enabling	1.79	1.79
Engineering Management	1.79	3.58
Internal Audit	1.79	5.37
Technical/business	1.79	7.16
Project management	1.79	8.95

Figure 18: Functions of respondents



5.5.2 SECTION B: GLOBALISATION AS A MANIFESTATION OF CHANGE AND COMPETITIVENESS (questions 9-22)

In this section, the researcher wanted to establish the nature of globalisation as it impacts organisations, and the way managers in this industry understand the impact it has on their respective businesses. This, according to the researcher, is critical from the perspective of creating a compelling need for a long-term vision, supported by a robust strategy by a company. Strategy must then be supported by systems, structure, processes and resources. Kreitner & Kinicki (2004) and Bovée *et al.* (1993) mention in this respect that strategic plans must be based on a consideration of an organisation's strengths and weaknesses relative to its environmental opportunities and threats.

Some key issues arising from globalisation, such as the impact of the employee as a competitive edge on the sustainability of a company, increased competition, and how employment practices affects talent management and retention strategies were covered.

5.5.2.1 Question 9: The global nature of the industry

This question was aimed at establishing the perception of managers towards how global this industry actually is. This has nothing to do whether the company physically operates production sites, sales offices and head offices in many countries (which it has, incidentally), but whether the belief exists that the company is truly global or not. Managing in a globalised economy is not just about trade agreements; foreign direct investment, exchange rates and the Brent crude oil price (see paragraph 2.5 and 2.11.3 and tables.1 and 2 which indicate that managers must also expand their thinking into the consequences of these global shifts). According to Kinicki & Kreitner (2003), it is as much about patterns of thinking and behaviour as it is about business *per se*. Managers ***must*** develop a global mindset, involving open-mindedness, adaptability, and a strong desire to learn. This implies a propensity for change.

As can be seen from table 14, it is very clear that a cumulative total of 71.4% of respondents indicated that they believed the industry in which they work is truly global, compared to 28.6% who disagreed. Although the majority stood in agreement, the fact that close to 29% of respondents who disagreed with this statement does indicate that there is still work to do. It is possible that the 29% of managers in disagreement had no exposure to the global operations due to the divisions in which they work or the nature of their functions.

Table 14: Respondents' beliefs whether this company is truly global

	Frequency (*f*)	Percentage (%)
Strongly agree	12	21.4
Agree	28	50.0
Disagree	14	25.0
Strongly disagree	2	3.6

The researcher set out to establish if any relationship exists between the perceptions that the company is truly global in its nature (question 9) and the notion that its

values translate to a global enterprise (question 14). The data in table 15 indicates that a medium correlation exists between the two questions. This confirms the conclusion of the researcher that the company has work to do with respect to its global nature and how its values support this notion. There can only be evidence of a truly global company if its values also reflect this.

Table 15: The relationship between whether the company values translate to a global enterprise (question 14) and the perceptions that this company is a truly global company (question 9)

Question 14: This company's value system translates to a global enterprise						
Question 9: This company is a truly global company		Agree	Disagree	Strongly agree	Strongly disagree	Total
	Frequency	16	5	6	1	28
	Percent	28.57	8.93	10.71	1.79	50
	Row percent	57.14	17.86	21.43	3.57	
	Column percent	50	45.45	50	100	
		Disagree				
	Frequency	7	5	2	0	14
	Percent	12.5	8.93	3.57	0	25
	Row percent	50	35.71	14.29	0	
	Column percent	21.88	45.45	16.67	0	
		Strongly agree				
	Frequency	7	1	4	0	12
	Percent	12.5	1.79	7.14	0	21.43
	Row percent	58.33	8.33	33.33	0	
	Column percent	21.88	9.09	33.33	0	
		Strongly disagree				
	Frequency	2	0	0	0	2
	Percent	3.57	0	0	0	3.57
	Row percent	100	0	0	0	
	Column percent	6.25	0	0	0	
φ- coefficient = 0.3377	Total	32	11	12	1	56
		57.14	19.65	21.42	1.79	100

5.5.2.2 Question 10: Aspects of globalisation that respondents believed have the greatest impact on this company. Respondents were requested to choose the top 5 aspects and then to rank it in order of priority, with 1 being the most important and 5

the least important impact on the company. Where a similar total number of responses were received per item, the number of first choices for that option was then also used to determine a second order of priority (combined ranking) and produced a second series of top 5 priorities. Only these top 5 received further attention.

From the results in table 16, it proved significant that the integration of markets (question 10.3) had the highest ranking, regardless whether it was ranked per total number of responses or as the first choice of the most respondents. This means that respondents clearly understood the integration of markets to be the single biggest impact on the company arising from globalisation. If this is the case, it becomes evident that to compete successfully in these markets, the need to become more competitive looms larger than life (see paragraph 2.4). It is then also not strange that the need to become competitive ranked second, but equally high (ranked by total number of responses), although it ranked third on the highest number of first priorities for respondents (see question 13). The active dissemination of best practices, values, technology and other human products throughout the globe (21 responses), coupled together with increased competition and the need for talent (20 responses each) follows as issues that impact the hardest on the company. A clear relationship appears between the integration of markets; the need to be competitive and the need for talent and talent management strategies (see paragraphs 2.8; 2.8.1; 2.8.2; 2.11.1; 2.11.2 and 2.11.3. These paragraphs indicate the burning need for attracting foreign direct investment, improved competitiveness, and the development of skills and competencies).

What this means for this company, is to ensure that its global corporate strategy is aligned with its global growth imperatives, supported by a well entrenched talent management and retention strategy. Secondly, development of talented employees and the creation of awareness of the impact of globalisation on the long-term future of the company must receive priority to sustain global competitiveness. This includes creating awareness and understanding of cultural differences, not just amongst

different local ethnic groups, but amongst different nationalities across the globe in the various countries where the company has operational sites. The results are summarised and self explanatory in table 16 hereunder.

Table 16: Aspects of globalisation that impacts the company.

Question Number	Aspects of globalisation	Frequency of first choice (rank in brackets)	Total number of responses	Ranking by numbers of response	Combined ranking
10.1	Increased availability of global capital	6 (2)	12	8	13
10.2.	Advances in computing and communications technologies	1 (6)	11	9	14
10.3	Integration of markets	7 (1)	26	1	1
10.4	New, open space into which dominating cultures can move, for example China	3 (5)	14	6	9
10.5	Progress from "inter-national" to global institutions	3 (5)	15	5	8
10.6	Increased labour mobility	1 (6)	14	6	10
10.7	Declining geographical importance	1 (6)	13	7	12
10.8	Greater speed of events	3 (5)	14	6	11
10.9	The availability of cheap labour	1 (6)	3	11	16
10.10	The active dissemination of best practices, values, technology and other human products throughout the globe	3 (5)	21	2	3
10.11	Increased competition	3 (5)	20	3	5
10.12	Increased need for competitiveness	5 (3)	26	1	2
10.13	New markets	5 (3)	18	4	6
10.14	The advent of the knowledge worker	1(6)	5	10	15
10.15	Increased competition for talent	4 (4)	20	3	4
10.16	Increased need for a well entrenched talent retention strategy	3 (5)	18	4	7

* 6 respondents completed the question incorrectly by listing all 16 items and hence the data was omitted from the analysis.

5.5.2.3 Question 11: The advent of the knowledge worker as an outflow from globalisation and how it relates to talent management and retention strategies.

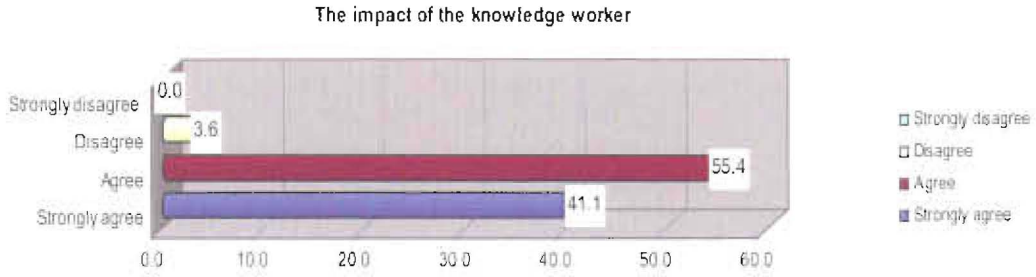
The change from traditional resource based industries to learning and knowledge based industries sets the tone for talent management and retention strategies (see paragraphs 2.8.2, 2.11.3, 4.1, 4.8 and 4.9 which indicate the importance of skills and competitiveness and becoming and employer of choice in a highly mobile labour environment). Guns (1996) supports this view when he states that the dynamics of success are vested in speed and knowledge and the only way to gain and sustain the competitive edge is by ensuring that the organisation learns faster than its competitors (see paragraph 6.2). Competition for both business and top jobs guarantees to be very tough in the global economy, according to Kinicky & Kreitner (2003). This question was posed to respondents to glean an understanding of just how deeply managers are convinced of this. It is also important considering the research evidence that people centred practices are strongly associated with significantly higher profits and significantly lower labour turnover.

The results are shown in table 17, where the vast majority of respondents (96.5%) indicated that the company is affected by the advent of the knowledge worker. The researcher assumes therefore that respondents, possessing this awareness, will ensure that talent management and retention will carry a high level of priority in their management realms.

Table 17: The effect of the knowledge worker on talent management and retention strategies

	Frequency (f)	Percentage (%)
Strongly agree	23	41.1
Agree	31	55.4
Disagree	2	3.6
Strongly disagree	0	0.0

Figure 19: The impact of the knowledge worker



5.5.2.4 Question 12: The robustness of the company's global growth strategy

This question was posed to respondents to ascertain whether they believed that the incredible growth that characterised this company for the past few years was sustainable or not. The majority of respondents (91.1%) believed this to be the case. Logically, the strategy must be embedded across the organisation, and supported by a talented workforce to bring it to execution (see paragraph 2.8.2). When correlating the robustness of the growth strategy as a driver towards sustainable development (question 12) with the statement that employees are the most critical component in long-term sustainable competitiveness (question 17), a positive correlation of medium intensity becomes evident (φ - coefficient = 0.3663). This correlation confirms to the researcher that respondents considered employees important in the execution of a robust growth strategy towards sustainable competitiveness. The researcher concludes that such perceptions support talent retention strategies and hence diminishes the propensity towards cost cutting through retrenchment as a tool to enhance competitiveness.

Figure 20 illustrates this graphically.

Figure 20: The robustness of a global growth strategy

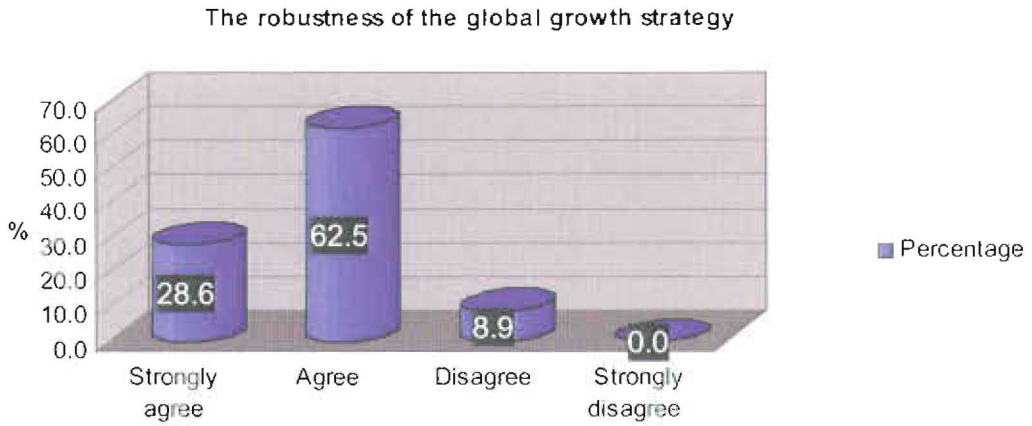


Table 18: The relationship between the robustness of a global growth impetus (question 12) and the statement that people are the most critical component in long-term sustainable competitiveness of a company (question 17).

Question 12 - The robustness of the global growth impetus							
			Agree	Disagree	Strongly agree	Strongly disagree	Total
Question 17- The importance of employees for long-term sustainable competitiveness		Agree					
	Frequency		13	3	18	1	35
	Percent		23.21	5.36	32.14	1.79	62.5
	Row percent		37.14	8.57	51.43	2.86	
	Column percent		86.67	75	50	100	
		Disagree					
	Frequency		1	0	4	0	5
	Percent		1.79	0	7.14	0	8.93
	Row percent		20	0	80	0	
	Column percent		6.67	0	11.11	0	
		Strongly agree					
	Frequency		1	1	14	0	16
	Percent		1.79	1.79	25	0	28.58
	Row percent		6.25	6.25	87.5	0	
	Column percent		6.67	25	38.89	0	
φ- coefficient = 0.3663		Total	15	4	36	1	56
			26.79	7.14	64.29	1.79	100

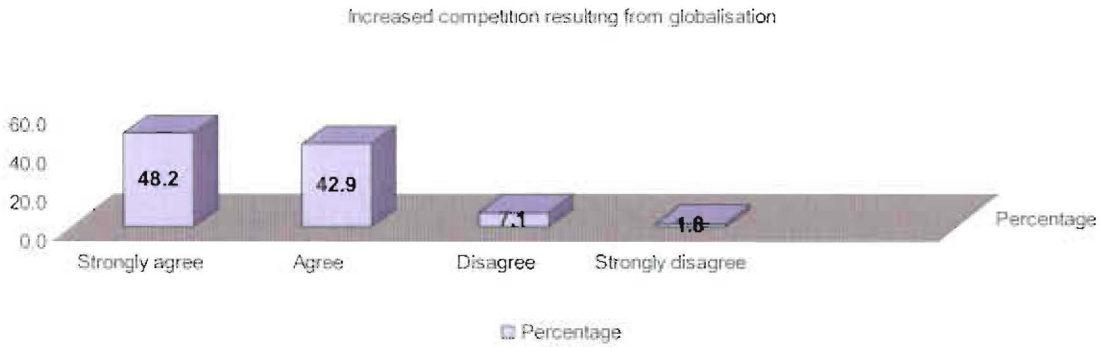
5.5.2.5 Question 13: The impact of increased competition arising from globalisation.

There is little doubt that increased competition result from a globalised economy, with its commensurate consequences (see paragraphs 4.11 and 6.3). A high level of awareness of increased competition resulting from globalisation is apparent through the 91.1% of respondents' agreement to this statement. Only 8.9% of respondents did not agree with this fact, indicating that a general awareness of increased competition is apparent in this company.

Table 19: The effect of globalisation on competition

	Frequency (f)	Percentage (%)
Strongly agree	27	48.2
Agree	24	42.9
Disagree	4	7.1
Strongly disagree	1	1.8

Figure 21: Increased competition resulting from globalisation



With global competition increasing at the rate that it does, the researcher was compelled to establish the relationship between the robustness of the company's global growth impetus (question 12) and the level of awareness of employees of global issues that impact on the company (question 20). The correlation (φ-coefficient = 0.3944) shows a propensity towards high correlation. Effective strategy execution requires a fundamental understanding of strengths, weaknesses, opportunities and threats, yet there are still reasonable indications (37.5%) that

employees are unaware of global issues that impact the company. When superimposing this onto the indication that the global growth impetus is robust, the researcher must conclude that respondents do not yet understand how important it is that employees understand the vital roles they play in the context of the company's global strategy. In Blanchard (2007), it is stated that in high performing organisations, *everybody's* energy should be focussed on three bottom lines - being the provider of choice, the employer of choice and the investment of choice. According to him, this triple bottom line makes the difference between mediocrity and greatness. This all indicates to the researcher that this company's global strategy is not as embedded as one would hope for.

Table 20: The relationship between employee awareness of the impact of global issues and the robustness of the company's global growth impetus.

The robustness of the global growth impetus							
Employee awareness of the impact of global issues			Agree	Disagree	Strongly agree	Strongly disagree	Total
		Agree					
	Frequency		12	1	13	1	27
	Percent		21.42	1.79	23.21	1.79	48.21
	Row percent		44.44	3.7	48.15	3.7	
	Column percent		50	25	48.15	100	
		Strongly agree					
	Frequency		0	1	1	0	2
	Percent		0	1.79	1.79	0	3.58
	Row percent		0	50	50	0	
	Column percent		0	25	3.7	0	
		Strongly disagree					
	Frequency		2	1	3	0	6
	Percent		3.57	1.79	5.36	0	10.72
	Row percent		33.33	16.67	50	0	
	Column percent		8.33	25	11.11	0	
		Disagree					
	Frequency		10	1	10	0	21
	Percent		17.86	1.79	17.86	0	37.51
	Row percent		47.62	4.76	47.62	0	
	Column percent		41.67	25	37.04	0	
φ- coefficient = 0.3944		Total	24	4	27	1	56
			42.85	7.16	48.22	1.79	100

5.5.2.6 Question 14: Does the company's value system translate to a global enterprise?

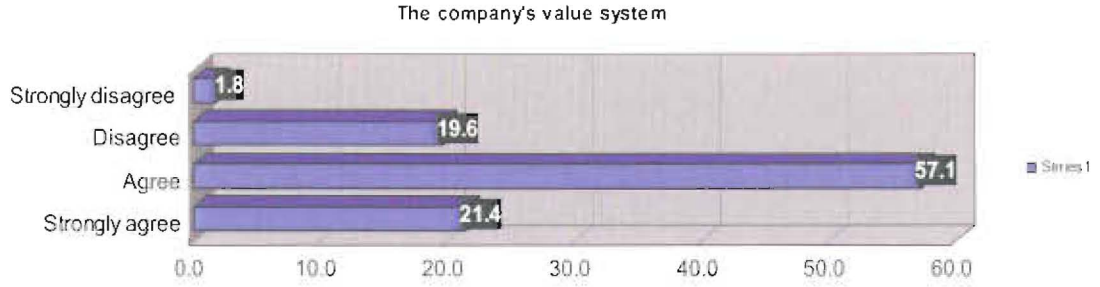
Barrett (2006) argued that the responsibility of leaders is to enhance, harness and direct the capacity and energy of employees. Without having principles and values as a solid platform, long-term success is not possible. This principle should apply to whole systems theory, and hence the researcher wished to measure the opinions of respondents as to whether this is true for this company or not.

From the positive response of 79.5%, it is evident that respondents felt that the values of the company reflect its global nature insofar at least the espoused values are concerned. However, when the researcher contemplates the research question in paragraph 5.3 and superimposes this on the strong "yes" to support the fact that corporate social responsibility has a strong business case (96%), coupled with the high propensity towards the profitability of the company (see question 26.13), it appears that there is a gap between espoused and enacted values in the organisation insofar corporate social responsibility is concerned. This assumption is supported by the answers to question 27, where 44.6% of respondents indicated that the company would not sacrifice profit for the community in which it operates. Finally, the fact that most respondents in question 30 (32%) stated that the function of corporate social responsibility is not theirs, but belongs to the corporate social investment committee further supports this finding. This confirms the research question that corporate social responsibility is not an entrenched or an enacted value in this company yet.

Table 21: The company's value system translates to a global enterprise.

	Frequency (f)	Percentage (%)	Cumulative frequency	Cumulative percentage
Strongly agree	12	21.4	12	21.4
Agree	32	57.1	44	78.6
Disagree	11	19.6	55	98.2
Strongly disagree	1	1.8	56	100.0

Figure 22: Graphic illustration of how respondents perceive that the company's value system translates to a global enterprise



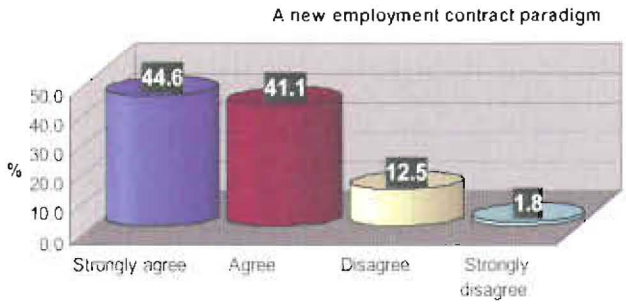
5.5.2.7 Question 15: Globalisation brought about a need for a different paradigm regarding the employment contract in this company.

This question was posed to relate the views of respondents regarding employment practices. Since the study population consists of business managers in all business units of the Sasolburg region, one could hypothesise that, since they stated high awareness levels of increased competition due to globalisation, and confirmed a strong awareness that employees are the most critical component for sustainable development (question 17-93%), that a new perspective is required regarding the traditional employment contract. The data revealed that 44.6% of respondents felt strongly that a new paradigm is needed, whilst 41.1% just agreed with this. In total therefore, 85.7% agreed that a new paradigm is needed regarding the employment contract (compare paragraphs 4.6 and 4.8). The results are tabulated hereunder.

Table 22: The changing paradigm regarding the employment contract due to globalisation.

	Frequency (f)	Percentage (%)	Cumulative frequency	Cumulative percentage
Strongly agree	25	44.6	25	44.6
Agree	23	41.1	48	85.7
Disagree	7	12.5	55	98.2
Strongly disagree	1	1.8	56	100.0

Figure 23: Perceptions regarding the need for a new kind of employment contract.



5.5.2.8 Question 16: Job security as a result of globalisation has decreased.

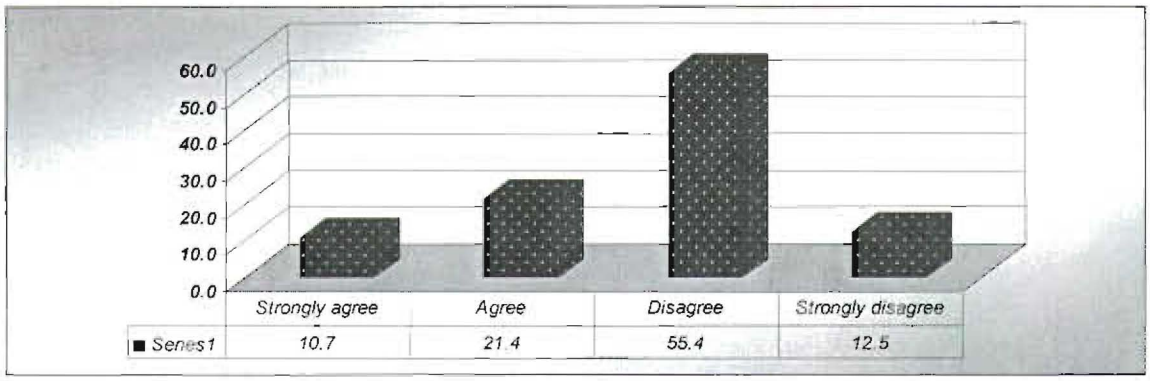
Globalisation has certainly affected labour mobility and job security (see paragraph 2.5), and affects industry commensurate with the advent of the knowledge worker.

The majority (67.9%) of respondents felt that job security in this industry did not decrease as a result of globalisation, despite the strong indication in question 13 that competition increased due to globalisation, whereas 32% of respondents indicated that it did decrease. These different views could be ascribed to the difference in nature for the respective business units of this industry and/or the respective functions of respondents, since not all respondents may have experienced the effects of globalisation first hand yet. This could also be indicative of the value that managers place on the need to do things differently. A further explanation is upheld: that the company has not yet faced the full brunt of global competition on its home turf and therefore was not so affected that job losses became imminent in the face of increased competition.

Table 23: The effect of globalisation on job security

	Frequency (f)	Percentage (%)	Cumulative frequency	Cumulative percentage
Strongly agree	6	10.7	6	10.7
Agree	12	21.4	18	32.1
Disagree	31	55.4	49	87.5
Strongly disagree	7	12.5	56	100.0

Figure 24: The effect of globalisation on job security



It was evident from the literature study that globalisation brought fluidised dynamics to the labour market. The knowledge worker operates with lots of freedom and moves from the first employer of choice to the next, selling his knowledge to the highest bidder. This undoubtedly contributes to renew the need for a new paradigm regarding the employment contract. At the same time, the job security of less skilled workers is reduced (see paragraph 2.5). With this in mind, the researcher set the process in motion to determine the relationship between the awareness of the need to re-evaluate current paradigms regarding employment contracts (less security, but with more mobility) and the perception of loss of security in this company. Respondents, who were very aware of the need to view employment contracts differently (44.64%), also indicated that job security did not decrease as a result from globalisation (55.36%). The medium level correlation (φ- coefficient = 0.3741) indicates that respondents do not fully comprehend the connection between the requirements of a new employment contract and the reduction of job security arising from globalisation. These two issues go together far more intimately than indicated

by respondents. The researcher further explains this phenomenon through the fact that the full effects of globalisation may be known to the respondents, but that the full impact of global competition that leads to a serious review of the employment contract has not been felt yet. The inference is made that the competitiveness of the company is heavily invested in its technology and not its human capital yet.

Table 24: The relationship between job security and the need for a new paradigm regarding the employment contract.

Question 16: Job security has decreased as a result from globalisation							
			Agree	Disagree	Strongly agree	Strongly disagree	Total
Question 15: Globalisation brought a need for a different paradigm re the employment contract		Agree					
	Frequency		8	10	2	3	23
	Percent		14.29	17.86	3.57	5.36	41.08
	Row percent		34.78	43.48	8.7	13.04	
	Column percent		66.67	32.26	33.33	42.86	
		Disagree					
	Frequency		0	6	0	1	7
	Percent		0	10.71	0	1.79	12.5
	Row percent		0	85.71	0	14.29	
	Column percent		0	19.35	0	14.29	
		Strongly agree					
	Frequency		4	14	4	3	25
	Percent		7.14	25	7.14	5.36	44.64
	Row percent		16	56	16	12	
	Column percent		33.33	45.16	66.67	42.86	
		Strongly disagree					
	Frequency		0	1	0	0	1
	Percent		0	1.79	0	0	1.79
	Row percent		0	100	0	0	
	Column percent		0	3.23	0	0	
φ- coefficient = 0.3741		Total	12	31	6	7	56
			21.43	55.36	10.71	12.5	100

5.5.2.9 Question 17: People are the most critical component for the long-term sustainable competitiveness of this company.

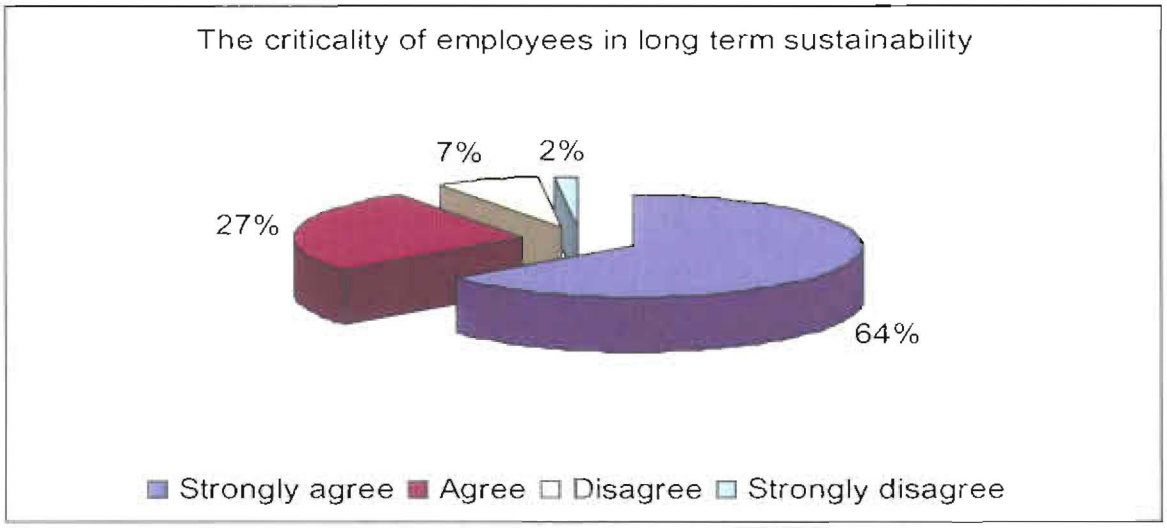
This question was posed to respondents to test their attitudes towards the contribution that employees make towards being a competitive company. Bovée *et al.* (1993) argues that a company's comparative advantage lies in the benefit to a nation of specialising in the export (and hence a positive contribution to the trade balance) of products that they can produce cheaper than others because of their natural *and* human resources. Kreitner & Kinicki (2004) holds a strong view in support of this. According to them, success or failure hinges on the ability to attract, develop, retain and motivate people from a multitude of cultures and skill levels. This relates clearly to a company's competitive advantage derived from the value of its employees.

It was heartening for the researcher to observe such strong views (64.3% strongly agreed, 26.8% agreed) in support of the recognition that employees are vital in the quest to remain competitive. This bodes well for employment practices in this industry (see paragraphs 4.8, 6.5.1 and 6.5.3).

Table 25: The importance of employees for sustainable competitiveness.

	Frequency (*f*)	Percentage (%)	Cumulative frequency	Cumulative percentage
Strongly agree	36	64.3	36	64.3
Agree	15	26.8	51	91.1
Disagree	4	7.1	55	98.2
Strongly disagree	1	1.8	56	100.0

Figure 25 The vital role of employees in sustaining competitiveness.

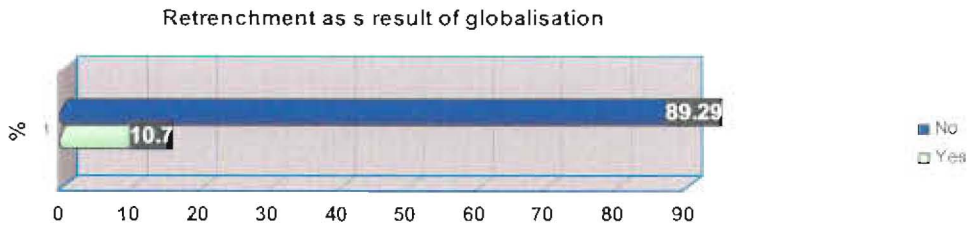


5.5.2.10 Question 18: Were there ever a time when you had to contemplate retrenching people as a direct or indirect result of globalisation? The results show that 89% of respondents never had to contemplate retrenching employees due to globalisation. Only 10% of respondents had the experience of retrenching employees (compare paragraphs 2.7, 2.14 and 4.8, and see notes in question 16).

Table 26: Retrenchment frequencies as a result of globalisation

	Frequency (*f*)	Percentage (%)	Cumulative frequency	Cumulative percentage
Yes	6	10.7	6	10.7
No	50	89.3	56	100.0

Figure 26: Retrenchment frequencies due to globalisation



5.5.2.11 Question 19: If respondents answered yes to question 18, they had to also answer this question to provide the qualitative information that the researcher needed.

From a total of 56, only 6 respondents went through the pain of retrenching employees or contemplated retrenching employees. Their responses indicated the following:

- Product prices were dictated by the global price. Local conditions and rising costs outstripped price adjustment, causing losses instead of profits.
- The outsourcing of services was more cost effective than to maintain and develop in-house services and resources.
- The requirement for the company to be competitive in terms of shared services required the company to look at unit costs, and this involved evaluating the possibility of outsourcing some functions, which could lead to retrenchment.

5.5.2.12 Question 20: Employees in this company are aware of the global issues that impact this company.

The assumption can be made that, if managers acknowledge employees as being such a vital source to sustained competitive advantage, then surely managers will have the understanding to make sure that employees understand the role that they play in addressing the impact of the issues that arise from globalisation (see paragraphs 2.6.1 and 4.9). This question attempted to measure the view that managers had on employee awareness of global issues. Although a cumulative total of 52% of respondents indicated that employees are aware of global issues, a cumulative 48% of respondents did not share this view. The distribution pattern of this finding is shown in figure 27 and indicates that there is little agreement on the result. The researcher is concerned about the implications for a company who states

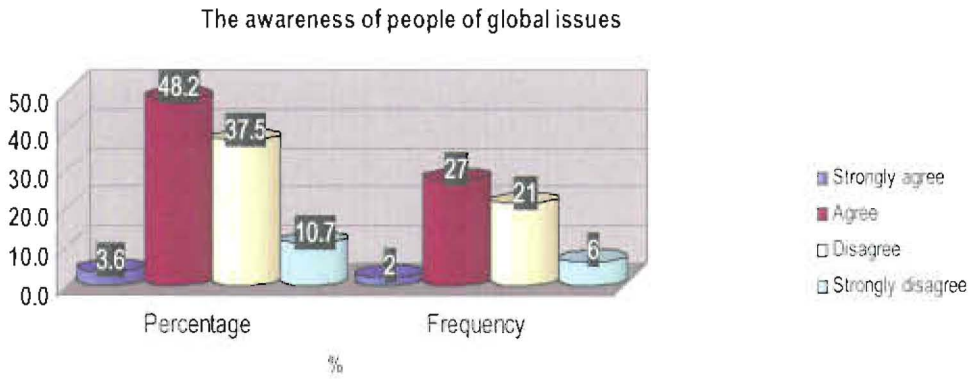
that it has a global nature with global values, but with half the employees being unaware of the impact of globalisation on the company. According to the researcher, the implications are twofold:

- corporate strategy is not aligned across business units; and
- corporate strategy is not understood at all levels.

Table 27: Employee awareness of global issues that impact this company

	Frequency (*f*)	Percentage (%)	Cumulative frequency	Cumulative percentage
Strongly agree	2	3.6	2	3.6
Agree	27	48.2	29	51.8
Disagree	21	37.5	50	89.3
Strongly disagree	6	10.7	56	100.0

Figure 27: Employee awareness of global issues that impact this company



The researcher tested the correlation between the awareness of employees of global issues (question 20) and the notion that employees should value the fact that change is necessary for global competitiveness (question 21). The inference is made that employees who do not understand the impact of global issues may not feel compelled enough to change their actions and performance to align with corporate strategy and hence long-term sustainable competitiveness may be endangered. In

this way, retrenchment to survive becomes a greater probability in the face of increased competition. Kotter (1996) is adamant that the first stage for any change to take place is to create a sense of urgency. He states that where complacency is high (deep comfort zones), transformation goes nowhere. The results of this analysis are tabled hereunder:

Table 28: The correlation between employee awareness of global issues and the need to change towards improved competitiveness.

Question 20: Employee awareness of global issues							
Question 21- Employees value the necessity of change for competitiveness		Agree	Agree	Disagree	Strongly agree	Strongly disagree	Total
	Frequency		20	2	4	1	27
	Percent		35.71	3.57	7.14	1.79	48.21
	Row percent		74.07	7.41	14.81	3.7	
	Column percent		68.97	12.5	50	33.33	
		Strongly agree					
	Frequency		1	0	1	0	2
	Percent		1.79	0	1.79	0	3.58
	Row percent		50	0	50	0	
	Column percent		3.45	0	12.5	0	
		Strongly disagree					
	Frequency		0	5	0	1	6
	Percent		0	8.93	0	1.79	10.72
	Row percent		0	83.33	0	16.67	
	Column percent		0	31.25	0	33.33	
		Disagree					
	Frequency		8	9	3	1	21
	Percent		14.29	16.07	5.36	1.79	37.51
	Row percent		38.1	42.86	14.29	4.76	
	Column percent		27.59	56.25	37.5	33.33	
φ- coefficient = 0.3663		Total	29	16	8	3	56
			51.79	28.57	14.29	5.35	100

The correlation between the two sets of categories is very strong, as indicated by the Phi co-efficient of 0.6464. The researcher concludes from this that the level of ignorance towards global issues demonstrated by employees is related to their unpreparedness to create a sense of urgency for change towards greater competitiveness (see notes in question 21). This could be ascribed to the fact that this company has not yet faced the full brunt of global competition, resulting in unacceptable levels of complacency amongst employees. The fact that this company has produced record profits for the fifth year consecutively may also lead employees into levels of complacency.

5.5.2.13 Question 21: Employees value the fact that change is necessary in this company to successfully compete on a global scale.

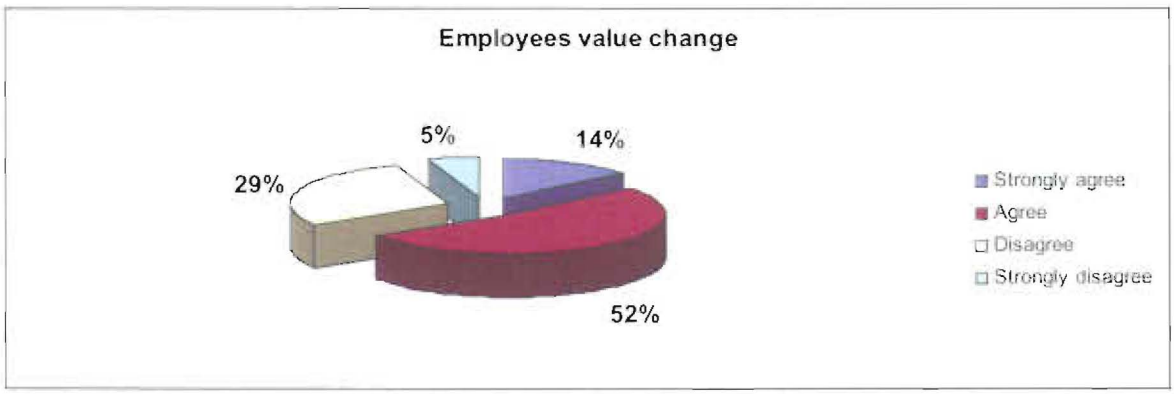
In a globalised economy, employee competencies, worth and coping abilities may be negatively affected when they face an uncertain future. Change is therefore not embraced, unless compelling reasons convince them otherwise. In the same way, organisations invest heavily in maintaining the status quo (Cummins & Worley, 2001; Kreitner & Kinicky, 2004). When contemplating the need to change to become and remain at the forefront of the competition, managers have a vital role to play in addressing employee fears (including fear of retrenchment). This means creating a change fit organisation with plenty of change capacity (see paragraphs 2.6.1 and 2.11.3).

Most respondents to this question (a combined 66%) felt comfortable that employees do value the fact that change is required to successfully compete globally, whereas only 34% of respondents indicated that change for said purposes is not valued by employees. The results of this analysis are tabled hereunder in table 29.

Table 29: Employees value the need for change to be competitive in a global economy

	Frequency (f)	Percentage (%)	Cumulative frequency	Cumulative percentage
Strongly agree	8	14.3	8	14.3
Agree	29	51.8	37	66.1
Disagree	16	28.6	53	94.7
Strongly disagree	3	5.4	56	100.0

Figure 28: Employee's valuation of the requirement of change for global competitiveness



5.5.2.14 Question 22: This company, like many others in South Africa, is facing the challenges listed in tables 30 and 31 hereunder. Respondents were asked to weigh each option's importance for the company on a scale of 1 – 10, with 1 being the most important and 10 the least important. The researcher categorised the answers by total number of responses received per heaviest weighing item, then ranked the scores to get the top 5 items overall. To get into the top 5, a category had to achieve at least 13 responses in total.

The results show that availability of skill (41 responses) and the associated brain drain (23 responses) carried by far the highest level of importance (64 combined responses), followed by ethics (23 responses), crime (17 responses), government competence (14 responses), environmental degradation (combined 26 responses)

and lastly suffocating labour legislation. The response to environmental degradation could be ranked higher due to more than 12 responses per weight being given, and if so interpreted, would achieve the second place after skills and brain drain in levels of importance. However, when the researcher superimposes the result onto questions 10, 11 and 17, startling correlations become evident. And it can therefore safely be concluded that skills availability, brain drain, talent management, the advent of the knowledge worker and employee's role in the industry competitiveness should therefore be primary focus areas for this company. This finding correlates remarkably with the IMD's (Institute for Management Development, 2007) low ranking on the loss of skills in South Africa. Specific reference is made to the 55th position out of 55 countries for the issue of brain drain in South Africa. This is extremely worrying to the researcher and clearly the respondents shared this sentiment.

It was noteworthy in the context of corporate social responsibility, that unemployment and poverty did not feature in the top 5 and scored the absolute lowest rank. This calculation was done by using an inverted scale (because 1 carried the most weight and 10 the least) by multiplying the weight with the number of responses. By interpreting the results like this, no significant changes in the ranking occurred, with the same five top priorities.

For ease of reference purposes, the reader's attention is drawn to the following passages in the thesis:

- Issues relating to the availability and need of knowledge and skill, paragraphs 2.5; 2.8.2; 2.11.1; 2.11.2; 2.11.3 and 4.10;
- The role of the state and government competence, paragraph 2.6.2;
- Crime, paragraphs 2.7 and 6.3;
- Environmental degradation, paragraph 2.8.4; and finally
- Ethics, paragraph 4.12.

Table 30: The order of importance of the top 5 issues brought about by globalisation for the company.

Question number	Challenges faced by industry	Frequency	Rank	Total frequency
22.9 and 22.11	Availability of skills and brain drain	28 13 23	1	64 combined
22.7	Ethics	23	2	23
22.1	Crime	17	3	17
22.4	Government competence	14	4	14
22.10	Environmental degradation	13 13	5 (rank 2 alt.)	26 combined

Table 31: Total list of priorities for the company.

Question 22	Challenges faced by industry	Highest priority = lowest score (inverted scale)	Rank
22.9	Availability of skills	96	1
22.11	Brain drain	122	2
22.7	Ethics	138	3
22.10	Environmental degradation	165	4
22.1	Crime	175	5
22.4	Government competence	180	6
22.8	Suffocating labour legislation	202	7
22.2	Poverty	220	9
22.3	Unemployment	232	10

* 7 Respondents failed to complete this question correctly and hence the data was omitted from the analysis.

SECTION C: CORPORATE SOCIAL RESPONSIBILITY (questions 23-35)

To become and remain competitive in a global economy requires that companies become far more aware of needs beyond their bottom line (refer paragraph 4.5). Du Plessis (2004) indicated in her research that social responsibility is an underlying value that provides management with a platform for social action. However, this value must materialise in an effective practical manner. The concept of the triple bottom line and how it materialises in this company will be explored through an assessment of the views of the respondents (see paragraphs 4.4 and 4.5 which provide definitions and concepts relating to the understanding of what corporate social responsibility and its various dimensions mean).

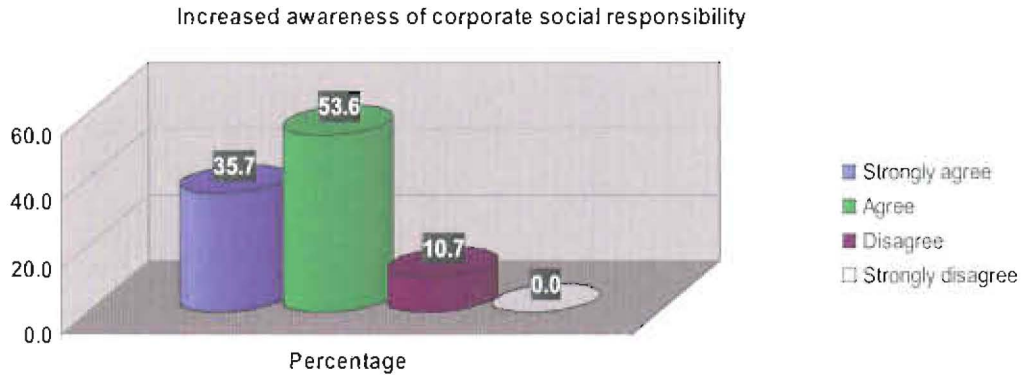
5.5.3.1 Question 23: With the advent of globalisation came an increased awareness and need for corporate social responsibility in this company.

With an overwhelming majority (36% strongly agreed, 54% agreed, 89.3% combined), respondents felt that globalisation increased the awareness and need to be socially responsible (see paragraphs 2.8.4 and 4.9). However, it proves interesting to observe the high frequency that respondents delivered in answering question 26.13 (see question 26.13 - profitability). The data indicates an even higher frequency than that of safety (see question 26.1 - safety) as a corporate social responsibility issue. This is indicative to the researcher what the respondents understand the meaning and dimensions of the triple bottom line to be and gives a clear indication of which of the three lines features more prominently in the management realms of respondents.

Table 32: Globalisation brought an increased awareness of the need for corporate social responsibility

	Frequency (*f*)	Percentage (%)	Cumulative frequency	Cumulative percentage
Strongly agree	20	35.7	20	35.7
Agree	30	53.6	50	89.3
Disagree	6	10.7	56	100.0
Strongly disagree	0	0.0	56	100.0

Figure 29: Increased awareness of corporate social responsibility



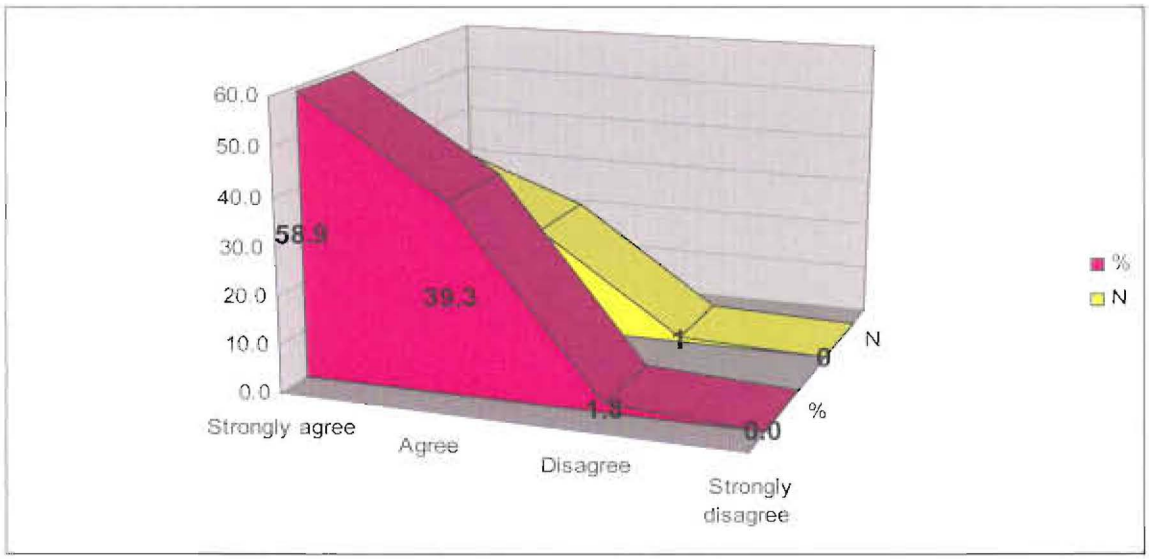
5.5.3.2 Question 24: Corporate social responsibility is critical for long-term sustainability.

This question probed respondent's views on the extent to which they believed that corporate social responsibility is important for long-term sustainable development (see paragraphs 4.3 and 4.5). The response indicated a strong understanding of this need (58.9% strongly agreed and a further 39.3% agreed). This being the case, the researcher hopes that this belief manifests itself in the corporate culture through the enactment of a value. The contribution of the full triple bottom line to sustainability does not get the right level of attention, as is evident from the high propensity for profitability as a corporate social responsibility issue (see question 26).

Table 33: The importance of corporate social responsibility for long-term sustainability.

	Frequency (*f*)	Percentage (%)	Cumulative frequency	Cumulative percentage
Strongly agree	33	58.9	33	58.9
Agree	22	39.3	55	98.2
Disagree	1	1.8	56	100.0
Strongly disagree	0	0.0	56	100.0

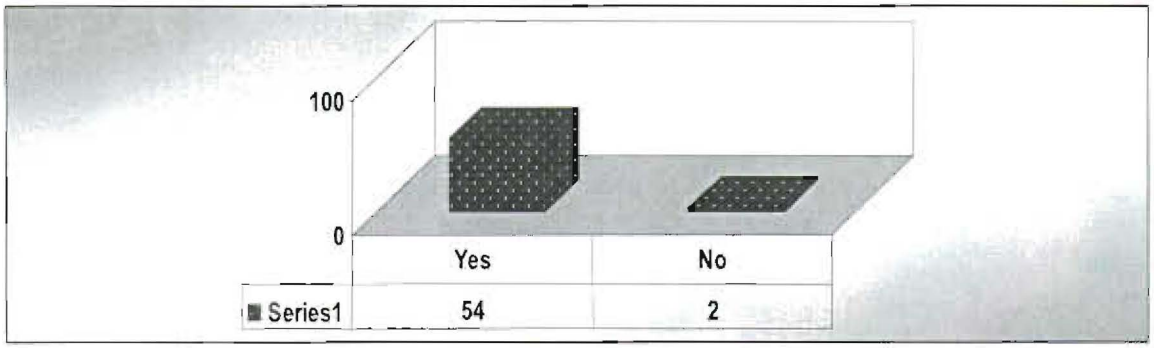
Figure 30: The importance of corporate social responsibility for long-term sustainability



5.5.3.3 Question 25: The business case for corporate social responsibility

The data set indicates that 96.4% of respondents felt that there is strong business case for corporate social responsibility. The indication of the strong preference for profitability in question 26.13 reflects the almost unilateral acknowledgement of the validity of such a business case. However, it remains to be seen if this belief materialises into practice as indicated in table 7, or whether it is only good as intellectual knowledge without a strong value system to support it (compare paragraphs 4.3, 4.7 and table 7).

Figure 31: The corporate social responsibility business case



5.5.3.4 Question 26: The importance that the company gives to listed corporate social responsibility components.

Corporate social responsibility can be defined on a continuum between pure philanthropy and profit maximisation (see figures 4.1 and 6.4). This question was aimed (through the process of weighing the importance for the company), at establishing which corporate social responsibility components will feature at what point on this continuum. Thirteen items were listed as components of corporate social responsibility. With this knowledge, the finding can be superimposed on a scale measuring the depth that corporate social responsibility as a corporate value enjoys in this company. To get to this result, the respondents had to indicate on a scale of 1-10, with 1 being extremely important and 10 extremely unimportant, which elements should enjoy the most attention from the company.

The result is conclusive in that profitability had the highest number of responses as a first choice (29 responses), followed by safety (28 responses), legal compliance (15 responses), joint fourth for corporate governance and sponsorships of events (10 responses each), and improving government relations (9 responses) as the fifth most important element. By calculating all the choices made cumulatively, profitability remains the fist choice, followed by safety. Corporate governance and legal compliance exchanged third and fourth place, with government relations remaining as the fifth most important. The results are tabled hereunder in table 34.

Table 34: The importance that the company gives to listed corporate social responsibility components

Question nr.	CSR component	Rank	Frequency measured as * 1 choice	Inverted scores (weighting)	Lowest scores (inverted scale)	Overall rank
26.1	Safety of employees	**2**	28	**2**	**4**	**2**
26.2	Corporate governance	**4**	10	3	12	3
26.3	Product stewardship			7		
26.4	Contribution to addressing crime			13		
26.5	Sponsorship of events/sports	**4**	10	6	24	**4**
26.6	Legal compliance	**3**	15	**4**	12	**3**
26.7	Advertising/public relations			8		
26.8	Environmental rehabilitation/support			9		
26.9	Employment protection			12		
26.10	HIV/AIDS			10		
26.11	Involvement in community projects			11		
26.12	Improving government relationships	**5**	9	**5**	25	**5**
26.13	Profitability	**1**	29	**1**	**1**	**1**

The researcher concludes from this result that the company will slant strongly towards the profit maximisation side of the continuum referred to in figure 7, (the social goals of an organization); (also see paragraph 4.2). This correlates with the findings of question 27, where respondents indicated an aversion towards sacrificing profit for the benefit of the community in which it operates (see question 27). Bendix (2001) described the circular relationship between crime and unemployment (see paragraph 3.9). It appears that the company has a luke warm stance towards employment protection and its contribution to curtailing crime (of the country's biggest social ills and a consequence of unemployment), as is evident from the low ranking these two items enjoyed. This is despite the knowledge that crime is real and threatening to the company, as indicated by the high level of awareness shown in

question 22.1. The conclusion that the researcher then makes is that, although the company is aware of the impact of crime on it, not much is being done about it.

The researcher again wishes to highlight the company's strong propensity towards legal compliance and corporate governance. This is very encouraging to note, and is supported by the strong sense of ethics in the company (see question 22.7). The knowledge worker is known to be ever more discerning regarding employers of choice, and a strong ethical inclination would certainly support the increasing competition for talent (see paragraph 4.9).

It was encouraging to see just how much weight safety carries in this organisation. However, it is disconcerting that profitability still enjoyed a higher rank than safety.

Government relations slotted into the last place for the top five corporate social responsibility issues. The researcher does see a relationship between building relations with the government and legal compliance, as being caught with illegal behaviour does not build good government relationships. It is encouraging to see that government relationships enjoy a high priority, since a form of partnership is desirable to build awareness of issues in the society in which the company operates (see paragraph 4.1).

5.5.3.5 Question 27: This company is willing to sacrifice profit for the well being of the community in which it operates.

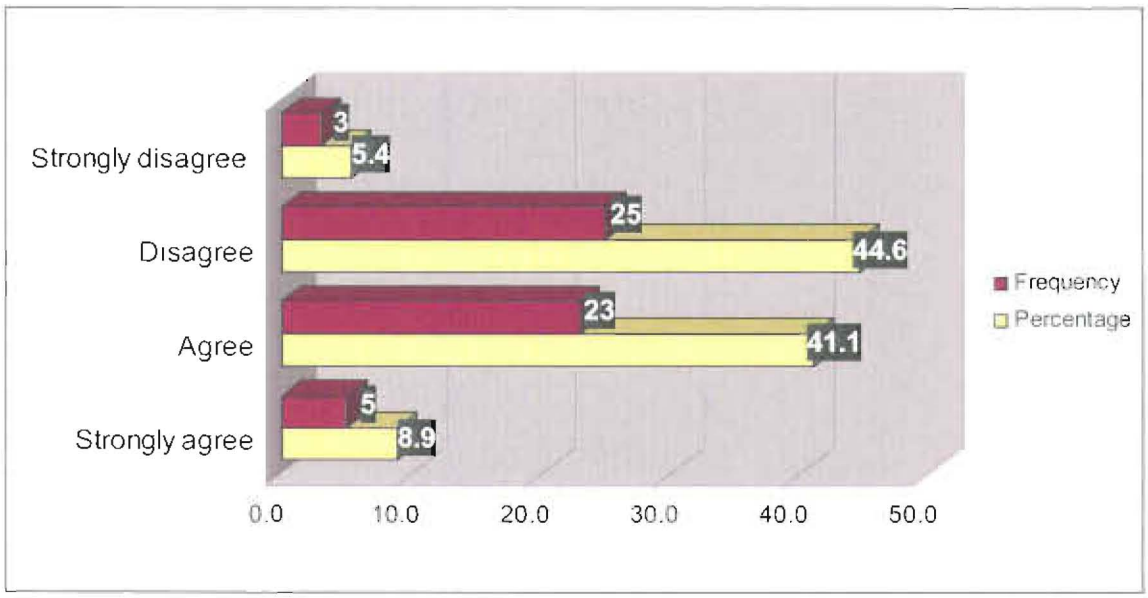
From the details of table 35, it is interesting that half the respondents (50%) were convinced and the other 50% not convinced that the company will sacrifice profits for the community in which it operates. It was important for the researcher to test the understanding of the depth of understanding of the scope of corporate social responsibility (see paragraphs 4.4, 6.7 and figure 7). This is again indicative to the

researcher that the full scope of corporate social responsibility is entrenched as a value amongst respondents. The results are summarised hereunder.

Table 35: The company's willingness to sacrifice profit for the community in which it operates

	Frequency (*f*)	Percentage (%)	Cumulative frequency	Cumulative percentage
Strongly agree	5	8.9	5	8.9
Agree	23	41.1	28	50.0
Disagree	25	44.6	53	94.6
Strongly disagree	3	5.4	56	100.0

Figure 32: Willingness to sacrifice profit for the community



5.5.3.6 Question 28: This company is aware of its responsibility towards the community in which it operates.

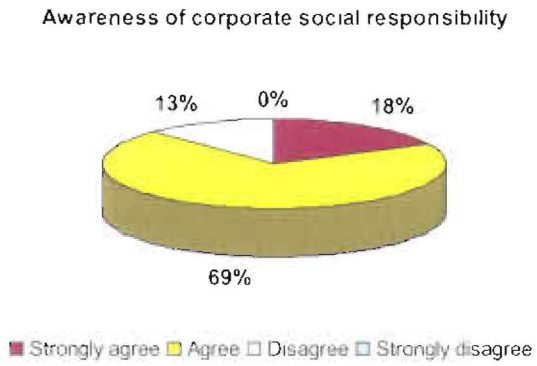
The researcher posed this question to test if respondents' views on the level of awareness of the company of its corporate social responsibility. The results in table 36 show that most 87.8% agreed that the company is aware. However, the

researcher postulates that the scope of corporate social responsibility is probably not that well understood amongst respondents (see paragraphs 4.4 and 6.7).

Table 36: The company's awareness towards its corporate social responsibility

	Frequency (*f*)	Percentage (%)	Cumulative frequency	Cumulative percentage
Strongly agree	10	17.9	10	17.9
Agree	39	69.6	49	87.5
Disagree	7	12.5	56	100.0
Strongly disagree	0	0.0	56	100.0

Figure 33: Awareness of corporate social responsibility



5.5.3.7 Question 29: Employees in this company are aware of the fact that the way they perform their jobs contribute towards the company's corporate social responsibility.

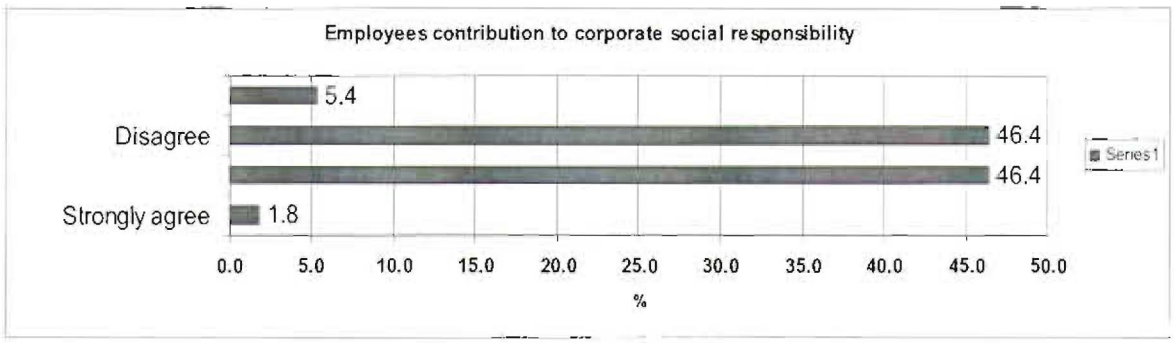
For any corporate strategy to work effectively, all employees must be aware of it and how their jobs contribute to its success (the saying goes "even the janitor must know"). Cummins & Worley (2001) mentions that for any strategic plan to succeed commitment and support for it must be canvassed. This organisational capability represents sustained competitive advantage (compare paragraphs 4.5, 4.7; 4.8 and 6.7). The divided minds of the respondents are indicative of the fact corporate social

responsibility is not understood deeply enough as a strategic issue in the company. The results of this question are portrayed in table 5.31 and figure 5.21.

Table 37: The awareness of employees of their contribution towards corporate social responsibility

	Frequency (*f*)	Percentage (%)	Cumulative frequency	Cumulative percentage
Strongly agree	1	1.8	1	1.8
Agree	26	46.4	27	48.2
Disagree	26	46.4	53	94.7
Strongly disagree	3	5.4	56	100.0

Figure 34: Employee contributions to corporate social responsibility



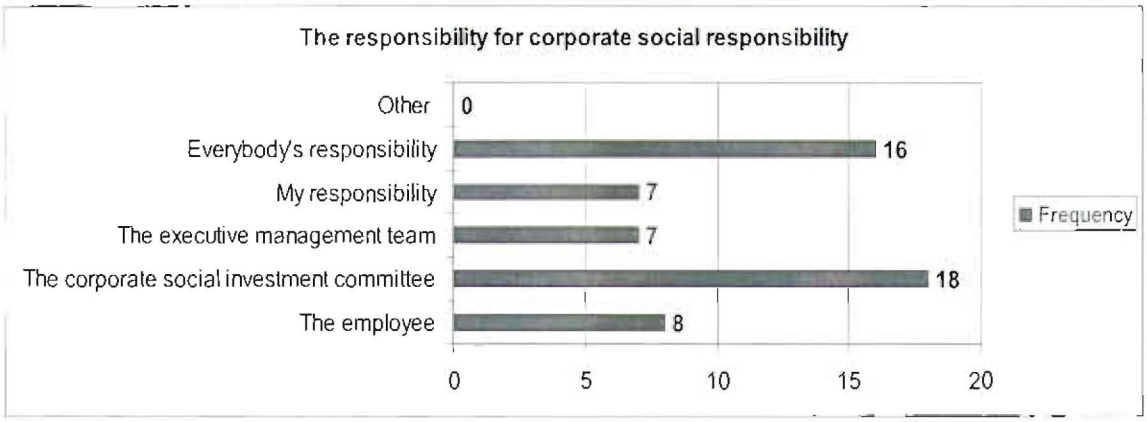
5.5.3.8 Question 30: The locus of control for corporate social responsibility.

The question intended to ascertain where in the company the responsibility of corporate social responsibility resides. We have already established that for corporate social responsibility to contribute meaningfully to sustainability, it needs to be an entrenched value, with the correct ownership (see paragraph and 4.9). It is with tribulation in the heart that the researcher finds such divisive minds of respondents. The majority (32%) reported that it is the responsibility of the social investment committee. If managers do not understand their role in this process, it is then not hard to understand that employees also fail to see their contribution to corporate social responsibility in this company (see paragraphs 4.5; 5; 5.3; 5.7 and 6.7).

Table 38: The locus of responsibility for corporate social responsibility

	Frequency	Percentage	Cumulative frequency	Cumulative percentage
The employee	8	14.0	8	14.0
The corporate social investment committee	18	32.0	26	46.0
The executive management team	7	12.0	33	58.0
My responsibility	7	12.5	40	70.5
Everybody's responsibility	16	29.0	56	99.5
Other	0	0	56.0	99.5

Figure 35: The locus of responsibility for corporate social responsibility



The researcher also performed an analysis on the correlation between question 30 and question 32, with interesting conclusions. The question arose with the researcher: How could respondents establish that the company fulfils its corporate social responsibility to a large extent (75%), if respondents (58.93%) claim not to have any responsibility for it? The weak correlation (φ- coefficient = 0.2066) is indicative hereof. The conclusion that the researcher then comes to is again that a lack of understanding of the full scope of corporate social responsibility prevents respondents from entrenching corporate social responsibility as a value in this company. The risk to the company of course is that the belief may come to fruition that as long as a glossy paper report on corporate social investment is issued, all will be well. This has critical repercussions for employment levels when comparing this mentality with the disastrous effects of the Enron scandal (see paragraph 4.5).

On the positive side, it appears that there is certainly progress in this respect with 29 respondents (29%) understanding their role in this process and 14% stating that it is the employees' responsibility. The result of the correlation analysis is tabulated in table 39.

Table 39: The relationship between the extent to which this company fulfils its corporate social responsibility and the locus of corporate social responsibility.

Question 30: The locus of control for corporate social responsibility	Question 32: The fulfillment of corporate social responsibility					
			Agree	Disagree	Strongly agree	Total
	Everybody	Frequency	13	2	1	16
		Percent	23.21	3.57	1.79	28.57
		Row percent	81.25	12.5	6.25	
		Column percent	30.95	18.18	33.33	
	My responsibility	Frequency	5	1	1	7
		Percent	8.93	1.79	1.79	12.51
		Row percent	71.43	14.29	14.29	
		Column percent	11.9	9.09	33.33	
	The responsibility of the corporate social investment committee	Frequency	24	8	1	33
		Percent	42.86	14.29	1.79	58.93
		Row percent	72.73	24.24	3.03	
		Column percent	57.14	72.73	33.33	
		Total	42	11	3	56
φ- coefficient = 0.2066			75	19.65	5.37	100

5.5.3.9 Question 31: Stakeholder satisfaction with the company's corporate social responsibility.

Respondents were asked to indicate whether they believed that the company's stakeholders valued the corporate social responsibility actions of the company. As

opposed to the chosen 4 point scale used in the survey, the researcher included a fifth column (unsure). This was done to allow for a meaningful response for respondents who never had any interaction with some or all the listed external stakeholders. It is, in the opinion of the researcher, important to measure inputs into those stakeholders in an effort to harmonise stakeholder expectations (see paragraph 4.7).

Respondents produced a response total of 52% in support of the fact that external stakeholders generally do value the corporate social investment actions of the company, as opposed to 17% who disagreed. From the total, 32% of respondents were unsure, which is what the researcher expected. The 52% uncertainty reported for competitors indicates that respondents were not informed regarding how competitors valued the company's social responsibility. The results are tabled hereunder:

Figure 36: Stakeholders' satisfaction with the corporate social responsibility actions of the company

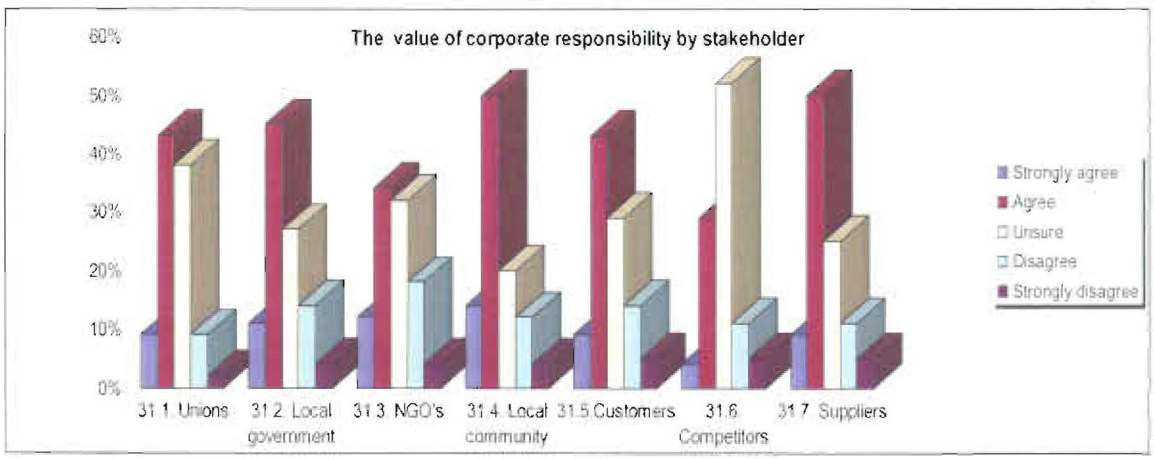


Table 43: Stakeholders' satisfaction with the corporate social responsibility actions of the company

Stakeholders	Strongly agree	Agree	Unsure	Disagree	Strongly disagree
31.1. Unions	9%	43%	38%	9%	2%
31.2. Local government	11%	45%	27%	14%	4%
31.3. NGO's	12%	34%	32%	18%	4%
31.4. Local community	14%	50%	20%	12%	4%
31.5.Customers	9%	43%	29%	14%	5%
31.6. Competitors	4%	29%	52%	11%	5%
31.7. Suppliers	9%	50%	25%	11%	5%
Average %	10%	42%	32%	13%	4%
Total	52%		32%	17%	

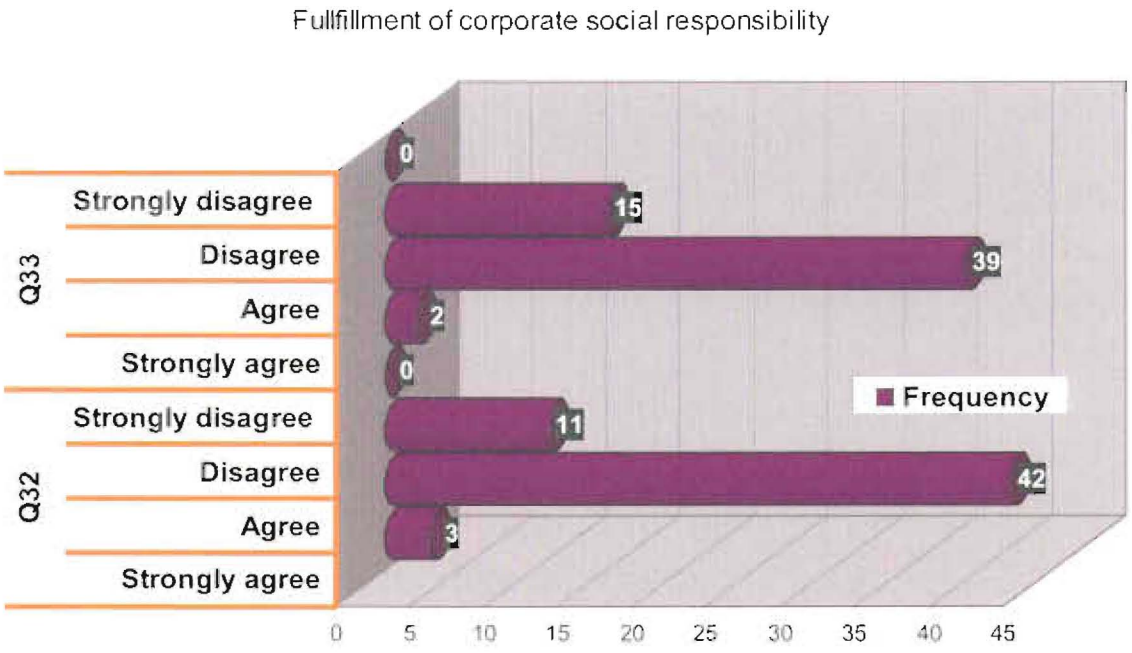
5.5.3.10 Question 32 and 33: This company fulfils its corporate social responsibility and it is doing the right things to demonstrate true corporate social responsibility.

True corporate social responsibility goes beyond mere legal compliance and staying out of trouble with the authorities. In order to achieve valued status as a responsible corporate citizen, the value of corporate social responsibility must be lived out fully by all employees (see paragraph 6.7 and 2.11.3). These two questions were intended to test the views of respondents insofar the fulfillment of the company's social responsibility is concerned and that the correct issues are addressed as part of its social responsibility. The majority (80.4%) of respondents indicated that the company is fulfilling its social responsibility, with 73.5% of respondents indicating that the correct actions are launched to demonstrate true corporate social responsibility, as opposed to doing window dressing (see example of the Enron scandal and paragraph 4.5).

Table 41: The extent to which the company fulfils its corporate social responsibility and executes the correct socially responsible actions.

Q32Fulfilment	Frequency (*f*)	Percentage (%)	Cumulative frequency	Cumulative percentage
Strongly agree	3	5.4	3	5.4
Agree	42	75.0	45	80.4
Disagree	11	19.6	56	100.0
Strongly disagree	0	0.0	56	100.0
Q33 Correct actions	Frequency (*f*)	Percentage (%)	Cumulative frequency	Cumulative percentage
Strongly agree	2	3.6	2	3.6
Agree	39	69.6	41	73.2
Disagree	15	26.8	56	100.0
Strongly disagree	0	0.0	56	100.0

Figure 37: The fulfilment of corporate social responsibility



5.5.3.11 Question 34: Is corporate social responsibility a value, a culture or neither?

Organisational values can be espoused or enacted, according to Kinicki & Kreitner (2003). Values are concepts or beliefs, pertain to desirable behaviours, transcend situations, guide the evaluation of events and are ordered by relative importance, a notion supported by Barrett (2006). Espoused values are explicitly stated as preferred by an organisation, whereas enacted values represent the values and norms that are actually exhibited. The gap between enacted and espoused values must be closed to ensure that employee attitudes and performance is not negatively affected, according to Kinicky and Kreitner (2006).

Culture is summarised by Cummins & Worley (2001) as a pattern of basic assumptions, values, norms and artefacts shared by organisational members. These four components are at different levels of corporate culture, starting with basic assumptions and ending with artefacts as the highest level of cultural manifestation. These shared meanings are necessary for members to make sense about life in the organisation through indicating how work gets done and evaluated and how members relate to each other and significant others, such as customers, suppliers and government agencies. Culture is therefore more complex than values, which really is only a component of culture. From this base, the researcher set out to establish at what level corporate social responsibility manifests itself. The results of the views of respondents are shown in table 5.36. Although an even distribution can be observed between value (34%) and culture (30), it is worrying that the highest percentage (36%) of respondents stated that it is neither. This finding corresponds with the findings of question 30, where the majority of respondents indicated that it was not their responsibility, again showing that corporate social responsibility is not an entrenched value throughout the company.

Closely linked to the locus of control of corporate social responsibility, is the notion whether it then is a culture, a value or neither. By determining the correlation between these choices and the years of service in the company, the researcher

came to the startling conclusion that respondents with the highest years of service indicated the highest percentage (17.86%) that corporate social responsibility is neither a value nor a culture. The correlation is very strong, with the φ- coefficient = 0.6419. This relates very tidily with the finding of who is perceived to be the responsibility party for corporate social responsibility. This company has to address this issue urgently.

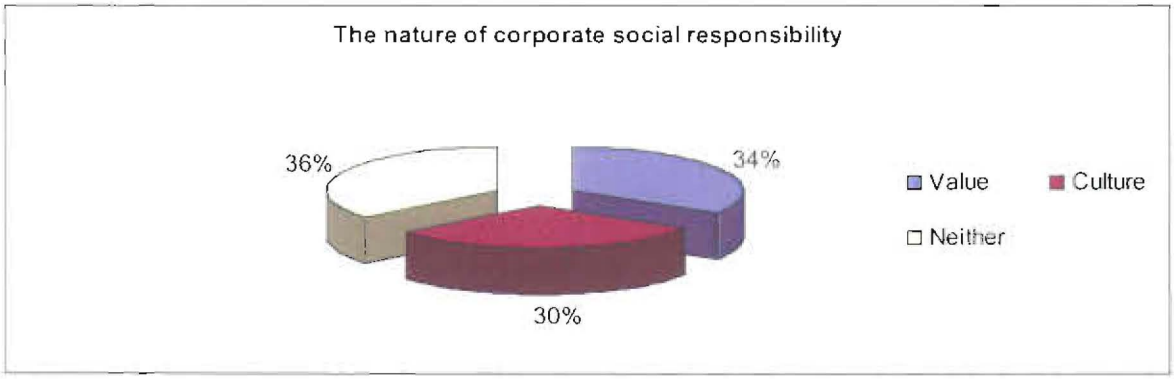
Table 42: The relationship between years of service and the definition of corporate social responsibility.

			Culture	Neither	Value	Total
Years of service	1-2 years	Frequency	2	1	1	4
		Percent	3.57	1.79	1.79	7.15
		Row percent	50	25	25	
		Column %	11.76	5	5.26	
	11-15 years	Frequency	1	6	5	12
		Percent	1.79	10.71	8.93	21.43
		Row percent	8.33	50	41.67	
		Column %	5.88	30	26.32	
	16-20 years	Frequency	8	1	4	13
		Percent	14.29	1.79	7.14	23.22
		Row percent	61.54	7.69	30.77	
		Column %	47.06	5	21.05	
	5-10 years	Frequency	5	2	0	7
		Percent	8.93	3.57	0	12.5
		Row percent	71.43	28.57	0	
		Column %	29.41	10	0	
	Longer than 20 years	Frequency	1	10	9	20
		Percent	1.79	17.86	16.07	35.72
		Row percent	5	50	45	
		Column %	5.88	50	47.37	
φ- coefficient = 0.6419		Total	17	20	19	56
			30.37	35.72	33.93	100

Table 43: Corporate social responsibility: value, culture or none.

	Frequency (*f*)	Percentage (%)	Cumulative frequency	Cumulative percentage
Value	19	33.9	19	33.9
Culture	17	30.4	36	64.3
Neither	20	35.7	56	100.0

Figure 38: The nature of corporate social responsibility



5.5.3.12 Question 35: Constraints that prevent the company from executing its social responsibility.

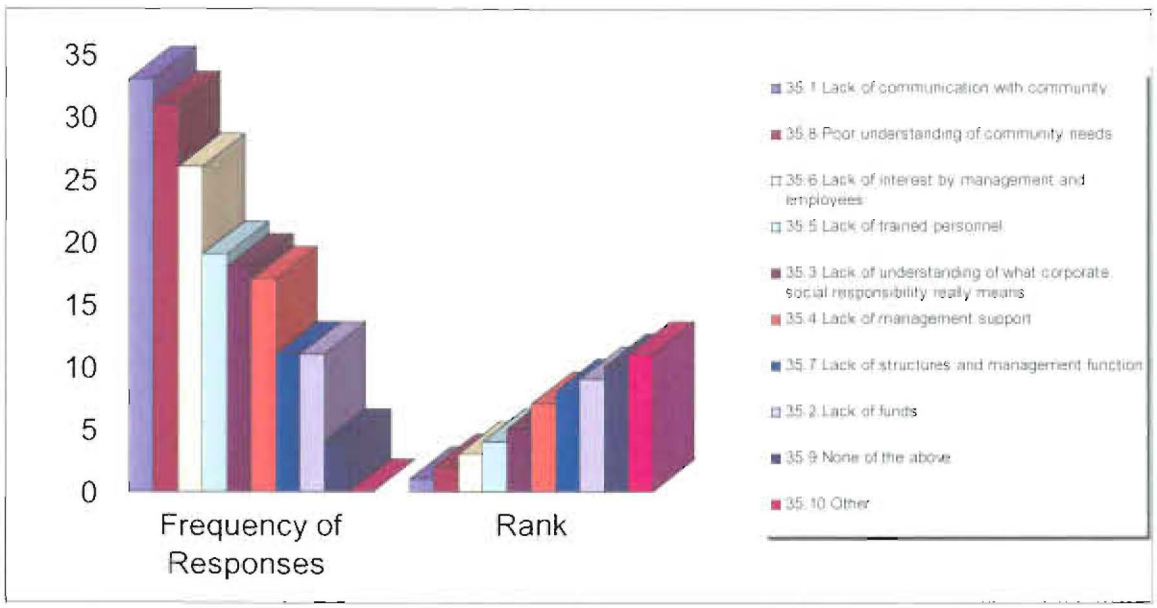
The researcher aimed at establishing the attitudes of respondents towards the constraints that the company may or may not face in fulfilling its corporate social responsibility. To achieve this, respondents were simply asked to mark any amount of the options, or nothing at all if they so believed.

From the data tabled herein, respondents indicated that a lack of communication with the community, followed by a poor understanding of community needs were the biggest constraints faced by the company. Since a lack of communication will certainly result in a lack of understanding of needs, questions 35.1 and 35.2 are clearly related to each other. Of greater concern to the researcher, is the strong indication of a lack of interest by management and employees. The researcher holds that this could possibly be explained through the lack of ownership for corporate social responsibility as indicated in paragraph 5.7.3.8.

Table 44: Constraints faced by the company in fulfilling its corporate social responsibility in order of ranking

Question	Constraints faced by the company	Frequency of Responses	Rank
35.1	Lack of communication with community	33	1
35.8	Poor understanding of community needs	31	2
35.5	Lack of interest by management and employees	26	3
35.5	Lack of trained personnel	19	4
35.3	Lack of understanding of what corporate social responsibility really means	18	5
35.4	Lack of management support	17	7
35.7	Lack of structures and management function	11	8
35.2	Lack of funds	11	9
35.9	None of the above	4	10
35.10	Other	0	11

Figure 39: Ranked order of constraints faced by the company in fulfilling its corporate social responsibility



SECTION D: RETRENCHMENT (questions 36-49)

In this section, the researcher explored retrenchment and how it manifests in the behaviour of the company as an issue relating to its corporate social responsibility and how globalisation could result in retrenchment. Through the following sets of questions, the researcher aimed at exploring the attitude of respondents towards this employment practice and how values relate to it.

5.5.4.1 Question 36: There are many valid and fair reasons for retrenchment, some of which are more valuable than others (see paragraph 6.4).

In this question, the statement that retrenchment is sometimes inevitable in organisations was made, complete with a list of valid and fair mechanisms. Respondents were then requested to choose the top five reasons why they think this company would elect to engage with this employment practice, and then to rank their choices in order of priority, with 1 being the most important consideration, and 5 being the least important consideration. The researcher allowed an option for additional items, if respondents had more ideas. This option was not used by any respondent.

The results show clearly that closure of sections of plants due to not being competitive anymore (downsizing, 50 responses) and closure of businesses due to not being financially viable anymore (43 responses) were by far the most obvious considerations as seen by respondents. The third most important consideration came out as restructuring (32 responses), business process optimisation (26) and cost cutting in the fifth place (25 responses). If analysed by looking at ranking as a first choice only, the first two positions will remain. Restructuring will remain in the second/third position and cost cutting will remain number 5, but business process optimisation will also feature as the number 4 choice.

However, the significance of the result lies in the fact that closure of business sections due to not being competitive anymore (downsizing) and closure of businesses that are no more financially viable remain very valid reasons for retrenchment and cannot be criticised (see paragraph 3.5.5). If the researcher superimposes this result with that of question 38.1; 38.5 and 38.9 (alternatives to retrenchment), the propensity of the company to be as humane as possible towards employees becomes evident. This sentiment was echoed by an additional comment by a respondent when he categorically stated that this company will not retrench employees just to improve profits, but if need forces it, other humane ways to save costs will be considered first. This seems very promising for the company in terms of avoiding litigation due to perceived unfair dismissals and building talent retention strategies.

It proved interesting that, contrary to the claims of Gomez-Mejía, Balkin & Cardy (2004), this company apparently found other ways to minimise or eliminate the need to retrench people due to mergers, joint ventures and acquisitions, which characterised the company's global growth imperative during the past few years. However, it still lingers as number 6 in the list. Finally, the researcher holds that as far as retrenchment is concerned, a relationship exists between technology upgrade and closures of businesses, with personnel being transferred to the new plants. This could explain the high level of first choice (6 responses) for this option.

The results of this analysis are tabled hereunder in table 45.

Table 45: Ranked result for reasons to consider retrenchment.

Question Number	Reason for retrenchment	Rank by 1st choice	Total frequency	Rank by total frequency
36.1	Technology upgrade (par. 3.5.4)	2(6)	19	7
36.2	Business process optimisation		**26**	**4**
36.3	Restructuring (par. 3.5.1)	2 (6)	**32**	**3**
36.4	Closure of sections of plants due to uncompetitiveness (downsizing, par. 3.5.5)	1 (13)	**50**	**1**
36.5	Cost cutting	3(5)	**25**	**5**
36.6	Joint ventures, mergers or take-overs (par. 3.5.1)		24	6
36.7	Affirmative action		6	11
36.8	Closure of business due to not being financially viable anymore	1 (13)	**43**	**2**
36.9	mprovement in profits		6	10
36.10	Lost markets		18	8
36.11	Striking employees		8	9

5.5.4.2 Question 37: The labour legislation allows for the retrenchment of employees to increase profits, according to Grogan (2003). Although retrenchment certainly can alleviate short-term financial constraints, the long-term benefit has been found wanting (see paragraphs 3.1; 3.22; 3.23; 3.5.3; 3.6; and 3.8). The attitude of respondents in this respect was probed to establish if they were in any way considerate of this fact.

Data gathered from table 46 indicates that 60.7% of respondents thought it was fair, with 37.5% of respondents stating a perception of unfairness towards this reason for retrenching employees. The researcher argues that this finding could best be explained at the lack of a philosophical understanding of the long-term effects of retrenchment, since they indicated disagreement with the principle argued in paragraph 5.7.4.4. The researcher further explains this finding through the fact that respondents demonstrated a strong propensity towards legal compliance (see

questions 22.6; 26.6 and 43) and hence could have argued fairness in terms of what the legislature allows to be seen as fair (see paragraph 3.5).

Table 46: The perceived fairness of retrenching employees to increase profits.

	Frequency (*f*)	Percentage (%)	Cumulative frequency	Cumulative percentage
Strongly agree	6	10.7	6	10.7
Agree	28	50.0	34	60.7
Disagree	16	28.6	50	89.3
Strongly disagree	5	8.9	55	98.2
1 respondent did not answer due to lack of knowledge of the act				

However, in the analysis of the correlation between perceived fairness to retrench employees in the quest for more profit (question 37) and the perception that the process of retrenchment is designed with a view to corporate social responsibility (question 44); the correlation is evident and featured a Phi coefficient of 0.4041. It is possible that respondents believe that the perceived fairness (60.7%) could have been seen as a corporate social responsibility issue, such as legal compliance (see question 26.6).

Figure 40: Perceived fairness of the LRA (Act 66 of 1995)

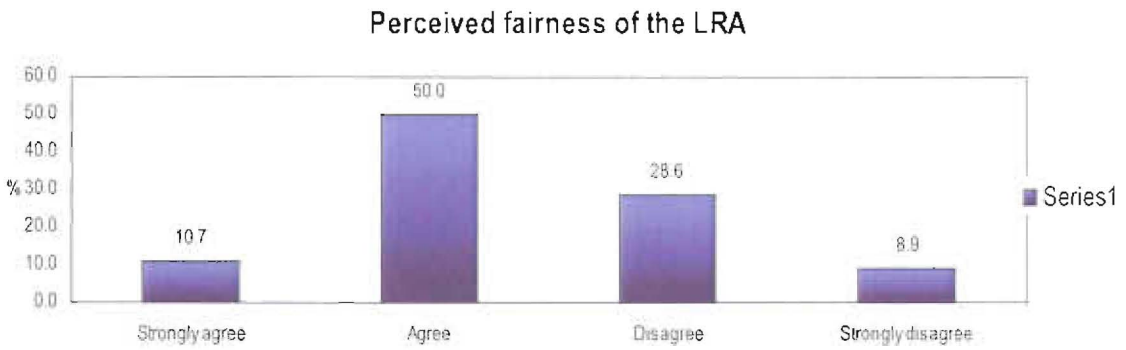


Table 47: The correlation between perceived fairness to retrench employees in the quest for more profit and the perception that the process of retrenchment is designed with a view to corporate social responsibility

Question 37- Perception of fairness towards retrenching employees to increase profits		Question 44: The process of retrenchment is designed to ensure corporate social responsibility					
			Disagree	Strongly agree	Strongly disagree	Don't know	Total
		Agree					
	Frequency	18	6	2	4	1	31
	Percent	32.14	10.71	3.57	7.14	1.79	55.35
	Row percent	58.06	19.35	6.45	12.9	3.23	
	Column percent	64.29	37.5	33.33	80	100	
		Disagree					
	Frequency	7	6	2	1	0	16
	Percent	12.5	10.71	3.57	1.79	0	28.57
	Row percent	43.75	37.5	12.5	6.25	0	
	Column percent	25	37.5	33.33	20	0	
		Strongly agree					
	Frequency	3	3	2	0	0	8
	Percent	5.36	5.36	3.57	0	0	14.29
	Row percent	37.5	37.5	25	0	0	
	Column percent	10.71	18.75	33.33	0	0	
		Strongly disagree					
	Frequency	0	1	0	0	0	1
	Percent	0	1.79	0	0	0	1.79
	Row percent	0	100	0	0	0	
	Column percent	0	6.25	0	0	0	
φ- coefficient = 0.6419	Total	28	16	6	5	1	56
		50	28.57	10.71	8.93	1.79	100

5.5.4.3 Question 38: Alternatives to avoid retrenchments

According to the Labour Relations Act (Act 66 of 1995), alternatives to retrenchment must be considered before retrenching employees (see paragraph 3.10.5 and table

5). It is clear that retrenchment as a cost reduction exercise constitutes one of the big contributions to unemployment, sometimes amassing to the slaughter of whole communities (see paragraph 1.1). Beyond legal compliance lays a bigger responsibility towards employees and the community in which a company operates (see paragraph 6.5.1).

In this question, the researcher attempted to elicit the primary alternatives that respondents believed the company would employ to avoid retrenchment. The data was obtained by asking respondents to choose the top 5 alternatives for retrenchment and then to rank it in order of priority, with 1 being the most important alternative and 5 being the least important alternative. The total frequency of responses for each alternative was added and then ranked from highest to lowest, with 1 being the first choice and 5 being the last choice.

The results are summarised in table 48. From this table, it is evident that respondents preferred the alternatives that are less intrusive on the income of employees. On the basis of total frequency, the transfer to other positions, redeployment plus training and re-training (43 responses) was the first choice as an alternative to retrenchment. Following in second place was voluntary retrenchments (41 responses), jointly followed by natural attrition and early retirement as the third choice (40 responses each). The fourth place (32 responses) went to the moratorium on hiring of new employees, followed lastly by productivity improvement. It proved interesting that not one of the options that intruded on income featured in the top 5 (the granting of either paid or unpaid leave; reduction in wages or the reduction or elimination of overtime, work on Sundays and short time). This could be because the nature of the industry requires 24 hours of operation, and hence does not allow for it. The reduction in wages appeared not an option at all to respondents, with only 1 response in total.

It is very encouraging to the researcher that transferring employees to other positions featured the highest frequency of occurrence. This correlates in an interesting manner with the high frequency encountered in question 10.15 and 22.9, where

respondents indicated strong preference for talent retention and skills availability. It also indicates a correlation with question 36.8 (closure of business) and 38.6 (transfer of employees to other divisions in the company), where the highest propensity to retrench for downsizing reasons or closures of businesses are evident. In summary then, it would appear that, in the case of imminent retrenchments, respondents would try to minimise the impact by redeployment, retraining and transfer to other business of this company, with a view to retaining current talent and skills.

Table 48: Alternatives to retrenchment

Question number	Alternatives to retrenchment	Total frequency	Highest total N rank
38.1	Natural attrition	40	3
38.2	The granting of either paid or unpaid leave	6	7
38.3	The reduction or elimination of overtime, work on Sundays and short time	13	6
38.4	Moratorium on hiring of new employees	32	4
38.5	Voluntary retrenchments	41	2
38.6	Transfer to other positions or re-deployment, plus training and re-training	43	1
38.7	Reduction in wages	1	8
38.8	Productivity improvement	17	5
38.9	Early retirement	40	3
39.10	Other	1	9

It proved interesting that the improvement in productivity featured lower down in the hierarchy. Having knowledge of the time pressures faced by this industry, the researcher argues that the cause could be the belief that productivity is already on the high side, not allowing for much scope to improve.

The high propensity towards natural attrition and voluntary retrenchment speaks a lot about the humane way in which this company treats its employees.

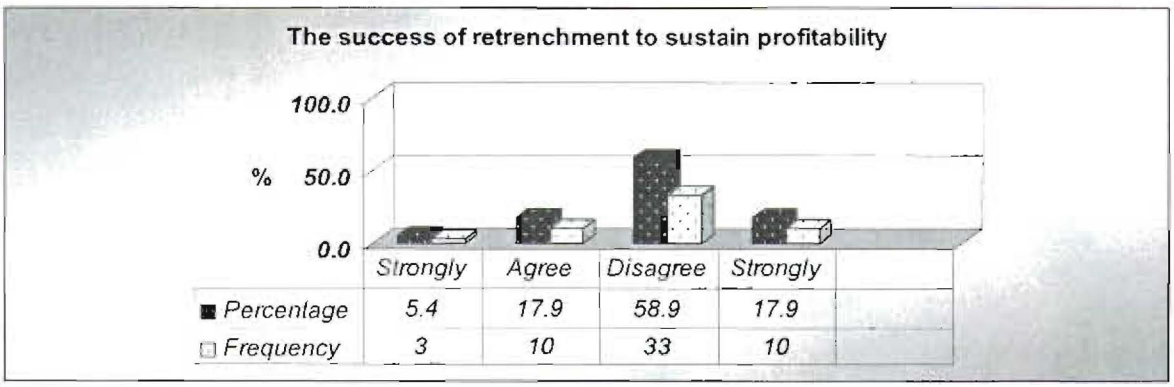
5.5.4.4 Question 39: The success of retrenchment as a mechanism to sustain profitability.

The data from table 49 reveals a strong view (76.8%) that retrenchment as a mechanism to sustain profitability is not successful. In paragraph 5.7.4.2 the researcher attributed the result to the way fairness is perceived by respondents. When superimposing this question on question 37, it becomes clear that respondents do not believe in the sustainability of this employment practice, and hence it is argued that respondents must have an intuitive understanding of the implications of retrenchment (see paragraph 3.5.3).

Table 49: The success of retrenchment to sustain profitability

	Frequency (*f*)	Percentage (%)	Cumulative frequency	Cumulative percentage
Strongly agree	3	5.4	3	5.4
Agree	10	17.9	13	23.2
Disagree	33	58.9	46	82.2
Strongly disagree	10	17.9	56	100.0

Figure 41: The success of retrenchment as a tool to sustain profitability



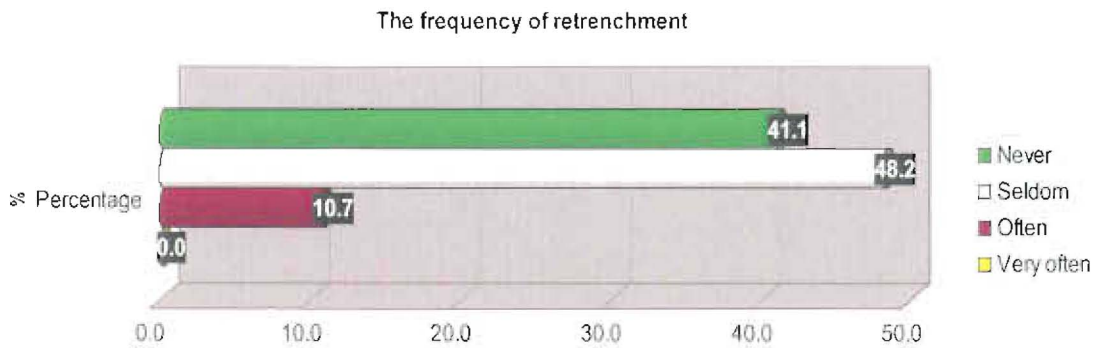
5.5.4.5 Question 40: The frequency of retrenchment

The intention of this question was aimed at establishing if respondents, at any time during their employment history at this company, experienced retrenching employees. Table 50 indicates that this is not a common practice in this company. In total, 27 respondents had some experience (indicating by selecting seldom), and 6 respondents had been through this exercise often. None reported very often occurrences of retrenchment, and 23 respondents have no experience of this at all. The researcher concludes from this that the philosophy of this company is to find alternative ways to improve profitability, rather than retrenching employees. One qualitative remark made by a respondent indicated this very fact as it applies to his business unit. The respondent specifically mentioned that not filling vacancies, early retirement and not taking in hired labour are successful ways to improve profitability in their business.

Table 50 The frequency of retrenchment

	Frequency (*f*)	Percentage (%)	Cumulative frequency	Cumulative percentage
Very often	0	0.0	0	0.0
Often	6	10.7	6	10.7
Seldom	27	48.2	33	58.9
Never	23	41.1	56	100.0

Figure 42: The frequency of retrenchment



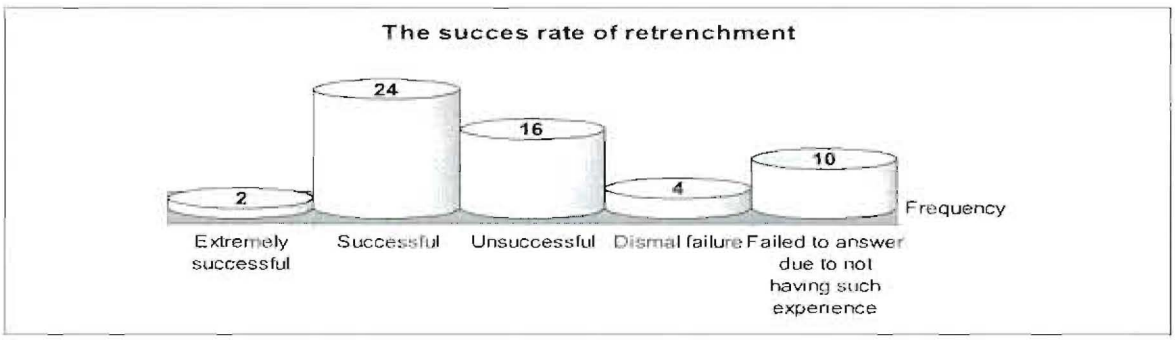
5.5.4.6 Question 41: The success rate of retrenchment in improving profitability.

This question was aimed at respondents who actually experienced retrenchment in the workplace. Although 33 respondents in question 40 reported having some experience in retrenching employees, 46 respondents chose to share their views. A total of 10 respondents did not answer due to not having been through such an experience. The table hereunder shows that 3.6% of efforts were extremely successful, 24% successful, 16% unsuccessful and 4% indicated a dismal failure. The difference in the two questions lay in "sustaining" profitability, versus "improving profitability". It should be noted that profitability will logically improve in the short term due to the cut in fixed cost, but the longer term effects may not be known or measurable yet (see paragraphs 3.5.2 and 3.5.3). Respondents shared the sentiment that retrenchment may lead to an improvement in profitability, but their responses in question 39 indicated that the sustainability thereof is suspect.

Table 51: The success of retrenchment as a tool to improve profitability

	Frequency (*f*)	Percentage (%)	Cumulative frequency	Cumulative percentage
Extremely successful	2	3.6	2	3.6
Successful	24	42.9	26	46.4
Unsuccessful	16	28.6	42	75.0
Dismal failure	4	7.1	46	82.1
Failed to answer due to not having such experience	10	17.9	56	100.0

Figure 43: The success of retrenchment in improving profitability



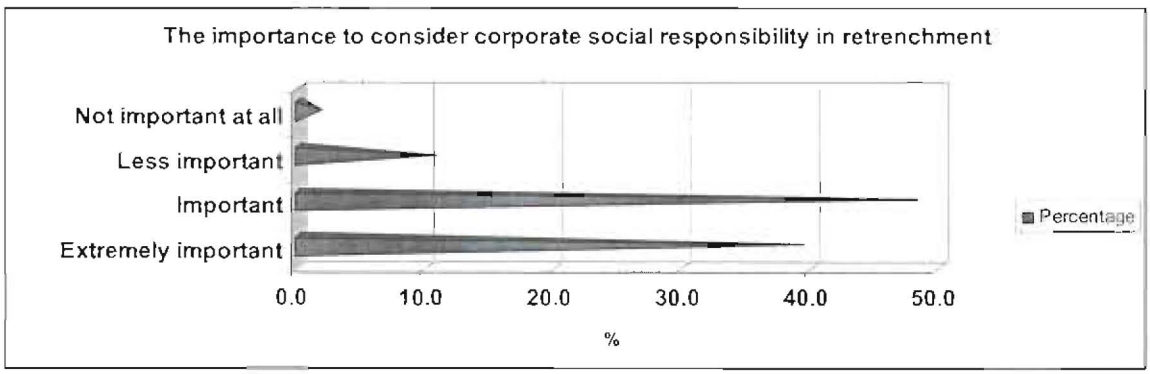
5.5.4.7 Question 42: The importance of considering corporate social responsibility in drafting a company retrenchment policy.

The researcher argued and described the link between the notions of retrenchment and corporate social responsibility (see chapter 4). This question aimed at gauging the level of understanding of this link in this company. The results speak for itself - the majority of respondents demonstrated this understanding (39.3 % strongly agreed, 48.2% agreed). The minority (12.5%) stated that corporate social responsibility need not be considered in drafting a retrenchment policy. The researcher concludes, supported by the findings of question 44, that the company is not ignorant towards corporate social responsibility and shows some level of appreciation of this link. Results are tabulated hereunder.

Table 52: The importance of considering corporate social responsibility in drafting a retrenchment policy

	Frequency (*f*)	Percentage (%)	Cumulative frequency	Cumulative percentage
Extremely important	22	39.3	22	39.3
Important	27	48.2	49	87.5
Less important	6	10.7	55	98.2
Not important at all	1	1.8	56	100.0

Figure 44: The importance of considering corporate social responsibility in retrenchment



5.5.4.8 Question 43 and 44: The retrenchment process design - legal compliant or corporate socially responsible?

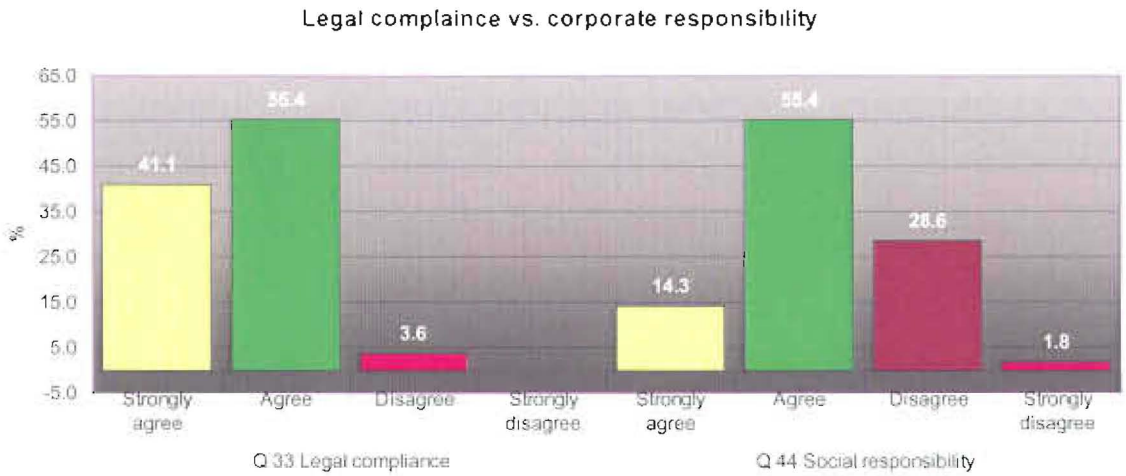
When thinking about the strong inclination of this company towards corporate governance and legal compliance (see question 26.2 and 26.6), the researcher set out to evaluate where on the scale between legal compliance and corporate social responsibility the company would plot itself (see paragraphs 3.6; 4.12 and figure 12).

The results were very interesting, in that a strong correlation existed between being respondents who indicated that they agreed to both approaches, at least as far as retrenchment is concerned. However, there were marked differences between the percentage of respondents who strongly agreed to the legal compliance option (41.1%), and respondents who strongly agreed with the corporate social responsibility option (14.3%). The same applies to the "disagree" option of both questions. Respondents were more strongly inclined to disagree with the corporate social responsibility approach (28.6%) versus the legal compliance approach to retrenchment (3.6%). Being inclined to legal compliance is good, but the question remains whether the inclination towards compliance is driven by a fear of being caught out, or is it driven from a values based platform? The researcher interprets this to mean that the value of corporate social responsibility enjoys some support, but is not yet entrenched as a corporate value. See table 53 and figure 45 hereunder for a graphic illustration of this finding.

Table 53: The nature of the retrenchment process

	Frequency (*f*)	Percentage (%)	Cumulative frequency	Cumulative percentage
Legal compliance				
Strongly agree	23	41.1	23	41.1
Agree	31	55.4	54	96.4
Disagree	2	3.6	56	100.0
Strongly disagree	0	0.0	56	100.0
Corporate responsibility				
Strongly agree	8	14.3	8	14.3
Agree	31	55.4	39	69.7
Disagree	16	28.6	55	98.2
Strongly disagree	1	1.8	56	100.0

Figure 45: The nature of the retrenchment process



4.6.4.9 Question 45: Retrenching employees is a great tool to enhance profitability in this company.

The aim of this question was to establish the attitudes of respondents towards the value that retrenchment can enhance the profitability of the company. The word "enhance" indicates an element of growth (see question 37). However, the researcher was interested in establishing if respondents considered other mechanisms to enhance profitability, rather than retrenching employees. The

intention here was therefore not to consider a company in dire straights, but one that may or may not retrench to simply make more money (see paragraph 3.5.3).

The majority of respondents (60.7%, combined 87.5), claimed that they disagreed with this tool as being a great instrument in enhancing profitability. The qualitative comment made by a respondent states it very clear that in his business unit, other means are pursued first, before retrenching employees. The responses to question 38 (see paragraph 5.7.4.3) also indicate the strong resistance against measures to reduce the income of employees. The researcher then concludes that the company does not carry a high propensity to consider retrenching employees as a valuable tool to enhance profitability, but prefers to exhaust alternatives to retrenchment first. This bodes well in the quest not to be labelled as a company with dubious employment practices, and enhances the company's ability to attract and retain talent through becoming an employer of choice. Figure 46 illustrates the findings.

Figure 46: Retrenchment as a tool to enhance profitability

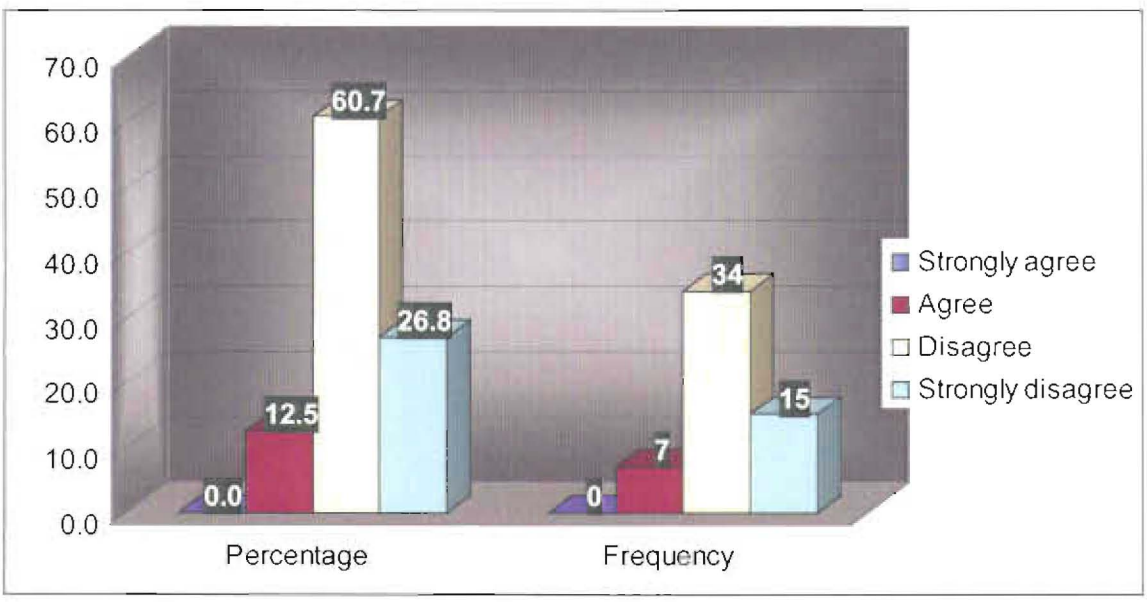


Table 54: The relationship between the perception of fairness towards retrenchment to increase profits and retrenchment as a great tool to enhance profitability.

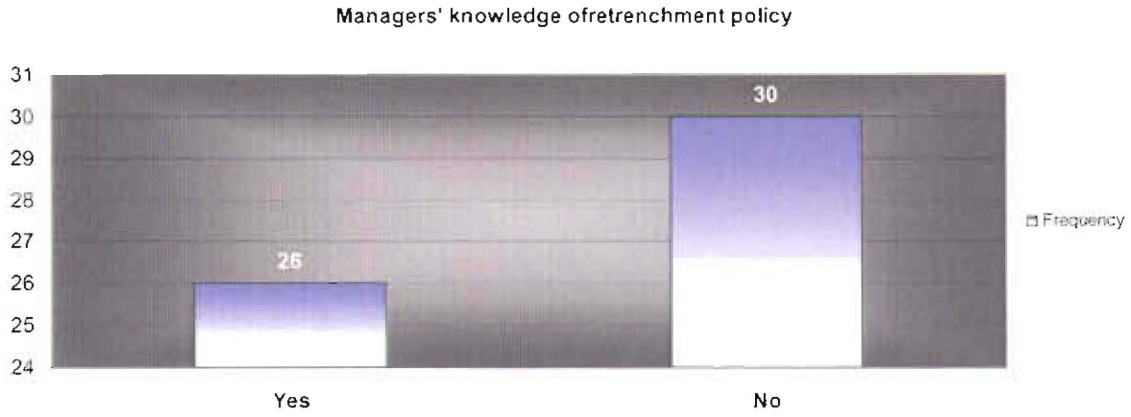
Question 37- perception of fairness towards retrenching employees to increase profits							
Question 45-Retrenchment as a great tool to enhance profitability		Agree	Disagree	Strongly agree	Strongly disagree	Don't know	Total
	Frequency	4	1	2	0	0	7
	Percent	7.14	1.79	3.57	0	0	12.5
	Row percent	57.14	14.29	28.57	0	0	
	Column percent	14.3	6.25	33.33	0	0	
		Disagree					
	Frequency	18	13	2	0	1	34
	Percent	32.14	23.21	3.57	0	1.79	60.71
	Row percent	52.94	38.24	5.88	0	2.94	
	Column percent	64.29	81.25	33.33	0	100	
		Strongly disagree					
	Frequency	6	2	2	5	0	15
	Percent	10.71	3.57	3.57	8.93	0	26.78
	Row percent	40	13.33	13.33	33.33	0	
	Column percent	21.43	12.5	33.33	100	0	
φ- coefficient = 0.6050	Total	28	16	6	5	1	
		50	28.57	10.71	8.93	1.79	100

When contemplating the correlation between question 37 (perceived fairness towards retrenchment as a means to improve profits) and question 45 (retrenchment as a great tool to enhance profitability), the high correlation tells it all.

5.5.4.10 Question 46: Are respondents familiar with the company's retrenchment policy?

The question required a simply yes or no answer, to enable the respondents to provide a meaningful response to question 47. A very even distribution appeared evident (46.4% yes, 53.65 no) from the data in table 55.

Figure 47: Respondent's awareness of the company retrenchment policy



5.5.4.11 Question 47: The perceived fairness of the company retrenchment policy.

If respondents answered "yes" to question 46, they were requested to also complete this question. Although 24 respondents in question 46 indicated their familiarity with the company retrenchment policy, 29 respondents chose to provide an answer. The overwhelming response indicated their perceptions that the company retrenchment policy is fair.

Table 55: The perceived fairness of the company retrenchment policy

	Frequency (*f*)	Percentage (%)	Cumulative frequency	Cumulative percentage
Strongly agree	4	13.8	4	13.8
Agree	24	82.8	28	96.6
Disagree	1	3.5	29	100.0
Strongly disagree	0	0.0	29	100.0

5.5.4.12: Question 48: Issues that are incorporated into the company's retrenchment policy.

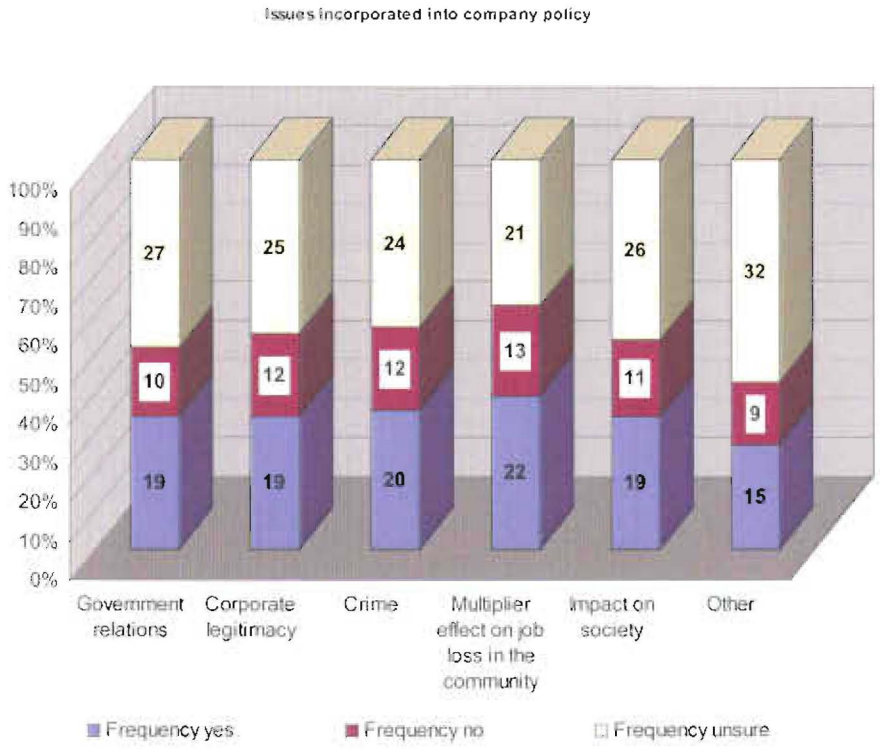
Through this question, the researcher attempted to establish which items on a given list respondents believed would be incorporated into the company's retrenchment policy. Retrenchment has consequences beyond the workplace (see paragraphs 3.2. and 3.4.) The indication of inclusion of these items in the retrenchment policy, would serve as a confirmation that the company was considerate of these issues, and therefore the link between retrenchment as a practice and corporate social responsibility does exist in this company. The option to indicate uncertainty in answering the question was included, since there would undoubtedly be respondents who would not have this knowledge. Data obtained from table 56 indicates that more respondents on more items knew if items were considered in the policy or not, (181 responses), whereas the unsure column attracted 155 responses. This ratio is similar, but inverted to that of question 46, where 26 respondents stated they knew the policy, and 30 did not know. This could be ascribed to the fact that another column (the "other "option was filled in by 15 respondents, but not 15 additional comments were received).

What this indicates to the researcher is simply that there is not complete ignorance of the understanding that a link exists between the company retrenchment policy and the impact on other external stakeholders. However, this link is almost evenly poised between knowing and not knowing, and the researcher feels that work is required in this company to address this.

Table 56: Issues that form part of the company retrenchment policy

	Frequency yes	Frequency no	Frequency unsure
Government relations	19	10	27
Corporate legitimacy	19	12	25
Crime	20	12	24
Multiplier effect on job loss in the community	22	13	21
Impact on society	19	11	26
Other	15	9	32
Total no. of responses	181		155

Figure 48: Issues that form part of company retrenchment policy



5.6 SUMMARY AND CONCLUDING REMARKS

The purpose of this empirical research was to provide a complementary platform for the literature study, through testing of the awareness and attitude of senior managers in a chemical industry in the Vaal Triangle. Specifically, their attitudes and awareness towards the impact of globalisation on this industry, the growing importance of corporate social responsibility and the expanding definition thereof and finally, retrenchment and the role that corporate social responsibility plays therein were evaluated and interpreted.

In the following and last chapter of this thesis, the conclusions drawn from the empirical research will be summarised and recommendations made to industry.

CHAPTER 6

CONCLUSIONS, FINDINGS, RECOMMENDATIONS AND FINAL REMARKS

6.1 INTRODUCTION

This chapter will close the study by summarising the contents of the thesis and indicating how the research objectives and research questions were answered.

From the empirical results, conclusions will be drawn and recommendations made to the industry in which the research was conducted. This will be done on a chapter to chapter basis.

6.2 CHAPTER 1: INTRODUCTION AND PROBLEM STATEMENT

6.2.1 SUMMARY

In chapter 1, the flow of this thesis was laid out to indicate the contemporary nature of globalisation, how it impacts South Africa and the required response to these global pressures through becoming more competitive and productive. This competitiveness arises from amongst other things, the embracing and nurturing of corporate social responsibility, one element of which consists of properly looking after employees as a main source of competitiveness. The importance of these notions was explained against the backdrop of the contemporary South African society that is plagued with excessive unemployment figures and how retrenchment then becomes a major contributor to these social ills. The loop was closed by explaining that retrenchment, either through averting these disasters or where not possible, the mitigation of its devastating effects on society through a framework of corporate

social responsible strategies and value systems. Some examples of the magnitude of this problem were given to contextualise the problem and to indicate why this research hoped to contribute to solving the problem.

6.2.2 CONCLUSIONS

The research objectives were met and the research questions answered. The following sections of this chapter will set out how this was achieved.

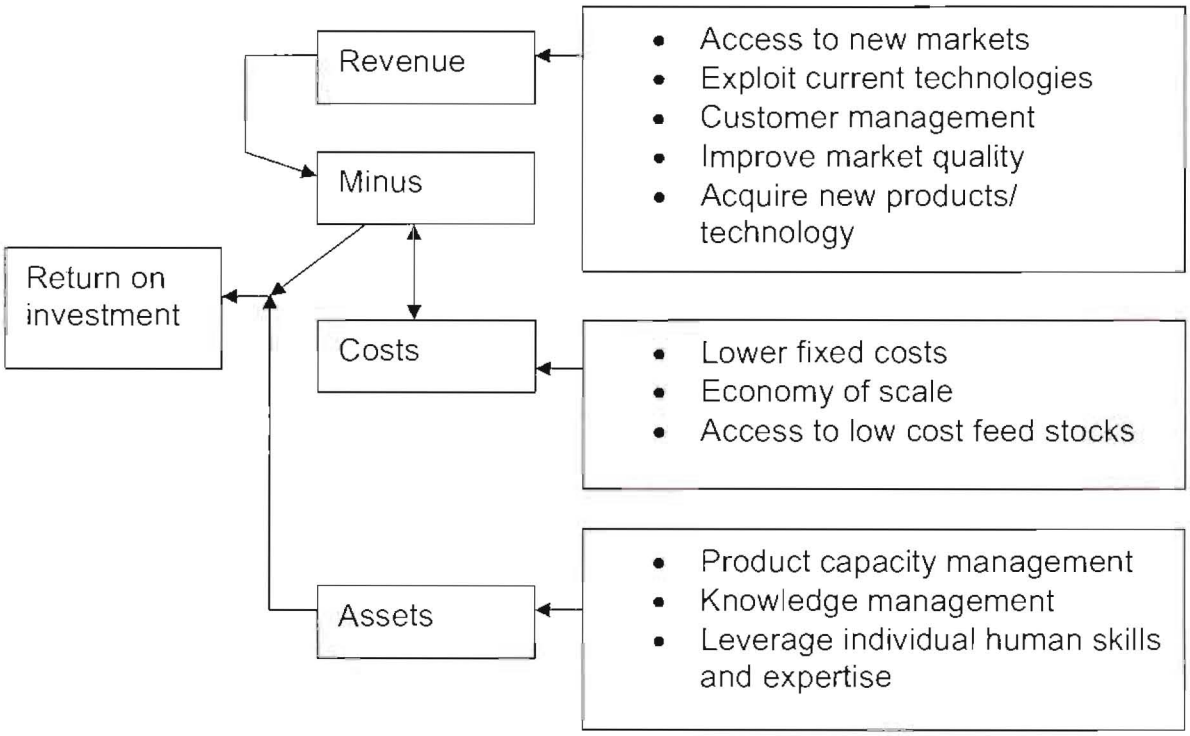
6.3 CHAPTER 2: GLOBALISATION AS A MANIFESTATION OF CHANGE AND ITS RELATIONSHIP TO RETRENCHMENT AND UNEMPLOYMENT

6.3.1 SUMMARY

In chapter 2, some of the factors that drive change were discussed. The literature review indicated that these factors (economy, polity, ideology, conflict and competition, technology and structural strains) all contribute to what can be termed as manifestations of globalisation. It also became evident that globalisation, as the ultimate manifestation of change, is a harsh and inescapable reality, bringing with it not only opportunity, but also commensurate difficulty and required change, specifically for the emerging markets, one of which of course is South Africa. These difficulties can be found in the required need for increased competitiveness and productivity, issues that are critical in South Africa's entry and participation in the global arena. This phenomenon is possibly one of the most contentious of all change patterns. The reasons for this can be found precisely in the nature of this change pattern. It crosses and disregards borders, stretches across the globe and impacts ruthlessly on the entire globe. It disregards religions, value systems, existing social order and culture and that leaves only two choices. These are simply: adaptation to utilise the opportunities, or resistance and death of an economy. The need to

embrace globalisation and the opportunities it brings is accurately summarised by the following figure:

Figure 49: Drivers of globalisation



Adopted from: Van Doesburg *et al.* (1999).

6.3.2 FINDINGS AND CONCLUSIONS

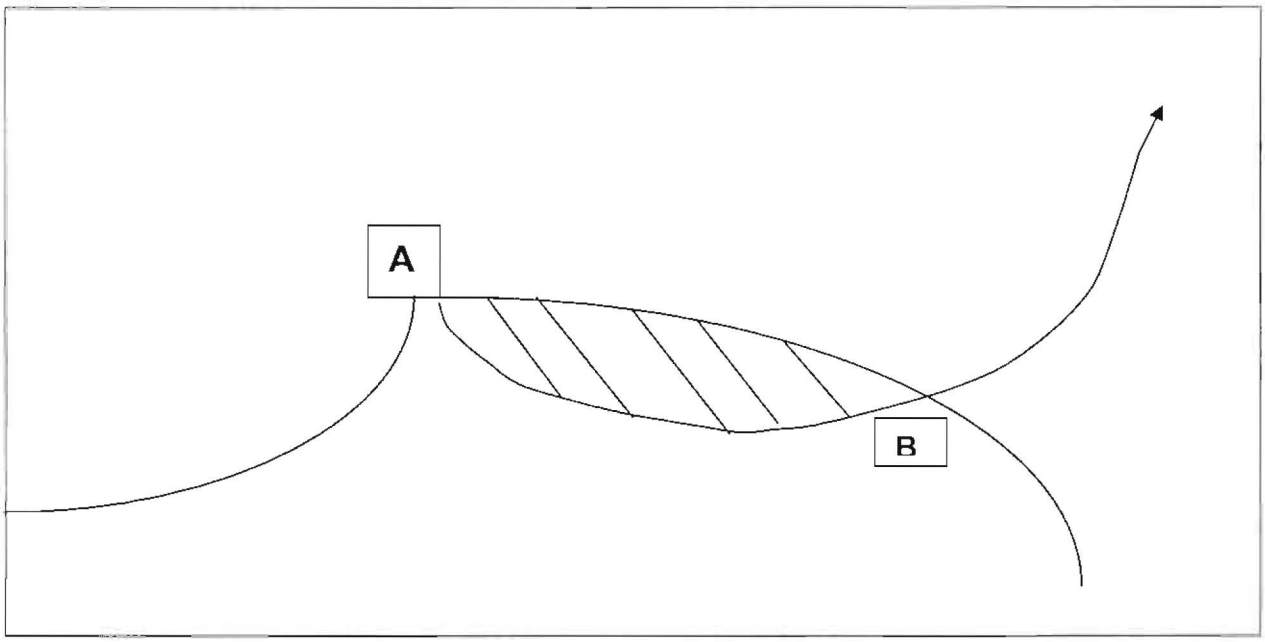
- Improving productivity and competitiveness means a change in approach of business. This implies a constant drive towards improved productivity and competitiveness, although it may result in retrenchment and job losses, and even a slow down in the employment equity drive.
- Although in a catch-twenty-two-situation, the researcher feels that, meeting global challenges should be considered first. Once competitiveness is established, a strong platform for the launch into an employment-creating

mode will follow. Without first becoming competitive, global economic growth opportunities will not be within reach. When contemplating the withdrawal of foreign companies during the apartheid-era, multi-national companies are evidently more focused on local business than on international trading partners, probably because of the growth in corporate social responsibility.

- This implies that the South African government cannot afford to be become arrogant and play the entitlement game with foreign companies and governments. Foreign companies and governments have economies and businesses to run and what matters most to them is the business case.
- Conversely, if a business fails to capitalise on global opportunities, job losses will be more severe as companies lose market share and succumb to international competitors. Retrenchment will then become the ultimate survival mechanism, resulting in a downward spiral that leads to the demise of the economy.
- Companies do not embrace change as a constant and actively pursue change strategies. This is of particular importance, as timely change in the face of globalisation may ensure longevity. In accepting these change patterns, companies may need to "right size", restructure, re-engineer, or apply any other means of adapting to change, as long as the economic rationale justifies the cause and does not unnecessarily be the cause of retrenchment.

The following figure (figure 50) may illustrate the need to intervene at the right point in time to maximise results and value.

Figure 50: The Sigmoid curve



Adopted from De Kock (1997)

According to De Kock (1997), the correct timing for change would be at point "A", when the organisation will have enough resources to drive the change. If point "B" is reached, it may be too late or difficult to turn the organisation around into a strong competitor. Coutu (2003) notes that change capacity must be built first. Capacity resides on the notion of resilience, which has three building blocks:

- The capacity to accept face down reality that trains us to endure and survive hardship;
- The possession and ability to find meaning (Frankl, 1975) in organisational life; and
- The ability to improvise.

In support of the findings of Coutu (2003), it must be made known that, although major change efforts have helped some organizations to adapt to significantly shifting conditions with improved competitive standings, in too many instances the

improvements made have been disappointing, with appalling carnage through wasted resources and burnt-out, scared and frustrated employees (Kotter, 1996).

- Improved productivity and competitiveness are prerequisites for economic growth. Only from real economic growth can employment be created. Since 1994, the geopolitical situation in South Africa has improved radically, but sustained growth remains problematic. In terms of becoming more competitive globally, the World Economic Forum foresees only two alternatives for South Africa:

    - Technological upgrading to improve productivity, raise quality standards and cut costs, and;
    - Enhancing cost competitiveness by maintaining or raising productivity while cutting costs. This can be achieved by reducing the real cost of labour and rightsizing (The World Economic Forum, 1998).

- The country needs investment desperately to ensure that technological upgrading can occur, but the country is lagging behind in terms of investor confidence, thanks to the high crime rate that was brought about in the first place by unemployment. This vicious circle is strengthened even more by the degeneration of the governments' institutional capacities.
- South Africa has a long road ahead to improve productivity and competitiveness. The gradual decline in our competitiveness rank by the World Economic Forum (from number 32 to number 42) in 2004, then to number 38 in 2006 and finally to number 50 out of 55 countries in 2007 (as ranked by the Institute for Management Development, 2007) should make us lie awake at night. However, it is known that South Africa's government is one of the worst in terms of efficiency and the impact of affirmative action in state departments has a telling effect on its labour cost. The World Economic Forum ranked the competence of public officials 71 out of a possible 75. Likewise, private business increasingly has to devote resources to help the government.

- Three issues were specifically noted as major concerns by the World Economic Forum.

    - Affirmative action may increase the cost of labour if it is imposed;
    - Competition from the developed world is likely to impact on the ability to provide reasonable returns to shareholders;
    - High crime rate discourages foreign investment of capital and resources (World Economic Forum, 1998).
- Despite the low productivity, there is a host of positive attributes prevalent in our country to attract investment. The infrastructure (roads, rail, airways, ports and banking facilities) in South Africa is rated the best in Africa. These facilities, together with pro-productivity, union contributions, may well make the difference between failure and success, despite concerns over the loss of jobs due to privatisation of some of these state owned assets.
- One of the biggest issues in today's business environment is the availability of skilled and talented employees in the quest for competitive advantage and long-term sustainability. The reputation of a company, according to Eccles, Scott & Schatz (2007) is as vital in attracting and retaining talented employees, because they are perceived as providing more value and that earnings will be more sustainable. Some writers are of the opinion that the South African chemical industry is facing a crippling skills meltdown, seriously threatening the long-term sustainability of the industry. The empirical study confirmed this concern.
- Croucamp (2007) is of the opinion that aggressive affirmative action programmes, intense international talent sourcing, an ageing workforce and lack of adequate skills development are amongst the issues that contribute to this concern. However, the research indicated that high levels of qualifications in the researched management layers are present. It is encouraging to have seen just how serious this company takes its talent management strategy, but the proof lays in the result. Ready and Conger (2007) notes in this respect that, despite all the knowledge of the value of talent management and the vast

amounts of money spent on systems and processes to support proper talent management, an astonishing number of companies struggle to fill key positions, and in this way put considerable strain on their ability to grow. If this is true for global companies, the researcher shares his concern with the respondents who indicated their concern with loss and availability of skills.

- It appeared to the researcher that the company had not yet faced the full brunt of global competition on its home turf and therefore was not so affected that job losses became imminent in the face of increased competition. Employees in this industry are in a way protected from the gusts of the trade winds and the ills of society. There was evidence in this research that managers are somewhat oblivious to the ravages of poverty and unemployment in the community in which this company operates.
- One of the biggest stumbling blocks in meeting the challenges of this required change in the new order is the ability to adapt to new demands timely. Eisenhardt & Brown (2003) is of the opinion that business and opportunities constantly fall out of alignment in turbulent markets.
- Hawkins, (1998) stated that the region must seek export growth through extra-regional trade, meaning trade away from just the SADC regions. A far greater participation in the globalisation process than currently would mean securing competitive advantages through private investment (not aid) in productive and technological capacity. Currently, the SADC region has a low globalisation co-efficient when contemplating the low openness indexes, foreign direct investment inflows, non-equity linkages (in the form of cross border strategic alliances) and the international mobility of skills and expertise. Worst, the impact of HIV/AIDS on foreign direct investment is ranked 101 out of 102 countries, according to the World Economic Forum, with number 100 on the impact of HIV/AIDS on business!

6.3.3 RECOMMENDATIONS

- Organisations must foster employee capacity for change, and in the process develop employee resilience to cope with global challenges that impacts the company.
- The process of continuous improvement should be aligned with the change patterns in the operating environment (read global) of an organisation.
- Slow down the South African transformation drive and build competitiveness first.
- Build active awareness of the global impacts on the organisation. The empirical research clearly showed this to be a weakness in the industry researched.
- Concentrate on building employee training, knowledge and skill to keep up with global competitiveness requirements.
- Should "rightsizing" or downsizing be an appropriate strategy, *never* do it without an accompanying proper re-engineering exercise and a whole system approach.
- Always apply proper and proven change management to whatever optimisation process is anticipated.
- Build a culture of continuous change to enable a company to re-invent itself.
- Address the crime rate to improve the attraction of foreign direct investment. Businesses must expand their contribution to society by contributing to crime fighting measure.
- South Africa possesses many fundamental strengths, such as our open economy, abundant resources (actual and potential), and a free and open society, but these have to be built on, not destroyed.
- The company should revisit its strengths, weaknesses, opportunities and threats and become much more aware of the impact of globalisation in the longer term at deeper levels of the organisation, not just the top structures. The inference is made that, despite having the knowledge, the

competitiveness of the company is heavily invested in its technology and not its human capital yet.

- Shift our comparable African advantage upmarket, away from current dependence on low skill, low income, slow-growth activities.
- Internal challenges, such as deeply embedded cultural and structural problems and obsolete products and external challenges, such as over capacity in the private sector, technological driven changes, new competition such as growing customer sophistication and market saturation should become management prerogatives as a matter of urgency.
- To stay aligned, businesses must be flexible enough to adapt timeously to global demands and shifting markets by aborting the traditional approach to strategy and replacing it with a model that allows for strategy to emerge from individual business units. The traditional bureaucracy simply does not work anymore.
- Tourism and travel could help in achieving sustainable economic growth, provided the fears generated by the high crime rate are addressed effectively.

6.4 CHAPTER 3: A LEGAL VIEW AND DISCUSSION ON RETRENCHMENT

6.4.1 SUMMARY

Chapter 3 set out to discuss the notion of retrenchment as a legal employment practice, but against the backdrop of how it could be seen in the context of corporate social responsibility and South Africa's most burning social issues: unemployment and crime.

It was clear through the study that the meeting of legal requirements as a bare minimum is fundamental to sound employment relations, and also happens to be a core dimension of corporate social responsibility. Maintaining sound employment relations is a key dimension in remaining competitive and in the global context,

promotes the notion of becoming an employer of choice. Being an employer of choice again leads to increased possibilities for talent attraction and retention strategies, talent which contributes to becoming globally competitive.

The reasons that employers use to justify retrenchment were discussed in detail, and the chapter went further to challenge the assumptions that retrenchment lead to improved profitability and competitiveness.

The legal process was also discussed in some detail in the context of legal compliance as one of the ethical dimensions of corporate social responsibility and in the context of sound employment and external stakeholder relations.

6.4.2 FINDINGS AND CONCLUSIONS:

- Retrenchment can do more harm than good. The empirical research found it an unacceptable practice to improve competitiveness, although it can assist the industry in ensuring survival as a last measure.
- The practice of building employment relations as a pro-active and on-going intervention certainly can assist in maintaining some morale and sanity should such a drastic intervention become necessary. This requires a corporate strategy that is fundamentally anchored in corporate social responsibility as part of a corporate value system. The empirical research indicated that this is not the case, and that corporate social responsibility is executed because "it is the right thing to do."
- The value of downsizing (read retrenchment) is questionable, to say the least. the evidence showed against the value of downsizing and retrenchment as a strategy to improve competitiveness and profitability. Given the fact that downsizing then fails to consistently deliver the promise of improved shareholder value or share prices, it clearly becomes crucial to do it right when deciding to opt for this strategy. It has been said that downsizing, rightsizing,

restructuring, re-engineering, etc, are all collective words for the same thing - corporate shrinkage. These tools are surgical tools for reshaping bloated and inefficient organisations. In the right hands, it may be effective in improving business performance, whereas in the wrong hands, it represents little more than an analytical excuse for wholesale unemployment.

- Retrenchment has only short term gains, but has long term negative repercussions that may be too costly in the longer term.
- Retrenchment harms talent attraction and retention strategies, damaging a company's reputation and retarding long term sustainable competitiveness.
- Mass retrenchment can annihilate whole societies without hope of ever recovering, so contributing to a rising crime rate. Rising crime in turn destroys investor confidence so needed for foreign direct investment.
- Retrenchment is one of the biggest contributors to unemployment due to the vast numbers of people impacted.
- Contrary to what we may want to believe, some sanity can still prevail during economic downturn and retrenchment that could actually maintain or improve productivity.

In effectively managing a downsizing, understanding the ebb and flow of the process that employees go through, may assist in applying the correct interventions to manage the downsizing towards success. The following model summarises these ebbs and flows:

Phase 1: In this phase, downsizing is imminent. Bits and pieces of information filter through the organisation and rumours start to flow about what it means for employees. When point "A" in the model is reached, overall morale and productivity drops sharply. Employees may enter a stage of denial. As soon as this point is reached, employee morale and productivity may increase as they work diligently to justify their job functions. This is illustrated by point "B" in the model. Then the first conclusive evidence that things will change occurs, possibly a confirmation by management that lay-offs may be possible. Employees now understand that staff

reductions are imminent. Trust in management plummets, as does productivity and morale. Feelings of fear, anxiety, anger and frustration abound, commensurate with feelings of powerlessness that envelopes the employees. Energy is sadly expended towards justifying the value of own jobs, at the expense of others and at the expense of the tasks at hand. Work slows down, pending the fall of the axe.

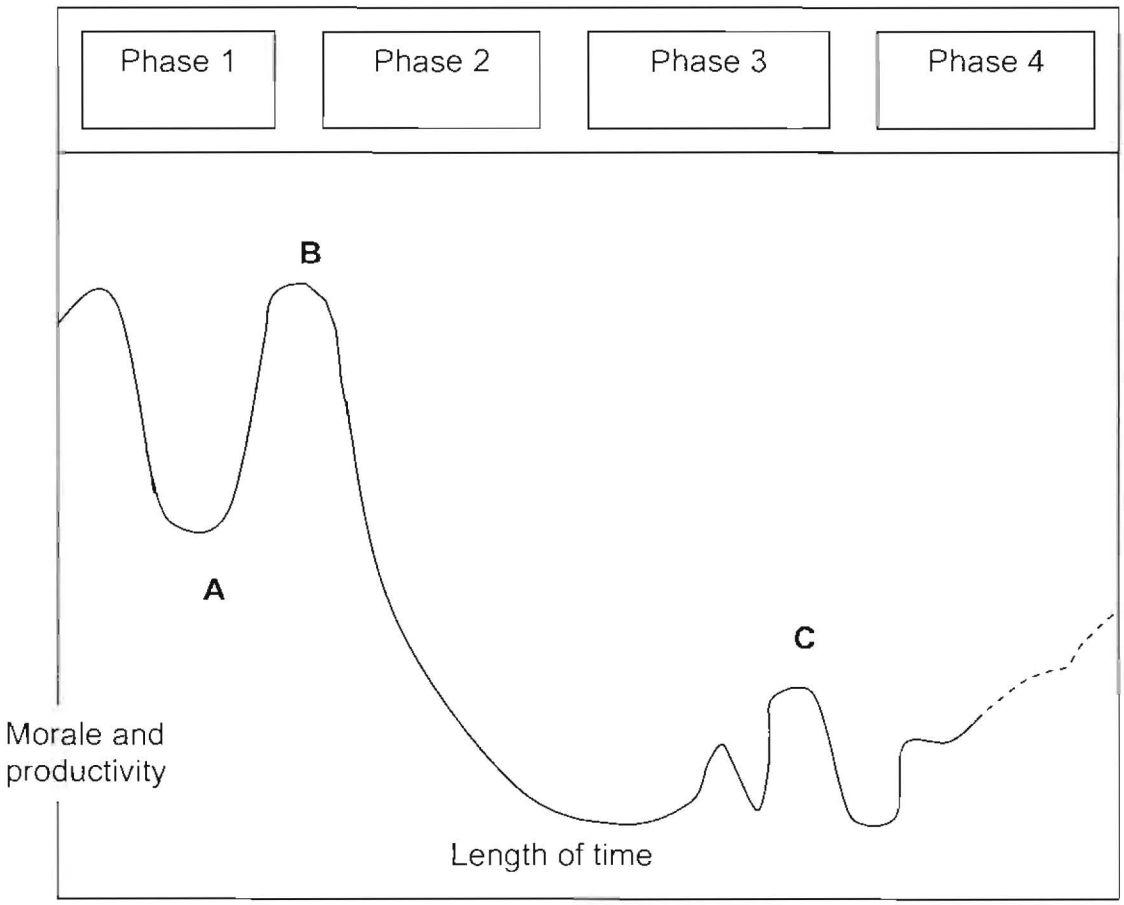
Phase 2: During phase 2, downsizing is implemented. The anxious waiting is over and initial sighs of relief for remaining employees echo in the passages. The sense of relief is short-lived when a sense of anger overwhelms employees over the way the lay-offs were handled. Feelings of guilt over their survival now also emerge. Faith in the organisation diminishes and the amount of stress and anxiety increase tremendously in the face of more work to do with less resources. Morale and productivity continue to decline. Employees may engage in non work related activities, such as seeking alternative employment, developing their networks and marketing their skills to prepare themselves for possible employment elsewhere. Company loyalty dies a sudden death, with a cloud of gloom hanging over the workplace.

Phase 3: This follows in the aftermath of downsizing. Downsizing survivors try to pick up the broken pieces. Management expects that employees are over their mourning and that business as usual must now prevail. Employees regroup and formulate strategies for successful execution of their responsibilities. Uncertainty and uneasiness still prevails, because new relationships are not yet established and new functions are not yet learnt fully. Employees still feel uncertain about the required skill and attributes required by the new job functions and responsibilities. Productivity and morale therefore fluctuates at point "C". Employees will search for support structures to help them cope and make the adjustments that they need to make easier. Employees are acclimatising to the new environment.

Phase 4: In this phase, renewal is imminent. Survivors may make genuine effort to make the changes work. The foggy haze of uncertainty begins to dissipate, and

productivity and moral slowly improves. The road to the same level of productivity and morale before the downsizing is still long, with no guarantee that it will ever reach the same level than before the downsizing. The dotted line indicates this notion. In requiring a better outcome, managers will do well to revitalise, reenergise and redirect employees towards the new well defined organisational strategic direction and goals (Lehrer, 1997). The solutions to smooth these phases have been discussed in detail here above. Figure 51 explains these phases

Figure 51: The effects of downsizing.



Source: Adopted from Lehrer (1997).

6.4.3 RECOMMENDATIONS

- The philosophy of our labour legislation is also increasingly moving towards the notion that retrenchment should only be contemplated as a measure of last resort, not just because of any economic reason. The following approaches may assist in solving such problems:

  - Involve the human resource practitioners and function up front in the due diligence studies;
  - Include cultural differences in the due diligence studies; and
  - Include a due diligence study of the human resource policies before proceeding.

- In order to become and remain competitive and profitable, radical transformation may be necessary. If the downsizing must then mean anything substantial enough to justify such harsh action, then the exercise should not have been done in vain or for the wrong reason. To achieve this goal, the following requirements are recommended:

  - Strong leadership, with the CEO driving the change process. He/she should lead the company to new heights;
  - Consensus at top management level that radical change is needed. In this respect, the politics should be left outside the boardroom and a genuine attempt at consensus be made. Contributions should be real and not politicised;
  - A shared vision, well articulated into reachable and measurable performance standards. This vision must be cascaded down the organisation in a proper manner. Each employee must share in this vision through his own performance standards, with a clear view of his stake in the success;

- The right attitude, without hidden agendas and a message to get on board or get out of the way. A major collective effort may save the company;
- Commitment to see the transformation through to the end, including altered plans along the way where necessary. Never back off, unless going in the completely wrong direction;
- Involve as many as possible employees, empowering them to change the way things are done. Individualism should be rewarded, but in a team environment. This is the suggested way to encourage participation;
- Empower employees permanently all the way down and get rid of unnecessary layers of management. Team leaders provide direction, priorities and facilitation to the team;
- A comprehensive and systematic approach is needed. Included in the master plan is the cultural change, reward systems, strategy, process and staffing skills to achieve leverage. Efforts and results should be linked and broken down into manageable parts. The process does not stop;
- Long-term focus and the willingness to take risks should be encouraged. Sacred cows must be obliterated;
- Establish ownership of change with the vast majority of employees. Peer pressure should take care of the non-committal remnants;
- Continuous trustworthy communication all the way down and up and back down again; and
- Resources: cost/benefit analysis should form the base and resources provided as needed to drive the change through (Lingus, 1994; Blanchard 2007; Kotter, 1996).

The following recommendations for successful downsizing may appear paradoxical, but research has shown it to be valid. These are shortly:

- Downsize by command from the top, but let recommendations come from the bottom up on how best to organise work based on rank and task analysis;
- Use both short-term workforce reductions and long-term organisational whole systems redesign and systemic change together. Also include across-the-board and targeted downsizing.
- Target specific areas very precisely, where redundancy, excess cost and inefficiency exist. These areas must be identified by proper internal data gathering and monitoring, and not be identified by a woolly gut feel by managers. Include outside agencies in the process, like suppliers, distributors, agents, consultants, etc. as potential targets for downsizing.
- Use downsizing as a means to an end, (an aggressive strategy to enhance competitiveness), as well as the targeted end (Cascio, 1993).

6.5 CHAPTER 4: CORPORATE SOCIAL RESPONSIBILITY AND THE IMPACT OF RETRENCHMENT

6.5.1 SUMMARY

Corporate social responsibility as a concept was discussed in detail in chapter 4 and the clear cut business case defined. The chapter also discussed specific dimensions of corporate social responsibility, notably in the employment realm. One of these dimensions dealt with employees as part of the triple bottom line and their contribution to competitiveness, a key ingredient in the global economy. The contribution of corporate social responsibility and its various dimensions to sustainable development enjoyed thorough attention in this chapter.

With the discussion in chapter 3 and 4 on the impact of retrenchment on a society, it became evident that retrenchment can have disastrous consequences. This leads to the responsible manner in which companies need to effect retrenchments if they

cannot avoid it any more. The way that companies entrench corporate social responsibility as a strategic management competence may well contribute to the avoidance of retrenchment altogether. This is so because by its very nature such a corporate strategy, supported by a well entrenched value system contributes to becoming an employer of choice, sustainable development, attracts investors, etc.
Two approaches for corporate social responsibility were followed in chapter 4:

- Firstly as a preventative strategy through a pro-active approach to employment practices, such as building employee competitiveness, being an employer of choice, focussing on long-term sustainable development; etc. and
- Secondly as a mitigating strategy when downsizing is inevitable. In these cases, a business could draw from its strong relationships that developed through its corporate social responsibility strategy to effect the best possible outcome from such a radical intervention.

6.5.2 FINDINGS AND CONCLUSIONS FOR CORPORATE SOCIAL RESPONSIBILIY AS STRATEGY AND VALUE

- Companies have more obligations than just paying salaries to employees on a monthly basis. Big business has a major role to play in shaping the society in which it operates, but conversely, they obtain their license to operate from the community.
- Extrapolating this responsibility to employment in South Africa, this obligation becomes even larger, since the country is facing rising unemployment in the face of failed government initiatives and inefficiencies. (South Africa's police service and the effect of organised crime were rated 20th out of 24 African countries and 70th out of 75 on a global scale by the World Economic Forum.) Similarly, big business will have to consider increasing their support to local communities, as the local government has deteriorated to a dismal state of affairs. This leads to the increasingly contentious nature of retrenchment. The

trade unions are acting out of desperation to save jobs. Their focus will increasingly change from aggressive wage negotiators to job savers.

- Corporate social responsibility is growing as a concept amongst wise business leaders. It became evident during the study that the higher the investment in the society, the higher the profile of the company will become in the society in which it operates. This may appear not to be that beneficial, but when a major problem does materialise, the company will have the credibility in the eyes of the community to deal with it more effectively (consider Thor Chemicals' difficulty, Morris, 2000). When attempting a strategy towards corporate social responsibility, the authenticity of the effort cannot be doubted. If any company dares to try impressing its stakeholders with glossy reports and fail to deliver in practice, they risk walking the plank, like Enron.

- There are of course reasons why companies need to invest in society - they make mistakes! The most common pitfalls to avoid, according to Schwartz & Gibb, (1999) are:

  - They fail to create a culture that tolerates disagreement. Non-financial risks are not taken seriously. It was mentioned that longevity of companies are directly related to the ability to radically and quickly change and embrace change as a normal business activity. Too many like-minded people are employed and mavericks ignored and worked out of the system as "non-conformists".
  - Focus is exclusively on financial performance measures;
  - They avoid criticism and only talk to people and information and source;
  - They allow other considerations such as financial, ethical and social to be left behind in the pursuit of a particular project or product; and
  - Senior management leaves ethical and social issues for others to handle.

- When considering these mistakes, it appears possible to turn corporate social responsibility into a core competency that will enhance shareholder value.

Nelson Mandela (as quoted by Schwartz & Gibb, 1999) said that development could no longer be regarded as just governments' responsibility. Partnership with the private sector, labour and other non-government organisations is required and there are many ways in which the special skills and know-how of the business community can assist with development objectives. The research clearly showed that an enormous penalty awaits the irresponsible and unscrupulous employer. Conversely, major benefit will befall the company who builds its credibility with its community.

- Contemplating the implications of corporate social responsibility on retrenchment, employers must realise that unemployment is not a matter that disappears after removing employees from the factory gate. Someone, somewhere, will need to feed those mouths. It is by recognising this and the awareness of the social and political implications of retrenchment and unemployment; that employers are requested to review their retrenchment policies and practices. Failing to accept this responsibility will remove the right of employers to bleat in the face of social unrest and excessive crime in their environment (Anstey, 1983).
- The researcher holds that corporate social responsibility is a notion that should materialise as an equally important organisational drive than making a profit, ensuring sustainable growth and access to global markets. To effectively achieve this, actions directed towards achieving the real value of corporate social investment should be manifest as a well entrenched corporate value. By saying this, the author means that organisational values pasted on walls of a head office that only talks about values, whereas the employees can barely remember what these values are, (let alone live the behaviors supporting those values), mean absolutely nothing. Corporate social responsibility should be an organisational value that is lived by *all* employees. In this way, and in this way alone, quantum leaps will be made instead of piecemeal achievements in this arena. This is the opposite of having a corporate social responsibility policy that is put in place so that glossy and impressive reports can be made available at the reception desk at the

entrance to the factory gates. This is reactive and false and will be exposed at the first incident that reeks of "covering our tracks in case it goes wrong." It cannot serve the purpose of keeping the NGO's off the front lawn of the head office and to mitigate the negative effects of capitalism.

- Not only must such policies be real, but they must also be articulated, acknowledged and understood sufficiently. Issues such as productivity gains, innovation and research, employment, large scale investments, human capital development and organisation must be included in such policies and communications. Where multi-nationals invest in developing countries, the contribution in terms of critical capital, technology, skills and other poverty alleviating mechanisms are real and valued.
- If companies fail to deploy corporate social responsibility as part of its core strategy, its corporate social responsibility may very well end up in the form of a nice ethics policy here, with a glossy but woolly report on sustainable development report there. This will cause a company to miss the quantum shifts in the socially driven business environment. The corporate social responsibility department should operate as part of corporate strategy to really work effectively.
- Society will be much more inclined to provide legitimacy to an organisation that it perceived to succeed in its mission of providing a product that they want, and doing it in a way that utilises resources efficiently in relation to other possible resources. This is a step further away from the traditional and boring speeches about shareholder value. These debates could range from balancing societal risks and rewards from new technologies, to ensuring that aid organisations and trade regimes successfully promote the development of poor regions (even internationally), to spearheading research into healthcare and retirement challenges.
- The key to successful corporate social responsibility as part of corporate strategy in a globalised economy is to invest wisely, and so maximise the value of investment in the community. The principle to follow is to identify where corporate giving should be focussed, and so create maximum impact

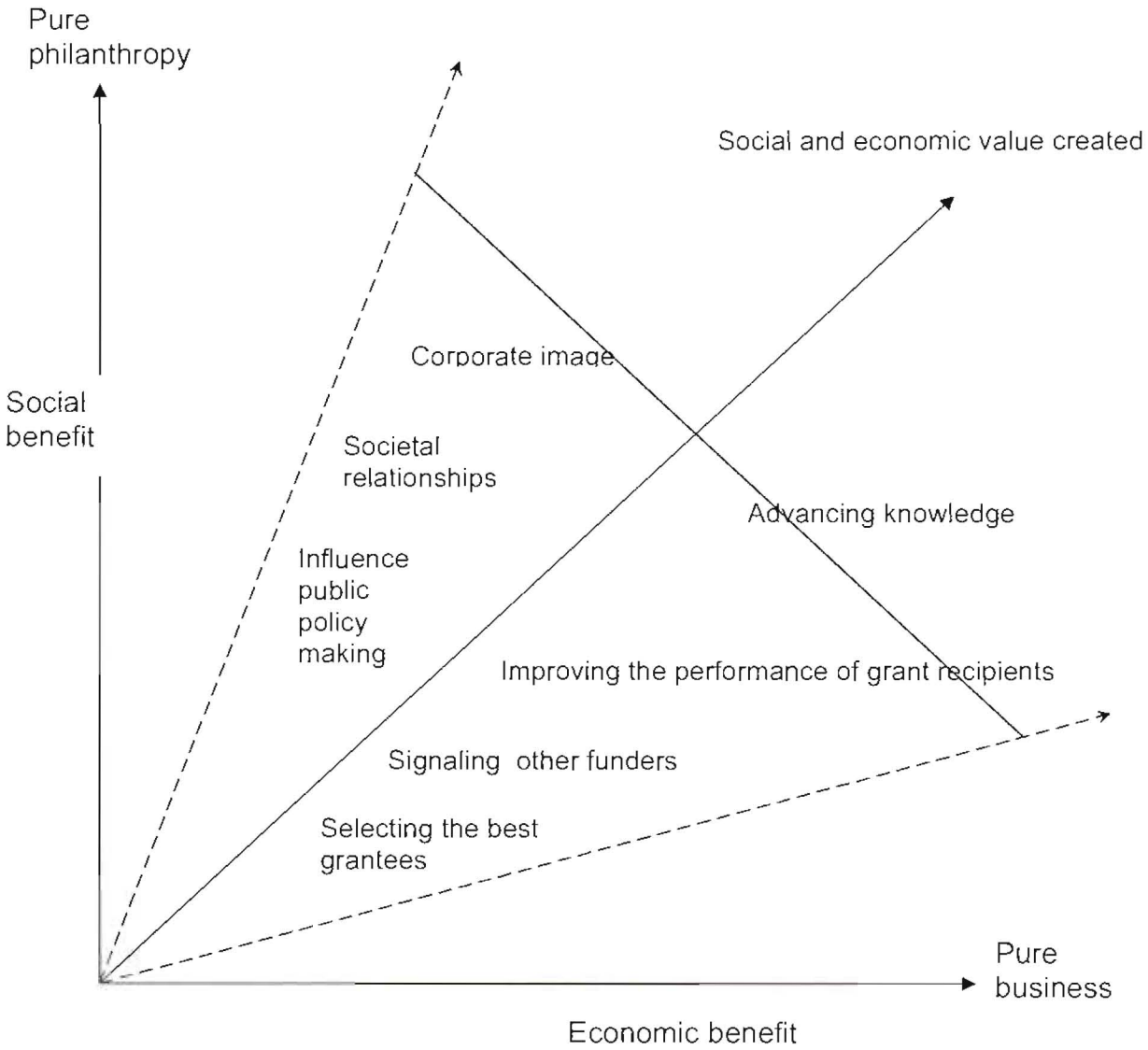
economically and socially speaking. Corporate giving or philanthropy should be designed and aligned with corporate strategy, and not be done piecemeal or unfocussed, according to Porter and Kramer (2003).

- Companies should use their charitable efforts to improve their competitive context (the quality of the business environment in which they operate), so aligning their social and economic goals. This vastly improves a company's long term prospects. This approach also helps organisations to leverage their capabilities and relationships in support of charitable causes, thus far exceeding the social benefits provided by individual donors, foundations or even governments. The message is therefore clear.
- Organisations should not practice their corporate social responsibility out of context with organisational strategy, leaving its social investment efforts as mere rationalisations of their contributions in public reports and the press.
- Corporate social responsibility can contribute significantly to a company's competitive advantage and long term sustainability. To fully exploit this, all the elements of corporate social responsibility must be considered when formulating corporate strategy.
- Smith (2003) indicates that companies must find ways to come up with a marriage between corporate philanthropy and strategy. This strategy can only work effectively if it is entrenched and well understood by all levels in the organization. There can be no misalignment and lost synergy. At the highest level, a fundamental understanding of the higher order purpose of a company should be evident. This means executives of a company will look to their board of directors and managers, take the time to hear community representatives and then choose a course of action carefully crafted to meet both their own needs and that of the community. This will happen despite an ambiguous world fraught with conflict. Then, action will come from deeply entrenched values.
- Beck and Cowan (2006) articulates this view in a phenomenal way through the explanation of spiral dynamics. He discusses the levels of humanity where change happens and relates true change to a concept of core intelligence,

where changes in how people think, naturally impact what people think and why they behave the way they do.

The following model illustrates this better:

Figure 52: Effectively using social investment.



Source: Adopted from Porter & Kramer (2003).

6.5.3 RECOMMENDATIONS FOR CORPORATE SOCIAL RESPONSIBILITY

The researcher recommends the following in terms of establishing a corporate social responsibility:

- Turn corporate social responsibility into a core competency that will enhance shareholder value. This can be done through training and the embedding of a corporate value (see specific recommendations in par. 6.6.3).
- Establish partnership with the private sector, labour and other non-government organisations. There are many ways in which the special skills and know-how of the business community can assist with development objectives.
- Review retrenchment policies and practices to reflect the value of corporate social responsibility.
- Policies must not only be real and anchored in corporate strategy and values, it must also be articulated, acknowledged and understood sufficiently.
- Davis (2005) adds this argument through the following three main issues that needs addressing at executive level:

  - Explicit processes and systems must be put in place that will ensure that emerging social issues are discussed at the highest level as part of strategic planning. Issues such as community crime and unemployment issues may then be addressed as far as the impact on the business is concerned. For example, health related issues may also surface, like the concerns of air pollution discussed at municipal level and how it affects the health of the community. By knowing about the possibly emerging social retaliation, companies can do well to invest timeously in new cleaner technology, rather than be reactive and defensive when it is too late.
  - The reality of big business is that it not only brings benefit, but also social costs. This reflects the notion of the social contract - the fact that in return for its ability to function, it is subject to rules and constraints. It

can become very difficult if business is perceived to have abused its power. Ways to deal with this could be more transparent reporting, shifts in research and development or asset re-organization to capture future requirements or shed perceived liabilities. The development of voluntary standards of behaviour will also go a long way in dealing with an ever changing social contract. There are voluntary memberships of associations that govern the activities of highly exposed businesses, like for example the International Cyanide Management Institute. Voluntary membership and passing of the audit for compliance opens up international opportunities for member companies. It also forces the "back yard mechanic" operators out of a business that cannot afford incidents. Conduct is therefore based on an industry wide and even global basis.

- Considering the massive influence of big business in society, the third issue at stake requires that business should shape the debate on social issues more much consciously. This should be done by establishing ever higher, but appropriate standards of integrity and transparency by becoming much more active in external and public debates on issues that shape the social context of business. These include things like having a say in the national debate on crime and unemployment. In this way, their influence on public policy and even regulations and laws can be increased.

- Companies should use their charitable efforts to improve their competitive context (the quality of the business environment in which they operate), so aligning their social and economic goals.

In the final analysis, it then seems that corporate social responsibility can become a reconciling mechanism between globalisation and anti-globalisation forces and government and self-regulation.

6.5.4 FINDINGS AND CONCLUSIONS FOR THE PREVENTION AND MITIGATING OF RETRENCHMENT AS PART OF ACTING IN A CORPORATE SOCIALLY RESPONSIBILIY MANNER

- The avoidance of retrenchment can be achieved through the entrenchment of corporate social responsibility as a corporate strategy, supported by a strong set of values.
- Corporate social responsibility can deal with retrenchment from a dualistic perspective, firstly as a prevention strategy and secondly as a mitigating strategy.
- If the lay-offs cannot be avoided anymore, retrenched employees need a lot of support. Enlightened companies, those who accept their social responsibility, will go out of their way to assist employees who are retrenched. Equating retrenchment to economic capital punishment is correct. Losing a job leads to all sorts of difficulties for an affected employee.
- Maintaining organisational effectiveness during retrenchment is crucial for the change intervention to have any chance of success. Productivity and effectiveness naturally go down during these traumatic events. In this research, it becomes very clear that the downsizing exercise may very well lead to a further bout of retrenchments in a desperate attempt to rescue the flailing business. To prevent this from happening, careful consideration must be given to remaining employees, as they are the ones who must see this change intervention through to success now. Wetlaufer (2003) mentioned that in downsizing and lay-off situations, companies who need their best employees to nurse the company back to a state of health are critical. The reality, however, is that many highly skilled employees already disengage at least on a mental level from the organisation and start to look for jobs elsewhere. Senior managers are also not immune against the fear and the anger brought about by retrenchment.
- Furthermore, a humane approach to retrenchment should be seen not only as meeting a legal requirement, but also as part of any company's corporate

social responsibility. Therefore, the conclusion is drawn that companies should not consider retrenchment that will merely improve their profits. It should be building capacity with its employees to endure the storms that will be coming from globalisation and only be considered when its survival is at stake.

- Managers involved in retrenchments often face continued dilemmas and paradoxes. Decisions made at senior levels have to be implemented that lead to delayering and increasing spans of control - ultimately meaning that fewer numbers of managers will be required in the long term. This is known as the "executioner victim" syndrome, according to Sahdev *et al.* (1999). They frequently suffer from the criticism that the tangible outcomes of downsizing did not materialise, a situation described as "management battle won by the survivors". They frequently suffer from being unclear about their roles and responsibilities and from a lack of training in managing significant personal and organisation transitions.

6.5.5 RECOMMENDATIONS

The following guidelines can be considered in minimising or avoiding retrenchments altogether:

6.5.5.1 PREVENTION STRATEGY

- Communicate regularly with employees and unions on the status of the enterprise. By doing so, employees and unions would be in a position to establish the progress and profitability of the enterprise on an ongoing basis. The logic behind this would be that employees could establish when profitability is suffering and therefore be able to contribute themselves by improving productivity and working smarter by their own accord. This could lead to the abortion of the need to retrench;

- The adoption of open and honest communication as a company value and upholding the integrity of such a value from the top management could be a useful tool in this regard. Unions should theoretically then also adopt a different attitude towards their traditional crippling wage negotiations and subsequent industrial action. A spirit and atmosphere of trust may likewise be fostered with this approach, leading to lots of credibility when retrenchments are imminent;
- Establish and nurture a climate of continuous change. Employees in a learning organisation would be in a better position to manage change and a spirit of growth may prevail. The pride in such an organisation may contribute to profitability and lessen the need for retrenchment.
- Continued critical evaluation of company performance in the spirit of continuous improvement. This will avoid the trap of complacency (Kotter, 1996). Create assimilative capacity for employees - the opportunity and time to think and get creative. Design an organisation that allows time for creativity and thinking;
- Continued assessment of staffing levels with a view to benchmarking value creation. Practically spoken, the researcher means do not over exert employees with useless activities; rather establish what brings value to the organisation instead of generating useless reports;
- Retrenchments should be viewed as the final resort and only be pursued once all possible alternatives have been fully exhausted. This will in any event be the paradigm of an enterprise that accepts its social responsibilities;
- Develop a business model that enables accurate forecasting. A pro-active approach may very well lead to a style of management where foreseen retrenchments can be managed to the minimum by timely adjustment of the business strategy;
- Develop a culture of responsibility and ethics amongst employees. By cultivating and nurturing a culture with an entrepreneurial spirit, companies are already equipping employees with life skills to take care of themselves when

retrenchments become imminent. This is the reality of business in the new South Africa;

- Considering the vulnerability of employees through the violation of the social contract between employers and employees, managers will do well to involve employees in upfront and continuous comprehensive workforce planning. This means managers do not consider the employees as a stakeholder that is predicted to sabotage radical change interventions such as retrenchment, but consider them as an actual variable that can be optimised and so prevent such radical actions as retrenchment. This may eliminate the negative effects that are brought about by the knee jerk reactions to radical change, leading to a decline in organisational effectiveness. Rumours of lay-offs may therefore already contribute to the cause of a downsizing through the reduction of employee morale and fears (Greenhalgh, 1982);
- Downsizing begets more downsizing, according to Cascio (1993). Ongoing staff reductions become etched in corporate culture, even in companies with exemplary performance. To counteract these warnings, entrench the value of continuous improvement, as it may eliminate the need for radical corporate restructuring that could lead to retrenchment. Research also indicated that, amongst companies with similar growth rates, those that did not downsize consistently outperformed those that did;
- Develop and nurture a culture that sees employees as a source of strategic advantage, not as a cost that needs to be minimised. Research has shown that companies with this view continuously and consistently outperform their rivals;
- Create a fundamental understanding and management paradigm that the only real competitive advantage that companies have, are its people and how they are managed;
- Ensure that in the psychological contract, employees understand that the fundamentals of job security have changed. This is important from the perspective that talks about teamwork, empowerment, investment in people, etc. is seen as a sham without a reciprocal commitment by management to

long-term security. This is adequately portrayed by Paige (2001) when she discusses the emergence of a new "moral" contract, where employees commit to engage in a process of lifelong learning, commensurate with a company undertaking to ensure not the dependence on employment security, but the freedom of each employee's employability and hence his self-determination. This does require courage on behalf of employees;

- In the human resource strategic planning function, as well as the translation thereof into action, a deep understanding of the shift between the power balance of employers and employees is critical. In the information age, employees are no longer these indentured servants; they are becoming the owners of the means to production knowledge and information and therefore have the means to competitive advantage. Selection and recruitment policies must reflect this reality, possibly leading to the avoidance of cutting out the "dead wood" later on.

6.5.5.2 MITIGATING STRATEGY

The following suggestions could be considered for affected employees on how to deal with being retrenched:

- Retrenchment is not a negative reflection on the individual, but has to do only with the terms and conditions of the employment contract;
- Psychologists should be able to assist in coming to terms with the situation;
- Develop an understanding that the decision to retrench was made very seriously and that all implications were first considered by management;
- Being selected is more a reflection of the group performance, and not the individual;
- Being retrenched is not a reflection of your abilities or skills;
- Acknowledge the fact that retrenchment took place – denial towards the family will only cause internalised aggravation;

- Be honest in the communication with family and friends and use their support and possible suggestions on how to deal with the situation;
- Devise a realistic budget, ensure that spending of the severance package is done wisely and avoid "get rich quick" investment schemes;
- Use the still existing network of contacts and be pro-active in finding alternative employment;
- Avoid getting despondent if things are not happening fast enough for you and persevere. Most companies take some time to work through their employment processes;
- Rather consider exercise than taking prescription drugs to assist in dealing with the situation and avoid alcohol abuse; and
- Don't live in the past - you need to move on with your life and work on rebuilding your career.
- Offering equitable severance packages. This may include ongoing medical insurance for a specified time. This is of outmost importance, especially in South Africa with high unemployment figures and low possibilities of alternative employment. Frankl (1975) notes that hopelessness and despondency has serious implications for the health of a person. This is so because of the loss of a goal to live for;
- Contacting other employers on behalf of retrenched workers. This will certainly lean a lot of credibility to the job seeker, as all doubt will be removed from the potential new employers;
- Giving time off to attend interviews at alternative employers;
- Providing facilities to potential employers to conduct interviews on site;
- Assisting employees with payouts from insurance companies and offering sound investment advice;
- Assisting in compiling curriculum vitae to assist in finding alternative employment;
- Providing redundancy counselling to employees. This will enable employees to maintain their senses of self-worth and persist in maintaining an optimistic approach to life;

- Ensure that the morale of the remaining employees and potential retrenchees are kept up, although this may be very difficult in South Africa. This is purely so because of the high current unemployment rate;
- All actions should be designed to maintain productivity, avoid any union organisational drives, avoid sabotage, lessen the shock to affected employees and most importantly, lessen any possibility for legal claims by strictly adhering to the requirements of the Labour Relations Act (Act 66 of 1995);
- Empower retrenchees by offering assistance in the setting up of their own businesses. Initial financing and the payment of marketing, financial and skills training, accompanied by some hand-holding while the paradigm shift from the employee mentality to the employer mentality takes place. As an example, Sasol Polymers have engaged with an "owner-driver" scheme in the transport department and offered secure contracts for former employees to get their businesses embedded. The South African Breweries project NOAH jumps to mind as an incredible success story of empowering employees to run their own businesses; and
- Ensure that whatever a retrenched employee needs before he/she goes (within reason) is available to him/her. This is not the time to be harassing him/her with short pay, incomplete personnel records, the unavailability of someone in a senior position to talk to, etc. He/she will need the FULL support of the personnel administration function at this time.

The impact of retrenchment on remaining employees could go a long way in ensuring that the business recovers from such a traumatic intervention. The following is recommended for remaining employees:

- Avoid allocating too much work to employees – this will only serve to further demoralise them;
- Offer support for the loss of work-related friends and social contacts;

- Focus strongly on team building and ensure more participation by the employees;
- Communicate in a brutally honest manner. Employees should never second-guess where the company is going. Knowing what is going on will go a long way in empowering employees. This will also foster a spirit of free and unhindered contributions to new ways of running the business and avoid similar situations.
- Ensure that the "employability" of all employees is addressed through a proper training needs analysis. Then allow this training to take place!! This will not only build morale, but also empower employees to take future downsizings in their stride.
- Employ a motivational speaker who could assist in boosting morale and productivity.
- Officially revise their personal compacts, defining new terms and persuading employees to accept it. Strebel (1996) speaks specifically in this regard about the implicit or psychological dimension of the personal compact. This compact relates to aspects of the employment relationship and includes issues such as mutual expectation and reciprocal commitment. This dimension underpins an employee's personal commitment to individual and company commitments.
- Encourage employees to see through the changes. Jumping ship is a natural response to the insecurity that they are feeling. This is particularly true if remaining employees have to face the reality of a merger or acquisition that caused the retrenchment. Reinforce the fact that their skills are vital to the success of the organisation. This message must be delivered privately and in person.
- Remaining employees may feel insecure about the financial position of the company. Offer "stay" bonuses. If a section of a company is closing, but it still needs personnel to wind it down, offer these incentives so that they can help see the change through.

- Link the remaining employees with the new strategy of the organisation so that they become part of the solution.
- Engage in team building so that new teams in new structures can get to a point of synergy quicker. This also helps in forging new relationships that will emerge after the downsizing.
- Avoid using temporary staff to fill in the voids - this will no doubt totally destroy the credibility of the downsizing exercise and reduce productivity even more.
- Communicate, communicate and communicate!

Managers are as much part of the business as the employees and hence a corporate socially responsible mindset will ensure that the impact on managers are also minimised. For remaining managers, the following is recommended:

- Be aware of increased workloads and responsibilities that results from restructuring. Ensure that only value added activities are kept and added.
- Ensure that new career paths are also carved out, else opportunities will be perceived to be dwindling, leaving a demoralised management team.
- Be aware of "presenteeism" where managers attempt to demonstrate their commitment to the organisation by being present at work, without any effectiveness.
- Train managers in the skills of radical change.

6.6 CHAPTER 5: SPECIFIC FINDINGS AND RECOMMENDATIONS

6.6.1 SUMMARY

In chapter 5, all the empirical research was conducted with the aim of testing the research objectives and questions to address the problem statement. The research design was discussed and the approach explained.

The statistical method to be used was discussed and explained. The chapter was divided into sections in the same way as the thesis as a whole, with specific sections relating to specific chapters in the thesis.

The specific findings from the research in support of the above findings that arose from the literature review are described hereunder.

6.6.2 CHAPTER 5 - SPECIFIC FINDINGS AND CONCLUSIONS

In this section, specific findings in the chemical industry in the Vaal Triangle that emanated will be discussed.

- Research problems 1 and 2 and research objective 3 in chapter 1 and 5 are answered through the finding that the chemical industry in the Vaal Triangle does not see itself fully as a global player yet. The implications are that the business cannot think global, but act local to the full extent that it should. This will lead to misinterpreting the impact that globalisation has on the business and could pose problems for its long term sustainability in the face of increased competition.
- Despite this problem, the empirical findings indicated that the need to become competitive is a priority for this business, commensurate with the need to

attract and retain talent. Indications are also that this company is concerned about the "brain drain."

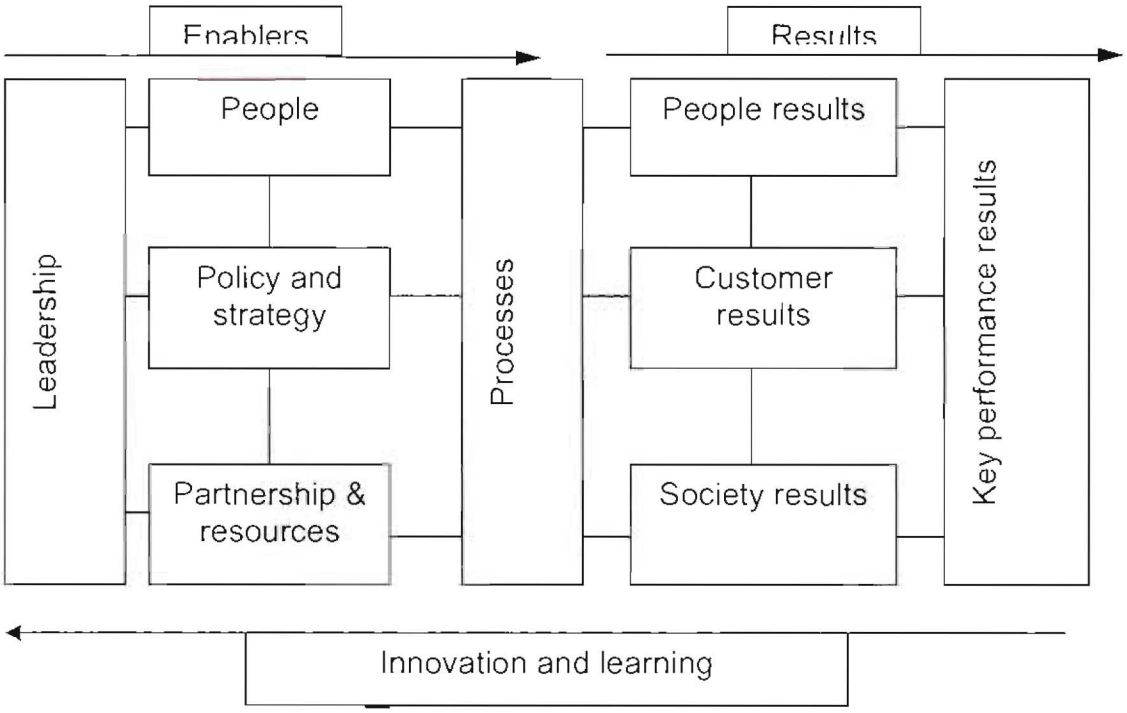
- Employees are seen to be critical to the business' sustainable profitability, but the empirical findings indicated that employees are relatively unaware of the role that they play in the global strategy of this business. This is a concern, as efforts are not aligned with the growth impetus of this company (see research question and objective 2 and research problem 1).
- The business alienates and delegates the function of corporate social responsibility. Research problem 3 and objective 2 are addressed with this finding.
- The business sees retrenchment as a legal complaint effort, not as a value. This finding is espoused in the finding that corporate social responsibility is relegated to a department (see research problem and question 3).
- Research problem and questions 4 and research question 3 in chapter 1 and 5 relating to misunderstanding the concept of corporate social responsibility is addressed by the empirical findings that indicate that the strongest dimension of corporate social responsibility is enacted through profitability and legal compliance. This finding confirms the propensity to not understand corporate social responsibility as going beyond mere legal compliance.
- The business does not see globalisation as a threat to its employment levels, stating that job security remains unchanged, despite increased competition. This indicates to the researcher that the company is levering its technological lead as one of its key strategic advantages, and not its employees. This also tells the researcher that the business has not yet *entrenched* the notion that employees is the most critical element in sustainable competitiveness as part of its value system. It is only spoken about because it sounds right (see research objective 3).
- The company does not have a propensity to retrench employees, but to seek alternatives. In this context, it bodes well for attracting and retaining talent.

- The business does not believe that retrenchment is a good intervention to sustain profitability, and is confirmed with the finding that retrenchment is seldom contemplated as a viable intervention.
- The business case of corporate social responsibility is clear to the business, but as it manifests in profitability and safety. This is again indicative of the misunderstanding of the role that managers play in corporate social responsibility (see research objective and question 4).
- The business stands luke-warm towards unemployment and crime as the most burning social ills of its society (see research objective 4).
- The business reported that corporate social responsibility is neither a value nor a culture. The relegation of the function to a department confirms this finding and the research objective in this regard answered accordingly (see research question 2).
- This research problem 2 is solved by the confirmation in the empirical findings that retrenching employees is seen as a legal compliant issue, not a corporate social responsibility.
- From the research, it was evident that the company in which the research was conducted, that corporate social responsibility is not an entrenched value (see research problem 4).
- Not only is corporate social responsibility being relegated to the public affairs department, but its definition and scope is vague and isolated. It goes further: one third of managers indicated that corporate social responsibility is neither a culture nor a value in this company. The researcher argues that, unless corporate social responsibility is understood by all in the full business context and entrenched as a corporate value by all employees, this important driver of sustainable profitability and growth runs the risk of getting isolated as just another business function. In the words of Beck & Cowan (2006):" Like migrating tectonic plates, several core ways of thinking-paradigms, if you will - are grinding against each other. Ancient tribal and ethnic sores are belching fire while transnational companies linked by satellites conduct their business above".

- The importance of embedded values is echoed by Barrett (2006) when he states that organizations can only transform through leaders who can create a values-based world. It is about walking the walk, and not just talking the talk (see research objective 2 and research problem 4).

The following model could help in understanding the role that leaders play in this respect:

Figure 53: A model for excellence



Adopted from Barrett (2006).

The following describes how the model translates practically in the way we entrench values:

- Leadership and constancy of purpose;
- People development and involvement;
- Partnership development;

- Management by process and facts;
- Customer focus;
- Society focus - corporate social responsibility and sustainable development; and
- Results orientation.

6.6.3 SPECIFIC RECOMMENDATIONS

The researcher specifically recommends the following:

- Step 1: Incorporate and embed social responsibility in a more explicit manner in the company values statement.
- Step 2: Create profound understanding of the role of corporate social responsibility through the added value of each employee. This process must be driven by visible felt leadership in the organization.
- Step 3: Once a certain level of awareness of the context of corporate social responsibility is achieved, incorporate all relevant corporate social responsibility issues into the company strategy. This can only happen through engaging with strategic conversation in a deep manner in the organization so that management understand the scope and concept.
- Step 4: Roll out the strategy in a manner that it is understood at the lowest level and so that individual contributions are clearly understood in the context of the whole.
- Step 5: Align organizational processes to support the strategy.

Through the above study, it is clear that the primary research objective was reached through the conclusion that retrenchment does not feature prominently as a dimension of corporate social responsibility in a chemical industry in the Vaal Triangle. The secondary objectives were also met through the specific findings in this section.

6.7 PROBLEMS EXPERIENCED DURING THE STUDY

The use of a web-based questionnaire, despite its obvious benefits of effectiveness and efficiency, does cause problems from time to time. Hewson *et al.* (2003) highlights the methodological problems that can be incurred, such as an unwillingness to participate, the reduced interaction with the researcher, etc. However, major advantages of using the internet according to Neuman (2006) are as follows:

- It is very fast and cost effective;
- It allows for flexibility in design and can incorporate visual images;
- The elimination of paper and data entry costs; and
- It reduces the time necessary for respondents to complete the survey. They need not worry about mailing it back, whether it arrived safely with the researcher, etc.

The disadvantages, however, are according to Neuman (2006):

- Coverage, where respondents do not have access to e-mail or the web, making sampling problems formidable;
- Protection of respondent identities; and
- The complexity of the design. This in essence relates to the compatibility of various web software and hardware combinations for different respondents.

Hewson *et al.* (2003) and Neuman (2006) warns against incompatible web browsers and other hardware and software architectural problems and describes the risk that a study with HTML pages designed with one particular browser for the prototyping platform, can incur vastly different behaviours when viewed form an alternative browser. During the pilot study, the web-based survey was tested extensively and proved to work successfully, but with the main study, anomalies in web browser settings of respondents in different business units of the research industry became

apparent. Numerous respondents reported that upon pressing the "send" button, an error message appeared and all data was lost. To counteract this problem, special access to the main intranet was provided.

Despite this solution, the researcher experienced grave difficulty, as severe time constraints and the time required to complete the questionnaire prevented respondents to redo the survey. This message was conveyed to the researcher, but unfortunately these responses to the survey were lost.

The researcher intended to produce the questionnaire both in Afrikaans and English, but the data base technology used in the construction of a web-based survey document did not allow this. Secondly, it was accepted that the business language of the industry being researched is officially acknowledged as English. The questionnaire was therefore constructed and completed in English only.

Secondly, by the nature of the levels of respondents (see par. 1.5.3, research design in chapter 1 and par 5.4.4, study terrain, chapter 5), the respondents were extremely busy, and hence it proved difficult to obtain a higher response percentage. This was despite the collaboration and exertion of pressure on respondents through key strategic functions (for e.g. the corporate affairs department), and providing extension for completion on more than one occasion. The thorough explanation of the value of the research and how it could benefit the respondents possibly contributed to raising the response percentage, but it is not possible to explain to what extent this helped.

During the pilot study, after interviewing respondents who agreed to participate in the pilot study, very few actually participated eventually. All these difficulties were ascribed to not having time.

Thirdly, the researcher contemplated to extend the research to lower levels in the organisation, but the cognitive interviewing that was done prior to compiling the study population indicated that these levels were too disempowered in the context of the

research topic to effectively participate in the research. The actual response numbers may have been higher, but even so it would have been questionable if the numbers expressed as a percentage of total respondents would have been higher. The answers obtained in the cognitive interview findings indicated that participation regardless of the level of empowerment may have skewed the value of the results.

This research can be extended to test the results in lower levels of the organisation, but the researcher feels that the context should be modified to reflect the impact at operational level, and not a strategic level as was the case in this thesis.

A lot of research has been done on globalisation and its effects on South Africa and the suggestions, although far from being complete, should serve as yet another step in the right direction to address the growing monster lurking in the shadows of retrenchments and unemployment. It has become evident through this study that a clear relationship exists between change, globalisation, retrenchment and the corporate social responsibility following in its wake.

6.8 SUGGESTIONS FOR FUTURE RESEARCH

Further empirical and/or literature research is required in the following areas to quantify and further qualify the findings made herein:

- Quantitative trends in the association of downsizing with global change patterns;
- The changing nature of South African business in terms of global corporate social responsibility;
- Affirmative action, global competitiveness and productivity - what are the driving forces behind South Africa's deteriorating competitiveness rankings?
- Qualitative and quantitative trends in the circular relationship of crime, unemployment and investor confidence; and

- Education, training, skills development and practical competence in South Africa with a view to the challenges of globalisation, amongst other things.
- The real driving forces behind the loss of skilled labour and frightening dynamics behind the brain drain.

6.9 CLOSING REMARKS

The researcher set out to establish that easy answers do not exist for the many anomalies faced by our country as set out in the objectives of this study. Unemployment and the need for job creation go hand in hand with retaining employment levels. Globalisation poses many opportunities, but also numerous threats.

The amendments to the Labour Relations Act (Act 66 of 1995) give a clear indication of the concern facing the South African government. COSATU, in almost a desperate attempt to provide a wake up call to the government, influenced the government to at least provide some form of protection against job losses. These changes were echoed in the sections of the Act that deal with mass retrenchment, but it still does not reflect any creative methods to create and retain jobs and improve productivity and competitiveness. Affirmative action, despite the extreme urgency to redress historical injustices, will not assist in improving competitiveness, however convincingly we try to justify it. The timing simply is not right and we need to build a competitive base to create and retain jobs first.

The researcher firmly believes that retrenchment is a corporate crime to be prevented as far as possible, and it can be if the correct values and understanding of the impact on our society is understood from the perspective of corporate social responsibility. The cost to the employer, the employees and the community in a country struggling with enormous unemployment and rampant crime is also too high in comparison to the mediocre and short-term gains made through retrenchment. In the final analysis, retrenchment is the ultimate manifestation of corporate failure,

economically and socially speaking. Employees have a major contribution to make in averting the need for retrenchment, but we are miles away from making a paradigm shift towards reaching a dream, which the author prefers to equate in a positive manner to the "American Dream." We should first rid ourselves of the culture of entitlement and build one of responsibility for our own destiny. South Africa has the talent to make something out of this country, as long as there is something to believe in.

The debate continues – neo-liberalism or more state intervention? Should the Asian model or another be followed? Where is the relationship between COSATU, the government and the SACP heading and how will this materialise in the employment realm? How does this relationship affect the social expectations of the ANC constituency? How is the role of big business in society changing?

In closing, the corporate world seriously needs a rock hard commitment to preserve their production factors, the least of which should not be its human capital. Waterman (1994) said one of the things that makes top performing companies better, is that they are better organised to meet the needs of their people, so that talent can be attracted and people greatly motivated to do a superior job. The traditional business model that upholds the notion that a company's financiers are its owners, and employees are treated as assets and recorded is redundant in the knowledge economy. Companies will find that in the knowledge economy, good business is community of people, not a piece of property. According to Handy (2003), a business with a purpose considers itself a wealth creating community consisting of members with certain rights, causing the members to treat one another as valuable partners that take responsibility for telling the truth. These communities can do massive repair to the image of industry by insisting that its purpose is not just profit, but making profit in order to do something better. The measurement of success then changes to measuring success in terms of the outcomes for others as well as for ourselves.

Venter, Grosset and Hill (2006) summarise the challenges faced by South Africa very accurately when they state that South Africa's biggest labour market problem is unemployment, with consequences like increased poverty, escalating crime rates and homelessness. The poor economic performance that resulted in the shedding of more jobs, commensurate with the impact of globalisation and the perceived need of employers to downsize to become and remain competitive in the global market, loss of highly skilled employees to brain drain, surplus of unskilled workers, etc. all contribute to the challenge of unemployment. These challenges must be faced directly if we are at all to survive in this ever increasing competitive global market.

Within the boundaries of this thesis, it became clear that a lot of variables contribute to the competitiveness in industry, and these variables ultimately contribute to the national level of competitiveness of our country. There can be no doubt that these issues are contemporary and companies can no longer afford not to think about it and act accordingly. It is clear that, to become and remain competitive in an increasingly globalised economy, an industry has no choice but to take cognisance of issues brought about by globalisation and to formulate, align and implement corporate strategy with a view to mustering the correct energy and synergy to take on the giants of the world and survive.

Throughout this process, corporate social responsibility is becoming an increasingly meaningful tool to accomplish the higher calling of industry and also to become more competitive. The beneficiation and criticality for survival of corporate social responsibility are therefore mutually inclusive concepts.

We should protect the human resource element through training and development in order to remain value adding factors in any company. By acknowledging current and potential employees as valuable assets in any company's value system and cultivating and nurturing a culture of responsibility to all its stakeholders, the South African dream may become a reality. After all, we all are humans sent to the planet to live for a higher purpose – to glorify God in all we do with love for each other.

REFERENCES

Acts *see* South Africa.

Allen, T. D., Freeman, D. M., Russel, J. E. A., Reizenstein, R. C., & Rents, J. O. (2001). Survivor reactions to organizational downsizing: Does time ease the pain? *Journal of Occupational & Organizational Psychology, 74(2),* 145. Retrieved January 16, 2003, from EBSCOHost: Academic Search Premier database.

Amburgey, B. H. (2002, Mar.). The economy-crime rate connection and its effects on DPA caseloads: Does crime pay when the market doesn't? *The Advocate: electronic version. Journal of Criminal Justice Education & Research.* Retrieved Apr.11, 2003. http://dpa.state.ky.us/library/advocate/mar02/tocframe.html

Anderson, F., & Van Wyk, J. (2002). *Labour law in action: A hands-on guide to the LRA.* Cape Town: Maskew Miller Longman.

Anderson, J. W. (1989). *Corporate social responsibility: Guidelines for top management.* Westport, Conn.: Greenwood Press.

Anstey, M. (1983, Feb.). Redundancies: Unemployment & responsibility in S.A. *Manpower Journal,* pp. 13-27.

Apgar, M. (1998). The alternative workplace: Changing where and how people work. *Harvard Business Review, 76(3),* 121-136.

Appelbaum, R. P. (1970). *Theories of social change.* Boston, Mass.: Houghton Mifflin.

Ary, D., Jacobs, L. C., & Razavieh, A. (1996). *Introduction to research in education* (5th ed.). Fort Worth, Tex: Harcourt Brace.

Auvergnon, P. (2006). Some lessons drawn from a comparative approach to the issue of the effectiveness of labour law. *Managerial Law, 48(3),* 288-302.

Baghai, M., Coley, S., & White, D. (1999*). The alchemy of growth.* London: Orion.

Bak, N. (2004*). Completing your thesis.* Pretoria: Van Schaik

Barker, F. (2002). *The South African labour market. Critical issues for renaissance* (3rd ed.). Pretoria: Van Schaik.

Barnard, A. L., & Rothman, S. (1990). *Poswaardering en vergoedings= administrasie.* Potchefstroom: Wesvalia.

Barrett, R. E. (2006). *Building a values-driven organization: A whole systems approach to cultural transformation.* Oxford: Elsevier.

Basson, A., Christianson, M., Garbers, C., Le Roux, P. A. K., Mischke, C., & Strydom, E. M. L. (1998). *Essential labour law.* Cape Town: Labour Law Publications.

Beck, D. E., & Cowan, C. C. (2006). *Spiral dynamics.* Oxford: Blackwell Publishing.

Beetge, M. (1995). *Die uitwerking van tegnologiese verandering op arbeidsverhoudinge.* Unpublished Hons BA dissertation. Vanderbijlpark: Potchefstroom University for Christian Higher Education.

Benchmarker Index allows transparency. (2002, July 16). *Personnel Today,* p. 4.

Bendix, S. (1989). *Industrial relations in South Africa.* Kenwyn: Juta.

Bendix, S. (2000). *The basics of labour relations.* Kenwyn: Juta.

Bendix, S. (2001*). Industrial relations in South Africa* (4th ed.). Landsdowne: Juta.

Bennet, G. (2003, Apr. 21). JSE backs "triple bottom line" reporting. *The Citizen,* p. 15.

Bennet, K., & Bennet, A. (2002). People have lost faith. *Maclean's, 15(35),* 42.

Berg, B. L. (2004). *Qualitative research methods for the social sciences* (5th ed.). Boston, Mass.: Allyn & Bacon.

Bezuidenhout, M. C., Garbers, C. J., & Potgieter, S. (1998). *Managing for healthy labour relations: A practical guide for health services in South Africa.* Pretoria: Van Schaik.

Blaikie, N. (2004). *Designing social research.* Malden, Mass.: Blackwell Publishing.

Blair, M. E., Bugg-Levine, A. J., & Rippen, T. M. (2004). The UN's role in corporate social responsibility. *The McKinsey Quarterly, 4,* 21-23.

Blanchard, K. (2007). *Leading at a higher level.* Upper Saddle River, N.J.: Prentice Hall.

Body of evidence. (2002, Oct. 22). *Personnel Today*, p. 27. (9 p.). Retrieved April 14, 2003, from EBSCOHost: Business Source Corporate database.

Bond, C. (1998). S. Africa's mining towns fight for survival. Retrieved April 8, 2002, from http://europe.cnn.com/WORLD/9803/17/s.africa.gold/.

Bond, P. (2001). Pretoria's perspective on globalization: A critique. *Politikon, 28(1),* 81-94.

Bonini, S. M. J., Mendonca, L. T., & Oppenheim, J. M. (2006). When social issues become strategic. *The Mckinsey Quarterly, 2,* 20-31.

Borucki, C., & Barnett, C. K. (1990). Restructuring for self-renewal. *Academy of Management Executive, 4(1),* 36-49.

Boveé, C. L., Thill, J. V., Wood, M. B., & Dovel, G. P. (1993). *Management* (International ed.). New York: McGraw-Hill.

Brace, I. (2004). *Questionnaire design: How to plan, structure and write survey material for effective market research.* London: Kogan Page.

Brand, J., Lötter, C., Mischke, C., & Steadman, F. (1997). *Labour dispute resolution.* Kenwyn: Juta.

Brandt, J. R. (2002, May). Downsizing dos and don'ts. *Industry Week, 251(4),* 19.

Bridges, S. (2003, Apr. 30). Rand's gains threaten gold sector jobs. *Business Day.* Retrieved April 30, 2003, from http://www.busrep.co.za/index.php?fArticleId=138467.

Brown, J. (2003, Apr. 30). DRD to restructure, looks to Australasia. *Business Day.* Retrieved April 30, 2003, from http://wwwdday.co.za/dday/content/direct/1,3523,2335386-6078-0,00.html.

Brown, P., Green, A., & Lauder, H. (2001). *High skills - globalization, competitiveness and skill formation.* New York: Oxford University Press.

Burke, E. M. (1999). *Corporate community relations: The principle of the neighbour of choice.* Westport, Conn.: Greenwood Publishing

Burnes, B. (2000). *Managing change* (3rd ed.). Essex: Pearson.

Business Monitor International. (2000). *South Africa 2000.* Annual report on government, economy, the business environment, capital markets and industry, with forecasts through end-2002. Business Monitor International.

Calitz, P. (1996). *Werknemersdeelname in die praktisering van arbeidsverhoudinge.* Unpublished PhD thesis. Vanderbijlpark: Potchefstroom University for Christian Higher Education.

Cannon, T. (1994). *Corporate responsibility.* London: Prentice Hall.

Carrol, A. B., & Buchholz, A. K. (2000). *Business and society: Ethics and stakeholder management* (4th ed.). Mason, Ohio: South-Western College Publishing.

Cascio, W. F. (1993). Downsizing: what do we know? What have we learned? *Academy of Management Executive, 7(1):* 95-104.

Central Intelligence Agency World Fact Book, 2003. (n.d.). Retrieved March 12, 2004: http://www.cia.gov/cia/publications/factbook/rankorder/2129rank.html.

Chakraborty, S. K., Kurien, V., Singh, J., Athreya, M., Maira, A., Aga, A., & Gupta, A. K. (2004). Management paradigms beyond profit maximization. *Vikalpa:The Journal for Decision Makers, 29(3),* 97-117.

Checa, N., Maguire, J., & Barbey, J. (2004). The new world disorder. In *Harvard Business Review on Leadership in a Changed World* (pp. 47-69). Boston, Mass: Harvard Business School Publishing Corporation.

Chero, F. (2002). *African renaissance: Roadmaps to the challenge of globalization.* Cape Town: David Philip.

Cicourel, A. V. (2004). Fixed-choice questionnaires. In M. Bulmer (Ed.), *Questionnaires* (pp. 307-320). London: Sage.

Clutterbuck, D., Dearlove, D., & Snow, D. (1992). *Actions speak louder* (2nd ed.). London: Kogan Page.

Cohen, J. (1988). *Statistical power analysis for the behaviour sciences* (2nd ed.). Hillsdale, N.J.: Erlbaum.

Cohn, J. M., Khurana, R., & Reeves, L. (2005). Growing talent as if your business depended on it. *Harvard Business Review, 83(10)*, 62-70.

Confusing compensation: Relief for unfairly dismissed employees. (2002, Apr.). *Employment Law, 18(2),* 4-10.

Cooke, S. (2003). Who cares wins? *Management Today,* pp. 40-48. Retrieved April 14, 2003, from EBSCOHost: Business Source Corporate database.

Cooper, S. (2004). *Corporate social performance: A stakeholder approach.* Hants, UK: Ashgate.

Coser, L. A. (1956). *The functions of social conflict.* New York: MacMillan.

Council of South African Trade Unions. (1998). Creating jobs in South Africa: Key issues and strategies. *Labour input to Presidential Jobs Summit.* Retrieved April 8, 2002, from the COSATU Web site: http://www.cosatu.org.za/doc/jobs-ned.html

Covey, S. (2001, Nov. 8). Four roles of a leader. In *The new leadership challenge: Teaming principles with practices in a time of change: The sixth Annual Worldwide Lessons in Leadership Series. Video-conference held at the PU for CHE* (pp. 140-144). Vanderbjilpark.

Cross, L. (2001). Downsizing: Are employers reneging on their social promise? *CPCU Journal, 54(2),* 112. Retrieved January 16, 2003, from EBSCOHost: Academic Search Premier Database.

Croucamp, M. (2007). Chemical industry faces skills meltdown. *Solidarity, 3,* 64.

Cummins, T. G., & Worley, C. G. (2001). *Organizational development and change* (7th ed.). Mason, Ohio: South-Western College Publishing.

Cummins, T. G., & Worley, C. G. (2005). *Organizational development and change* (8th ed.). Mason, Ohio: South-Western College Publishing.

Curtis, R. L. (1989). Cutbacks, management, and human relations: Meanings for organisational theory and research. *Human Relations, 42(8),* 671-689.

Dahrendorf, R. (1976). *Class and class conflict in industrial society.* London: Routledge & Kegan Paul.

Davis, I. (2005). What is the business of business? *The McKinsey Quarterly, 3,* 105-113.

Davis, S., & Meyer, C. (1998). *Blur the speed of change in the connected economy.* Reading, Mass.: Perseus Books.

De Geus, A. (1997). The living company. *Harvard Business Review, 75(2),* 51-59.

Dekker, L. D. (1999). *The search for competitiveness in South Africa.* Randburg: Knowledge Resources.

De Kock, A., Benjamin, P., & Thompson, C. (2006). Unfair dismissal: the operational requirements dismissal. *South African Labour Law, 48, (AA1:463-520).*

De Kock, L. 1997. *Personeelvermindering binne ondernemingsverband: 'n verkennende studie.* Unpublished Master's dissertation. Vanderbijlpark: Potchefstroom University for Christian Higher Education.

Djelic, M., & Quack, S. (2003). Conclusion: Globalization as a double process of institutional change and institution building. In M. Djelic, & S. Quack, S. (Eds.),

Globalization and institutions (pp. 302-333). Cheltenham, UK: Edward Elgar Publishing.

Downsizing: Lessons learned. (2001, Apr.). *Association Management, 53(4),* 26-28.

Drucker, P. (1997). Looking ahead: Implications of the present. *Harvard Business Review,* 75(5), 18-32.

Du Plessis, R., & Van Wyk, C. de W. (1992). Cave emptor: The duty to disclose information to employees in a transfer, take-over or merger. *De Rebus,* pp. 269-271.

Du Plessis, W. (2004). *The social responsibility of the South African mining companies dealing with HIV/AIDS employees.* Unpublished PhD thesis. Potchefstroom: North-West University.

Du Toit, D., Woolfrey, D., Murphy, J., Godfrey, S., Bosch, D., Christie, S., & Rossouw, J. (2000). *Labour Relations Law - A comprehensive guide* (3rd ed.). Durban: Butterworths.

Du Toit, M.A. (1990). Motivering. In J. Kroon (Ed.), *Algemene bestuur* (pp. 327-351). Pretoria: Kagiso Tertiary.

Eccles, R. G., Scott, C. N., & Schatz, R. (2007). Reputation and its risks. *Harvard Business Review, 85(2),* 104-114.

Edari, R. S. (1976). *Social change.* Dubuque, Ia.: Brown.

Eisenberg, H. (1997). *Reengineering and dumbsizing: mismanagement of the knowledge resource.* Retrieved Mar 05, 2008, from: http://www.syntrek.com/article3.html

Eisenhardt, K. M., & Brown, S. L. (2003). Patching, restitching business portfolios in dynamic markets. In *Harvard Business Review on leading in turbulent times* (pp. 153-180). Boston, Mass.: Harvard Business School Publishing Corporation.

Esterhuyse, W. (2002). Corporate social responsibility: Not an optional extra. *Management Today, 17(10),* 10-11, Yearbook.

Estes, R. (1997). Corporate accountability. In W. Harman, & M. Porter (Eds.), *The new business of business: Sharing responsibility for a positive global future.* San Francisco, Calif.: Berret-Koehler Publishers.

Evans, P., Pucik, V., & Barsoux, J. (2002). *The global challenge.* New York: McGraw-Hill.

Etzioni-Halevy, E. (1981). *Social change: The advent and maturation of modern society.* London: Routledge & Kegan Paul.

Farmer, R. N., & Hogue, W. D. (1985). *Corporate social responsibility* (2nd ed.). Lexington, Mass.: Heath.

Feeding the soul of our people. (2004, Apr. 28). *Finance Week*, p. 38-39.

Fife-Schaw, C. (2000). Questionnaire design. In G. M. Breakwell, S. Hammond, & Fife-Schaw (Eds.), *Research methods in psychology* (pp.158-174) (2nd ed.). London: Sage.

Fineman, S. (1983). *White collar unemployment.* Bath: Pitman Press.

Finnemore, M., & Van Rensburg, R. (2000). *Contemporary labour relations.* Durban: Butterworths.

Fourie, N. (1999). Die konstruksie van vraelyste. *Tydskrif vir Taalonderrig / Suid Afrikaanse Vereeniging vir Taalonderrig, 33(3),* 275-293.

Frankl, V. (1975). *Mans' search for meaning.* Cape Town: HAUM.

Frederick, W. C., Post, J. E., & Davis, K. (1992). Business and society: Corporate strategy, public policy, ethics (7th ed). New York: McGraw-Hill.

Friedman, S. (1992). A South African social contract. In D. Innes, M. Kentridge, & H. Perold, H. (Eds.), *Power and profit: Politics, labour, and business in South Africa* (pp. 31-42). Cape Town: Oxford University Press.

Friedman, T. L. (2006). *The world is flat: A brief history of the twenty-first century.* New York: Farrar, Strauss and Giroux.

Galpin, T. J., & Herndon, M. (2000). *The complete guide to mergers and acquisitions.* San Francisco, Calif.: Jossey-Bass.

Gaughan, P. A. (1996). *Mergers, acquisitions and corporate restructuring.* New York: Wiley.

Gerdes, L. C., Moore, C., Ochse, R., & Van Ede, D. (1988). *Die ontwikkelende volwassene* (2nd ed.). Durban: Butterworths.

Gertz, D. L., & Baptista, J. P. A. (1995). *Grow to be great: Breaking the downsizing cycle.* New York: Free Press

Gill, C. (1985). *Work, unemployment and the new technology.* New York: Basil Blackwell.

Gillian, J. (2002). Corporate responsibility. *Enterprise (Reed), 40*, 12. Retrieved April 14, 2003, from EBSCOHost: Business Source Corporate.

Gioia, D. A. (2002). Business education's role in the crisis of corporate confidence. *Academy of Management Executive, 16(3),* 142-145.

Globalisation and the State. (2003). *New South African Outlook, 5(1).*

Goffee, R., & Jones, G. (2007). Leading clever people. *Harvard Business Review, 85(3),* 70-79.

Gómez-Meija, L. R., Balkin, D. B., & Cardy, R. L. (2004). *Managing human resources* (International edition). Upper Saddle River, N.J.: Pearson Education.

Goodpaster, K. E., & Matthews, J. B., Jr. (2003). Can a corporation have a conscience? In *Harvard Business Review on Corporate Responsibility* (pp. 131-155). Boston, Mass.: Harvard Business School Press.

Graves, S. R., & Addington, T. G. (2003). *Behind the bottom line.* San Francisco, Calif.: Jossey-Bass.

Grayson, D. (2002). A common good. *People Management, 8(20),* 38-40.

Grazia-Ietto-Gillies. (2003). The role of transnational corporations in the globalisation process. In J. Michie (Ed.), *The handbook of globalisation* (pp. 139-149). Cheltenham, UK.: Edward Elgar Publishing.

Greenhalgh, L. (1982). Maintaining organizational effectiveness during organizational retrenchment. *Journal of Applied Behavioural Science, 18*: 155-170.

Grogan, J. (2001). *Workplace law* (6th ed). Lansdown: Juta.

Grogan, J. (2003). *Workplace law* (7th ed). Lansdown: Juta.

Grosset, L. (2001). Labour law amendments: How do they affect your business? *Management Today, 17(9),* 45-47.

Grossman, L. (2004). Rating corporate social responsibility. *Business Date, 12(4),* 5-7.

Guns, B. (1996). *The faster learning organization. Gain and sustain the competitive edge*. San Diego, Calif.: Pfeiffer & Company.

Guterman, M. S. (1992). The downside of downsizing. *The International Journal of Career Management, 4(3),* 27-31.

Haffee, F., Hazelhurst, E., & Gumede, W. (2001). Business and labour starting to click. *Financial Mail, 162(11),* 31-33.

Hagevik, S. (2001). Life beyond downsizing. *Journal of Environmental Health, 63(9),* 43.

Hamilton, P. (2002). From industrial to information society. In T. Jordan, & S. Pile (Eds.), *Social change* (pp. 96-134). Oxford: Blackwell Publishers.

Handy, C. (2003). What's a business for? In *Harvard Business Review on Corporate Responsibility* (pp. 65-82). Boston, Mass: Harvard Business School Press.

Harman, W., & Porter, M. (1997). *The new business of business: Sharing responsibility for a positive global future*. San Francisco, Calif.: Berret-Koehler Publishers.

Harris, G. M. A. (1989). *The sociology of development*. London: Longman.

Hatcher, M. (2003). New corporate agendas. *Journal of public affairs, 3(1),* 32-38.

Heintz, J. (2003). The role of transnational corporations in the globalisation process. In J. Michie (Ed.), *The handbook of globalisation* (pp. 216-233). Cheltenham, UK.: Edward Elgar Publishing.

Henriot, S. J. (1998). *Globalisation: Implications for Africa*. Retrieved August 18, 2002: http://www.sedos.org/english/global.html.

Hermann, K. K. (2004). Corporate responsibility and sustainable development: The European Union initiative as a case study. *Indiana Journal of Global Legal Studies, 11(2):* 205-232.

Hewson, C., Yule, P., Laurent, D., & Vogel, C. (2003). *Internet research methods.* London: Sage.

Hollet, B. (2001). *Options for lay-offs and severance.* Retrieved Mar 05, 2008, from: http://www.shrm.org/ema/emt/articles/02winterhollett.asp.

Huysamen, G. K. (1983). *Beskrywende statistiek vir die sosiale wetenskappe* (2de uitg.). Kaapstad: Academica.

Ingles, D. (2000). *Mergers and acquisitions in the chemical industry*. London: Informa Publishing Group.

Institute for Management Development. (2002). IMD World Competitiveness Yearbook. Lausanne: Institute for Management Development.

Institute for Management Development. (2003). IMD World Competitiveness Yearbook. Lausanne: Institute for Management Development.

Institute for Management Development. (2006). IMD World Competitiveness Yearbook. Lausanne: Institute for Management Development.

Institute for Management Development. (2007). IMD World Competitiveness Yearbook. Lausanne: Institute for Management Development.

International Labour Organization. (2001). ILO report on: The social impact of globalisation. Retrieved September 8, 2002, from http://www.labour.gov.za/docs/reports/iareport1.html

International Labour Organization. (2008). *Universal Declaration of Human Rights.* Retrieved Feb. 29, 2008, from http://www.ilo.org/public/english/employment/skills/hrdr/instr/un_8.htm

Irwin, R. (2003). Corporate social investment and branding in the new South Africa. *Journal of Brand Management, 10(4/5),* 303-311.

Ivancevich, J. M., Lorenzi, P., Skinner, S. J., & Crosby, P. B. (1997). *Management: quality and competitiveness* (2nd ed.). Homewood, Ill.: Irwin

James, T. (2003). Marketing's key role in building CSR strategies. *Marketing (UK).* Retrieved Jan. 16, 2003, from EBSCOHost: Business Source Corporate database.

Jankowicz, A. D. (2000). *Business research projects* (3rd ed.). London: Thompson Learning.

Jenkins, R. (2004). *Globalisation, production and poverty.* (Research paper 2005/40 as part of the UNU-WIDER Project Meeting on the Impact of Globalisation and the World's Poor held in Helsinki on 29-30 October 2004.) Helsinki.

Jenner, G. (2002). Corporate responsibility. *Enterprise (Reed), 40,* 12-16. Retrieved April 14, 2003 from EBSCO Host Research database.

Jick, T. D. (1993). *Managing change: Cases and concepts.* Boston, Mass.: Harvard Business School Publishing.

Jobs that go "bump": Fair selection for retrenchment. (2002, Aug.). *Employment Law, 18(4),* 10-14.

Jordan, T., & Pile, S. (2002). Social change: Introduction. In T. Jordan, & S. Pile (Eds.), *Social change* (ix-xxiii). Oxford: Blackwell Publishers.

Karake, Z. A. (1998). An examination of the impact of organizational downsizing and discrimination activities on corporate social responsibility as measured by a company's reputation index. *Management Decision, 36(3/4),* 206-216.

Karake-Shalhoub, Z. A. (1999). *Organizational downsizing, discrimination, and corporate social responsibility.* Westport: Quorum Books.

Kaufman, B., & Hotchkiss, J. (2000). *The economics of labour markets* (5th ed.). Orlando, Fla: Harcourt College Publishers.

Keenan-Smith, D. (1992). Retrenchment avoidance: A case for job preservation. *People Dynamics, 10(8),* 8-11.

Kerlinger, F. N. (1988). *Foundations of behavioral research* (3rd ed.). New York: Saunders College Publishing.

Keyser, E. (1999). *The new Labour Relations Act of South Africa and international labour legislation: A comparative study.* Unpublished Master's dissertation. Vanderbijlpark: Potchefstroom University for Christian Higher Education.

Kinicki, A., & Kreitner, R. (2003). *Organizational behaviour, key concepts, skills & best practices.* New York: McGraw-Hill/Irvin.

Kline, R. B. (2004*). Beyond significance testing: Reforming data analysis methods in behavioural research.* Washington, D.C.: American Psychological Association.

Kotler, P., & Lee, N. (2005). *Corporate social responsibility.* Hoboken, N.J.: Wiley.

Kotter, J. P. (1996). *Leading change.* Boston, Mass.: Harvard Business School.

Kotze, H. J. (2000). The state and social change in South Africa. *International Social Sciences Journal, 52(163),* 79. Retrieved January 15, 2003, from EBSCOHost: Academic Search Premier Database.

Kreitner, R., & Kinicki, A. (2004). *Organizational behaviour* (6th ed.). New York: McGraw-Hill/Irvin.

Lamont, J. (2002, 2 Jan.). Opinions & analysis. *Business Day,* p. 16.

Landis, J. R. (1995). *Sociology: Concepts and characteristics* (9th ed.). Belmont, Calif.: Wadsworth.

Law, J. (2006). *After method mess in social science research.* New York: Routledge.

Laws ***see*** South Africa

Leana, C. R., & Feldman, D. C. (1992). *Coping with job loss.* New York: McMillan.

Lechner, F. (2001). Globalisation issues. Retrieved March 19, 2003, from http:www.emory.edu/SOC/globalisation/issues01.html

Lehrer, S. (1997). Effectively coping with downsizing. *Government Accountants Journal, 54(4),* 16-19.

Leisink, P. (2000). Introduction. In P. Leisink (Ed.), *Globalisation and labour relations* (pp. 1-35). Cheltonham: Edgar Elgar Publishing.

Ligus, R. G. (1994). Implementing radical change: The right stuff. *Industrial Engineering,* p. 28-29.

Lombaard, E. (1998). For how much longer can SA afford the ANC? *The Aida Parker Newsletter, 218,* 1-7.

Loots, E. (2002). Globalization: a ranking of South African and other emerging market economies. *South African Journal of International Affairs, 9(1),* 45-55.

Lots of it about. (2002, Dec. 14). *The Economist, 365 (8303),* 62-63.

Loubser, A. (2005). The interaction between corporate rescue and labour legislation: Lessons to be drawn from the South African experience. *International Insolvency Review, 14*, 57-69.

Lussier, R. N. (2000). *Management fundamentals*. Springfield, Mass.: South-Western College Publishing.

Mabotja, S. (2002, July 12). Labour and the law still an issue. Amending the acts. *Finance week*, p. 48.

Maignan, I., & Ralstob, D.A. (2002). Corporate social responsibility in Europe and the U.S.: Insights from business self presentations. *Journal of International Business Studies, 33(3)*. Retrieved Apr. 14, 2003, from EBSCOHost: Business Source Corporate database.

Maintaining culture after downsizing: Has your firm done enough? (2002, Dec.). *IOMA's Report on Compensation & Benefits for Law Offices,* p. 1, 10-12.

Mandle, J. R. (2003). *Globalisation and the poor*. Cambridge: Cambridge University Press.

Manning, T. (1997). *Radical strategy*. Johannesburg: Struik.

Manson, B. J. (2000). *Downsizing issues: The impact on employee morale and productivity*. New York: Garland Publishing.

Marshall, C., & Rossman, G. B. (1999). *Designing qualitative research* (3rd ed.). Thousand Oaks, Calif.: Sage.

Martin, R. L., & Moldoveanu, M. C. (2003). Capital versus talent. *Harvard Business Review, 80(4),* 36-41.

Martindale, D. (1981). *The nature and types of sociological theory* (2nd ed.). Boston, Mass.: Houghton Mifflin.

Mathew, G. (2003). Welcome to the new age of enlightenment. *Management Today*, p. 6. Retrieved January 15, 2003, from EBSCOHost: Business Source Corporate database

Mattel's efforts at social responsibility. (2004, Nov. 28). *The Seattle Times.*

Mboweni, T. (2001). *Address of the Governor of the Reserve Bank of South Africa, Tito Mboweni, at the International Jubilee Conference of the Economic Society of South Africa, Johannesburg, September 13 2001.* Retrieved March, 25, 2002, from the South African Reserve Bank Web site. http://www.resbank.co.za/Media/2001/st1392001.html

McKercie, R. B., & Sengenberger, W. (1983). *Job losses in major industries.* Paris: OECD.

Merle, R. (2007, August 3). Recalls of toys pressures agency. *Washington Post.* Retrieved Mar 07, 2008, from: http://www.washingtonpost.com/wp-dyn/content/article/2007/08/02/AR2007080202216.html

Meyer, M. J. (2000). *Globalisation: An issue of contestation and struggle in South Africa.* Retrieved Aug, 12, 2002 from http://www.arts.uwa.edu.au/MotsPluriels/MP1300mm.html

Miller, D. C. (1991). *Handbook of research design and social measurement* (5th ed.). Newbury Park, Calif.: Sage.

Mills, G. (2000). *The wired model - South Africa, foreign policy and globalization.* Cape Town: Tafelberg.

Moolman, L. (1993). *Enkele aspekte rakende die effektiewe bestuur van arbeidsverhoudinge binne ondernemingsverband.* Unpublished Master's dissertation. Vanderbijlpark: Potchefstroom University for Christian Higher Education.

Moolman, L. (1996). *Die rol van arbeidsverhoudinge in veranderingsbestuur, regstellende optrede en diversiteit.* Unpublished PhD thesis. Vanderbijlpark: Potchefstroom University for Christian Higher Education.

Morabe, R. J. (2001). *The sense of coherence and subjective quality of life of a group of retrenched workers.* Unpublished Master's dissertation. Vanderbijlpark: Potchefstroom University for Christian Higher Education.

Morris, R. (2000). *SA mercury victim's fear Thor's restructuring.* Retrieved Mar 23, 2003 from http:www.labournet.net/world/0007/thor1.html.

Mouton, J. (2001). *How to succeed in your masters & doctoral studies.* Pretoria: Van Schaik.

Mullins, L. (2002). *Management and organizational behaviour* (6th ed.). Essex, UK: Pearson Education.

Myers, J. E. (1993). Downsizing blues: How to keep up morale. *Management Review, 82(4),* 28-31.

Naisbitt, J. (1994). *Global Paradox.* London: Nicholas Brealey Publishing.

Nash, K. (2000). *Contemporary political sociology: Globalization, politics and power.* Oxford: Blackwell Publishing

Nel, N. (2000). A clash of the titans. *Juta's Business Law, 8(3),* 109-113.

Nel, P. S. (1997). *South African labour relations theory and practice* (3rd ed.). Pretoria: Van Schaik.

Nel, P. S., Kirsten, M., Swanepoel, B. J., & Poisat, P. (2008). *South African employment relations theory and practice* (6th ed.). Pretoria: Van Schaik.

Neuman, W. L. (2006). *Social research methods: Qualitative and quantitative approaches* (6th ed.). Boston, Mass.: Allyn & Bacon.

Ngonini, X. (2001). Waai-waai: The impact of retrenchment. *South African Labour Bulletin, 25(2),* 35-40.

Office of the High Commissioner for Human Rights. (1976). *International Covenant on Economic, Social and Cultural Rights.* Retrieved Mar 08, 2008, from: http://www.unhchr.ch/html/menu3/b/a_cescr.htm

Oppenheim, A. N. (1983). *Questionnaire: Design and attitude measurement.* London: Heinemann.

Osagie, C. (2004). Wamco takes corporate responsibility to zones. *This Day.* Retrieved November 24, 2004, from http://allafrica.com/stories/200411230191.html.

Paige, V. (2001). Insight. *People Dynamics, 19(4),* 14-17.

Perkin, J. E. (2003). Design and use of questionnaires in research. In E. R. Monsen (Ed.), *Research: successful approaches* (pp. 211-226) (2nd ed.). Diana Faulhaber: American Dietetic Association.

Pfeffer, J. (1995). Producing sustainable advantage through the effective management of people. *Academy of management executive, 9(1),* 55-68.

Phillips, R., & Claus, L. (2002). *Corporate social responsibility and global HR.* Retrieved September 16, 2002, from http://www.shrmglobal.org/publications/focus/CSR2002.asp

Porter, M. E. (2003). Building the microeconomic foundations of prosperity: findings from the microeconomic competitiveness index. In *The Global Competitiveness Report* (pp. 23-43). New York: Oxford University Press.

Porter M. E., & Kramer, M. R. (2003). The competitive advantage of corporate philanthropy. In *Harvard Business Review on Corporate Responsibility* (pp. 27-64). Boston, Mass.: Harvard Business School Press.

Porter M. E., & Kramer, M. R. (2007). Strategy and society: The link between competitive advantage and corporate social responsibility. *Harvard Business Review, 84(12),* 78-92.

Powell-Smith, C., & Walsh, A. (1989). The legal dimension. In *International Mergers and Acquisitions* (pp. 55-106). London: IFR.

Prahalad, C. K., & Hammmond, A. (2003). Serving the world's poor, profitably. In *Harvard Business Review on Corporate Responsibility* (pp. 1-25). Boston, Mass. Harvard Business School Press.

Prakash, S. S. (2003). Globalization and the good corporation. *Journal of Business Ethics, 43(1/2),* 21-33.

Prinsloo, E. (1998). Social change in South Africa: Opportunity or crisis? *International Social Sciences Journal, 29(1/2),* 13. Retrieved January 15, 2003, from EBSCOHost: Academic Search Premier database.

Productivity SA. (2008a). Enterprise productivity and competitiveness. Retrieved Feb, 29, 2008, from http://www.npi.co.za/pebble.asp?relid=66

Productivity SA. (2008b). The workplace challenge. Retrieved Feb, 29, 2008 from: http://www.workplacechallenge.co.za/pebble.asp?t=1

Profitable growth ... back to basics! (2003, 1 Mar.). *Business Times.* Retrieved Jan. 16, 2003 from EBSCOHost: Business Source Premier database.

Ramo, S. (1980). *The management of innovative technological corporations.* New York: Wiley.

Raynauld, A., & Vidal, J-P. (1998). *Labour standards and international competitiveness.* Cheltenham: Edward Elgar.

Ready, D. A., & Conger, J. A. (2007). Make your company a talent factory. *Harvard Business Review, 85(6),* 68-77.

Reinhardt, F. (2003). Tests for sustainability. In *The Global Competitiveness Report 2002-2003* (pp. 355-366). New York: Oxford University Press.

Retrenchment. (2001, Feb.). *Employment Law, 17(1),* 19.

Rigby, D. (2002). Look before you lay off. *Harvard Business Review, 80(4),* 21-21.

Ritzer, G. (2000). *Modern sociological theory* (5th ed.). New York: McGraw-Hill.

Roddick, A. (2002). Business is a powerful institution, but it has a moral duty as well. *Management Today, 18(1),* 22.

Room, G. J. (1999). Social exclusion, solidarity and the challenge of globalisation. *International Journal of Social Welfare, 8:* 166-174.

Ross, W. (2003). Buying into CSR boosts profits and recruitment. *Personnel Today,* p. 8.

Rubach, L. (1995, Apr.). Downsizing: How quality is affected as companies shrink. *Quality Progress, 28(4):* 23-35.

Russel, M. (2002). Challenges of globalization. *Society in Transition, 33(1),* 187-190.

Sadgrove, K. (1992). *The green manager's handbook.* Vermont: Gower.

Sahdev, K., Vinnicombe, S., & Tyuson, S. (1999). Downsizing and the changing role of HR. *International Journal of Human Resource Management, 10(5):* 906-923.

Salamon, M. (1987). *Industrial relations: Theory and practice.* Hertfordshire: Prentice Hall.

SAS Institute Inc. (2001). The SAS system for Windows. Release 8.02 TS level02Mo Copy Right®. Cary, NC.: (Computer software).

Schwartz, P., & Gibb, B. (1999). *When good companies do bad things.* New York: Wiley.

Senior, B. (2002). *Organizational change* (2nd ed.). Essex: Pearson Education.

Silver, B. J. (2003). *Forces of labor: Workers' movements and globalization since 1870.* Cambridge: Cambridge University Press.

Simms, J. (2002). And another thing ... Jane Simms. *Director, 56(5),* 25.

Singh, J. (2004). Rekindling the heart and soul of management. *Vikalpa: The Journal for Decision Makers, 29(2),* 55-65.

Smallhorne, M. (2002). Why COSATU has called a strike. *Skyways,* p. 28-29.

Smith, C. (2003). The new corporate philanthropy. In *Harvard Business Review on Corporate Responsibility* (pp. 1-25). Boston, Mass.: Harvard Business School Press.

Social responsibility moves up the agenda. (2002, July 16). *Personnel Today,* p. 51.

South Africa. (1995). *Labour Relations Act, No 66 of 1995.* Pretoria: Government Printer.

South Africa. (1997). *Basic Conditions of Employment Act, No 75 of 1997.* Pretoria: Government Printer.

South Africa. (1998). *Competitions Act, No. 89 of 1998.* Pretoria: Government Printer.

South Africa. (2006). *South Africa alive with possibility.* Retrieved Mar. 07, 2008, from: http://www.southafrica.info/ess_info/sa_glance/geography/free-state.htm

South Africa. Department of Finance. (1998). *Growth, employment and redistribution a macro-economic strategy.* Retrieved February 29, 2008 from: http//www.info.gov.za.otherdocs/1998/poverty/report.pdf

South Africa. Department of Labour. (1998). *Skills Development Act, No. 97 of. 1998.* Retrieved October 15, 2007, from http://www.labour.gov.za/legislation/amend_display.jsp?id=5976&act_label=Skills%20Development%20Act

South Africa. Department of Minerals and Energy. (2001). *South Africa's minerals industry 2000/2001.* Annual report. 18th ed. Pretoria: Minerals Bureau.

South Africa. Department of Minerals and Energy. (2002). *South Africa's minerals industry 2001/2002.* Annual report. 19th ed. Pretoria: Minerals Bureau.

South Africa. Department of Minerals and Energy. (2004). *South Africa's minerals industry 2003/2004*. Annual report. 21th ed. Pretoria: Minerals Bureau.

South African Government Information. (2008). *Constitution of the Republic of South Africa, 1997. R*etrieved February 29, 2008, from: http://www.info.gov.za/documents/constitution/index.htm

South African Mining Development Association. (2003). *SAMDA submission to the Department of Finance regarding the proposed Mining Royalty Bill.* Retrieved February 29, 2008 from: http://www.samda.co.za/publish/article_7.php

South African Reserve Bank. Department of Finance. (2000, June). Budget Review 2000. *South African Reserve Bank Quarterly Bulletin.* Retrieved April 2, 2003 from: http://www.reservebank.co.za/internet/Publication.nsf/LADV/1F1BBE5E84A055FC42256B5000362E42/$File/ks0600.pdf.

Standing, G. (1999). *Global labour flexibility: Seeking distributive justice.* London: MacMillan.

State of Corporate Philanthropy. A McKinsey global survey. (2008). *McKinsey Quarterly*, retrieved Feb. 29, 2008, from: http://www.mckinseyquarterly.com/The_state_of_corporate_philanthropy_A_McKinsey_Global_Survey_2106

Statistics South Africa. (2000). *October Household Survey Statistical Release P0317.* Retrieved April 2, 2003, from: http://www.statssa.gov.za/default3.asp

Statistics South Africa. (2007). *Labour force survey.* Retrieved February 29, 2008 from http://www.statssa.gov.za/publications/P0210/P0210March2007.pdf

Steiner, G. A., & Steiner J. F. (1991). *Business, government, and society - a managerial perspective* (6th ed.). New York: McGraw Hill.

Stiglitz, J. E. (2003). *Globalization and its discontents.* New York: W.W. Norton.

Strauss, C. (1998, July). Transformation: Not just political, but also an economic tightrope. *Management Today,* p. 14-18.

Streak, J. (1997). The counter-counterrevolution in the development theory on the role of the state in development: Inferences for South Africa? *Development Southern Africa, 14(3),* 307-325.

Strebel, P. (1992). *Breakpoints: How managers exploit radical business change.* Boston, Mass.: Harvard Business School Press.

Strebel, P. (1996). Why do employees resist change? *Harvard Business Review, 74(3):* 86-93.

Sturgess, B. (1989). Booming international mergers and acquisitions. In *International Mergers and Acquisitions* (pp. 17-38). London: IFR.

Sugalski, T., Manzo, L. S., & Meadows, J. L. (1995, Fall). Resource link: Re-establishing the employment relationship in an era of downsizing. *Human Resource Management, 34(3),* 389-403.

Sulcas, P. (2001). Handling retrenchment. *Accountancy SA,* p. 15-16.

Swanepoel, B., Erasmus, B., Van Wyk, M., & Schenk, H. (2000). *South African human resource management: Theory and practice* (2nd ed.). Kenwyn: Juta.

Sztompca, P. (1994). *The sociology of social change.* Oxford: Blackwell.

The Economist. (2001). *Globalisation: Making sense of an integrating world.* London: Profile Books.

Thompson, A. A., & Strickland, A. J. (2001). *Strategic management: Concepts and cases* (12th ed.). New York: McGraw-Hill.

Thompson, C. (2006). Unfair dismissal: The operational requirements dismissal. In A. De Kock, P. Benjamin, & C. Thompson. *South African Labour Law, 1(48),* 463-520. Cape Town: Juta.

Tomasko, R. M. (1990). *Downsizing: Reshaping the corporation for the future.* New York: Amacom.

Tosi, H. L., Mero, N. P., & Rizzo, J. R. (2000). *Managing organizational behaviour* (4th ed.). Malden, Mass.: Blackwell Publishers.

Tusenius, R. (1998). Africa and South Africa: Ready for a renaissance. *Management Today, 14(5),* 16-21.

Tylczak, L. (1991). *Downsizing without disaster.* Ontario: Crisp Publications.

Ulrich, D. (1998). A new mandate for human resources. *Harvard Business Review, 76(1),* 11. Retrieved June 5, 2002, from EBSCOHost: Academic Search Premier database.

UNCTAD. (2000*). Worlds' largest trans-national corporations cautiously optimistic about Africa's potential for attracting foreign direct investment.* Retrieved March 24, 2003, from http://training.itcilo.it/actrav_cdrom1/english/global/globe/unc_af2.htm.

Union Carbide Corporation. (2007). *Statement of Union Carbide Corporation Regarding the Bhopal Tragedy.* Retrieved February 29, 2008, from http:/www.bhopal.com/

Vago, S. (1999). *Social change* (4th ed.). Upper Saddle River, N.J.: Prentice Hall.

Van Doesburg, H., Rees, R., & Simons, T.J. (1999). Managing in a global market-place. In H. van Doesburg (Ed.), *The changing structure of the global chemical industry* (pp. 31-43). London: Financial Times Energy.

Van Dyk, L., & Herholdt, J. 2003. Transforming your employment brand: The ABSA experience. Randburg: Knowres.

Van Niekerk, A. (2002). *Unfair dismissal.* Cape Town: Siber Ink.

Van Niekerk, J. T. (1986). Bestuurstegnieke en produktiwitiet. In J. Kroon (Ed.), *Algemene bestuur (*pp. 223-264). Pretoria: HAUM.

Van Wyk, C. de W. (1984). *Die sosiale verantwoordelikheid van die bedryfsonderneming met betrekking tot aftredingsproblematiek.* Unpublished Master's dissertation. Vanderbijlpark: Potchefstroom University for Christian Higher Education.

Van Wyk, C. de W. (1990). *Die bestuur van arbeidsverhoudinge by enkele chemiese ondernemings in die Vaaldriehoek.* Unpublished PhD thesis. Vanderbijlpark: Potchefstroom University for Christian Higher Education.

Venter, R. (2006). *Labour relations in South Africa.* Cape Town: Oxford.

Venter, R., Grossett, M., & Hills, S. (2003). *Labour relations in South Africa.* Cape Town: Oxford University Press Southern Africa.

Verwey, S. (1998). The age of communication: A new organisational paradigm for the new millennium. *Communicare, 17(2),* 1-15.

Visagie, J. C., & Botha, C. J. (1998). Contextual and empirical approach to social change and social responsibilities. *Management Decision, 36(10),* 694-701.

Vlok, E. (2001). Phanzi retrenchments, phanzi! *South African Labour Bulletin, 25(2),* 41-46.

Volpe, R. s.a. *Managing the psycho-social aspects of retrenchment within an organization.* Retrieved April 7, 2003, from http://www.lci-rv.co.za/articleresearch/articles_frame.htm

Wager, J., & Seas, K. (2007). *APA* formatting and style guide. Retrieved October 17, 2007, from http//www.owl.english.purdue.edu/owl/resource/560/01

Watson Wyat. (1996). *1996 HR Executive Survey.* Retrieved Mar 08, 2008, from: http://www.watsonwyatt.com/news/globalnews2.asp?nm=Asia-Pacific &ID=7913

Waterman, R. H. (1994). *The frontiers of excellence.* London: Nicholas Brealey Publishing.

Weber, M. (2002). Engaging globalisation: Critical theory and global political change. *Alternatives, 27,* 301-325.

Wee, H. (2002, Apr.). Corporate ethics: Right makes might. *Business Week.* Retrieved February 29, 2008, from: http://www.businessweek.com/bwdaily/dnflash/apr2002/nf20020411_6350.htm

Welford, R. (1995). *Environmental strategy and sustainable development: The corporate challenge for the 21st century.* London: Routledge.

Welman, J. C., & Kruger, S. (2001). *Research methodology for the business and administrative sciences* (2nd ed.). Cape Town: Oxford University Press Southern Africa.

Wetlaufer, S. (2003). After the lay-offs, what next? In *Harvard Business Review on leading in turbulent times* (pp. 49-177). Boston, Mass.: Harvard Business School Publishing Corporation.

Wilken, S. T. H. (2002.) *Sweeping changes to transfer of business*. Retrieved April 7, 2003, from http://www.deneysreitz.co.za/dr_newsdesk_links/area_main_103.htm.

Willis, G. B. (2005). *Cognitive interviewing: A tool for improving questionnaire design*. Thousand Oaks, Calif.: Sage.

Wilson, T. (2002). Managing successful downsizing. *Corporate Finance,* p. 208.

Wolf, R. M. (1997). Questionnaires. In J. P. Keeves (Ed.), Educational research methodology and measurement: An introduction handbook (pp. 422; 478). Oxford: Pergamon Press.

World Bank. (1997). *The state in a changing world: World development report.* New York: Oxford University Press.

World Bank. (2000). *Entering the 21st Century: World development report*. New York: Oxford University Press.

World Bank. (2004). *Making services work for poor people: World development report.* New York: Oxford University Press.

World Bank. (2006). *Equity and development: World development report*. New York: Oxford University Press.

World Commission on Environment and Development. (1987). *Brundtland Report*. Retrieved March 05, 2008 from: www.re-set.it/documenti/1000/1800/1850/1856/brundtland_reportpdf.pdf

World Economic Forum. (1998). *The Africa competitiveness report*. Geneva.

World Economic Forum. (2002). *The global competitiveness report*. New York: Oxford University Press.

World Economic Forum. (2003). *The global competitiveness report*. New York: Oxford University Press.

World Economic Forum. (2004). *The global competitiveness report*. New York: Oxford University Press.

ANNEXURE A: INVITATION TO PARTICIPATE IN PILOT STUDY

Dear colleagues

Thank you very much for agreeing to participate in a pilot study that I need to do as part of empirical research for my PhD studies. The questionnaire should take no longer than approximately one hour. Please ensure that the questionnaire is completed in one sitting, as it cannot be saved. Once completed, simply click the "done" button at the end of the survey. Then send it back as per the instructions on the questionnaire. The hyperlink is attached hereunder. The responses are sent to a central database, guaranteeing your anonymity.

In advance I want to thank you for being prepared to assist me through your valuable inputs.

Corporate Responsibility Survey

The role of corporate social responsibility in retrenchment

Kind Regards

Ryk Croukamp
Change Management Coordinator
Sasolburg
South Africa
1947

ANNEXURE B QUESTIONNAIRE

Corporate Responsibility Survey

The role of corporate social responsibility in retrenchment

Instructions:

- Please complete all the questions
- Please note that all information will be treated as confidential and be assured that your anonymity is guaranteed.
- Please answer the questions honestly by contemplating the situation as it currently is, not as you think it should be.
- On the last page of this questionnaire is space for comments on each question which did not specifically ask for it. Please make use of it by referring to the corresponding question number.

SECTION A: BIOGRAPHICAL INFORMATION

Please answer the following questions about yourself.

1. In which age group do you fit?

24 years and younger	25-35 years	36-45 years	46-55 years	56 years and older

2. Your gender?

Male	Female

3. Which race are you a member of?

Black African	Coloured	Indian/Asian	White	Other (Specify)

4. Your marital status?

Not married	Married	Divorced	Widow/Widower	Other

5. Your highest academic qualifications?

Gr 10 or lower		Graduate	
Gr 11		Honours Degree	
Gr 12		Masters Degree	
Diploma		Doctorate	

6. Your level in the organisation?

Level 2	Level 3	Level 4

7. How many years have you been employed by this company?

1 year or less	1-2 years	3-4 years	5-10 years	11-15 years	16-20 years	More than 20 years

8. In which function do you currently work?

Human resources		Operations		Corporate affairs	
Strategy		Marketing		SHERQ	
Procurement and supply		Maintenance		Shared services, site support	
Engineering		Information management		General management (executive)	
Logistics		Research and development		Other (please specify)	
Financial					

SECTION B: GLOBALISATION AS A DRIVER OF CHANGE AND COMPETITIVENESS

Although not intended as exhaustive and comprehensive, the definitions hereunder can be used to describe the phenomenon of globalisation. Please read the following definitions/ descriptors of the globalisation phenomena and then answer the following questions:

- Globalisation broadly refers to the expansion of global linkages, the organisation of social life, the growth of a global consciousness and the ultimate consolidation of a world society.
- Globalisation is both a process of geographical/ spatial outreach and of an increased degree of interconnectedness and interdependence amongst and between people, groups and institutions based in different countries of the world.
- An evolving pattern of cross border activities of companies involving international investment, trade and collaboration for purposes of product development, production and sourcing and marketing.

9. In your opinion, is this company a truly global company?

Strongly agree	Agree	Disagree	Strongly disagree

Please provide a reason for your answer.

10. Which aspects of globalisation do you think have the greatest impact on this company? In order of priority, with nr. 1 being the highest priority and nr. 5 being the lowest priority, please choose only the top 5 and rank it accordingly:

Nr.	Globalisation aspects	Priority
10.1	Increased availability of global capital	
10.2	Advances in computing and communications technology	
10.3	Integration of markets	
10.4	New, open space into which dominating cultures can move, for e.g. China.	
10.5	Progress from "inter-national" to global institutions	
10.6	Increased labour mobility	
10.7	Declining geographical importance	
10.8	Greater speed of events	
10.9	The availability of cheap labour	
10.10	The active dissemination of practices, values, technology and other human products throughout the globe	
10.11	Increased competition	
10.12	Increased need for competitiveness	
10.13	New markets	
10.14	The advent of the knowledge worker	
10.15	Increased competition for talent	
10.16	Increased need for a well entrenched talent retention strategy	

11. The knowledge worker as an outflow from globalisation is described as the phenomenon that links the growth of human knowledge to independence from fixed employment. This affects this company in terms of talent management and retention strategies.

Strongly agree	Agree	Disagree	Strongly disagree

12. This company has embarked on a global growth impetus as part of its strategy drive towards sustainable development. This drive is robust and will lead to long-term sustainable development.

Strongly agree	Agree	Disagree	Strongly disagree

Please provide a reason for your answer.

13. Globalisation brought about an increase in competition for this company.

Strongly agree	Agree	Disagree	Strongly disagree

Please provide a reason for your answer.

14. This company's values system translates to a global enterprise.

Strongly agree	Agree	Disagree	Strongly disagree

Please provide a reason for your answer.

15. Globalisation brought about a need for a different paradigm regarding the employment contract in this company.

Strongly agree	Agree	Disagree	Strongly disagree

Please provide a reason for your answer.

16. Job security in this company as a result of globalisation has decreased.

Strongly agree	Agree	Disagree	Strongly disagree

Please provide a reason for your answer.

17. People are the most critical component for the long-term sustainable competitiveness of this company.

Strongly agree	Agree	Disagree	Strongly disagree

Please provide a reason for your answer.

18. Were there ever a time when you had to contemplate retrenching people as a direct or indirect result of globalisation?

Yes	No

If you answered yes to question 18, please proceed with this question.

19. Pleased describe the issue relating to globalisation that brought about the need to contemplate retrenching employees.

20. Employees in this company are aware of the global issues that impact on this company.

Strongly agree	Agree	Disagree	Strongly disagree

21. Do you believe that employees value the fact that change is necessary in this company to successfully compete on a global scale?

Strongly agree	Agree	Disagree	Strongly disagree

22. This company, like many others in South Africa, is facing the challenges tabled hereunder. According to your perception, how important do you think these issues are for this company? Please weight on a scale of 1 to 10, with 1 being the most critical and 10 being the least critical.

Nr.	Challenges	1	2	3	4	5	6	7	8	9	10
22.1	Crime										
22.2	Poverty										
22.3	Unemployment										
22.4	Government competence										
22.5	National industry competitiveness										
22.6	Corporate governance										
22.7	Ethics										
22.8	Suffocating labour legislation										
22.9	Availability of skills										
22.10	Environmental degredation										
22.11	Brain drain										

SECTION C: CORPORATE SOCIAL RESPONSIBILITY

Please read the following description of corporate social responsibility and then answer the questions: Corporate social responsibility relates to the concept of the triple bottom line, where not only profits contribute to the sustainability of a company, but also a genuine concern for the communities and the environment in which a company operates. The triple bottom line approach to business implies care for three distinct dimensions, namely;

- Financial health of the organisation and the need to improve stakeholders' wealth;
- The safety of workers and products; and
- The well being of the natural and social environment in which the company operates.

23. With the advent of globalisation came an increased awareness and need for corporate social responsibility in this company.

Strongly agree	Agree	Disagree	Strongly disagree

24. Corporate social responsibility is critical for long- term sustainability.

Strongly agree	Agree	Disagree	Strongly disagree

25. Do you believe that there is a business case for corporate social responsibility?

Yes	No

Please provide a reason for your answer.

26. On a scale of 1-10, please indicate the importance that you think this company gives to each of the following corporate social responsibility components, with 1 being extremely important and 10 extremely unimportant. Please mark the appropriate number.

26.1	Safety of employees.									
	1	2	3	4	5	6	7	8	9	10
26.2	Corporate governance									
	1	2	3	4	5	6	7	8	9	10
26.3	Responsible Care® / product stewardship (cradle to grave)									
	1	2	3	4	5	6	7	8	9	10
26.4	Contribution to addressing crime									
	1	2	3	4	5	6	7	8	9	10
26.5	Sponsorships of events/ sports									
	1	2	3	4	5	6	7	8	9	10
26.6	Legal compliance									
	1	2	3	4	5	6	7	8	9	10
26.7	Advertising/ public relations									
	1	2	3	4	5	6	7	8	9	10
26.8	Environmental rehabilitation and support									
	1	2	3	4	5	6	7	8	9	10
26.9	Employment protection									
	1	2	3	4	5	6	7	8	9	10
26.10	HIV/AIDS									
	1	2	3	4	5	6	7	8	9	10
26.11	Involvement in community projects									
	1	2	3	4	5	6	7	8	9	10
26.12	Improving government relationships									
	1	2	3	4	5	6	7	8	9	10
26.13	Profitability									
	1	2	3	4	5	6	7	8	9	10

27. This company is willing to sacrifice profit for the well being of the community in which it operates.

Strongly agree	Agree	Disagree	Strongly disagree

28. This company is aware of its responsibility towards the community in which it operates.

Strongly agree	Agree	Disagree	Strongly disagree

29. Employees in this company are aware of the fact that the way they perform their jobs contribute towards the companys' corporate social responsibility.

Strongly agree	Agree	Disagree	Strongly disagree

30. In this company, corporate social responsibility currently is: (please choose one only).

Nr.	Responsibility	Mark with x
30.1	The employee's responsibility	
30.2	The responsibility of corporate social investment committee	
30.3	The responsibility of the executive management team	
30.4	My responsibility	
30.5	My managers' responsibility	
30.6	Everybody's responsibility	
30.7	Other (please specify)	

31. The following external stakeholders of this company value the socially responsible actions of this company.

Nr.	Stakeholder	Strongly agree	Agree	Unsure	Disagree	Strongly disagree
31.1	Unions					
31.2	Local government					
31.3	NGO's					
31.4	Local community					
31.5	Customers					
31.6	Competitors					
31.7	Suppliers					

32. This company fulfils its corporate social responsibility.

Strongly agree	Agree	Disagree	Strongly disagree

33. This company is doing the correct actions to demonstrate true corporate social responsibility.

Strongly agree	Agree	Disagree	Strongly disagree

Please provide a reason for our answer.

34 In this company, corporate social responsibility is a :

Please motivate your answer

Value	Culture	Neither

35. Below is a table that indicates possible constraints that normally prevents companies from fully executing its desired social responsibility. Please indicate which of these constraints (if any) needs to be addressed by this company?

Nr.	Constraints	Mark with x
35.1	Lack of communication with community	
35.2	Lack of funds	
35.3	Lack of understanding of what social responsibility really means	
35.4	Lack of management support	
35.5	Lack of trained personnel	
35.5	Lack of interest by management and employees	
35.7	Lack of structures and management function	
35.8	Poor understanding of community needs	
35.9	None of the above	
35.10	Other (please specify on last page under "additional notes")	

SECTION D : RETRENCHMENT

36. The possibility of retrenching people is sometimes inevitable in organisations. From the list below, please choose the top 5 reasons that you think this company will contemplate for retrenching employees, and then rank these top 5 reasons, with 1 being the most important and 5 being the least important reason.

Nr.	Reason for retrenchment	Ranking of top 5 only
36.1	Technology upgrade	
36.2	Business process optimisation	
36.3	Restructuring	
36.4	Closure of sections of plant due to uncompetitiveness	
36.5	Cost cutting	
36.6	Joint ventures, mergers or take-overs	
36.7	Affirmative action	
36.8	Closure of businesses due to not being financially viable anymore	
36.9	Improvement in profits	
36.10	Lost markets	
36.11	Striking employees	
36. 12	Other (please specify on last page under "additional notes")	

37. According to the Labour Relations Act, companies are allowed to retrench people to increase its profit margins. How do you feel about this principle?

Strongly agree	Agree	Disagree	Strongly disagree

Please provide a reason for your answer.

38. The following alternatives to avoid retrenchments have been considered in this company. Please choose the top 5 alternatives that you think this company will consider. Then rank these 5 alternatives in order of priority, with 1 being the most important consideration and 5 being the least important consideration.

Nr.	Alternatives to retrenchment	Rank
38.1	Natural attrition	
38.2	The granting of either paid or unpaid leave	
38.3	The reduction or elimination of overtime, work on Sundays and short time	
38.4	Moratorium on the hiring of new employees	
38.5	Voluntary retrenchments	
38.6	Transfer to other positions or re-deployment in the same company and training or retraining of employees	
38.7	Reduction of wages	
38.8	Productivity improvements	
38.9	Early retirement	
38.10	Other (please provide comments on last page under "additional comments").	

39. Retrenching employees is a successful mechanism to sustain profitability for this company

Strongly agree	Agree	Disagree	Strongly disagree

40. How frequently have you experienced the need to retrench people in this company for whatever reason?

Very often	Often	Seldom	Never

41. If you have experienced retrenching employees at some time in this company, how successful was the retrenchment as an effort to improve profitability?

Extremely successful	Successful	Unsuccessful	Dismal failure

Please provide a reason for your answer.

42. How important do you think it is to this company to consider corporate social responsibility in drafting a company retrenchment policy?

Extremely important	Important	Less important	Not important at all.

Please provide a reason for your answer.

43. In the case of retrenchment in this company, the process is designed to ensure compliance with the relevant labour legislation.

Strongly agree	Agree	Disagree	Strongly disagree

44. In the case of retrenchment in this company, the process is designed to ensure corporate social responsibility.

Strongly agree	Agree	Disagree	Strongly disagree

45. Retrenching employees is a great tool to enhance profitability in this company.

Strongly agree	Agree	Disagree	Strongly disagree

46. Are you familiar with the company's retrenchment policy? Yes | No

If you answered yes to this question, please proceed with the next question

47. This company has a fair retrenchment policy.

Strongly agree	Agree	Disagree	Strongly disagree

48. The following issues are incorporated in this company's retrenchment policy.

Nr.	Issues	Yes	No	Not sure
48.1	Government relations			
48.2	Corporate legitimacy			
48.3	Crime			
48.4	Multiplier effect on job loss in the community			
48.5	Impact on society			
48.6	Other (please specify on last page under "additional comments")			

49. Additional comments if you wish to do so:

Question nr.	Comments

THE END

Thank you for your participation!

ANNEXURE C: INVITATION TO PARTICIPATE IN THE RESEARCH

Corporate Responsibility Survey

Dear Respondent

Sasol's global growth strategy has to be backed by the quest for long term sustainability in a globalised world economy. Part of this sustainability includes the society in which we need to establish and maintain our corporate legitimacy. Your leadership and the way you do and see things in the context of the Sasolburg society play a vital role in this quest. This survey is aimed at assessing your views on the role that corporate social responsibility plays herein and how it affects one of our biggest social ills- unemployment. Your participation in this research as a leader in this organization is therefore critical in getting to the core of how Sasol keeps building its social legitimacy in this region.

This questionnaire should not take more than about 15-20 minutes of your time. Without your inputs, no research project can succeed and hence, with a keen awareness of how limited your time are, I implore you to participate. Thank you in advance for your participation in this research that aims to find more innovative ways to build and support this great company.

The following hyperlink will take you straight to the questionnaire.

The role of corporate social responsibility in retrenchment

Annexure D: Permission request to do research

To ***Omar Goolam***

From ***Ryk Croukamp***

Date ***Monday, July 09, 2007***

Subject ***Research for Ph.D.***

Dear Omar

In fulfillment of the requirements for my Ph.D. studies in Industrial Sociology, I have to complete an empirical research project and contain same in a thesis. I have been busy for the past three years completing the literature review which led to very specific research questions and problems. One of these necessarily is the fact that the topic so researched must add academic and practical value to the organization in which the research is done.

Sasol is paying for the studies through the study aid scheme, but I also believe that the recommendations and findings will be useful to the organization as a whole. The topic being researched was actually chosen with this in mind, and with the assistance of some Sasol managers directed to bring such value. This topic is also aimed at highlighting the requirements for long term sustainable development and hence will enhance this important function for Sasol.

The topic of the research is "The role of corporate social responsibility in retrenchment".

Specific study objectives include:

- To determine the role that corporate social responsibility plays in retrenchment.

The secondary objectives of this study will be to:

- Establish how corporate social responsibility manifests inside the retrenchment realm in a chemical industry in the Vaal Triangle;
- Indicate the role of high middle, senior and executive management in corporate social responsibility in a chemical industry in the Vaal Triangle; and

- Indicate the importance of globalization as a change phenomenon on a chemical industry in the Vaal Triangle.

The study population typically befalls level 4 and above in the organization, and the sampling means that all business units will be covered for the Sasolburg region.

I kindly request your permission via the IPPC to conduct this research in the Sasolburg region amongst the various businesses. If required, the name of the company will be omitted and only be referred to as "a chemical industry in the Vaal Triangle".

Thank you in anticipation

Kind Regards

Ryk Croukamp

Direct telephone (016) 960 3535
Direct facsimile
Email ryk.croukamp@sasol.com

ANNEXURE E: FOLLOW UP REMINDER

Subject: Corporate Responsibility Survey

Corporate Responsibility Survey

corporate affairs responding

Permission to send this mail was obtained from Juanita Dippenaar.

Dear Respondent

You received a request to participate in a survey on Corporate Social Responsibility. This survey is aimed at assessing your views on the role that corporate social responsibility plays and how it affects one of our biggest social ills-unemployment. Your participation in this research as a leader in this organisation, is therefore critical in getting to the core of how Sasol keeps building its social legitimacy in this region. The survey is now due (today 14 September 2007) and thank you in advance for your support and participation in this research that aims to find more innovative ways to build and support this great company.

The following hyperlink will take you straight to the questionnaire.

Your response is critical for the success of this survey. The response rate so far has been very disappointing. I implore you to please take the time to complete this questionnaire.

The role of corporate social responsibility in retrenchment

Kind regards

Ivor M Zwane
Corporate affairs manager

ANNEXURE F: EXTENSION FOR SUBMISSION OF QUESTIONNAIRE

Subject: Extension for submission of CRS Survey *pse read!*

:mportance: High

Corporate Responsibility Survey

Dear Respondents

We have invited you to participate in a survey that attempts to understand the role that you as a leader play in Sasol's global drive towards sustainable development and growth. So far, even after a follow up request, the response percentage has still been unacceptably low. *Some respondents experienced system problems- please accept both our apology and appreciation for taking time from your busy schedules to participate.* This problem was reported to IM.

To those who have not yet completed the survey, we ask you very kindly again to complete the survey. **Without your inputs, this effort to link the research to values based leadership driven by Project Enterprise is doomed to failure.**

To assist in getting the response % up, we are extending the deadline for completion to Thursday, 20 September 2007.

If you experience systems difficulty, Riëtta Pieterse and Anessa van der Merwe from IM will gladly assist you in resolving the problem. (Telephone numbers: (016) 960 2272 or (016) 960 5405).

The link is attached hereto. Once complete, simply press the "done" button at the end. If you have difficulty with time constraints, please note that it is not compulsory to fill in all the comment boxes. Just choose the critical ones for you. If you should still experience problems to electronically submit, you could print out your response and fax to Ryk Croucamp on (011) 219 1445.

Thank you very much!

The role of corporate social responsibility in retrenchment

ANNEXURE G: QUESTIONNAIRE STATISTICS

Variable	*N*	Mean	Std. deviation	Minimum	Maximum
Q10-1	12	2.42	1.73	1.00	5.00
Q10-2	11	3.00	1.34	1.00	5.00
Q10-3	26	2.96	1.61	1.00	5.00
Q10-4	14	2.93	1.44	1.00	5.00
Q10-5	15	3.33	1.54	1.00	5.00
Q10-6	14	2.93	1.14	1.00	5.00
Q10-7	14	3.43	1.34	1.00	5.00
Q10-8	14	3.64	1.01	2.00	5.00
Q10-9	3	3.00	2.00	1.00	5.00
Q10-10	21	3.43	1.36	1.00	5.00
Q10-11	20	3.25	1.55	1.00	5.00
Q10-12	26	2.88	1.42	1.00	5.00
Q10-13	18	2.39	1.14	1.00	5.00
Q10-14	5	2.80	1.10	1.00	5.00
Q10-15	20	3.20	1.51	1.00	5.00
Q10-16	18	2.72	1.36	1.00	5.00
Q22-1	49	3.57	2.64	1.00	10
Q22-2	49	4.49	2.41	1.00	10
Q22-3	49	4.73	2.58	1.00	10
Q22-4	49	3.67	2.55	1.00	10
Q22-5	49	4.24	2.27	1.00	10
Q22-6	49	3.55	2.48	1.00	10
Q22-7	49	2.82	2.49	1.00	10
Q22-8	49	4.12	2.63	1.00	10
Q22-9	49	2.22	2.42	1.00	10
Q22-10	48	3.44	2.61	1.00	9
Q22-11	49	2.53	2.03	1.00	10
				1.00	
Q26-1	49	2.35	2.63	1.00	10
Q26-2	48	3.06	2.10	1.00	10
Q26-3	49	3.76	1.92	1.00	9
Q26-4	48	6.60	2.73	1.00	10
Q26-5	49	3.55	2.29	1.00	10
Q26-6	51	3.00	2.41	1.00	9
Q26-7	50	4.00	2.48	1.00	10
Q26-8	48	4.27	1.92	1.00	9
Q26-9	49	5.31	2.82	1.00	10
Q26-10	49	4.22	2.38	1.00	10
Q26-11	49	4.51	2.44	1.00	10
Q26-12	49	3.16	2.13	1.00	10

Variable	*N*	Mean	Std. deviation	Minimum	Maximum
Q36-1	19	2.63	1.42	1.00	5.00
Q36-2	26	2.88	1.42	1.00	5.00
Q36-3	32	3.31	1.40	1.00	5.00
Q36-4	50	2.44	1.23	1.00	5.00

Q36-5	25	3.32	1.63	1.00	5.00
Q36-6	24	3.13	0.99	1.00	5.00
Q36-7	7	4.57	0.79	3.00	5.00
Q36-8	43	2.51	1.35	1.00	5.00
Q36-9	6	4.17	0.41	4.00	5.00
Q36-10	18	4.11	1.37	1.00	5.00
Q36-11	8	3.25	1.75	1.00	5.00
Q38-1	40	2.53	1.69	1.00	5.00
Q38-2	6	3.50	1.64	1.00	5.00
Q38-3	13	3.38	1.45	1.00	5.00
Q38-4	33	3.24	1.30	1.00	5.00
Q38-5	41	2.56	1.27	1.00	5.00
Q38-6	43	2.84	1.09	1.00	5.00
Q38-7	1	5.00	.	5.00	5.00
Q38-8	17	3.35	1.66	1.00	5.00
Q38-9	40	3.55	1.30	1.00	5.00
Q38-10	1	2.00	.	2.00	2.00

ANNEXURE H: PERMISSION TO USE REFERENCES

From: Travers, Christine [mailto:Christine.Travers@imd.ch]
Sent: 10 January 2007 02:19 PM
To: Roux, Stephanie (S); WCC info
Cc: Croukamp, Ryk (R); van der Westhuizen, Elize (AE)
Subject: RE: Copyright permission

Dear Ms. Roux,

Thank you very much for your email.

We hereby grand the authorization Ryk Croukamp to use information extracted from our World Competitiveness Yearbook for the doctoral thesis.

The source should be referenced as:

IMD World Competitiveness Yearbook 2006
IMD Switzerland

Do not hesitate to contact me should you require further information.

With my kindest regards,

Christine

Christine Travers - *Marketing & Business Development*
World Competitiveness Center
Tel. +41 21 618 02 51 Fax +41 21 618 02 04
christine.travers@imd.ch

IMD
Ch. de Bellerive 23, P.O. Box 915
CH - 1001 Lausanne, Switzerland
www.imd.ch

From: Roux, Stephanie (S) [mailto:stephanie.roux@sasol.com]
Sent: 10 January 2007 11:12
To: WCC info
Cc: Croukamp, Ryk (R); van der Westhuizen, Elize (AE)
Subject: Copyright permission

To Whom It May Concern:

We, as Sasol InfoNet, have a subscription for the annual edition of the IMD World Competitiveness Yearbook.

We have received a request from one of our users, Ryk Croukamp, to use the information in your publication as part of his doctoral thesis. He is willing to submit to you his thesis, for you to verify his usage and reference to your publication.

It will be much appreciated if you can give Ryk the necessary permission to use your information. You are welcome to contact me should you have any questions in this regard.

Kind regards

Stephanie Roux
Manager Resource Management Sasol InfoNet
Sasol InfoNet
Sasol Technology
Telephone +27 (0)16 960 2108
Facsimile +27 (0)11 522 4473

NORTH-WEST UNIVERSITY
YUNIBESITI YA BOKONE-BOPHIRIMA
NOORDWES-UNIVERSITEIT
VAALDRIEHOEKKAMPUS

1 0 APR 2008

Akademiese Administrasie
Posbus 1174
VANDERBIJLPARK
1900