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The Integration of Corporate Citizenship at Barloworld Limited

Case study report

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Abstract

This case study investigates the integration of corporate citizenship (CC) at Barloworld Limited, a diversified industrial enterprise. It describes a model that relates corporate identity, stakeholder engagement, internal structure and accountability. With hindsight, it can be stated that Barloworld understands the importance of CC and has integrated the concept into its corporate identity. Barloworld's primary attention centres on the 'internal structure' component of the model. This is a logical derivative from the enterprise's corporate identity as it is focused on creating a cultural change within the organisation. Adapting the organisational culture creates a critical mass of committed employees, which can be a valuable tool to serve as a catalyst for integrating CC-related issues into the organisation. Barloworld states that it views the diversity of its divisions as an obstacle, whereas this could be interpreted as an opportunity to 'learn from each other'. Divisional knowledge sharing could enhance the implementation of cultural change throughout the enterprise. Currently, Barloworld's stakeholder engagement is diffuse and division specific, which makes a more structured strategy desirable. Shifting the strategy towards interactive involvement and communication would enhance the company's stakeholder engagement and in addition positively influence the company's overall accountability.

Contents

Introduction

Inroads to case study development	3
The case study aim	3
The model	3
The methodology	5
Structure of the case study	5

Company profile

Origin	5
Business portfolio	6
Market and strategy	6
Facts and figures	7
Ownership	7

Part 1

Corporate identity

Creation of discussion forums	8
Philanthropy	8
Barloworld's current approach 'value based management'	9
Conclusion	10

Part 2

Stakeholder engagement

Barloworld's stakeholder model	10
Stakeholders of individual divisions	11
Conclusion	15

Part 3

Internal structure

Employee value creation	15
Employee value creation in the divisions	17
Conclusion	19

Part 4

Accountability

Monitoring mechanisms	19
Communication mechanisms	22
Conclusions	23

General conclusions

Key lessons	25
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References

Appendix 1	List of interviewees at Barloworld
Appendix 2	Schematic divisional 'employee value creation' process
Appendix 3	Overview of general conclusions

Introduction

Inroads to case study development

Owing to the increasingly dynamic, diverse and complex nature of social and economic life across the world, the nature of doing business has fundamentally changed, with the relationship between business and society being realigned. Enterprises are frequently confronted by new and unforeseen demands, increasing the need for cooperation between business and society and emphasising the importance of social and environmental issues. Enterprises are expected to act in accordance with these new societal demands, creating a growing interdependence on both the members within the enterprise as well as on the enterprise's external activities.¹

In response to these changes, the concept of corporate citizenship (CC) has become increasingly prominent in management thinking and practice. This is reflected, for instance, in the proliferation of CC-related initiatives and guidelines (including, in South Africa, the JSE SRI Index² and the King II report on corporate governance³), and the increase in the publication of CC-related company reports.⁴ The essence of the CC concept is that doing business not only entails the creation of economic value, but also has to take social and environmental issues (e.g. pollution, poverty, health, community development and inequity) into account. It implies that enterprises are recognising the importance of a wider contribution to society and learning to organise accordingly. This places new demands on existing business strategies, systems, policies and plans, which need to be revised if not redesigned to put the concept of CC into organisational practice.⁵

CC plays a particularly important role in South Africa, also given the country's apartheid history. Even though the economy has become re-integrated in the global market, severe social problems such as poverty and disease persist. South African businesses are expected to play a prominent role with respect to these issues, and this creates particular challenges and opportunities related to the institutionalisation of CC.

This case study illustrates how the diversified industrial company, Barloworld Limited anticipates the CC concept and highlights the importance of the impact of Barloworld's guiding philosophy on its organisational culture.

The case study aim

The aim of carrying out the case study is to investigate the way Barloworld Limited integrates CC into its business strategy and processes. The identified approach contributes to the body of knowledge and expertise regarding CC in South Africa in the business as well as in the educational field.

The model

The model applied in this case study was developed in order to provide a methodological framework for gathering information on the integration of CC-related issues in enterprises operating in South Africa.⁶ In other words, the model is a tool for defining how far an enterprise already has integrated CC into their values, structures, and processes. As there are many different ways in which a company could embed CC,⁷

the focus of research was on characterising and assessing the diverse ways in which particular companies in South Africa have approached CC.

The premise of the model is that in order to be a 'good corporate citizen', CC values and principles need to be embedded in all the activities and processes of a company. In other words, CC should become an integral part of the 'company's DNA'. Given this assumption the core of the model represents the business proposition, emphasising the enterprise's reason for existence (see Figure 1). Ideally, this statement should include some reference to CC. The model is based on four components each focusing on one specific aspect of CC:

1. *Corporate identity*: the company's individual context and its sense of purpose regarding CC. This identity may be stipulated, for instance, in its vision and values, or it may be more intangible
2. *Stakeholder engagement*: the manner in which the company interacts with its external stakeholders, or those who are affected by or may affect the enterprise (Clarkson, 1995). It also includes the process of responding to the CC-related issues identified by these stakeholders.
3. *Internal structure*: the manner in which the enterprise organises its internal affairs in order to achieve its CC objectives, with an emphasis on integrating CC-related issues in all aspects of the business
4. *Accountability*: the communication and control mechanisms implemented in the company to ensure accountability both to internal and external stakeholders

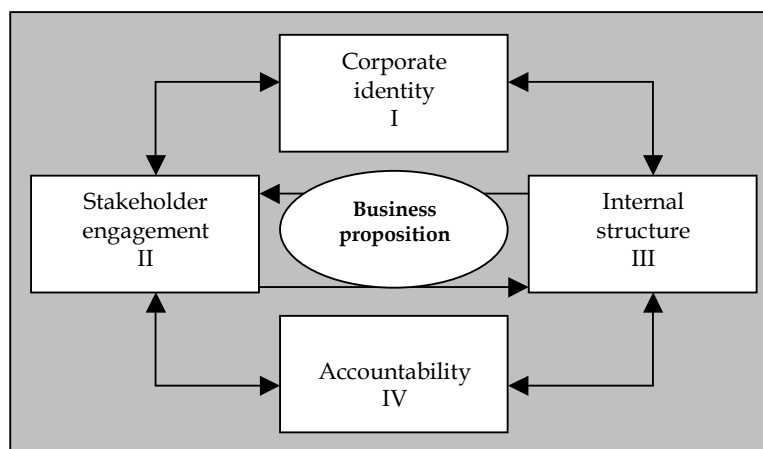


Figure 1. The conceptual model

In terms of corporate identity, the model expects that the company leadership develops a vision regarding the role and position of the enterprise in its context. This vision has to be crafted by means of interaction and dialogue with stakeholders, and on the basis of values such as inclusion and respect for diversity. It should be driven by a firm conviction regarding the company's possible contribution to society. Finally, this vision should be translated into strategies, plans and activities according to which management and employees can act. It requires that managers go beyond a one-dimensional economic perspective of their roles and responsibilities.

The methodology

As Barloworld is a large diversified enterprise, the case study encompassed a significant amount of data gathering. After desk research, semi-structured face-to-face interviews with mainly senior management at corporate and divisional level were held (see Appendix 1 for the list of interviewees). The interviews were guided by a protocol based on the model described above, though interviewees were encouraged to describe their experiences in a narrative style.⁸ To enhance confidence in the findings, the interviews were conducted by a two-person team, with one researcher handling the research questions, while the other recorded notes and observations.⁹ The intent was to interview a cross section of the enterprise's employees, providing a representative overview of the integration of CC issues in the enterprise. Unfortunately, due to the large scope of the case study and time pressure this was not put into practice. The interviews were supplemented with a study of relevant corporate documents (e.g. annual reports) to obtain organisation-specific insights as well as an understanding of the reasoning behind the various approaches to CC.

Site visits and observation at various operations of different divisions supplied additional information and were combined with complementary sources of information, such as corporate websites, newspaper/magazine articles and subject-related literature (e.g. 'Building Barloworld' and 'Keeping track'). The nature of this case report is descriptive providing an in-depth study of what activities are conducted in the field of CC at Barloworld Limited.

Structure of the case study

As a consequence of the investigation areas mentioned above, this case study report is structured accordingly. Prior to the description of the way in which Barloworld integrates CC, a general outline of the enterprise is provided. The last section presents the general conclusions, including key lessons.

Company profile

Origin

Barloworld Limited was founded in 1902 by Major Ernest (Billy) Barlow as 'Thom. Barlow Sons' in Durban, South Africa. Initially the company sold woollen goods, including blankets and coats, but within five years it evolved to engineering components and in 1927 became the official sales and service dealer for Caterpillar in South Africa. In 1941 Barlow shares were traded on the Johannesburg Stock Exchange for the first time. After this, Barlow expanded rapidly into many fields, including motor vehicle retailing, steel and building materials handling equipment, consumer electronics and steel manufacturing and selling. Although based mainly in South Africa, Barlow acquired trading interests in the UK, Zimbabwe, Botswana and Namibia. In 1969 the company listed its shares on the London Stock Exchange. After the acquisition of Rand Mines Limited the company renamed itself Barlow Rand and added mining and property interests to its business. The path of growth continued through diversification into information technology, electrical engineering and textiles. During 1993/94 the company unbundled non-core businesses and a more focused, streamlined Barlow Limited was born.¹⁰

Business portfolio

Barloworld consists of eight operating divisions, each with significant levels of strategic and managerial independence: Equipment, Industrial Distribution, Motor, Cement and Lime, Scientific, Coatings, Steel Tube and Logistics.¹¹

- *Equipment (4664 employees)*: The business is built on Caterpillar with which they have a 77-year dealer relationship. Other brands under equipment are Hyster (lift trucks), Perkins (diesel engine), Ingersoll Rand (rotary blast hole mining drills), Dezzi (Articulated dump trucks) and Bitelli (vibratory compactors).
- *Industrial Distribution (3319 employees)*: This business is an independent lift truck dealer, offering customers a full range of lift trucks and related warehouse/handling equipment. Industrial Distribution deals in Hyster (lift trucks), Freightliner (trucks), Ditch Witch (trenching equipment) and Lamson (vacuum conveyance systems and floor maintenance) brands.
- *Motor (4730 employees)*: Motor is a provider of comprehensive transport solutions representing passenger, light, medium and heavy commercial vehicle brands. BMW, Chrysler, Ford, Fiat, Holden, Isuzu, Kia, Land Rover, Lexus, Mazda, Mercedes, Mitsubishi, Nissan, Subaru, Toyota, Volvo and Volkswagen are the vehicle brands. Avis Southern Africa has recently also been a part of this business unit.
- *Cement and Lime (2870 employees)*: The cement and lime business at Barloworld manufactures and distributes cementitious products and aggregates in South Africa, Botswana and Zimbabwe for construction companies, retail and concrete product manufactures. Their brands include PPC cement Surebuild, Suremic and Unicem (cementitious products, ready-mix and aggregates), PPC Lime (metallurgical grade lime, limestone and related products) and Afripack (paper and Polyethylene sacks).
- *Scientific (2002 employees)*: Barloworld's scientific and laboratory equipment business produces a wide range of products for use in laboratories, semiconductors and telecommunications. This business consists of laboratory equipment, including glass and plastic, and Melles Griot, including laser, optics, opto-mechanical components and nano-positioning equipment, assemblies and related products.
- *Coatings (2688 employees)*: This division produces and sells architectural and automotive coatings. The division consists of Plascon (decorative coatings), Taubmans, International (specialty decorative coatings) and industrial coatings (joint ventures with world technology).
- *Steel Tube (1932 employees)*: Steel tube manufactures steel, flanges and fittings, accessories, piping systems, galvanising and related products up to 200 mm in diameter in both mils and stainless steel.
- *Logistics (810 employees)*: Providing outsourced services in logistic systems, warehousing and transport.

All operating divisions are supported by corporate operations which include finance and treasury, technology, risk, human resources and other group services. In this case study the focus falls on Barloworld's divisions operating in South Africa. This excludes Barloworld's Industrial Distributions and Scientific divisions.

Market and strategy

Barloworld markets its products and services in over 100 countries. Its stated goal is to create value through leadership in every market in which it operates. It seeks to

establish a link between manufacturer and customer for a number of brands. Value is added through sales, delivery of after-market support and to provide 'total solutions' to customers' needs. Barloworld's general strategy is to build a company that delivers world-class performance and profitability.¹² The strategies are designed to ensure that the benefits they bring to all stakeholders will continue for the long term.

Facts and figures

At the end of 2005, Barloworld's revenue was US\$ 6 149 million (R39 401 million) and the operating profit for that year was US\$ 543 million (R3 480 million). 48 per cent of the revenue is generated in currencies other than in South African rand. Approximately 26 000 people are employed at Barloworld in 31 countries worldwide. To illustrate the scale of Barloworld's business units, the following chart indicates the revenues per segment at the end of September 2005.

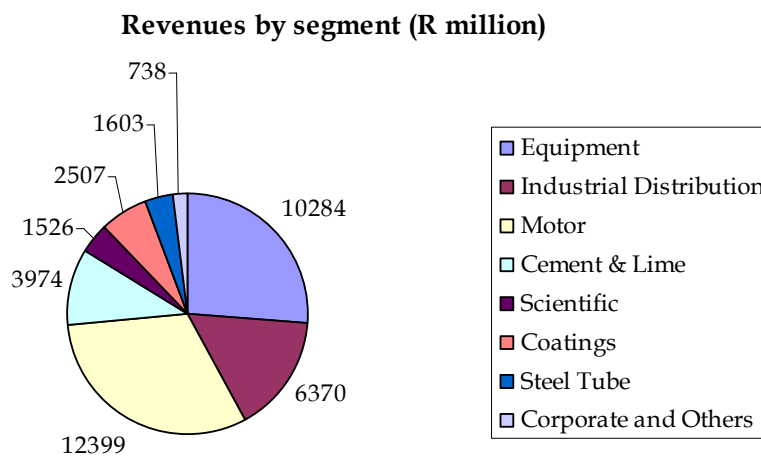


Chart 1. Revenues by segment

Ownership

Barloworld has a simple shareholder structure with over 98 per cent of the shares held by institutional investors. Approximately 75 per cent of these are based in South Africa with the balance being mostly in the United States and Europe. At 30 September 2005, beneficial owners of in excess of 5 per cent in the company's issued share capital were the Public Investment Corporation (17 per cent) and Barloworld Investment Limited (8.3 per cent); the latter as a result of the share buy-back. The portfolios of twenty institutional investment companies accounts for 63.05 per cent of the company's issued share capital. Those managers controlling in excess of 5 per cent were Sanlam Investment Managers (14.8 per cent), Stanlib Asset managers (8.9 per cent) and Old Mutual Asset Managers (7.2 per cent). Barloworld shares have a primary listing on the JSE Limited in Johannesburg and a secondary listing on the Brussels, Frankfurt, London, Namibia, Swiss SWX exchanges.¹³

Part 1

Corporate identity

An enterprise's foremost contribution to society is providing goods and services and thereby creating wealth, generating jobs and paying taxes. All these functions and associated features determine the identity of the enterprise. The corporate identity ideally would be seen as a fundamental dimension of integrating CC in an enterprise, as it provides direction towards the company's individual approach of integration CC. To be able to distinguish Barloworld's current identity it is necessary to understand the enterprise's roots of CC and its vision revealing its CC aspirations.

Creation of discussion forums

Although CC is a fairly new concept in South Africa, initial traces of CC-related activities can be found in Barloworld's 102 years of history. Some of these historical initiatives form the foundation of Barloworld's current approach to implementing CC into its operations.

In the late 1970s and 1980s Barloworld made a first attempt to set up dialogues with members of the company. One of the Barloworld companies named Middelburg Steel and Alloys (MS&A) implemented an open systems management philosophy where employees were involved in the decision-making on critical issues, from the design of large-scale capital projects to resolving intricate human relations, manpower or marketing problems. All members who would be affected by a decision, or who had unique skills and competencies to add value to that decision, were drawn in assuring that the best decision would be made. In 1988, under MS&A CEO John Gomersall, the interactive forums were extended to include local stakeholders to discuss and negotiate challenges at hand (e.g. religious leaders, law enforcement officers and political leaders). The so-called Middelburg Forum developed into a problem-solving team, representing all interested organisations.¹⁴

Another initiative stimulating stakeholder dialogue was the political forums held during the end years of apartheid (1993- 94). At that time, Barloworld was aware of the possible consequences of political transition for society. By means of industrial mediation, through the organisation of discussions encompassing all key political areas and using civil institutions, Barloworld tried to influence and change the political and societal mindset. Its sheer size gave the company a unique position and role in bringing different political parties together and in building bridges as in, for example, assisting in the management of the 1994 elections.¹⁵ Also partly as a result of these political negotiations an official recognition agreement was signed by all parties involved, which eventually resulted in the South African peace accord.¹⁶

Philanthropy

A recurring theme among many interviewees is that there is a 'strong ethos of seeking to do the right thing'.¹⁷ These values are said to originate in the strong ideals of the company's founders, and they are meant to be implicitly understood by everyone in the organisation. Barloworld realised that, especially in a country like South Africa, where inequity and poverty can be seen everyday, 'good things' could be done.¹⁸ The company started to contribute to society in stand-alone activities (i.e. Corporate Social Investment

[CSI]), such as donating to charity and supporting initiatives that came their way. A strategy identifying guidelines for CSI activities, an institutionalised activity memory or communication methods on the CSI activities throughout the entire enterprises did not exist.

To contextualise these activities, Barloworld put a CSI Foundation into practice, mainly focusing on bursaries, community and entrepreneurial development. When in 2004 J. Smith was employed as head of the Corporate Social Investment department, the CSI Foundation got rid of the shot-gun approach trimming down the funding diversity and started developing a corporate strategy on the concept.¹⁹ J. Smith also stated that 'you cannot talk about CSI without taking CC into account; CSI is just the tip of the iceberg where CC includes much more, too much for one person to deal with. The challenge of CC is to change the system from within.' Accordingly, Barloworld decided to shift from a departmental and ad hoc philanthropic focus on CSI activities towards embedding CC in the entire enterprise.

Barloworld's current approach: 'Value Based Management'

As Barloworld's CEO T. Phillips states, to integrate the concept of CC into the company organisational culture change is crucial.²⁰

In order to understand the current concept of CC for Barloworld, it is necessary to know the nature of the organization and take the entire enterprise with its background into consideration dealing with an enterprise's vision. Barloworld is large; it operates in 31 countries, has seven divisions and deals with a wide range of issues. Therefore, in recognition that to really embed CC a cultural change was needed, Barloworld wanted to create one corporate identity, being the foundation stone on which recognition for all brands is built. However, the enterprise is not the portfolio type of organisation; it lets the divisions do their own thing. The wide range of businesses at Barloworld and their independence makes it difficult to create this one corporate identity.

To change the organisational culture, shifting the corporate focus from shareholder value to creating value for all stakeholders in a sustainable manner presented the company with important challenges. With regard to corporate identity, the company developed the so-called Value Based Management (VBM) philosophy as a means to align all business units and together work towards a common goal.²¹ The philosophy is described by the CEO T. Phillips as follows:²² 'We measure our business successes by the extent to which they add value for all stakeholder groups within the context of our all-encompassing social and physical environment.' The philosophy requires moving beyond the traditional approach of trade-offs of profits versus environmental issues or customers versus suppliers, and search for solutions which add value for all.²³

Barloworld's overriding goal is to be leader in the field of sustainability by delivering growing value to all stakeholders and the communities in which they operate. To realise this Barloworld has set 'the 2x4x4' goal, meaning: double the value for all stakeholders (customers, shareholders, employees, principals and suppliers) in four years (so by 2006). Each business unit will have to define its own goals in order to achieve this '2x4x4 goal' and will be measured on its outcome.

Conclusion

Through the creation of discussion forums and dialogue with the company's employees and the communities it operates in, Barloworld has a long history of involvement in and interaction with South African society. To actually integrate CC in the enterprise a cultural change was necessary, introducing the VBM philosophy. This philosophy encompasses Barloworld's desire to simultaneously create value for all its stakeholders, including the community in which the divisions operate (both people and the natural environment) in a sustainable manner. The enterprise's focus on sustainability highlights the importance given to act on CC-related issues.

Part 2 Stakeholder engagement

As enterprises operate in highly interdependent surroundings, interactions with various groups and individuals who can affect or are affected by the achievement of the enterprise's objectives amplify.²⁴ It becomes increasingly important that the enterprise takes into account the wishes and needs of these groups and individuals, so-called stakeholders. Stakeholder engagement is more than the mere acknowledgement of stakeholders; it should enable the enterprise to identify the views and aspirations in the field of CC of its key stakeholders through strong interaction. Stakeholder engagement implies:²⁵

- *identification* of stakeholders with a legitimate interest in the enterprise's activities
- *dialogue*, by interactive communication which includes a feedback process that responds to the stakeholders' comments

It remains impossible to satisfy all stakeholders' needs and expectations; balancing these is therefore of the utmost importance.

Barloworld's stakeholder model

The diverse geographic and product nature of Barloworld's operations gives it a wide variety of stakeholders. The company has identified its major stakeholders as 'the people for whom we add value and who are critical to the success of our sustainable performance'. The main stakeholder groups are: shareholders, customers, employees, and principals and suppliers. They are represented by the points on the pyramid in figure 2. The society in which Barloworld operates, the base on which the pyramid stands, is also identified as an important stakeholder²⁶.

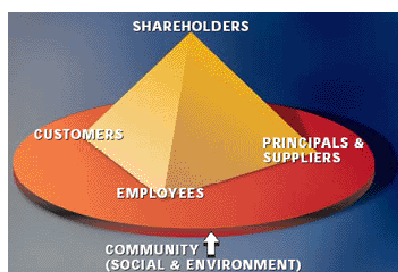


Figure 2. Barloworld's five main stakeholders

- Shareholders

All Barloworld's divisions are wholly owned, except for Cement and Lime, of which Barloworld had a 71.7 per cent²⁷ shareholding. Pretoria Portland Cement Company Limited (PPC) is listed on the JSE Exchange SA and issues an additional report to its shareholders.

- Customers

Barloworld's customers are a mixture of retail, wholesale and corporate. They range from multinational mining and construction companies, who may purchase tens of millions of US dollars of earthmoving equipment annually, to low income individuals who may buy a single bag of cement for under R50.00 from a merchant.²⁸

- Employees

According to the analytical model applied in this case study, first the external stakeholders are discussed and then the internal stakeholders, the employees.

- Principals and suppliers

The supplier base of Barloworld is as diverse as its businesses, thus suppliers include individual, small, medium and large enterprises in every territory of operation. The most prominent suppliers are the manufacturers of capital goods, such as Caterpillar Inc. and NACCO (who provides Hyster lift trucks). In addition, Barloworld has dealerships with a various group of automotive manufacturers and licenses brands and technology. An example of this is the license of the Avis brand.²⁹

- Communities

The communities include people from the areas in which Barloworld does business; people who are affected by the operations, socially, economically or environmentally. Barloworld's engagement with these communities varies, depending on their impact level. Where Barloworld has substantial operations their focus lies on the immediate areas in which they operate and on the areas where the employees live. Where businesses are in urban areas Barloworld typically forms a smaller part of the landscape and is less involved in community life.³⁰

Stakeholders of individual divisions

As every division of Barloworld operates in different areas, the stakeholder focus and level of engagement varies as well. In the following section, stakeholders having a high impact on a specific activity are highlighted.

- Shareholders

Barloworld head office and its listed Cement and Lime division both have to deal with shareholders. Head office interacts directly with the shareholders, communicating details of its performance formally twice a year, and more often if special circumstances arise, such as a change in prospects or a major transaction. Other interaction with shareholders includes group presentations and one-on-one meetings as well as operational visits.³¹ According to the Finance Director C. Thompson,³² shareholders are generally not yet interested in sustainability. The CC issues only arise in long-term thinking and in what the impact will be on shareholder value. They are becoming aware of the concept, but from a business perspective. During dialogues with shareholders, the

CC issues that do arise are black economic empowerment (BEE) and the disease, HIV/AIDS, as these can have a negative impact on the financial results and therefore form a financial risk.

PPC rarely gets questions on the triple bottom line; sometimes from the United States and Europe, but these are generally minor in nature.³³

- **Customers**

Barloworld's Coatings division has the largest number of customers, because of its retail paint brands. The Equipment division sells products to a relatively small group of customers, however, it has an intense relationship with them. The Motor division has approached a whole new group of customers with the acquisition of Avis Southern Africa.

Coatings

Coatings' customers consist of buy-and-use customers and retailers. Even though customers do not pressurise the organisation to act on environmental issues, Plascon manufactures its products in compliance with international standards, such as the Bureau of Standards 0157 rating (equivalent of the international quality management standard ISO 9002). The division is also exploring the possibilities of producing environmentally friendly products, but this is still in its infancy. Currently, the unit is struggling to find a waste disposal company that actually works in a responsible and sustainable way.³⁴

Equipment

Barloworld's Equipment division sells its products to a small group of customers. It has a strategy for providing management solutions to all its customers. Employees work hand in hand with customers, making the business more efficient and productive.³⁵ This high interaction with customers brings problems to the fore at an early stage, such as the high emphasis on safety.³⁶ Another issue arising is increased customer pressure to have 'black economic empowerment' (BEE) requirements in order, showing that BEE is a strategic imperative.³⁷

Motor

Barloworld's Motor division has added another dimension to its customer approach with the acquisition of Avis Southern Africa. Now Motor can offer customers a more comprehensive range of vehicle transport and mobility solutions, ranging from purchasing a new or used vehicle to car rental, from vehicle service to parts supply, from fleet services to motor body repairs in manufacturer-approved facilities.³⁸ As the division's operations are a one-on-one interface with customers every day, a customer satisfaction index is done every month. This index focuses on hard as well as soft measures, from price/quality performance to the friendliness of the service.³⁹ The index does not show any customer interest in CC issues for buying or renting a car. The Motor division does not consider the nature of the business as environmentally unfriendly, since there is no large use of resources such as water, and waste is generated separately within the rules of the law.

- Principals and suppliers

Barloworld's Equipment and Motor divisions have the most intensive relations with their suppliers as they fully depend on them. Both divisions sell finalised products. PPC, Coatings, Steel Tube and Logistics do not have such intensive relations with their suppliers as they are not fully dependent on them.

Equipment

Caterpillar is the core supplier of the Equipment division and its most vital stakeholder. The Caterpillar dealership was established in 1927, creating a base of trust and commitment between both parties. Frequent meetings are held, where major issues such as market shares and sales volumes are discussed. Environmental or other CC-related issues are not a major focus but, as the demands on Caterpillar's operations in the United States are high, Equipment trusts that manufacturing happens correctly. L. Day, CEO of the Equipment division says:

The division takes a more hesitant approach; nevertheless we will act on issues arising from our suppliers. Reaction is necessary if the business is deflected by indirect negative issues, for example in Zimbabwe Caterpillar products were used to flatten informal settlements, but how to address such a situation, as the Caterpillars were not sold for that purpose?

Motor

Motor's major stakeholders are the large automotive manufacturers of international brands. The division meets regularly with the local representatives of these international suppliers (e.g. BMW, DaimlerChrysler, General Motors, Ford, Nissan, Toyota) and attends international dealer conferences. As suppliers want to increase product exposure, Motor may not undermine their integrity and customer satisfaction. Most manufacturers assume that dealerships operate according the law. However, BMW is ahead and prescribes a rating of the ISO 14000 series of environmental management system standards in all its dealerships. Motor complies with the rules, hence is not proactive. For instance not all automotive dealerships have an ISO 14000 rating.⁴⁰

- Communities

Barloworld's engagement with the communities is mainly directed by Head Office's Corporate Social Investment (CSI) programme. The separate divisions, however, support their own projects.⁴¹

Barloworld Head Office

Barloworld's Community Value or CSI programme is centrally managed by the CSI department based in the corporate office in Johannesburg. The initiatives are financed by both direct expenditures of the company and disbursements from the Barloworld Foundation. Key areas of CSI activity are education, leadership development, initiatives linked to HIV/AIDS education and care of Aids orphans in the community, and public-private-partnerships with government around policy formulation, job creation and safety and security. Barloworld mainly supports organisations working in southern Africa, such as NOAH, African Leadership Initiative, and Business Against Crime.⁴² The company is committed to allocating one per cent of the company's global profit after tax to CSI activities. In 2005 the company spent R21.1 million (2004: R14.2 million) directly on its community projects.⁴³ The CSI committee, comprising the CEO, four executive

directors and three executives from the corporate office, gives direction in determining which initiatives to support in meetings held quarterly.

Equipment

The Equipment division desires to reach to the core of problems within the surrounding community instead of treating the problems' symptoms. Therefore, the approach taken starts from inside the company and eventually works outward. The support provided focuses on being the supplier of skilled labour, with a strong technical focus on service support of machines. Equipment engaged with many learners from technical institutions giving practical expertise and a proper programme with internships during the holiday. Through training, people become familiar with the Caterpillar product and might use the brand in future.⁴⁴

Motor

Barloworld's Motor division has approximately 56 franchises that operate dealerships, of which each has its own CSI budget to invest in their particular community. The CSI expenditures have to be approved by Motor's directors, but they do not decide on suitable projects. There are some basic guiding principles; do the 'appropriate' in the community, give donations, be actively involved, provide HIV/AIDS training and support group initiatives. However, there is a need for a more formal structure, as most projects are ad hoc and individually driven.⁴⁵

Pretoria Portland Cement

PPC perceives its approach to communities as an integral part of the way the business is managed. The division is very aware of its potential to impact negatively on the environment and society. Mining can never be sustainable, and eventually a mine will close. The community PPC operates in becomes reliant for income and in some cases housing during the life of a mine, so PPC has realised that a sustainable alternative way of life after the closure of the mine is essential.⁴⁶ PPC has management systems in place to manage environmental risks effectively in the communities. Community forums have been established at all sites to facilitate constructive dialogue with community stakeholders. Registers are kept and dialogues take place with all identified interested and affected parties at each operation. The concerns and comments of the community are kept on record and addressed as agreed with the community. In addition, PPC is in the process of compiling social and labour plans for all its local operations in accordance with mining legislation. PPC representatives will form part of the areas' local economic development forums as well as participate in the local municipalities' integrated development plans.⁴⁷

Coatings

As M. Christie, Managing Director of Plascon, says: 'A company cannot live in isolation of the community it operates in and sells its products at.' This is the reason why Plascon offers painting training to unemployed, creating people with the right skills; part of the expectation is that the 'new' painters will remember the Plascon product when starting their painting careers. Besides training, paint residues are donated to communities so no paint is wasted and as a result people not able to buy from the consumer market are able to use the Plascon product.

Steel Tube

M. Coward, CEO of Steel Tube, states that 'the community we operate in must see us as a company that contributes in a positive way, but for us, our employees are the most important assets'. The Steel Tube division is going through difficult times as the stainless operation had a very difficult year as volumes shrank with the loss of exports. In addition import further damaged an already weak domestic market.⁴⁸ As Steel Tube spends all its energy on 'surviving', it has not given much attention yet to community involvement. There are some charity initiatives such as collecting clothes or selling curiosities on the Steel Tube annual open golf day, but no real structure has been implemented.

Logistics

Logistics has implemented an annual community day for every employee in the company. This is effectively an extra day's leave that must be used to interact and assist with socio-economic issues in the local community, encouraging employees to become involved in their own communities.⁴⁹ 'You might say that we have begun to be reminded of our humanity' says P. Stuver, CEO of Logistics.

Conclusion

Barloworld's operational diversity and the relative independence of its divisions resulted in a wide variety of stakeholders. Though the stakeholders are divided into five main groups; shareholders, customers, employees, principals and suppliers, and communities, it is evident that the different divisions do not interact equivalently with all these stakeholder groups. Barloworld desires to create value for all identified stakeholder, but a well defined company strategy on how to engage with these stakeholders is absent. Each of the divisions has implemented relatively separate stakeholder communication strategies. This has resulted in a diffuse and fragmented approach to stakeholder engagement, which furthermore results in disparate approaches to CC issues.

Part 3

Internal structure

Embedding CC into the internal structure of an enterprise means that it must be integrated into all parts and processes of the organisation. This requires a high degree of internal coordination between employees and departments and involves integrating or rather 'translating' CC into systems, processes and concepts. The integration of CC into the internal structure at Barloworld is founded on its VBM philosophy. As mentioned before, the emphasis of this philosophy lies on value creation for all stakeholders; this part of the case study report has a particular focus on value creation for employees.

Employee value creation

An enterprise-wide survey conducted in 1999 showed that employees had little understanding of the company's direction and their own role in achieving the company's goals. Motivated by the findings of this survey, the overall transition in the company, and a belief that employee commitment was a prerequisite for financial performance, the company's leadership committed itself to a new approach to human

resource management. However, tools to create employee value were still in their infancy, leading to ad hoc initiatives.

The cement and lime division, Pretoria Portland Cement (PPC), was the first to develop far-reaching commitment and an innovative approach. This commitment within PPC was premised on, among other things, its relatively poor financial performance at the time and a resulting willingness to innovate. PPC created an employee-directed strategy to get the working climate right ensuring the involvement of all employees.⁵⁰ It started the so-called 'Kambuku' project⁵¹ initiated by J. Gomersall, CEO Cement and Lime and facilitated by R. Burn, then Human Resources Director of PPC. Kambuku was named after a Kruger National Park elephant and means 'a better life for all'.

The actual implementation to reach this enhanced climate is a 'relentless daily process of problem solving'.⁵² It involves daily, structured employee meetings in the workplace, known as 'invocoms' (involvement and communication meetings), as well as road shows and presentations to employees on various subjects. The purpose of the invocoms is to provide an overview of the day's priorities and work programme, including the definition of the day's goals and focus areas. They also allow all employees an opportunity to raise issues of concern, stimulating early detection of problems and opportunities in the workplace. This stimulates interactive discussions to get a better understanding of the issues at hand.

Importantly, the issues raised in the early stage of implementing the invocoms frequently relate to personal issues rather than business objectives.⁵³ Once such issues have been responded to, there is increased confidence to raise more performance-related concerns, such as relationships with management. Moreover, employees start to frequently discuss CC-related issues in the invocoms or related processes, such as community health. An illustrative example is that of a factory worker who could explain to the researchers what the purpose and implications of the ISO 14000 series of environmental management system standards are. He was also able to explain its implications for his own role in the organisation. This is quite remarkable for an employee at that level. The Kambuku project had excellent results at PPC and was subsequently recognised by Barloworld as the best practice strategy and formalised for implementation throughout the corporation in terms of the Employee Value Creation (EVC) process.

In practical terms, EVC includes balanced scorecards and individual development plans, all with the objective of ensuring ongoing value creation for all stakeholders.⁵⁴ The EVC process integrates its employees with financial aspects of business and ensures that employee's value creation is recognised, as a critical element in achieving Barloworld's medium-term goal of doubling the value of the company over the four years from 2002 to 2006. The EVC process offers employees clear purpose and roles that will develop knowledge, skills and attributes in a focused way and provides clear objectives that can be linked to the concept of reward for performance.⁵⁵

In this case study the results of the survey of Best Company to Work For⁵⁶ are used to compare Barloworld's divisions in their striving to implement the EVC process. This survey is an initiative of Deloitte consultancy and the Financial Mail magazine. In 2005,

employees of 137 enterprises were randomly (according to race, gender and level in the organisation) questioned on what they felt was best about their jobs, and employers were questioned on what they were doing best for their staff. The results reflect the perceptions of employees, who account for 85 per cent of a company's total ranking and the remaining 15 per cent is based on employer views.⁵⁷

Employee Value Creation in the divisions

Barloworld expects that the EVC process will be entrenched throughout the enterprise by the end of 2006.⁵⁸ 'People are now slowly getting to the point that they start to realise that the strategic changes make sense. It's like an African field-fire, you need a burning platform to get the divisions buying in, however the diversity of Barloworld makes it difficult to get all employees involved.'⁵⁹ The different implementation stages of the EVC process within the individual divisions give an understanding of this diversity. Appendix 2 presents a schematic overview of this process per division.

Head office

The role of head office in the EVC process is to translate the VBM philosophy in such a way that it can be integrated throughout all the business units; to reach this more competences at head office were needed. Two divisional business operators were attracted to implement the more 'soft' EVC approach: J. Gomersall (Strategy) and P. Surgey (Human Resources). Head office's focus is currently on creating centres of excellence, since high quality raises the bar and stimulates the other divisions.⁶⁰

Equipment

The equipment division started the EVC process one year ago by designing a Performance Ownership Programme (POP) to involve everyone in creating value.⁶¹ The tool used (see Figure 3) is a sideways rocket which shows what has to be done to achieve the set goals.

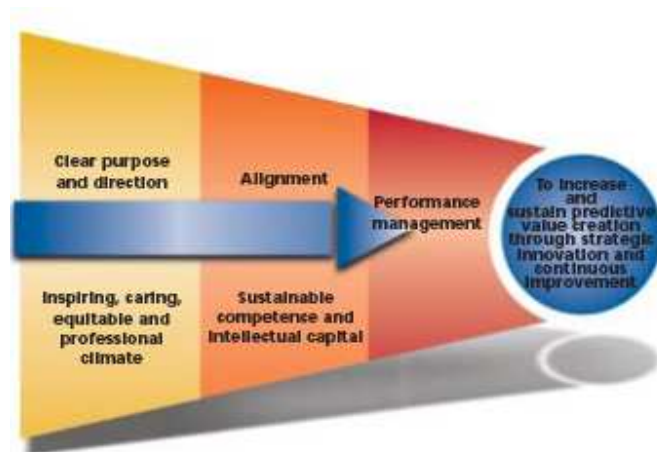


Figure 3. The employee value creation rocket

Elements of the tool are clear purpose and direction, alignment, inspiring climate, sustainable competence and intellectual capital, performance management and relevant structured team forums. Equipment encounters the difficulty of going beyond the

developed tool, i.e. putting the tool into practice. Regional Director J. Wagner explains in his interview:

The launch of POP did not have the desired effect, as there was no deep enough understanding of the concept and thus low effectiveness. The team based forums had no impact, which is management's fault as they were not able to clarify the intentions. EVC is POP on steroids, meaning that you need total commitment and understanding, where you have to create internal capacity and a right focus. For the EVC launch you need the people to do it, maximum participation. It must be aligned, focused and in harmony, with mutual respect, tolerance and teamwork. Leadership in EVC will change the climate into aligned, trained and motivated employees.

At the moment the Equipment division is in the middle of getting into the next stage of implementing EVC, as they approached the consultancy firm that initially advised PPC on its EVC to assist them as well. The fact that Equipment is still struggling with embedding EVC into their organisation is also reflected by their position in the Best Company to Work For survey, where they were rated 39th in 2005.

Motor

Motor started two years earlier with value creation than the Barloworld EVC process. 'We have been doing it long before', says Motor Director Human Resources O. de Almeida. Motor developed a rather mechanical approach to EVC which is translated in the 'value circuit'. The circuit is a means of showing that value creation never stops, since there is always room for improvement.⁶² Each element on the circuit is an instrument to create value, the fact that all elements must be fully integrated is the red threat in the process. The overarching motto of the circuit is: 'Together we make a difference', emphasising collective action to reach the EVC goal. Tools used in the EVC process are monthly value-driven meetings and daily value mobile meetings. The value-driven meetings determine focus areas for the value mobile meetings, the latter keep an eye on measurements of the focus areas and provide an opportunity to put ideas forward.⁶³

Dealerships in Cape Town showed the practical use of the EVC tools, but Regional Director G. Sholto-Douglas indicated that employees are still reluctant to act proactively on CC issues (e.g. BEE) and rather wait for instructions from head office. In order to stimulate the EVC process at Motor, R. Burn, one of the founders of the process at PPC was brought in.⁶⁴ The division became 38th in the Best Company to Work For survey in 2005, and AVIS was rated 34th.

PPC

The PPC division is already mentioned as best practice in the beginning of this section. The success of their employee involvement strategy is furthermore reflected by the fact that PPC received the award of Best Company to Work For in 2005. However PPC stays self-critical. Managing Director O. Fenn says that PPC is only at 70 per cent on where they want to be; still more work needs to be done in creating optimal employee value. As part of PPC's organisational drive for continuous improvement, the Kambuku project is currently being re-energised to tackle the next level of performance. This involves refocusing several of the existing organisational performance initiatives on

PPC's vision and strategic objectives for 2010. Key emphasis will be placed on 'learning and growth' to achieve long-term business results.⁶⁵

Coatings

The coatings division has begun the EVC process, where it is primarily managed and directed from the top. The system used for this process is 'mission-directed work-teams', where employees gather every day. A team brief from management states what will be discussed in these work teams. Manufacturing Director L. Jacobs explained that Coatings reached employee involvement partly through mission-directed work-teams. This was achieved because of the commitment and passion of some in the company and the fact that it is no longer voluntary. Although Coatings is doing reasonably well, emphasis is on the directive approach towards EVC, which makes full commitment from all employees challenging. This is also illustrated by the fact that Coatings did not reach the top 50 of the Best Company to Work For survey in 2005.

Steel Tube

The Steel Tube division has been facing difficult times in its industry due to losses in its stainless operations. Therefore, the EVC process has not been a high priority in the past. The division has been manufacturing driven, but aims to revamp the EVC process and wants to have it in full swing by October 2006.⁶⁶ The tools for an EVC process are in place as they work with mission-directed work-teams, however these are primarily used to communicate manufacturing goals only.⁶⁷ This shows that Steel Tube does not yet have a clear understanding of the EVC intention to create value for its employees. Their low employee value creation is also reflected by the fact that the division also did not reach the top 50 in the Best Company to Work For survey in 2005.

Logistics

Although Logistics is still quite a new business, it has taken on the EVC process well.⁶⁸ According to CEO Logistics P. Stuiver much of the integration of EVC into the business organisation was learned from PPC's best practice. Just like PPC, Logistics uses invocoms to communicate with its employees. Through these invocoms management asks for feedback on issues that are important to the employees, but people are not yet comfortable with getting directly involved. Annual road shows, attended by approximately 70-80 per cent of the employees, inform employees on the vision and goals concerning EVC. The new division made good progress with regard to creating value for their employees considering their rating of 37th in the Best Company to Work For survey in 2005.

Conclusion

To translate the VBM philosophy into a tool for creating value for employees, Barloworld developed the EVC process. EVC is aimed at fostering an inspiring and caring working climate stimulating employees to participate in the business process. Initially, Barloworld did not develop a focused or detailed approach, each division being free to apply its own mode of implementation. Barloworld's Cement and Lime division pioneered the Kambuku project, whereby employee value is created through complete organisational commitment. This approach has subsequently been recognised as best practice and serves as a leading example for the rest of Barloworld. Via employee participation a critical mass is developed, whose total involvement enables the

implementation of initiatives such as the ISO 14000 series of environmental management system standards and BEE. In this manner social or environmental issues are integrated into the organisation 'from below', by helping employees understand why such issues matter to the organisation and are relevant to employees' responsibilities. So, the EVC process, which creates employee commitment, can serve as a catalyst for integrating CC into the internal structure of the company.

Part 4

Accountability

Contemporary enterprises are forced to pay greater attention to the wishes and criticisms of a widely divergent group of stakeholders. This requires an open and transparent form of monitoring and communication, based on a sound understanding of the values to which stakeholders adhere. To distinguish how management deals with CC in the enterprise and how policies regarding its CC vision are formulated and embedded in the operational processes of the company, monitoring and reporting systems need to be in place for stakeholder engagement as well as for internal structure.

Monitoring mechanisms

To communicate information on CC to stakeholders, an enterprise will have to track the results and monitor new developments.

- **External monitoring mechanisms**

Barloworld embraced external initiatives to make sure that its external monitoring mechanisms are in place.

The Global Reporting Initiative

The 2004 and 2005 Annual Reports are prepared with the guidelines for sustainability reporting developed by the Global Reporting Initiative (GRI). This initiative presents and analyses the performance of Barloworld in economic, environmental and social terms, which are generally agreed to be determinants of sustainability and are known as 'the triple bottom line'. Barloworld believes that the GRI structure promotes transparency, enhances the clarity and credibility of Barloworld's communication with its diverse stakeholders, facilitates comparisons across organisations throughout the world and addresses issues that concern the broad spectrum of stakeholders.⁶⁹ Barloworld's intention is to give users of the Annual Report a clearer understanding of its operations, the principles that drive them and the impact that they make on the economic, social and physical environments in which they conduct business.⁷⁰

The finance department is heavily involved in gathering all data for the annual report and consequently also accumulating the triple bottom line information for the sustainability section. According to I. Stevens, Group General Manager of the finance department, 'it will take a while to do sustainability reporting as structured as the financial end reports. It is a challenge to improve accuracy and information as it needs to be checked'.

The King Report on Corporate Governance

In the 2005 Annual Report⁷¹ it is stated that Barloworld complies with the Code of Corporate Practice and Conduct contained in the King Report on Corporate Governance in South Africa published in March 2002. No further information on the King Report and compliance is found.

The Global Compact

Barloworld subscribes to the principles of the Global Compact. The Global Compact (GC) was formed in an address to the World Economic Forum on 31 January 1999. United Nations Secretary-General Kofi Annan challenged business leaders to join an international initiative that would bring companies together with UN agencies, labour and civil society to support universal environmental and social principles.⁷² Barloworld is one of the few African enterprises that annually publish their sustainability performance on the GC website. The GC seeks to promote responsible CC through the power of collective action, so that business can be part of the solution to the challenges of globalisation. In Barloworld the importance of the GC approach is recognised, however, head office stands at the forefront of interacting with this initiative, instead of collective participation of all divisions.

Indexes

Barloworld is a member of the Johannesburg Stock Exchange Socially Responsible Investment Index (JSE/SRI). The index is structured according to the three pillars of the triple bottom line (environment, society and economy). As a means of helping to focus the debate, the JSE/SRI has developed criteria to measure the triple bottom line performance of companies. Companies are encouraged to progress, disclose, implement and report on their triple bottom line strategies and programmes.⁷³

In September 2002 Barloworld was selected for the second successive year as a member of the Dow Jones Sustainability Global Index (DJSI). This is the first global index tracking the financial performance of the leading sustainability-driven companies worldwide.⁷⁴ Barloworld is one of only three South African companies who have qualified to participate. Owing to a restructuring of the index into more competitive industry groups with a limited constituency, Barloworld is now placed just one position out of the DJSI Industrial Diversified index.⁷⁵

Policies

In 2004 Barloworld developed a BEE policy as it recognises the importance of helping to rectify the economic imbalance existing as a consequence of the legacy of apartheid policies in South Africa. An external rating agency completed a review of all Barloworld's South African operations and gave an overall average empowerment rating of 42 per cent, on a scale where 65 per cent and above is considered to be a good contributor to empowerment. In the same year Barloworld established a formal BEE policy to ensure that all South African divisions are guided in achieving a minimum of 65 per cent score on empowerment.⁷⁶ Following only recent publication of certain of the Department of Trade and Industry's Broad-based Black Economic Empowerment Codes of Good Practice it has not been possible to conduct a quantitative assessment of the overall performance and accordingly its implementation has been postponed until 2006⁷⁷.

An environmental policy is being implemented to strive to minimise the environmental impact of Barloworld's operations. Environmental management systems are implemented in all operations to guide and track progress in meeting predetermined objectives and targets, and to demonstrate environmental responsibility and accountability at all levels of management and continual improvement of environmental performance through self-assessment and auditing. The majority of Barloworld's manufacturing sites are either certified with the ISO 14000 series of environmental management system standards or operate to an internal standard system designed to produce similar results. Environmental impact at non-certified operations is managed through annual risk management audits and Barloworld's Environmental Minimum Compliance Guidelines.⁷⁸

Individual business units adopt industry-specific charters, as appropriate to their line of business. Examples include coatings subscribing to ISO 9001:2000, specifying requirements for quality management and Coatings Care, a voluntary environmental health and safety management programme for coatings manufacturers around the world⁷⁹.

- Internal monitoring mechanisms

In addition to the external control mechanisms, Barloworld has developed various employee-focused monitor mechanisms.

Employee perception surveys

Barloworld aspires to be an employer of choice, so it participates annually in the Deloitte Best Company to Work For survey. As explained in Part 3, this survey measures many aspects of the work contract and experience in South Africa.⁸⁰ The outcome is used to critically reflect on the effectiveness of EVC within the individual business units.

The annual Individual Perception Monitor (IPM) is conducted to measure the perception of the employees against standards that create value for the employee. Through the survey, Barloworld is able to benchmark the different divisions within the group, and monitor areas for improvement and areas where additional focus is required.⁸¹ The IPM provides the opportunity to understand where employees feel there are gaps in EVC.⁸²

The balanced scorecard

A balanced scorecard approach to performance measurement is generally used throughout Barloworld. Its implementation varies significantly across differing geographies and businesses.⁸³ In the divisions an attempt is made to cascade the relevant components of VBM into the balanced scorecard. The further implementation of a balanced scorecard for Barloworld's executives and managers will help align behaviours with strategy and ensure the objectivity, efficacy and fairness of their incentive schemes.⁸⁴

CEO Award Programme

To recognise the efforts and commitments made by employees, the CEO Award Programme was launched. The goal of the programme is to direct every employee worldwide towards Barloworld's goal of creating value for all their stakeholders.⁸⁵

Award finalists are drawn from each of the divisions and selected on the basis of exceptional contributions above and beyond the call of duty.⁸⁶

Communication mechanisms

Barloworld has a number of mechanisms in place that communicate its CC performance externally as well as internally. These are the following:

- External communication mechanisms

The Annual Report covering the activities of Barloworld Limited, including all subsidiaries and partially owned entities for the financial year. The report touches comprehensively on the economic, environmental and social performance of the enterprise. In addition there is the Barloworld website, media programmes and public speeches all providing information for interested parties.

- Internal communication mechanisms

Most employee communications are conducted through personal contact supported by newsletters, committees, VBM briefings and employee participation in forums. The frequency of such interactions varies. Besides this there are structured negotiations and consultation with recognised unions at various workplaces and enterprises. The majority of Barloworld's employees has access to the intranet (mybarloworld.com), affording them the opportunity of being kept fully informed about developments in their business units and the company as a whole.⁸⁷ Through the 'Tony Online Project' employees can also talk personally to the CEO T. Phillips via the intranet.

'Building Barloworld' is a quarterly newsletter sharing best practice, strategy and human resource initiatives with all employees. This newsletter is supported with a video and CD, enabling employees to meet colleagues from around the world.⁸⁸ In addition, almost every business unit has its own specialised internal publication, like 'Keeping Track' from the Equipment division and 'Robor News' from the Steel Tube division.

Conclusion

To ensure that Barloworld practises what it preaches, it must have its monitoring and communication mechanisms in place. To make the company accountable for acting on CC-related issues, as referred to in its stakeholder engagement and its internal structure, transparency and quantifiable results are required. Barloworld anticipates various external accountability initiatives, however, opportunities to participate and interact are not exploited, excluding essential information flows. Internally, the monitoring and communication mechanisms help stimulate interaction with and involvement of employees. The feedback coming from employee perception surveys and communication tools are applied to formulate and adapt operational strategies.

General conclusions

This case study report illustrates the integration of corporate citizenship (CC) within the business strategy and processes of Barloworld Limited, a diversified industrial company. The case study was conducted by the UNISA Centre for Corporate Citizenship in 2005 and is based on desk research, face-to-face interviews, on-site visits and complementary sources of information.

To structure the case study a model is applied. The premise of this model is that CC needs to be embedded in all company's activities and processes. At the core stands the business proposition of the enterprise, representing its 'reason of existence', influencing all business operations. For Deloitte this is stated as: 'To be recognised as the best professional services firm in Southern Africa'. The approach the firm took towards integrating CC is described according to the four components of the model: corporate identity, stakeholder engagement, internal structure and accountability. Appendix 3 summarizes the findings and highlights the strengths and gaps of Deloitte's integration of CC.

Corporate identity

Barloworld has a long history of involvement in the communities in which it operates and an existence of a strong ethos of 'seeking to do the right thing'. In the late 1990s, the company recognised that a corporate culture change was essential to act on CC-related issues. Through the Value Based Management (VBM) philosophy Barloworld emphasises its desire to create value for all stakeholders, including the community in which the company operates (both people and the natural environment), in a sustainable manner. Thus moving beyond the traditional approach of trade-offs of profit versus environmental issues or customers versus suppliers. The enterprise's focus on sustainability highlights the importance given to integrate CC into the organisation.

Internal structure

To achieve this cultural change, the VBM philosophy is internally translated in the Employee Value Creation (EVC) process, stimulating awareness, support and participation of employees. Then Pretoria Portland Cement initiated the Kambuku project of complete employee commitment, which was applied as best practice for the rest of the enterprise. Through employee involvement a critical mass of committed employees is developed, enabling the implementation of various initiatives into the business process. In this manner the EVC process is used as a catalyst to integrate CC-related issues. Even though it is difficult to align the EVC implementation process, due to the operational diversity of Barloworld's divisions, it could be taken up as an opportunity to share experiences and learn from each other.

Stakeholder engagement

Besides employees, Barloworld's VBM philosophy emphasises value creation for all identified stakeholders, namely shareholders, customers, principals and suppliers, and communities. However, given the divisions' relative independence, each of them has implemented relatively separate stakeholder interaction and dialogue strategies, excluding essential and purposeful information flows on CC-related issues. This has

resulted in a diffuse and fragmented approach to stakeholder engagement, which furthermore results in disparate approaches to CC issues.

Accountability

Barloworld accounts for its business operations as it endorses various external as well as internal monitoring and communication mechanisms. While several external monitoring initiatives are in place, interactive exploitation and utilisation can advance. Owing to the company's diffuse stakeholder engagement, external communication mechanisms are limited as well. Internally, monitoring and communication tools are employee focused and stimulate interaction and commitment. The outcomes are also applied to formulate and adapt operational strategies for the enterprise.

Key lessons

This case study report discusses Barloworld's approach taken towards the integration of CC in its business organisation. The enterprise's specific focus on changing its organisational culture to create a critical mass of employees has proven to be a valuable tool. This critical mass is used as a catalyst to integrate CC-related issues.

To reach full potential from the Barloworld approach, the following remarks are made as key lessons:

- Interactive involvement with all stakeholders. Currently, the external stakeholders are not fully involved in the business organisation, as committed interaction is lagging behind. The experience of Barloworld's long history of stakeholder forums could be exploited to achieve discussions and feedback on key CC-related issues.
- Stakeholder value creation. Barloworld does not have a 'clear cut' strategy on how to engage actively with its stakeholders, resulting in diffuse, divisional-specific commitments. By creating a comprehensive strategic approach on how to actively create company value through stakeholder engagement, Barloworld can become more proactive and accountable for external CC issues.
- 'Learn from each other.' Currently, the divisional diversity of Barloworld is an obstacle to aligning the organisation, whereas this could be an advantage stimulating interaction between the divisions. Employees can gain knowledge of best practices on the EVC process and adapt these to their own business unit, enhancing the implementation of cultural change throughout the enterprise. This could be encouraged by establishing 'interdivisional work teams'.

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Endnotes

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- ²⁹ Annual report 2005, p.14/42
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- ³¹ Annual Report 2004, p.39
- ³² Interview Clive Thompson
- ³³ Interview John Gomersall
- ³⁴ Interview Mike Christie
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- ³⁶ Interview Lester Day
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- ³⁸ Annual Report 2004, p.8
- ³⁹ Interview Chris Whitaker
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⁵¹ Interview Peter Surgey

⁵² Interview Mark Drewell

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⁶⁷ Interview Mike Coward

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⁷⁹ www.coatingscare.org

⁸⁰ Annual Report 2005 p.46

⁸¹ Annual Report 2005, p.46

⁸² Building Barloworld, issue 17, 2005

⁸³ Annual Report 2004, p.42

⁸⁴ Annual Report 2005, p.67

⁸⁵ Annual Report 2004, p.54

⁸⁶ Annual Report 2005, p.12

⁸⁷ Annual Report 2005, p.47

⁸⁸ Annual Report 2005, p.47