HOW DO MULTINATIONALS BUILD SOCIAL CAPITAL? EVIDENCE FROM SOUTH AFRICA

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Abstract

This paper looks at the self-reporting of social engagement by multinational firms in South Africa, developing previous measures of social capital to fit the unique context of the multinational firm – in particular mapping the configurations of declared engagement and the firms' provision.

It finds large intersectoral variation which cannot be predicted by one factor alone, and sometimes wide intrasectoral variation. In particular (and for different reasons) 'extractive' and 'industrial' sector firms – traditionally criticised for their impact on communities - and 'medical' sector firms are engaged in practices conducive to the generation of social capital.

JEL Codes: M14 - Corporate Culture, Social Responsibility, Z13 - Social Norms and Social Capital

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1. Introduction

In this paper we examine two key questions:

- What are multinational firms doing that builds social capital in South Africa?

- How should a multinational firm go about building social capital in South Africa?

Firms tend not to be aware that they are building social capital *per se*. To a great extent, it still develops as an 'unanticipated consequence of doing something else' (Maskell, 2000:114). The concept of social capital is being discovered, rather than invented, and that process of discovery continues in various fields. Management needs to understand social capital in the same way that it has long understood financial capital or has more recently come to understand human capital. Firms need to understand social capital, not only because it is a volatile and fragile aspect of business, but also because it is essential to success.

In response to the first question, we seek to identify current best practices that build social capital. But we do not offer glib answers to the second. The idea of 'building' in the question is analogous to *constructing* a framework, rather than *amassing* a stockpile. When *constructing,* consideration must be given to foundations and the importance of the constant influences which shape it. A number of different materials – which must fit together and may not necessarily do so - are used in a self-supporting framework. *Amassing* implies the indiscriminate gathering of a single unit of currency – the more the better. But social capital is not a unitary concept and has various different components, too much of any of which could be a bad thing - so the foundations are important.

We have chosen to study the social capital frameworks founded in the Republic of South Africa (RSA). There are several reasons why the RSA is a particularly suitable area for study in the realm of social capital. As a developing country made up of numerous ethnic and racial groups, it is already an interesting test-bed for the assessment of social capital, moreover there are a great number of UK firms active within South Africa. However, what makes the particular case of South Africa so interesting is the possible impact of human attempts to artificialise social capital through the pre-1993 government's *apartheid* policy of racial segregation. This will have created as many bonds as divisions, but it certainly makes for a unique climate in which to study social capital.

With this aim, the remaining sections are organised as follows: Section 2 discusses definitions of social capital and its relevance; Section 3 asks how we can measure or map social capital; Section 4 applies that approach; Section 5 lists the results of the investigation; Section 6 brings case studies to bear – first, looking at the general approaches of some of the better performing firms in a particular sector and second, with specific studies of individual projects or ventures. Section 7 draws conclusions and seeks to provide a satisfactory response to the questions at hand.

2. Social Capital

2.1 Defining Social Capital

In order to proceed with our analysis we need to define what we mean by social capital. The basic derived definition at this moment in time is that social capital is the *networks and reciprocal behaviours which characterise a social group*. Having given this definition we will offer a brief history of the latest conceptualisation of social capital.

Alejandro Portes (1998:5) feels that social capital has spread as a concept because some of the early contemporary definitions (in particular Coleman's) were so vague as to be adoptable by many fields and adaptable to a wide variety of situations. [1] This has allowed it to be applied to a whole host of situations across disciplines, on issues of varying concern and scale. Whilst this is inherently good for social capital, the myriad conclusions from application in particular fields can often undermine the work of others. The concern now is that social capital is reaching a critical mass and will suffer one of three fates: fragment into a constellation of different 'capitals'[2]; into different interpretations of 'social capital'[3] ; or blur into a meaningless entity.[4] A more refined definition is necessary.

It is difficult and largely fruitless to determine exactly who first came up with a term for social capital – many authors on it have sought to find the earliest possible mention of the word, as though this would ensure the legitimacy of their definition. What is important is that for a long while, definitions tended to cluster around Putnam's (1993) triad of social networks, social norms, and social trust.[5] This remained popular as a result of a relatively long stalemate between the urge to decouple this definitional triad, as Bourdieu had always done (1980)[6] and Dasgupta (2000:327) wished to do, and the equal compulsion to further highlight the integration of the different concepts.

The compromise, if there was one, has been a gradual two-fold process which has seen a transformational merging of the concepts of 'norms' and 'trust' components and an enhanced definition of the concept of networks. There is now a greater weighting for networks, and ease of conceptual integration.

Networks have gradually been redefined through multi-dimensionality, something which began with Putnam's (2000) magnum opus *Bowling Alone*.[7] From an originally one-dimensional definition, Putnam spun off a new dimension. This first new division is between a 'bonding' dimension – close links within one's in-group (such as a family), and 'bridging' – links beyond one's in-group. The latter is an acknowledgement of Granovetter's (1973) 'weak ties' (following Portes' (1998:5) criticism of Coleman for having overlooked this).[8] Woolcock (2000:11) has created a further dimension by splitting the original bridging social connections into horizontal connections beyond ones in-group (which he still calls 'bridging' social capital) and vertical connections beyond one's out-group (linking). The importance of assuming that social capital is multi-dimensional is that it

> 'allows us to argue that it is different *combinations* of bonding, bridging and linking social capital that are responsible for the range of outcomes we observe in the literature, and to incorporate a dynamic component in which optimal combinations change over time.' (Woolcock 2000:11)

Networks now have a more elegant, dynamic and refined interpretation, and have become the key element in social capital definitions. There has, however, been a change in terminology. 'Norms' have been renamed 'practices' and 'behaviours' in order to avoid normative value judgements and also to allow the analysis of how social capital strengthens nefarious organisations,[9] or can negatively affect positive situations.[10] This ties in with the ideas of Portes and Landolt (1998:3-6), Fukuyama (1993, 1995) and Bourdieu (1986) who highlight how social capital can limit freedom and business initiative, can be over exclusive, and have a downward levelling pressure towards involvement in negative groups. In keeping with these trends, 'trust' has begun to be replaced with 'reciprocity' - a term that at once implies greater dynamism, avoids the risk of implying sugar-coated naivety, and is less value-laden.[11]

Regardless of the terminology, a common trend is that many are keen to excise both of these concepts because they are seen as the *consequences* of social capital rather than *sources*.[12] This may, however, be a very artificial dichotomy that fails to understand how norms and trust continually galvanize, shape or even erode networks, just as networks can shape them. As a result, at least one of the two is usually retained in a definition of social capital. Schuller *et al* (2000) prefer to drop norms, Woolcock (2000) prefers to decouple trust. But it would be truer to say that rather than avoiding one of the two terms, each rather subsumes one under the other, and what eventually remains is a fused concept of 'norms of trust.' Applying the modern terminology, we can derive the phrase 'reciprocal behaviours.'

Within this final definition then of networks and reciprocal behaviours, there is a final caution: not to see social capital as a *catalytic* force – largely unchanged in the positive or negative processes it fosters. Locke (1999), and Schuller *et al* (2000) suggest the conditioning influence between society and social capital is bilateral. Grootaert's 'Social capital: The Missing Link' (1997) suggests we should see social capital as an input and an output, which bears striking similarities to the structuration theories of Giddens (1979) and Bourdieu (1980). This perhaps gives us the truest sense both of the specificity of social capital and also its fragility, which will become apparent in this paper.

2.2 Social Capital and Management

Social capital has entered management studies through the field's porous boundaries with economics and organisational behaviour (the latter through its strong links with sociology and governance/politics), and the popular management arena via Cohen and Prusak's *In Good Company* (2001).[13] In academia, this supply has met a demand for an explanatory-elaborative mechanism for the pertinent management topics which have arisen from the same intellectual foment, including: 'Corporate Social Responsibility' (CSR) – how companies interact with their background; stakeholder theories of the firm – where 'ownership' depends on more than just economic capital; knowledge management – how a firm can appropriate internal information locked from its human social context;

regional clusters – how firms interact with nearby firms in networks; and micro and macro culture theories of the firm which attempt to describe what makes companies competitive within their home nation and unique on the global stage.

Social capital is a key component in all of these aspects: it is important in CSR because it deals with the engagement in the community which is expected of a firm in order to succeed; it provides alternative currency for the stakeholder debate;[14] it offers an understanding of the channels and internalisation/externalisation processes by which knowledge flows too effectively or not at all;[15] it highlights how firms can increase the effectiveness and efficiency of their external networks with other firms and reduce transactions costs;[16] and how firms can find alternative means of employment, motivation and retention for their employees. But a satisfactory audit of social capital requires a combination of focus on a few specifics with sensitivity to the general situation.

Social capital has gone on to enter the popular management literature. *In Good Company* may well become to this decade what *In Search of Excellence* or *Built to Last* were to the 80s and 90s respectively.[17] But the pitfalls of the earlier two books are applicable here – that the 'sensible and self-evident'[18] advice is either unactionable,[19] taken for granted and therefore not actually pursued, or undermined by the incorrect ethic behind its deployment. The shortcomings of the analytical approach within each of these books both as a descriptive metaphor and a tool for change are masked by incomplete case-stories. Taken at this level, 'social capital' could become a catch basin for the uncontrollable and frustrating factors of business that cannot be explained any other way, just as 'culture' was before it.

Social capital is about more than getting employees to relate to one another: this is without doubt an aspect of social capital at the micro-level, but it is not the whole picture and myopia in this regard can lead to the neglect of the social capital which facilitates firm's interactions with their the community. This is problematic for two reasons. First, a firm will encounter all of the pitfalls of isolationism - they are unable to hermetically seal themselves from communities, and any attempt to do so will only lead to frustration. Second, *In Good Company* seems to view social capital as an appropriable and controllable catalytic resource rather than something which must be sensitively negotiated, in all senses of the word.[20]

2.3 Social Capital and South Africa

There are two groups of social capital literature linked to South Africa and another group of closely connected pieces of work. The employment of social capital here is connected with what Fine (1999) considers to be a shift in World Bank developmental policy to a 'post-Washington model.' An important survey was that undertaken by Maluccio, Haddad and May (MHM) (2000), who looked at the correlation between the engagements of households in groups and social welfare. This was based on similar work undertaken by Narayan and Pritchett (1999) on Tanzania, Grootaert (1999) on Indonesia,[21] and Knack and Keefer (1997).[22] MHM (2000) base their approach on two surveys undertaken in KwaZulu-Natal.[23]

MHM (2000), in a manner similar to Mbigi (2000), align social capital with the analogous African concept of 'ubuntu'[24], the level of which they feel has diminished in the face of the rapid and rather unique changes in the last century in South Africa. They suggest that this is the result of the decrease in time available to the key players who help to maintain social networks, an increase in demographic mobility post-apartheid, and an increase in government efficiency, which has negated the requirement of social capital as a compensatory mechanism. MHM (2000) suggest that social capital can cause two particular types of problems. Intrinsically, it is prone to show its 'dark side' in times of trouble, and that as a term it is a mechanism by which the government can free itself of obligations to act.

One of the most specifically relevant bodies of work on social capital in South Africa has been a cluster of studies written undertaken by Catherine Campbell on social forces and AIDS.[25] These have largely been centred on the health of the mining town of Carletonville in Gauteng Province. She has found that the level of HIV infection differed among different networks of people: members of church and sports groups had lower levels of infection; people in *stokvels* (savings clubs) had higher levels - as a result of generally having more sexual partners and a higher level of alcohol consumption. She has found that different networks have different valence and refutes both the idea of interoperability between different stocks of social capital and a strictly positive appraisal of the concept as a source of progress.

There are also several closely connected coverages of social capital which invite further investigation: the relationship between social capital and race (EH James 2000, Loury 1977, Waldinger 1995); social capital, race and corporate governance (Fratoe 1988); social capital economic development in Africa (Collier and Gunning 1999) and in general (Rose 1995a,b,c); and social capital political regimes (Barro 1991).

2.4 Summary

The emerging consensus around social capital is that it is the sum of the *networks* and reciprocal *behaviours* of a social group. It is a dynamic concept, and shapes societies whilst being shaped in turn. It is relevant to management, it is relevant to South Africa, and it offers a pertinent means of assessing how some of the largest and most influential companies within that country affect it. As yet there have been no treatments of the role which companies can play in order to build social capital in developing countries, which, with specific reference to South Africa, is the aim of this paper.

3. Measurement Issues

3.1. Assessing how multinational enterprises create social capital in host countries

How can social capital be measured? One of the key assets of the concept of social capital is the variety and scale of contexts to which it can be applied in order to facilitate understanding. This has allowed its deployment at a variety of levels from the family to the subcontinent. This is intrinsically useful for each of these fields in themselves, but the concept also affords each of these studies a 'network externality' of complementing other pieces. Schuller, Baron and Field (2000) suggest that it is the essential link between the micro, meso and macro levels that social theory has long been missing.[26] This is perhaps only half right, because Schuller *et al.* did not envisage the conceptual problems caused by what could be described as 'the multinational corporation (MNC) condition', in which a single entity occupies all three levels in a variety of geographical areas and topical fields, and has a critical mass such that it is a complex community in its own right.

3.1.1. Impediments to MNC analysis

The MNC condition causes three important complications that must be negotiated in social capital measurement. First, there is the fact that whilst the metrics of previous studies focused at the micro and macro levels might complement one another, they *do not necessarily integrate* successfully into one standard for measurement - such that there are no major studies that have attempted to do this. The pressure to integrate macro and micro level analysis highlighted by Woolcock:

> 'the collective panoply of micro and macro measures of 'social capital' - and their correspondingly eclectic theoretical moorings - has led many critics to accuse social capital of having become all things to all people, and hence nothing to anyone.' (2000:7)

Nevertheless he is equally quick to point out that focusing excessively on micro definitions (as Portes (1998) and Putnam (2000) do) 'tends to overlook the broader institutional environment in which communities are inherently embedded.' (2000:7). Care must be taken.

Second, there is the issue of *cogency* – it is entirely possible that an MNC, either structurally or through the acts of a few individuals at different levels, can simultaneously generate and destroy social capital. Inappropriate pressure on governments at one level can systemically nullify progress made in successful work at the local level.

Third, there is the problem of circularity and causality: social capital is often self-generating, leading to problems of measurement, again highlighting why we need to look at the whole MNC at once. The concern which stems from this (but which is difficult to measure) is the spirit behind the social capital created, in particular that it is not seen as parochial, and which might stifle or subsume more grass-roots level initiatives.

The ultimate aim is to classify the best practice of MNCs who it could be claimed have transcended national boundaries, rather than to simply harvest good stories of how firms perform in their home nation (as with Cohen and Prusak 2001). This is partly practical: there are a greater number of social and cultural variables and therefore implementation risks for MNCs, which neither Cohen and Prusak (nor Putnam 2000) have had to encounter in their focus on the highly homogenized culture, society and economy of the US.

The issue in this paper is how UK-listed MNCs build social capital in South Africa. Whilst English is the main language in each of the two nations, there are significant differences, and the issue of historical contingency also comes into play – South Africa's history has seen some of the most puzzling and ultimately troubled attempts to reconfigure social capital across artificial lines. Moreover, none of the UK-listed

MNCs has shared a common history or background: each operates in a different cluster of practices, products and regions, realigned and shaped through merger, acquisition and divestment. Measurement becomes a very difficult enterprise without parameters that are at once pertinent and applicable.

3.2 Defining suitable parameters

Rose (1997) suggests that finding suitable measures of social capital is founded somewhere between analysing previous surveys and creating social capital 'best practice' modules (suggesting sensitivity to the particular context). Since the MNC has an impact on the micro, meso and macro levels, it is important to look at the work that has been undertaken in each of these areas.

There have been various different studies which have measured social capital at different levels. In 1996 Rose remarked that it is essential for the credibility of social capital to be able to measure it: 'the measurement challenge is to turn anecdotes about social networks into quantified data.'[27]

Some of the most pertinent analyses have been those by Rose (1996), Knack and Keefer (1997), Narayan and Pritchett (1997), Maluccio, Haddad, and May (2000), Grootaert (1999) and Putnam (1993,2000). We review each in turn.

3.2.1. Rose (1996)

Rose (1996, Figure 3.1) focuses largely on the micro and meso level of social capital. He criticises using the 'number of formal institutions in a society' as a measure of social capital, because he feels that people rely far more on informal types of social capital in their day-to-day lives.[28] He featured three measures of social capital and two for trust used in Russia. None are directly applicable to the investigation in hand because they require specific questions, although they do provide useful pointers to the direction which should be taken.

3.2.2. Knack and Keefer (1997)

Knack and Keefer (1997, Figure 3.2) measure trust and norms of association across different cultures. Their work is based on some of the results of the World Values Survey, a worldwide investigation of socio-cultural and political change carried out in more than 65 societies on all six inhabited continents, containing almost 80 percent of the world's population. This study has given rise to more than 300 publications, in 16 languages. Whilst useful indicators of the type of activity to look for, these metrics are not particularly applicable to the investigation of MNC activity, since they focus more on public values.

3.2.3. Narayan & Pritchett (1997)

Narayan and Pritchett (1997, Figure 3.3) looked at village level ‘social capital’ in rural Tanzania. Their work was largely based on the ‘Social Capital and Poverty Survey,’ carried out in randomly selected clusters of villages in April-May 1995 as part of a larger participatory poverty assessment exercise. Individuals were asked to list the groups to which they belonged (from an enumerated list of six: church, muslim group, political party, women’s group, burial society, farmer’s group). From this, the individuals were asked to suggest which group was the most important to them. A secondary set of questions defined the group in term of five characteristics:

The quality of their index has arguably been surpassed by Maluccio, Haddad and May (2000) and Grootaert (1999), although their group listings are indicative of possible community-level organisations with which a MNC might be linked.

3.2.4. Maluccio, Haddad, and May (2000) (MHM)

MHM (2000, Figure 3.4) used two different but related surveys to prepare a comparative analysis of change in social capital in KwaZulu-Natal. The original datasets came from the 1993 'Project for Statistics on Living Standards and Development' and the 1998 'KwaZulu-Natal Income Dynamics Survey' ('KIDS').

They attempted to measure group membership in KwaZulu by looking at the following three variables: density, performance, and participation. This is a useful span of dimensions by which any group affiliation at any level can be measured.

3.2.5. Grootaert (1999)

Grootaert (1999, Figure 3.5) investigated the effects of 'local associational' social capital on household welfare in three Indonesian provinces: Jambi, Jawa Tengah, and Nusa Tenggara Timur. Within each province two districts were selected to participate in the study, within each district two sub-districts were selected. Within each sub-district, four villages were selected based on location criteria, (upland/lowland and near/far to growth center), and within each of the 48 villages, 25 households were selected randomly to participate in the household survey. Units were selected purposively so as to represent a range of social, economic and institutional backgrounds.[29] The variables used are shown in Figure 3.5

Again, whilst it has limited its focus to the micro and meso level, Grootaert's work is a useful indicator of possible measures of social capital. When combined with MHM, it provides a useful means of assessing the significance of membership within a group.

3.2.6. Putnam

Putnam has conducted two major surveys, with strikingly different measures of social capital. Putnam's first major survey (with Helliwell) was on civic engagement in Italy. His second is on civic engagement in the US. The second should not necessarily be seen as a development of the former: whilst Putnam's models and thinking have definitely evolved during this time, the specific details of his work are ultimately reliant on the nature of the data-set with which he is working.

3.2.6.1 Putnam et al. (1993)

This data (Figure 3.6.1) was collected in Italy based on the collation of several surveys in local regions in the North and South of Italy.

3.2.6.2 Putnam (2000)

Putnam's 2000 Social Capital Index (SCI) (Figure 3.6.2) was based on research conducted across US States looking at levels of engagement. It encompasses individual and aggregated state-level responses, and can be seen as a useful means of transcending the micro-/meso-/macro dichotomies.

3.2.7 Summary

None of the surveys listed above is perfect by design. Each is constrained by the nature of the dataset available. None has made any over-inflated claims about the comprehensiveness of the data contained within, some have delivered a great deal, both in terms of the specific suggestions of the ways in which various aspects of social capital can be measured at various levels, as well as implicit suggestions of possible new measures which could be developed for the measurement of social capital. What emerges is that it is possible to find measures for the number of commitments, the types of commitments, and the values behind them. Some of the most insightful measures have arisen as a result of the constraints of the original study, and other opportunities may present themselves in the unique circumstances presented here. Nevertheless the MNC will require very careful selection of key criteria, not only in terms of what is required but also as a reflection of what is available. With the need to survey as many eligible countries as possible, we made use of the Internet, which inherently limits the richness of the data available if a one-company case study were undertaken.

3.3. Suitable measures for the MNC

The MNC interacts on several different levels within a given society and as such an approach is needed which acknowledges both the scale of their operation and their attempts to manoeuvre with grace at the local level in order to build social capital. It is necessary to acknowledge the impact of social capital at the macro level and at the micro-meso level.

In looking at the nature of the reciprocal behaviours a MNC could do a lot worse than inculcate in itself and others, the propositions of the Minnesota principles, (see Figure 3.7) [30] which attempt to set out a standard of business ethics, provide a useful starting point.

One of the particular constraints presented within this particular survey is that the information taken was almost totally from the websites of the firms under analysis. Bearing in mind these overall potential indicators of fostering positive social capital, the constraints of the survey and what data is arguably available on the web, what is necessary is an index that acknowledges the appropriate forms of practice at various levels whilst attempting to effect a basic quantification based on similar criteria to the surveys above.

Something that appears to be common to all of the surveys is the fact that they depend on contingency, both in terms of what information was available and what questions needed to be asked. On this basis the framework in Figure 3.8 was chosen. It aims to capture some of the measurement innovations mentioned above whilst also framing them in the particular context of the MNC. Given the constraints of what can be known, this should provide an aggregate score that can indicate the extent to which a company is involved in initiatives that are acknowledged to build social capital.

The first section details some of the ‘demographics’ of the firm. There are various reasons for including these. In the first instance they help to bring an idea of the scale of the firm and also of the relative extent of its operations in South Africa, either through employees or a financial metric.

The second section attempts to map the connections that exist between the firm and various other organizations (see figure 3.9). The three major breakdowns are between: transnational engagements which pertain to South Africa; engagements at a national level which take in more than one region within South Africa or are perceived to affect South Africa as a whole; and the local-level engagements which work in specific pockets within South African regions. Within each of these sections there are subsections detailing the type of entity (Government, NGO etc) with which the MNC is interacting, and the horizontal axis provides a list of issues in which it could be engaged (such as education or health – see figure 3.10). A brief definition of the terms on each axis is given below.

In order to render the measurement three-dimensional and quantifiable, a third measurement is made by applying a rudimentary scoring system as a means of assessing the level and extent of the MNC’s involvement. The method of points scoring attempts to weight the significance of the operation and what it does, and is shown in table 3.11.

At the transnational and national levels, the company under scrutiny has six possible scores from 0 to 5. The basic scores are 1 for endorsement of a network or convention, 3 for active non-committee membership, and 4 for active committee membership. To this further point can be added depending upon whether or not resources are donated to the relationship, which is an extension of Grootaert's (1999) use of membership dues to signal strength of connection. Thus by this logic non-committee membership with the donation of funds is held to be approximately equivalent to committee membership without the provision of funds. At the local level points-scoring is slightly simplified and limited in order to reflect the smaller scale of a project, but not to the extent that it undermines the significance to company involvement at the lowest level, where important social capital building takes place. Endorsement of a community initiative scores 1 point. Something that might constitute either a loan or something with a distinct return for the business scores 3 points (for example, the end product of a business project is a raw material for the company in question). If any donation of time, funds or other resources takes place, 4 points are scored. If a company's single engagement takes in a variety of types organisations, for example a multilateral venture between government organisations and other MNCs, then points are awarded twice to reflect the diversity and inevitable scale of engagement.

It should obviously be highlighted that this scoring system is rudimentary and potentially subjective, but it is hoped that it is simple enough to provide a basic map not only of the geographic range and the breadth of the issues dealt with as the MNC engages, but also attempts to offer a purchase on the relative depth of those engagements where they exist.

This 'network map' may be likened to a mediaeval map – a sufficiently accurate sketch to afford one a sense of location but still lacking the topographical precision. Extending this metaphor, there is an indication of the peaks and troughs through the points system, but no indication of height. Likewise there is the risk both of embellishment on the part of the cartographer and also of oversight – with whole areas overlooked. The process of finding engagements is very much one of trial and error -

some sites list such information painstakingly, but in several unconnected web pages. Others say very little, and all of the information is in one place. There will have been some areas missed out, inevitably, but whatever was searchable and attributable on the company website or a subsidiary website has been included.

The final section of the questionnaire offers another indicator of the depth of commitment to reciprocal behaviours which underpin the networks. This is assessed in the light of several different but interrelated questions. Does the firm have explicit values in terms of its social/community engagements and overall principles of ethical conduct? Does it provide information on its engagement in social and community actives, and if so, how?[31] How easy is it to access information (i.e. how transparent are the firm's community activities)? Has it established a foundation or a charitable institution, which would suggest both long-term commitment to charitable giving and usually a preference for long-term projects? Is there a clear guide on how to apply for funding, which usually indicates accessibility and (although this seems paradoxical) an encouragement of initiative on the part of community project leaders?[32]

The final measure is an indicator of performance by an external auditor. One of the advantages of working with UK-listed companies is that most have recently been scrutinised for admission to the FTSE4Good ethical investment index, which offers an indication of a minimum standard of ethical performance. Those companies who did not make FTSE4Good index were scrutinised through www.corpwatch.org and www.greenpeace.org to see if they had been involved in issues which brought any ethical policy into doubt.

4. Survey Method

The MNC condition renders the measurement of social capital awkward, but not impossible. One difficulty is that the scale of any one firm makes the process even more taxing. The chosen means of surveying, and reducing the sample size to a manageable number whilst maintaining a pertinent and interesting approach, was to just look at the engagement of UK-listed MNCs in one developing country, South Africa.

Important definitions need to be stated. For the term 'multinational' the definition in the Waterlow Directory of Multinationals (Timbrell and Tweedie (eds.), 1998) definition was employed: *viz.* with a turnover greater than US$1bn dollars or its equivalent in Pounds Sterling, of which more than $500m was derived from overseas. Unlike the Waterlow directory, financial institutions were also included to enhance the spread of sectors under analysis. In order to further screen this for relevance to South Africa, a minimum quota of employees working in South Africa was set at 250.

Having done this, the firms were then analysed on various criteria based on the information provided by *their own websites* in the week beginning 16th July 2001. This may seem an unorthodox means of assessment, but is actually extremely useful since it encourages analysis of how firms present themselves to the public. This is far more important than one might initially imagine. In the first instance, reflexivity is a highly important part of the development of social capital – that is to say, a company that identifies its principles and associations will increasingly identify itself with them, and in turn increasingly be identified with them. There are risks inherent with this approach, which must be highlighted. The first is the simple fact that firms can and do alter their websites regularly. Two more are looked at in greater depth: the constraints of disclosure, which pertains to accessibility of information; and geographical constraints.

4.1. Disclosure Constraints

A particular danger of this approach is the instance where companies do a great deal to build social capital, but do not mention this on their website. There may be three possible reasons for this. The first is *modesty*: some companies may simply not wish to crow over their achievements, or equally may wish to avoid the charge of parochialism. The second is *expediency*: some may feel that there is no particular benefit in mentioning what they say when providing extra information is simply of no interest either to their major stakeholders or to the people they expect to use their website.[33] Indeed, a company may well be thoroughly engaged with a large number of projects at the very smallest scale, but avoids mentioning what, taken alone, could be seen as a triviality or a barely significant effort. Running parallel to this issue is the fact that some types of social capital might not be successfully measured - there may be a greater focus on more informal types of social capital which cannot be picked up but have high leverage in the community. (Although in general companies are quite focussed on measurability, so the idea that they would engage in non-measurable projects is unlikely.) Another issue derived from this is that social reports tend to be written for a particular audience who may not be the involved communities themselves: Rio Tinto's Richards Bay Mineral's stated ambition to produce its 2001 social report in both English and the Zulu language, whilst highly encouraging, implies that here and elsewhere this is yet to occur. Once again, there is an implicit issue of trust here: some companies may be unhappy with communities who could refute their actions having access to their reports. The Internet makes actions more transparent – whether reported or not.

A third reason may be the *risks and costs of association* with charities or charitable events. First, a charity or project may go awry, and this can impact negatively on the MNC's reputation by association. Second, and connected to the issue of reflexivity, a company may prefer not to announce its involvement in a particular charity or project because this might well foster commitment and obligation through reputation, which is something a firm may be willing to avoid. Whilst on the one hand this might preclude involvement in charities at all, there is an equal likelihood that a company will engage charities but might prefer to do so in an unannounced way. Third, and in a fully reversed situation, there may be instances where offers of assistance by a company are turned down because a charity or project itself wishes to avoid association with the MNC if their own reputation is initially considered to be suspect.

These concerns can be addressed. The first two issues of modesty and expediency may not be as applicable as one might imagine for multinationals: the requirements of transparency in reporting financial engagement and the appeal of social engagement as a signalling mechanism or competitive advantage for any number of stakeholders, stockholders or employees would encourage the reporting of any involvement within the community wherever possible. Whilst perhaps a motivation for individual magnates, companies can ill afford not to mention any potential competitive advantage, unless of course projects are begun on the condition of confidentiality on the part of either a project or its patron in the acceptance of a project.

The issue of measuring informal engagement is awkward but overcome largely by the scale of MNCs: these companies generally have the means and resources to sequester and formalise informal engagements, even if only for security reasons and to facilitate better image management in the face of accusations of having eroded social capital.

Associational concerns are more difficult to deal with, but any absence of detail on this level is still indicative of a hampered commitment to social capital building because the company's failure to publicly acknowledge connections is already a form of isolationism, albeit symbolic. Moreover, one suspects that in developing countries the strength of lobby groups is too small to stop MNC investment in community projects on the same grounds as in the developing world (turning down tobacco sponsorship, for example).

In sum, whilst looking purely at the websites of companies in a pilot survey does have certain limitations, it nevertheless shows several useful indicators, some of which could not be accessed in any other way. For some companies, corporate websites offer one of the most direct means of presenting their products and practices to the public, (in particular those who do not deal in consumer goods). What they choose to include can be very telling, and what is not included very frequently suggests a lack of social capital-building activity at one level or another – because a company is either doing nothing and has no networks and practices to reveal or is reluctant to disclose what it is doing, potentially weakening trust towards the company and undermining the development of future networks. Related to this is the manner in which the information is presented and the ease with which it can be accessed.

Social capital can be a responsibility to which a company is fearful of committing itself, because various studies have shown that social capital is destroyed far more rapidly than it is created, which could potentially leave the company with an embarrassing mistake. By the same token, however, social capital's circularity implies that awareness and signalling are a means of strengthening both the effectiveness of a project and commitment to it, and companies would be well advised to consider this before refraining from listing their activities since they are undermining their own work.

4.2. Geographical Constraints

There are various geographical constraints which merit mention, whether because they undermine the perceived performance of the multinationals or because of the unique circumstances of a study of South Africa.

One of the obvious constraints is in those instances where there have been exclusions because of one criterion or another. Some companies have a rich array of projects outside South Africa.[34] For example, BAT, whilst not listing any community engagements in South Africa, does include the fact that it built a school in Uganda in 1987 amongst its engagements. MNCs operating in the southern African or Sub-Saharan African regions are often headquartered in South Africa but have operations and interests that spread into neighbouring countries, depending upon the particular nature of their business. For example, extraction companies often relocate to wherever resources are discovered. Hotel companies cluster around the capitals of the major cities.

Connected with this is the importance of contingency in time and in space. The physical separation and social division which characterised South Africa for so many years will mean that its social capital may still have subtly ingrained configurations which differ from those in neighbouring countries, so the type of engagements in projects are likely to be different. And experience counts for a great deal in specifically shaping individual nations' stock and distribution of social capital. As many authors of social capital are keen to highlight, history matters.[35]

5. Survey Findings

The results are broken into two major groups: aggregates of engagement maps (figure 5.1); and indicators of transparency and mechanisms that may help to build social capital (figure 5.2). There are some interesting and often prominent 'patterns', not least that there is significant variation both across and within industries in the reportage of actions undertaken to increase social capital in South Africa.

There seems to be distinctly more overall engagement in the community amongst 'extractive' (mining and oil) sector corporations. This should not be surprising. These firms, because of their very nature, are more obliged to engage in the creation of social capital because they have already artificially assembled communities at the site of the resource they wish to harvest. This leaves them with two major options. First, they can attempt to create communities and relocate families through the construction of schools, libraries and housing. Their other option – more cure than prevention – is to fund the fight against sexually transmitted diseases contracted in those mining communities where workers are expected to live away from their families in hostels who provide a ready supply of clients for the prostitution industries which spring up around them. That is not to put the blame for the AIDS epidemic in the hands of mining – but it faces these problems far more than any other industry, perhaps because it must deal with large numbers of relocated and relatively uneducated workers and therefore finds itself most greatly exposed to the risks of diminished social capital.

There are interesting patterns in the overall spread of issues addressed by the different sectors. For example, education is the main area of focus in the extractive and industrial sectors, development/employment in the consumer sector, health in the medical sector. Whereas the projects of the extractive, industrial and consumer sectors tend to be ‘bottom-heavy’ and have commitments skewed towards the local level, the medical sector focuses on the transnational level – perhaps as a result of its focus on health. There is an obvious overlap between issues and geographical level – medical issues are felt to be best addressed internationally, whilst educational ventures are more specifically targeted.

An understanding of engagement in social capital building exercises is best gained in the light of stakeholders. Not all stakeholders were created equal. In fact, it often seems as though social engagement in a geographical area is in some way a function of the number of stakeholders within that area. At its most basic level this is an absolute given. But taken in terms of the major varieties of stakeholders – shareholders, customers, and employees, it seems as though there is a weighting in favour of shareholders, followed by customer and employees. This is based on the fact that many firms have a Johannesburg stock exchange listing.

The presence of information and the ease with which it can be accessed also make interesting reading. Within the different sectors some firms seem to do a great deal to readily provide information on engagement, in particular the mining industry, for whom all firms provide easy access to some type of special report. On top of this, there is also a far higher average likelihood of a firm having a charitable foundation or something similar in the mining and medical sectors. As was suggested in section 4, this may to a great extent be the result of the difficulty that these firms have not only in communicating information, but in the case of the mining companies often have to communicate to an audience sceptical over their ethical conduct.

There is a general convention to include a list of company values, and in almost all of the sectors the majority of firms do this. A weighted score of transparency on such issues has been derived below. However, the Infrastructure/Finance sector has a far lower incidence of this occurring. Nevertheless, it is the resource/extraction and industrial sector firms that have most commonly fallen foul of the FTSE4Good ethical index selection criteria. With the exception of the medical sector, there seems to be an inverse relationship between the level of information by a firm and the public assessment of it.

The problem with the results here is their somewhat static nature – there are several dynamics which might help to explain the reasons why certain firms act in the way they do which cannot be highlighted by any means other than historical analysis – the extractive sector companies may be more highly engaged out of a sense of guilt and a desire to redress those failings the FTSE4Good selectors used to justify their exclusion from the index. Regardless, the different statistics below are the collected data of how firms present themselves on the Internet. A third table (Figure 5.3) has been added to show an interesting connection between a double listing on the Johannesburg Stock Exchange (JSE) and the aggregated scores from the two tables below. The various results of the survey process are seen below. There appears to be a strong connection between a JSE listing and engagement in South Africa. Higher numbers indicate more engagement or transparency in setting up social projects.

6. Case Studies

The case studies in the following two sections are designed to provide indicative highlights of the different issues and levels of engagement for MNCs in South Africa from different the six different industry sectors in the survey. Whilst there is a certain lack of consistency in terms of actions within MNCs, these firms have been chosen for their applicable best practices.

Section 6a looks at the overall actions undertaken at three different geographical levels and focussed on three different issues by three of the companies, each from a different sector: Commercial (Diageo); Extractive (Billiton); and Industrial (BOC/Afrox).

Section 6b looks at individual projects they have undertaken. The three projects chosen for the more specific case studies are drawn from different geographical levels, and in different issues, amongst which two focus around issues in which the company has a direct intrinsic interest (shaded below) and one is taken from less direct interests (unshaded). There is a degree of overlap, in order to show specific projects of Diageo and Billiton and how they fit within their portfolio. At the same time we highlight GSK’s engagement in a very interesting project.

		Issue		
		Health	**Education**	**Employment**
Level	**Trans-national**	**MEDICAL** ***GSK***		
	National		**COMMERCIAL** ***Diageo***	
	Local			**EXTRACTIVE** ***Billiton/ Samancor***

6a – Company Cases

6a.1 BHP Billiton

6a.1.1. Sector Outline

Most of the companies within the survey seem to have a significant level of community in South Africa, and whilst two or three have similar types of projects none of them in particular is engaged in a similar configuration of projects overall. This should not be surprising – some engagements in projects can and do emerge through circumstance, happy or not. Nevertheless, BHP Billiton is interesting in that it is generally engaged in similar projects to at least one another firm.

6a.1.2. Company Outline

BHP Billiton is the product of a merger between the Australian minerals company BHP and the UK-RSA listed company Billiton. The two companies maintain a joint and also separate internet sites, and much of the work of this case study is based on Billiton's original website, so the firm will hereafter be referred to as Billiton

Billiton is a major multinational extraction and resource company, with major operations in the three main mining areas of Australia, Latin America and Southern Africa. The Group ranks among the world's top four producers of aluminium and alumina, is the leading global producer of chrome and manganese ores and alloys, one of the largest exporters of thermal coal and the Western world's fourth largest producer of nickel.[36] Its turnover for the year ending June 2000 was £3.368bn, with an operating profit of over £600m.

6a.1.3. Social Capital Building Activities

Billiton has gone to significant lengths to detail its engagement in the community on the Internet. It provides a comprehensive report of its health, safety, environment (HSE) and community involvement in its 2000 report,[37] and also lists the work of the Billiton Development Trust in South Africa. Their website is perhaps one of the most comprehensive and accessible amongst those in the survey. Billiton lists engagements that are based at transnational, national and local levels.

In terms of transnational engagement, Billiton (like many other mining companies) is a member of the Global Mining Initiative, which forms the Mining and Minerals Working Group of the World Business Council for Sustainable Development (WBCSD). It is also a member of several analogous industrial organisations including the International Council on Metals and the Environment (ICME). These engagements bring Billiton into a network not only of similar firms but also with international-level organisations, which is an important social capital building exercise at the local level.

At the national level, the company is involved in various projects that span South Africa. Its primary focus is on education and youth, and on crime and the arts. Its engagements in schools differ from many others in that they seem to focus more on sustainability - it tends to invest resources in teacher education of school governance programs rather than in the donation of resources (although this does take place to a certain extent at the local level, as will be seen below). It also runs an interesting youth scheme across South Africa called the BDT Cadets, which offers two-year employment and on-the-job training for South African youngsters.

Billiton has also been engaged in the ‘Business Against Crime’ Initiative, which is an attempt to bring South Africa-based businesses and the government together to pool resources in order to decrease crime. This increases social capital in three key ways: firstly, it increases the strength of inter-firm networks; secondly, it increases the level of engagement between firms and the government and firms and the community; and thirdly, it combats a social malaise which can undermine the development of positive social capital.

Billiton is also highly engaged at the local level of community, with projects on a whole spread of issues. In terms of education, it is involved in the creation of a tertiary-level distance learning project know as the Mpumalanga Management Centre. It also donates equipment to existing universities in South Africa. To address youth development issues, it runs the Young Entrepreneurs Business Orientation (YEBO) Project to encourage entrepreneurship. This scheme has been run in conjunction with Pretoria Technikon,[38] increasing the scope of engagements amongst various institutional levels.

Billiton is also engaged in health projects. It helped to equip a hospital in Northern Province, and to create a medical training initiative in Evander. These projects are again interesting because they seem to suggest that Billiton is doing more than simply offering funds – whilst this is an important aspect and often has sufficient valence to foster social capital on its own, when added to active engagement on the part of the company it multiplies the development of social capital by encouraging the firm to be properly engaged in the community. On an environmental level, Billiton supports a community-lead initiative to remove waste from old mines (*Madobdaboa* - see below), and it also runs programmes for providing water and encouraging sustainable farming

In terms of issues of employment and development, Billiton sponsors the Matla Life Skills and Computer Centre – created to empower people around the Ingwe Coal mine in Mpumalanga. This is an interesting project which merits further study because it may help not only to lower the skills divide in terms of employment opportunities in South Africa, but should also reduce the digital divide. This is important for two reasons: first, without access to the Internet, communities may well forgo some of the communication advantages afforded to computer users; and second, the Internet is a useful resource by which individuals are able to maintain or foster the 'weak ties' that facilitate social mobility and can provide resources to build bridging social capital.

There are three other notable projects that attempt to increase the level of local employment within South Africa. The first is undertaken by Eastern Chrome Mines (a 60%-owned subsidiary co-owned with Anglo American), which supports a community initiative called *Madobadoba* (meaning 'hand picking') to remove waste from old mines. The second is work undertaken through the Zululand Anthracite Colliery (ZAC), located in a rural are in KwaZulu-Natal, an area where unemployment is endemic. ZAC provides local businessmen with the means to supply bricks to the collier and to other projects. In addition to this, funds from the Billiton Development Trust were used to buy equipment and transport. ZAC employees helped to train the local businessmen, and the relationship has progressed to the extent that the entrepreneurs have developed sufficiently to participate in a local housing project, in turn increasing the scale of involvement and the number of employment opportunities. A third project, enacted through a partnership between the Billiton Development Trust and the Samancor Foundation, involves the supply of charcoal to their business partner, Silicon Smelters (Pty) Ltd for use in its production process. This will be covered in the project case studies in Section 7. There is one further project at the local level:

Billiton (through Samancor) donates funds and assists in the running of a West Coast Fossil Park in cooperation with the South African Museum.

6a.2. BOC

6a.2.1. Sector Outline

Websites of companies in the Industrial Sector generally offer very little information about any engagements they may or may not be undertaking. Only GKN[39] lists any engagements at all. As such, there is little merit in comparison between areas of interest other than to say that information on engagement in South Africa is difficult to come by. Whilst some of the companies are impressively engaged in either the UK, the US, or both, there is little signalling of engagement elsewhere.

6a.2.2. Company Outline

BOC, whilst one of the highest performing companies in the Industrial sector in terms of social capital building engagements, nevertheless scores lower in comparison with some of the firms in the resources sector.

BOC's main operation in South Africa is through a 56%-owned subsidiary company known as Afrox (African Oxygen Limited). Afrox has two distinct business areas: Industrial, selling various types of gases and welding products; and Afrox Healthcare Ltd, consisting of hospitals, surgical centres and other healthcare services. The latter has been reverse-floated on the Johannesburg stock exchange.

Afrox has more than one hundred branches, thirty gas-producing plants, two welding-products factories, and 75 hospitals and healthcare-services operations employing more than 16,000 people in South Africa.[40] On the corporate website, Afrox's reports of social projects tend to focus around South Africa.

BOC's engagement rating is hampered by the fact that it holds only 55% of Afrox.[41] Nevertheless it still outperforms other companies within its own sector comfortably.

6a.2.3. Social Capital Building Activities

Since Afrox is almost wholly based in Southern Africa,[42] its projects tend to focus there, and the vast majority of these projects take place at the local level. This is in part because a significant amount of Afrox's engagement comes via its Community Involvement Process, which is an explicit attempt to link company employee resources with community leaders' coordination to create self-sustaining community projects. This commitment is symbolised by 'The Bumbanani Day' (*bumbanani* means 'Let's Build Together'), where according to the Afrox website, over 6,000 disadvantaged children are hosted each year at some 100 functions countrywide. The emphasis during Bumbanani Day is on education through entertainment. Afterwards the Afrox employees 'adopt' the children by providing ongoing support to the homes and child-care centres.

As a result of the CIP, there is an overriding focus on projects at the local level. What is interesting is that they are spread across a gamut of issues. It is highly committed to educational projects. It has built a school in Soweto, and two schools for homeless children in KwaZulu Natal and Eastern Cape. It has also added four schools for mentally handicapped children in Brits in North West. In terms of youth issues, they founded a children's home in Orlando, Gauteng, and a shelter for homeless children in Mpumalanga with the aim of reintegration. One interesting project is the union between the specific business of Afrox and the arts: Afrox runs a competition for metal sculpture.

Afrox is also engaged in health issues, organising open days with free health testing and information sessions at healthcare centres. They have also undertaken interesting community engagements, which have included adopting, and using employee volunteering to refurbish the children's wing of a hospital in Western Cape.

Part of the remit of the Community Involvement Project's focus on the aligning Afrox resources and employees along with community initiative is that the line between community engagement and business begins to blur. For example, whilst the company is keen to foster employment at the local level through a scheme which has set up over 2,000 micro enterprise distributorships, which indeed generates networks and reciprocity, this undeniably also has a far higher return than other projects. Afrox has also built a nurses' training college, which ultimately provides skilled nurses for its hospitals. Both of these cases highlight the awkward delineations which must be made between firms and communities, since the boundaries are infinitely more porous than they initially appear. Ultimately, neither of these ventures is any more or less cynical than any other investment in community.

6a.3. Diageo

6a.3.1. Sector Outline

The Consumer sector hosts a wide variety of companies of different sizes, with differing scales of operation in South Africa, and selling a variety of products. Nonetheless, the second most engaged firm is Cadbury Schweppes, whose level of engagement in the geographical dimension (transnational/national/local) is in similar proportion but a smaller scale. Whilst the spread of Cadbury's own engagements is different in terms of issues, it too shows a strong interest in community engagement.

6a.3.2.Company Outline

Diageo is a food and drinks company formed in 1997 by the merger of GrandMet and Guinness. Its brands include Smirnoff, Johnnie Walker, J&B, Gordon's, Malibu, Baileys, and Guinness, and its products are available across the world. In 2000 its global turnover was £11.87bn, with an operating profit of £1.002bn Diageo has approximately 300 employees in South Africa, and is highly engaged in a wide variety of projects at the transnational, national and local level.

At the transnational level, Diageo subscribes to the 'Dublin Principles' agreed with various governments and firms in the drinks industry in order to encourage common promotion standards and to encourage sensible drinking.

At the national level, Diageo is involved in several initiatives which would contribute to building social capital in South Africa. Its main engagement comes through the National Business Initiative, in which over 180 leading South African international companies are members. Guinness UDV South Africa's managing director is one if its directors.[43]

In the educational sphere, Diageo has become involved with the Education Quality Improvement Programme (EQUIP), a movement which attempts to address the problems faced in school governance in South Africa. This brings together individual schools, local education authorities and private sector sponsors to plan and implement a coherent development programme for each school. Alongside this it also provides funding and planning for literacy initiatives, and provides leadership skills training for youth across South Africa.

At the local level, and in the closely related sphere of employment and skills training, Diageo has opened Learning Centres near its factories in Stellenbosch, Gauteng and KwaZulu Natal to support employment equity through affirmative action and to help develop its people. The

Learning Centres provide multi-media libraries. They also offer on-line connection to the African Growth Network, an electronic distance learning system, which offers various programmes ranging from literacy training to MBA courses. There is a permanent connection to the Internet, which once again is highly advantageous in the creation and maintenance of the weak ties that constitute bridging social capital. In order to develop youth at the local level, it is also involved in the ‘Boy’s Town’ in Maccassar, a peer-run system which assists in the reintegration of homeless and orphaned children into society. It also runs the Training and Development Foundation, which encourages the development of vocational skills for the rural young.

In terms of the environment, Diageo has assisted in the refurbishment of Weltevreden Park (housing project), and has been engaged in the ‘Water for Life’ project encouraging conservation of the Wakkerstroom wetland.

Diageo has also helped to found or fund various community health initiatives, including: the Cape Peninsular Welfare Organisation for the Aged; the SANCA Western Cape project to provide low-cost prevention and treatment centres for alcohol and drug addiction; an Institute for the Blind in Worcester, Western Cape; and the Carle de Toit Institutes for the Deaf in Cape Town and Pretoria.

Diageo’s policies often show a genuine engagement and interest in resolving some of the deeper issues and problems in regions far removed from their own operations, although they have in the past offered free breathalyser kits to encourage safe driving.

Diageo’s contributions come through a combination of actions lead by the Guinness UDV Foundation in South Africa, but they are also initiated at other levels within the company itself, often integrating a particular brand with an exercise, such as linking Bell’s Whisky with the Water of Life project in Wakkerstroom.

Diageo's commitment is impressive for two reasons. Firstly, whilst it may enjoy worthwhile revenue from its sales in South Africa, it has roughly 300 employees there and is not listed on the Johannesburg stock exchange – leaving customers as some of the only major South African stakeholders in the firm. Secondly, and perhaps more importantly, Diageo gives considerable attention and web space to its social responsibilities and has responded with projects which are sustainable and which help to build social capital in South Africa in a long-term plan. There are comprehensive discussions of issues of measurement and community engagement, and various social engagements at numerous levels have been documented comprehensively. Having set out aims that generally entail as many community-initiated or lead projects as possible, they work in various directions and report their actions thoroughly. Whilst it does not mention the concept or term social capital itself, Diageo certainly provides one of the closest anticipations of the concept in this survey.

6b. Project Cases

This section looks at individual projects undertaken by BHP Billiton, Diageo, and GlaxoSmithkline. A brief introduction to GSK will be provided in that section.

6b.1 BHP Billiton - Stutterheim region

One of Billiton's projects, through its Development Trust, is a joint initiative with the Samancor Foundation (SF), to provide charcoal to their business partner, Silicon Smelters (Pty) Ltd for use in its production processes. This project is based in the Stutterheim region in the Eastern Cape and includes local governments, the agricultural industry and members of the community.

BDT/SF furnish local entrepreneurs with loans to purchase equipment saws, kilns and tractors. They use these to fell the non-indigenous wattle trees that have invaded the area, and use these to produce charcoal. By engaging local farming networks these entrepreneurs have been given access to local wattle plantations.

Since the project started, seven charcoal-producing plants, each consisting of a number of kilns, have been established in the region. The project, which is set to continue and diversify, currently employs 324 people. It has produced approximately 2,000 tonnes of charcoal from 12,000 tonnes of timber. The company's own attempt to map this process can be found in figure 6.1.

The project is an interesting display of social capital building. Whilst Billiton has a distinct interest in the cultivation of such a project, the social capital it fosters is high for several reasons. In the first instance it assists in the mobilisation of community initiative and provides both employment and in effect underwrites the tentative development of reciprocal trust in the region's economy. Moreover, it has developed an interesting array of cooperation not only along a new supply chain, but also with local government and with the firm itself. As a secondary social benefit, there is an improvement in environmental conditions and in a sense of environmental responsibility within the community.

6b.2 Diageo - Guinness UDV Literacy Awards

This project is a national initiative which encourages and in turn develops a whole host of local projects. This is highly important because this process of recognition allows not only the discovery and articulation of best practice, but it provides a concrete means of encouraging prize-winning projects to continue to engage in such practices as well as encouraging others to do so with the promise of recognition and reward.

According to the Diageo website,[44] Guinness UDV's Literacy Awards are given to recognise and reward community-lead attempts to combat literacy. They have been running since 1994, and involve NGOs, industry, churches, tertiary institutions and national and provincial governments in the initiative.

Diageo says, 'more than 200,000 students have participated in 500 literacy projects which have entered the awards programme.'[45] Winning projects, which have shared total prize money of ZAR1.5m (£125,000 approximately) over six years, are usually nominated for the President's Award for Education and Development, and have also been nominated for the international UNESCO award.

The awards have gone to a variety of different projects within different areas in South Africa:

- Natal ABE who supported 60 agencies and approximately 4000 adult students in KwaZulu-Natal through tutor training, development and distribution of learning material.
- Matie Community Centre which uses student volunteers to teach small groups of people in the scattered farm areas of the Western Cape
- The Free State Association for Persons with Disabilities, where people with disabilities run the centres and approximately 300 adult students participating are either deaf or have disabilities.
- The Setlamo Centre of Concern based in Bryanston, which has operated for 27 years offering a range of education and training to isolated domestic workers in the suburbs, ranging from basic literacy courses to sewing, baking, cooking, motor vehicle driving etc. There are currently over 300 students enrolled in this initiative.
- Anglo's Development Centre. Adults drawn from neighbouring communities enrolled for programmes ranging from literacy to advanced metallurgy. Some of the graduates are now training to become engineers. Anglo's Development Centre also conducts talent searches, sports development programmes and career and personal counselling.

Once again, as well as engaging projects at lower levels, an extra benefit to the project is that it builds social capital at the national and local levels, which are of significant benefit not only to the community but also to the governmental organisations, NGOs, firms, and institutions with which it is engaging.

Intrinsically, added worth comes to the programme through the benefits that literacy can have in the potential creation of further social capital in a variety of forms. As well as providing another channel for dialogue between individuals and families and the larger community, it may also help to foster a new sense of nationhood, as suggested by Benedict Anderson in his work *Imagined Communities* (1983: Section 11). On this basis, the Guinness UDV Literacy Awards are a highly useful tool for building social capital.

6b.3. GlaxoSmithKline – International Partnership Against AIDS in Africa (IPAA)

Company Outline

GlaxoSmithKline (GSK) was formed by the merger of Glaxo Wellcome and SmithKline Beecham in 2000. It is one of the world's largest pharmaceutical and healthcare companies. Both of the constituent parts of the most 2000 merger have significant interests in community projects through their own foundations.

Currently, GSK is engaged in four projects that pertain to South Africa, at the transnational level and national levels. It has given serious consideration to the importance of social responsibility and development. It explicitly says that it aims to get involved in projects which meet 'the challenge of empowering communities to affect their own social environments, both through traditional 'philanthropic' means and through innovative programmes designed to further strengthen those who are already expert in their particular field' (Annual Report

2000:27). With this in mind, it invites applications for funding for projects based on a series of criteria.[46]

GSK's focus is overwhelmingly on health, to the exclusion of other issues. Certainly, every issue is interconnected, but it seems that GSK has preferred to remain within its own field of expertise and make a deeper contribution there rather than to involve itself in projects revolving around various issues. Health is an important matter in South Africa, and requires an understanding of and a careful restructuring to the present configurations of social capital if the aims of programmes such as those implemented by GSK are to be successful in combating epidemic diseases such as AIDS. This has been highlighted by the work of Catherine Campbell.

IPAA

GlaxoSmithKline is involved in the International Partnership Against AIDS in Africa. The IPAA is made up of African governments, the United Nations (through UNAIDS),[47] donors, private companies (including 5 pharmaceutical firms)[48] and community sectors. Naturally, GSK is one member of among many in this project, but the project overall it is a highly potent force in understanding and using social capital to address the serious threat of AIDS. It is in itself an extensive network – not only potentially rich in social capital itself but also highly important further developing it.

IPAA was born from the realisation that AIDS could not be tackled by addressing health issues alone, something which resonates with the conclusions drawn by Catherine Campbell that an understanding of social issues and structures in the communities devastated by the virus is essential if its spread is to be halted.

> '[B]y the mid-1990s, it became clear that the relentless spread of HIV, and the epidemic's devastating impact on all aspects of human lives and on social and economic development, were

> creating an emergency that would require a greatly expanded United Nations effort. Nor could any single United Nations organization provide the coordinated level of assistance needed to address the many factors driving the HIV epidemic, or help countries deal with the impact of HIV/AIDS on households, communities and local economies. Greater coordination would be needed to maximize the impact of UN efforts.'[49]

GSK is therefore involved in a network which is both broad in the scope of expertise it invites to address the problem, and also works in a variety of different locations across the African Continent.

IPAA generates social capital on a number of levels. At the transnational level it inculcates a new network which can bridge some of the major divides and can facilitate the spread of best practices in order to combat the disease – indeed the UNAIDS website has a page devoted to discovered best practice.[50] Naturally South Africa is one of many countries which can be positively affected by this.

At the national and community level, the individual projects which emerge as a result of the IPAA can do a great deal to generate social capital. AIDS does a great deal to diminish social capital at the community level not only because it kills the individuals which can sustain it, but also because it can negatively affect so many aspects of life. Developing countries are especially prone to this, for example, a secondary diminution of social capital following death by AIDS is the creation of homeless orphans, with no social network to catch them.

Catherine Campbell has written at length on the connection between social capital and the spread of AIDS in Africa. The IPAA is interesting because it seeks to create a self-sustaining configuration of social capital (in particular established norms of behaviour) which can to prevent the spread of AIDS in the future, rather than simply to mobilise donations. Putnam (2000:275) has suggested that 'engagement increases in the face of 'global cataclysm.' Combatting AIDS is perhaps one of the greatest challenges facing the African continent and the world, and may provide one of the most interesting testing grounds for the concept of social capital.

7. Conclusions

Companies are inevitably and intimately involved with the communities in which they operate. Whilst in one sense they may represent an impermeable and monolithic entity installed in a foreign land, from a different perspective they are diffused, exposed and intimately involved in the communities in which they are located – whether they wish to be or not. And by the same token, they alter the social configuration of the communities, nations and world in which they operate, regardless of whether or not they desire this.

Let us return, then to the questions set by the title, namely:

- What are multinational firms doing that builds social capital in South Africa?
- How should a multinational firm go about building social capital in South Africa?

In response to the first question, the pilot study in this paper has shown that companies differ greatly in the degree to which they commit to activities which build social capital and the style and way in which they do it. The variety in approaches to social capital is laudable because it not only highlights how companies can begin to make any number of contributions far beyond their direct interests in a wide variety of situations, but shows that they are willing to do so. The difference in the level of approaches is less positive – whilst some companies seek to display an awareness of their actions and consequences, some have neglected to do this. One possible conclusion that can be drawn from this case study is that there is often a large difference between the maximum and minimum levels of engagement between and even within different sectors.

In response to the second question, first and foremost it is important that firms become aware of how social capital affects the community around them and their relations with it – in effect, to become *social capital literate*, and then to combine this literacy with the practice of the programmes in which they are already engaged and the shaping of future programs. This is very much a virtuous circle. Hopefully the engagement in practice will help to enrich and refine understanding of social capital, in the same way that it challenges firms to look carefully at what it is they do – the best example of which is the consistent introspection undertaken by Diageo, well documented on their website.[51] Cadbury Schweppes has a prize rewarding novel and productive community project set up or run by its employees.

An important concept when attempting to raise social capital is to deploy finance and resources where they will have most leverage. For example, Billiton, BOC, Cadbury Schweppes and Diageo have a good portfolio of engagements across a variety of fields and a variety of levels. It is not only important to spread the variety of engagements across different levels in order to maximise their leverage, there is a secondary benefit that engagement across a whole range of issues allows a company, and also communities, to be part of a greater network of 'weak links,' within which the MNC is an important nexus in channelling information.

Many MNCs clearly signal that they already do a great deal that builds social capital. By becoming aware of what it is they do, and how beneficial this could be for the communities in which they are integrated, should both enable them to channel their efforts more productively and encourage them do so more often. At the same time, they should be acutely aware of the contexts in which they operate, that time can depreciate social capital very quickly if it is not maintained, but that the simple investments it requires can bring benefits to both the firm and the community it works in.

Notes

[1] Woolcock (1998:193-6) lists 7 such fields of application: social theory and economic development; families and youth behaviour problems; schooling and education; community life; work and organisations; democracy and governance; general cases of problems of collective action. The World Bank Website on social capital lists 11 groups: crime and violence; economics and trade; education; environment; finance; health, nutrition and population; information technology; poverty and economic development; rural development; urban development; water supply and sanitation. http://www.worldbank.org/poverty/scapital/topic/index.htm

[2] As with the later work of Pierre Bourdieu(1980), who tended to employ the concept of 'capital' to a wide variety of concepts including symbolic, cultural, social, intellectual, and economic.

[3] Harriss and de Renzio (1997) suggest that there is already a schism between Putnam and Coleman.

[4] Stern critics include Arrow (2000:4), who avoids the use of the term, Solow (2000:6), who is critical of term but is interested in norms, and Labonte (1999), who refutes its existence.

[5] Putnam (1993) as quoted in Putnam (1996:56)

[6] French social theorist Pierre Bourdieu defined social capital as social networks.

[7] Schuller *et al* prefer (2000:14) to drop norms, and Woolcock (2000:9) rejects trust.

[8] Putnam (2000:22).

[9] The mafia are a popular example of a nefarious institution high in social capital.

[10] See Woolcock (1998), Portes and Landolt (1996), Skocpol (1996), Schudson (1996). Whilst many of their criticisms address social capital treatments of civic engagement, they are applicable to much of the management literature on social capital.

[11] See Putnam (2000:Chapter 8) for a discussion of this shift. See also Schuller *et al* (2000:11).

[12] To use Woolcock's (2000:7) terms.

[13] Prusak has also recently written an elaborative piece in the Harvard Business Review (HBR, June 2001). See Pollitt (2001)

[14] Meyerson 1992

[15] Maskell (2000), Sölvell and Zander (1998), Brown and Duguid (2000)

[16] Maskell (2000)

[17] Szreter (2000:62) considers *Built to Last*, as well as Kay (1993) to be anticipations of some aspects of social capital – especially managing information costs.

[18] Cohen and Prusak (2000:183)

[19] To use Argyris' (2000) term.

[20] From Wenger: ‘the concept of negotiation often denotes reaching an agreement between people, as in ‘negotiating a price,’ but it is not limited to that usage. It is also used to suggest an accomplishment that requires sustained attention and readjustment, as in ‘negotiating a sharp curve’ (1999:53)

[21] Narayan and Pritchett found that social capital's effect on per capita expenditure was 4-10 times that of human capital, whilst Grootaert found the its effect to be twice that of human capital.

[22] Schuller *et al* (2000) and Inglehart (1994) criticise the type of approach undertaken by Knack and Keefer(1997), and La Porta *et al* (1997). Schuller *et al* feel it places too much emphasis on a few simple replies which are then correlated to complex economic variables, whilst Inglehart directly criticises the World Value Survey from which the variables are derived, suggesting that they focus too much on educated, urban groups when they should represent the whole nation.

[23] The Project for Statistics on Living Standards and Development 1993 and the KwaZulu-Natal Income Dynamics Survey (KIDS 98)

[24] Ubuntu is a Zulu word the meaning of which is encapsulated in the Zulu maxim *ubuntu ngumuntu ngabantu,* i.e. ‘a person is a person through other persons’ (Shutte, 1993:46). This traditional African aphorism articulates a basic respect and compassion for others. It can be interpreted as both a factual description and a rule of conduct or social ethic.

[25] Including Williams, Campbell and MacPhail (1999), Campbell and Mzaidume (1999), Campbell and Mzaidume, (1999), Campbell, Woody and Kelly (1999), Campbell and Williams (1998a,b,c)

[26] Schuller *et al* (2001). Following Grootaert (1999:4-5) we can say that the micro level refers to individuals and households, the meso-level to communities and the macro level to societies and nations.

[27] Remarks at a World Bank Workshop on Social Capital, 16-17 April 1996, as quoted in Morris (1998:4)

[28] This is perhaps a result of the fact that Rose has devoted significant time to looking at the collapse of formal institutions in the Ukraine (Rose 1995a,b,c)

[29] Grootaert (1999:13-14)

[30] http://tigger.stthomas.edu/mccr/MN_PRIN.htm

[31] The way in which such information is presented can help to indicate the priority given to the topic

[32] Based on the logic that without such information projects generally only begin from within the company - a reduction in the empathy and reciprocity between the company and the communities which surround it.

[33] We found two good examples. Anglo American's failure to mention Samancor a 40% owned subsidiary co-owned with BHP Billiton, which is engaged in social capital building activities listed on the Billiton website. HSBC's current social report does not list its activities in Africa. However, looking at another website <http://www.uct.ac.za/general/monpaper/2k-no04/hsbc.htm>, there is an article about HSBC donating ZAR1.5m (£130,000) to University of Cape Town for funding and scholarships in April 2000.

[34] Barclays, who had too few employees in South Africa to be included in the survey, have their Southern Africa headquarters in South Africa, yet whilst they list a swathe of community projects in the region, there are no community projects in South Africa listed on their website.

[35] Maskell (2000:118-119); Stiglitz (2000:66)

[36] http://www.billiton.com/index2.htm Select 'About Us'

[37] http://www.billiton.com/index2.htm Select 'HSE and Communities'

[38] According to the website of the Committee of Technikon Principles. 'Technikons in South Africa are technological universities which provide and promote, in co-operation with the private and public sectors.….career and technology education and research ….[they] are the equivalent of universities of technology, technological universities, technical universities or institutes of technology found in countries such as the USA, Britain, Australia, New Zealand and Hungary….'.

http://www.technikons.co.za/Techs.htm

[39] Through the subsidiary Chep which in South Africa is wholly owned by GKN.

[40] Afrox Annual Report (2000:2) http://www.afrox.com/corporate/investor/afrox2000.pdf

[41] BOC Annual Report (2000:109) http://www.boc.com/ir/reports/annual/annualrpt00.pdf

[42] Although it does have operations in Kenya and Nigeria http://www.afrox.com/corporate/agtoday/cagtstext.html

[43] www.nbi.org.za

[44] http://ad.diageo.co.uk/citizenship/around_world/africa/aouthafrica_46.html?353

[45] ibid.

[46] http://corp.gsk.com/community/gcp_criteria.htm

[47] UNAIDS (The Joint United Nations Programme on HIV/AIDS) is made up of seven cosponsors - UNICEF, UNDP, UNFPA, UNESCO, WHO, the World Bank and UNDCP.

[48] GSK, Boehringer Ingelheim, Bristol Myers Squibb, Hoffman La Roche and Merck.

[49] http://www.unaids.org/about/what.asp

[50] http://www.unaids.org/bestpractice/index.html

[51] http://ad.diageo.co.uk/citizenship/impact/w_spend_imp.html?361

Tables and Figures

TABLES AND FIGURES

Figure 3.1 : Rose's (1996) Social Capital measures

VARIABLE	MEASURE		MEASUREMENT CRITERION
Social Capital	Type of social capital		On whose help do you rely in the first instance when having problems?
	Usefulness of social capital for….	…coping in transition economies	What Percentage able to get by in a year without spending savings or borrowing?
		…social protection	Would a friend would loan as much as a week's wages if your household was very short of money?
Trust	Quantity of trust		Percentage of workers who trusted/distrusted union officials
	Directionality of trust		Who households would trust with their savings

Figure 3.2 : Knack and Keefer's (1997) measures

VARIABLE	MEASURE
Trust	Percentage of respondents who replied that "most people can be trusted"
Strength of norms of civic co-operation	*Measured on a scale of 1 (always justifiable) to 10 (never justifiable). The scales were reversed and the values summed over the five items listed below.*
	Claiming benefits when you are not entitled to
	Avoiding a fare on public transport
	Cheating on taxes if you have the chance
	Keeping money that you have found
	Failing to report damage you have done accidentally to parked vehicle

Figure 3.3 : Narayan & Pritchett's social capital measures (1997)

VARIABLE	MEASURE	CRITERION
Overall Group Membership	Membership	"How many groups are you a member of?"
	Degree of Importance	"if You could only join one group, what would it be?"
Characteristics of up to three groups for each individual	Kin heterogeneity of membership	Who are members? 1-Close relatives 2-Same clan 3-Different tribes 4-Anyone in the village
	Income heterogeneity of membership	Are all members from 1- Same livelihood 2-Mostly same livelihood 3-Mixed livelihoods
		Do the leaders have 1-different livelihood 2.same livelihood
	Group functioning	How do you rate group functioning? (Scale 1-5: 1=very poor; 5=excellent)
		If there is a fee, what happens if not paid ? 1-Asked to leave the group 2-Delay in payment accepted 3-Nothing happens
	Group decision making	N/A
	Voluntary membership.	N/A

Figure 3.4 : MHM's (2000) social capital measures

VARIABLE	MEASURE	QUESTION
Density	The number of group memberships per household	Self explanatory
Performance	The average reported performance of the most important groups in the household	'Overall, how well do/did you think the group works?' (Asked for both 1993 and 1998. Scale 1-5: 1=very poor; 5=excellent))
Participation	Average reported frequency of meeting attendance for the most important groups in the household	'How many of the group's meetings do/did you usually attend?'

Figure 3.5 : Grootaert's (1999) social capital measures

VARIABLE	MEASURE
Density of membership	The number of group memberships per household
Heterogeneity index 1.(Using the three most important associations for a household.) 2.Score from 0-8, 0=members all from different backgrounds; 8= all from same background.) 3. Average of the three taken and indexed.	Neighbourhood
	Kin group
	Occupation
	Economic status
	Religion
	Gender
	Age
	Level of education
Meeting Attendance	Average per month
Decision-Making Index 1. Using 3 most important associations for a household 2. Level of participation played in the group from 0= 'not very active' to 2='very active' 3. Average taken, indexed.	Self-assessed level of involvement
Membership Dues	Quantity paid (as indicator of seriousness)
Community Orientation	Whether the association is community founded or from externally imposed groups

Figure 3.6.1 : Putnam et al (1993) social capital measures

VARIABLE	*MEASURE*	*CRITERION*
Index of civic community	Political behaviour of citizens	Newspaper readership
		Availability of sports and cultural associations
	Measure of breadth and depth of civic community	Turnout in referenda and the incidence of preference voting
Index of institutional performance	Composite measure on the comparative performance of regional governments	12 separate elements from timeliness of budgets to legislative innovation
Citizen satisfaction	People asked whether they were "very" or "rather" satisfied with regional govt	Large sample survey between 1977 and 1988

Figure 3.6.2 : Putnam's (2000) SCI variables

VARIABLE	***MEASURE***	
Community organisational life	1	Served on committee of local organization in last year
	2	Served as officer of some club or organization in last year
	3	Civic and social organizations per 1,000 population
	4	Mean number of club meetings attended in last year
	5	Mean number of group memberships
Engagement in public affairs	6	Turnout in presidential elections
	7	Attended public meeting on town or school affairs in last year
Community voluntarism	8	Number of non-profit organizations per 1,000 population
	9	Mean number of time did volunteer work in last year
	10	Mean number of times did volunteer work in last year
Informal sociability	11	Agree that "I Spend a lot of time visiting friends"
	12	Mean number of times entertained at home in last year
Social trust	13	Agree that "most people can be trusted"
	14	Agree that "most people are honest"

Figure 3.7 Minnesota principles

Number	**Proposition**
1	Stimulating economic growth is the particular contribution of business to the larger society.
2	Business activities must be characterized by fairness.
3	Business activities must be characterized by honesty.
4	Business activities must be characterized by respect for human dignity.
5	Business activities must be characterized by respect for the environment.

Figure 3.8 : Dummy survey as applied to all companies in the dataset

Company		**Sector (SCI)**	
Turnover (total)		**Employees in (South Africa)**	
Turnover (RSA)		**Donations (Total)**	
Operating Profit (Total)		**Donations (Southern Africa)**	
Operating Profit (RSA)		**Corp. URL.**	
		CSR URL.	

			Issue								
Transnational	*Engagement*		Educn	Youth[52]	Health	Environ.	Developt.	Ethics	Arts	Other	Total
		Int. Org									
		NGO									
		Acad									
		Firms									
			Issue								
National	*Engagement*		Educn	Youth	Health	Environ.	Developt.	Crime	Arts	Other	Total
		Gov									
		NGO									
		Instit									
		Firms									
			Issue								
Local	*Engagement*		Educn	Youth	Health	Environ.	Emplymt.	Crime	Arts	Other	Total
		Local Gov.									
		Local Institution									
		Local Firms									
		Individual									

Explicit Values	Yes = 1		No = 0	
Web-based CSR *info availability* (0 = none, 1 = web page 2 = in annual report, 3 = in separate report.)	0	1	2	3
Foundation/Charitable Institution?	Yes = 1		No = 0	
Clear Guide on how to apply for project funding?	Yes = 1		No = 0	
Ease in finding CSR information from Website (0 = none. 1=difficult, 3=easy)	0	1	2	3
Value implementation performance according to external evaluation	Good = 2	Neutral = 1	Poor = 0	

Figure 3.9 Regional level definitions

Level	Entity	Definition and/or example
Transnational	International Organisation	An international organisation that serves as a colloquium for international governments, such as the UN.
	NGO	A non-governmental international organisation, such as the Red Cross.
	Acad(emic)	Academia, research and scholarship
	Firms	Multinational firms, regardless of whether or not in the same industry.
National	Government	National Government.
	NGO	A non-government national organisation, such as a national interest group or a union.
	Instit(ution)	A national institution, such as the South African Football Association.
	Firms	National firms ie those based predominantly in South Africa .
Local	Local Gov.	Local-level government bodies such as councils.
	Local Institution	For example, libraries, hospitals and schools.
	Local Firms	Firms that operate within a fairly limited geographical scope, i.e. not at the national level.
	Individual	When there is an attempt to address people on an individual-by-individual basis, rather than a group-by-group basis, for example, scholarships and sponsorship.

Figure 3.10 Issue definitions

Issue	Definition
Education	Projects which aim is to develop a intellectual capability from primary to tertiary level.
Youth	Projects which aim to foster social skills in the young.
Health	Projects which aim to increase health either directly or through health education.
Environment	Projects which aim to improve environmental conditions.
Development	Ventures which seek to develop the economy as a whole.
Employment	Ventures which seek to create jobs within the local region, and not nationally.
Ethics	Programs which aim to establish a code of conduct for participants.
Crime	Programs which aim to reduce crime.
Arts	Programs which patronise the arts.

Figure 3.11 : Regional scoring system for engagements

Level/Score	1	3	4	
Transnational	Endorses	Active non-committee member	Active Committee Member	+1 for donation of resources
National	Endorses	Active non-committee member	Active Committee Member	
Local	Endorses	Loans	Donates	

Figure 5.1 : Levels of engagement

Sector/Company	Issue										Level[53]			
Extractive	Educn	Youth	Health	Environ	Develop/ Employ	Crime	Arts	Ethics	Other	Total	TN	N	L	Total
Anglo-American	9	5	5	8	12	10	0	0	0	49	8	34	7	49
Billiton	**18**	**9**	**4**	**14**	**11**	**10**	**2.4**	**0**	**5**	73.4	**8**	**25**	**40.4**	73.4
BP	0	0	4	13	4	0	0	3	0	24	1	11	12	24
Lonmin	8	0	1	4	0	0	0	0	1	14	0	4	10	14
Rio Tinto	10	8	14	12	11.5	0	2	0	7	64.5	16	2	46.5	64.5
Shell	9	0	0	5	4	0	0	0	0	18	0	14	4	18
Total	46	18	38	57	44.5	22	7	3	8	244	33	90	120	242.9
Mean	9.0	3.7	4.7	9.3	7.1	3.3	0.7	0.5	2.2	40.5	5.5	15.0	20.0	40.5
st dev	5.7	4.2	5.0	4.3	5.1	5.2	1.1	1.2	3.1	25.3	11.1	28.5	38.6	74.7
max	18	9	14	14	12	10	2.4	3	7	73.4	16	34	46.5	73.4
min	0	0	0	4	0	0	0	0	0	14	0	2	4	14

	Issue										Level			
Industrial	Educn.	Youth	Health	Environ	Develop /Employ	Crime	Arts	Ethics	Other	Total	TN	N	L	Total
BOC	20	4	4	0	1.5	0	2	0	4.5	36	0	2.5	33.5	36
Cookson	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GKN	8	0	0	2	0	0	0	0	0	10	2	0	8	10
ICI	0	0	0	0	0	0	0	0	1	1	1	0	0	1
Invensys	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Johnson Matthey	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	28.0	4.0	4.0	2.0	1.5	0.0	2.0	0.0	5.5	47.0	3.0	2.5	41.5	47.0
Mean	4.7	0.7	0.7	0.3	0.3	0.0	0.3	0.0	0.9	7.8	0.5	0.4	6.9	7.8
st dev	8.2	1.6	1.6	0.8	0.6	0.0	0.8	0.0	1.8	15.5	0.8	1.1	16.7	18.4
max	20.0	4.0	4.0	2.0	1.5	0.0	2.0	0.0	4.5	38.0	2.0	2.5	33.5	36.0
min	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	Issue										Level			
Consumer	Educn.	Youth	Health	Environ	Develop /Employ	Crime	Arts	Ethics	Other	Total	TN	N	L	Total
SAB	0	0	0	0	0	0	0	0	2	2	0	2	0	2
BAT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cadbury Schweppes	0	0	4	4	4	9	0	0	9	30	0	10	20	30
Diageo	9	9	4	8	26	0	0	2	12	70	2	20	48	70
Imperial Tobacco	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reckitt Benckiser	0	0	0	0	0	0	0	0	0	0	2	0	2	0
Unilever	10	0	0	0	0	0	0	0	3	13	3	5	5	13
Total	19.0	9.0	8.0	12.0	30.0	9.0	0.0	2.0	26.0	115.0	7.0	37.0	75.0	115.0
Mean	2.7	1.3	1.1	1.7	4.3	1.3	0.0	0.3	3.7	16.4	1.0	5.3	10.7	16.4
StDev	4.6	3.4	2.0	3.1	9.7	3.4	0.0	0.8	4.9	31.8	1.3	7.5	17.9	26.1
max	10.0	9.0	4.0	8.0	26.0	9.0	0.0	2.0	12.0	80.0	3.0	20.0	160.0	70.0
min	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Medical	Issue										Level			
	Educn.	Youth	Health	Environ	Develop /Employ	Crime	Arts	Ethics	Other	Total	TN	N	L	Total
AstraZeneca	0	0	12	0	0	0	0	0	0	**12**	8	4	0	**12**
GSK	0	0	28	0	0	0	0	0	0	**28**	20	0	8	**28**
Smith&Nephew	0	0	0	0	0	0	0	0	0	**0**	0	0	0	**0**
Total	**0**	**0**	**40**	**0**	**0**	**0**	**0**	**0**	**0**	**40**	**28**	**4**	**8**	**40**
Mean	**0**	**0**	**13.3**	**0**	**0**	**0**	**0**	**0**	**0**	**13.3**	**9.33**	**1.33**	**2.67**	**13.33**
StDev	**0**	**0**	**14**	**0**	**0**	**0**	**0**	**0**	**0**	**14**	**10.1**	**2.31**	**4.62**	**14.05**
Max	**0**	**0**	**19**	**0**	**0**	**0**	**0**	**0**	**0**	**19**	**38**	**76**	**133**	**266**
Min	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Information, Leisure	Issue										Level			
	Educn.	Youth	Health	Environ	Develop /Employ	Crime	Arts	Ethics	Other	Total	TN	N	L	Total
Bass	0	0	0	0	0	0	0	0	2	**2**	2	0	0	**2**
EMI	0	0	0	0	0	0	0	0	0	**0**	0	0	0	**0**
Great Universal Stores	0	0	0	0	0	0	0	0	0	**0**	0	0	0	**0**
Pearson	0	0	0	0	0	0	0	0	0	**0**	0	0	0	**0**
Reuters	4	4	0	0	0	0	0	0	0	**8**	0	0	8	**8**
UBM	0	0	0	0	0	0	0	0	0	**0**	0	0	0	**0**
WPP	4	8	0	4	0	0	0	0	0	**16**	0	8	8	**16**
Total	**8**	**12**	**0**	**4**	**0**	**0**	**0**	**0**	**2**	**26**	**2**	**8**	**16**	**26**
Mean	**1.1**	**1.7**	**0**	**0.6**	**0**	**0**	**0**	**0**	**0.3**	**3.7**	**0.3**	**1.1**	**2.3**	**3.7**
StDev	**2.0**	**3.1**	**0**	**1.5**	**0**	**0**	**0**	**0**	**0.8**	**7.4**	**0.8**	**3.0**	**3.9**	**6.2**
max	**4**	**8**	**0**	**4**	**0**	**0**	**0**	**0**	**2**	**18**	**2**	**8**	**8**	**16**
min	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Infrastructure /Finance	Issue										Level			
	Educn	Youth	Health	Environ	Develop/ Employ	Crime	Arts	Ethics	Other	Total	TN	N	L	Total
Dimension Data	0	0	0	0	0	0	0	0	0	**0**	0	0	0	**0**
HSBC	0	0	0	0	0	0	0	1	0	**1**	1	0	0	**1**
Marconi	0	0	0	0	0	0	0	0	0	**0**	0	0	0	**0**
P&O	4	0	0	0	0	0	0	0	0	**4**	0	0	4	**4**
Spirent	0	0	0	0	0	0	0	0	0	**0**	0	0	0	**0**
Standard Chartered	0	0	0	0	0	0	0	0	0	**0**	0	0	0	**0**
Tibbett & Britten	0	0	0	0	0	0	0	0	0	**0**	0	0	0	**0**
Vodafone[54]	2.8	1.3	2.3	1.3	0	1.3	1.6	0	0	**10.5**	1	3.15	6.3	**10.45**
Total	**6.8**	**1.3**	**2.3**	**1.3**	**0**	**1.3**	**1.6**	**1**	**0**	**16**	**2**	**3.15**	**10.3**	**15.45**
Mean	**1**	**0.2**	**0.3**	**0.2**	**0**	**0.2**	**0.2**	**0.1**	**0**	**2.2**	**0.14**	**0**	**0.57**	**0.71**
StDev	**1.7**	**0.5**	**0.9**	**0.5**	**0**	**0.5**	**0.6**	**0.4**	**0**	**5**	**0.71**	**0**	**0**	**0.71**
max	**4**	**1.3**	**2.3**	**1.3**	**0**	**1.3**	**1.6**	**1**	**0**	**12.6**	**1**	**3.15**	**6.3**	**10.45**
min	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Figure 5.2 : Social capital transparency/presence of mechanisms to build social capital[55]

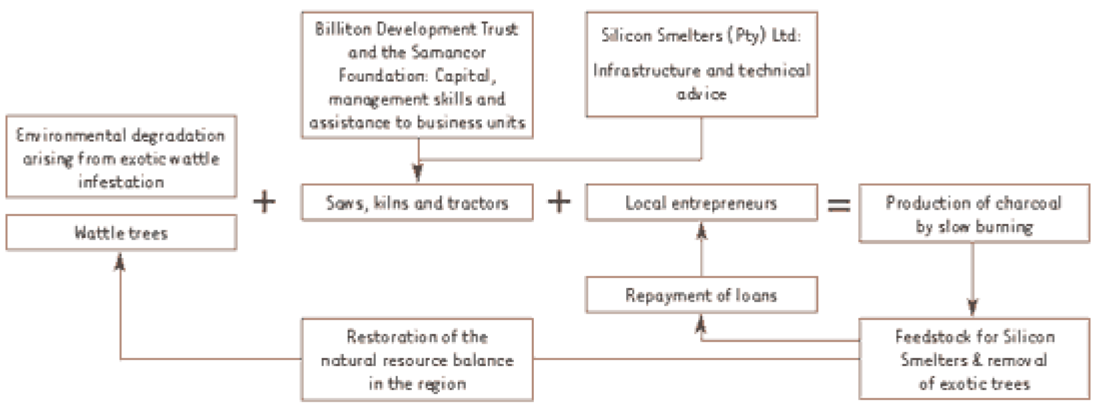
	Company	Explicit Values	CSR info availability	Ease of finding CSR info	Found-ation	Funding guide	Success	Total[56]	FTSE4Good?
Extractive	Anglo American	1	2	3	1	0	1	4.0	0
	Billiton	1	3	3	1	1	1	5.3	0
	BP	1	3	3	1	0	1	4.3	1
	Lonmin	0	0	0	0	0	1	0.3	0
	Rio Tinto	1	3	3	1	0	1	4.3	0
	Shell	1	3	3	1	1	2	5.7	1
	Total	5	14	15	5	2	7	24.0	2
	Mean	0.83	2.33	2.50	0.83	0.33	1.17	4.0	0.33
	Stdev	0.41	1.21	1.22	0.41	0.52	0.41	2.3	0.52
Industrial	BOC	1	1	1	0	0	1	2.0	0
	Cookson	0	1	2	0	0	1	1.3	0
	GKN	1	1	2	0	0	2	2.7	0
	ICI	1	2	1	1	0	2	3.7	1
	Invensys	0	2	2	0	0	1	1.7	0
	Johnson Matthey	1	1	0	0	0	1	1.7	0
	Total	4	8	8	1	0	8	13.0	1
	Mean	0.67	1.33	1.33	0.17	0.00	1.33	2.2	0.17
	Stdev	0.52	0.52	0.82	0.41	0.00	0.52	1.5	0.41
Commercial	BAT	0	1	1	0	0	0	0.7	0
	Cadbury Schweppes	1	3	3	1	0	2	4.7	1
	Diageo	1	3	3	1	1	2	5.7	1
	Imperial Tobacco	0	0	0	0	0	0	0.0	0
	Reckitt Benckiser	1	1	0	0	0	1	1.7	0
	SAB	1	0	0	0	0	2	1.7	1
	Unilever	1	3	3	1	1	2	5.7	1
	Total	5	11	10	3	2	9	20.0	4
	Mean	0.71	1.57	1.43	0.43	0.29	1.29	2.9	0.57
	Stdev	0.49	1.40	1.51	0.53	0.49	0.95	2.8	0.53

	Company	Explicit Values	CSR info availability	Ease of finding CSR info	Found-ation	Funding guide	Success	Total	FTSE 4Good?
Medical	AstraZeneca	1	1	2	1	0	2	3.7	1
	GSK	1	3	3	1	1	2	5.7	1
	Smith & Nephew	1	3	3	1	0	2	4.7	1
	Total	3	7	8	3	1	6	14.0	3
	Mean	1.00	2.33	2.67	1.00	0.33	2.00	4.7	1.00
	Stdev	0.00	1.15	0.58	0.00	0.58	0.00	1.2	0.00
Information/Leisure	Bass	1	1	3	0	0	2	3.0	1
	EMI	1	3	3	1	1	2	5.7	1
	Great Universal Stores	1	1	2	1	0	1	3.3	0
	Pearson	1	1	2	1	0	2	3.7	1
	Reuters	1	3	2	1	1	2	5.3	1
	UBM	0	0	0	0	0	2	0.7	1
	WPP	1	0	0	0	0	2	1.7	1
	Total	6	9	12	4	2	13	23.3	6
	Mean	0.86	1.29	1.71	0.57	0.29	1.86	3.3	0.86
	Stdev	0.38	1.25	1.25	0.53	0.49	0.38	2.4	0.38
Infrastructure/Finance	Dimension Data	0	0	0	0	0	2	0.7	1
	HSBC	1	3	3	0	0	2	3.7	1
	Marconi	0	1	1	0	0	1	1.0	0
	P&O	0	2	2	0	0	2	2.0	1
	Spirent	0	0	0	0	0	1	0.3	0
	Standard Chartered	1	1	2	0	0	2	2.7	1
	Tibbett & Britten	0	0	0	0	0	1	0.3	0
	Vodafone	1	3	3	1	0	2	4.7	1
	Total	3	10	11	1	0	13	15.3	5
	Mean	0.38	1.25	1.38	0.13	0.00	1.63	1.9	0.63
	Stdev	0.52	1.28	1.30	0.35	0.00	0.52	1.9	0.52

Figure 5.3 : Johannesburg Stock Exchange Listing and Scores

		Engagement score	JSE?
Extractive	Anglo-American	49	Y
	Billiton	73.4	Y
	BP	24	N
	Lonmin	14	Y
	Rio Tinto	66.5	Y[57]
	Shell	18	N
Industrial	**BOC**	36	Y[58]
	Cookson	0	N
	GKN	10	N
	ICI	1	N
	Invensys	0	N
	Johnson Matthey	0	N

Figure 6a.1 Engagements schema in the project.[59]



APPENDIX

Appendix 1 – Financial Details of firms analysed

Sector	Company	FTSE Sector	Turnover (£m)	Operating Profit (£m)	Employees SA[60]
Resource/Extractive	Anglo-American	45	14490	2264	n/a
	Billiton	48	3368	600	27911
	BP	78	114300	12500	n/a
	Lonmin	48	609	246	19000
	Rio Tinto	48	5198	1445	7437[61]
	Shell	78	131600	17220	n/a
	Total		**269565**	**34275**	**54348**
	Average		**44928**	**5713**	**18116**
	StDev		**60862**	**7275**	**10266**
Industrial	BOC	113	3579	556	17137[62]
	Cookson	267		179	490
	GKN	313	5096	513	5200
	ICI	118	7748	673	400
	Invensys	258	7231	926	n/a
	Johnson Matthey	118	3866	146	n/a
	Total		**27520**	**2993**	**23227**
	Average		**5504**	**499**	**5807**
	StDev		**1909**	**298**	**7879**
Consumer	BAT	490	24800	18000	n/a
	Cadbury Schweppes	435	4570	496	950
	Diageo	416	11870	1002	300
	Imperial Tobacco	490	5220	560	n/a
	SAB	415	2930	490	15765
	Unilever	435	28963	2044	5000
	Total		**78353**	**22592**	**22015**
	Average		**13059**	**3765**	**5504**
	StDev		**11210**	**6999**	**7150**
Medical	AstraZeneca	480	11128	2800	n/a
	GSK	480	18079	4729	n/a
	Reckitt Benckiser	475	3202	451	n/a
	Smith&Nephew	446	1113	148	n/a
	Total		**33522**	**8128**	**0**
	Average		**8381**	**2032**	
	StDev		**7773**	**2153**	

Sector	Company	FTSE Sector	Turnover (£m)	Operating Profit (£m)	Employees SA
Infrastructure/Finance	Dimension Data	972	1368	-57	3823
	HSBC	810	17300	6650	400
	Marconi	938	6942	110	n/a
	Spirent	938	697	138	n/a
	Standard Chartered	810	2698	598	n/a
	Vodafone	678	150000	-6918	n/a
	Total		**179005**	**521**	**4223**
	Average		**29834**	**87**	**2112**
	StDev		**59189**	**4299**	**2420**
Information and Leisure	Bass	539	5159	905	n/a
	EMI	547	2387	280	n/a
	Great Universal Stores	527	6041	421	n/a
	P&O	597	3994	603	300
	Pearson	547	3874	686	n/a
	Reuters	574	3952	411	n/a
	Tibbett and Britten	596	1468	42	**n/a**
	UBM	547	1975	358	n/a
	WPP	545	2736	378	n/a
	Total		**31586**	**4084**	**300**
	Average		**3510**	**454**	**300**

52 There were neither any youth nor arts based engagements at the transnational level, and so these could effectively have been omitted.

53 T=transnational, N=national, L=local

54 Vodafone's score is restricted by its holding only 31.5% of Vodacom in South Africa.

55 For key to scores please refer to figures 3.9 & 3.10

56 All totals were given equal value and scaled to 1.

57 Through Palabora Mining Company

58 Through Afrox Healthcare (Pty)

59 http://www.billiton.com/index2.htm - click "HSE & Communities," click "Social and community development".

60 Where no figure has been made available estimates have been made based on logical data either based on companies' commitment to relatively labour-intensive commitments in South Africa.

61 This statistic is for all of Africa, although the company is mainly focused on Southern Africa

62 Again, this statistic is for all of Africa, although the company is mainly focused on Southern Africa

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