Corporate sustainability in Southern Africa: An ecosystem approach

James Kamwachale Khomba1*, Ishmael B. M. Kosamu2 and Ella Cindy Kangaude-Ulaya3

1Department of Management Studies, University of Malawi, Private Bag 303, Blantyre 3, Malawi.
2Department of Physics and Biochemical Sciences, University of Malawi, Private Bag 303, Blantyre 3, Malawi.
3Department of Business Administration, University of Malawi, Private Bag 303, Blantyre 3, Malawi.

Accepted 24 April, 2012

Ecosystems provide goods and services that are important for the needs of humanity. Corporate sustainability programmes balance the need for economic growth with environmental protection and social equality. This study examines the extent to which organisations in Southern Africa are linking their business operations to sustainability of the natural environment. A desk review was done of documents collected from different sources, including stock exchanges, registrars of companies, companies’ annual reports, organisational constitutions, national statistical offices, government publications and internet sources. Primary data was obtained from managers at registered organisations using both structured and unstructured interviews, as well as through questionnaires. Direct observations were employed wherever necessary in the study. This study found that 69.3% of organisations in Southern Africa indicated that they do not consider the natural environment as their main stakeholder in their planning and performance measurement systems; and that they do not have proper measurement systems to assess the impact of their operations on either the natural environment or society. It is recommended that if corporate sustainability in Southern Africa is to be a success, then organisations must immediately start to value and protect ecosystems which are the backbone of their business operations.

Key words: Malawi, Southern Africa, corporate planning, corporate sustainability, ecosystem, stakeholders.

INTRODUCTION

Corporate sustainability is important to the survival of organisations and future generations of humanity. Corporate sustainability programmes balance the need for economic growth with environmental protection and social equality. However, most organizations in Southern Africa lack a holistic strategic plan to address corporate sustainability issues. As a result, the African organisations address sustainability issues piecemeal and usually in an uncoordinated manner. An uncoordinated execution of a plan may result in the organisation’s exposure to unnecessary business risks, thereby forcing enterprises to miss out on strategic opportunities for future growth and development (Fisher, 2010a; Lozano, 2012). Business growth also depends on the existence of relationships between an organisation and its stakeholders and relationships between the stakeholders themselves. Stakeholders come from both within and outside the organisation. Internal stakeholders include management and employees. External stakeholders include shareholders, government, debt providers, customers, suppliers, competitors, the natural environment (ecological systems) and the community (David, 2005; Laudon and Laudon 2006; Rossouw, 2010b).

A good balance of internal and external factors is vital for
long-term sustainability of any organisation. The business environment has become ever more volatile as modern economies have emerged (David, 2005; Laudon and Laudon, 2006).

Hence, modern industries cannot afford to be static and mechanistic, as there are constant rapid technological changes; there has been a shift to more knowledge-work based management systems; there is currently an increased emphasis on corporate citizenship in respect of social responsibility and corporate conscience issues; and industries have to address the problems of environmental degradation and global warming challenges (Lozano, 2012). Modern business practices also dictate that companies have to be ethical in their undertakings. For instance, manufacturing companies have an ethical duty to protect the environment against degradation and pollution (Rossouw, 2010a; Laudon and Laudon, 2006; Porter, 2008). Once goods and services are produced, they are given back to the environment through customers and consumers for final consumption. A proper Life Cycle Analysis (LCA) for a product or service then becomes necessary to minimise environmental degradation.

To sustain current operations for the benefit of future generations, organisations need to create the potential to maintain social well-being, which depends on the well-being of the natural environment. Thus, organisations must have a conscience regarding their obligation to be responsible in the proper use of natural resources. Survival of all organisations depends on ecosystems which basically provide the final products and raw materials of goods and services.

Organisations have started paying more attention to sustainability issues, which have become more pronounced amidst social concerns and anxiety about global warming which are currently attracting attention worldwide (Fish, 2011; Strategic Direction, 2010). Governments and international institutions have changed and adapted legislation and policies in order to address concerns about sustainability. There has been consumer pressure on organisations regarding quality and healthier “green” products; and concern over the environment has become aligned with concern for a business’s reputation.

Research problem and objective

Most of the times, sustainability issues that hinge on social and environmental elements are not given much emphasis within corporate planning and measurement systems of many organisations.

This is prevalent within large corporations including the large-scale multinational companies. This study brings into context the extent to which corporations in Southern Africa are linking their business operations to sustainability issues, with special reference to the natural environment elements.

CORPORATE SUSTAINABILITY DEVELOPMENTS

Recent developments show that many corporations are paying more attention to and are reporting on corporate sustainability issues. For example, 100% of companies on the financial times stock exchange (FTSE) now include sustainability issues on their corporate websites.

Furthermore, it is widely recognised that a sustainable business must be resource-efficient, respect the natural environment and be a good neighbour to society (Fisher, 2010b; Sustainable Business Team, 2000). It is indicative of these developments that accommodating sustainability issues is now essential if businesses are to continue realising profits in the long term.

Ecosystem principles

The new paradigm that is emerging regarding sustainability issues requires a holistic world view, that shifts from the common “business as usual” to where corporations see the world as an integrated whole, rather than as a dissociated collection of individual parts (Capra and Pauli, 1995). There is therefore a need to understand the principles of ecological systems and their relationships which are the base of all enterprises. Such principles include the interdependence of members of the ecosystem, who are interconnected in a complex web of relationships, and the notion that all life and processes depend on one another. Furthermore, the interdependence among parts of an ecosystem involves an exchange and sharing of energy and resources that are in a cyclic continuous flow. In such partnerships, members are engaged in a subtle interplay of competition and cooperation (Capra and Pauli, 1995).

Ecosystem and corporate sustainability practices

Based on a good understanding of ecosystem principles, there have been calls for tougher definitions and an increase in the practices of corporate sustainability in order to benefit society, the natural environment and business (Strategic Direction, 2010). The concept of sustainability provides a framework to integrate both the environmental and social performance of corporations with the traditional economic approach (De Lima and Buszynski, 2011). By combining three measures of sustainability (environmental sustainability, social sustainability and economic sustainability) under the same umbrella, executive managers are able to create a comprehensive sustainability strategy for long-term corporate performance (Lozano, 2012).

Most organisations are now applying environmental management techniques such as eco-efficiency, pollution prevention, total quality environmental management systems, and design for the environment (Adewunmi et al.,
2012). In addition, organisations are embracing the concept of a stakeholder-centred approach to management, where all stakeholders, such as the natural environment, are considered critical for successful business operations (Stead and Stead, 2004). For example, major accounting and auditing firms such as KPMG have started to recognise the relevance of sustainability reporting (KPMG International, 1999; White, 2005). Apart from its core financial auditing, KPMG also offers a variety of sustainable development services that include environmental and social reporting opinions, assurance on environmental and social management systems, risk and performance management, hot issue reporting on such things as climate change, emerging standards and regulations, human rights, supply chain risks and stakeholder activism.

Wal-Mart (which took over the South Africa-based retailer Massmart Holdings Limited) is another organisation that improved its sustainability and profitability with improvements in the supply chain management systems (Smorch, 2007). Wal-Mart focused on key areas, such as package design, material optimisation, shelf impact, stock-keeping unit consolidation, productivity improvements, alternative packaging and material handling. In improving the internal packaging systems, Wal-Mart also made sure that they made the packaging materials environmentally friendly. It is therefore to be expected that many corporations will take advantage of such services and include them in their corporate planning and performance measurement systems.

Conceptual framework of stakeholder relationships and network

On corporate sustainability paradigm and for better understanding of the same within an African context, Khomba (2011) developed a conceptual framework of stakeholder relationships and networks as shown in Figure 1.

The conceptual framework of stakeholder relationships and networks recognises that every business engages in a series of complex activities involving different constituents that are interlinked and work together for organisational success (Khomba, 2011). Thus, the conceptual framework recognises the interconnectedness and relationships of corporate activities with those of other stakeholders, and also of the relationships and interdependence of the stakeholders themselves.

Diagrammatically, the afore-mentioned conceptual framework depicts four system layers representing different levels of stakeholder involvement in organisational activities (Khomba, 2011). The first is the ‘corporate level’, representing internal activities, including those of management and employees. The second is the ‘industry level’, representing the boundary within which similar businesses run by different companies operate. At the industry level, there are customers, shareholders, government, suppliers, regulatory bodies and competitors. The third level of the conceptual framework of stakeholder relationships and networks is the community level, which represents a larger grouping of all industries and where different final consumers reside.

The fourth is the ecological (natural environmental) level for the largest ecosystems, where natural resources that are used as inputs during production are sourced from and also where all the wastes are finally deposited.

On a daily basis, and in a very complex manner, different stakeholders interact with an organisation during the value/wealth creation processes (Khomba, 2011). Based on this organisational premise, it is expected that business executives and financial managers should report corporate performance to all stakeholders that have diversified interests in and contribute substantially towards the day-to-day operations of an organisation.

RESEARCH METHODOLOGY

Initially, some exploratory research (Babbie and Mouton, 2007) was conducted in Malawi to ascertain the general perspectives on corporate performance as measured by economy, efficiency and effectiveness. During this exploration, 112 large Malawian companies were visited through questionnaires and interviews with business executives. The results indicated that, in general, Southern African organisations need a special orientation on management systems that are in line with a sustainable business environment.

A desk review was done of documents collected from different sources, including stock exchanges, registrars of companies, companies’ published annual reports, organisational constitutions, national statistical offices, government publications, and the internet, university publications, chambers of commerce and industry from different countries in Southern Africa. Some of the documents reviewed include Malawi’s Companies Act (Malawi Government, 1986), the South African Companies Act, No. 61 of 1973 (South Africa, 1973), Malawi’s Capital Market Development Act (Malawi Government, 1990) and the South African Stock Exchange Control Act, No. 1 of 1985 (South Africa, 1985).

The primary data collection method was a field survey methodology, using correlational research design. A cross-sectional (correlational) research design studies some phenomenon by investigating different constructs at a single time (Babbie and Mouton, 2007; Welman et al., 2005).

A Likert scale survey questionnaire was used as the main instrument to gather quantitative data for this study. The questionnaire was designed around a range of formulated statements as a means to explore respondents’ perceptions of a wide range of corporate planning and performance measurement systems. A Likert scale provides a measurement technique based on standardised response categories (Babbie and Mouton, 2007). This kind of questionnaire has also been used by other researchers on corporate performance and measurement systems or similar studies, including those of Flahmoltz (2005) and Kennerley and Neely (2002). The researchers also interviewed people who have vast knowledge and experience of corporate planning and performance measurement systems, as recommended by Selzitz and Cook (1964).

In order to collect data that represented the activities of various organisations involving corporate planning and performance
measurement systems, the sample was randomly selected from big corporations that are registered with the Registrar of Companies or the Malawi Stock Exchange in Malawi and from companies registered with the Johannesburg Stock Exchange or the Johanne-
sburg Chamber of Commerce in South Africa. A limited number of companies from other countries were reached via their diplomatic missions, either in Malawi or in South Africa.

A total of 518 questionnaires were transmitted electronically to the sampled participants and then followed up for feedback. For non-responses, electronic reminders were sent via e-mail every two weeks for the two months of the questionnaire survey. The reminders increased the response rate significantly. A total of 102 hard copy questionnaires were administered through the deployment of research assistants who collected data from targeted companies. The research assistants delivered the hard copies to the business executives concerned, and thereafter collected them at an agreed time. The hard copy administration proved to be more effective in terms of response rate than the electronic copy administration. This is largely because the follow-ups were more personalised than was the case with electronic administration via e-mail. The electronic administration had a response rate of 58.5% (303 responses out of 518 transmissions), whereas the hard copy realised a response rate of 82.4% (84 responses out of 102 reminders).

DATA RELIABILITY AND VALIDITY

Data reliability as a measure of the internal consistency of the data constructs was determined by means of the Cronbach alpha (α) – and a coefficient above 0.7 is considered reliable (Bryman and Bell, 2007; Costello and Osborne, 2005; Field, 2009). In this study, the overall α coefficient was 0.887, which suggests that the internal consistency of the data constructs was excellent.

In terms of data validity, researchers were careful in sampling the targeted population. Though randomly done, the questionnaire was targeted at large corporations by focusing on business executives at senior management (60.7% of respondents) and middle management (37.0% of respondents), and other business executives including the board members (2.3%). Such business executives include the chief executive officers (CEOs), chief financial officers (CFOs), financial managers, management accountants, and company secretaries who are conversant with issues raised under the study; hence maintaining homogeneity of the sample. Further, a total of 71.3% of the respondents have industrial work experience of more than six years.

Though participating organisations came from different countries across Southern Africa as earlier highlighted, study statistics indicate that the Bartlett’s test of sphericity $\chi^2 (64) = 5874.56, p<0.001$ was significant for all factors indicating that we can be confident that the sample was homogenous and that multicolinearity does not exist under these survey data according to Field (2009). Thus, the Bartlett’s test of sphericity $\chi^2 (64) = 5874.56, p<0.001$ signifies that the study results are valid for any conclusive analysis and discussions.

RESULTS AND DISCUSSION

We present analyses and discussion of the results as emanated from empirical primary data collected during the study.

Country of origin of participating organisations

The demographics of the participating organisations (Total = 387) indicate that 168 respondents (43.4%) were from South Africa, 187 respondents (48.3%) were from Malawi, and 32 (8.3%) respondents were from other African countries, which included Zimbabwe, Mozambique, Lesotho, Botswana and Zambia. As reflected in the statistics, the majority (91.7%) of respondents were in Malawi and South Africa, combined with 8.3% in other African countries.

Managerial level of respondents

The study targeted both senior and middle management teams, who should be conversant with issues concerning corporate planning and performance measurement systems. Other business executives, such as board members, were also interviewed during the study. However, junior employees such as supervisors and operators were not interviewed, as these levels are largely involved in the day-to-day running of organisational operations and not necessarily with corporate strategy issues.

The study demographics indicate that 60.7% of the respondents were in senior management, whilst 37.0% were middle managers and 2.3% were members of the board. The participation of the vast majority of senior management (60.7%) in this study suggests that the survey results are valid and reliable.

Work experience of respondents

The structured questionnaire also asked respondents to indicate their work experience in terms of the number of years that they have been serving on the organisational management team. The demographics show that most of the respondents (71.3%) had work experience in this capacity of over five years and above, whilst 40.6% of respondents have work experience of over ten years. Work experience and management knowledge are critical tenets in corporate planning and sustainability issues.

Industry of participating organisations

The study focused on the commercial sector, where all statements made on the structured questionnaire would be addressed. The study results indicate that all industries of the commercial sector were represented, with most of the respondents in the information and communication (19.4%), finance and insurance (17.3%), manufacturing (14.5%), and wholesale and retail trade
(13.7%) industries. The “other” industry category (9.8%) consisted largely of educational institutions, consulting groups, and health practitioners.

Number of employees

The participating organisations were also asked to indicate the number of their employees, as this data provided a way of assessing the size of the organisation. However, some organisations, especially those that are service-oriented, are not labour intensive, but rather capital intensive, as most of their business processes are automated – this is very typical of financial institutions.

The results indicate that the majority (84.2%) of the respondents have over 100 employees. Furthermore, the data indicate that 64.1% employ more than 400 people, and the majority (57.6%) employ more than 500 people. The findings also indicate that 27.6% of respondents employ over 1,000 people, comprising the biggest category of the organisations. The afore-mentioned statistics show that the majority of participating organisations can be classified as large-scale companies, rather than as small and medium enterprises (SMEs).

Organisational stakeholders

Each participant was asked to indicate the stakeholders that they consider when executing their corporate planning and performance measurement. The results indicate that some of the popular stakeholders include external shareholders (99.0%), auditors (90.2%), competitors (78.6%), regulatory bodies (78.0%), the community (69.5%) and debt providers (66.7%). However, the majority of the respondents (69.3%) indicated that they do not consider the natural environment as their main stakeholder.

Further industry analysis shows that a lack of recognition of the natural environment as a stakeholder is prevalent amongst the service industries, such as the tourism and hospitality industry (100.0% “disagree”), the real estate industry (100.0% “disagree”), and the financial and insurance industry (78.7% “disagree”). Only among organisations from the manufacturing (60.7% “agree”), mining and quarrying (57.9% “agree”), and transport and storage (71.8% “agree”) indicate that they include the natural environment as the main stakeholder, with the rest indicating that they do not.

The industrial analysis by country shows that most organisations in Malawi (76.5%), South Africa (60.7%) and other African countries (71.9%) indicated that they do not consider the natural environment as their main stakeholder. The afore-mentioned statistics demonstrate that most organisations disregard the natural environment as a primary source of capital, confirming the findings of a study by Epstein and Wisner (2001). The present status of focus on issues relating to the natural environment should be a source of serious concern, as it may be a recipe for the sacrifice of long-term corporate sustainability.

Corporate image for maintaining and promoting environmental protection

The study found that few agree that their organisations are respected for maintaining and promoting environmental protection. A total of 44.2% agree (20.2% “agree” and 24.0% “strongly agree”) with the statement. The results reveal that a total of 27.7% disagree (25.6% “disagree” and 2.1% “strongly disagree”), whilst 28.2% “Somehow agree” with the afore-mentioned statement. The findings in this analysis resonate with the aforementioned findings regarding the disregard on environmental reporting systems by many organisations (69.3%). This lack of corporate respect would be a result of either a corporation’s disregard for environmental protection matters or, if it is engaged in such environmental protection projects, there is non-disclosure of such information through the corporate external reporting systems, thus ignoring the recommendations of the King III Report - Institute of Directors in Southern Africa (2009). A high focus on natural environmental activities by the corporation would enhance the sustainability of a business for the current and future generations.

Organisational focus on protection of the natural environment as a stakeholder

With regard to the natural environment as a stakeholder, 48.3% agree (31.5% “agree” and 16.8% “strongly agree”) that they focus on the protection of the natural environment. Moreover, the study results indicate that a total of 30.5% (21.7% “disagree” and 8.8% “strongly disagree”) of respondents do not focus on protecting the natural environment, whilst 21.2% “somehow agree” with the statement. This analysis demonstrates that the natural environment is disregarded by many corporations, confirming the findings of a study by Epstein and Wisner (2001). It is therefore not surprising that the King III Reports on governance recommends that corporations should also report on environmental and social elements apart from financial bottom line in their corporate reports (Institute of Directors in Southern Africa, 2009). As the natural environment determines the sustainability of future business (Stead and Stead, 2004; White, 2005), corporate planning must capture elements of the natural environment as well.

Measurement of an organisation’s impact on the natural environment

Many corporations are not able to measure the impact of their operations on the natural environment. The study
results indicate that only 41.4% agree (26.4% "agree" and 15.0% "strongly agree") that they are able to objectively measure the impact of their operations on the natural environment. A total of 25.7% disagree (20.2% "disagree" and 6.5% "strongly disagree"), while 32.0% "somehow agree" with the statement. The aforementioned analysis of results demonstrates that despite the fact that some organisations have embraced environmental measurement systems, many corporations are still experiencing problems in measuring the environmental impact of their activities (Senge et al., 2007; Vernon et al., 2003). This could be largely as a result of the complexity that is involved in environmental measurement systems.

The analysis also indicates that there is a need to redesign current measurement systems so that corporations will be able to measure the vital environmental impact of their operations, and meet the requirement for environmental reporting as an aspect of good corporate governance as recommended by the King III Report - Institute of Directors in Southern Africa (2009).

Organisation’s financial support for natural environmental projects

A total of 45.9% of the respondents indicate that their organisations reserve funds for the preservation of the natural environment, whilst 28.5% do not. Out of the respondents, 25.6% indicate that they "somehow agree" that their organisations allocate funds towards natural environmental projects.

These research findings demonstrate that issues of environmental preservation and protection are in transition, as many organisations are still not putting much emphasis on the issue of environmental protection. This finding is worrying, because the sustainability of current and future businesses and generations depends on how organisations conserve the natural environment today. The protection of the natural environment would improve the likelihood of the continued provision of many raw materials and other inputs for production, which is a fundamental facet in sustainability science.

CONCLUSION AND RECOMMENDATIONS

Corporate sustainability is an important ingredient towards the survival of organisations as well as future generations of humanity. In general, corporate sustainability programmes are supposed to balance the need for economic growth with environmental protection and social equality. These three facets of economic, environmental and social dimensions form the foundation of any corporate sustainability endeavours for the current and future generations. However, the study findings reveal that most organizations in Southern Africa lack a holistic strategic approach towards addressing corporate sustainability issues. The major finding in this study is that the natural environment is not regarded as a main stakeholder by most organisations in Southern Africa. An overwhelming majority of 69.3% indicated that they do not consider the natural environment as their main stakeholder in their planning and performance measurement systems. Further analysis shows that this response is prevalent amongst the service industries, such as the tourism and hospitality, real estate, and financial and insurance industries. However, the majority of organisations from the manufacturing, mining and quarrying, and transport and storage industries indicate that they see the natural environment as their main stakeholder. The industrial analysis by country shows that most organisations in Malawi (76.5%), South Africa (60.7%) and other African countries (71.9%) indicated that they do not consider the natural environment as their main stakeholder.

Furthermore, most organisations indicated that they do not have proper measurement systems to assess the impact of their operations on either the natural environment or society. Only 41.4% of organisations indicated that they are able to objectively measure the natural environmental impact of their operations. The analysis of the results demonstrates that while some organisations have embraced environmental measurement systems, others still experience problems in measuring the environmental impact of their activities. This could be a result of a de-emphasis on and/or the complexity that is involved in such measurement systems.

The analysis of the findings also indicates that there is a need for an emphasis on natural environmental elements as well as the development of performance measures related to the natural environment in corporate management systems.

If this trend of disregarding the natural environment as a stakeholder continues, the sustainability of future business operations and generations may be severely jeopardised. Thus, there is a lot to be done by organisations in Southern Africa to achieve sustainable utilisation of ecosystems on which their business operations depend. It is also imperative that all corporations adhere to good corporate sustainability reporting systems that embrace all the three areas on the economic, environmental and social elements as enshrined by the Institute of Directors in Southern Africa (2009). It is through wide sensitisation processes and strict adherence of laid provisions of good corporate governance that corporate sustainability will be enhanced in Southern Africa.

REFERENCES
