

Barloworld Case Study, October 2006  
Author: Kimon Phitidis

# UNISA



centre for  
corporate citizenship

**Barloworld Case Study**

**A study of Barloworld's approach towards contributing to societal change in  
South Africa from the 1970s to today.**

**October 2006**

**Author: Kimon Phitidis**

## **Contents**

<b>1. Abstract</b>	<b>4</b>
<b>2. Company profile</b>	<b>5</b>
<b>3. 1970s: Opposition can surface in different ways</b>	<b>6</b>
<b>4. 1980s: Creating order out of chaos</b>	<b>13</b>
<b>5. 1990s: The road to democracy</b>	<b>18</b>
<b>6. Corporate social investment and South African challenges into the 2000s</b>	<b>26</b>
<b>7. Engaging in the global debate</b>	<b>35</b>
<b>8. Conclusions</b>	<b>37</b>
<b>9. Glossary</b>	<b>39</b>

*This study considers Barloworld's approach to, and involvement in, supporting societal change in South Africa since the 1970s. South Africa's history is enormously complex and this is not an attempt to create an all-inclusive view of the past. This story is based on a series of interviews with people who either worked for or had dealings with Barloworld during this period. It is based largely on their recollections and anecdotes, and this has been supplemented by further research.*

*Barloworld has been involved in many projects that, in one way or another, were intended to contribute towards building a better South African society. This study looks at a selection of these, and focuses on the big social initiatives and the experiments that the company either started or contributed to as South Africa moved towards and beyond a 1994 democracy.*

*Barloworld is a signatory to the United Nations Global Compact which seeks to promote corporate citizenship by asking companies to adhere to 10 universal principles of business practice that consider human rights, labour standards, the environment and anti-corruption. While the Compact was launched in 1999, the study demonstrates a corporate view of human rights and labour standards that have been consistent with this compact for many years. It pulls together a common thread of events that have been driven by the social philosophy of the company, and refers to moments that have shaped and defined South African history.*

**A note on the name of the company:**

*While the name of the company has changed several times during the period under review, for the sake of simplicity it has been referred to throughout by its current name, Barloworld. The exception is when the name has been included in direct quotes.*

## **1. Abstract**

This study considers Barloworld's approach to, and participation in, supporting societal change in the context of South Africa's history. It begins in the 1970s, a period of booming economic growth for South Africa, but also a period in which long-term black unemployment and repressive apartheid laws contributed towards the potential of major social unrest. It was in the 1970s, when corporate foundations were rare in South Africa, that the CS Barlow Foundation was established. It was also when the company redefined its labour relations policies to include black workers and developed the structures of collective bargaining that were to contribute towards the social institutions that followed. The Soweto riots of 1976 contributed towards big business collaborating for the first time on issues of societal change, and the Urban Foundation was established for this purpose. This, along with other collaborative business structures, led to the formation of today's National Business Initiative (NBI), a corporate agency for societal change in South Africa.

It was during the 1980s and 1990s that the response of big business to an impending social crisis, and the participation of Barloworld in this response, really gained momentum. The company contributed to the development of a number of national tripartite forums that saw business, labour and government sitting around the same table for the first time in South Africa's history. It also drove regional forums that aimed to address the social challenges of specific communities, two of these being the Middelburg Forum and the Stutterheim Foundation.

Based on the experience and outcomes of these regional forums and on the collective bargaining structures that had been developed in union negotiations, Barloworld and other companies were key participants in the development of the Peace Accord and other structures that contributed to a peaceful transition in 1994. This Peace Accord process was chaired jointly by business and church interests, and Barloworld participated as chairman on behalf of business, as host to many of the proceedings and as negotiator and a facilitator of many disputes between the parties. Through these forums Barloworld was also a lead player in contributing to the role of South African big business in supporting the 1994 democratic elections.

Throughout this period, the company's Corporate Social Investment (CSI) programme grew and adapted to the changing social challenges of South African society. It was started with a goal of contributing towards better educational opportunities for the majority of South Africans, and expanded to include projects in entrepreneurship and the delivery of urban housing. Today its focus is much wider, and includes the support of healthcare, environmental and leadership development, arts and youth initiatives.

With the opening up of South Africa to international markets Barloworld expanded offshore. With this geographic expansion it broadened its focus on societal change to include the support of institutions that seek to promote and develop a more sustainable role for business in addressing the societal and environmental challenges facing the world.

## **2. Company profile**

Barloworld was founded in 1902 as 'Thos. Barlow Sons' in Durban, South Africa. Initially the company sold woollen goods but within five years evolved to selling engineering components, and in 1927 became the official sales and service dealer of Caterpillar South Africa. In 1941 the company was listed on the Johannesburg Stock Exchange. In the 1950s and 1960s Barlow's expanded rapidly into many fields including motor vehicle retailing, steel and building materials, handling equipment, consumer electronics and steel manufacturing and selling. In 1969, the company listed its shares on the London Stock Exchange. After the acquisition of Rand Mines Limited in 1971, the company was renamed Barlow Rand and added mining, industrial and property interests to its business. It later diversified into areas such as information technology, electrical engineering, heavy engineering, food, pharmaceuticals, packaging and textiles. In 1993-1994 the company unbundled and was renamed Barloworld Limited.

Brands include PPC SureBuild (cement), Plascon, Taubmans, Bristol and White Knight (coatings), Melles Griot (photonics), Sterilin (disposable plastics) and Carbolite (laboratory products). Principals include Caterpillar, NACCO (Hyster lift trucks), and many of the world's leading motor vehicle brands. The company has operations in 31 countries, and trades in over 100.

This study considers Barloworld's approach to, and involvement in, supporting societal change in South Africa since the late 1970s: from being one of the first South African companies to recognise trade unions in the 1970s to one of the first to extensively measure value to stakeholders and to report on this in the 2000s.

### **3. Late 1970s: Opposition can surface in different ways**

“By 10:30 on 16 June 1976, thousands of students had gathered in Orlando West to begin a protest march against the imposition of the Afrikaans language as the medium of instruction in Soweto's schools. More were on their way. The local police were totally unprepared for a march of this size. Eventually they opened fire, killing Hastings Ndlovu and Hector Pieterse. The shootings sparked off days of riots and hundreds of deaths.

“The Soweto revolt had begun.”

This is how historian Phil Bonner described the Soweto Riots, seen by many commentators as a turning point in what had previously been a largely passive and peaceful black African resistance movement against white domination and oppression in South Africa.

News of the riots appeared on TVs all over the world, and an iconic newspaper image of a 13-year-old student running with the dead Hector Pieterse in his arms spread equally fast, putting the societal breakdown in South Africa squarely on page one of the world media. As news spread, South Africa's already fragile economy reeled from this blow.

Gold shares dropped by an average 75 cents on the London Stock Exchange big companies listed on the Johannesburg Stock Exchange suffered similar fates. Big business realized that if that if Soweto was to follow the pattern of the Sharpeville unrest in 1960, overseas borrowing that the country was so dependent on would become more difficult to secure and the economy would suffer a downturn. South Africa faced a deepening international isolation, and further calls for sanctions.

This event also highlighted the fragility of South Africa's social fabric. Racist laws and the oppressive regime that maintained these laws in the spirit of preserving white power in South Africa at all costs rode heavily over basic human rights. Any opposition was illegal, and was dealt the firmly clenched fist of the law.

“But if political opposition is illegal, it resurfaces in different ways,” says Andre Lamprecht, executive director of Barloworld and CEO of Barloworld Coatings. “In South Africa, it reappeared as the union movement.”

The 1970s saw a wave of black strikes and stayaways as workers resisted oppressive labour laws and low wages at a time of spiraling inflation. The Labour Relations Act of 1924 specifically excluded black workers from its definition of ‘employee’. Black workers could therefore not legally negotiate or strike as only white unions were formally recognised. In 1979, through the recommendations of the Wiehahn Commission - a government commission of enquiry into labour relations - labour laws were extended to include black workers and black trade unions were allowed to form and register to be recognised.

“But by this time, the system had such a bad name, and there was enormous distrust,” says Lamprecht. “State instruments were used for oppression, not for participation, and very few black unions responded. Initially in 1979, those unions that did respond were seen to be co-opted by white capital, and were branded ‘Uncle Tom’ unions.”

By the late 1970s South Africa was in a state of crisis socially, politically and economically. It was a challenging environment for business which required order, stability and a level of certainty in order to function. The company responded in a number of ways. The first was to address the labour issue through institutions and systems that it created itself in consultation with workers.

In 1978 the Barlow Rand Group Code of Employment Practice was drafted by the firm. This was a human rights based code that gave all workers of all races equal rights to representation, and access to opportunity, something that was highly unusual in South Africa at the time.

A selection of extracts from the Code hints at the complexity of making undertakings such as these within an environment of rigorously imposed repressive laws and a social outlook among much of the white population that supported these laws:

**Selection and promotion:** “Within the limits prescribed by law and by legally enforceable agreements, people will be appointed or promoted solely on the basis of their ability to meet the requirements of the post to be filled, unless group planning considerations dictate otherwise. Group policy will be to promote from within the group, and not necessarily from within the company where the vacancy has arisen.”

**Remuneration:** “Employees will be remunerated on a non-discriminatory basis and performance, the demands of the job and experience will be the main criteria for determining salaries and wages.”

**Negotiating rights:** “It is certain that there will be changes in negotiating rights. Pending these changes companies of the group will be prepared to consult and negotiate with unregistered unions provided such unions are so constituted that they would satisfy the Industrial Conciliation Act’s requirements for union registration, can demonstrate that the majority of the employees concerned wish to be represented by them, and accept that companies must continue to abide by the laws and agreements to which they are subject.”

**Integration of facilities:** “Work areas will be fully integrated. The group’s policy is to move positively towards the integration of other facilities but it recognises that legal constraints and social attitudes will influence the rate of change.”

**Conclusion:** “Changes in laws and regulations governing employment of all race groups in South Africa and in society’s attitudes towards employment practices are occurring at a rapid pace and are likely to accelerate in the future. The group will examine on an on-going basis the laws and attitudes that effect employment practice, and will review the Code constantly so that it represents the most enlightened practice attainable in the circumstances prevailing at any time.”

The Code of Employment Practice also addressed the needs of training. This was in line with the recommendation of the Wiehahn Commission that apprenticeships should be open to all races, a point that was vigorously opposed by white labour. In his chairman's statement of 1979, in the oblique language that was used at the time to oppose the status quo, chairman of Barloworld Mike Rosholt said: "Our own...plans reflect the South African situation in microcosm: the...key to the achievement of our plans lies in our ability to recruit, train and retain substantial numbers of artisans, technicians and engineers. We see no prospect of doing so unless we draw on all the manpower resources available to us."

At the same time Rosholt was approached by Reverend Sullivan in the U.S., and asked to sign the 'Sullivan Code' that aimed to address racial discrimination in the workplace. Says Rosholt: "It was inappropriate to sign this, as it was an American code dealing with American issues but it was a coincidence of thinking. The philosophical thinking at Barlow Rand was aligned with the concepts in the Sullivan Code and these were reflected in our own Code of Employment Practice that we had developed."

While not all black unions became registered, they were becoming organised. "It was a big step to become a union," says Rosholt, "they became organised and developed their own structures. We took a policy of talking to them, and it was only much later that this became a legal requirement. We saw unions as inevitable and were the first of the big companies in South Africa to negotiate with them. Developing recognition agreements with the unions was the first step in this change."

"This was the beginning of the development of the collective bargaining system in South Africa," says Lamprecht. "At this time, about 50% of the South African recognition agreements were signed by us. Many other companies resisted, but it was soon instituted as precedent within Barloworld."

"This system recognised that decision-making was shared in the business, and while it was based primarily on traditional labour issues such as wages and conditions of employment, it allowed in theory for discussions on a much broader level, such as the end-price of products and the appropriateness of certain markets. The labour negotiation mechanisms that were developed are ultimately reflective of what a

democracy is about in using negotiation and accommodation as opposed to force and were the groundwork towards the future character of the South African democracy.”

Halton Cheadle, now Professor of Labour Law at the University of Cape Town, was the legal advisor to the unions at the time: “Recognition of unions was very significant. For the first time it allowed black workers to represent themselves and to partake in collective bargaining. It provided rights and formal procedures for African workers for the first time.

“Barlow’s was one of the first big companies to recognise trade unions. I think there was opposition on a local company level, but the vision of head office was certainly to go this route. Recognition agreements started first between a single workplace and a single union, and it was only in the mid 1980s that bargaining councils at industry level were formed. The development of these early industry agreements provided the greenhouse for democratic practice in an undemocratic state.”

When asked why Barlow’s took these decisions, Cheadle speculates: “There was certainly a social democrat philosophy coming out of the head office. I think there was a realisation that apartheid was not good for business, and they started to do something about it.”

Concurrently, Barloworld was part of a group that created the Independent Mediation Services of South Africa (IMSA) in 1982, which was modeled on UK and US based institutions. “Through IMSA, we had to train a professional cadre of people – including about 300 lawyers - in mediation and arbitration. Unregistered unions were also able to participate in this process which was an alternative democratic process to the ‘official’ system,” says Lamprecht who was a founding member and Trustee of IMSA and later chairman of the employee resource group. IMSA was later to set up an election division which provided significant resources for the monitoring of South Africa’s 1994 elections.

### **Business reaction to the Soweto riots: The Urban Foundation**

“The government’s reaction to the Soweto riots was to tighten security and to set its face against any form of negotiation or compromise,” says Rosholt. “But business leaders reacted differently, calling for attendance at the Carlton Conference of 1976 which was called by President PW Botha to encourage the business community to invest in the economic development of the rural homelands. The business community aimed to draft a consolidated business response to the growing political and social crisis facing the country.

“The conference agreed that at that stage it was not possible to deal with political rights, as the government (and the majority of the white population), would not even contemplate it.”

A more positive outcome to the Soweto Riots was the development of the Urban Foundation (UF) launched by the business community under the leadership of Judge Jan Steyn who says: “The Foundation set it’s objectives well beyond the dispensing of charity in black communities or simply the securing of a more favourable business environment for it’s sponsors, it articulated a concern for structural change in the South African society.

“Through its development activities and its lobbying initiatives it made it possible for thousands of South Africans to gain access to homes, better education and business opportunities. It succeeded in reaching goals which, in 1977, would have seemed unattainable. Who would have, at that date, thought that Government could be persuaded to remove influx control and introduce forms of land tenure for blacks? It also targeted the scrapping of discriminatory laws such as the Group Areas and Land Act. It brought business leadership across the spectrum together in pursuit of these goals.”

Says Rosholt: “Unless business made an effective and visible effort to improve urban living conditions and the capacities and opportunities of the disadvantaged, there could never be the politically stable conditions in which business could thrive.” A number of South Africa’s largest businesses contributed to the Foundation which called for the scrapping of discriminatory laws and the legal recognition of the rights and permanence

of all urban communities at a time when black citizens were urban sojourners, forced to live long distances from their places of work.

“We had to bring about change slowly,” said Steyn. “Our first target was to get property rights for black citizens, but as with all our programmes, policy and structural change wasn’t enough. At one point we had 400 people employed in buying and developing land, and in building houses.”

When interviewed at the 10<sup>th</sup> anniversary of the foundation, Steyn spoke of its values, “such as freedom of speech, the rule of law; including untrammelled access to the courts, freedom of choice, a free economic system to which everybody has equal access, the recognition of the dignity and self-worth of all South Africans. Those are the values that have been important and our work has genuinely striven to try and make those values a reality in South Africa.”

Barloworld chairman Mike Rosholt was a director of the Transvaal regional board from 1976 to 1980, of the main board from 1980 to 1994 and was chairman from 1990 until the Foundation’s closing in 1994.

### **The CS Barlow Foundation**

It was also during the 1970s that the CS Barlow Foundation was set up to help address the growing social concerns of the company. Reading the chairman’s statements of Barlow Rand through the 1970s and 1980s shows the extent to which the concerns of a chairman have evolved in South Africa over time. Today, the statements of Warren Clewlow, current chairman of Barloworld, are focused squarely on the operations of the business. At that time, the concerns were on the political and social environment of the day – the issues that hindered business and the growth of the South African economy. The concerns highlighted in these reports were consistent over many years, and the company aimed to support urban housing, education and skills development, entrepreneurial development and job creation through projects sponsored by its Foundation.

#### **4. The 1980s: Creating order out of chaos**

If the 1970s were about building the foundations for collective bargaining and social institutions, the 1980s were about formalising the new institutions that would contribute towards reshaping South African society. Barloworld participated in the design and operation of many of these.

A series of forums were designed, one being the transformation of the National Manpower Commission. At the time, this was a non-representative body with members appointed by the Minister of Manpower to offer him advice. The business community led the process of changing this to include representatives of business and labour, each of whom represented a constituency. "Prior to this we had been creating civil society alternatives for participation, but this was the first step in changing the structure of the status quo by changing a component of the status quo itself into a representative body," says Barloworld executive director Andre Lamprecht.

Says Dr Frans Barker who was head of the Commission: "This body only spoke to business through third party advisors appointed by Government. Business had to work towards convincing Government to be fully represented, and had to convince COSATU and NACTU to participate in the process. Once this was achieved, for the first time the parties could sit down together to try and find consensus on labour policy issues."

The 1980s also saw the business community co-operating with the other social parties to set up housing, education and economic forums. These were all tri-partite forums that involved business, labour and government.

### **The Consultative Business Movement**

By 1986, following the international shock waves sent out by the infamous 'Rubicon' speech of President PW Botha in which he failed to make reformist moves that were expected by the international community, South Africa experienced an unprecedented increase in international sanctions and a state of emergency at home. Violence erupted in protest against the stance of the apartheid government.

In the face of this crisis, South African business explored ways to build relationships with emerging political leaders and to play a role in facilitating negotiations between the ANC and the apartheid regime at a time when negotiations towards a political settlement were fraught with conflict. This was achieved through the formation of the Consultative Business Movement (CBM) in 1988 which brought together about 40 business leaders and civic, political and union bodies. Two years later it culminated in meetings between the NP, ANC, IFP and other parties. Many of the business leaders that were represented on the CBM had come out of the Urban Foundation. The CBM also had a development arm and gave rise to forums which had specific development objectives such as the National Housing Forum and the National Land Workshop.

### **The Middelburg Forum**

While Barloworld supported national social change through the development of collective bargaining structures, the support of tri-partite forums and its CSI activities, local initiatives brought this spirit of transformation to life.

In 1980 Middelburg Steel & Alloys (MS&A), a subsidiary of Barlow Rand, launched an internal programme called 'MS&A 2000: Shaping the Future Now.' This was based on a head office initiative, 'Project Better Future', and on the Barlow Rand Group Code of Employment Practice. This transformed the nature of the company, and later, the conservative town of Middelburg. It encouraged management and staff to look 20 years into the future, and was based on a set of beliefs that were unusual in that time and place:

*We respect the individual and provide a safe working environment.*

*We act with integrity in all our undertakings.*

*We produce quality products and provide a quality customer service.*

*We foster and encourage ability and ambition in all our people.*

*We provide equal opportunity and employment security.*

In a Conservative Party controlled town at the height of apartheid South Africa, these MS&A codes were heavily enforced and policed by management. Racism in the workplace was outlawed, and those that didn't toe the line were disciplined or fired. Enforcing and living this code led to great transformation in the company that included new houses built for black staff, the same toilets and facilities for all races (against the law at the time), and improved skills and adult literacy training and greater opportunity for black staff.

"But our staff, black and white, were living a schizophrenic existence," says John Gomersall, then managing director of the alloys division of MS&A, now an Executive Director of Barloworld and CEO of cement subsidiary PPC. "They were living in an enlightened environment at work, but many of them returned to the old South African paradigm when they went home. We could manage what was happening on the shop-floor, but achieving the goals of MS&A 2000 required transformation of the political arena. We were the biggest employer in town, and aimed to spread our philosophy in Middelburg." Years after the introduction of the values to the company, Gomersall took his gospel on a roadshow through the town.

"If harmony, success and incredible growth are possible within an equal opportunity company such as Middelburg Steel & Alloys, why can't it be extended to the town, region and country as a whole? We need bold action for the future, not a 'laager mentality,' he said at a town hall address on the effects of sanctions. "While I was booed off the stage by some, I was applauded by others," he said.

At the time, the management of black African affairs had been transferred by government to local civic associations. According to Gomersall, the people who were voted in to administer Mhluzi (the township near Middelburg) were seen as puppets of the apartheid Government, and were eventually chased out of office. South African townships became violent and unmanageable, government service vehicles and buildings were burned, and many people were killed in the violence. As part of the protest, the town's black workers used the only democratic tool available to them, they stayed away from work. In many cases buses that came to take people to work were burned, and those seeking to break the stayaway were beaten and on many occasions killed. This culminated in a two-day national stayaway on 16 June 1987.

Says Gomersall: "Throughout this mayhem, the MS&A people came to work and regularly assisted management in identifying different collection and drop-off points for their company bus transport. The company and its employees were largely unaffected up to this point as the comrades realised how much the company had done to change the lives of its people and allowed them relatively free passage. But sadly, eventually the comrades attention turned to MS&A workers too. They demanded jobs for themselves at MS&A or they would stop our workers from coming to work as well."

Against this background of violence and racial tension, MS&A managers went into the township to negotiate with 'the comrades', the ANC affiliated youth movement who were at the forefront of violent protest. Through these discussions, many workers broke the strike despite threats against them and their families, and the union was weakened as workers cancelled their subscriptions. "It was a terrible thing," said worker Mbheki Mahlangu. "We were there to earn money to feed our families. But we were afraid of going against the union because if we did we might have been in serious trouble."

The company started more formal discussions with the comrades which were structured according to rules of engagement, as this was the first time talks of this kind had taken place. Under the MS&A belief that "winning people make winning companies that make winning towns," others, such as ANC representatives, schools, churches, the Round Table and other political organisations were invited to attend these discussions. The premise of the forum was to make Middelburg a 'winning town', despite the fact that the country was burning. This was the birth of the Middelburg Peace Forum.

“The challenge was to take a downward spiral of negative energy, and transform it into a positive energy,” says Gomersall. “The challenge to people was to make joint goals, and to work together to achieve those goals.” The forum was structured into working sub-committees looking at specific needs such as education, housing, health and hygiene and job creation.

“Many people in Middelburg joined hands across the divide. Where there were no crèches and libraries in Mhluzi, business people donated the materials and skills while the community donated the labour. While the township was drowning in filth, people and trucks from the white community of Middelburg arrived one weekend to clean up garbage and to repair broken sanitation. Small black owned businesses linked to MS&A were started and nurtured, and it was not long after this that the burnings and the necklacing came to an end.”

Mark Drewell, who was communications manager of MS&A at the time, recounts an incident at one of the Forum meetings: “It was during a full meeting of councillors, church leaders, business leaders and comrades from the township that we heard a knock on the door, and in walked Anglican Archbishop Desmond Tutu. We were obviously surprised, but he asked us to carry on while he sat at the back and listened. Later, he asked if he could say a few words. He started with a prayer and then said that if what was happening in Middelburg could be repeated throughout the country, than South Africa would have a great future ahead of it.”

## **6. 1990s: The Road to Democracy**

### **The Peace Accord**

President FW de Klerk followed through with his reformist promises in February 1990 by unbanning the previously exiled organisations - the African National Congress (ANC), the Pan-African Congress (PAC) and the South African Communist Party (SACP) - and by releasing Nelson Mandela from jail. Negotiations then began in earnest between the government of the day, and the ANC and other parties.

Within weeks of the euphoria that followed these announcements, violence spilled into township streets - primarily in the provinces then called Natal and the Transvaal - as followers of the unbanned parties clashed with followers of the mostly Zulu supported Inkatha Freedom Party (IFP) as they vied for power. Rumours were rife of a 'third force' funded by the National Party stoking what was already a blazing fire, and real peace seemed as elusive as ever. At the same time, there were breakdowns of 'talks about talks' between the ANC and the government, and South Africa seemed to be in a state of limbo. What did the future hold?

"At this point there was an economic decline, and business was paying the price for apartheid. Business leaders were very influential in influencing the policy positions of both the NP and the ANC at this time. When Mandela was released from jail he started talking of nationalism, and it was very soon that business leaders started talking to him," says Roelf Meyer former Cabinet Minister and chief negotiator for the NP.

It was at this time that John Hall, then executive director of Barlow Rand and chairman of MS&A and PPC was asked to take over as head of the South African Chamber of Business (SACOB). He was on the advisory committee of President FW de Klerk, and discussed with John Gomersall the potential of taking the learnings of the Middelburg Peace Forum nationally.

"South African society had to make a decision," said Hall. "Within the power vacuum that was developing, there seemed to be two choices – a burned earth route, or a negotiated settlement." This argument was made popular at the time by the Anglo American scenario planner Clem Sunter who spoke widely in the 1980s of South Africa

choosing a high road of negotiation leading to political settlement, or a low road of confrontation leading to civil war and a wasteland.

In early 1991 President FW de Klerk called a National Peace Conference. This was boycotted by most of the political parties and by the South African Council of Churches (SACC), making it ineffectual as a forum for discussions about peace. The basis of the boycott was that the conference was to be convened and hosted by the government. The boycotting parties suggested a compromise. They proposed a second conference to be held with independent convenors, and put forward the churches and big business as a recommendation. This was a remarkable suggestion given the nationalistic anti-business sentiment of certain elements of the ANC and its affiliate, the South African Communist Party (SACP). "This was made possible by the many deliberations behind the scenes by players from the different sides who trusted one another," says Lamprecht.

"A grouping of business and church representatives travelled to Cape Town on the Barlow Rand plane to meet with de Klerk," says Hall. Following several meetings with the President, the second conference was convened at the company's headquarters in Sandton, Barlow Park, and as was so often the case in this entire process, the company provided the venues, transport, logistics and support for the delegates. 69 delegates representing unions, political parties, traditional leaders and anyone else who had a constituency attended." The meeting was chaired by John Hall, as a representative of business, and Anglican Archbishop Desmond Tutu, representing the SACC. This was convened in an atmosphere of great uncertainty about the future, and with people who had never before sat around the same table before. "We had to learn how to talk to one another," says Hall. "It was like walking on political eggshells."

During this conference, the headings of what was later to become the Peace Accord were agreed, and delegates were broken into smaller sub-committees. John Hall was the chairman of the steering committee that was to draft the Peace Accord. The offices and all the facilities for this initiative were provided by Barloworld, and the SACC provided the secretariat.

“What was fascinating for me was the atmosphere at Barlow Park after-hours during this drafting process,” says Hall. “You would find people from different parties and organisations walking around the gardens at 1am with drinks in-hand getting to know each other. The players established important relationships of mutual respect.”

This sentiment of talks behind the formal talks that played so great a role in reaching a negotiated settlement is echoed by another Barloworld executive who remembers: “At that time I would often have to meet with John Hall only to have our meetings interrupted by his secretary who would come in to tell him that Mr Mandela, de Klerk or Buthelezi needed to meet with him now on an urgent matter. We would then have to reschedule to complete our discussion.”

Says Andre Lamprecht: “It was John Hall and Bobby Godsell of Anglo American - representing the business community - that brought Mangosotho Buthelezi of the IFP back to the negotiating table through the Peace Accord structures. But what preceded this was a political chess game that got Buthelezi onto the same side as business. When John Hall asked him to come back to the table, it was then very difficult for him to say no.”

After four months, the National Peace Accord - South Africa’s first multi-party agreement - was signed in September 1991 binding all the signatories to the negotiated conditions.

Part of the structures of the Peace Accord were the Peace Committee that was chaired jointly by John Hall and Bishop Stanley Mogoba of the Methodist Church, and the Peace Secretariat that monitored peace and employed peace monitors nationally. “This was a great unifying factor in South Africa,” said Hall. “The monitors, wearing the blue and white logo of the Peace Accord had great respect in communities.”

Lamprecht was chairman of the Witsvaal region of the Peace Commission that encompassed the greater Johannesburg area. “This structure allowed the local heads of the army and the Communist Party, who in the old regime were sworn enemies, to sit around the table together for the first time ever. After a while they realised that they

actually liked each other! These structures that built relationships and dialogue based on the principle of good faith negotiations were replicated all over the country.”  
As with many of the social and political initiatives at the time, this process was time and money intensive. Says Hall: “At Barlows we were always encouraged to get involved, as we were dealing with issues that were of critical importance to the future of the country. This process took up a lot of my time, and then I still had my proper job to do. Throughout the process the company provided transport, logistics, facilities and any other support that was needed. It must have cost millions.”

“The effective web of checks and balances created by the Peace Accord were miraculous in the context of a conflicted society striving to find peace against a background of an apartheid ideology which caused so much misery and guilt. The Peace Accord and its structures proved capable of functioning when talks broke down and violent incidents threatened the process. Members of the Peace Accord were afforded respect and access to the leaders, and in times of great tension had the non-partisan ability to act as facilitators or shuttle diplomats between conflicted parties.”

Says Meyer: “The business community played a very important role in the Peace Accord process along with the SACC. If it was not for this role, the violence in South Africa could not have been controlled. I think this contribution is often neglected when the story is told.”

While the business community was contributing towards developing peace structures nationally, similar projects were happening in some of South Africa’s small towns.

### **The Stutterheim Forum**

*“The founders of the Stutterheim Foundation were pioneers in showing this country that different communities can work together...theirs was the only town in the country to achieve what it did on such a scale at the time.”*

Pumla Kubukeli, Development Bank of Southern Africa, February 1995

In 1989, Stutterheim, an Eastern Cape town of 30 000 people, was a microcosm of South Africa. Racially divided, with horrendous township conditions and notching up one of the highest rates of political murders in the country as the political situation grew more and more tense. Driven by a strong civic movement, black residents boycotted white businesses in protest against political murders and arrests by the security forces. Black residents had to shop in King Williams Town, over 50km away, and white businesses closed down. It seemed that there were to be no winners in this conflict. The crisis drove the leaders of both communities to form the Stutterheim Forum to address the issues that were common to so many small towns in South Africa. This was the beginning of the resolution, and meaningful development in the town.

Nico Ferreira had previously been employed by Barloworld through the Small Business Advisory Services and was on the board of the National Industrial Chamber. He was also the mayor of Stutterheim and one of the founders of the forum. In the interests of starting a dialogue towards resolution in the town, the company continued to pay his salary and later funded some of the programmes of the forum.

“Our job was to unite 3 500 white, 27 000 black and 1 000 coloured residents as one community,” says Ferreira. “It took two years of meetings and negotiations with these communities before a breakthrough was achieved. This was when the real leaders of the black community came forward for the first time and presented their demands. Some of these demands we could accommodate, and when these leaders saw this, the whole community came together for the first time to form the Stutterheim Development Forum.

“Outside facilitators were brought into meetings where issues were raised, and working groups then took each of these issues further, such as education, entrepreneurship and

infrastructure. We started to get finance for some of these projects from places like the Independent Development Trust. The problem was, that this money was channelled through the municipality, and processes in municipalities are awkward and bureaucratic.”

The forum then elected to register the Stutterheim Development Foundation, a Section 21 entity that could raise funds and manage projects independently of the municipality. Through the efforts of the foundation schools and houses were built, and infrastructure was developed. It also had a strong entrepreneurship development programme.

According to commentator Ann Bernstein: “The local development initiative, under the leadership of talented local leaders...achieved impressive results. They created several hundred short-term jobs, and trained community contractors. More than 9 000 serviced residential sites, two schools and day-care centres were developed using labour-intensive methods. A business advice centre offered training and support to prospective entrepreneurs.”

At a time when South Africa was racked by violence and inter-racial distrust on the road to democratic elections, Bernstein drew several conclusions from the Stutterheim case study:

- Reconciliation is key in these ‘mini-citadels of apartheid’.
- Racial reconciliation is difficult in a declining economy. Small towns need to be innovative in boosting their economies.
- Use and develop every opportunity for development.
- Use linkages with other small towns to share resources and ideas.

“Through various forums, the Foundation has been sharing its learnings with 142 rural towns in South Africa and Namibia,” says Ferreira. “We have also shared learnings at a number of international conferences sponsored by Barloworld.”

### **South Africa's first democratic elections: Final step to freedom**

Sunday Times, 24 April 1994

“South Africa embarks this week on a second round of revolutionary change after completing a near-miraculous transition from apartheid to democracy. The midweek election is recognised around the world as a momentous and triumphal event, the completion of an impossible journey against the odds. For South Africa, the election marks the end of 342 years of white hegemony; for Africa, it completes the liberation of a continent; for the world, it is the final repudiation of institutionalised European racism.”

It was the social structures and institutions that had been built over the previous 20 years that contributed towards the development of the structures that housed South Africa's first democratic elections.

Management of IMSA were appointed as commissioners for the elections, and five Barloworld executives were appointed to head up provincial monitoring structures. Many monitors from the Peace structures were moved to the monitoring institution that played a critical part in the outcome of the national elections.

In the build up to the elections, many negotiation and arbitration processes were hosted at Barlow Park. One of these was the arbitration proceedings during a nationwide hospital strike that threatened the stability of the elections. “The negotiations took place night after night, and in the end the dispute was settled through a massive arbitration process that involved thousands of people,” says Lamprecht. Similar discussions were hosted when the stability of the election was again threatened by the assassination of the popular Secretary General of the SACP, Chris Hani, in 1993. “If we never had the social structures that were developed through IMSA and the forums of tri-partite negotiations, it would not have been possible to settle these major disputes,” he said.

Says Jayendra Naidoo who was the co-ordinator of the ANC/SACP/COSATU negotiating team: “At this time the parties were virtually living at Barlow Park, using their facilities, their hospitality and John Hall to chair the proceedings. Liberal use was also made of the drinks cabinet in John Hall's office as it was often late at night that these discussions took place!

“It was also during pre-election discussions at Barlow Park that the mother of all tri-partite forums, the National Economic Forum (NEF), was formed. This was the apex body that gave rise to other forums that explored anything from housing to electricity to drought relief. A clause was drafted by the parties for the inclusion in the interim Constitution that brought these various forums together to create the National Economic Development and Labour Council (Nedlac), the South African institution through which Government, labour, business and organised community groupings come together to discuss and try and reach consensus on issues of social and economic policy. This was the first new statutory council that was established by the ANC government in 1994,” says Naidoo who was appointed as the first Executive Director of Nedlac.

Says Lamprecht: “By this point South Africa had developed a tradition of tri-partite negotiations, and a structure was needed so that the social partners could bring their wisdom and insights into a new policy-making process.”

#### **Help! No ink for polling day...**

Business Day, Thursday 28 April 1994

“Acknowledging that there had been severe problems, IEC chairman Judge Johan Kriegler said the election so far had been between ‘80% and 90% acceptable’. He also announced that today would be another public holiday to facilitate voting and that a further 9.3-million ballot papers would be printed locally.”

This was to be no simple exercise. An extra day of voting had not been planned for, and Barloworld was called on to help. There was no ink available to send to polling stations for this extra voting day. It was later established that there was in fact ink available, but it was in the police forensic laboratory, and the IEC didn’t have the means to decant and distribute this to the polling stations that were to be open the next day. Andre Lamprecht tells the story: “The manager, financial director and human resources director of Polycell, a Barlow’s subsidiary were tracked down on election day, which was a public holiday, and asked to help. They opened the bottling line of the factory. The police and the army, who were to bring the drums to the factory, got lost, and only arrived at about 2am. By 3am, the decanting had finished, and by 7am the last plane left Waterkloof airforce base to distribute the ink to the polling stations that needed it. The extra day of voting went off smoothly with the official ink arriving at the polling stations on time. This

was just one example of many that shows how, during this time, whenever there was a crisis and a Barloworld person was called on to help, everyone did their utmost to support the process.”

“Individuals in the corporate sector contributed a huge amount to a peaceful transition at this time,” says Naidoo. “They took risks, and put themselves on the line, but without the backing of their employers, they would not have been able to do this. Barlows and some of the other big companies contributed a lot of resources, and always reacted quickly to short-term requests.

“The mid 80s to mid 90s was somewhat of a ‘heroic period’ for the big business sector. After 1995 a new generation of leaders came into these companies, and their focus shifted from the political to unbundling the structures that had been forced on them by isolation, and to listing outside of South Africa,” says Naidoo.

## **6. Corporate Social Investment and South African challenges into the 2000s**

The political and social contexts in which the company operates have changed dramatically since the 1980s and 1990s, but the essence of the approach to social issues has remained the same.

The Barloworld CEO’s statement of the 2005 annual report begins with an explanation of Value Based Management (VBM), the business philosophy of the Group, adopted in 1999. The model requires that value is created for all stakeholders, and is represented by a pyramid that shows shareholders at the apex and customers, employees and principles/suppliers at each of the points of the base. The pyramid sits on a foundation of the social and physical environment in which the company operates. “VBM crystallises the values that have always been there since Punch Barlow’s days,” says Jennifer Smith, Head: CSI.

In describing the model, Andre Lamprecht says: “The role of business is to generate value in society. If it doesn’t do so, it can’t be sustained, and it goes under. While VBM was not a formal concept in the company in the 80s, it was still at the foundation of how we operated. It was at the employee end of the pyramid that we felt enormous pressure, as society’s issues were brought to bear through labour relations issues. While business

schools focused on internal value drivers only, we realised that external value drivers – for the broader society – had to be equally considered.” Today, these external drivers are realised through reducing the environmental impact of the firm, corporate social investment (CSI), and black economic empowerment (BEE).

While the group has grown internationally, the CSI programme is focused on southern Africa. Consistent with the approach of the CS Barlow Foundation in the 1970s, there is still an emphasis on education, job creation and community infrastructure. However its focus has expanded over the years to include leadership development, supporting HIV/AIDS initiatives, strengthening policing and the criminal justice system, support of the arts and public policy monitoring and advocacy.

“Within all of these areas, our approach is to help build institutions so that they can more effectively deliver on their social goals,” says Smith. This sentiment echoes the company’s approach towards building the social institutions of the 1980s and 1990s.

### **History of CSI**

Says Smith: “When chairman Punch Barlow started the CS Barlow Foundation in the 1970s it was a donations programme that was largely run by him. On his death in the mid 1980s, it became the Barlow Rand Education Trust (BRET), and in 1989 was re-formed as the Barlow Rand Foundation when the CSI department was formalised as a unit with the company for the first time.”

Charles Lipp, who was seconded from the Urban Foundation as social investment manager at Barlow Rand in 1980 explains that the CS Barlow Foundation was set up mainly to fund the building of two technical high schools – the Buchule Technical High School at Mdantsane near East London and the CS Barlow Trade School of Lebowa. The company anticipated that technical skills would be in great demand in these areas as they were earmarked for large scale government infrastructural development projects. At the same time, the group contributed to extending the Jabulani Technical High School in Soweto, and erecting two laboratories at the St Anthony’s Education and Training Centre in Boksburg. According to the annual report of 1979: “the four projects in aggregate will have absorbed some R2-million.”

With the CS Barlow Foundation restructured into BRET, the scope and budget increased substantially. “The budget that I inherited in 1983 was R200 000 a year, but was sitting at R14 million by 1992,” says Lipp. Funding of the operational costs of the technical high schools continued, and support of educational initiatives were expanded. “Our philosophy was to support projects that explored more effective ways of schooling to produce more literate and readily employable high school graduates. We looked for models that seemed to have a good fit with the company and then tested their viability.”

LEAF, a school initiative that set up non-racial schooling for students with the greatest potential was sponsored. John Hall was a strong supporter of this personally, and the support of the company followed. PACE college, another non-racial school model that started in Soweto and then expanded was also supported.

Years later, the company took its educational initiatives to a broader audience and supported the launch of the Learning Channel – a TV based education programme that aimed to compensate to some degree for the poor levels of science and maths education offered by government schools.

Throughout this time, the company always supported tertiary institutions, specifically the engineering faculties of most of South Africa’s universities.

While this study does not allow for an exploration of each and every CSI project, a closer look at the Small Business Advisory Services (SBAS) offers a glimpse of the approach towards working with social partners in the 1980s.

### **A focus on entrepreneurship and job creation**

#### **The National Industrial Chamber**

The SBAS was conceived by Norton Abrasives, a US based company with operations in South Africa, in 1973. Says Ian Hetherington, who was executive chairman of the Norton Group and MD of Norton Abrasives: “We had a large share of an abrasives market that could only grow significantly if the country’s manufacturing sector broadened to include entrepreneurs from all races, and we decided to share what we had learned about the manufacturing industry with small entrepreneurs. We hoped that this would get more people who were excluded directly involved in the economy, and that this

would help grow the size of the South African market.”

Through another Norton executive, Nico Ferreira, a relationship was established with the National African Federated Chamber of Commerce (NAFCOC), the black business chamber that had its origins in the 1950s. NAFCOC formed an Industrial Committee that later developed into the National Industrial Chamber (NIC). SBAS supported the NIC and by 1980 was employing five business advisors. “Norton was a relatively small company, and we couldn’t take it much further. I knew of Mike Rosholt at Barlows, and approached him for support. We were promoting the idea that wealth and job creation came from entrepreneurs, an idea that was unusual at the time. This was in line with the thinking of Barlows, and he agreed to share the funding of the SBAS with Norton. When Norton divested from South Africa in 1985, Barlows took over the total cost.”

In the meantime NIC was establishing branches in other parts of the country. Its function was to provide services to its members, including lobbying for the removal of the many laws that were hampering the development of business, particularly black businesses. “Once we had convinced the head of the security police that as white men driving around the homelands we were not religious or subversive, but merely business men seeking the long terms growth of their market, the Prime Minister JB Vorster agreed to amend the law to allow whites to partner in business with blacks in the homelands,” says Hetherington. “In 1979, we also convinced the Minister of Plural Relations, Piet Koornhof, to amend the legislation to allow blacks to manufacture in the townships as well as the homelands. We were later asked to advise the Ciskei, by then recognised by South Africa as an independent state, on economic matters. We were able to assist its government to simplify or repeal that South African laws that it had inherited, including tax laws, that were stifling economic growth. Within a more business friendly tax environment, the Ciskei government’s tax revenues were higher than ever, and its economy grew at 6% per annum. At the time South Africa’s growth rate was about 2%.”

In 1986, through the lobbying of the NIC, the Temporary Removal of Restrictions on Economic Activity Act was passed, allowing an easier legislative environment for small business hives that qualified. NIC also lobbied for the scrapping of business license requirements and through the efforts of Professor Louise Tager of the Law Review Project this was achieved. About 30 laws were amended or repealed.

“At any one time, we were advising about 100 small businesses,” says Hetherington. “Some we helped for a short time, others we worked with for a long time and they became real friends. Barlows continued to fund SBAS and also became a major funder of the NIC. Senior Barlows executives were actively involved in the operations and decision-making, and always supported us when we had difficulties.”

Cleo Mtshali, currently Business Development Executive at Plascon was seconded from Barloworld to the NIC from 1995 – 2004, and was the CEO of the organisation for the last few years of this secondment. “Our relationship with the NIC has changed,” he says. “It is not the continuous funding and participation relationship that it was for many years, but we still keep the link and I continue to be a member of the organisation.”

### **Big Business: Social co-operation continues**

The spirit of big business co-operating to form institutions to transform South African society that was fostered in the 1980s continued into the 1990s with the formation of the Joint Education Trust (JET) and the National Business Initiative (NBI) which evolved out of the momentum that had been created in the Urban Foundation and the Consultative Business Movement.

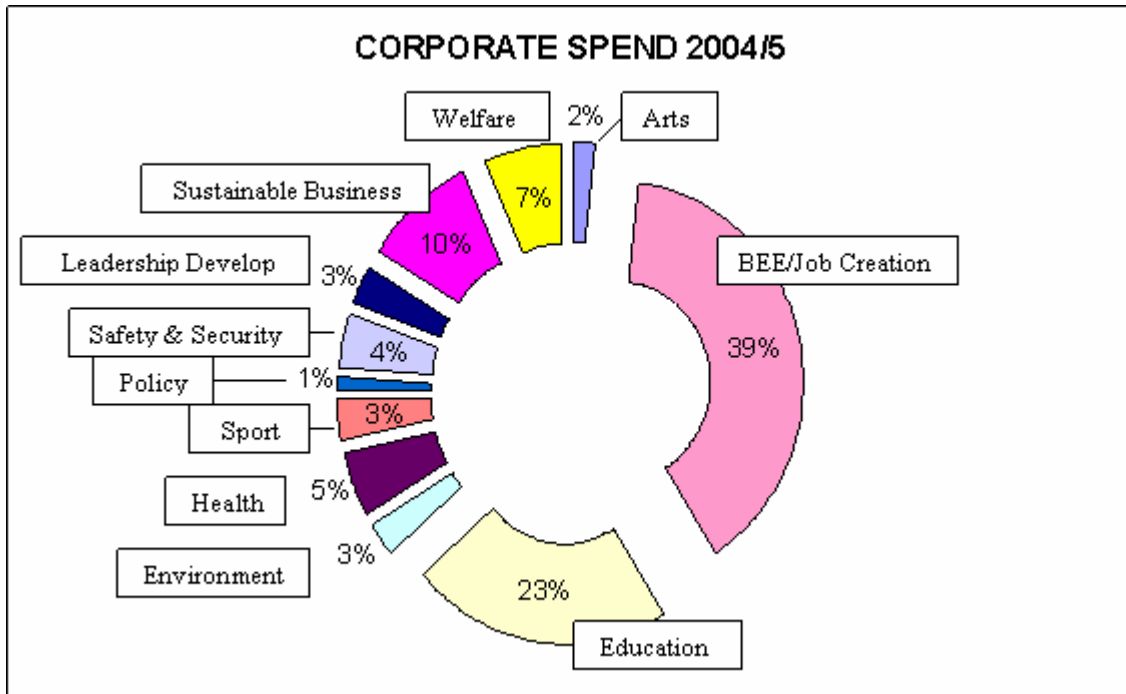
In 1992, Barlow Rand was part of a consortium of 14 leading companies that contributed R560 million over five years to form the Joint Education Trust (JET), a partnership between the business sector and community organisations that aimed to transform the educational system in South Africa. This institution invested in early childhood development organisations; adult basic education and training organisations; programmes to uplift the skills of maths, science and English teachers, and programmes to improve the employability of young people. These funds helped sustain the bulk of education NGOs through the 1990s.

The NBI, which focuses on job creation and skills development programmes, is a coalition of 140 leading South African companies, each of whom contribute towards its national programmes. “The NBI aims to be an effective and accountable organisation involved in solutions to the many socio-economic problems facing the country,” says Rosholt, the founding chairman who holds the position to this day.

The NBI has incubated two related organisations that now operate independently. Business Against Crime co-ordinates business efforts to address crime and violence in South African society. The Business Trust mobilises resources from companies to support programmes that accelerate national objectives that have been agreed with Government. Barloworld executives have been instrumental in setting up both of these organisations.

**Social Investment today.**

The company commits one percent of global profits after tax to CSI activities, and in 2005 spent R21.1-million (2004: R14.2-million) on its community projects. The pie chart shows the CSI spend per sector.



“The CSI programme addresses themes which have a positive impact on public policies, and works through agencies or NGOs that have a wide geographic reach,” says Smith. “To maintain our focus and be effective, we work with about 15 long-term development partners, and the relationships goes far deeper than just funding. We make sure that we are represented on boards or management committees. Besides the corporate

programme, our underlying companies also have their own social investment programmes.”

**While a full breakdown of the current programme is not possible within this study, some current initiatives include:**

**Africa Leadership Initiative:** aims to establish the next generation of community spirited leaders in South Africa.

**Barloworld Artworks:** a programme of volunteers providing business skills development to art organisations.

**Endangered Wildlife Trust:** strives to promote a world that values the environment and sustains the diversity of life.

**Johannesburg Philharmonic Orchestra:** working to provide a world class orchestra and to engender a love of classical music in young South Africans.

**loveLife:** aims to substantially reduce the HIV infection in young South Africans and to reverse the course of the pandemic through its countrywide services and outreach programme.

**Penreach:** the largest educational outreach programme in South Africa offering a whole school training programme for educators, principals and school governing bodies.

**Phutadichaba Health Clinic and Community Centre:** provides health care and community services to the people of Alexandra near Johannesburg.

**The President’s Award for Youth Empowerment:** encourages active citizenship among young people.

**Rhodes University Library:** Barloworld is the first corporate sponsor of the universities R89-million upgrade project.

**University of Witwatersrand:** Supporting the upgrade of the laboratories of the Engineering Faculty.

**WWF – Worldwide Fund for Nature:** focuses on the prevention of degradation of our natural environment, the conservation of biodiversity and the sustainable use of natural resources.

Says Lamprecht: “In all of our projects we have brought to bear the facilitation and negotiation skills we have used through the many tri-partite structures we have supported in the past. For example, we have just built the Mandela Barloworld Agricultural High School and clinic in Ga-Modjaji near Tzaneen in the Limpopo

Province. This was only built once we had completed two years of discussions, planning and negotiations with traditional leaders, through the Rain Queen Modjaji, and with the local government representatives.”

“The spirit of social investment has been passed down through the various chairmen,” says current chairman Warren Clewlow. “The intention has always been there, but the programme adapts over the years. It is important to be attuned to the social environment of the day. But the drivers now are quite different to when we started. In the early days of our social investment, politics was a major driver. This is no longer the case, opportunity has opened up for more people, and our approach is about developing people and helping them realise their talents.”

Things have also moved on significantly from the days of the CS Barlow Foundation: “It is about more than writing out cheques,” says Clewlow. “We always contribute money and people to work together to help create institutions that will help realise a specific social goal. We recognise that the business community holds a lot of talent and expertise that could be used in broader social contexts, and we recognise the need to make this talent more broadly available.” The company’s support of Noah demonstrates this point.

#### **Barloworld and Noah**

Greg Ash, a well-known South African plastic surgeon, founded Noah in late 2000 to make a contribution to the growing AIDS pandemic in South Africa. “He knew that bringing well placed and respected business people on board would bring enormous value to the organisation,” says Noah CEO Niven Postma. He approached Barloworld CEO Tony Phillips to chair a board that brought together other significant names in the business community.

“I have been chairman of Noah since ‘Ground Zero’”, says Phillips. “The board provides governance and advises on a direction that will achieve results while being credible and sustainable. The board members are a well of enthusiasm and bring different skills and resources to the table. Members of the board have been very effective in opening doors and getting their companies involved.”

Within 'a year or two' of Phillips' personal involvement with Noah, Barloworld started supporting the organisation to the point where it is now one of Noah's largest annual contributors. "Tony Phillips opened the door for us, and the company was impressed by what we were doing, and with the results that we were achieving. It was on the strength of our results that we got the funding," says Postma. The bulk of the Barloworld funding supports central and administrative costs, allowing Noah to carry many salaries, to help fund the central office, to build Arks and to buy food. Arks refer to community networks of care for orphaned and vulnerable children.

"But the relationship goes deeper than funding," says Postma. "Individual units within the company have got involved on a more regional level, supporting the building of new Arks and volunteering on projects. We have even been given a much needed Land Rover by the company."

At the request of the company, Noah reports back on its performance to the head of CSI using a report template that is short and concise, and that was developed by Barloworld to replace the much longer reports that used to be sent. "What has impressed me is the level of knowledge and understanding of our organisation and of the broader issues that is demonstrated in our engagement with the company," says Postma. "It is so much more than a cheque being sent from a CSI department. It is a very personal and committed relationship, and this is often the case when a senior executive in the company is driving a relationship. The level of commitment and understanding then filters into the entire organisation."

### **CSI: What does the future hold?**

"Why we are doing it hasn't changed," says Phillips, "but the public face has changed quite dramatically since the days of the CS Barlow Foundation. In the early days, social spend was based on a strong moral ethic within the company, and there was always a sense that we didn't need to promote this. But today, in an environment of BEE codes and scorecards, it is much more important to put a face to social spend. The codes have also effected how we spend. While we have always supported enterprise development alongside our focus on education, there is now a much stronger focus on this and we need to ensure that we are closely aligned with the rule book."

Phillips also talks to how a dynamic South African social and political landscape has influenced the nature of the company's social strategy. This has moved a long way from the chairmen's statements of the 1970s and 80s when the group was attempting to compensate for a black working class denied political freedom, education, training and housing tenure. "We no longer have apartheid, but now we have to respond to the challenges of a population affected by HIV/AIDS. We also have a population that has achieved political emancipation, but what about economic emancipation?"

"In my view, the BEE codes place too much emphasis on equity, but what about the other areas? What about the 30% of South Africans who are unemployed?" he asks. "We may have had consistent economic growth since 1994, but the Gini coefficient [that shows the income gap between the rich and the poor] has increased. Why is this? This is the biggest challenge for government, and as a company, we will have to play a role towards helping people achieve this economic emancipation."

## **7. Engaging in the global debate**

Barloworld has actively engaged in the societal debates relevant to South Africa, and in so doing has played a role in political and societal transition. Transition led to the opening up of international opportunities for the company, and almost 40% of its revenues now come from Europe, North America, Australia and Asia. While the bulk of CSI spend still accrues to South Africa, the company has contributed towards raising the profile of sustainability issues that are international, and in encouraging business leaders and governments to engage more fully in these debates.

But the rationale seems to remain consistent. The company is engaged now for the same reasons that it became actively engaged in the 1970s. The longevity of the business depends on the sustainability of the society in which it operates.

Says group executive Mark Drewell: "We are operating in a world of massive population growth and unsustainable use of natural resources. But the good news is that businesses are amongst the most influential institutions worldwide and have a tremendous opportunity to shape a better world. And once the right signals are set the market system has the capacity to mobilise massive resources to deal with any problem. At Barloworld, we are driving and supporting forums and mechanisms that will raise the

awareness in the boardroom, and that will result in a shifting view of the purpose and role of business.”

The company helps drive a number of international organisations that facilitate this international debate. These include:

**The Prince of Wales’ Business and the Environment Programme:** A University of Cambridge learning programme on sustainable business, it aims to help organisations integrate the concepts of sustainable business into their thinking and practice.

Barloworld is a major sponsor, and many of its executives have participated in the programme.

**AccountAbility:** An international organisation that strives to develop the competencies of individuals and organisations in developing and adhering to social and ethical accountability measures. Barloworld is a sponsor and is represented on the advisory council.

**United Nations Global Compact (UNGC):** An international initiative launched by UN Secretary General Kofi Annan that lobbies businesses to agree to 10 basic principles of operation in the areas of human rights, labour, the environment and anti-corruption. The code has 3 000 signatories internationally, and Barloworld is one of three active participants in South Africa.

**Globally Responsible Leadership Initiative:** A programme of the European Union for Management Development (EUMD) and the UNGC that works with businesses and business schools to help build a new generation of business leaders. Barloworld has contributed towards growing this from a start-up to a home for about 60 active projects with 40 member companies and schools.

**International Labour Organisation (ILO):** A United Nations specialised agency which promotes internationally recognised human and labour rights. It formulates international labour standards through Codes and Recommendations that set minimum standards for basic labour rights.

**UNISA Centre for Corporate Citizenship:** The centre is a catalyst for debate around the role of business in a changing society in Africa. It hosts several initiatives that develop content and feed debate in business and academic communities. Barloworld is represented on the advisory board and hosts a series of breakfast conversations with

CEOs about the role of business in society.

Being accountable to a broader audience has also led to the company reporting in line with the guidelines of the Global Reporting Initiative (GRI). This encourages companies to report extensively on economic, environmental and social performance through the use of a sustainability reporting framework. “We started reporting in accordance with the GRI 10 years ago,” says Drewell. “This integrated style of reporting is a manifestation of our philosophy of Value Based Management which says that we need to play our part and be accountable to society.”

## **8. Conclusions**

This study spans four decades of the history of a company that started more than 100 years ago. It has changed names and has restructured into various shapes and forms that aimed to make it more competitive in the environment of the day. The thread of its organisational mutations would make a fascinating study of its own. But this study has focused on the thread that has been woven by a social philosophy that in the early days was more intuitive than written, and in the modern day has translated into written policies and procedures that have been influenced by the need to comply to South Africa’s laws and codes of business practice.

What is clear is that over this period the company has invested significant resources towards influencing the course of South African history, and towards improving human rights within its sphere of influence. In the documenting of this story, several senior executives have been asked about the cost - both in time and money - that these efforts have consumed. The answer is consistent.

In the early days referred to in this study, Barloworld was one of the largest and most diverse companies in South Africa, and as such, had considerable influence. Using this influence it has consistently been one of the first of the big companies to support societal change initiatives, often moving against the corporate mainstream. Its actions have been based on the belief that unless the country developed towards a democratic state in which basic human rights were respected, there would not be an environment in which business could thrive. There would be no market, and there would be no skilled labour force to drive business growth. Today this line of thinking is followed as it pursues social

goals that address the challenges of today – such as HIV/AIDS, entrepreneurship, leadership development and environmental issues.

But there has also been an altruistic element to this approach. What comes through in the interviews is a consistent ethic of 'doing the right thing' based on a set of ethical principals which have been passed down through the various chairmen of the company.

These large societal initiatives have been driven by individuals within the company who have felt passionate about the cause and who have been driven by the potential results that could be achieved if the resources of the company were contributed towards that cause. These are individuals who have also been responsible to the company for their core function, and they would not have been able to make these contributions had the company not allowed the space and climate for their contribution to flourish. As one of the interviewees said: "at Barlows we were always encouraged to get involved, as we were dealing with issues that were of critical importance to the future of the country."

When talking of issues such as human rights and societal change one is talking directly to the ethics of the company. Barloworld makes a fascinating study in that this attribute can be considered based on a long period of history. The basis for the ethics of the company seems to be consistent over the period of this study, but why this is so is not that easy to explain. Interviewees have spoken of the 'DNA of the firm'. But how ingrained are the ethical strands of the DNA? It seems that the answer may lie in areas such as succession planning to ensure that leaders are broadly likeminded about issues such as ethics. Continuity in management, thanks to the long careers of many executives in the company, has also played a role. The company also actively promotes practices and models that articulate the ethics of the firm.

At Barloworld this is being accomplished by integrating the concepts of Value Based Management into the daily practices of the firm. But it may also be achieved through encouraging the ongoing trajectory of a history. If staff and management are aware of the social history of the organisation, they may feel a responsibility, as current custodians, to follow this philosophy through during their tenure.

## 9. Glossary

### People mentioned and/or quoted in this study

**Greg Ash:** Chairman, Noah

**Frans Barker:** Former head of the National Manpower Commission

**Punch Barlow:** Former Barlow Rand chief executive

**Ann Bernstein:** Executive director, the Centre for Development and Enterprise

**P.W. Botha:** Former President of South Africa

**Mangosuthu Buthelezi:** President of the Inkatha Freedom Party

**Halton Cheadle:** Professor of Labour Law, University of Cape Town

**Warren Clewlow:** Chairman, Barloworld

**F.W. de Klerk:** Former President of South Africa

**Mark Drewell:** Group executive, Barloworld

**Nico Ferreira:** Former mayor of Stutterheim and head of the Stutterheim Foundation

**Bobby Godsell:** CEO, AngloGold

**John Gomersall:** Executive director, Barloworld and CEO of PPC

**John Hall:** Former executive director of Barlow Rand and chairman of MS&A and PPC

**Chris Hani:** Former Secretary General of the South African Communist Party (SACP)

**Ian Hetherington:** Former executive chairman of the Norton Group and later employed by Barloworld at the Small Business Advisory Services.

**Piet Koornhof:** Former Minister of Plural Relations in the National Party Government

**Pumla Kubukeli:** Representative, Development Bank of Southern Africa

**Andre Lamprecht:** Executive director Barloworld and CEO Barloworld Coatings

**Charles Lipp:** Former social responsibility manager Barlow Rand

**Nelson Mandela:** Former President of South Africa

**Mbheki Mahlangu:** Former worker at Middelburg Steel & Alloys

**Roelf Meyer:** Former Cabinet Minister in the National Party government

**Stanley Mogoba:** Methodist Church Presiding Bishop

**Cleo Mtshali:** Business development executive, Plascon. Former CEO National Industrial Chamber.

**Jayendra Naidoo:** Former negotiations co-ordinator for the ANC/SACP/COSATU in the early 1990s. Now CEO of the Jay & Jayendra Group.

**Hastings Ndlovu:** School boy killed during the Soweto riots, June 1976

**Hector Pieterse:** School boy killed during the Soweto riots, June 1976

**Tony Phillips:** CEO, Barloworld

**Niven Postma:** CEO Noah

**Mike Rosholt:** Former chairman, Barloworld

**Jennifer Smith:** Head: corporate social investment, Barloworld

**William Smith:** Founder of Star Schools

**Jan Steyn:** Judge and former head of the Urban Foundation

**Leon Sullivan:** US Reverend and author of the 'Sullivan Codes of Good Practice'.

**Clem Sunter:** Former Anglo American scenario planner

**Louise Tager:** Former executive director of the Law Review Project and director of Barloword

**J.B. Vorster:** Former Prime Minister of South Africa

### **Acronyms**

**ANC:** African National Congress

**BRET:** Barlow Rand Education Trust

**CBM:** Consultative Business Movement

**CODESA:** The Convention for a Democratic South Africa. The tri-partheid forum that housed many of the negotiations towards the end of apartheid South Africa.

**COSATU:** Confederation of South African Trade Unions

**CSI:** Corporate Social Investment

**CSR:** Corporate Social Responsibility

**EWT:** Endangered Wildlife Trust

**IEC:** Independent Electoral Commission

**IFP:** Inkatha Freedom party

**IMSA:** Independent Mediation Services of South Africa

**JSE:** Johannesburg Stock Exchange

**NACTU:** National Council of Trade Unions

**NAFCOC:** National African Federated Chamber of Commerce

**NEDLAC:** National Economic Development and Labour Council

**PAC:** Pan-African Congress

**SACOB:** South African Chamber of Business

**SACC:** South African Council of Churches

**SACP:** South African Communist Party

**SACOB:** South African Chamber of Business

**UF:** Urban Foundation

**VBM:** Value Based Management

### **South African expressions**

**Laager mentality:** a mentality of looking inward. Refers to the laager, or wagon fortress, used by the boers in the 19<sup>th</sup> Century to defend themselves against attack.

**Minister of Plural Affairs:** This Ministry was previously known as the Ministry of Bantu Administration and Development. It was the ministry responsible for dealing with the affairs of non-white people.

**Necklacing:** a form of execution in which a rubber tire, filled with kerosene, is forced around a victim's chest and arms and set on fire. This method of execution was used in black-on-black violence during the struggle against apartheid prior to the first democratic elections held in South Africa in 1994.