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Entrepreneurship & New Venture Management

Chapter 22 Contemporary Issues



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Learning outcomes

- Describe corporate social responsibility
- Describe corporate citizenship
- Differentiate between corporate social responsibility, corporate governance and corporate social investment
- Discuss corporate governance
- Explain sustainable development
- Discuss broad-based black economic empowerment (BBBEE)

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Corporate social responsibility

Corporate social responsibility 'calls for companies to strive for balance between:

1. economic responsibility to reward shareholders with profits
2. legal responsibility to comply with the laws of countries where it operates
3. ethical responsibility to abide by society's norms of what is moral and just
4. discretionary philanthropic responsibility to contribute to the non-economic needs of society' (Gamble & Thompson, 2011:201)

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Corporate social responsibility (cont.)

Typical CSR programmes involve:

- Actions to prevent damage to the environment
- Actions to create a great place to work by creating a work environment that augments employee's quality of life
- Actions to create atmosphere of inclusiveness
- Actions to improve society through community engagement projects

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Corporate citizenship framework

Four goals:

- Provide leadership
- Define what it means for your company
- Make it happen
- Be transparent about it

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Corporate citizenship framework (cont.)

World Economic Forum (WEF) – corporate citizenship details:

- Good corporate governance and ethics
- Responsibility for your people
- Responsibility for environmental impacts
- Broader contribution to development (corporate social investment)

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UN Global Compact's 10 principles

CSR impacts on:

- Human rights (Principle 1 & 2)
- Labour (Principle 3-6)
- Environment (Principle 7-9)
- Anti-corruption (Principle 10)

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Corporate governance

- Institute of Directors in Southern Africa (IoDSA): July 1993 – King Committee on Corporate Governance
 - 1994: First King Report on Corporate Governance
 - 2002: King II Report
 - 2009: King III Report (Amended in 2012)

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Corporate governance (cont.)

- Organisation for Economic Co-operation and Development (OECD) developed six principles:
 1. Ensuring the basis for an effective corporate governance framework
 2. The rights of shareholders and key ownership functions
 3. The equitable treatment of shareholders
 4. The role of stakeholders in corporate governance
 5. Disclosure and transparency
 6. The responsibilities of the board

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Corporate governance – King III

- King III is inclusive, encompassing all entities
- Apply or explain – either apply principles or explain non-compliance

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Corporate governance – King III

Relevance to SMEs:

- Ethical leadership and corporate citizenship
- Board and directors
- Audit committees
- Governance of risk
- Governance of IT
- Compliance with laws, rules, codes and standards
- Internal audit
- Governing stakeholder relationships
- Integrated reporting and disclosure

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CSR Policy

Approaches:

- Value-based system
- Stakeholder-engagement process
- A combination of the two

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Sustainable development

Development to ensure that it meets the needs of the present without compromising ability of future generations to meet their own needs.

Risk areas:

- Opportunities for work-life balance
- Training and advancement opportunities
- Occupational health and safety
- Flexibility for self-determination within the organisation
- Emotional and social intelligence
- Creativity and entrepreneurship

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Sustainable development (cont.)

Risk areas (cont.):

- Employees active participation
- Human skill and innovation
- Employees actively participate in decisions affecting them
- Employees are encouraged to use their discretion at a level appropriate to their occupation
- Equitable remuneration policies are implemented

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New codes of BBBEE

- Final codes on 11 October 2013
- Enterprises given one year to align with Codes' requirements
- Following now also effected:
 - All organs of state and public entities
 - Natural or juristic persons who conduct trade, business or profession in SA

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New codes of BBBEE

- Significant change: increased threshold in points required to achieve a better BBBEE status
- Enterprise qualification threshold changes:
 - EMEs: changed to R10mil from R5mil
 - QSEs: changed to R10-R50mil from R5-R35mil
 - Large entities: changed to R50 mil from R35mil