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Local Business, Local Peace:
the Peacebuilding Potential of the Domestic Private Sector

Case study
South Africa*

Exploring the contributions of the private sector to the social, economic and political transformation process in South Africa

André Fourie and Theuns Eloff

The business sector was frequently criticised in the late 1980s for supporting and benefiting from the apartheid system. This argument, which cannot entirely be dismissed out of hand, does not pay sufficient attention to the role played by some business leaders to promote peace and democracy. At the time, a small group of business leaders initiated a series of meetings with the apartheid government and a wide range of formal and informal political groupings, including black political leaders who enjoyed popular support.

Their primary purpose was to encourage a debate on South Africa's political and economic future. Progress was hampered by the repressive political climate and the fact that many political leaders were in hiding, detention, jail or exile. Despite these challenges, the relationship-building initiative continued and in late 1988, following a high-level meeting between business leaders and representatives of the Mass Democratic Movement in Broederstroom, the Consultative Business Movement (CBM) was formed.[1] The initial focus was on consultation and relationship building with key political players, such as the African National Congress (ANC) and Inkatha Freedom Party (IFP). This alone was significant since broad trust was non-existent at the time.

The 1980s was a very turbulent period in South Africa, with high levels of political violence. The need for a national peace conference was undeniable, but the political dynamics and a power struggle between the government and the ANC (and other parties) presented a complex issue as to who had the legitimacy to convene such a conference. The National Party government's efforts to convene an official peace conference were opposed by the liberation movements

on the grounds that the government was the primary instigator of violence. That impasse was broken when, through a combined effort, the CBM and South African Council of Churches facilitated a process that led to an inclusive peace process. The first meeting of the formal peace process was convened at the offices of Barlow Rand Ltd, a leading industrial company, and co-chaired by John Hall, a Barlows executive and chairman of the Chamber of Commerce, and Archbishop Desmond Tutu. This was the start of a long process in which business leaders played an active role in working with political parties, women's groups, religious groups, NGOs and labour unions to foster a climate of peace.[2]

Business initiatives

Democratic transformation and consolidation

The credibility and legitimacy of the CBM were established during the peace process and laid the basis for the organisation to be asked to provide the secretariat and administrative support for the Convention for a Democratic South Africa (CODESA) process. When the CODESA process deadlocked in 1992, the CBM convened local academics and foreign experts with the 'passive approval' of the major political parties in an effort to break the deadlock in negotiations about power of the regions versus central government. The resulting report played a critical role in the major parties' thinking and proved to be decisive in shaping the final constitutional agreement on this politically sensitive issue.[3]

With less than a month to go before the first democratic elections, the IFP refused to participate. After Nelson Mandela suggested international mediation, the CBM was asked to manage a process to secure international mediation. Dr Henry Kissinger and Lord Carrington were leading figures in the international delegation that arrived in South Africa 10 days before the scheduled election. When the mediators failed to reach a common agreement with all parties on clear terms of reference, the most prominent of them left South Africa. However, one of the lower-profile mediators launched a process of informal shuttle diplomacy with the CBM's support to secure buy-in from IFP leader, Mangosuthu Buthelezi, then president F.W. De Klerk and the ANC's Nelson Mandela.[4] The subsequent agreement formed the basis for the first democratic elections in the history of South Africa.

During 1993 the CBM facilitated the formation of the Business Election Fund as a mechanism to mobilise business support for free and fair elections. The institution launched a national media campaign to promote democratic values and support an inclusive election process. The fact that the business sector was

publicly calling for a democratic election was seen by some as a political stance. However, the campaign took care to remain non-partisan while striving to project confidence in the future though its slogan 'Business stands for building a great nation'. Other activities included a major voter-education campaign in rural areas, and a range of practical and logistical efforts to support the Independent Electoral Commission.

The following are further examples of collective business action to pursue social goals since the democratisation of South Africa.

The National Business Initiative

In 1995, a year after the country's first democratic election, the CBM amalgamated with the Urban Foundation to form the National Business Initiative (NBI). The objective was to demonstrate a renewed private sector commitment to the new, democratic South Africa. The NBI was designed as a not-for-profit, public interest and business-based organisation dedicated to reconstruction and development. The NBI stated from the start that it aimed to tackle systemic problems and wanted to work in partnership with government by mobilising business and management skills to address public issues, facilitate the business community's collective contribution to reconstruction, and build constructive relationships and trust between government and business.[5]

Business Against Crime

In 1996, nearly 500 business leaders met at the World Trade Centre in Johannesburg to deliberate on how the private sector could contribute to the fight against crime in South Africa. Following intense dialogue with President Nelson Mandela, a new organisation, Business Against Crime (BAC), was established to partner with the government in dealing with threats to security in the new democracy. The NBI facilitated the process and served as the BAC's managing agency until the organisation was established as a separate legal entity.

This new, non-profit organisation provided support to many industry-specific responses to crime, including those by the banking, tourism, computer and motor sectors. BAC also provided analysis, conceptualisation and planning skills for the integration of the criminal justice system, including the required IT infrastructure, identification services and integrated case management.

Housing Delivery Task Team

In 1996 the Department of Housing approached the NBI to assist with the delivery of housing aimed at assisting the government to meet the challenge of 'housing for all'. The NBI established the Housing Development Support Team (comprising businesses) to improve the delivery system. Attention was paid to fixing information management and other management systems, as well as reducing bureaucratic delays and building the capacity of provincial officials. These efforts resulted in the number of capital subsidies awarded to first-time homeowners rising from 220,000 in 1996 to over one million in August 1999. At this stage the NBI began preparations for handing back the management of the systems to the relevant national and provincial housing authorities.[6]

Colleges Collaboration Fund

The NBI played a leading role in mobilising the South African private sector to appreciate the importance of further education and training (FET) colleges in meeting the country's skills and employment needs. Over R80 million ($12.5 million) has been invested in restructuring the FET sector, and building leadership and management capacity in colleges. The NBI helped shape the FET policy and subsequently formed the Colleges Collaboration Fund to partner with government for the implementation of the system transformation. Key focus areas included: repositioning the previously neglected FET system as a desirable option for students, expanding the overall enrolments, securing growth and diversification in programmes, a more equitable staff-equity profile and exposing senior college staff to global best practice through an international exchange programme.[7]

Business Trust

In 1998 a grouping of business leaders and organisations cooperated in undertaking intense discussions with the government on the challenges of economic growth and job creation. A firm foundation for the initiative was the broader goal among leading business people concerned about unemployment. An important outcome was the formation of the R1 billion ($156.7 million) Business Trust, a five-year project designed to focus on the creation of jobs and capacity building. An early focus was to develop a stronger business approach to the international tourism marketing as a basis for sustainable job creation. The private sector worked with the public sector in appointing senior business representatives to the board of a restructured SA Tourism, developing a sophisticated market segmentation strategy and implementing a value-for-money business plan. By 2002 South Africa was the world's fastest-growing tourist destination, with international arrivals increasing by 20.2 percent.[8]

Key lessons

It is clear that the role of the private sector during and after the South African transitional period has been exceptional. The rest of this case study explores the corporate citizenship lessons of this experience and the implications for other societies.

The importance of business leadership

Business leadership proved to be an essential ingredient in each of the major contributions described. It took courage and personal risk for business leaders to engage directly with the ANC and the banned political leaders within South Africa. They had to deal not only with the threats of a repressive regime, but received little support from fellow business leaders.[9] Leadership was also a critical dimension in the CBM's somewhat unusual interventions, such as Business Against Crime and the Business Trust.

Two additional facts are striking. First, there is consistency in the leadership of the various initiatives and some individuals played a distinctive role in virtually all business contributions. Secondly, it is often a small group of executives who take both the initial lead and the early risk. If they succeed in convincing a broader group of business leaders of the merits, the programmes can be sold as enjoying the support of the entire business community.

This may be true in the end, but it is worth recognising that it often takes only a few courageous leaders to initiate fundamental change.

The imperative of reciprocal political leadership

However, none of the interventions described could have been achieved by the business sector working alone. It is simply not sufficiently well placed to re-engineer a country's criminal justice system or negotiate a political settlement and new constitution. It takes political courage to expose the business sector to the insides of a dysfunctional criminal justice system and to partner with relative strangers to rebuild a politically sensitive function that is core to a government's mandate. According to the NBI,[10] government support and cooperation at all levels are vital in the implementation of any public–private partnership. In short, without government commitment such interventions are simply not possible.

The power of the collective

Collective business efforts do have comparative advantages over individual

company efforts in particular areas. An obvious efficiency benefit is the pooling of resources (people, leadership and financial) towards a common end. SustainAbility and the UN Global Compact stress the importance of reaching scale and critical mass by moving beyond the potential impact of any individual corporation.[11]

The additional benefits of a collective approach include the need to deal with suspicions that a particular company may be aiming to gain individual advantage; demonstrating a common commitment to the broader national interest; and managing the risk of companies being singled out for criticism on sensitive issues.[12]

Building responsive institutions

The wide range of institutions developed by the private sector to deal with particular issues is striking. Some of the more prominent institutions mentioned in this article include: the Urban Foundation (dealing with African urbanisation within a system of apartheid influx control); Business Against Crime (helping to address crime and violence); the Business Election Fund (mobilising business resources for the first democratic election); the Business Trust (building trust and engaging the unemployment challenge); and the NBI (demonstrating business commitment to the new South Africa). These specialised agencies were set up on a dedicated basis to manage specific challenges and often closed when they were perceived to have fulfilled their purpose. On the other hand, there is a great deal of continuity in the methods both the business leadership and executives employed.

Beyond projects: systems change and policy impact

The case study demonstrates that a variety of methods and approaches were used to achieve the desired results. The most prominent approaches in the South African case were process facilitation, policy impact, programme management and institutional strengthening.

Although it must be accepted that responsibility for the formulation of public policy ultimately rests with the public sector, this is the key domain for achieving systems impact. The contestation of public policy in an emerging democracy is desirable, but somewhat untested in terms of the role of business in shaping social policy. It is generally accepted that business has a legitimate right – and responsibility – to influence such policy where there is direct impact on the company or industry, such as tax policy, industry regulation and competition policy. The role of business in influencing broader social policy is less understood.

Building trust and relations

A unique role by the private sector was the provision of process and secretariat services to the multi-party constitutional negotiations, the CODESA and the Multi-Party Negotiation Process. With hindsight, it is necessary to ask how the CBM, a business organisation, came to be trusted to provide administration services to the constitutional negotiation process. It is evident that the privilege was not easily granted, but was earned through years of relationship building and informed by the constructive role already played by business in the peace process.[13] Although a key consideration was the CBM's ability to win recognition as a credible and professional, non-partisan organisation, it must also be admitted that it would have been possible to identify other parties to provide professional, administrative services. The ability of the business sector to remain non-partisan was thus essential for the political players to allow it to play such a support function.[14]

Limitations of business coalitions

This paper demonstrates that the private sector can play a meaningful role in effecting systems change for the public good and shaping the broader environment in which it has to operate. However, it is important to retain a sense of perspective regarding the scope and potential of business impact. Observers often overestimate the power of major corporations to influence politicians or public policy. Despite the lack of academic literature on this subject, there is a need to consider some of the key limits to the potential of similar business coalitions:

- Corporations are competitive by nature and disinclined to cooperate with other corporations, particularly direct competitors. There is, therefore, a limit to how much they are prepared to invest in cooperative ventures where the benefits accrue to broader society, rather than individual companies.

- Perceptions of undue influence are inevitable in a situation where many are critical of the power and influence of major companies. Regardless of companies' intent, there will be questions about motive and whether they are merely aiming to buy influence. Business is not universally trusted as a social partner and can expect major concerns from government about engaging with business on public policy issues, as well as opposition from NGOs.

- The governance and accountability of business coalitions have not been explored in any great depth. To what extent do corporations take responsibility for the views and actions of such coalitions? The broader public policy legitimacy of single-issue pressure groups will always be suspect. The business sector may be well intentioned and acting in the broader public interest in demonstrating the need for additional

public investment in education or housing, but it does not face the competing social and political trade-offs in a resource-scarce environment, as the government has to.

Conclusions

The South African case exhibits some remarkable and progressive examples of collective corporate citizenship efforts, and demonstrates the significant contribution that the private sector can make to a society in transition through dialogue, facilitation and institution building. By working collaboratively with government agencies and other stakeholders, business coalitions can play a vital role in facilitating a successful, political transition process. Collective business responses have benefits, such as the pooling of scarce financial and human resources, and reaching scale and critical mass beyond the potential impact of any one corporation. This paper provides evidence of the private sector's contribution to the transformation process in unprecedented ways by promoting democracy and peace, as well as sustainable development in South Africa. The case is made that, under certain conditions, corporations can achieve more through a collective approach to improving state institutions and changing public policy, rather than through individual projects.

A reflection on the lessons from the role of the business sector in the South African transition process confirms the imperative of business leadership, political leadership, relationship building and the need for responsive institutions. The findings validate the need for corporate citizenship thinking to extend beyond projects and even the value chain. There is an opportunity for the private sector to impact on public policy, and to achieve systems change in a way that benefits broader society and simultaneously improves the business environment. A better business environment, in the form of good social, economic and physical infrastructure, represents the potential, direct business benefits of the collective corporate citizenship approach. A better-educated workforce, less crime and violence, improved housing conditions and stronger social cohesion can reduce the cost and risk of doing business, and improve the competitiveness of corporations.

This study confirms that the private sector can indeed impact positively on the broader architecture of society and contribute to deeper systemic change. However, there is a need for clearer conceptual understanding of the limits and potential for collective private sector engagement of the development challenges traditionally considered to be beyond its reach. Indeed, new thinking about the role of the private sector in global governance and systems change is essential in developing strategic responses to the complex sustainability questions facing the world in the 21st century.

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Endnotes

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