CORPORATE REPUTATION IN THE SOUTH AFRICAN DIAMOND INDUSTRY: A MULTI-STAKEHOLDER PERSPECTIVE

PhD Thesis

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ABSTRACT

Lack of common understanding of corporate reputation in the diamond industry in South Africa has attracted a lot of interest in this aspect of the mining industry. The recent Marikana Massacre in the platinum belt in the Rustenburg area at Lonmin Mine in 2012, together with on-going debates on resource nationalisation and negative relations between mine communities and diamond mining companies have prompted the call for more research in reputation management in the mining industry in South Africa. The purpose of this research is to define the meaning of corporate reputation in the diamond industry, to understand key perceptions of the diamond industry, to identify key effects of corporate reputation in the diamond industry and to evaluate key management approaches to corporate reputation in the diamond industry from multi-stakeholder perspectives.

Mixed methods research methodology was used in this study, comprising quantitative and qualitative data collection and data analysis. Key findings include that there is no one single definition of corporate reputation. Each stakeholder has his/her unique definition which is based on his/her own assessments of the organisation, the past and future actions of the corporation, and their experience and perception of the organisation. Poor relations between mine communities and diamond companies; prospects for the collapse of the Kimberley Process (KP); violent strikes; environmental issues, including rehabilitation of old mines; poverty and high unemployment in the mining communities; failure of BEE transactions in delivering real value to the mine employees and local communities; illegal mining; the rise of synthetic un-natural diamonds and negative perceptions of the diamond industry in South Africa are the current major challenges and risks affecting the diamond industry in South Africa.

This study concludes that positive corporate reputation would result in improved investor confidence, higher levels of attracting and retaining top level talent in the organisation, improved attraction of customers, better relations with communities and improved stakeholder relations. The study did not find evidence proving that a positive reputation will result in higher prices for diamond products. It found that corporate reputation management initiatives in the diamond industry are not well understood and, as a result, they are not delivering the full results as expected.

Effective stakeholder relations management with a special focus on community engagement including youth groups' involvement in the mining towns; targeted social investment programmes with special focus on enterprise development and effective management of industry perceptions are identified as the most critical steps to be adopted in the diamond industry in order to improve its reputation**.**

DECLARATION

I declare that this report is my own, unaided work. It is submitted in fulfilment of the requirements for the degree of Doctor of Philosophy in the Business School in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination at any other University.

Sakhile Glen Ngcobo

4 November 2016

DEDICATION

This research project is dedicated to my late father, Mr Fanosi Elias Ngcobo, and my beautiful late mother, Mrs Natalia Mashange Ngcobo. In 1994, just before my father passed away, on his death bed he told me that becoming an educationalist was his hope for me. He wanted me to be the first child in the Fuze clan to have a degree. My mother made me her favourite child. In spite of all the challenges in my upbringing and my formative years, it is in this PhD that I thank both of them for their sacrifices and for believing in me.

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ACRONYMS

ABET	Adult Basic Education and Training
AMCU	Association of Mining and Construction Union
ANC	African National Congress
ANCYL	African National Congress Youth League
AVE	Average Variance Extracted
BBBEE	Broad Based Black Economic Empowerment
BEE	Black Economic Empowerment
BPP	Best Practice Principles
BUPA	British United Provident Association
CAR	Central African Republic
CBOs	Community Based Organisations
CEO	Chief Executive Officer
CMP	Community Management Plans
COM	Chamber of Mines
COSATU	Congress of South African Trade Unions
CPI	Consumer Price Index
CPP	Community Partnership Plans
CSP	Common Starting Points
CSR	Corporate Social Responsibility
CVD	Carbon Vapour Deposition
DBCM	De Beers Consolidated Mines
DMR	Department of Mineral Resources
DTC	Diamond Trading Company
ECA	External and Corporate Affairs
EDP	Enterprise Development Plans
EFF	Economic Freedom Fighters
EITE	Emissions Intensive Trade Exposed
ESOPS	Employee Share Ownership Programme Scheme
GDP	Gross Domestic Product
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HPHT	High Pressure High Temperature

ILO	International Labour Organisation
IRO	Investor Relations Officer
IRR	Internal Rate of Return
IUCN	International Union for the Conservation of Nature
KAM	Key Account Manager
KMO	Kaiser-Meyer-Olkin
KP	Kimberley Process
KPCS	Kimberley Process Certification Scheme
LRR	Labour Relations Report
LVMH	Louis Vuitton Moët Hennessy
MPRDA	Mineral and Petroleum Regulation Development Act
MWP	Mine Works Plan
NDP	National Development Plan
NGOs	Non-Governmental Organisations
NMC	National Mining Company
NOCCI	Northern Cape Chamber of Commerce and Industry
NQF	National Qualifications Authority
NUM	National Union of Mineworkers
NUMSA	National Union of Metalworkers of South Africa
OCC	Okiep Copper Company
ORS	Overall Reputation Score
PIP	Polished Internet Prices
PS	Private Security
PWP	Polished Wholesale Prices
RJBPP	Responsible Jewellery Best Practice Principles
ROCE	Return on Capital Employed
RQ	Reputation Quotient
SA	South Africa
SAPMDR	South African Precious Metals and Diamonds Regulator
SDT	State Diamond Trader
SEAT	Socio-Economic Assessment Toolbox
SLPs	Social and Labour Plans
SRI	Social Responsibility Index
UK	United Kingdom

UNESCO	United Nations Educational, Scientific, and Cultural Organisation
US	United States
VW	Volkswagen

CHAPTER 1
INTRODUCTION AND RESEARCH QUESTIONS

1.1 Introduction

The advent of global markets has resulted in a plethora of product choices, retail channels, ethical consumerism and promotional activities. The increased competition in a globalised economy has promoted the pro-active, innovative and holistic identification of drivers of sustainable competitive advantage. According to Flynn (2006), Schwaiger (2004) and Deloitte (2014), the extensive search for these drivers is no longer restricted to tangible assets, but has also reached the field of intangible assets. The importance of intangible assets in general, and the significance of corporate reputation have grown significantly over the past few years (Hall, 1993; Prager, 2014; Feldman, Bahamonde & Bellido, 2014). There is empirical evidence, supported by many corporate reputation experts, academics and public relations practitioners worldwide, that strong positive corporate reputation contributes directly to profitability (Eberl & Schwaiger, 2005; Podony, 1993; Roberts & Dowling, 2002; Shapiro, 1983) and long-term business success (Doney & Cannon, 1997; Einwiller, 2003; Hall, 1993; Farooq, 2016).

Corporate reputation in the mining industry has gained unprecedented significance in South Africa and around the world. According to Shabangu (2013), the Marikana massacre in Rustenburg in the North West Province, South Africa where 44 people were killed during the illegal strike at Lonmin Mines, is the single most significant reputational challenge ever faced by any mining house in recent history after the enactment of the democratic government in South Africa. According to Bone (2012), Brand (2012) and Parsons, Lacey and Moffat (2014), in today's sensitive, acutely competitive market, companies need to both understand and respond to the shifting values and continuously rising expectations of their stakeholders, especially their local community groups (especially the youth groups), employees, investors, regulators and customers. It is no longer sufficient to focus on the internal processes and bottom-line issues; businesses of today are expected to follow an holistic approach in managing all aspects of their businesses, including corporate reputation (Regester & Larkin, 2005; Bone, 2012). According to Kilgore, Linnane, Johnson and Booton (2014), seven big American

companies, such as the retail giant Target, lost significant value because of bad media publicity and General Motors also suffered a backlash from many current and future clients in 2013 when it recalled thousands of cars. This also includes the recent VW environmental scandal in USA, where the American authorities found that VW misrepresented their emission statistics, which were found to be much higher than the prescribed minimum (News 24, 2015). This shows that corporate reputation management lies at the heart of business success in a modern society.

The South African diamond industry is not an exception to this reality because it, too, depends on reputation for its continued success (Bieri, 2010; Lussier, 2014) in terms of maintaining positive relationships with its stakeholders and increasing its financial returns for its shareholders. Diamonds are a luxury product with unique attributes distinct from other commodities like gold and platinum, among others. According to Penny (2009), *Diamond Insight Report* (2014), Mellier (2014) and Lussier (2015), consumers buy diamonds purely because of their reputation value and nothing else. From a consumer's perspective, diamonds have both emotional and physical attributes which influence purchase behaviour. Diamond jewellery competes with other discretionary services and products for a share of the consumers' wallets (Lussier, 2015). Because of their aspirational and discretionary nature, diamonds are more vulnerable to reputational threats than other raw materials (Penny, 2009; Prager, 2014; Cutifani, 2015). For example, blood diamonds, i.e. those sourced from conflict regions and other unethical contexts can ruin a corporation and even a country's image (Bone, 2014). The diamonds from Chiadzwa in Zimbabwe were shunned because of associated human rights abuses (*Human Rights Watch*, 2011). In South Africa, in the wake of the Marikana tragedy, according to Digby (2015) and Brand (2012), there have been complaints by many stakeholders, especially government and local communities, about the failings of the country's mining industry and its associated perceived lack of progress in achieving sustainability and stable community relations.

The reputation of the diamond industry, as a custodian of diamonds, a luxury product, relies primarily on brand profile, public perceptions, social license to operate and clean governance (Guyon, 2004; Nguyen, 2007; Lussier, 2014).

Within the luxury goods industry, there is substantial competiveness for market-share but, given the high margins and the customer's perception about the ethics, public opinions and price, the competition is not based on price alone, but rather on quality and the image perceptions of different stakeholders (Kaul & Chaudhri, 2015), as well as on the ability to attract and retain customers (Penny, 2009; Mellier, 2014). According to Guyon (2004) and Lussier (2014), selling expensive goods to people who can afford them may sound simple and easy but when it comes to parting with customer's hard-earned wealth, the luxury goods market can be very competitive.

A recent global reputation survey found that the most important issue for CEOs after market performance is corporate reputation (Deloitte, 2014). According to Flynn (2006) and Dowling (2016), a firm's reputation is one of its most valued intangible assets. Scientific and managerial interest in corporate reputation has grown steadily over the last 20 years. Fombrun (1996:72) defines reputation as "a perceptual representation of a company's past actions and future prospects that describe the firm's overall appeal to all its key constituents when compared to other leading rivals". Other authors define corporate reputation as an emotional reaction of external and internal stakeholders to an organisation (Fombrun & Shanley, 1990; Fombrun, Ponzi & Newberry, 2015; Gotsi & Wilson, 2001; Sequeira, Da Silva, Ramos & Alwi, 2015), as well as the knowledge they hold about the organisation's characteristics through their experiences and relationships with the organisation (Levitt, 1965; Rindova, Petkova & Server, 2005; Oppenheimer, 2012).

According to the *Reputation Institute* (2016), companies such as BMW, Google, Walt Disney and other companies making up its list of top 100 most reputable companies, significantly benefit from a positive reputation which drives their profits. As such, successful organisations are aware of the importance of having a good reputation. According to Mellier (2014); Penny (2009); Einwiller (2003); Fombrun (1996) and Shapiro (1983), a positive reputation brings trust, confidence and sales, which are ultimately reflected in revenue growth and profitability, while a bad reputation can lead to a decrease in consumer confidence and, in turn, a reduction in revenue and profits. A company benefits from a favourable reputation

by becoming the first choice of customers, investors, suppliers and employees (Eberl & Schwaiger, 2005; Caroll 2015; *Reputation Institute,* 2015). It also helps to enhance competitive advantage by differentiating the company in the marketplace (Prager, 2013). A favourable reputation with customers creates a degree of brand equity since people are more likely to be loyal to reputable companies (Lussier, 2014; Roberts & Dowling, 2002; Sohn & Lariscy, 2015). Customers will have more confidence and loyalty to products and services of a company with a positive reputation. Similarly, a favourable reputation with employees can help attract better staff, spur productivity and enhance profitability (Lotz, 2014; Hall, 1993; Owen & Kemp, 2013). Moreover, the strategic positioning of a company with a positive reputation may be strengthened through closer relationships with other key influential stakeholders like journalists, analysts, politicians and investors (Eberl & Schwaiger, 2005; Martinez, Russell, Maher, Brandon-Lai & Ferris, 2016). In fact, a bad corporate reputation can ruin a company and force it out of business (Dhir & Vinen, 2005).

While interest in the concept of corporate reputation has gained steady momentum during the past decades, little research has been undertaken into understanding its effects on the diamond industry in emerging economies such as South Africa. This research seeks to contribute to studies of corporate reputation through an understanding of the meaning of corporate reputation, evaluation of the key drivers of corporate reputation, key reputational issues in the diamond industry and their effects on corporate reputations in the South African diamond industry from a multi-stakeholder perspective. It achieves this by using a mixed methodological framework that combines in-depth, semi-structured interviews and quantitative data analyses tools.

1.2 Context of the study

The context of this study is motivated by an increasing number of high profile companies that are suffering from bad reputations to the point of collapse. Media reports like these: “Operations at Richards Bay Minerals (RBM) [a subsidiary of Rio Tinto] in northern KwaZulu-Natal have been suspended after community members blockaded roads leading to the mine’s entrance”, “Residents of KwaSokhulu and KwaMbonambi are demanding permanent jobs and ‘equal’

business opportunities ... [A community youth leader] said the protests were a result of unequal treatment by RBM of its host communities. 'We want to be treated the same as host communities. If the other community is getting business opportunities, we must also get them,'" he said. "Over the last few weeks RBM has faced a series of disruptions as a result of community protests and road blockages ... According to the company spokesperson, After numerous engagements with relevant community structures, the situation remains volatile ... operations are suspended until further notice", the company said in a statement (Shabalala, 2016); Another report by Stoddard (2016) said, "The world's largest open-pit platinum mine, Mogalakwena was shut for two weeks last year when residents of the surrounding shanty towns rioted, protesting against the government's failure to provide services and the mine's failure to provide jobs" and the consumer boycott which was led by Survival International (a multi-national Human Rights Non-Profit Organisation) which was staged in one of the De Beer's high profile diamond stores in London (Bond Street) in 2007 against the alleged human rights abuse incident whereby the Bushman (indigenous dwellers of the Kalahari in Botswana) were forced to relocate from their ancestral homelands to make way for the establishment of a diamond operation in a project called Gope. As a result of this campaign, De Beers was forced to sell its diamond deposit at Gope. This campaign had made Gope "a problematic asset for De Beers". It was estimated that De Beers was no longer going to benefit from an estimated $2.2 billion-worth of diamonds (Bone, 2014).

Within the broad field of marketing, reputation-induced failure heightened interest in the corporate reputation debate (Dhir & Vinen, 2005; Einwiller, 2003; Fombrun et al, 2000, Owen & Kemp, 2013; Lussier, 2014). Experts like Dowling (1994), Dhir and Vinen (2005), Podony (1993), Farooq (2016) and Dowling (2016) argue that a favourable reputation can establish, protect and enhance competitive advantage over others through effective stakeholder confidence, while a tarnished reputation can set an enterprise on a cycle of decline through reduced sales, loss of profits, no confidence among investors, difficulties in accessing credit, lower morale and poor relationships with key stakeholders.

This brings into focus the unprecedented significance of corporate reputation and

stakeholder-focused marketing. According to Fombrun and Van Riel (2012), because there is a lack of systematic attention to corporate reputation as a discipline, many academics and practitioners have adopted different emphases including an economic view, organisational view, strategic view, sociological view, accounting view and marketing view. Like many other disciplines, corporate reputation can be traced back to the marketing discipline (Fombrun & Rindova, 1996). Marketing, since its establishment as a discipline, continuously evolves and, in the process, it has invented and reinvented itself. However, some of the elements of modern marketing predate the establishment of the discipline of marketing itself. For example, the importance of customer-focused approaches to business was long recognised by Frank Taussig, a former President of the American Economic Association in 1912, who stated "we must accept the consumer as the final judge" (Dolphin 2004:22). Subsequently, the 1920s saw an increased focus on company-wide consumers but the formalisation of marketing as a discipline with distinctive philosophies and approaches only became prominent during the 1950s and 1960s (Greyser, 1997). It is universally acknowledged that researchers, such as Drucker (1954), Kotler and Levy (1969), and Levitt (1960), were among the pioneers of this approach. They had the prescience to maintain that the concept of marketing should be broadened to include the overall reputation of the company.

Since the 1950s, various concepts about corporate-wide marketing have captured the imagination of scholars and practitioners (viz., corporate identity, corporate branding, corporate image, corporate reputation and corporate communications). Each of these concepts has its own intellectual roots and practice-based adherents (Balmer, 2001). The interest in the study of corporate reputation is not of recent origin. According to Dhir and Vinen (2005), *Fortune Magazine*, the US-based business publication, has published its annual surveys of corporate reputation for nearly three decades. In recent years, however, trends associated with the evolving knowledge, worker age and globalisation, have heightened the value of corporate reputation and have brought more complexities to the subject (Dowling, 2016). Many scholars and practitioners argue that there are no universal approaches to corporate reputation research.

There is documented evidence that organisational success is determined by its stakeholders' provision of resources in response to the organisation's actions. According to Neville, Bell and Menguc (2004), Harrison and Wicks (2013), Farooq (2016) and Massey (2016), a stakeholder's decision to either cease or provide resources to the organisation is a result of complex considerations that coalesce within an overall evaluation of the organisation's reputation. Stakeholders are uniquely placed to affect the firm's long-term success or otherwise, whether through providing or withholding financial resources (e.g. shareholders), effort (e.g. employees and designers), licence to operate (e.g. authorities and governments), cash flow (e.g. customers), media profile (e.g. media houses), just to mention a few.

An organisation's reputation is defined as the admiration and respect a person holds of an organisation at a point in time (Dowling, 2016). Many scholars have confirmed that corporate reputation affects many outcomes that are directly related to business success and long-term sustainability. In the past decade, especially in the United States, company managers recognised that intangible assets may provide companies with a more stable basis for competitive advantage than tangible assets, such as patents and technologies (Flynn, 2006; Barnett & Leih, 2016). Hence, companies are now investing extensively in their public relations (PR) activities, stakeholder relations, employee engagement, corporate identity and corporate communications in order to improve their corporate reputation.

The origin of the debate on corporate reputation can be traced to the 1950s but it has only gained momentum in the last twenty or so years (Dolphin, 2004; Feldman et al, 2014). From its inception, the corporate reputation research paradigm was based on traditional and conventional approaches where reputation was an accessory and not an essential for corporate survival (Ind, 1997). In fact, by the late 1980s, Olins (1989:29) was still arguing that "corporate identity is only effective and capable of reaching people's consciousness if it is well-articulated, heavily backed, and visually appealing". Nowadays, corporate reputation is how a well-established business variable tackled through a multi-pronged approach in areas such as strategic management, public relations and, among others,

marketing and media exposure. In South Africa, reputation is also increasingly becoming significant given the many stakeholders associated with key industries, such as mining, at home and abroad. These stakeholders, such as employees, communities, investors, governments, human rights groups and media houses watch developments in mining with interest. A number of companies in the mining industry have lost value when stakeholders raised issues about their failure to comply with environmental laws (e.g. Vele Colliery saga) (Conway-Smith, 2012), sustained industrial action (e.g. The AMCU strike in the platinum belt) (Bisseker, 2015) and many other factors which demonstrate that reputation cannot be ignored, regardless of the cost.

The context informing this research is based on the understanding that most of the corporate reputation academic studies have been very broadly focused on general public perceptions and customer satisfaction surveys. These studies have mainly been undertaken in developed economies with limited research, if any, on the diamond industry in general and, particularly in South Africa, with a special focus on the multi-stakeholder perspective.

1.3 Purpose of the study

Globally, companies continue to demonstrate a growing interest in integrating corporate reputation into their strategies with the aim of achieving long-term business success. This interest originates from a belief that good corporate reputation enhances competitive advantage and thereby contributes to the long-term success of a business (Feldman et al, 2014; Martinez et al, 2016). There is overwhelming evidence, supported by many studies worldwide, that a good corporate reputation enhances profitability (Oppenheimer, 2012; Eberl & Schwaiger, 2005; Podony, 1993; Shapiro, 1983; Reputation Institute, 2016) and contributes positively to long-term business (Hall, 1993; Prager, 2014; Sirsly & Lvina, 2016). A satisfactory corporate reputation is an important driver of successful organisational relationships with its key stakeholders, which can have a significant impact on the business performance (Einwiller, 2003). According to Fombrun (1996), Houser and Wooders (2000), and Dowling (2016), a positive reputation brings trust, confidence and sales, which are ultimately reflected in revenue growth, profitability and long-term business success. Experts in the

corporate reputation field believe that positive reputation is an asset that is invaluable in dealing with a very broad range of stakeholders in the diamond industry (Oppenheimer, 2012; Dowling, 2016; Dashwood, 2014). According to Davies (2005) and Sequeira et al (2015), if a company is reputable, many stakeholders will be more willing to trust them and to take at face value what they recommend. Customers will be attracted and retained (Brady, 2002; Fombrun et al, 2000; Podony, 1993; Yuksel & Cintamur, 2016). On the other hand, a bad reputation can lead to a decrease in consumer confidence and, in turn, a reduction in revenue, profits and loss of licence to operate (Dolphin, 2004; Fombrun & Shanley, 1990; Owen & Kemp, 2013; Moffat & Zhang, 2014). The understanding of the interface between corporate reputation and business success is very important in the diamond industry. This is because the diamond industry is associated with diamond exploration in remote areas, diamond mining in deep rural areas, cutting and polishing, and retail in major luxury goods outlets around the world.

Diamonds, as a consumer facing luxury product, has clear association with resource extraction from poor countries for the enjoyment of communities or consumers mostly based in the richer nations. The diamond industry is always under the spotlight of multiple stakeholders from employees to community groups, human rights activists, regulatory authorities at all levels and due restrictions around the world (Lussier, 2014; Prno & Slocombe, 2012). This makes corporate reputation a key strategic element of the diamond industry throughout its value chain. The purpose of this research is to describe various constructs of corporate reputation, identify key industry reputational challenges and risks, evaluate key effects of corporate reputation and, finally, review the effectiveness and relevance of the existing corporate reputation management initiatives in the diamond industry in South Africa.

1.4 Problem statement

Scientific and managerial interest in corporate reputation has grown at a rapid pace during the past decades in many industries. The debate on resource nationalisation in South Africa, the on-going rift between mine communities and mining companies, and the violent illegal strikes in the mining industry, including

the Marikana massacre in Rustenburg, South Africa, are the key developments requiring more focus on reputational studies in the mining industry. The South African diamond industry is associated with serious legacy issues, particularly those related to its association with historical perceptions of unethical and unregulated genesis in the Kimberley area. It is widely claimed that in the years up to 1900, worker exploitation was rife while safety and health were totally neglected (Even-Zohar, 2007; Davenport, 2013:56; Greater Kapa Bokone Community Trust, 2015). The number of people who lost their lives during the diamond rush in Kimberley is not known. According to the *Benchmarks Foundation* (2009), as the 20th century unfolded, the industry continued to thrive with perceived little benefit to the workers and with little contribution to the host communities. In areas such as Kimberley, the Big Hole is one of the reminders of a once powerful industry which made mining magnets such as Rhodes, Sir Ernest Oppenheimer and those who followed them very wealthy amidst worker and local community poverty. According to the *Center for Environmental Rights* (2014), the environmental impact of diamond mining is another point of concern, particularly after mining has ceased in areas like Jaggerfontein, Marsfontein and Namaqualand. All these legacy issues have created a situation where various stakeholders are demanding more community and environmental responsibility, transparency and good governance in diamond extraction to ensure that the long-marginalised societies benefit.

It is believed that very little is known about the meaning of corporate reputation, its key drivers, key perceptions, key risks and the effects of corporate reputation in the diamond industry in South Africa (Dubois, Laurent & Czellar, 2001; Bone, 2012). Many corporate reputation practitioners in the diamond industry have argued that, given the size of the diamond industry of more than US$120 billion globally, one might expect this industry to be regularly surveyed and analysed by the image barometers, which are frequently used in many other sectors of consumer products (Penny, 2009; Bone, 2012). According to Dowling (2016), Lussier (2014), Penny (2009), Griffin (2008), Schwaiger (2004) and Sequeira et al (2015), although there are a number of tools and methods to assess corporate reputation in most consumer markets, an acceptable theoretical base with special focus on the meaning of corporate reputation from a stakeholder perspective in the diamond industry in South Africa, key risks and various management

interventions, is lacking. It is believed that very little detailed empirical research, if any, has been directed to exploring the effects of corporate reputation in this near 150-year-old diamond industry in South Africa. This study aims to unpack the stakeholders' perspectives of corporate reputation in the diamond industry in South Africa.

The following five key research questions apply:

Research Question One

What is the meaning of corporate reputation in the diamond industry in South Africa?

Sub-questions:

1. What is an acceptable definition of corporate reputation in the diamond industry?
2. What are the key components of corporate reputation in the diamond industry?
3. What are the key drivers of corporate reputation in the diamond industry?

Research Question Two

What are the key stakeholder perceptions of the diamond Industry?

Research Question Three.

What are the current and future key reputational risks and challenges in the diamond industry?

Research Question Four

What are the key effects of corporate reputation in the diamond industry in the following key strategic focus areas?

Sub-questions:

1. The effect of corporate reputation on investor confidence?

2. The effect of corporate reputation on employee engagement, talent attraction and retention?

3. The effect of corporate reputation on purchase decisions for diamond jewellery?

4. The effect of corporate reputation on customer attraction and loyalty?

5. The effect of corporate reputation on community relations?

6. The effect of reputation on government relations and other external stakeholders like suppliers, media and authorities?

Research Question Five

What are the appropriate managerial actions and approaches to manage corporate reputation in the diamond industry?

1.5 Conceptual and methodological framework

Given the high number of stakeholders interested in reputation management from economists, strategic managers, public relations professionals, to investors, employees and NGOs (Fombrun, Gardberg & Sever, 2013; Lussier, 2014), this research uses a multi-dimensional conceptual framework (see Figure 1) based on a systemic and multi-directional interaction between different stakeholders' expectations, perceptions, experiences, corporate actions and legitimacy to realise corporate success or failure. In this framework, public perceptions, stakeholder expectations (experiences), the diamond industry image, its ability to secure the license to operate through stakeholder trust and acceptance are the key attributes forming the corporate reputation of the industry, which could be good or bad and will have an impact on the success of the diamond industry in South Africa.



Figure 1: Conceptual model for understanding corporate reputation in the Diamond Industry

Based on this conceptual framework, a mixed methodology was designed to capture perceptions of different stakeholders. These were grouped into categories such as regulatory authorities, corporate reputation experts, investors, community groups, customers and, amongst others, human rights groups, unions and environmentalists. In terms of data gathering, a **convergent parallel mixed method** was used whereby questionnaires were circulated to key stakeholder groups by diamond industry insiders and to host communities and regulatory authorities. The questionnaires were designed to capture responses from stakeholder groups using Likert scales. The responses from the questionnaire were analysed quantitatively to get an insight into stakeholder perceptions and expectations in a stepwise process, from basic descriptive statistics to factor analyses and regressions depending on the nature of the question. Statistical manipulations were performed in Stata Software, Version 13. Concurrent with quantitative analyses, in-depth semi-structured interviews were carried out with selected stakeholder representatives to provide primary data, supported by content reviews of various community impacts workshops together with a focus two-day workshop with youth groups from the mining towns to provide secondary

data to supplement the interview results. This resulted in a robust qualitative understanding of corporate reputation in the South African diamond industry.

1.6 Significance of the study and potential contributions to knowledge

The diamond industry is a long-term business requiring large amounts of investments from its shareholders with long-term payback periods. It is associated with significant complex environmental, geo-political and socio-economic issues (Even-Zohar, 2007; Govindan, Kannan & Shankar, 2014; Lussier, 2014; Lane, Guzek & Van Antwerpen, 2015). Many corporate reputation practitioners such as Stephen Lussier and Andy Bone, and various other scholars in the corporate reputation literature argue that, while scientific interest in corporate reputation grows at a rapid pace in the marketing and strategic management literature, very little is known about the meaning and effects of corporate reputation in the diamond industry. The outcome of this study is very significant in the understanding and management of corporate reputation in the South Africa given the history of the industry. This includes recent media statements involving community disruptions (Shabangu, 2013; Davis & Franks 2014), consumer boycotts against blood diamonds and human right abuses in Zimbabwe (Bone, 2012) and the uniqueness of this industry as a custodian of branded high end luxury products in global markets such as the USA, Europe and China (Even-Zohar, 2007; Penny, 2009). A study by Hamann and Kapelus (2004) argues that the South African mining industry lacks a full appreciation of corporate reputation. This is heavily influenced by the country's colonial and apartheid history resulting in the resistance of mining companies to adopt socially motivated change despite the increasing prominence of CSR policies and sustainability reports. According to Deloitte's corporate reputation survey in South Africa (Deloitte, 2014), many executives have a fuzzy understanding of the quality of their firm's reputation. There is a lack of a clear framework on how reputations are formed and there is no acceptable, uncontested measure of corporate reputation from a stakeholder perspective (Dowling, 2016; Lussier, 2014). Griffin (2008), Even-Zohar (2007), Davenport (2013) and Hass and Hansen (2005) argue that the return on investment (ROI) on corporate reputation building initiatives like corporate advertising, corporate communications, among others, is not fully understood in the diamond industry. The lack of full appreciation and the complete

understanding of corporate reputation and its construct in the South African diamond industry as shown by various academics and practitioners above highlight the need, relevance and justification for this research.

This research aims to fill the following two major gaps in the understanding of corporate reputation which are its effects and management of corporate reputation in the diamond industry in South Africa. Firstly, it aims to establish a common definition of corporate reputation, its drivers, perceptions and key challenges in the context of the diamond industry. It also aims to review the effects of corporate reputation and to recommend management actions to improve corporate reputation in driving corporate success.

The results of the study are expected to have managerial, policy and theoretical implications for the study of corporate reputation in the diamond industry in South Africa and the wider South African Mining Industry.

1.7 Delimitations and limitations

The boundaries for this research relate specifically to the industry of focus and the level of interpretation of data points. The study focused on the South African diamond industry with special focus on the mining, cutting and polishing, and retail sectors. This industry was chosen for a number of reasons. Firstly, the history of the diamond industry in South Africa is over 150 years long since the first diamond was discovered in 1866 on a farm near Hopetown, south of Kimberley (Even-Zohar, 2007; Davenport, 2013). Secondly, this industry comprises firms like De Beers, Petra Diamonds, Transhex, Rosy Blue Manufacturing and Zlotowski, to name a few, which are largely dependent on intangible assets like community acceptance, employee engagement, government support for approvals of mining, export permits and customer loyalty in order to achieve commercial success (Griffin, 2008; Regester & Larkin, 2005; Lussier, 2014). Thirdly, according to Even-Zohar (2007) and the South African Diamond and Precious Metals Regulator (2015), the South African diamond industry is worth more than US$1 billion and is therefore a significant sector in the world's economies. They further argue that there is a wealth of information available about the sector which provides fertile ground from which to draw research data relevant for this study.

The researcher limited this study to focus on the generic and high-level understanding of corporate reputation to the exclusion of other factors in the field of corporate reputation such as econometric effects, financial effects and sustainability implications of corporate reputation. The study did not attempt to uncover the antecedents of successful implementation and evaluation of good versus bad corporate reputations.

The nature of data collection tools used in this research included questionnaire responses and individual in-depth interviews. Combined with time constraints, this means that the development of a detailed understanding of the corporate reputation is not possible – only certain key perspectives in line with the research questions were probed. Lastly, while the outcome of this study has significant implications for the rest of the mining industry in South Africa, it does not attempt to represent all the mining industry issues.

Assumptions of the study

The current study assumed a constructivist ontology in the study of corporate reputation. It assumed that there is no consensus regarding the core meaning and the building blocks of corporate reputation (Fombrun & Shanley, 1990; Gotsi & Wilson, 2001; Rayner, 2003; Roberts & Dowling, 2002, Dowling, 2016) even though there is an agreement about the importance of corporate reputation as an intangible asset (Flynn, 2006; Hall, 1993; Shapiro, 1983; Abiodun, Adeyemi, Oyeniyi & Olayiwola, 2015). It assumed that all knowledge about corporate reputation is contingent upon human practices, being constructed in and transmitted within an essentially social context (Dolphin, 2004; Dowling, 1994). It asserts that corporate reputation is interpreted as an attitudinal construct that only exists in the minds of individuals (Fombrun, 1996; Wartick, 2002). It further assumed that scientific methods alone, as a research approach in the understanding of stakeholder perspectives, could not contribute to the development of strategic management approaches. This belief is supported by Yeatman (1991) who claims that scientific methods lack a situationalist view of knowledge, in which all knowledge claims are evaluated in relation to their specific historical and cultural contexts. Lastly, this study assumed that different stakeholders in the diamond industry in South Africa do not act solely on the basis

of symbolic communication, rationality and the ecosystemic contexts in which they are embedded, but are often emotional and irrational, driven by feelings, perceptions and moods (Gotsi & Wilson, 2001; Griffin, 2008; Even-Zohar, 2007; Prager, 2014).

Definition of Terms

Given the complexity and the relative infancy of the selected field of study, definitions are important. Terms such as social license to operate, branding, corporate reputation, corporate image and identity, Kimberley Process, conflict diamonds, sustainable development, cartel and corporate social responsibility, amongst others, are yet to achieve unified or common meanings in this field of study. The approach taken is to provide a working definition of the key terms that are used in this thesis. A list of the definitions of key terms is outlined in Table 1 below.

Table 1: Definition of Terms

Term	Meaning	References
Brand	The constructed visualisation of the company's value proposition. It is a "customer-centric" concept that focuses on what a product, service or company has promised to its customers and what that commitment means to them.	Rindova et al, 2005
Brand Awareness	The description of how well the brand is known in the market place.	Olins, 1989
Cartel	Groups that bond together to avoid the effects of competition.	Even-Zohar, 2007
Conflict diamonds	Stones (diamonds) that are produced in areas controlled by rebel forces that are opposed to internationally recognised governments. The rebels sell these diamonds and the money is used to purchase arms or to fund their military actions.	Even-Zohar, 2007
Corporate Communication	This relates to the various outbound communications channels deployed by organisations to communicate with customers and other constituencies.	Dolphin, 2004

Corporate reputation	"A relatively stable, issue specific aggregate perceptual representation of a company's past actions and future prospects, compared against some standard".	Walker, 2010
Corporate Social Responsibility	It is a firm's allegiance to and fulfilment of the responsibilities to the greater community.	Albinger & Freeman, 2000
Forevermark	Forevermark is a new diamond brand from the De Beers family of companies that is set to dramatically redefine the diamond industry. Forevermark diamonds come only from sources that are committed to rigorous environmental and ethical standards.	Lussier, 2014
Identity	"The set of values and principles employees and managers associate with the company"	Fombrun, 1996
Image	"The way an organisation presents itself to its publics, especially visually"	Bromley, 2000
Intangible resources	Firm specific resources which are hard to measure, such as employee know-how, culture, efficient procedures or brand name.	Dowling, 2016
Kimberley Process	This is a procedure which requires each diamond producing nation to certify that all rough diamond exports are produced through legitimate mining and sales activity. All rough diamonds exported from these nations are to be accompanied by certificates.	Bone, 2012
Reputation	The holistic viewpoint in which an organisation is internalised by its stakeholders. It is a "company-centric" concept that focuses on the credibility and respect that an organisation has among a broad set of constituencies, including customers, employees, investors, regulators, journalists and local communities.	Levitt, 1960
Social License to Operate	A set of meaningful relationships between operational stakeholders based on mutual trust and a set of demands and expectations for how business will operate by local stakeholders and broader civil society.	Warhurst, 2001; Gunningham, Kagan & Thornton, 2004
Stakeholder	Any group or individual who can affect or is affected (or interested) by the achievement of the corporate goals and objectives.	Freeman, 1984

Stakeholder Theory	It explains the theoretical basis or meaning of stakeholders and the motivation for organisations to seek the support and approval of the stakeholders for their continued existence and adjust their activities to gain their acceptance.	Gray, Kouchy & Lavers, 1995
Sustainability Development	It is development that meets the needs of the present without compromising the ability of future generations to meet their own needs	World Commission on Environmental and Development, 1987

1.8 Structure of the thesis

The structure of this thesis is divided into eight chapters. Chapter 1 presents the introduction; Chapters 2 and 3 focus on the literature review; Chapter 4 presents the research methodology; Chapter 5 presents the results of the quantitative analyses; Chapter 6 presents the results of the qualitative research analysis; Chapter 7 presents a summary of discussions of both quantitative and qualitative results and Chapter 8 presents conclusions, recommendations, contribution to knowledge, areas for further research, weaknesses and limitations of the study.

CHAPTER 2
LITERATURE REVIEW: A GLOBAL PERSPECTIVE ON CORPORATE REPUTATION

2.1 Introduction

Corporate reputation is now one of the most fundamental factors that determines not just the success but also the failure of any business at local, regional and global levels (Fombrun et al, 2015; Caroll, 2015; Dowling, 2016). According to marketing experts, corporate reputation theorists and public relations professionals in these kinds of market situations, companies with good reputations are likely to attract investors, top talent and more customers (Doney & Cannon 1997; Einwiller, 2003; Lussier, 2014; Reputation Institute, 2016). In keeping with the idea that an organisation's reputation may be viewed as an asset (Eberl & Schwaiger, 2005; Fombrun, 1996; Podony, 1993; Roberts & Dowling, 2002; Shapiro, 1983, Prager, 2014), there has been a emergence of literature concerning "reputation management" (Fombrun et al, 2013; Fombrun & Shanley, 1990; Miller, 2003; Reputation Institute, 2015) to the extent that an academic journal, *Corporate Reputation Review*, was launched in 1997 and a practitioner trade publication, *Reputation Management*, was started in 1998. While reputation management is a relatively new term, much of what is involved in reputation management has traditionally been classified under public relations and, more recently, corporate communications, corporate image, corporate relations, external affairs, corporate affairs and other similar terms such as Public and Corporate Affairs (Miller, 2003; Bone, 2012).

This chapter is organised as follows: initially, it provides brief theoretical considerations, followed by a detailed discussion on the definition and meaning of corporate reputation and outlines the key drivers of corporate reputation in general. It then reviews the effects of corporate reputation on profitability and long-term business success and finally discusses selected tools to measure corporate reputation.

Theoretical Considerations

Corporate reputation is universally recognised as a valuable intangible asset by many authors. According to Bensebaa (2004), Shamma (2012) and Moffat and Zhang (2015), the role and potential impact of corporate reputation on the success and/or failure of a firm can be reported in line with many distinct theories. The main theory for this research was the stakeholder theory and corporate reputation theory. In supporting these two main theories, this research utilises a body of complimentary theories such as resource theory and license to operate theory which will be described in detail below.

Stakeholder Theory

Stakeholder theory originated as a guide or tool for public relations and other marketing practitioners to respond to stakeholders' demands. In the development of organisational strategies, mining companies are responsible to numerous internal and external stakeholders. The stakeholder concept can be traced back to 1963 where it was first mentioned by name in a Stanford Research Institute Memorandum (Freeman, 1984). The concept has since gained increasing use in strategy development literature and other academic research studies (Polonsky, 1995).

Stakeholder theory has infiltrated into many disciplines in useful ways. During their academic literature review, Freeman, Harrison, Wicks, Parmar and De Colle (2010), found that many recognised scholars world-wide use this theory in finance, public policy, marketing, public relations and corporate social responsibility and other fields. A stakeholder is any individual, group or organisation that can affect or can be affected by another organisation (Kok, Pay & Balaji, 2015). According to Polonsky (1995), each stakeholder group has a different set of expectations and demands relating to an organisation's performance. According to Harrison et al (2015), stakeholder theory promotes an efficient, ethical and practical way to manage corporations in a highly complex and turbulent business environment with wide stakeholder interests. It is believed that happy stakeholders tend to reciprocate their happiness with positive attitudes and behaviours in many ways including giving the company a social license to operate (all), buying products and

services (customers), providing better financial terms (financiers), working hard and remain loyal to the organisation (employees). According to Harrison et al (2015), stakeholder theory is a useful perspective for addressing complex business issues. Fombrun (1996) and Rindova et al (2005) further stated that corporate reputation reflects the judgments of different observers as influenced by the firm's actions. Stakeholder theorists believe that reputation management is one of the most reliable mechanisms to judge performance and stakeholder confidence. A successful stakeholder management programme should consider the stakeholder salience in the relationship between the stakeholder and the organisation. Kok et al (2015) and Neville et al (2004) define *salience* as the priority with which corporate reputation practitioners consider the stakeholder's claim; it is determined by stakeholders' power, legitimacy, interest, proximity, network and urgency. *Power* describes the stakeholders' potential influence by using normative (symbolic), utilitarian (financial or informational), or coercive (physical) means (Etzioni, 1964; Rajablu, Marthandan & Wan Yusoff, 2015). *Interest* describes the stakeholder's particular interest in the organisation. According to Wicks, Freeman and Parmar (2011), interest based perspective is capable of mobilising a stakeholder group and influencing the focal organisation independent from power, not urgency. *Legitimacy*, according to Rajablu et al (2015), is a socially constructed concept or norm with ownership title, moral rights, interest (self or moral), legal, contractual and exchange relationships. *Urgency* refers to how urgent stakeholders' claims are. These are normally based on time sensitivity and criticality (Mitchel, Agle & Wood, 1997). *Proximity* evaluates stakeholders' relationship based on their close ties with specific mining activities and processes (Bourne & Walker, 2006). *Network* refers to stakeholder relationship networks. Frooman and Murrell (2005) state that stakeholder influence can be determined by the interdependence of the stakeholders in the organisational network and the positions of stakeholders in the wider stakeholder-organisational network. Rajablu et al (2015) developed a stakeholder classification framework which classifies stakeholders based on their type of effect (negative or positive) and their level of influence (high or low) on business success (Figure 2). In this framework, stakeholders are classified into four quadrants. Quadrant one represents stakeholders with a positive quality of interest that can highly contribute to business success. These stakeholders are recommended for empowerment.

Quadrant two represents stakeholders with positive qualities of network, legitimacy and proximity with low to moderate contribution to mining operations or business success. These stakeholders are also suggested for empowerment. Quadrant three represents stakeholders with negative weights of urgency that can highly disturb business success. It is recommended that these stakeholders are controlled. Quadrant four represents stakeholders with negative weight of power that can disturb a mine's wellbeing or business success but, if utilised under legitimate channels as authority, can positively contribute to a project's success. It is recommended that these stakeholders are also controlled. This is a very useful management tool to classify stakeholders and to recommend appropriate management actions.

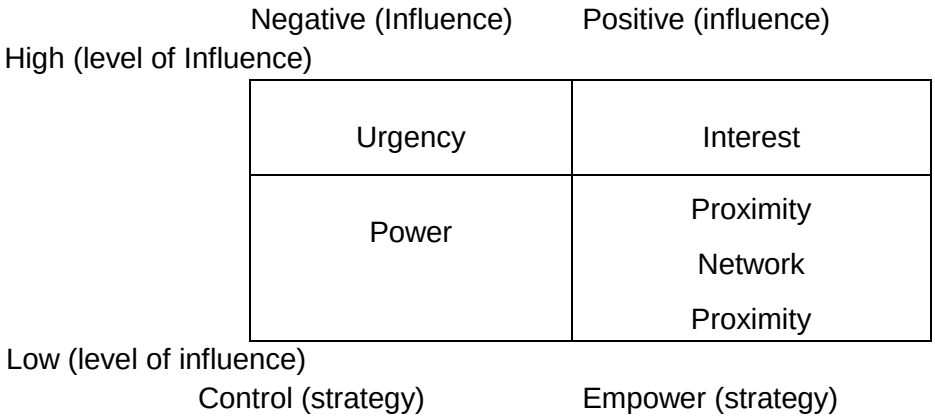


Figure 2: Typology of Stakeholder Influential Attributes (Source: Rajablu et al, 2015)

Many scholars have argued that stakeholder engagement strategies are also critical in managing stakeholder relations. Luoma-aho (2015) has done extensive research in the area of stakeholder engagement and has classified different stakeholder groups into various forms of stakeholder relationships as follows: faithholders, hateholders and fakeholders. Faithholders are those stakeholders who are positively engaged in the organisation or industry, hateholders are those stakeholders who are negatively engaged in the industry while fakeholders are opinions, socio-bots and artificially generated stakeholders by either individuals or persona-creating software and algorithms to either oppose or support an issue. Fakeholders' examples can be found on several customer review sites through

fake reviews.

According to Dolphin (2004), a reputation is bestowed upon a company by stakeholders and it is formed on the basis of direct and indirect stakeholder experiences. Research by Dowling (2016) concludes that organisations and stakeholders do not always see issues in the same light. In many cases, organisations view themselves as champions of community upliftment and engagement, an assumption which is always challenged by its stakeholders (Wartick, 2002). That is why this research is based on a multi-stakeholder perspective which allows different stakeholders to express their views and opinions about the diamond industry.

Social License to Operate

> Phokathaba Platinum employs more than 1000 local community members in Mandashoek, and spends more than R5 million on its SLP per year on community programs. We still face work interruptions from the communities we help. Obviously the money, local procurement opportunities we give to local business people and employment opportunities do not buy us goodwill we need, I have no idea where we are missing the mark. (Statement by Mine Manager, Abel Mbuli, September, 2016)

In South Africa and around the world, mining companies are increasingly battling to obtain, maintain, retain or renew social licences to operate from governments, local communities and consumers. Social license is a relatively new concept and has not received enough attention from the corporate reputation scholars and/or public relations practitioners (Owen & Kemp, 2013; Parsons et al, 2014). Meeting regulatory requirements, such as Social and Labour Plans (SLPs), Environmental Management Plans and other relevant legislations, is no longer enough (Moffat & Zhang, 2014; Parsons et al, 2014; Lane et al, 2015) to guarantee community acceptance of the existence of mining operations in their areas. In places where mining projects have not satisfied the demands of civil society and local communities, especially the youth groups, shutdowns and slow-ups have frequently occurred. In some instances, mining licences have been revoked by

government authorities. For example, Minister of Mineral Resources in South Africa, then Minister Susan Shabangu, cancelled the mining permit for the Johannesburg – and London-listed – Central Rand Gold (CRG), a gold mining company in 2014. In a letter that was addressed to its CEO, Mr Du Toit, she stated that the company did not comply with various prescripts of the mining legislation including complying with the approved Mine Works Plan and its Social and Labour Plan.

According to Bridge (2004) and Prno and Slocombe (2012), a Social Licence to Operate exists when a mining operation is seen as having the broad, ongoing approval and acceptance of society to conduct its activities. It is widely believed that securing an SLO is one of the most significant challenges mining companies now face (Lussier, 2014, Lane et al, 2015). Thomson and Boutilier (2011) have identified three normative components of the SLO, namely, legitimacy, credibility and trust and four levels of social license, namely, withdrawal, acceptance, approval and identification with the project scientifically. They further state that moving from legitimacy, through credibility, to full trust, is an exercise and a long journey of building and balancing the social capital in the relationship between the firm and its stakeholders.

Resource Theory

An organisation with a positive overall reputation possesses a valuable asset (Deloitte, 2014; Eberl & Schwaiger, 2005; Caruana, 1997). Barney (1991) identified resources as firms' assets, capabilities, organisational processes, attributes, information and know-how. Following this definition, Massey (2016) classified these assets as both tangible and intangible. Tangible assets are the firm's fixed or current assets, the resources recorded in the company statements. These can be financial capital such as bank deposits, contracts, cash in the bank or physical capital such as firm's equipment and physical infrastructure such as roads and buildings. Intangible assets broadly encompass the routines and interactions taking place in the organisation; they are not physical nor are they recorded in the firm's ledger. According to Feldman et al (2014) and Abiodun et al (2015), developing ways to gain competitive advantage is dependent on intangible

assets, the main one being reputation.

A positive reputation is a critical intangible resource because of its potential for value creation as well as the fact that it is difficult for the competition to replicate (Dowling, 2016). Resource theory postulates that a good reputation affords a competitive advantage to a business (Amit & Schoemaker, 1994; Peteraf, 1993; Raithel, 2015). Apart from giving significant and sustainable competitive advantage to the firm, corporate reputation may not be transferred, traded or substituted. Therefore, once reputation is acquired, it becomes self-perpetuating.

Corporate Reputation Theory

Corporate reputation is a study with roots embedded in different disciplines, which makes any research in this field very complex. Those disciplines include strategic management, marketing, branding and social sciences (Dowling, 2016; Walker, 2010; Feldman et al, 2014).

According to Caruana and Chircop (2000), early research on corporate reputation started with corporate image, corporate identity, and personality. This is evidenced by Olins' (1989:54) advice that "corporate identity is only effective and capable of reaching people's consciousness if it is well-articulated, heavily backed, and visually appealing". Between the 1950s and the 1970s (Dolphin, 2004), the focus was primarily on the image that external stakeholders held of a firm or store. During the 1970s and early 1980s, corporate identity, corporate personality and strategy became salient. From the late 1980s, the focus shifted to corporate reputation (Fombrun & Rindova, 2000). *Fortune Magazine*, the US based publication, has published its annual survey of corporate reputation for nearly three decades (Dhir & Vinen, 2005). In recent years, trends associated with the evolving knowledge economy and globalisation have heightened the value of corporate reputation, making it more complex.

Barnett, Jermier and Lafferty (2006) point out that image, identity and reputation are concepts that are often used interchangeably. Walker (2010), summarised the differences between these terms after a systematic 27 year-long review of corporate reputation literature (Figure 3).

	Organisational Identity	Organisational Image	Corporate Reputation
Stakeholders: Internal or External	Internal	External	Internal and External
Perceptions: Actual or Desired	Actual	Desired	Actual
Emanating from inside or outside the firm	Inside	Inside	Outside
Positive or negative perception of the firm possible	Positive or negative	Positive	Positive and negative
Relevant question	"Who/what do we believe we are?"	"What/who do we want others to think we are?"	"What are we seen to be?"

Figure 3: Differences between organisational identity, corporate image and corporate reputation
(Source: Walker, 2010)

In Figure 3, it is shown that corporate reputation is built on external and internal stakeholders' current perceptions which are either positive or negative. According to Feldman et al (2014), the concept of corporate reputation is differentiated from concepts such as organisational image and corporate identity which are conceptualised only from one type of stakeholder (identity from internal stakeholders while image is from external stakeholders).

Since its inception in the 1950s, corporate reputation theory has been grounded in the behavioural sciences and quantitative methods (Dolphin, 2004; Doney & Cannon, 1997; Einwiller, 2003; Fombrun, et al, 2000; Griffin, 2008; Ind, 1997; Tracey, 2014). The subject has been dominated by the logical empiricist paradigm which stresses positivistic rationality and measurement. This thesis uses mixed methods in order to introduce a post-positivist perspective to the study of corporate reputation.

There are three schools of thought in the corporate reputation paradigm. They are impressional, evaluative and relational (Chun, 2005; Griffin, 2008). The differences between them relate to which stakeholders are considered, rather than their subject area. Stakeholders can typically be grouped as internal (i.e. executives, mine managers) and external (i.e. consumers, bankers). Whereas the "evaluative"

and “impressional” schools are concerned mainly with single stakeholder interests or expectations, the relational school of thought is based upon stakeholder theory which recognises that different stakeholders may have different expectations of a company (Harrison et al, 2015; Freeman, 1984). The relational school focuses on the views of both “internal” and “external” stakeholders and appears to provide a relatively progressive, pragmatic new lens for the development of the corporate reputation paradigm. This research is based on the relational multi-stakeholder perspective.

In summary, many scholars in the field of corporate reputation emphasise that corporate reputation is a strategic, intangible asset making it a resource for the organisation (resource theory). It is about observers’ perceptions based on company image, past actions and experiences of the stakeholders (stakeholder theory). According to Feldman et al (2014), a corporate reputation is a construct closely linked to stakeholder theory. It has been defined as a perceptual representation or assessment of a firm by its different stakeholders (Fombrun, 1996). According to Dowling (2016), corporate reputation is about admiration, attractiveness, acceptance, legitimation and respect a person may hold of the organisation (which gives it a social license to operate). This thesis embraces these three theories because they are particularly useful within the South African context where there are multiple stakeholders’ expectations and demands from investors, local communities, Non-Governmental Organisations (NGOs), labour unions, media houses, suppliers, contractors and government, whose perceptions and acceptance of the mining operation are critical for its continued success.

2.2 Definition of corporate reputation

Corporate reputation is increasingly viewed by many organisations and executives as an invaluable asset, however, recent reviews of scholarly literature suggest that there is no clear and widely accepted definition of what is meant by corporate reputation (Dowling, 2016; Caruana, Said, Williams & Krentler, 2015). Many scholars, for instance, Dolphin (2004), Schwaiger and Cannon (2011) and Tracey (2014), argue that the definition of corporate reputation remains a matter for ongoing debate. In order to describe this form of ongoing debate and the differing perspectives, a number of examples are provided below to illustrate the need for a

more universal definition of corporate reputation:

In German business parlance, reputation is a synonym for esteem and being renowned (Schwaiger, 2004). Schwaiger uses Fombrun's analysis in Fombrun (2001:24) which characterises corporate reputation in the following context to explain the different uses of the term "corporate reputation":

- A kind of goodwill in the field of accounting;
- The manifestation of a corporate identity in the field of organisation theory;
- A signal about future actions and behaviour, a pledge that justifies and promotes expectations of a principal about the actions of the agent in the field of principle agent theory;
- The results of corporate branding in the field of marketing; and
- A potential market entry barrier in the field of management.

Flynn (2006:15), Massey (2016) and Shamma (2012) believe that corporate reputation can be conceptualised according to the following key themes:

- **Identity**
  The internal traits of the firm which are critical to its distinctiveness and longevity.
- **Image**
  The perceptions and associations that are constructed by the purchaser of the product/service.
- Brand
  The constructed visualisation of the company's value proposition.
- **Reputation**
  The holistic viewpoint in which an organisation is internalised by its stakeholders.

Gotsi and Wilson (2001) reviewed the studies on corporate reputation and merged the different aspects into the following definition:

> A corporate reputation is a stakeholder's overall evaluation of a company over time. This evaluation is based on the stakeholder's direct experience with the company, any other form of communication and symbolism that provides

> information about the firm's action and/or a comparison with other leading rivals (Gotsi & Wilson, 2001: 29).

Research based on this definition (i.e. *Fortune 500* and *Reputation Quotient*) have defined overall estimations of corporate reputation with an emphasis on financial and economic performance. Even though the *Fortune Most Admired Corporations* and *Reputation Quotient* are heavily criticised for being non-academic, invalid and unreliable, they are still seen as acceptable measures of corporate reputation (Griffin, 2008).

According to Levitt (1965), corporate reputation can be defined in terms of a number of attributes that form a buyer's or stakeholder's perception as to whether or not a company is well-known, good or bad, reliable, trustworthy, reputable and believable.

Corporate reputation is a perceptual representation of a company's past actions, as well as future prospects, which describes the firm's overall appeal to all of its key constituents/stakeholders, when compared with other leading rivals (Rayner, 2003). Rayner (2003) further recommends that perceptions of a company's image and its beliefs are often built over a period of many years, for example, each mention in the media, every contact, every rumour and every piece of gossip plays a part in forming an overall impression of an organisation's reputation.

Barnett et al (2006) reviewed many definitions of corporate reputation and categorised them according to their similarities and differences (see Table 2). In their review, these authors found that there is no single accepted and commonly used definition of corporate reputation within the available literature. Overall, they identified three distinct clusters of meaning in the definitional statements which define reputation as an "asset", as a "state of awareness" and as "an assessment". They defined reputation as follows:

> The observers' collective judgments of a corporation based on assessments of the financial, social, and environmental impacts attributed to the corporation over time (Barnett et al, 2006).

Table 2: Inventory of Definitions of Corporate Reputation

Cluster	Citation	Meanings
Assets	Flynn (2006); Pfarrer, Pollock & Rindova (2010); Shamma (2012)	An intangible resource
	Harvey, Morris & Santos (2016); Fombrun (2001)	Economic asset
		Long-term investment value
		Quality of products or services
		Innovativeness
		Ability to attract and retain talent
		Quality Management
		Wise use of corporate assets
Assessment evaluations	Wartick (2002)	The aggregation of single stakeholders
	Fombrun & Rindova (2000)	Gauge of the firm's relative standing
	Fombrun (1998); Feldman et al (2014)	Describes the firm's overall attractiveness
	Fombrun (2001); Walker (2010)	Subjective, collective assessment
		Judgment of firm's effectiveness
		Aggregate of judgments
	Fombrun & Rindova (2000); Tracey (2014)	General esteem
		Regard in which the firm is held
		Lasting, cumulative, global assessment
	Dowling (1994); Reputation Institute (2016)	An evaluation (respect, esteem, estimation)
Awareness	Fombrun (1998); Sequeira et al (2015)	Collective representation of past actions
	Fombrun (2001); Abiodun et al (2015)	Collective representation of past actions and future prospects
		Individual perceptions and interpretations
	Fombrun & Rindova (2000); Walker (2010)	Aggregate of perceptions
		What stakeholders think and feel about the firm
	Balmer (2001); Van der Merwe & Puth (2014)	Latent perception of the organisation
	Levitt (1965); Van der Merwe & Puth (2014)	A buyer's perception of how well-known, good/bad, reliable, trustworthy, reputable and believable a firm is.

(Source: Researcher's own construction, based on literature review)

Walker (2010) found that, out of more than 20 academic articles which discuss the definition of corporate reputation, more than half of those articles referred to Fombrun's (1996) and Rayner's (2003) definitions which emphasised perceptions, stakeholders, firm and appeal (which could be positive or negative).

Dowling (2016) further expressed frustration about the constructs of corporate reputation. He identified four critical elements that must be included in the definition. Those are object, rater entity, stability, attributes of judgement and central conceptual theme. He described his mini-theory as follows:

Object – while his definition focuses on one organisation, he believes it can easily accommodate the reputations of its peers or competitors.

Rater entity – the definition must refer to a person rather than a group.

Stability – the definition must be anchored at a point in time. This is because corporates are likely to be affected by different issues in different times.

Attributes of judgement or assessment – respect and admiration are expressions of Fombrun's definition. It must touch the emotions of the rater agent or groups.

Central conceptual theme – in the definition, the conceptualised theme must be generalised favourable other than being known for something.

Dowling (2016) established this definition of corporate reputation backed by the logic above and the fact that it could differ across different groups. He believes that corporate reputation is the admiration and respect a person holds of an organisation at a point in time.

In summary, corporate reputation has four main elements: rater, past actions, object-specific components and net emotional reaction. Rater (Dowling, 2016) is an entity group or person responsible for rating the organisation; past actions (Fombrun et al*,* 2015; Weigelt & Camerer, 1988) refer to corporate reputation as a set of economic and non-economic attributes ascribed to a firm and inferred from the company's past behaviour; object-specific components (Brown, 1995) are an assessment of the organisation which is based on the fact that the organisation is

known, which could be good or bad; and net emotional reactions (Fombrun, 1996; Fombrun et al, 2013), which is based on the overall estimation in which the organisation is held by its constituents. Based on this review, the definition of corporate reputation for the purpose of this research is therefore about the perceptions, attitudes and beliefs of stakeholders. It can be a set of attributes ascribed to a firm inferred from past actions. It is concerned with how people feel about a company as a result of whatever information or misinformation they have on company activities, the workplace and past, current and future prospects. Based on the above arguments, a good corporate reputation is an asset that can have value when dealing with a broad range of stakeholders, i.e. employees' eagerness to retain the prestige jobs that a firm is perceived to be offering.

2.3 Components of corporate reputation

In the research on corporate reputation, the attention of many scholars has been focused on the following concepts as key components of corporate reputation: corporate brand, corporate identity, corporate image, corporate legitimation, and reputation management (Bromley, 2002; Flynn, 2006; Fombrun, 1996; Lloyd, 2007; Kaul & Desai, 2015).

2.3.1 Corporate Image

Senior managers of many firms have realised that an organisation cannot detach itself from its internal and external stakeholders (Herstein, Mitki & Jaffe, 2008; Harrison et al, 2015). Over the past decade, management of corporate image has become an essential strategy for many organisations. Corporate image can be defined as the sum of experiences that a person has with an organisation (Stuart, 1999; Sequeira et al, 2015). Alvesson (1990) defines corporate image as the holistic and vivid impression held by a particular group towards a corporation, partly as a result of information processing carried out by the group's members and partly by the aggregated communication as part of the corporate communications function. Corporate image is central to the stakeholder's overall impression of the company. This is further supported by Barich and Srinivasan (1993) who define it as the way customers view the company's overall marketing offer, marketing mix, and whether the firm is a desired/desirable/sought-after employer and is a responsible citizen in terms of its corporate social responsibility.

Brown, Dacin, Pratt and Whetton (2006) define corporate image as mental associations that *members of organisations* believe others outside the organisation hold about the organisation, while corporate reputation is about the mental associations about the organisation held by *others outside the organisation*. Corporate image is therefore a reflection of an organisation's identity and its corporate brand (Balmer, 2001). It can be concluded that these definitions do not provide sufficient clarification of the differences.

2.3.2 Corporate Legitimation

Sources on corporate legitimation (Dowling & Pfeffer, 1975; Phillips, 2006; Suchman, 1995; Kaul & Desai, 2015) argue that it is important to acquire and maintain organisational legitimacy because it increases a firm's chances of securing from its environment the resources that it needs to survive, including stakeholder relations. Corporate legitimacy (sometimes called credibility) refers to

> the generalized perception or assumption that the actions of an organisation are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions (Deephouse, Bansai & Carter, 1997:16).

In other words, an organisation is considered to be legitimate within a particular society or constituency if it complies with the society's norms and values. Furthermore, despite the fact that the acquisition and maintenance of organisational legitimacy does not automatically lead to superior performance, loss of organisational legitimacy could eventually lead to organisational failure, as the firm would become unable to acquire the environmental resources necessary for its survival.

In addition, Suchman (1995) identified three types of organisational legitimacy: pragmatic, moral, and cognitive. Moral legitimacy reflects a positive normative evaluation of the organisation and its activities (Suchman, 1995:79). Moral legitimacy therefore depends on societal beliefs about whether or not such behaviour is "the right thing to do". Pragmatic legitimacy reflects the self-interested calculations of an organisation's most immediate constituencies or audiences (Suchman, 1995:78). The firm's audiences scrutinise its behaviour in order to determine the consequences for themselves and, in this way, decide on their

actions towards the firm (Fombrun, 1996; Freeman; 1984; Suchman, 1995; Wood, 1999, Dowling, 2016). Cognitive legitimacy refers to the “taken-for-grantedness” and comprehensibility of a firm's behaviour. This kind of legitimacy stems from the fact that the firm’s various constituents cannot conceive of a situation where the firm's behaviour could be other than what it is. Legitimation therefore involves granting authorities or organisational entities the power to define the congruence between the organisation and the accepted values, norms and expectations of society.

2.3.3 Corporate Brand

The rise of branding as a powerful tool to attract and retain customers has seen wide-ranging discussions occurring in marketing and public relations literature (Aaker, Kumar & Day, 2003). According to Wood (1999), and Melewar and Saunders (2002), in consumer marketing, brands often provide the primary points of differentiation between competitive offerings and, as such, they can be critical to the success of companies. Aaker et al (2003), Flynn (2006) and Wood (2000) argue that corporate brands should be managed as valuable, long-term corporate assets. The *American Marketing Association* (1960:34) defines corporate brand from a corporate point of view as:

> A name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.

Ambler (1992:19) takes a consumer-centric approach in defining corporate brand as:

> The promise of the bundles of attributes that customers buy and provide satisfaction and self-gratification. The attributes that make up a brand may be real or illusory, rational or emotional, tangible or invisible.

Corporate brand therefore conveys expectations of what the company will deliver in terms of customer experience, products and services (Balmer, 2001; Lloyd, 2007; Lussier, 2014) while corporate image can be defined as the sum of experiences that a person has with an organisation (Stuart, 1999; Sequeira et al, 2015).

2.3.4 Reputation Management

Reputation management is the collective representation of multiple constituencies' images of a company, built up over time and are based on a company's identity programmes, its performance, its leadership qualities and how constituencies perceive its behaviour (Flynn, 2006; Fombrun, 1996; Van Riel, 1995; Dowling, 2016). According to Feldman et al (2014), reputation management involves the identification of areas of reputational risks; the identification of relevant stakeholders of the business in line with identified reputational risks and the establishment of systems that evaluate the relative position of each group of critical stakeholders. It then becomes possible to prioritise the weak reputational areas and develop action plans to deal with them and schedule continuous re-evaluation.

2.3.5 Corporate Identity

Corporate identity is widely recognised as an effective strategic instrument and as a means to achieve competitive advantage (Schmidt, 1995; Barnett & Leih, 2016). Corporate identity is interpreted by many authors as a strategic manifestation of corporate-level vision and mission, underpinned by the strategic goals, principles and values which a corporation employs in going about its business (Melewar & Wooldridge, 2001). A strong emphasis is placed on ethical and cultural values as well as on organisational history and philosophy. There is a lack of agreement regarding the relationship between corporate image and corporate identity (Stuart, 1999). Corporate identity consists of the firm's defining attributes, such as its products, people, and services (Prager, 2013; Lloyd, 2007; Balmer, 2001).

2.4 Summary

The literature reviewed almost unanimously makes profound links between corporate image, corporate brand, corporate personality, corporate legitimacy, reputation management actions, corporate leadership integrity and corporate identity by stating that image is the collective perception that stakeholders have of corporate identity and therefore is the value ascribed to the corporate's reputation. It is now necessary to explore the relationship of these components within the diamond industry from a stakeholder's perspective.

2.5 Drivers of Corporate Reputation

In identifying the factors or drivers that can have a positive or negative impact on the perception of a company's brand, Fombrun (1996) and Schwaiger (2004) argue that drivers of corporate reputation can constitute the underlying source of competitive advantage and can make competitive advantage operational. According to Rayner (2003), there are seven drivers of corporate reputation: above average financial performance and long-term investment value; workplace talent and culture; regulatory compliance; delivering on customer promises; proper corporate governance and leadership; Corporate Social Responsibility (CSR) and communication and crisis management. The *Fortune Magazine* annual survey provides an index based on an assessment of companies with regard to the following key drivers (Lloyd, 2007): degree of innovativeness; product quality; management quality; financial soundness; ability to develop and keep key people; asset use; investment value; and community and environmental friendliness.

These key drivers are explained by Flynn (2006) as the following with minor additions: relationships; trust/emotional appeal; quality of product and services; satisfaction – employees and customers; performance – financial and organisational; responsibility/citizenship; word of mouth/credible source; governance and compliance – rules/regulations and leadership in terms of the organisational vision and leadership visibility. In Flynn's definition, relationship, trust and emotional appeal are identified as the key drivers for corporate reputation.

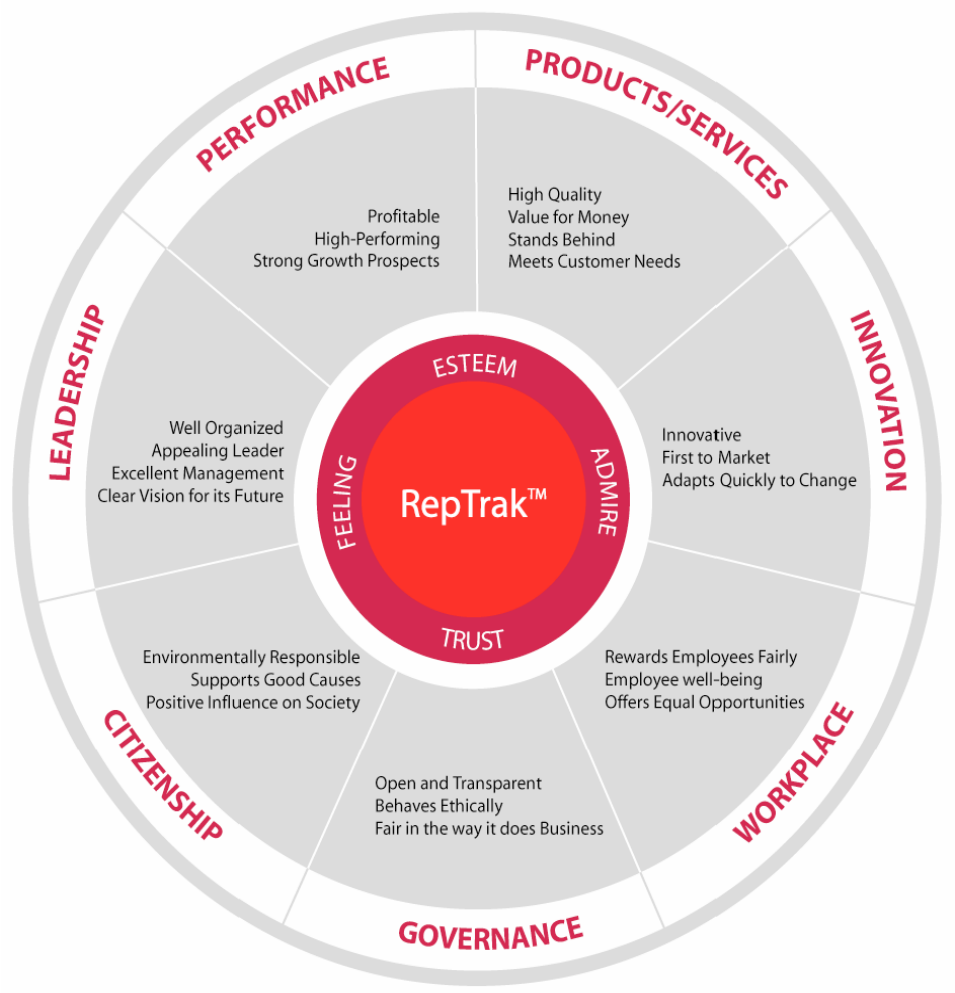


Figure 4: RepTrak™
(Source: Fombrun, Ponzi & Newberry, 2015)

The Reputation Institute (2016) developed the RepTrak™ model which consists of seven dimensions and 23 attributes found, through qualitative and quantitative research, to best explain what constitutes the reputation of a company (Figure 4) and to define the drivers of a corporate's reputation. In this RepTrak model, innovation is added to the list of drivers of reputation.

In summary, based on commonalities and findings from different authors as shown in the bottom of Table 3 below, this study focuses on the following key drivers of corporate reputation: financial performance; community and environmental responsibility; customer loyalty; stakeholder relations; employee engagement and culture; corporate governance and leadership; communication and crisis management and regulatory compliance. These are explained in detail in the following section.

Table 3: Inventory of Drivers of Corporate Reputation and commonalities between different authors

Author	Financial Performance based driver	Social Performance based driver	Product and Services Performance based driver	Employee Value Proposition based driver	Leadership based driver	Corporate Activity based driver	Relational Based driver	Governance Based driver
Flynn (2006)	Financial performance	Responsibility/ citizenship	Quality of product and services	Satisfaction of customers and employees	Leadership, vision and visibility	Crisis management	Relationships and trust	Governance and compliance
Rayner (2003)	Above average financial performance	Corporate Social Responsibility	Delivering customer promise	Workplace talent and culture	Quality of leadership	Communication and crisis management		Governance
Deloitte (2014)	Financial Performance	Corporate Social responsibility	Quality standards			Innovative and crises response	Safety and security	Ethics and integrity
Reputation Institute (2016)	Performance (profitable)	Corporate Citizenship	Product and services	Workplace (employee wellbeing)	Leadership	Innovation		Governance
The Economist Intelligence Unit (2005)	Financial and operating performance	Social Responsibility and community involvement	Quality of product and services	Ability to recruit and retain talent	Quality of management	Crisis management	Corporate stakeholder relations and trust	Exposure to non-ethical practices

Barnett et al (2016)	Financial soundness	Community and environmental responsibility	Quality of goods and services	Ability to attract, develop and keep talented people	Wise use of company assets	Innovativeness		Long-term investment value
Pharoah (2003)	Financial performance	Social and environmental breaches	Customer satisfaction	Ability to recruit and retain employees	Execution of strategy	Crisis management and communication	Strengthened public and government relations	Better compliance and disclosure standards and processes
Schwaiger (2004)	Financial soundness	Corporate Social Responsibility	Quality of product and services	Ability to attract, develop and retain talent	Quality of management	Innovation	Stakeholder relations	Corporate governance
Dowling (1994)	Financial soundness	Community and environmental responsibility	Quality of product and services	Ability to attract, develop and retain talent	Quality of management	Innovativeness	Stakeholder relations	Good corporate governance practices
Commonalities	Financial Performance	Community and Environmental Responsibility	Quality of product and services	Employee Engagement	Quality of leadership	Communication and crisis management	Stakeholder relations	Strong adherence to good governance practices and legal compliance

(Source: Researcher's own construction based on literature review)

2.5.1 Financial Performance

Literature on corporate reputation makes it clear that financial performance of a company is intricately linked to its reputation (Schwaiger 2004; *De Beers Reputation Study,* 2007, Feldman et al, 2014). Companies that achieve above average financial performance are normally sought after by investors and employees. Above all, they also contribute more to the government. However, the operating environment also affects the financial performance of a company, for example, the 2008 global financial crisis affected the financial performance of many companies but sound company stewardship enabled many companies to stay afloat. The ongoing labour disputes in South Africa are another example. The ability of companies to weather the storms of many economic environments impacts positively on their reputation in the eyes of stakeholders.

2.5.2 Employee Engagement

The literature on employee attraction and retention clearly emphasises the importance of positive corporate reputation and its effects on the acquisition of top talent, employee motivation and general human resources development (Lotz, 2014; Coldwell, Billsberry, Van Meurs & Marsh 2008; Dolphin, 2004). Employee engagement is an important part of successful organisations. Employee engagement was conceptualised by Kahn (1990) as the harnessing of organisational members' belief systems in alignment with their work roles. Cawe (2006) describes employee engagement as a progressive combination of satisfaction, motivation, commitment and advocacy resulting from employees' movement up the engagement pyramid (see Figure 5). According to Cawe (2006:21):

> satisfaction is what gets employees to go to work, while motivation enables the employee to want to go the extra mile, commitment enables employees to become better ambassadors of the organisation and advocacy enables employees to proactively speak positively about the organisation and lastly engagement is the combination of all these factors.

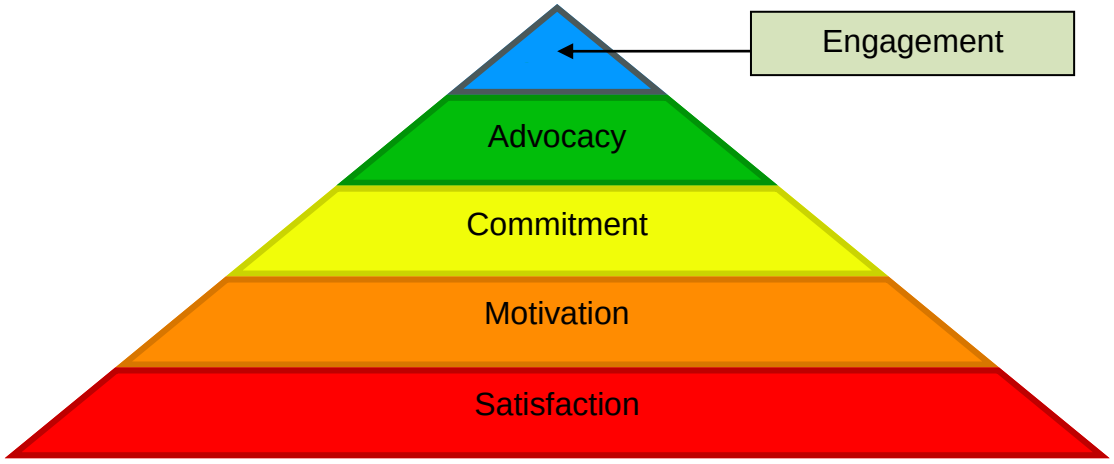


Figure 5: Engagement Pyramid
(Source: Cawe, 2006:9)

Employee engagement is the emotional attachment between an employee and his or her workplace (Harter & Wagner, 2008). It is the level of commitment and involvement an employee extends towards the organisation and its values (Vazirana, 2007). According to Vazirana (2007), engaged employees will employ and express themselves physically, cognitively and emotionally during their delivery of strong work performances. The *Development Dimensions International Report* (2007) believes that employee engagement is the extent to which people enjoy and believe in what they do and feel valued for doing it. Employee engagement includes the enthusiasm, fulfilment and commitment of employees when it comes to their work. In most organisations, there are three different types of employees according to Vazirana (2007), namely,

1. the engaged employee;
2. not engaged employee; and
3. actively disengaged employee.

The *engaged* employees are known to be "*builders*". They are passionate about what they do and say. They want to know the desired expectations for their role so they can meet these and outperform them. They are passionate about everything about the organisation and everything around them internally and externally (Wellins, Bernthal & Phelps, 2008). They are easily excitable; they are committed and fully in the present; they inspire others; they work harder with enthusiasm and drive continuous business improvement and the long-term sustainability of their

organisations (Robinson, Perryman & Hayday, 2004).

The "*not engaged"* employees tend to do what they are expected to do without innovation and a drive for outperformance. According to Vazirana (2007), they focus on accomplishing tasks versus achieving an outcome with excellence. The "*actively disengaged*" employees are known to be the "*cave dwellers"*. They are always negative about the organisation and towards everything about the organisation. According to Vazirana (2007:5), they sow seeds of negativity at every opportunity with which they are presented. Studies across various industries have shown that, on average, only 29% of employees are actively engaged in their jobs (feel a profound connection to their company), 54% are not engaged ("sleepwalking through the day") and 17% are actively disengaged ("acting out their unhappiness"). According to Wellins et al (2008) and Lane et al (2015), multiple studies in different countries and across industries reveal that there are very few employees comparatively who are passionate and fully committed to their organisations. Figure 6 illustrates some of the worldwide statistics on the employee engagement phenomenon.

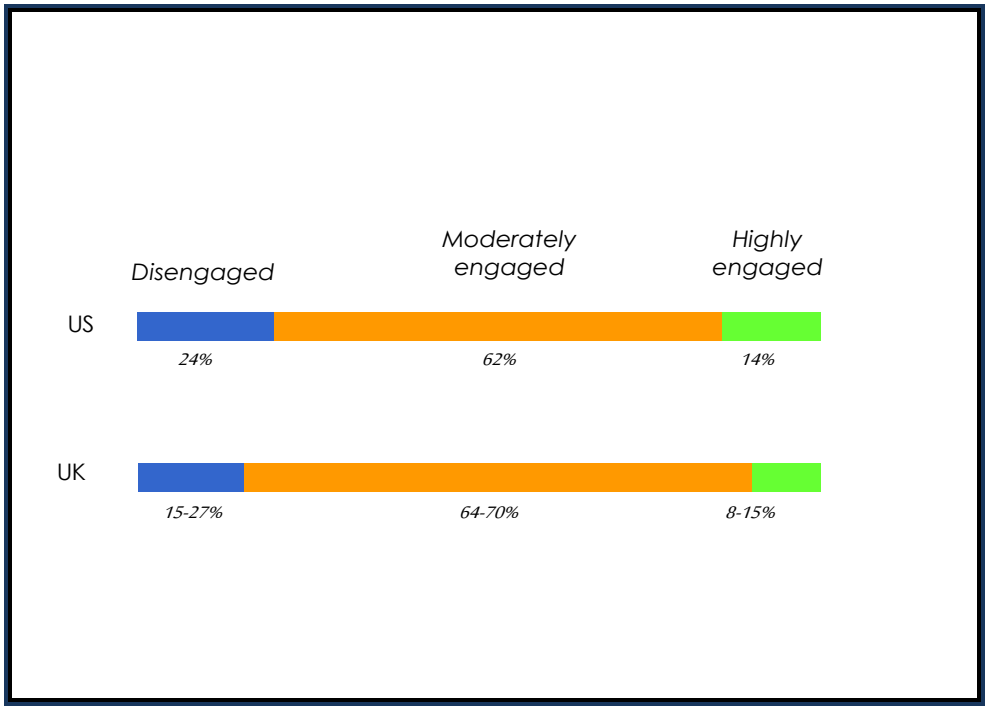


Figure 6: Engaging employees: A worldwide problem
(Source: Goddard's presentations on Employee Engagement, 2008:4)

There is a proven direct correlation between employees who are fully engaged in terms of their morale and performance. Various studies have confirmed that fully

engaged employees work with passion and feel a profound connection to their companies. They move the organisation forward. According to Robinson et al (2004) and Tracey (2014), actively engaged employees believe they can make a positive impact on the following aspects in their organisation:

- Exceptional representation of their organisation's products or services;
- Brilliant customer interface and service excellence;
- Support company strategy, values and vision; and
- Strong emotional bonds to the organisation that employs them and strong brand loyalty. This can be associated with people demonstrating willingness to recommend the firm to others and commit time and effort to help the organisation succeed.

The global economic crisis had a significant impact on many companies in 2008 but the greatest impact was on employees. According to Harter & Wagner (2008:37):

> In good times, employee engagement is the difference between being good and being great, in bad times it's the difference between surviving and not.

2.5.3 Regulatory Compliance

Regulatory compliance refers to a firm's behaviour, which respects the essence and the spirit of the laws under whose jurisdiction the organisation falls (Visser, Matten, Pohl & Tolhurst, 2007). Accordingly, companies must comply with all the relevant laws and regulations. These include general applicable laws such as tax, employment legislation, human rights protocols, competition laws, environmental protection laws and intellectual property laws (Joosub, 2006; Davis & Franks, 2014). It is common knowledge that failure to comply will have a significant impact on the success of the firm. Examples of punitive damages against a non-compliant company include loss of licence to operate and fines. It has also been reported that non-compliance with applicable laws can lead to litigation, which, in turn, leads to harmful publicity and a diminished share price. This could also have a negative impact on shareholder confidence and the possible loss of licence to do business (Joosub, 2006; Parsons et al, 2014). A court case due to perceived non-compliance can result in reputational damage, with media and NGOs escalating

the issue beyond the company's sphere of control (Joosub, 2006). The main challenge with a court case is that the stakeholders may believe that the company is probably guilty, even before the case is finalised.

2.5.4 Consumer Relations

Brand names and corporate reputation are becoming increasingly important to consumers since the amount of time consumers have available to shop is slowly diminishing. Therefore, consumers are relying more on established brand names and the images they convey when purchasing products (Nguyen, 2007; Barnett & Leih, 2016). From the manufacturer's point of view, brand reputation/integrity builds customer loyalty, which in turn generates repeat business.

The development and maintenance of customer loyalty towards a firm's products or services is seen as the central thrust of marketing activities (Hsieh & Li, 2008; Abiodun et al, 2015) particularly for luxury goods businesses, which need to attract new customers while trying to keep existing customers. Hsieh & Li (2008) prove that higher customer loyalty implies a higher market share and an ability to demand relatively higher prices compared to those of competitors. Increased customer loyalty can lower marketing costs and solicit more customers. According to Lussier (2014) and Caruana et al (2005), in a market that inundates consumers with advertising campaigns and lifestyle and fashion messages, a positive corporate reputation is a powerful weapon.

Excellence in delivering customer promise can foster positive word-of-mouth promotion and improved customer loyalty (Joosub, 2006; Farooq, 2016). Poor customer service is one of the biggest challenges for many companies in today's fast-changing expectations of consumers. This has a direct bearing on corporate reputation. According to Rayner (2003) and Barnett and Leih (2016), attracting customers is only part of the challenge, retaining them and enjoying their repeat custom is another part. In today's fast-paced consumerism, customers are faced with wide and varied choices. It is therefore easy for them to turn to alternative suppliers if they lose confidence in their current suppliers (Nguyen, 2007).

Hsieh and Li (2008) claim that cognitive psychologists believe that memory is extremely durable because once information has been stored in it, its strength of

association decays very slowly. In terms of customer loyalty and attraction, if customers have committed to a favourable corporate reputation because of excellent delivery of customer promise, such a perception is expected to guide the integration of new information (Hsieh & Li, 2008). Beckwith and Lehmann (1976) state that this mental/cognitive integration is called the "*halo effect"*. They further claim that, in marketing literature, there are two types of halos. The first type asserts that the response to a particular attribute can be influenced by the general impression of the overall object. The second type asserts that the evaluation of a dominant attribute can influence the response to other attributes. This means that when customers have a favourable product or service experience, this could lead to a positive influence over other messages related to the organisation. In other words, the halo effect reflects the individual's tendency to maintain cognitive consistency and to avoid cognitive dissonance (Beckwith & Lehmann, 1976; Lussier, 2014).

It is believed that consumer satisfaction is a good, if not the best, indicator for a firm's future profits (Fornell, 1992; Kotler, 1991; Tracey, 2014). This has been established by Fornell (1992) who stated that attracting new consumers is much more expensive than keeping old ones. This explains the corporate drive toward increased consumer satisfaction research initiatives (Anton, 1997; Fornell & Wernerfelt, 1987). Recently, it has also been demonstrated through econometric models that consumer satisfaction is predictably associated with financial returns and the long-term success of companies (Anderson, Fornell & Lehmann, 1994; Edvardsson, Johnson, Gustafsson & Strandvik, 2000) together with improved productivity levels (Anderson, Fornell & Rust, 1997; Huff, Fornell & Anderson, 1996). The clear importance of consumer satisfaction drives companies to conduct consumer satisfaction surveys and reports to understand the extent of their consumers' satisfaction with or without the help of marketing.

2.5.5 Corporate Governance

The last decade or so has seen an astonishing proliferation in corporate codes of conduct, often linked to reporting requirements by many sustainability indices. According to Regester and Larkin (2005), voluntary governance and reporting standards such as FTSE4Good, AA 1000, ISO 14001 and the *Global Reporting*

Initiative are adding pressure to the need for greater transparency, better integrated internal issue management controls and a much stronger commitment to responsible/transparent/effective corporate governance.

Corporate governance is defined as the system whereby entities are managed and controlled (*King Report*, 2002). According to Joosub (2006) effective corporate governance is fundamental to effective risk management and a tool to protect corporate reputation and shareholder confidence. He stresses that it is important to get the basic corporate governance framework right. According to Joosub (2006) and Rayner (2003), the following considerations regarding corporate governance are highly advisable:

- Responsible, responsive and accountable leadership;
- Comprehensive risk and issues management;
- Comprehensive internal controls with robust oversight and assurance provision through the internal and external audit function;
- Appropriate reward, remuneration and incentives;
- Relevant and effective board committees;
- Effective board and executive committees;
- Appointment of independent, challenging and pro-active non-executive directors to the board;
- Effective stakeholder relationship management; and
- Compelling vision and strategy.

Effective corporate governance can only be achieved through effective enforcement of the above principles with clear policies, standards and procedures, supported by regular reviews and audits to ensure continued compliance.

2.5.6 Quality of Management

According to Klein and Leffler (1984), research has shown that the reputation of a CEO accounts for 48% of an organisation's reputation. This is supported by the *Reputation Institute Report* (2006), which revealed that the company CEO or chairman is accountable for more than 40% of corporate reputation. Financial executives believe that a CEO's reputation would influence their decisions to purchase shares in the organisation. A CEO's reputation could play a significant

role in attracting more investors, clients, work applicants and trust in corporate decisions (Le Roux, 2003; Govindan et al, 2014). Therefore, leadership profile is very important in the management of corporate reputation.

2.5.7 Community Relations and Environmental Compliance

> In April, Anglo American Platinum announced a deal to set up a 175 million rand ($11 million) community trust for the local Mapela tribe to kick-start development and investment in neglected villages.
>
> The trust's aim is "to improve the living conditions and quality of life of members of the Mapela Traditional Community".
>
> "It is the crown jewel in the portfolio and so managing risk and community relations around the asset are very important," said Hanre Rossouw, fund manager at Investec Asset Management, which holds shares in Amplats and Anglo American.
>
> But the gesture has been greeted with anger by some residents, who say the amount is too little and complain that while their traditional leader was consulted, communities were not (Stoddard, 2016).

According to Hopkins (2003), Regester and Larkin (2005) and Parsons et al (2014), over the past two decades the pressure on business to become accountable and to perform a social and environmental role has increased dramatically. They claim that whether or not organisations are enthusiastic about embracing greater social and environmental accountability, many authors have confirmed that there is a business imperative to manage community relations and environmental compliance in the mining industry (Owen & Kemp, 2013; Sirsly & Lvina, 2016).

Socially Responsible Investment (SRI) and Corporate Social Responsibility (CSR) are the developments that are attracting serious attention from financial analysts, NGOs, authorities and institutional investors as the common initiatives used by most corporates to describe social performance and environmental stewardship. These two main programmes are described in detail below. SRI is an investment strategy that takes into account a company's ethical, social and environmental performance, as well as its financial performance. According to Regester and Larkin (2005), banks' asset managers and term assurers are screening their

shareholdings in favour of companies that demonstrate commitment to social and environmental programmes and against those that are associated with activities deemed unethical to society and detrimental to the environment. Corporate Social Responsibility is an emerging phenomenon used by some as a fashion statement through glossy stakeholder or sustainable reports and websites and by others as a possible framework for demonstrating a more responsible, ethical approach to doing business (Regester & Larkin, 2005; Arya & Bassi, 2011; Barnett & Leih, 2016). The best conceptualisations of CSR remain embryonic; there is no universal acceptable definition of corporate social responsibility. It has been commonly defined as “the degree of moral obligation that may be ascribed to corporations beyond simple obedience to the laws of the state” (Kilcullen & Kooistra, 1999:58). It can also be described as “a concern by a firm in treating its stakeholders ethically or in a responsible manner, noting that the term ‘stakeholders’ includes the natural environment as well as people, both within and outside the corporation” (Hopkins, 2003:10). In summary, CSR includes ethical and responsive dealings with customers, suppliers, the general public and communities and includes corporate governance and philanthropic and charitable activities, as well as socio-political goals such as poverty eradication, health and education in disadvantaged communities, environmental protection, including energy conservation and pollution control, fair trade and ethical investments (Hopkins, 2003; Arya & Bassi, 2011).

Carroll and Buchholtz (2000) offer a theoretical model indicating the relationship between actual and expected corporate social performance over time as depicted in Figure 7. The gap indicated in Figure 7 has been widening since the sixties as public expectations of corporate social performance have increasingly begun to outstrip actual business social behaviour. This conclusion is also supported by a study conducted by Mason, Paxton, Parsons, Parr and Moffat (2014) involving forty-five mining communities in Australia, where communities acknowledged the role the mining companies are making but stated that their needs and expectations far outweigh what the mining companies could offer in meeting their expectations.

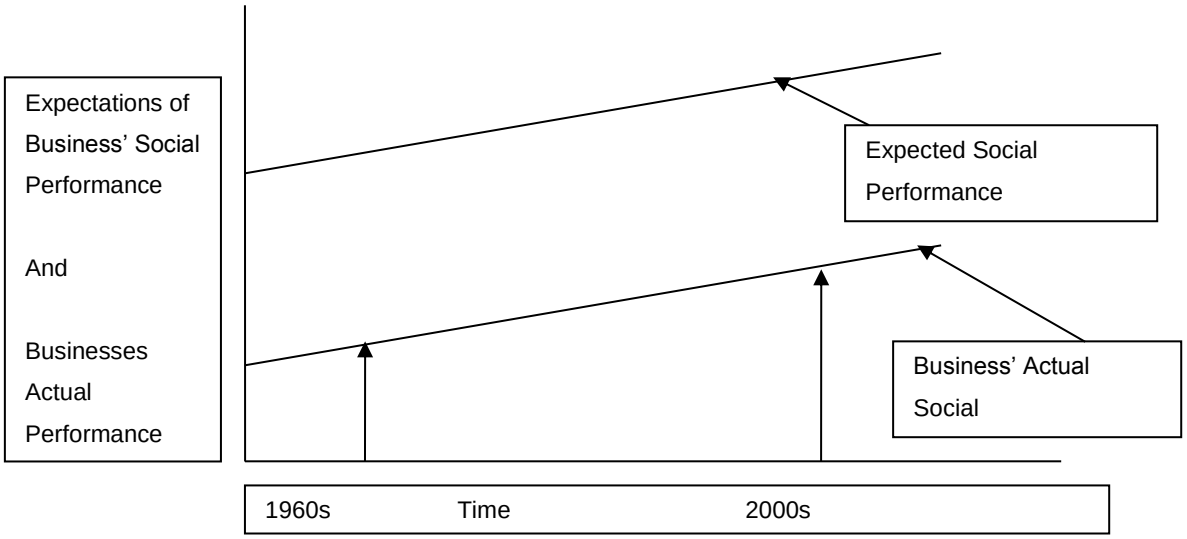


Figure 7: Society's expectations versus business's actual social performance (Source: Carroll & Buchholtz, 2000:8)

2.5.8 Communication

Empirical work by Fombrun and Rindova (2000:43) on reputation management approaches and strategies of leading UK/US firms led them to conclude that

> [i]n sum, these analyses demonstrate that communication benefits may result not only from the amount and frequency of communications but from the variety of issues about itself that a firm reveals through its communications and public appearance. Communications that make a firm transparent enable shareholders to appreciate the firm's operation better, and so facilitate ascribing it a better reputation.

This means that communication can play a strategic, pivotal role in corporate reputation and strategic positioning (Van der Merwe & Puth, 2014; Parsons et al, 2014). According to Bickerton (2000) and Massey (2016), in order to achieve effective communications, there are three building blocks to be considered:

1. The need for a clear typology of communications. The establishment of the appropriate communication typology can be in three forms: management, marketing and organisational (Balmer, 1997). It is recommended that communications be co-ordinated across the organisation in order to develop "common starting points" (CSPs).

2. A more robust approach to segmenting stakeholder audiences. Davidson (1999:12) defines corporate stakeholders as those who have an economic impact (customers, opinion formers, regulators, legislators) or an economic interest (employees, partners, suppliers and shareholders).

3. Identification of the interfaces with each of these audiences. According to Balmer (1997), identity/image interface is a crucial point of contact between the company and its stakeholders.

These three building blocks can be combined into a single model that defines the communication mix and can also be used to map out the key communications interfaces with the key stakeholder audience (see Figure 8).

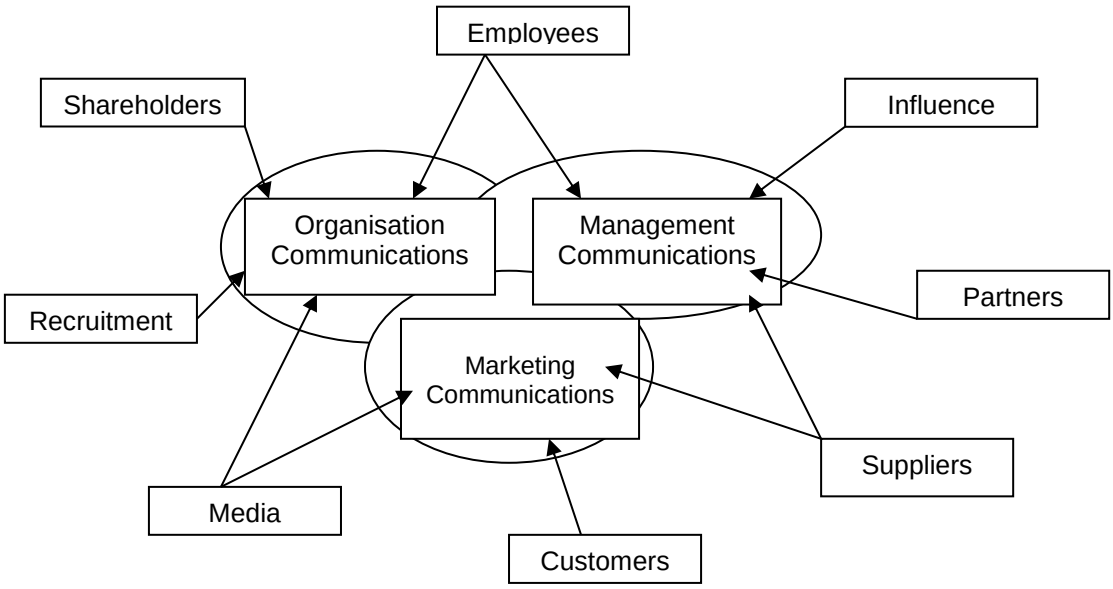


Figure 8: Modelling the communications mix, stakeholder typology and communication interface concepts
(Source: Bickerton, 2000:44)

According to Arnold (1998), Feldman et al (2014) and Sequeira et al (2015), the company's success, competitiveness and long-term survival are dependent on effective communications strategies and tactics in the following five crucial areas:

- Enhancing the brand profile and organisational image by adding desirability to the value and efficacy of services and products;

- Building commercial value in the marketplace, minimising take-over appetite from the competition and maximising sustainable investor return on investment;
- Strengthening employee morale, joy and brand loyalty, thereby enhancing productivity and ultimately profitability; and
- Sharing core values that facilitate cohesion and unity in action between different company sections and functions into a cohesive whole stronger than the sum of its parts.

2.5.9 Crisis Management

Crises are events that cause the firm to become the subject of widespread, potentially unfavourable attention from the international and national media and other groups such as trade unions, environmental pressure groups, customers, opinion formers, employees and shareholders who have a vested interest in the activities of the organisation (Regester & Larkin, 2005). According to Kaul and Chaudhri (2015), Yilmaz and Kucuk (2010), Joosub (2006), Coombs (2014), and Regester and Larkin (2005), business stereotypes such as fires and explosions, accounted for less than 17% of the crisis news stories in recent times. They concluded that crises of reputation revolve around white-collar crime, labour disputes, social media, community unrest, confrontations with human rights and environmental NGOs, competition issues and company mismanagement. They revealed that the fastest growing categories in the US were class-action lawsuits, executive dismissals, hostile takeovers and sexual harassment – all of which had doubled since 1990. In South Africa, corporate crisis news today does not differ much from the above. According to Lussier (2014) and Davis and Franks (2014), corruption, illegal mining, fatal safety incidents, illegal strikes, community activism and service delivery protests are among the key crisis issues affecting the mining industry in South Africa.

It is widely believed that every crisis contains within itself the seeds of success, as well as the roots of failure. According to Regester and Larkin (2005) and Kaul and Chaudhri (2015), finding, cultivating and harvesting the potential success are the essence of crisis management. This is summarised below as key considerations in a crisis management exercise:

- Recognise the potential crisis situation;
- Be seen to take the appropriate pro-active actions;
- Be heard to say the right things at the right time;
- Remember television is the most important medium because it is real and live;
- Do not blame the media for the problems, they can be your best friends in managing the crisis;
- Remember that peoples' anger can often lead to product boycotts, fall in share price and more demanding restrictions and penalties;
- First things first, be sympathetic – talk about people first, then the environment and property and finally, money;
- Anticipate a void of information and be prepared to fill it with great speed;
- Lead from the front; and
- Remember that "media pollution" can outlast environmental pollution and can be more damaging economically.

2.5.10 Stakeholder Relations

Stakeholder relationships are a form of intangible asset (Flynn, 2006; Freeman, 1984; Davis & Franks 2014) and, according to Phillips (2006), Feldman et al (2014) and Tshivase and Kleyn (2016), there is a significant body of evidence that identifies intangible assets as a major driver in the 21st century global economy, corporate survival and success. Stakeholders can be defined as any enterprise's interested parties that have a vested interest in it and have a key influence on its ability to achieve strategic and other business objectives (Institute of Directors, 2003). Freeman (1984:52) states that stakeholders are "groups and individuals who can affect or are affected by, the achievement of an organisation's mission".

According to the Institute of Directors (2003), stakeholders can be defined as those whose relations to the enterprise cannot be completely contracted for, but upon whose co-operation or endorsement and creativity the company/enterprise depends for its survival and prosperity. In other words, they are the groups that may be internal or external to the organisation with a direct or indirect impact on the organisation. Organisational stakeholders can be arranged under four broad groupings:

- The state – as legislator, policy maker and regulator of the economy generally and specific sectors;
- Shareholders as providers of capital;
- Parties that have contractual arrangements with the organisation, i.e. customers, employees, subcontractors and business partners. They could be the providers of input or the purchasers of output from the organisation; and
- Parties that have a non-contractual nexus with the organisation, but provide it with its licence to operate. Those stakeholders could be media, non-governmental organisations, community based organisations or civil society in general.

Relationships with key stakeholders are the key to unlocking all the corporate value that is associated with corporate reputation. The movement towards stakeholder-relationship value has grown over the past three decades in both corporate governance and reporting (Phillips, 2006; Luoma-aho, 2015). The importance of healthy stakeholder-relations was also emphasised by the British Secretary of State for Trade and Industry, Patricia Hewitt, Member of Parliament, when she called for all corporations to have "successful relationships with a range of stakeholders because of their crucial role in creating stable, long-term performance and shareholder value" (Hewitt, 2004:24). In support, Hillman and Keim (2001:13), Davenport (2013) and Rajablu et al (2015) assert that

> [b]uilding better relations with primary stakeholders like customers, suppliers, employees, and communities could lead to increased shareholder wealth by helping firms develop intangible, valuable assets which can become a great source of competitive advantage.

In South Africa, the *King Report* (2002) and *King Three Report* (2010) also advocate for a stakeholder-inclusive approach to governance that recognises that a wide range of stakeholder concerns and their motivations need to be considered when developing and guiding the strategy and operations of an organisation. The first step in managing stakeholder relations, with the opportunity to drive the consequential value, comes from the ability to identify key stakeholders within and external to the organisation. Phillips (2006), and Harrison and Wicks (2013) assert

that stakeholder analysis should identify the nature of the relationship and whether it is important, influential, good or bad from the perspective of either the corporation or the stakeholder. Figures 9 and 10 illustrate various matrixes that could be used to manage stakeholder relations according to its influence and significance. Figure 9 showcases an example of issues on the basis of their level of concern and the general attitude whether negative, neutral or positive in the project execution. In this example, the local NGOs, environmental groups and social movements have a negative attitude towards the project and have serious concerns about the project. Figure 10 showcases a similar trend on the basis of level of concern vs level of influence. For example, local regulatory agencies are shown as having a high degree of influence and also have high concerns. This is because they hold the key in terms of various approvals required for the project. They can swing the project in different ways.

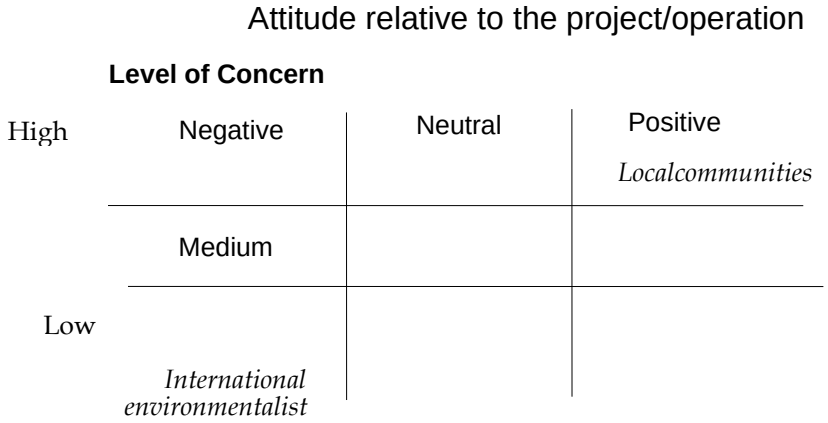


Figure 9: Example of Stakeholder Management Matrix highlighting Level of Concern and Stakeholder Attitude
(Source: Business Case for Stakeholder Relations, presentation by Ngcobo, 2007)

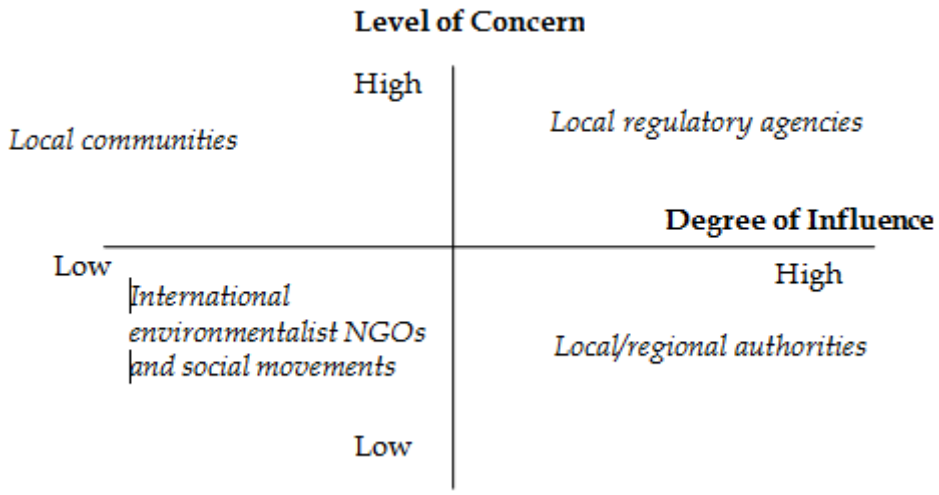


Figure 10: Example of Stakeholder Management Matrix highlighting Level of Concern and Degree of Influence
(Source: Business Case for Stakeholder Relations, presentation by Ngcobo, 2007)

Gilfeather and Carroll (2005) have developed a stakeholder relationships audit based on the following key factors:

- **Opinion and perceptions – what key people think** – of the organisation, specifically what key stakeholders such as customers, employees, analysts, regulators, media, etc. think and how they feel about the organisation.
- **Discourse – what influential people say –** such as leading financial and industry analysts, politicians, government officials, NGOs and institutions.
- **Awareness** is also a key factor, as high quality perceptions are of little benefit if they exist in only a small proportion of stakeholders or if many stakeholders are not aware of what the company does and what products or services it markets.
- **Public profile** – research shows a strong correlation between high profile and corporate reputation (positive or negative). If an organisation does not have a public profile, its corporate reputation is usually limited or confined to niche markets.

These audits can be implemented in order to ascertain the feelings and perceptions of various stakeholders as part of stakeholder management.

2.6 Effects of Corporate Reputation

Futuregrowth, a South African Equity Investment Fund announced that it will stop lending to six South African state owned firms because of poor reputation of these firms (Reuters, 2016).

A study by Ernst & Young (2003) found that 85% of the market value of America's leading brands comprised perceptions of value of intangible assets, with 15% from tangible assets. Intangible assets are a "claim to future benefits that do not have a physical or financial component" (Flynn, 2006:56; Martinez et al, 2016). The intangible value of a good reputation is a view professed and researched by both public relations practitioners and academics.

According to Eberl and Schwaiger (2005), Roberts and Dowling (2002) and Tracey (2014), a company benefits from a favourable reputation by becoming the first choice of customers, investors, suppliers and employees. It also helps enhance competitive advantage, by differentiating the company in the marketplace. Economic theory makes a good case that, in markets with asymmetric information (inadequate information provided to consumers about a product), a good reputation allows firms, not only to attract new consumers, but also to keep the existing ones (Fombrun et al, 2000). A favourable reputation with customers creates a degree of brand equity, since people are more likely to be loyal to reputable companies (Roberts & Dowling, 2002; Lotz, 2014). Similarly, a favourable reputation with employees can help attract better staff, spur productivity and enhance profitability.

2.6.1 Positive Effects of Corporate Reputation

Luoma-aho (2007) argues that a good corporate reputation held by a firm's stakeholders is understood as reputational capital. This capital is claimed to contribute to reduced transaction costs, employee loyalty, easier recruitment and general legitimacy of the organisation (Einwiller, 2003; Shapiro, 1983; Deloitte, 2014). Corporate reputation is known to help attract good employees, who themselves are likely to be leading ambassadors of the good reputation that attracted them to the organisation regardless of their remuneration (Cherenson, 2001; Dowling, 1994; Shamma, 2012). An academic study that was commissioned

by the *British United Provident Association* (BUPA) involving 1,000 employees across Britain found that positive corporate reputation helps to attract, motivate and improve employee engagement and retain top talent (Coldwell et al*,* 2008). Another study conducted by Cherenson (2001) consisting of more than 800 respondents, aged 18 and over, found that 78% of the respondents said they would prefer to work for an ethical and reputable company than receive a higher salary.

Dhir and Vinen (2005), Yilmaz and Kucuk (2010), and Yuksel and Cintamur (2016) claim that a favourable reputation can establish, protect and enhance a competitive position, while a tarnished reputation can set an enterprise onto a cycle of decline through disengaged employees leading to lower morale, consumer boycotts, loss of operating licences, among others, as seen in the recent examples of ABB, Arthur Anderson, Enron, General Electric and WorldCom. The real value of a company is often derived from its intangible assets however the value of its intangible assets cannot be made explicit in the normal market transactional sense. Unlike fixed assets, intangible assets are both owned and not owned by the company.

Research conducted by Rindova et al (2005), Slawson (2005) and Feldman et al (2014) concluded that a good reputation could allow seller organisations to charge higher premiums for their products compared to companies with less favourable reputations. They further argue that there is a common belief that a consumer may judge the quality of a product or a service not only by its cost, but also in terms of the reputation of the manufacturer or service provider. They also concluded that an increasing number of firms are recognising that a good overall reputation is a valuable asset.

Corporate reputation is a complex subject because it is difficult to conceptualise and it does not lend itself to discrete measurements (Dolphin, 2004). Many scholars have argued that employees form a critical part of corporate reputation, since it is their responsibility to protect and to enhance it. Most Human Resources executives have argued that bright, dynamic, independent and creative employees want to feel that corporate values are in harmony with their own (Lotz, 2014).

A study by Fombrun and Shanley (1990), Deloitte (2014) and Dowling, (2016) found strong links between a good corporate reputation and financial performance.

Tomasz and Krzysztof (2007) and Williams et al (2005) argue that good corporate reputation reduces information asymmetries between buyers and sellers, and thereby allows buyers to reduce uncertainty and concerns about their product or service quality. Dowling (2016) argues that there is evidence in the literature that a good corporate reputation is valuable because, if an organisation has a good reputation, it can always be used to support the organisation's business success. He also argues that it is wise and cost-effective to pro-actively fix a bad reputation.

Companies that promote only their product brands and not the company profile, find it hard to compete with companies with good brand images, for instance, Procter and Gamble found it hard to compete with Pampers which had a well-established brand equity or brand recognition (Dowling, 1994). Corporate reputation plays an important role in supporting marketing initiatives therefore it should be used to support the marketing efforts.

A study by Fombrun and Rindova (2000) and Reputation Institute (2016) of prominent UK/US multinational companies found that those with a more positive reputation appeared to project their core mission and identity in a more systematic and consistent fashion than those with lower corporate reputations. They further found that those companies with good reputations impart significantly more information, not only about their products, but also about a range of other issues relating to their business such as community involvement, historical significance and corporate identity.

Research by Houser and Wooders (2000) provides a solid body of evidence about the value of corporate reputation. They analysed auctions of Pentium processors and gold coins, and concluded that, during the auctions, there was a significant relationship between corporate reputation and the price that consumers were willing to pay. They found that a good reputation leads to higher prices and a bad reputation leads to lower prices.

Good corporate reputation emerges as a result of information flows and the

organisation's social status, which, in turn, gives the firm visibility and prominence that attracts partners, customers and investors (Tomasz & Krzysztof, 2007). Superior consumer satisfaction has many benefits for the firm, such as increased consumer loyalty, enhanced firm reputation, reduced price elasticities, lower costs of future transactions and higher employee efficiency and loyalty (Anderson et al, 1994; Fornell, 1992; Lussier, 2014).

Podony (1993) identifies an inverse relationship between status and costs, wherein high-status firms have lower costs (e.g. transactional, financial, advertising and employee costs) providing an incentive for such firms to enhance their reputations further. This indicates that, once a company develops a good reputation, it will reap benefits, which will, in turn, further improve the reputation. But it is unclear how well this is actually done by companies and if the realisation of benefits occurs in practice.

In summary, a strong and positive corporate reputation could result in the following positive effects: It could attract talent, foster employee retention and full employee engagement (Lotz, 2014; Dolphin, 2004; Yuksel & Cintamur, 2016) and enhance the company's ability to charge a premium price for goods and services offered (Rindova et al*,* 2005; Houser & Wooders, 2000; Slowson, 2005; Fombrun & Van Riel, 2012). In addition, it could:

- Increase customer confidence in products and services, advertising claims and in buying decisions leading to better customer attraction and customer loyalty thereby facilitating differentiation in a crowded marketplace and increasing corporate brand equity;
- Crystallise a firm's status and subsequent creation of competitive barriers, strengthening the company's strategic position in the competition and providing better access to capital markets, which has a direct impact on decreasing the capital cost and on lowering procurement rates (Dhir & Vinen, 2005; Van der Merwe & Puth, 2014);
- Facilitate better relationships with key external stakeholders, i.e. media, analysts, communities, opinion formers, non-governmental organisations (NGOs); attract and retain key stakeholders, i.e. shareholders, top employees and customers and provide advantages in conducting

negotiations with stakeholders (Lotz, 2014);

- Provide a buffer zone of reputational capital to insulate against unintentional failures, i.e. economic crises (Cherenson, 2001; Podony, 1993); and
- Reduce operational costs such as marketing. According to Brady (2002), a good example is Marks and Spencer who did not feel the need to advertise during the 1970s, 1980s and early 1990s boom period because of their reputation. The same applies to Claire's Accessories, the American clothing accessories chain which experienced rapid global growth even though it had no advertising because it relied on experience based on word of mouth.

2.6.2 Counter-arguments against positive Corporate Reputation

Hass and Hansen (2005) argue that accumulation of intangible resources, for example, knowledge can hurt organisational performance. This is because the development of corporate reputation can be very expensive in terms of opportunity cost and "sunken" costs, and this can also hurt the overall return on performance.
A number of researchers such as Lucking-Reiley, Bryan, Prasad and Reeves (2000), in the correlation between corporate reputation and the price that consumers are willing to pay, concluded that a good reputation does not allow sellers to increase their price levels.

The "law of falling marginal utility" applies to the corporate reputation concept. According to Tomasz and Krzysztof (2007), the value of corporate reputation is not static; it changes depending on the gap between the leading players and the followers. The buyers will value the unit of reputation to maximum level if the distance is small and will lower its valuation as the distance increases.

A study conducted in the UK on the value of corporate reputation suggests that a good reputation brings increased sales, but does not always enable companies to charge premium prices for their goods or services (Dolphin, 2004). It is further argued that a good reputation is an asset of value even though there are still companies who are uninterested in the concept. He further maintains that most companies view corporate reputation as an intangible asset and fear that it is not

easy to measure and to replicate. He also contends that there is empirical evidence that different stakeholders will hold differing views about the organisation, but that it is still one single reputation.

A study by Satir (2006) to assess whether corporate reputation can be analysed or not, found that corporate reputation cannot be explained by only one experience, contact or impression. Corporate reputation consists of various components (sub-dimensions). Also, there is a difference within the perceived components (sub-dimensions) to explain reputation.

According to Inglis, Morley and Sammut (2006), empirical research on the relationship between corporate reputation and organisational performance concluded that there is no causal relationship between corporate reputation and financial performance (in either direction) i.e. reputation does not affect financial performance nor does financial performance affect reputation. This is in line with findings in other countries, especially the work by Rose and Thomsen (2004). Their findings are that reputation may not have a significant impact on performance in Australia. There may be weaknesses in the existing measure of reputation, or the findings may be due to unobserved variability in the intervening variable of managerial exploitation of the reputation.

A study by Meyer and Rowan (1977) points out that there is no evidence to suggest that acquiring a good reputation leads to economic benefits. Further research by Staw and Epstein (2000), and Davis and Franks (2014) found that companies using popular management techniques, such as the implementation of programs focusing on empowerment, team building and total quality management, were viewed more positively than others but that these practices could not be associated with economic performance.

In summary, the following are the key arguments against corporate reputation management:

- Development of corporate reputation can be very costly and does not bring a direct return on investment;
- There is no relationship between positive or high reputation and price. In other words, consumers will not pay a premium price for a product because

of high corporate reputation;

- There are no causal relations between corporate reputation and financial performance; and
- There is no evidence to suggest that acquiring reputation leads to economic benefits.

To sum up, there are differing views about whether or not good corporate reputation has a direct impact on corporate business success. This further supports the justification for this study as illustrated at the “significance of the study” in Chapter one, section 1.6.

2.7 Management of Corporate Reputation

Management of corporate reputation is not the responsibility of a public relations department or marketing department, but a responsibility of the senior executives of a business (Dowling, 1994). The enhancement of corporate reputation is the responsibility of every employee (Kaul & Desai, 2015).

The concept of assigning value to companies naturally leads to the question of whether or not the valuations assigned by the market to companies depend in part on a good or poor corporate reputation. The main determinants of company valuations will naturally be the current and expected future financial performance. But are the perceived strengths in areas such as marketing skill, financial management and the ability to recruit and retain staff also factors, over and above their direct effect on the financials? According to Luoma-aho (2007), and Fombrun and Van Riel (2012), different tools for measuring the effects of corporate reputation, including ranking lists, quotients and barometers, have been developed and tested widely. The rankings and barometers have contributed to a greater appreciation of corporate reputation globally (Fombrun & Shanley, 1990).

According to Schwaiger (2004), since its inception in 1984 until 1997, *Fortune Magazine: America’s Most Admired Companies Survey* was restricted to US firms. It was the only reputation-ranking medium available on a global scale. In 1997, this survey was extended to other countries and was then named *The Global Most Admired Companies Survey*. Germany’s *Manager Magazine* rating which has been conducted bi-annually since 1987 was another example of a management

tool. The following section describes various tools that have been developed and implemented worldwide to measure the value of corporate reputation. In this study, the *Fortune: America's Most Admired Companies*, the *Harris-Fombrun Reputation Quotient*, the *RepTrakScorecard* by the Reputation Institute and the *John Dalton Reputation Measurement Model* are described because of their wide use in the corporate reputation literature.

2.7.1 Fortune Magazine: America's Most Admired Companies

More than 8 000 people were interviewed via phone and mail on a regular basis as part of the *Fortune magazine's survey* (Schwaiger, 2004:43). The respondents were mainly senior executives, outside directors and industry analysts. Respondents were asked to name the leading firms in their economic sectors within a specific industry and they were asked to rate those companies on each of the following nine attributes:

- Quality of Management;
- Employee Talent;
- Use of Corporate Assets;
- Long-term Investment Value;
- Innovativeness;
- Quality of Products and/or Services;
- Social Responsibility;
- Global Business Acumen; and
- Financial Soundness.

The *Overall Reputation Score (ORS)* is the arithmetic mean of the attributes respondents provided on eight-point scales. Out of these nine equally weighted key attributes of reputation, two relate explicitly to financial performance. Therefore, financial performance may be twice as important as the other indicators when viewed from the perspective of a contemporary businessman/woman (Brady, 2002). Many corporate reputation experts criticise this survey mechanism on the basis of lack of conciseness (Bromley, 1993), high influence from past financial performance (Fombrun & Shanley, 1990) and lack of broader stakeholder input (Brady, 2002). Wiedmann and Walsh (2004) argue that an important

assumption of the approach is that these nine dimensions are perceived differently by different stakeholders. The same criticism was applied to other similar surveys such as:

- Gesamtreputation Published by the German Magazine
- Fortune's Global Most Admired Companies
- Financial Times (2007): World's (Europe's) Most Respected Companies
- Management Today: Britain's Most Admired Companies
- Burson-Marsteller: Maximizing Corporate Reputation
- Corporate Branding LLC: Corporate Branding Index
- Asian Business: Asia's Most Admired Companies
- Far Eastern Economic Review: Review 200
- Delahaye Medialink: Delahaye Medialink Corporate Reputation Index
- RepMap by Aluala and Heinonen, 2002
- Fombrun's Reputational Capital.

2.7.2 Harris-Fombrun Reputation (SM) Quotient (RI) by Fombrun et al (2000)

New York University professor, Charles Fombrun, working in parallel with a research firm called *Harris Interactive*, has attempted to delineate corporate reputation and has developed a method to measure it (Brady, 2002). The Reputation Quotient (RQ) is a multi-stakeholder measure that was developed after criticism was levelled against the practitioner ratings. This integrative approach assumes that a corporate reputation can be explained by six central reputation dimensions that influence stakeholders' behaviour and a company's long-term success. According to Fombrun et al (2000:23), these dimensions are:

- Emotional appeal (have a good feeling about the company, admire and respect, and trust the company a great deal);
- Vision and leadership (has excellent leadership, has clear vision for its future, recognises and takes market opportunities);
- Workplace environment (is well managed, looks after its people, good company to work for, has good employees);
- Product and services (develops innovative products and services, offers

high value for money and high quality products and services);

- Social and environmental responsibility (supports good causes, environmentally responsible company, maintains high standards in the way it treats people); and
- Financial performance (has a strong record of profitability, strong prospects for growth, and excellent performance against its rivals).

2.7.3 RepTrak scorecard by Reputation Institute

The *RepTrak* scorecard is designed to measure the health of a company's overall reputation. It measures people's esteem, good feelings, trust and admiration for companies with which they are familiar. It focuses on consumers by inviting them to rate the largest companies in their home market. The results provide a relative assessment of a company's local reputation and enables comparisons against the home market reputations of the world's largest companies.

2.7.4 John Dalton's Reputation Measurement Model

The *John Dalton model* is shown in Figure 11. It focuses on two indicators, the financial indicators and sustainability indicators. The financial indicators focus on cash flow, earnings, costs, capital expenditure and market growth. The sustainable indicators include society, partners, shareholders, customers and employees.

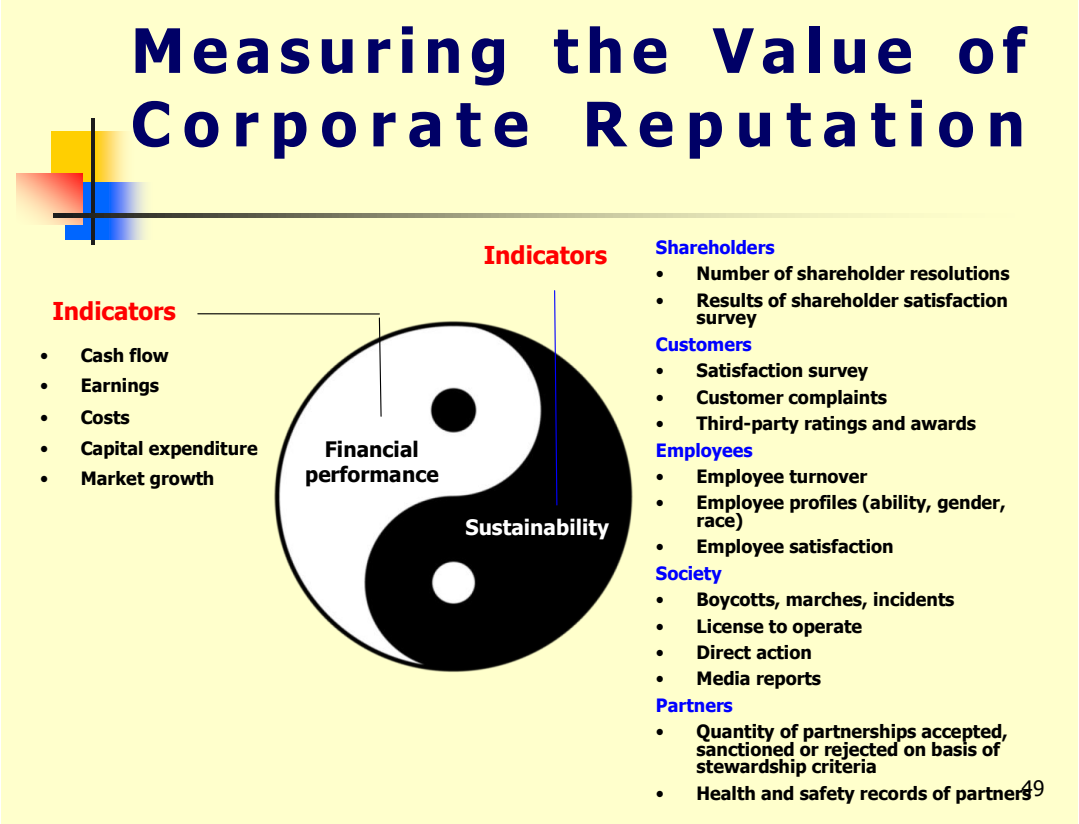


Figure 11: Measuring the Value of Corporate Reputation (Source: Dalton, 2005:15)

This *John Dalton* model has identified the following key attributes as the basis for measuring corporate reputation: social and environmental responsibility which includes a company's support for community projects and environmental stewardship; levels of employee engagement which is informed by employee wellbeing and the perception that it is a good company to work for; innovativeness; strong leadership and financial stability.

2.8 Summary

A literature survey revealed that corporate reputation is now one of the most significant attributes essential, not just for business success, but also for failure. The process of operating a business results in the interaction of various stakeholders with different interests. Therefore, a company must ensure that its reputation is positive to enable it to derive maximum benefit from stakeholders. Although the definition of corporate reputation is elusive, there is unity of thought amongst authorities that it is the sum of past actions (Weigelt & Camerer, 1988; Dowling, 2016), past behaviour and future prospects. There are numerous drivers

of corporate reputation which, when well-managed, impact positively on stakeholder perception of a company. Virtually all the available models and scorecards for measuring corporate reputation are based on these drivers, singly and in combination. As such, for the purposes of this research, focused on South Africa's diamond industry, generic questions were developed encompassing most of the scorecards and tools that are used to measure the effects of corporate reputation. The next chapter provides an historical background to the South African diamond industry and associated reputational issues.

CHAPTER 3
LITERATURE REVIEW: SOUTH AFRICA'S DIAMOND INDUSTRY AND KEY RISKS AND CHALLENGES

There is nothing intrinsically beautiful or highly valuable about diamonds. In fact, diamonds are fairly common (Bieri, 2010: 3).

The diamond industry is built on reputation (Lussier, 2014:9).

3.1 Introduction

Although corporate reputation's significance cannot be questioned, the importance of reputation and its link to business success depends, to some extent, on the type of industry and nature of the business (Gotsi & Wilson, 2001; Roberts & Dowling, 2002; Caruana et al*,* 2015). For example, industries that produce necessities are traditionally less likely to be affected by reputation when compared to businesses that specialise in luxury items such as the multi-billion dollar diamond industry (Bieri, 2010; Lussier, 2014). However, the increasing significance of corporate reputation drivers, such as corporate governance, corporate social responsibility and stakeholder engagement, also means that even companies that do not deal with luxuries are concerned about their reputations (Prager, 2014; Dowling, 2016). Although natural diamonds are mined much like other commodities such as gold, copper or platinum, they are actually not a commodity, but are regarded as luxury goods (Penny, 2009). People purchase diamonds for their aesthetic, symbolic and status value, for emotional and subjective reasons (Bieri, 2010; Lussier, 2014). In the context of luxury goods, diamonds fit into a broader product pool that includes jewellery and watches, high-end apparel, fragrances and cosmetics, and accessories such as leather bags, shoes and designer eyewear (Bain, 2011).

The location and nature of deposits determines the mining method used to extract diamonds from the ground. Diamonds found deep in the earth are extracted through open-pit and underground methods and alluvial mining methods are employed to extract diamonds from deposits of sand, gravel and clay. Diamonds located in the seabed are mined through marine mining techniques (Penny, 2009). Diamonds are unique because of their physical properties of hardness, thermal conductivity and brilliance through optical dispersion, which make them popular as

gemstones and industrial tools. As such, diamonds serve two main functions today: jewellery and industrial uses. Slightly more than 55 percent of the volume of diamonds extracted becomes gemstones for jewellery, yet they account for more than 95 percent of the total value of all mined diamonds. Because polished diamonds are considered among the world's most precious gemstones, they account for more than 40 percent of all jewellery manufacturing with engagement rings being the largest category of diamond jewellery (Bain, 2011; Even-Zohar, 2007). Jewellers usually set the diamonds in precious metals such as gold or platinum to emphasise the sparkle of the stones. Demand for diamond gemstones, like the broader market for luxury goods, tracks overall economic performance and stakeholder concerns and interests.

This luxury status means that reputation is very important in the diamond industry (Bieri, 2010), particularly that of southern Africa which has historically been mired in controversies and which today supports many stakeholders, from local communities to central governments. Although the South African diamond industry has created significant amounts of wealth in the world, its origins are associated with the exploitation of workers and little meaningful local economic development in mining areas such as Kimberley, Koffiefontein, Jaggersfontein and Namaqualand. The diamond industry was one of the principle supporters of apartheid system in South Africa (Thompson, 2001; Worden, 2011; Pandey, 2012). However, stakeholders such as governments, NGOs and local communities are now demanding more benefits from extractive industries. In response to this, diamond mining giants, such as De Beers, are committed to key principles of Best Practice aimed at ensuring that their stakeholders derive maximum benefit from diamond mining. These principles include creating value for producers, maximising transparency in governance and revenue sharing, commitment to fulfilling compliance and legislative requirements, mining sustainably and promoting local and national economic growth (Penny, 2009). Therefore, as dictated by stakeholder theories of reputation, the southern African diamond industry's success or failure is based on meeting or failing to meet stakeholder expectations.

Because of stakeholder pressure and the fact that diamonds were fuelling

corruption and conflict in numerous African countries such as Sierra Leone, Liberia and the DRC, the concept of “blood diamonds” drew international attention to the ethics, transparency and integrity of the processes of diamond mining and trading (Bieri, 2010; Bone, 2012). One such initiative is the *Kimberley Process Certification System* (KPCS) which created a platform for governments, representatives of the diamond industry and non-governmental organisations (NGOs), to grapple with the problem of “conflict diamonds” – the diamonds traded by rebel armies. Under the KPCS, all member countries agree to certify that any rough diamonds being exported from their territory are conflict-free and to disallow the import of any diamonds that are not accompanied by a similar certificate from another participating government (Bain & Company, 2011; Bone, 2012). According to Penny (2009), this move was precipitated by the fact that powerful anti-blood diamond stakeholders were waging successful campaigns that tore into the heart of diamonds and associated symbolism and myths.

The South African diamond industry is both local and international. Given the significance of issues such as climate change, green economy and corporate social responsibility, and the multiple stakeholders in the diamond industry, a good reputation is an extremely valuable asset (Penny, 2009; Bain & Company, 2011). As a luxury and a stakeholder-expectation fuelled industry, reputation is a necessity for the sustainable continuity of the diamond industry. However, very little research has been done to explore the drivers of corporate reputation in the diamond industry, which is the focus of this thesis.

3.2 The importance of the Mining Industry in South Africa

Many authors have articulated the strategic significance of the mining industry in South Africa on the back of its contributions to South African fiscus and socio-economic development. According to the recent Chamber of Mines Report (2014), the mining industry already addresses some of the key objectives of the *South African 2030 National Development Plan.* This is exemplified in the contribution the industry makes towards the economy. According to *The Chamber of Mines Report (2015)*, the key focus areas are:

- Economic growth;

- Employment creation and healthcare;
- Social protection;
- Beneficiation;
- A low-carbon economy and the environment;
- Education and training; and
- Infrastructure development.

3.2.1 Economic Growth

According to Baxter (2015), the mining industry has played a key role in South Africa's economic development for many years and will continue to play a significant role for many more years to come. According to *The Chamber of Mines Report (2015),* the mining industry has contributed to transforming South Africa into the most industrialised country on the African continent. The contribution that mining makes to the South African economy is extensive and overlaps other economic sectors. This is because of the many linkages that mining has to other sectors of the economy (Beneficiation Strategy for Minerals Industry Report, 2011). Thus, mining has provided the critical mass for the development of a number of industries that either supply the mining sector or use its products. This cluster of ancillary industries includes: energy, financial services, water services, engineering services, specialist seismic, geological and metallurgical services, to name only a few. The mining sector is inextricably linked to the "multiplier industries" which means that, when mining contributes to the economic activity of the country, many other activities are stimulated in the process, adding impetus to economic growth. In Table 4, the *Gross Domestic Product* (GDP), which indicates the extent to which goods and services are produced in the country per year, clearly shows the economic stimulation of the mining sector on the other sectors.

Table 4: Mining Industry Contribution to Gross Domestic Product

MINING INDUSTRY CONTRIBUTION TO GDP (%)		
YEAR	DIRECT	INDIRECT
2009	8,8	19
2010	8,6	18
2011	8,8	19
2012	8,3	17

(Source: Chamber of Mines facts and Figures, 2013:24)

The mining sector alone contributes on average 8.6% to the country's GDP. According to the *Chamber of Mines Report* (2015), the contribution of the mining industry more than doubled to about 20% on average when the mining supplier industries, downstream industries that use mining outputs and the spending multipliers of mining, are included. Cutifani (2015) indicated that the mining industry contribution is further expressed in the foreign exchange earnings which have a direct impact on the economic development of South Africa. He further elaborated that, in 2012, mining accounted for 35% of the country's total merchandise exports. This excludes the value of secondary beneficiated exports such as ferro-alloys, chemicals, plastics, polymers, steel, aluminium, the value of platinum used in making catalytic converters, among others. If the impact of the secondary beneficiated exports are included, then the contribution of the minerals complex to merchandise exports rises to over 50%. According to *Chamber of Mines Report* (2014), mining acts as a magnet for direct foreign investments on the basis of South Africa's $2.5 trillion in situ mineral resource base. Indeed, South Africa is the world's largest reserve holder of platinum group metals, manganese, chrome, gold and alumina-silicates.

3.2.2 Employment creation and healthcare

According to *The Chamber of Mines Report* (2014), the mining industry employs more than 500 000 people. This includes skilled and a large percentage of semi-skilled and unskilled people. If the industries that supply goods and services to the mining sector and those that use mining products for downstream value addition are taken into account, then the mining industry easily creates jobs for over 1 000 000 people.

Most of the mining companies have a wellness programme which provides treatment and care for employees and their families who suffer from HIV/AIDS, tuberculosis and other diseases. The mining industry focuses on strengthening healthcare systems in under-serviced rural areas and on improving access to good quality healthcare.

3.2.3 Education and Training

The mining industry recognises that education and training are the key to

accessing employment and enhancing the earnings potential and career mobility of employees. The mining industry trains in excess of 10 000 students at universities and universities of technology in addition to providing bursaries and study assistance to students. The mining industry also ensures that its employees are equipped with skills and are trained beyond their normal working dues. According to Lotz (2014), in 2010, a total of 7324 bursaries or study assistance packages were awarded to employees in the mining industry in South Africa. In the period 2011-2012, 67 768 skills certificates were presented to employees. Mining houses also concentrate on the foundation level of education, which gives aspiring students the base for higher education. An example of this is the ABET programme which is a basic adult education programme focusing on literacy. The programme starts from pre-ABET level to ABET 4 level which is equivalent to Grade 9 or NQF level 1.

3.2.4 The Environment and a Low Carbon Economy

According to the Chamber of Mines, in mining, extracting and processing minerals can disturb land and generate waste and pollutants. The MPRDA requires that all mining companies ensure optimal land management in terms of protecting the ecosystems and natural resources, and supporting biodiversity. The mining industry is required to contribute to protecting natural habitats, tackling emissions and pollution, managing biodiversity and creating opportunities on the land for local communities and stakeholders through the Social and Labour Plans (SLPs) as well as the Environmental Management Plans as per the prescripts of the *Mining Charter*. A prime example of this is when mined land is rehabilitated to enable farming of fruit and vegetables for the community and to sell to the markets. These endeavours also assist in eliminating poverty (Prager, 2013). In terms of fresh water use, and management and conservation of scarce water resources, the NDP recommends that this be funded by the users. The mining industry has taken a lead in understanding the baseline and setting the target for water conservation and water demand management in the mining industry. According to Baxter (2015), the mining industry has also been innovative in addressing acid mine drainage issues through the construction of treatment plants which convert polluted water into potable water. These treatment facilities offer both direct and indirect jobs. The mining industry has also formed partnerships

with the Department of Water Affairs, DMR and local municipalities in the development of water infrastructure projects aligned with their SLP projects and wider social responsibility programmes.

According to *The Chamber of Mines Report (2014),* in terms of low carbon economy, the mining industry has made some significant strides in implementing energy efficient technologies and other climate change mitigation measures which have resulted in innovation and job creation in green technology industries in support of the country's aspirations for a transition to a low carbon economy.

3.2.5 Beneficiation

Beneficiation entails the transformation of a mineral to a higher value product (SA. Department of Mineral Resources, 2013/14; Beneficiation Strategy for Minerals Industry Report, 2011). The government of South Africa, represented by the Departments of Mineral Resources and Trade and Industry, is concerned about the lack of commitment by the mining industry in supporting beneficiation (SA. Department of Mineral Resources, 2010). This resulted in the promulgation of the *Beneficiation strategy document* in 2011.

The mining industry in South Africa has initiated a number of beneficiation initiatives. According to the Chamber of Mines (2015), coal is converted into liquid fuels, plastics, polymers, waxes, fertilisers and other products, whereas iron ore is converted into steel. According to Griffith (2015), in the PGM sector, 43 tons of platinum group metals were converted into catalytic converters in 2012, creating 5000 jobs and more than R20 billion in value. Furthermore, in supporting first stage beneficiation, if the side-stream value added is taken into account, then industries such as transport, power, manufacturing, heavy engineering, financial services, legal and stock markets are the result of mining. DMR is currently considering setting export taxes to promote beneficiation (Baxter, 2015).

3.2.6 Infrastructure development

The mining industry accounts for about 94% of the electricity generation in terms of primary energy supply and over 30% of liquid fuel production. According to the Chamber of Mines, in 2013, the mining industry supplied about 119 million tons of coal for electricity generation and 39 million tons of the resource for synthetic

fuels. According to *The Chamber of Mines Report* (2014), the mining industry also influences the development of rail transportation. This can be seen by the fact that most of Transnet Freight Rail's business stems from mining products such as cement, chrome, iron ore, coal, manganese and magnetite. Thus, the transportation sector therefore also benefits from mining. Furthermore, as many communities are built near mines that are often situated in underdeveloped and remote areas, most of the mines partner with municipalities and other local businesses to support the socio-economic wellbeing of these communities. This is done by building infrastructure such as roads, schools, houses and clinics, and in supplying clean water and proper sanitation to enhance the communities' standard of living. This combination of mining efforts aids the *National Development Plan's* (NDP's) objective of minimising inequality in the country.

3.3 The History of South Africa's diamond industry

South Africa's diamond mining industry has a very controversial history stretching back for close to 150 years (Allen 2003; Worden 2011).

The diamond plays a big role in marriage proposals in today's world, but this tradition only goes back a few decades (Lussier, 2014). Even though in 1377, Emperor Maximilian gave the first reported diamond engagement ring to Mary of Burgundy, diamonds were mostly beyond the public's reach until the discovery of diamonds near Hopetown, south of Kimberley in South Africa, which gave birth to the modern diamond industry. It is universally acknowledged that a farm labourer's son discovered a very important diamond in 1867 on the banks of the Orange River near Kimberley in South Africa's current day Northern Cape Province (Worden, 2011). This unwitting discovery of the "Eureka" diamond sparked a rush that saw 30 000 prospectors from all over the world descend on Kimberley and surrounding areas in pursuit of their fortunes.

Initially, the living conditions at Kimberley were intolerable with no decent water and sanitation facilities (Shillington, 1985). To support a growing appetite for diamonds, black labour from all over southern Africa was brought in in large numbers (in some cases, the workers reached over 50 000) (Thompson, 2001). These workers were ill-treated and lowly paid while safety was a minor issue and many miners lost their lives. In addition, the discovery of diamonds led to various

Tswana and Griqua communities losing their land to the prospectors and miners who were a law unto themselves (Worden, 2011). By the 1880s, Cecil John Rhodes had managed to form De Beers Consolidated Mines which is today one of the largest diamond mining companies in the world (Appendix 1). Rhodes transformed De Beers into a monopoly so that, by 1902, it accounted for 90 percent of the world's rough diamond production and distribution (www.sahistory.com). This monopoly situation lasted for almost 90 years. Throughout the 20th century until 2012, the Oppenheimer family played an important role in the metamorphosis of De Beers into a global diamond empire. In addition, the increased mechanisation of diamond mining gradually reduced the number of workers in the diamond industry (Allen, 2003).

Throughout the 20th century, South Africa was a leading diamond producer in the world with mines being routinely opened in its various provinces. Currently, South Africa contributes 5% to global diamond production and ranks 7th in the world in terms of rough diamond production as shown in Figure 12. Russia is the biggest producer of diamonds and the De Beers Group of companies is the biggest producer of rough diamonds in the world (see Figure 12).

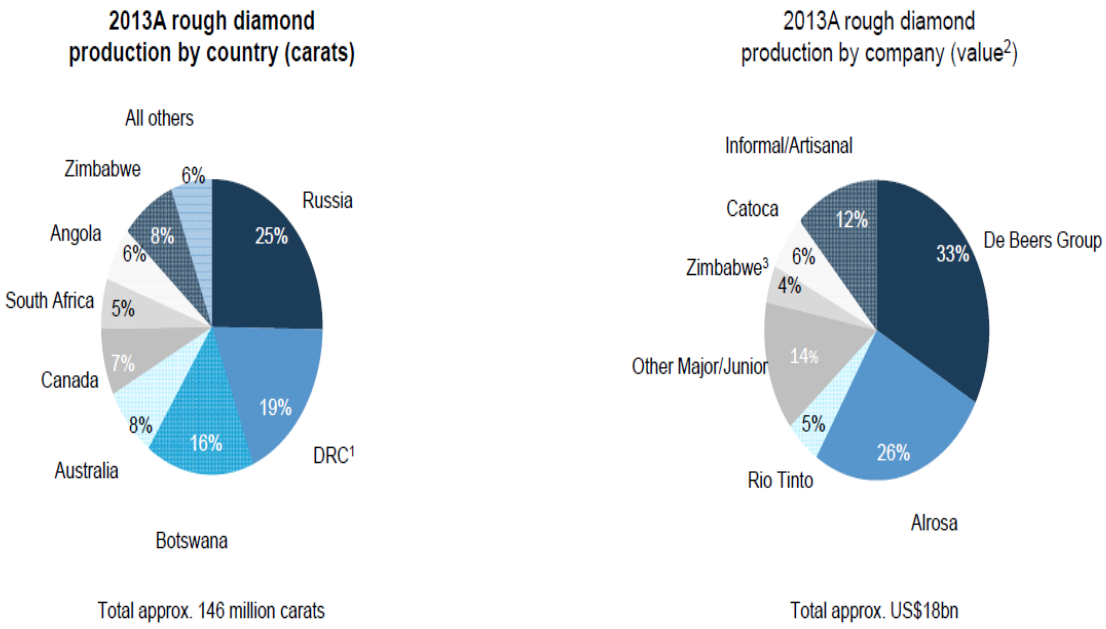


Figure 12: Rough Diamond Production in the World
(Source: *Diamond Insight Report*, 2014:12)

Diamonds are mined across South Africa, with mines in five of the country's nine provinces – including the North West, Gauteng, Free State, Limpopo and the Northern Cape provinces. Open pit, underground and alluvial mining methods are used and thousands of local workers are employed in this industry (Bone, 2012). Overall, De Beers Consolidated Mines produces most of South Africa's total diamond output making its mines a great contributor to the local and global economies. Additionally, diamonds are also mined offshore in the Atlantic Ocean near the mouth of the Orange River in the Northern Cape. Diamond mining has also transformed the economies of countries such as Botswana and Namibia (Bain & Company, 2011; Penny, 2009).

It is believed that approximately 130 million carats (26,000 kg (57,000 lb)) of diamonds are mined annually, with a total value of nearly US$13 billion (Even-Zohar, 2007; Penny, 2009). About 50% of the world diamonds originate from central and southern Africa, although significant sources of the mineral have been discovered in Russia, Canada, India, Brazil and Australia (*De Beers Report to Society,* 2013). The bulk of the world diamonds are mined from kimberlite and lamproite volcanic pipes (Even-Zohar, 2007).

The diamond value chain is characterised by eight stages (see Figure 13) beginning with the exploration of a potential diamond deposit and ending with the demand for diamonds by millions of consumers around the world (Lussier, 2014). During the exploration stage, producers seek commercially viable diamond resources, usually by finding and evaluating kimberlite and lamproite pipes that might contain diamond ore. When a promising site is located, producers develop and construct new mines. The process of obtaining diamondiferous ore out of the ground through various methods of mining is known as production. After mining, producers sell rough diamonds at various markets within the sight-holder system, where a select group of verified buyers are allowed to purchase the rough product (Bieri, 2010). The rough diamonds are then cut and polished into finished gems. Polished diamonds are sold to jewellery manufacturers who, in turn, sell the finished products through retail channels. The diamond industry is fuelled by consumer demand, which is driven by millions of people around the world who want to own diamond jewellery. At either end of the value chain, a handful of well-

known public companies such as De Beers operate. Because of a very long value chain, the diamond industry is associated with multiple stakeholders, each with their own expectations.

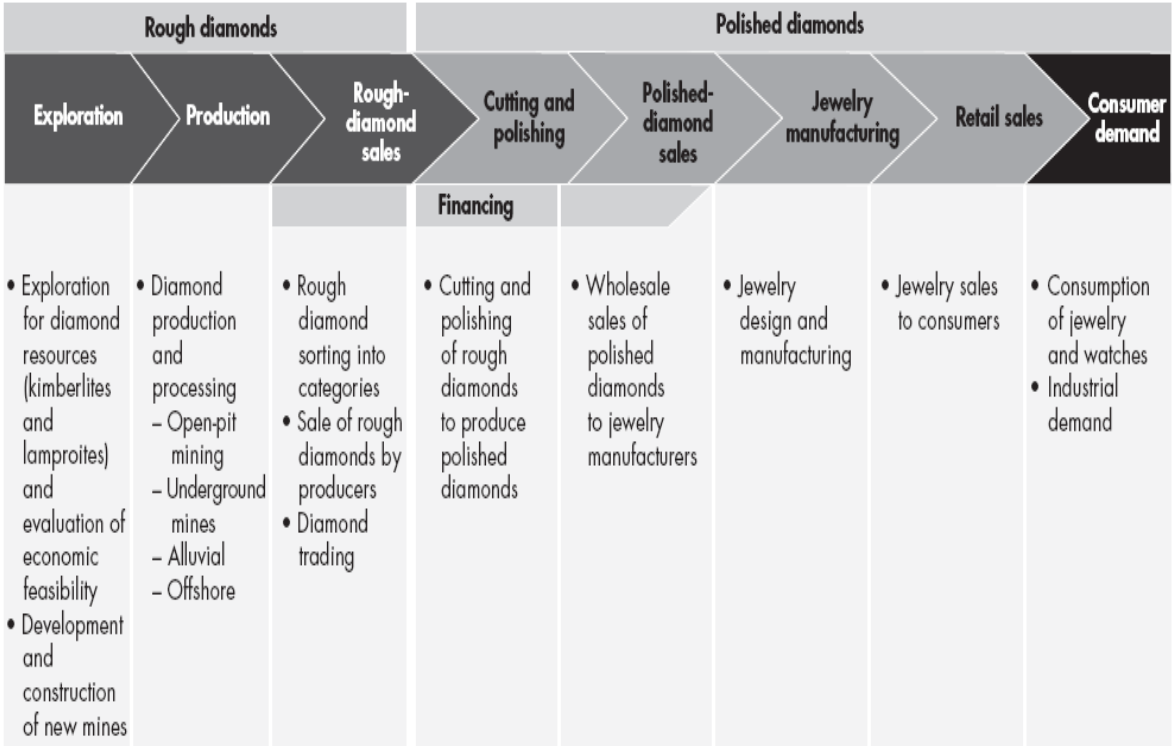


Figure 13: A diamond value chain overview: A journey "from mine to finger" (Source: Diamond Insight Report, 2014:16)

De Beers is a major player in the diamond industry value chain. Figure 14 shows the company's participation in the diamond pipeline. De Beers is responsible for about 40% of the global rough diamond production in the world. It is responsible for about 60% of rough diamond production from its mines in South Africa. Venetia Mine is the biggest producer in both value and production in South Africa. The second biggest producer in South Africa is Petra Diamonds, the biggest beneficiary of De Beers mine disposal strategy during the years 2007 and 2015. De Beers is the market leader in exploration, rough diamond mining and in the distribution of rough stones. According to Bone (2012), in the 1990s, De Beers was responsible for the distribution of more than 90% of the world diamond production.

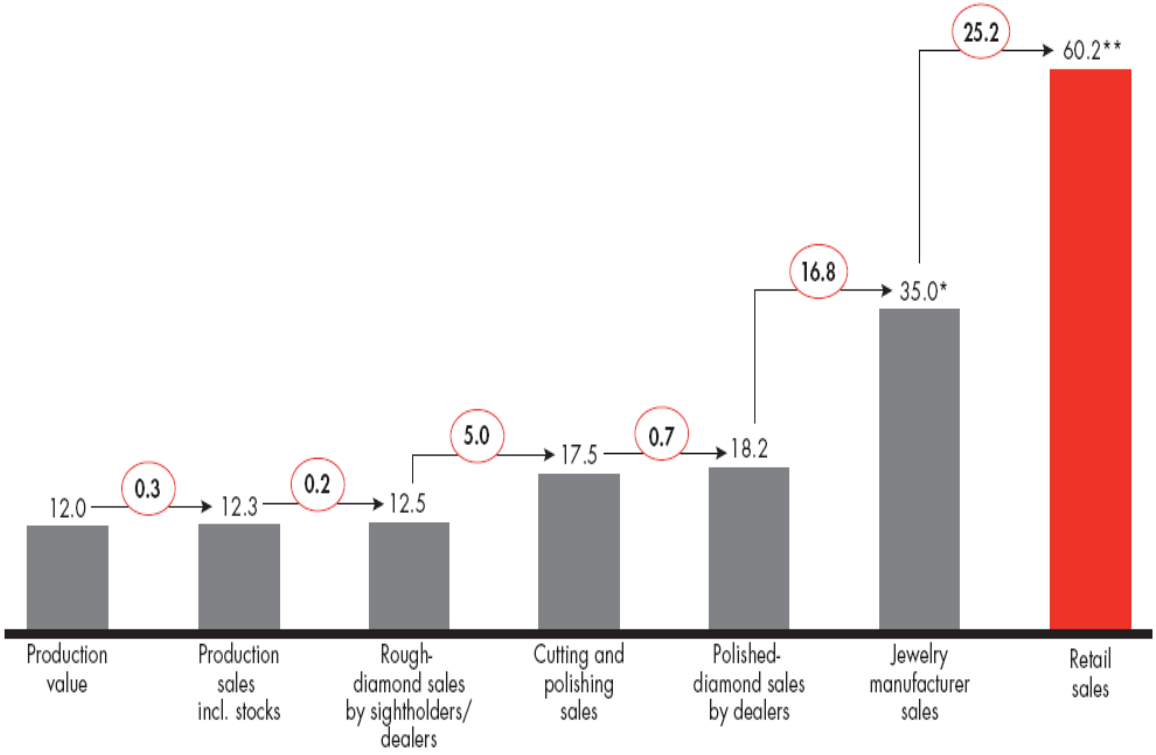


Figure 14: Diamond Pipeline highlighting De Beers Presence across the pipeline (Source: De Beers Group Report, 2009)

According to Penny (2009), different stages in the diamond value chain are associated with different values (see Figure 14). According to De Beers Sustainability Report (2013), in 2010, global diamond production was worth US$12 billion, escalating by less than 1% in value between the production stages, production sales, cutting and polishing, and polished diamond sales by dealers. It is only the transition from the polished diamond sales to the jewellery manufacturer sales where value increases by 16.8% and the shift from the jewellery manufacturer to retail where value increases by 25 percent. Given this major increase, retail diamond sales constitute a significant percentage of the value of the diamond value chain. Given that most of the production takes place in countries such as South Africa and that the majority of retail sales take place in the developed world, this diagram shows that producer regions must meaningfully participate in the jewellery manufacturing and retail sales if they are to benefit more from the value of diamonds. This places local beneficiation as a key consideration in producer nations.

3.4 Diamond Industry and the Luxury goods industry

The diamond industry is part of the luxury goods industry in South Africa and in the world. The luxury goods industry is a very wide industry comprising products such as jewellery, perfumes, wines, yachts, pens, watches, tableware, spirits, luxury cars, designer handbags, designer shoes and various items of designer clothing (Nguyen, 2007; KPMG, 2014). There is no particular definition of luxury products. How the utility of a product is perceived and how much is spent on that product are some of the parameters that define a luxury product (Nguyen, 2007; Lussier, 2014). Luxury products are identified as expensive in relative and absolute terms; some consider them to be “trivial” products, without any clear functional advantage over their non-luxury counterparts (Dubois, 1993). The label “luxury goods” is in itself a paradox. This is because retailers want to sell as many of their products as possible, however, proclaiming their products as luxury goods implies exclusivity (Hagg & Preiholt, 2006; KPMG, 2014). This is seen in companies like Prada, Gucci and LVMH in Sandton, South Africa. The impressive growth in sales volumes demonstrates to shareholders that the right balances between the four parameters, the *timeless, modern, fast growing* and *highly profitable,* have been found.

The 2008 global economic crisis resulted in the slowdown of economic activities in the mature markets for luxury goods in Europe and North America. In regions such as Africa, economic growth has been very high, creating a market for the luxury goods industry. There are many luxury goods companies that operate in Ghana, Kenya, Nigeria and many other African countries outside the mature luxury goods markets of South Africa, Morocco and Egypt. Ranked by country, according to a KPMG Report (2014), in 2012, South Africa had 48,800 dollar millionaires, the largest of any country on the continent. As such, it is a well-developed market for luxury goods by African standards. Luxury goods companies are dependent on their brands, customers and designers in order to succeed (Hagg & Preiholt, 2006). Buyers are willing to pay a premium price for a high-profile brand. A *Euromonitor Report* (2015) on luxury goods in Africa revealed that South Africa remains a prime shopping destination on the continent. Luxury goods shoppers from other African states regularly visit the country to access the wide selection of luxury brands available at prestigious shopping malls in the country. In South

Africa itself, the sustained growth of the middle class who aspire to owning luxury goods is the back-bone on which the future luxury industry is based. Foreign visitors to South Africa significantly contribute to the local luxury goods industry (Deloitte Report, 2015). These visitors are often enticed by the weak rand and by the existing tax rebates to visitors to South Africa.

The *Euromonitor Report* (2015) states that luxury products targeting female consumers continue to see growth in volume sales and have performed very well across various categories in South Africa. The success of such products is largely driven by the larger numbers of women who have become actively involved in the economy, giving them better access to well-paying jobs. Categories such as luxury accessories and luxury timepieces have greatly benefitted from this trend as more female consumers in South Africa are embracing global fashion trends. These manifest in South Africa in a variety of ways, ranging from reality TV to fashion magazines, as well as travel to other parts of the world. The luxury goods market in South Africa is still highly placed in terms of volume sales as well as the level of retailer concentration, relative to other markets. Most successful luxury brands in South Africa often have their own stores which exclusively sell their own brand and distribution is limited to these specialist stores. The luxury market remains a high risk business in South Africa and therefore requires retailers with adequate funding, which helps ease the pressure to have quick sales as most luxury items move slowly and such a business is generally not sustainable for retailers with limited funding (*Euromonitor,* 2015). This remains a major barrier to entry for new players. Most of South Africa's luxury retailers are housed in two major shopping malls, namely, V&A Waterfront in Cape Town and Sandton City in Johannesburg, where consumers of luxury goods generally do their shopping. The distribution of luxury products is also restricted to exclusive boutiques with the exception of a few brands and products, such as super premium beauty and personal care products, which are sold through different types of retailers ranging from specialist stores to department stores and apparel retailers.

Diamond jewellery is also an important component of the luxury goods market in South Africa and abroad. A survey by Research International (2008) and by De Beers Key Account Managers (KAM) in 2014 (Lussier, 2014) concluded that

diamond jewellery remains the “point of reference” in the luxury industry because of the following attributes:

- Diamond jewellery was the most popular gift for the holidays in 2008 and in 2013 – twice as popular as consumer electronics and other luxury goods.
- Women want fewer, better things. 62% of women would strongly prefer one wonderful gift – like a diamond – than several small ones.
- Men want to be the hero. 80% of men agree that “nothing else shows her I love her” like a diamond compared to other luxury goods.
- Diamonds have an enduring value. 66% of women agree that it is wonderful to hand jewellery down to the next generation.
- Diamond jewellery is a smart purchase. It is worn every day – it never wears out. It is considered to be a safer store of value than many other items today.

The study further concluded that women in most luxury goods markets prefer diamond jewellery as the first choice of a gift. Although several years have passed since these observations were made, they are still valid. The worth of diamonds as jewellery comes largely from the perceptions of those very few who buy and wear them. This perception has been carefully structured as part of the extensive generic marketing by De Beers over the last two centuries, building on the glamour of history, positioning diamonds at the peak of Maslow’s famous *Hierarchy of Needs* as a luxury whose cost is low compared to its value. Diamonds are positioned as a gift of love where the larger and finer the diamond, the greater the love, as a perceived scarcity and as a symbol of enduring love. According to Lussier (2009), the marketing slogan, “*a diamond is forever”* has become a part of modern language, a concept that, in popular imagination, links the symbolism of the indestructible diamond to the ideal of eternal love, as enduring as the precious stone it describes. This carefully constructed reputation fuels the continued consumption of diamonds as luxury goods.

Tiffany is a good example of a diamond jewellery business with a big retail presence especially in the US and in other major markets. *Tiffany* has stores in more than 20 countries world-wide and there are more than 150 Tiffany & Co. stores and boutiques serving customers in the US and international markets. Its

retail activities focus on up-market customers, high quality-products, premium prices, sophisticated promotions, extensive services, fashionable locations and it has a prestige image in many countries where it operates (Bertsch & Wiseman, 2004). It offers more than 2,000 products. Its major product lines are in jewellery which accounts for approximately 80% of its retail sales revenue and most of that comes from diamond jewellery. Other product lines are in crystal, sterling silverware, timepieces, writing instruments, fragrances and fashion accessories (Tiffany & Co., 2009).

According to Bertsch and Wiseman (2004), Tiffany is known for selling merchandise under manufacturers' brand names, its own brand names and various designer collection names. It offers approximately 100 brands from other companies including: *Back to Glamour, American Garden, Atlas, Faraone, Lucida, 1837 Collection, Tesoro* and *Fireworks.* It also uses trade names and trademarks that are based on the company name, i.e. *Tiffany Blue, Tiffany for Men* and *Tiffany Classics (Tiffany & Co.,* 2009). *Tiffany* has operating units in mining, processing (cutting and polishing of rough diamonds), producing, designing, testing, distribution and retailing (Tiffany & Co., 2009). *Tiffany* is one of the De Beers sight holders (Simson, 2009). The other diamond jewellery retailers in South Africa are *Shimansky, Browns* and many others who are concentrated in high end shopping malls at Sandton, Hyde Park and at the Victoria and Alfred Waterfront in Cape Town. Often, the exclusive glamour of these luxury stores and shopping malls contrasts with the poverty and squalor of the communities where diamonds are mined. This is another reason why this study is relevant in the South African context with high levels of inequality, poverty and unemployment.

3.5 Key Risks and Challenges affecting corporate reputation of the diamond Industry in South Africa

> "It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, I am sure you'll do things differently" (Warren Buffet, 2014)

The diamond industry, like all other industries, is affected by factors such as economic cycles, consumer perceptions and concerns about ethics and human rights issues. According to Delage (2009), in times of uncertainty, consumers will look for certainty, for inspiration and for brands that lead their categories and will

make more informed and considered purchasing decisions. These trends are also influenced by wider and deeper stakeholder concerns about issues relating to environmental scandals, ethics, crisis management, corporate citizenship and corporate reputation. Gaetano Cavalieri, the President of the World Jewellery Confederation, supported the ethical considerations of consumers by saying "The diamond market is today increasingly driven by trust, balance and legitimacy, integrity and honesty" (Ledbury Research Report, 2007:11). This trend is driven by global NGO activism on issues of sustainable development and global media coverage. The luxury goods industry in general, and the diamond industry in particular, now takes these concerns more seriously than almost any other sector because luxury today is typically high-profile and celebrity-driven and so will continue to be under far greater public scrutiny (Euromonitor, 2015; Lussier, 2014). Today, brand value is not only built through public relations and marketing, but is also dependent on the quality of the product or service and the reputation of the company behind it. As Rae (2009:12) emphasises,

> Something that is beautifully made, finely crafted, made out of rare materials and well designed, will account for nothing if it is also equated in the public mind with abuse of human rights and environmental destruction.

This is why the blood diamonds campaign shook the diamond industry to the core, resulting in massive changes such as the introduction of the Kimberly Process and Best Practice Principles (Bone, 2012; Bieri, 2010). More importantly, this demonstrates the significance of corporate reputation in the diamond industry.

The complex regulatory, geo-political and socio-economic changes that have influenced South African corporations since the formal abolition of apartheid in 1994 render its mining industry a fertile one in which to explore the extent to which contextual variables influence stakeholder perceptions of corporate reputation (Tshivase & Kleyn, 2016). While the country battles with high unemployment, poverty and inequality, diamond mining companies grapple with a shortage of skilled workers, often attributed to the legacy of educational policies that discriminated against black learners under conditions of apartheid. It is widely acknowledged that, since the formal abolition of apartheid in 1994, the Department of Mineral Resources has introduced several policies through various

charters and regulations to encourage mining companies to actively consider their role in redressing socio-economic inequality in South African society through active investment in corporate social responsibility as well as in the development of appropriate policies, charters and practices (Chamber of Mines, 2014; Davis & Franks, 2014). The sections below outline some of the key challenges and risks affecting the corporate reputation in the South African diamond industry.

3.5.1 Financial performance and global economic cycles

The diamond industry, like any other industry, is affected by "booms and busts" in the global economy. During recession, economic activity slows down, in some cases banks go out of business, while commodity prices fall sharply. For example, the 2008 global economic downturn hit the US consumers, which represent approximately 50% of worldwide diamond jewellery sales by value globally (Penny, 2009; Prager, 2014). According to Lussier (2014), almost 40% of those sales are made between the Thanksgiving and December holidays in the lead up to Christmas as shown in Figure 15. This demonstrates that consumer demand is affected by various seasons in different markets. For example, the US wedding season is between July and September. The engagement season is between January and March. While in India, the wedding season is between September and May. In China, most of the demand for diamond jewellery is between December and March. The Chinese Valentine's day is in August compared to the US which celebrates Valentine's day in February, as in South Africa.

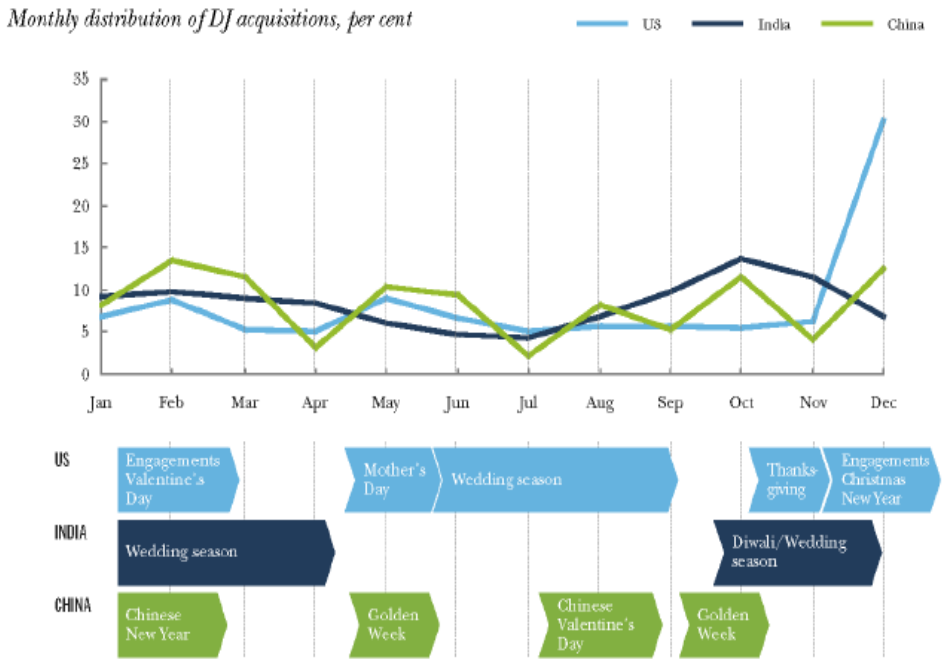


Figure 15: Seasonality of Consumer Demand in the Diamond Jewellery (Source: Diamond Insight Report, 2014:22)

In October 2008, the US economy shed about 240,000 jobs (Lamb, 2009). House repossessions (foreclosures), which were responsible in large measure for the crisis, continue across the US. The diamond jewellery business was impacted by the 2008 global recession and continues to be challenged by world economic forces such as other commodities and it remains unpredictable. According to Penny (2009), between September and December 2008, the US jewellery sales trend dropped to below 20% and did not recover until almost the end of 2009. Almost all the mining companies experienced a serious reduction in their sales because of the 2008 global recession. According to Penny (2009), many smaller diamond companies perished during this period, for example, the *African Romance* in South Africa.

According to Penny (2009), while the economic crisis presented challenges for the luxury goods category as a whole, diamonds quickly rebounded owing to medium-term supply issues. The basis of the demand rests on the fact that people continue to get married and their financial value remains relatively stable. A good reputation will increase customer loyalty enabling consumers to prefer a certain company's products even when the economic environment is uncertain. Demand for diamonds has been consistently increasing for many years and this is expected

to continue in the long term – particularly as higher net-worth individuals emerge in the developing markets (*Ledbury Research Report, 2007*; Lussier, 2009). According to the *Diamond Insight Report* (2015), diamond values have consistently recovered as the world economies recover.

3.5.2 Gem Quality Diamonds Vs Synthetics Diamonds

About 40 years ago, the first cases and reports of brand and product counterfeiting emerged (Eisend & Schuchert-Güler, 2006). At that time, only a few manufacturers of very highly priced and very prestigious products like textiles, jewellery and accessories were affected and it was assumed that this phenomenon would be of minor significance. Since then, however, counterfeiting has become widespread and has developed into an economic problem of international significance. Recent figures estimate that 7% of the world's merchandise trade in 2004 may be based on trade in counterfeit products (Eisend & Schuchert-Güler, 2006) and this global economy for illicit goods is growing.

In the diamond jewellery business, synthetics are regarded as the counterfeits. Synthetics are not new. In 1954, General Electric successfully produced the first synthetic dust from a 400 ton press which put carbon under extremely high pressure in an attempt to mimic natural geological conditions. The vast quantities of electricity and time required meant that the end result was more expensive than a natural diamond. Over the last few decades, manufacturing processes have evolved and synthetics are increasingly being produced for industrial purposes. In the 1990s, synthetic techniques progressed to make better colours and quality material which could potentially be used in jewellery. However, the production costs are still relatively high (Prager, 2014). There are currently only minimal amounts of synthetic material available for use in jewellery, partly because there are significant technical barriers to overcome. There are a number of companies who have declared their intent to supply the jewellery market with synthetics using two different manufacturing techniques, carbon vapour deposition (CVD) and high pressure high temperature (HPHT).

According to Penny (2009) and Lussier (2014), these have the potential to radically erode natural diamond sales in many ways. This can be through undifferentiated entry into the diamond jewellery market as an affordable and

“cleaner” substitute, especially in the emerging markets where a diamond jewellery sales culture is emerging. According to Even-Zohar (2007), this could result in undermining consumer confidence in the integrity of the category; skewing the existing supply/demand dynamic; and will undermine both the emotional and value (rarity, timelessness) propositions that sustain demand for natural diamonds (Penny, 2009). Synthetics could also be positioned as a cheaper, better or ethically sound alternative to natural diamonds thereby cannibalising sales, reducing demand and collapsing the diamond jewellery price (Simpson, 2007). According to Penny (2007), the gem quality of synthetic diamonds has been available for sale in the USA in small quantities since 2003. Despite the initial buzz surrounding their launch, the continuous improvement in the quality and a commensurate reduction in production costs, synthetic diamonds have made no significant inroads into the natural diamond market. As much as this is indicative of the resilience of the natural diamond market and its enduring strength as a product category, the diamond industry needs to take the view that it is only a matter of time before a large scale low-cost producer of synthetics enters the marketplace. As such, reputation then becomes a key driver of customer loyalty which is essential for business survival.

Consumer awareness of synthetics is currently low, as commercial availability of synthetic jewellery is extremely limited (Penny, 2009). However, there have been a number of high profile articles in the consumer media about synthetics which have positioned them as an alternative to diamonds. Claims include that synthetics look exactly the same to the naked eye, do not have the ethical and environmental concerns of diamonds and will be cheaper in the future. In addition, coverage has positioned synthetics as a challenge to De Beers’ historical reputation as a monopoliser of the diamond industry and has highlighted the potential threat of undisclosed synthetics entering the supply chain. According to Lussier (2009), many articles have also acknowledged the technological and industrial potential for synthetics.

Extensive independent consumer research demonstrates that people want “the real thing”. Specifically, research shows that people want diamonds and that machine-made synthetics are not an adequate substitute. People often buy

diamonds to mark significant milestones and achievements in their lives and, for these purchases, only diamonds will satisfy the consumers' requirements. Furthermore, De Beers is confident that synthetics will not have the same emotional and financial value as diamonds because the value of diamonds is inextricably linked to how they were naturally formed billions of years ago.

According to Penny (2009), the vast majority of synthetics will be manufactured for industrial drill bits and abrasives, and not for jewellery consumption. The manufacturing process means a potentially limitless supply of synthetic material which can be used to meet other innovative technical applications, such as laser technology, medical and scientific equipment. If synthetics do enter the jewellery market over time, production costs will fall, and synthetics will probably occupy a similar position in the market place to *Cubic Zirconia, Moissanite* and other such materials.

3.5.3 Mine Closures

Reputational damage arising from mine closures and disposals of marginal mines by most diamond mining companies creates negative perceptions in some stakeholders, particularly the powerful labour unions. The labour unions fight for their members to keep jobs in the medium to long term. When De Beers announced the disposal of Cullinan Mine in South Africa, this was opposed by the labour union (Penny, 2009). A company that closes mines and retrenches workers is unlikely to have its reputation untainted by the unions, media houses and community groups, including NGOs. News of the proposed closure of the Namaqualand Mine in 2011 generated heated debate amongst various stakeholders (Salgado, 2011). In particular, local communities felt that legacy issues were not being addressed in De Beers' mine closure plan.

3.5.4 Illegal Mining

Illegal mining is a common feature in the diamond industry. Creamer (2009) reported that more than 600 illegal miners have been arrested in some diamond mines in South Africa. Illegal mining is mostly carried out by artisanal miners who want participation in the diamond value chain. There is a need to effectively manage the scourge of illegal mining and its effect on diamond smuggling and the

associated black market. Communities, regulators and NGOs must benefit from mining to reduce this problem.

Illegal mining also requires strong governance on the part of regulatory authorities. In Zimbabwe, lack of a robust governance regime resulted in 40 000 artisanal miners descending on the Marange diamond fields. The government used force, precipitating deaths which resulted in the diamonds being temporarily termed as blood diamonds (*Human Rights Watch, 2011*).

3.5.5 Inability to secure Mining and Water licenses

Many diamond companies have identified the inability to secure various regulatory permits, such as mining and water licences, as a problem for their operations (Penny, 2009). This becomes problematic, given the proliferation of NGOs and community groups interested in environmental justice and sustainable development. Companies must ensure that their operations take sustainability into account when designing mining methods. Junior diamond miner, DMI Minerals, developed a method of simultaneously mining and rehabilitation, limiting top soil removal to selected areas showing that the future of diamond mining lies in sustainable methods (SA. Department of Mineral Resources, 2010).

3.5.6 Compliance with mining, environmental and heritage legislation

Sharp increases in the cost and supply continuity of commodities remains a threat to most diamond companies' profitability, which could result in the inability to meet all the mining licences' requirements. The mining legislation mandates that communities must benefit from mining activities. Also, there are a number of powerful NGOs that are advocating environmental rights (Tshivase & Kleyn, 2016) while investors, consumers and governments are increasingly calling for environmentally compliant mining. In mining areas near World Heritage sites, UNESCO and IUCN are also very powerful stakeholders who demand compliance with local and international heritage laws and conventions. The share price of *Coal of Africa*, which mines coking coal near the Mapungubwe World Heritage site lost a significant percentage of its value when NGOs, under the banner of *Save Mapungubwe Coalition*, took it to court for failure to comply with the *National Environmental Management Act*, the *World Heritage Act of 1999 and the National*

Heritage Resources Act of 1999 (Conway-Smith, 2012).

3.5.7 Mine Safety Incidents and Community Health

Mine safety incidents are a serious reputational risk in the diamond industry. According to Oppenheimer (2012), failure to ensure that safety incidents do not occur can have a negative impact on company reputation (see De Beers' safety performance in Figure 16). For instance, *Massey Energy* is currently facing accusations by mine worker unions that it traded safety for profit. This was in light of the accident at its coal mine in April 2010 which resulted in the deaths of 29 workers.

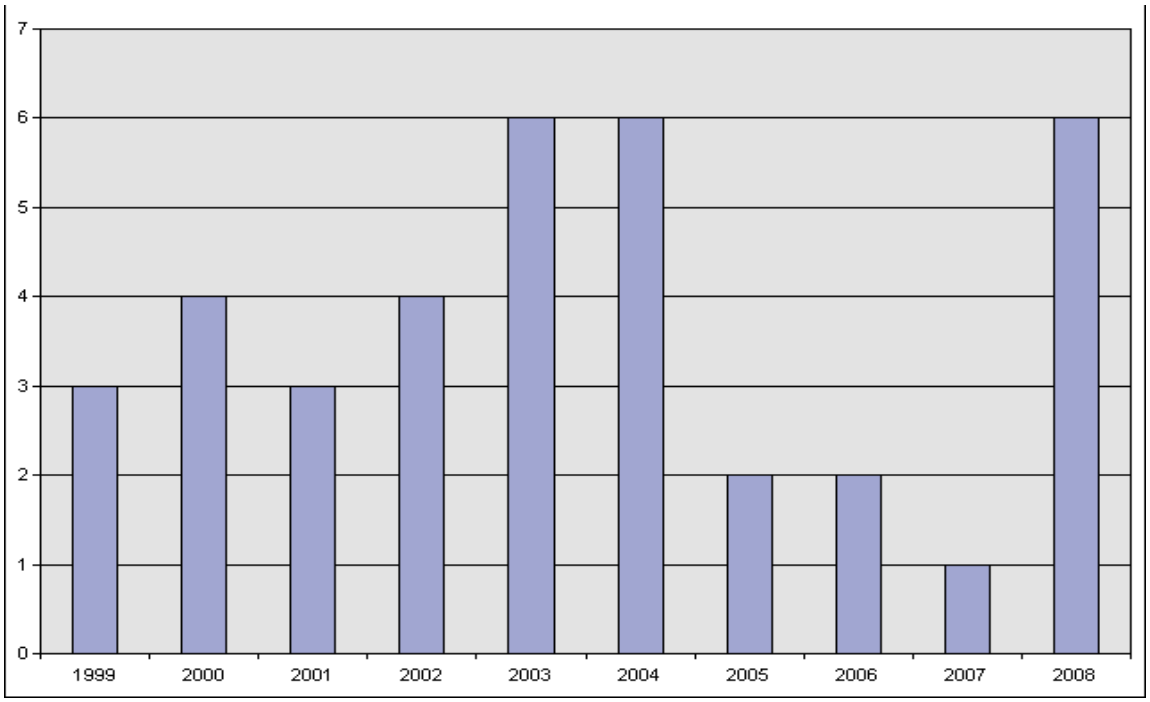


Figure 16: De Beers' Safety Performance from 1999 to 2008
(Source: De Beers Safety Presentation, 2009:13)

In terms of community health, one of the major challenges that communities living around the mining towns are faced with, is the scourge of HIV/AIDS. According to *The Chamber of Mines Report* (2015), mining towns in South Africa are regarded as highly contagious areas of HIV/AIDS because of the historic hostel system of mine workers' dwellings. Government and mining companies have invested millions of Rands to create awareness, but the changing perceptions and behaviours of the population is critical in curbing the spread of the disease, especially among the youth. In contrast to the successful clinical interventions, there is much to be done in changing the behaviour around HIV and AIDS but this

is not the sole responsibility of the state and the mining companies.

According to Shisana, Rehle, Simbayi, Zuma, Jooste, Jungi, Labadarios and Onoya (2014), changing behaviour and addressing the underlying social and structural drivers of HIV/AIDS is now essential, given that the number of people living with HIV has increased from 5.2 million in 2008 to a staggering 6.4 million in 2012 (*HSRC Household Survey*). This increase is due to people living longer on treatment but also reflects a high number of new infections.

Some of the interventions that the mining companies must actively promote include the promotion of safe sex or the consistent use of condoms; the dissemination of correct knowledge about the transmission of HIV and Tuberculosis, as well as increasing the number of safe circumcisions countrywide. In a country with a high incidence of HIV, the use of condoms is one of the most effective ways of preventing the transmission of HIV. As such, there was an increase in the use of condoms at last sexual encounter from 2002 (27.3%) to 2008 (62.4%), followed by a slight decline in 2012 (59.9%). The sharp improvements in the use of condoms among those 15 years and older can be attributed to the positive behavioural changes and enhanced communication programmes.

3.5.8 Land Disputes

Land disputes are serious issues in the diamond industry and can affect its ability to secure mining and social licences. According to Prager (2014), obtaining a social licence to operate can sometimes be difficult when land disputes arise between mining and metals companies and local communities. Such disputes can delay or even prevent projects from proceeding.

3.5.9 Employee engagement in the diamond Industry

Level of employee engagement is identified as a key challenge as most diamond mining companies are reducing their overheads in order to remain profitable (Creamer, 2007). The diamond industry has been undergoing a major restructuring following the announcement in 2007 by De Beers of its intention to dispose of some of its mines (*Benchmarks Foundation, 2*009). This was followed by the sale of Finsch Mine to Petra and the sale of Cullinan Mine also to Petra in

2010. High potential and critical employees are in demand outside the diamond industry and even outside the mining industry. Employees are an organisation's most important asset. Health and safety of employees is therefore critical. Happy employees have a higher employee engagement level and they are motivated, hardworking and passionate about producing more output.

3.5.10 Perception of Exploitation

As mentioned earlier, the South African diamond industry emerged from a context of exploitation of local people in the early colonial period, particularly in the 1860s and throughout most of the colonial period when "natives" were scarcely protected by labour laws (Tshivase & Kleyn, 2016). Even today, more benefits from the diamond industry accrue at the top end of the value chain located outside South Africa and other producer regions (Bain & Company, 2011). Not surprisingly, the producing countries often call for an equitable share of profits from the industry with countries such as Botswana often being cited as an example of a successful private-public partnership that brought positive social change to the country. According to *Diamond Insight Report (2015*), the central reputation threats to the diamond industry are those posed by the perception of exploitation in the producer countries and across the value chain.

It is widely believed that since the release of the film "*Blood Diamond"* in 2006, the diamond industry has taken a high profile proactive approach to divorce itself from the historical beliefs by many that diamonds are associated with exploitation (Bieri, 2010). According to Bone (2012), exploitation can take many forms, including:

- Exploitation of workers (poor working conditions, HIV/AIDS);
- Exploitation by African governments (disproportionate profit-taking);
- Exploitation of rural communities;
- Exploitation of consumers by artificial inflation of diamond jewellery prices;
- Exploitation of the environment (climate change, degradation, water); and
- Exploitation of consumers/trade (monopoly/anti-trust).

There are some South African political players such as the Economic Freedom Fighters and some unions that advocate the nationalisation of mines (Baxter, 2015). The ANCYL alleged that the diamond industry is often associated with the

apartheid regime in South Africa which was coupled with racism and discrimination. This is manifested by many historic policies including the hostel accommodation which was based on racial lines (Prager, 2013). There is a general belief that the diamond industry is known to be a very controversial, fairly secretive industry with a tainted past. The industry has been associated with cartel industry, monopoly capital and is therefore not transparent to many people (Appendix 3). Not surprisingly, nationalisation is seen as a way of raising communities in mining areas out of poverty. The ANCYL discussion paper of 2011 argues that mining companies should do more to build roads, provide safe and clean water, electricity and proper housing. Also, diamond beneficiation should contribute to local job creation and economic emancipation of the local communities.

The ANCYL was, at one point, extremely concerned about the high levels of poverty and unemployment in most mining towns of South Africa. It argued that the *South African Mining Charter* has led to mining communities becoming poorer than ever before. In recent times, this debate is now being handled by the Economic Freedom Fighters (*EFF Manifesto* 2014 Elections). These perceptions negatively affect the corporate reputation of the diamond industry in South Africa.

The opinion of the general public about the mining industry remains a key driver of corporate reputation in the diamond industry. There are those within and outside the diamond mining sector who believe that the *South African Mining Charter* has failed to correct the ownership imbalances of the past despite the conclusion of many empowerment transactions for exactly this purpose (*Benchmarks Foundation*, 2009). There is also a feeling that diamond mining companies can do more to ensure that the socio-economic difficulties and inequalities afflicting many South Africans are successfully mitigated (SA. Department of Mineral Resources, 2013/14; Chamber of Mines Report, 2014). The more a company attempts to change these perceptions, the more its reputational challenges escalate.

However, good reputation alone should not come at the expense of business viability (Penny, 2009). Prager (2014) argues that operations that are not managed to maximise their contribution to local growth and capacity building, undermine the company's licence to operate and the diversification of the

economy that will ensure long-term economic stability and viable post-mining futures. De Beers' approach to supporting development is to work in partnership with host governments to create shared value from diamonds. According to Penny (2009:19),

> our partnership approach extends to national and local communities in our producer countries. Working in this way maximises the economic value of our production, reduces our operating risk and helps support the creation of skills and capacities for a diversified post-mining economy.

The company supports enterprise development through dedicated investment funds, and undertakes traditional social investment projects (for example, supporting local infrastructure, education and health).

3.5.11 Conflict diamonds

In the mid-1990s, about 10% to 15% of the world's supply of diamonds came from African war zones, such as Angola, Congo and Sierra Leone (Hayden, 2000, Bone, 2012). In these countries, diamond mines were owned and operated by the warlords, who used the revenues from the sale of diamonds to fund their revolutionary efforts. For example, Sierra Leone's Revolutionary United Front sold more than US$630 million in diamonds to Liberia in exchange for weapons that were responsible for the genocide in Sierra Leone during the war.

Several attempts have been made to stop this illicit and unethical trade. Those initiatives include the *Kimberley Process* and international agreements designed to eliminate the illicit trade in diamonds (Penny, 2007). According to Bieri (2010), the campaign against conflict diamonds tore into the heart of the carefully constructed reputation of the diamond industry. For example, some NGOs attacked concepts such as "a diamond is forever", and the myths and mysticism associated with diamonds, linking those to shadowy dealings with rebel armies that killed millions. This powerful campaign encouraged more ethical conduct on the part of major players in the industry.

3.5.12 Cartels

According to the *Diamond Insight Report (2014)* in 1888, after Cecil Rhodes had consolidated South Africa's diamond mines into one company, De Beers

Consolidated Mines, he formed a cartel with the ten largest merchants. Each merchant would be guaranteed a certain percentage of diamond output in return for data about the market. This system enabled De Beers to match supply to demand, thereby ensuring a steady control of prices. The merchants have now been replaced by sight holders, but the basic principle remains the same *(Diamond Insight Report, 2014*).

3.5.13 Corporate Social Responsibility

According to Hopkins (2003), corporate social responsibility can be summarised as the continuing commitment by business to behave ethically and to contribute to economic development while improving the quality of life of the workforce and their families, as well as of the local community and society at large. The evidence base for responsible corporations is growing. This shows that successful companies operate in relative harmony with the needs, values and, more importantly, the aspirations of stakeholders. Once this balance is achieved, it can enhance reputation, performance and shareholder value. Therefore, CSR must be imbedded into the organisational DNA through its operational business principles and company values. The communities surrounding the South African Diamond industry are beset with high levels of unemployment, poverty and inequality (*Department of Mineral Resource Report, 2013/14*). These are the major causes of community activism and the protests that are currently dominating the mining industry in South Africa. The high number of unemployed is further exacerbated by the recent restructuring of De Beers diamond mines in South Africa, which has resulted in De Beers reducing its production from a peak of 15 million carats in 2007 to the current 5 million carats in 2014. This is accompanied by a number of mine closures, such as Oaks Mine, the sale of mines and reduced production in many operations. The Table 5 shows the number of jobs lost between 2003 and 2012 as at June 2013.

Table 5: Labour history by commodity

Year	Gold	PGMs	Iron Ore	Copper	Chrome	Mang-anese	Diamonds	Coal	Aggregate and Sand	Other Mines and Quarries
2003	198 465	127 672	5 961	4 952	5 784	2 623	17 949	47 239	3 801	21 182
2004	179 964	150 630	7 142	4 042	6 765	3 243	21 186	50 327	4 080	21 530
2005	160 634	155 034	7 493	3 746	7 893	3 336	22 033	56 971	5 210	21 782
2006	159 782	168 530	8 859	3 993	7 899	3 332	19 686	57 778	5 133	21 345
2007	169 057	186 411	13 858	N/A	9 796	3 240	19 471	60 439	5 833	27 045
2008	166 063	199 948	13 256	N/A	12 279	3 976	18 474	65 484	6 428	32 821
2009	159 925	184 163	13 727	N/A	10 966	5 003	11 602	70 791	6 852	28 765
2010	157 019	181 969	18 216	N/A	13 982	5 879	11 468	74 025	7 009	29 339
2011	144 799	194 745	22 361	N/A	16 911	7 460	12 046	78 579	7 123	28 854
2012	142 201	197 847	23 380	N/A	19 758	8 726	12 176	83 240	7 544	29 760

(Source: SA. Department of Mineral Resources, 2013/14:29)

Unemployment is a major challenge in South Africa. According to Brand (2012), only four out of ten adults work in South Africa while, in the rest of the world, seven out of ten adults work. That means that only 7.3 million out of 32.9 million adults work in South Africa. This number is very low compared to other countries with similar GDP numbers.

3.5.14 Transformation in the Mining Industry in South Africa

There is a wide belief among local community groups, especially the youth groups, that the mining industry is not transformed. This belief has also found resonance in various government departments including DMR, unions, political formations and various community based organisations. "South Africa will burn if past mining 'ills' are not addressed" (quote from Joseph Mathunjwa, president of the Association of Mineworkers and Construction Union [AMCU]). This debate has been exacerbated by the dispute between the Chamber of Mines and the DMR on the interpretation of the *Mining Charter Reports* (Prager, 2014; Seccombe, 2015) and several stand-offs between local communities, especially in the Limpopo province of South Africa in the Sikhukhune Land, Burgersfort Area. The DMR, together with mining unions notably AMCU and NUM, and most local communities, believe that the industry is not doing enough to fight the plight of the poor in South Africa (*Benchmarks Foundation,* 2009). According to the *South African Chamber of Mines Report* (2014), the mining industry has achieved Black Economic Empowerment (BEE) on ownership of 37.7% (22.8% BEE entrepreneurs or individuals, 10.8% communities and 4.2% Employee Share Ownership Programme (ESOPs) with weighting based on the value of the assets. The ownership structure has benefited 60% BEE entrepreneurs, 29% communities and 11% ESOPs, and an estimated 7 million individuals. In terms of volumes weighting (production and revenue), the industry has achieved BEE ownership level of 38.8% (24.3% BEE entrepreneurs, 9.1% communities and 5.4% ESOPs). The industry has created a net value of between R155 320 million and R282 018 million representing a return of 200% as stipulated in the Mining Charter. The diamond sector has a net value of between R616 million and R5 290 million, representing a change of between -56% and 282%.

3.5.15 Mining Strikes

According to Brand (2012), when comparing South Africa against all European countries between 2005 and 2009, in Europe, on average, 30.6 working days were lost per 1000 employees with a minimum of 0 and a maximum of 159.4; while South Africa lost 507 working days per 1000 employees with a minimum of 36 and maximum of 1593 over the period 2006 to 2011. This is the highest loss of working days in the world and most of these strikes are associated with the highest violence rate in the world. Figure 17 demonstrates that, according to Levy (2015), the South African mining industry lost 11.8 million working days due to labour strikes compared to 5.2 million in 2013 and 1.7 million working days in 1996. This sharp rise in 2014 is due to the platinum industry strike coupled with the engineering strike called by NUMSA. According to Lotz (2014), these two strikes accounted for more than 95% of the total working days lost.

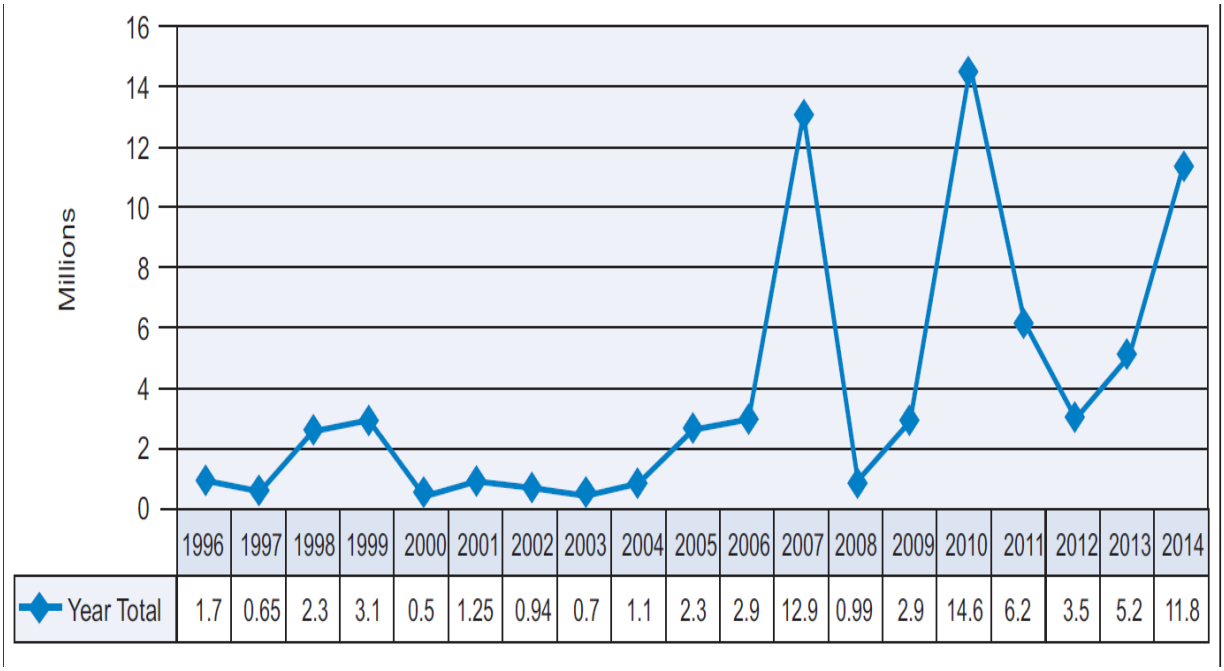


Figure 17: Workdays Lost to Strike Action 1996 to 2014
(Source: Andrew Levy Employee Relations Report, 2015:6)

According to Levy (2015), the key triggers the South African strikes are due to wages which make up more than 95% of the reasons (Figure 18). The wage issue remains a major challenge in the recent mining industry and in South Africa in general.

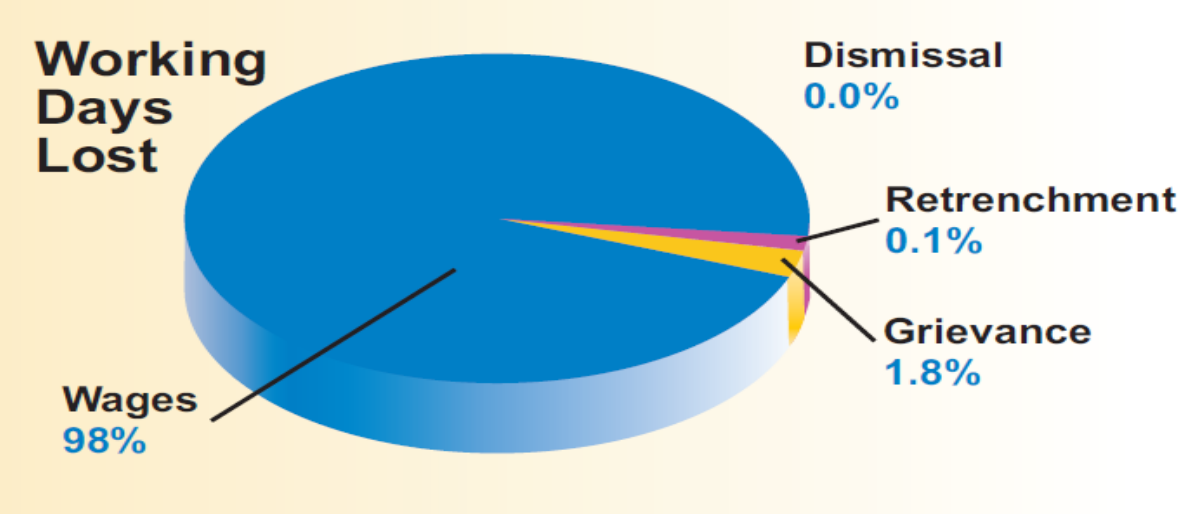


Figure 18: Working Days Lost due to Wage dispute in South Africa (Source: Andrew Levy Employee Relations Reports, 2015:7)

3.6 Summary of Literature Review

The South African diamond industry is now almost a century-and-a-half old. However, the industry has been affected by serious legacy challenges, particularly in its early days and throughout the colonial period. This literature review has revealed a number of definitional issues relating to corporate reputation as a subject; key challenges in the industry as well as the effect of corporate reputation and, lastly, the corporate reputation management framework. In terms of the meaning of corporate reputation, the literature review has demonstrated that there are many angles that we can use to understand corporate reputation and that there has been very little research undertaken into corporate reputation in the diamond industry in South Africa, focusing, in particular, on reputation management. There has also been limited research into understanding the key components that are the drivers of corporate reputation, which are perceptions of the diamond industry, key challenges and the effects of corporate reputation on the diamond industry. Although the literature does provide a generic perspective of what reputation is and the various challenges driving corporate reputation and its effects, there is limited detailed analysis of these variables in the South African context.

The literature review prompted an awareness of these challenges including perceptions of secrecy that cloud the entire diamond industry; poverty and high

unemployment in the host communities; beneficiation expectations by the producer governments; lack of transformation and poor relationships between the mining companies and their key stakeholders such as unions and local communities. This literature review has shown that the diamond industry plays an important role in the development of, not just Southern Africa, but also of the world. It was revealed that the diamond industry is ultimately a luxury goods business, which is based on tastes and perceptions of upper and middle classes. This means that reputation is important in all stages of the diamond value chain, from exploration, through production up to retail sales. A bad reputation results in the shunning of diamonds by the world market. For example, the human rights abuses in the diamond fields at Chiadzwa in Zimbabwe attracted a lengthy investigative process by the *Kimberley Process* (Bone, 2012).

This literature review confirmed the relevance of the following key five research questions and sub-questions:

Research Question One

What is the meaning of corporate reputation in the diamond industry in South Africa?

Sub-questions:

1. What is an acceptable definition of corporate reputation in the diamond industry?

2. What are the key components of corporate reputation in the diamond industry?

3. What are the key drivers of corporate reputation in the diamond industry?

Research Question Two

What are the key stakeholder perceptions of the diamond Industry?

Research Question Three

What are the current and future key reputational risks and challenges in the diamond industry?

Research Question Four

What are the key effects of corporate reputation in the diamond industry in the following key strategic focus areas?

Sub-questions:

1. The effect of corporate reputation on investor confidence?
2. The effect of corporate reputation on employee engagement, talent attraction and retention?
3. The effect of corporate reputation on purchase decisions for diamond jewellery?
4. The effect of corporate reputation on customer attraction and loyalty?
5. The effect of corporate reputation on community relations?
6. The effect of reputation on government relations and other external stakeholders like suppliers, media and authorities?

Research Question Five

What are the appropriate managerial actions and approaches to manage corporate reputation in the diamond industry?

The next chapter focuses on the methodology used to elicit responses from different stakeholders in the South African diamond industry.

CHAPTER 4
RESEARCH METHODOLOGY

4.1 Introduction

A literature survey has revealed that, from a stakeholder point of view, a good corporate reputation is as essential to the survival of business as the bottom line. Despite this unity of thought, authorities do not agree on the most acceptable definition of corporate reputation. Naturally, this is an outcome of the fact that different stakeholders and academics view corporate reputation from their different positions. According to Fombrun et al (2013:24), economists, accountants, strategists, organisational theorists, communication experts and corporate strategists all view reputation using different lenses. This has precipitated a profusion of tools and methodologies designed to explore corporate reputation. Within the local South African context, a number of large consulting firms offer services in corporate reputation, but when compared to the global situation, there has been little academic engagement with corporate reputation (for exceptions see Le Roux, 2003 and Joosub, 2006). Not surprisingly, the local literature survey found very little corporate engagement regarding corporate reputation in the diamond industry by academics. It is only the major consulting companies such as Bain & Company and Globescan that have commented on reputational aspects of the diamond industry in general. Using stakeholder theory as the main theory for this study, this thesis represents one of the first major attempts to explore corporate reputation in the South African diamond industry, which, as we have seen, is often accused of being secretive and exploitative (Center for Environmental Rights, 2014). The presence of multiple stakeholders dictates that a multi-dimensional methodology is the most appropriate.

This chapter presents the research methodology used in this study. It begins with a brief description of the research design, which is based on Creswell's (2013) three framework elements. It covers philosophical knowledge claims or research paradigms relevant to a study, a mixed method research methodology, including a quantitative questionnaire survey and qualitative semi-structured interviews. The subsequent sections of the chapter address the reliability and validity of

procedures used for data collection and analysis.

Research Design

The research design process utilised in this study follows Creswell's (2013) approach that stipulates that a research design should have three framework elements. Those elements are "knowledge claims or a research paradigm" which is a philosophical assumption about the study; the "strategies of inquiry" which is made up of general procedures of research; and "methods" which is made up of detailed procedures of data collection, analysis and writing (Creswell, Plano Clark, Guttmann & Hanson, 2003*). The ontological orientation of this research is the constructivist worldview. The epistemological orientation is the interpretive subjectivist approach. The strategy of enquiry is a mixed-method research approach which combines quantitative with qualitative analyses involving a detailed questionnaire and semi-structured interviews.* The section below provides a detailed background and justification motivation of the research design, methods and a detailed procedure of data collection and analysis.

Research Paradigm

As demonstrated in Chapters 2 and 3, interest in the study of corporate reputation is not of recent origin worldwide. From the 1950s until the present, various concepts about corporate reputation have captured the imagination of many scholars and practitioners. During this period, corporate reputation studies were dominated by the logical empiricist paradigm that stresses a positivist framework of rationality and empirical measurement (Lloyd, 2007; Griffin, 2008). This flowed from the belief that academic research activities should seek to validate knowledge (Kuhn, 1962; Kline, 1998; Dolphin, 2004). The search for valid knowledge stems from community acceptance, which is an agreement on a set of values which have produced knowledge claims that have withstood the test of time and this, according to Kuhn (1962), is a research paradigm. A research paradigm is a cluster or grouping of beliefs which dictate what should be studied within a particular discipline, how research should be done and how results should be interpreted (Bryman, 2004; Creswell, 2014).

In other words, according to Tashakkori and Teddlie (1998) and Creswell and

Plano Clark (2011), research paradigms represent opposing belief systems or worldviews that are a reflection of the researcher's views and guide the decisions that researchers make in the social and behavioural sciences. These have traditionally fallen into two camps "positivist" and "constructivist", or "scientific" and "naturalistic" (Armitage, 2007; Guba & Lincoln, 1988; Tashakkori & Teddlie, 1998). Researchers have identified numerous research paradigms as described in the next section.

It is acknowledged in many research philosophical studies that, although paradigms do mutate, evolve and/or get discarded completely, this does not happen quickly due to the already existing cumulative tradition behind which a pace is set (France, 2007). According to Chen and Sadeque (2007), the paradigm can be explained in terms of its ontological and epistemological orientation.

Ontological orientation describes the nature of reality (Maurer, 1999). It focuses on whether the reality and related relationships should be considered as a given which will then be investigated by the researchers from a distance (objectivism) or that the reality is affected by the perceptions and actions of the social actors (constructivism) and therefore is constantly under construction (Chen & Sadeque, 2007).

The first step of the research design is the ontological philosophical context of the study. The philosophical context justifies the paradigm that is to be leveraged in order to address the research questions. According to Creswell (2013), there are four distinct types of research paradigms. The first one is the *post-positivism knowledge claim* which refers to postmodernist thinking which succeeded positivism. It is about challenging known truth and acknowledges that researchers cannot be "positive" about claims of knowledge when studying the behaviours and actions of humans (Creswell & Plano Clark, 2007; Creswell, 2013). The second is the s*ocially constructed knowledge claim,* which assumes that individuals develop subjective meanings of engaged experiences and these meanings are multiple, pluralistic and varied. The focus is on understanding the complexity of views and phenomena. The third is the *advocacy/participatory knowledge claim* that assumes that enquiry needs to be situated within the relevant macro and micro political discourses. The focus for the researcher is to make changes taking

account of wider societal requirements. The fourth, which is the *pragmatic knowledge claim,* can appear in many forms, depending on the type of research settings. It is known to arise out of actions, situations and consequences rather than from antecedent conditions as in post-positivism. According to Creswell (2013), the pragmatist researchers design their inquiry to look into the "what" and "how" to research intended consequences (see Figure 19).

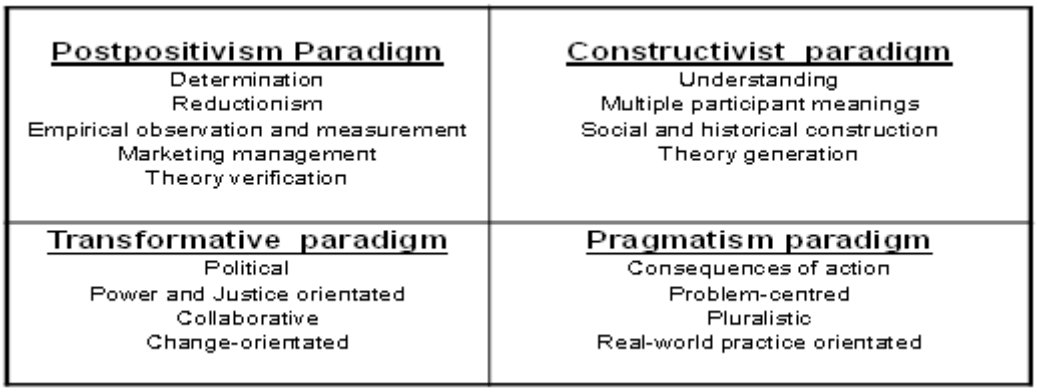


Figure 19: Four Worldviews
(Source: Creswell, 2014:6)

The current study was approached from a constructivist worldview. According to Lincoln, Lynham and Guba (2011), a constructivist worldview believes that individuals seek understanding of the world in which they live in and work. Constructivism assumes that the social and physical world is not a "given", but constructed through the actions and interactions of humans (Orlikowski & Baroudi, 1991; Rajablu et al, 2015). This worldview has been adopted because the constructivist paradigm is based on the premise that there is no fixed set of principles or processes that underlie human thought and behaviour – their psychology and philosophy is conditional; and that people's understanding of the world is based on what is being said and discussed about the world – their categories affect human understanding of the world and those understandings influence their choices, which, in turn, modify the world and necessitate a change in human understanding (Creswell, 2014).

The choice of this paradigm is informed by the view that all knowledge about corporate reputation is contingent upon human practices being constructed in, and

transmitted within an essentially social context (Rayner, 2003, Dowling, 2016). Also, there is no one reality to explore – stakeholders or constituencies do not behave in a certain and generalisable way when making corporate reputation decisions. This is supported by a number of researchers in the field of corporate reputation that interpret corporate reputation as an attitudinal construct that only exists in the minds of individuals (Doney & Cannon 1997; Einwiller, 2003; Fombrun, 1996; Fombrun et al, 2000; Rayner, 2003; Farooq, 2016). As Wartick (2002:16) emphasises, "reputation, be it corporate or otherwise, cannot be argued to be anything but purely perceptual".

The epistemological orientation is about the acquisition of knowledge and the relationship between the researcher and the researched (Maurer, 1999). There are two broad epistemological stances (Chen & Sadeque, 2007), namely, interpretive epistemology and positivist epistemology. In a positivist epistemology orientation, stakeholders are considered as rational, knowledgeable entities and stable (Maurer, 1999; Pachauri, 2002). An interpretive epistemological orientation assumes that stakeholders are free-thinking and autonomous and can describe their own experiences and assign meaning to their actions rather than passively responding to the environment. Given the focus of this research and the differing arguments in the corporate reputation literature, an *interpretive subjectivist epistemology* is adopted. This is underlined by the notion of subjectivity of the social world, as there is a possibility of multiple interpretations of social contexts in the study of corporate reputation; the impact of the researcher on the phenomenon being studied, as knowledge and human interests, is interrelated and the researcher, being human, is not unbiased; and the existence of multiple realities due to the multiple different interpretations of the same phenomenon under study (France, 2007; Kaul & Desai, 2015).

The epistemology of this research is based on the interpretive approach which uses the argument that subjectivity, social media reports and public perceptions play an important role in the assessment of corporate reputation (Dhir & Vinen, 2005; Parsons et al, 2014; Massey, 2016). It is acknowledged by many industry practitioners that most stakeholders in the diamond industry often rely on public perceptions in making assessments of corporate reputation (Lussier, 2014;

Prager, 2014; Sirsly & Lvina, 2016). The other argument for an interpretive approach is that the diamond industry is a unique and very complex industry; it relies strictly on marketing and promotion to sell products to a specified group of people (Even-Zohar, 2007; Mellier, 2015). According to *Euromonitor Report* (2015), it is common knowledge that a select few are able to afford diamond jewellery products and the vast majority of people who are exposed to advertisements for certain products generally have aspirations of being able to own these products.

4.1.1 Mixed-Method Research Approach

A mixed-method research approach which combines quantitative with qualitative analyses is used in this study. According to Creswell (2014), mixed methods research involves the collection and mixing of both qualitative and quantitative data in a single study. The limitations of using only quantitative research to the exclusion of qualitative research and vice versa have been spelt out in the literature (see, for example, Johnson & Onwuegbuzie, 2007; Teddlie & Tashakkori, 2009; Creswell & Plano Clark 2007; Tashakkori & Teddlie, 2002). The goal of mixed methods research is not to replace either of these approaches but rather to draw from their strengths and to minimise the weaknesses of both the quantitative purists' paradigm and the qualitative purists' paradigm in single research studies and across studies (Johnson & Onwuegbuzie, 2007). As Creswell and Plano Clark (2007) argue, a mixed methods research approach is a legitimate endeavour to legitimatise the use of multiple approaches in answering research questions, rather than restricting or constraining researchers' choices. The reasons for choosing a mixed methods research approach for this study are:

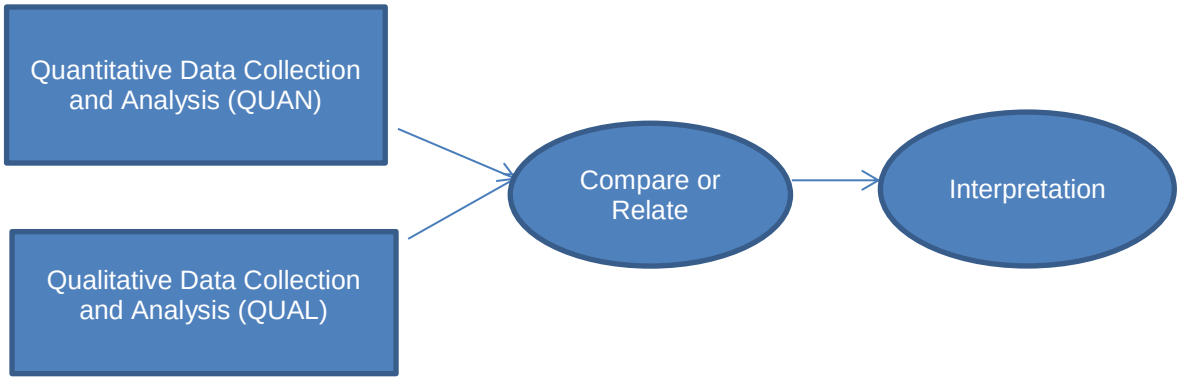
- to generate deeper, in-depth and broader insights of corporate reputation and its constructs including key issues and management approaches (Creswell & Plano Clark, 2011);
- to enhance the convergence of qualitative and quantitative research outcomes to produce collaborated findings and conclusions (Creswell, 2014);
- to gain data from many diverse key stakeholders from different locations, experiences and interests within the diamond industry (Kumar, 1996);

- to facilitate a better understanding of the relationship between variables (Creswell, 2014);
- to enhance the significance, authenticity and credibility of this study to allow for transferability and generalisability (Teddlie & Tashakkori, 2009); and
- to create opportunities that allow for unexpected developments and insights (Neuman, 2011).

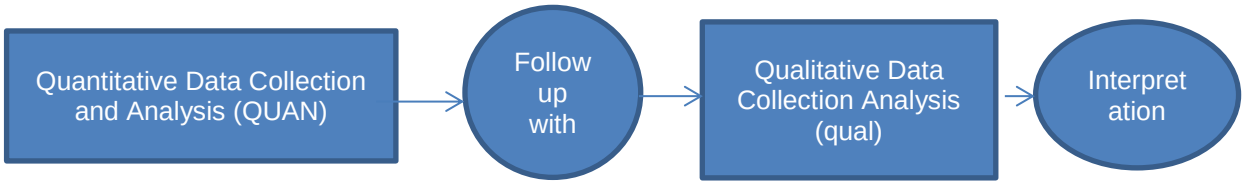
4.1.2 Mixed-Method Design

In keeping with the constructivist ontology and interpretivist epistemology that was discussed in the previous section and, in line with the purpose of this study and its research questions, a survey design using both quantitative and qualitative methods was deemed to be appropriate for this study. Johnson and Onwuegbuzie (2007) argue that the researcher must make two primary decisions when producing a mixed research design: (a) whether to operate largely within one dominant paradigm or not, and (b) whether to conduct the phases concurrently or sequentially. Figure 20 shows the three basic mixed methods design approaches. Those are convergent parallel mixed methods, explanatory sequential mixed methods and exploratory sequential mixed methods. The present study did not choose one dominant paradigm, rather a convergent parallel mixed method approach. The decision to opt for a parallel mixed method was informed by the nature of this research which is attempting to reach out to many stakeholders via a questionnaire while providing an opportunity to engage on deep and in-depth conversations in open-ended semi-structured interviews (see interview protocol in Appendix 5) with a selected number of stakeholder representatives. According to Creswell (2014), a convergent parallel mixed method design is the most common of the basic and advanced mixed methods strategies. In this design, a researcher collects both quantitative and qualitative data, analyses them separately and then compares the results to confirm or disprove each other. The choice for this research design allows an opportunity to gather quantitative responses from a large-scale quantitative stakeholder survey (involving the collection of data from about 555 individuals in different categories of stakeholder segments around the major diamond mining towns in South Africa, while collecting qualitative data through the in-depth qualitative semi-structured stakeholder interviews, document analysis and focus group workshop.

Convergent Parallel Mixed Methods



Explanatory Sequential Mixed Methods



Exploratory Sequential Mixed Methods

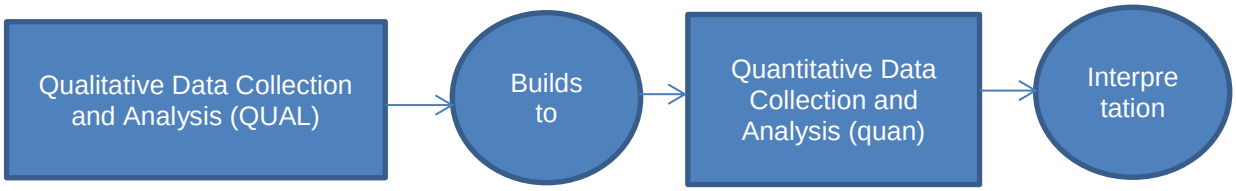


Figure 20: Three Basic Mixed Methods design
(Source: Creswell, 2014:220)

4.2 Procedures for Mixed-Method Data Collection

Based on the literature review (Chapters 2 and 3), significant information was generated relating to the definitions, drivers and the measurement of corporate reputation. Based on this data from the literature review, important stakeholders in the South African diamond industry were identified and defined (Table 6).

Table 6: Stakeholder Group Profiles and Characteristics

Stakeholder group	Characteristics
Consumers of diamond jewellery products.	Consumers of diamond jewellery together with prospective consumers or potential customers
Employees in the diamond industry.	People that are currently employed in various segments of the diamond industry including mining, cutting and polishing, marketing and retail stores
Funding providers.	Loan-providers in the diamond industry including banking institutions investment advisors, bank analysts, private investors and bank economists
Media house representatives.	Editors and journalists of mining and diamond-related publications
Mining Town communities.	Consumers of diamond jewellery together with prospective consumers or potential customers
Lobby groups and union representatives.	Multinational and country based Non-Governmental Organisations involved with advocacy and developmental programmes in the diamond mining communities including the representative bodies of employees working in the diamond industry
Regulatory authorities.	Diamond industry regulatory authorities from different government departments including Department of Mineral Resources, Department of Environmental Affairs, Provincial Departments and Local government authorities (municipalities).

(Source: Researcher's own construction, based on literature review and extensive experience in the diamond industry)

In terms of data collection, a quantitative questionnaire survey was held together or in parallel with an in-depth semi-structured interview targeting 22 stakeholder representatives in the South African diamond industry. In terms of secondary data collection, Socio-economic Assessment Toolbox reports for various mining companies were reviewed as well as the focus group method where a two day workshop was held with 48 youth groups from various diamond villages in South Africa (see Appendix 10). The questionnaires were developed through two pilot studies, resulting in the development of the final version which was circulated to stakeholders (Appendix 2). In line with Creswell's (2014) recommendation, the key aim of the chosen design was to collect both qualitative and quantitative forms of data using the same or parallel variables and constructs.

4.3 Questionnaire design

The closed-format questionnaire (Appendix 2) that only permitted prescribed responses was designed to capture all the answers essential for addressing the thesis's research questions. The closed format makes it easy for respondents to provide answers because alternatives are provided and the limited number of possible answers facilitated the efficient coding and effective analysis of the responses. Forced answering software prevented internet respondents from skipping and possibly failing to answer questions in the survey. The development of the questionnaire passed through three iterations or amendments after analysing responses from two separate pilot surveys. As is clear from the final questionnaire, the survey captured all the information deemed essential in addressing the research questions. It contained the following information:

a. Biographical Information

Question 1 requested information on company, country, representation and contact details. Information on age, gender and level of education was excluded in order to reduce the length of the survey and was also deemed inappropriate after the initial pilot survey. Question 2 focused on the categorisation of the stakeholders into the following categories: banking institutions, community representatives (including Community Based Organisations), employees in the diamond industry, investors, human rights and lobby groups, corporate reputation experts, labour unions; prospective consumers of diamond products, senior executives in the diamond industry, consumers in the diamond industry, regulatory authorities, suppliers in the diamond industry and media houses. Question 2 allowed the researcher to separate categories of stakeholders in order to allow in-depth analysis of each stakeholder's perspectives.

b. Definition of Corporate Reputation and Characteristics

Questions 3, 4 and 5 captured the respondents' understanding of the definition of corporate reputation, its components and the various drivers of corporate reputation in the diamond industry. Question 3 was intended to assist in identifying possible differences in the way stakeholders were confronted with specific decisions in defining corporate reputation. In this question, all the respondents

were asked to rank the level of importance of each of the given definitions of corporate reputation. The respondents were expected to rank the importance from their specific context informed by their decision-making requirements. Question 4 outlined the components of corporate reputation and asked respondents to rank the importance of each of the 10 components from their individual perspectives. Question 5 outlined the different drivers of corporate reputation and requested the respondents to rank the top drivers from their perspectives.

c. Perceptions of the Diamond Industry and Key Reputational Issues

Questions 6, 7 and 8 were designed to elicit generic stakeholder perceptions on the diamond industry, the level of compliance with global ethical best practices as well as the current and future reputational issues. Question 8 was intended to identify current and future key reputational issues affecting the diamond industry. This question was open-ended to allow new issues to surface. Respondents were asked to rank several issues that were identified during the literature review using the 7-point Likert scale. An opportunity was provided for respondents to air new issues.

c. Effects of Corporate Reputation

Question 9 established the effects of corporate reputation in the diamond industry using the 7-point Likert scale. Special focus was given to employee relations, customer loyalty, stakeholder relations, brand positioning, community relations and general regulatory approvals.

d. Management of Corporate Reputation

Questions 10 and 11 established the programmes that are being implemented to address corporate reputation in the diamond industry and their effectiveness. The programmes include the *Kimberley Process* (KP), social investment in rural areas where diamond mines are found, beneficiation of diamonds in the producer countries and compliance with global best practices in ensuring credible stewardship of the diamond product. Question 10 established the level of awareness by different stakeholders of various interventions that are being

implemented by various industry players in managing corporate reputation in the diamond industry using a 4-point Likert scale where “Great Deal” = 1; “Fair Amount” = 2; “Just a Little” = 3; and “Nothing at All” = 4; while question 11 looked at the effectiveness levels using a 5-point Likert scale where “Not at all Effective” = 1; “Not Effective” = 2; “Fairly Effective” = 3; “Very Effective”= 4; and “I don’t Know” = 5.

e. Diamond Jewellery Purchasing Decision-Making

Question 12 ranked key considerations that different stakeholders take into account in making purchasing decisions. Forced ranking was implemented in order to establish the respondents’ top priority out of the 11 statements from their stakeholder group’s perspective.

f. Measurement Tools for Corporate Reputation

Question 13 outlined a number of different tools used to measure corporate reputation. Using the 7-point Likert scale, respondents were asked to prioritise the most effective tools for consideration. Table 7 below presents a summary of the survey format.

Table 7: Summary of Survey Format

Construct	Question Number	Scale
Definition of Corporate Reputation and Characteristics	Question 3	Multiple choice
	Question 4 and 5	7-point Likert scale
Perceptions of the Diamond Industry and Key Reputational Issues	Question 6, 7, 8	7-point Likert scale
Effects of Corporate Reputation	Question 9	7-point Likert scale
Management of Corporate Reputation	Question 10	4-point Likert scale
	Question 11	5-point Likert scale
Diamond Jewellery Purchasing Decision-Making	Question 12	Ranking
Measuring Tools for Corporate Reputation	Question 13	7-point Likert scale

(Source: Researcher’s own construction based on research questionnaire)

It was important that all respondents with varying backgrounds and levels of education understood the language used in the questionnaire and were motivated to complete the survey. The use of clear and simple English in the questionnaire made this possible. Rossiter and Bellman (2005) claim that the Likert response format is the most effective research tool to ensure that time is minimised in completing the survey and that there is a solid presentation of results and analysis. After completing the questionnaire, a conclusion was written in a way that expressed an appreciation of time and required effort from the respondents.

4.4 Questionnaire survey

Based on the literature review, the survey population consisted of different stakeholder groups as presented in Table 8. These include consumers of the jewellery products, diamond industry employees, community representatives, labour union representatives and investors within the diamond industry. Random sampling is the most preferred sampling method because each member of the population has an equal opportunity of being selected for the sample (Creswell, 2014; Zikmund, 2003). This was not possible in this research, as the researcher did not have equal access to all the stakeholders in the diamond industry. The sampling method for this research was *non-probability, purposive* and therefore not random. The choice of the key stakeholders to be interviewed or to receive the questionnaire was deliberate in order to get a balanced spread of representation across different stakeholders within the diamond industry.

Questionnaires were distributed to stakeholders electronically or in print. The response rate towards a corporate reputation study in South Africa is unknown. Figure 21 shows the multiple methods of distributing questionnaires and collecting responses in this research.

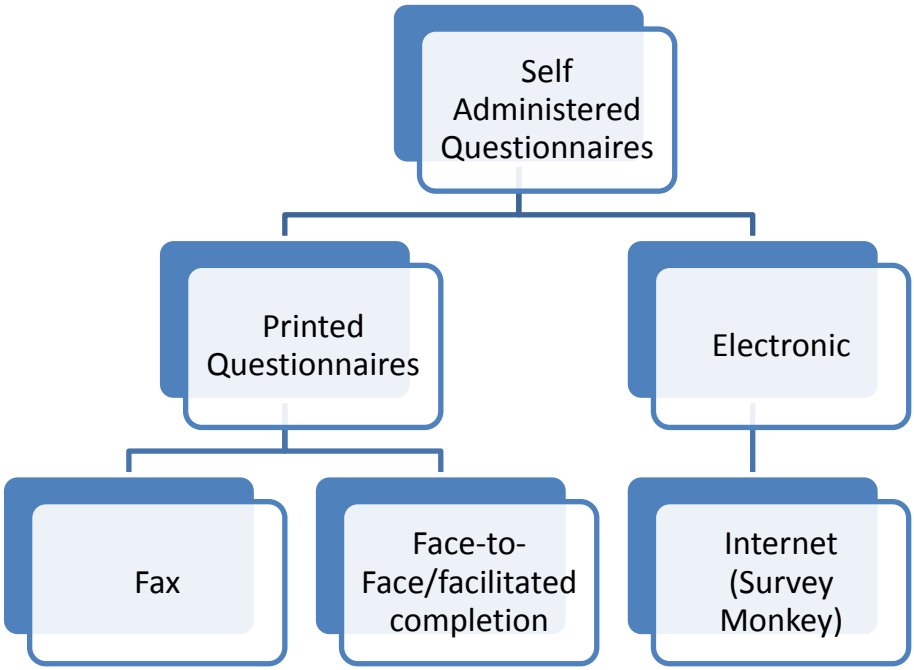


Figure 21: Self-administered questionnaire distribution method (Source: Zikmund, 2003:15)

Traditionally low response rates on internet surveys encouraged the researcher to include the additional distribution channels for the survey. An email containing an introductory covering letter was sent to all the potential respondents, with the questionnaire web-link to Survey Monkey. The explanatory and invitation letter (Appendix 3) described the context and purpose of the study, and the need for the questionnaire to be completed accurately, in time and with a guarantee of anonymity for respondents who participated or consented to participate. A commitment to share the results of the study with the respondents was also included in the covering letter.

The printed questionnaires were made available to various stakeholders through face-to-face engagements. Such stakeholders mainly included those who did not have access to internet, especially the community representatives and low level employees in the diamond industry value chain.

The survey was subjected to pre-testing in order to determine validity and reliability of the data collected. Two pilot studies were given to different test groups to allow the groups to make their comments and suggestions concerning the direction, recording procedure and ease of use of the survey. The test group was

asked to comment on the questions and indicate which, if any, items confused them, the time it took to complete the survey and whether the words or language used were difficult to understand. Changes were implemented in light of these responses and suggestions, and with regard to the relevant theory base. The completed questionnaires were captured in a spreadsheet format, before being subjected to statistical analysis in the programme Stata version 13. Table 8 shows the number of responses from the different stakeholder groups.

Table 8: Target Audience

Target Audience	**Characteristics**	**Number of participants**
Consumers of diamond jewellery products	Consumers of diamond jewellery together with potential customers	100
Employees in the diamond industry	People (including senior executives) who are currently employed in various segments of the diamond industry including mining, cutting and polishing, marketing and retail stores	200
Funding Providers	Loan-providers in the diamond industry including banking institutions, investment advisors, bank analysts, private investors and bank economists.	30
Media house representatives	Editors and journalists of mining and diamond-related publications	20
Mining town communities	Community bodies that are directly affected by the diamond mining operations, including community-based organisations and civic organisations.	150
Lobby groups and union representatives	Multinational and country based non-governmental organisations involved with advocacy and developmental programmes in the diamond mining communities including the representative bodies of employees working in the diamond industry.	100
Regulatory authorities	Diamond industry regulatory authorities from different government departments including Department of Mineral Resources, Department of Environmental Affairs, Provincial Departments and Local government authorities (municipalities).	50
		Total: 650

4.5 Quantitative Data Integrity

4.5.1 Validity, Reliability, Sensitivity and Survey Errors

Validity and reliability of the outcomes of this research is an essential part of this study. According to Neuman (2011) and Creswell (2014), validity and reliability establish the truthfulness, credibility, or believability of the research results. Validity refers to the accuracy of the study, while reliability refers to how consistently a technique measures concepts so that the results may be replicated by other researchers (Kumar, 1996; Leedy & Ormrod, 2001; Neuman, 2011). In this research, validity is divided into internal and external validity. Management of sensitivities and systematic errors were also a critical part of this research in order to enhance the credibility of this study.

Internal validity

The internal validity of the mixed-method based study is essential in order to replicate the findings of this study. Internal validity of this study is the extent to which its design and the data that it yields allows the researcher to draw accurate conclusions (Leedy & Ormrod, 2005; Creswell, 2014). In this study, internal validity was achieved by developing the questionnaires based on extensive literature review, intensive discussions with various diamond industry experts including investors, senior executives, regulators and community representatives to obtain their views and opinions. It was also achieved by piloting the questionnaire to ensure that the questions were not complicated and confusing and that respondents understood the questionnaire and that the responses address the main research questions.

External validity

External validity refers to the extent to which the study results could be applied to situations beyond the study itself or be generalised (Leedy & Ormrod, 2005). The fact that this study involved more than 600 respondents whose profile extends from the diamond industry to beyond the diamond industry, enhances the generalisability of this study. The use of a mixed method approach further enhances the adequacy and potential to generalise the outcome of this study.

Reliability

According to Leedy and Ormrod (2001), the study reliability refers to the consistency with which a measuring instrument yields a certain result when the entity being measured has not changed. Kumar (1996) stated that reliability refers to the extent to which a measurement scale is dependable, consistent, predictable and stable.

The reliability of this study was achieved by the use of a standardised questionnaire which was piloted to eliminate any ambiguity and to test the quality of the results. Scale purification was done by subjecting the instrument to the computation of coefficient alphas as recommended by Cronbach (1951). The reliability coefficient of the first pilot was 0,51 which, according to Hinton, Brownlow, McMurray and Cozens (2004), indicates a scale of low reliability. The second pilot revealed a reliability of 0.73 after adjusting some of the questions. This was considered acceptable evidence of the reliability and consistency of the instrument to proceed with the survey in line with Hinton et al's (2004) assertion that an alpha score between 0.5 and 0.75 indicates a moderately reliable scale and is generally acceptable.

The reliability of the research findings is also dependent on the internal validity of the questionnaire.

Sensitivity

According to Zikmund (2003), dichotomous response categories of agree or disagree do not always allow the recording of subtle attitude changes. In order to capture these hidden nuances, a more sensitive measure, with numerous items on a scale is required. Stacey (2005) recommends that one should score items with seven scale response categories. In this study, this recommendation was achieved by expanding the response options to include a 7-point Likert scale where "strongly agree", "agree", "slightly agree", "neutral", "slightly disagree", "disagree", "strongly disagree" were added as possible categories to increase the scale's sensitivity.

Survey Errors

The researcher paid full attention to removing systematic errors from the survey in order to ensure the integrity of the findings. According to Zikmund (2003), survey errors that cause response errors are a result of imperfections in the research design. Errors can also occur as a result of mistakes in the implementation and execution of the research. In this study, the following key possible survey error factors were considered:

- Sample selection error which is the administrative error caused by improper sample selection. This study uses a non-probability, purposive sampling method which has limitations especially when the number of responses is limited. This research achieved 548 responses which is more than 85% of the expected responses;
- Data processing error which can be caused by incorrect data entry, incorrect computer programming and other associated errors during the data analysis. In this research, all internet and electronic responses were automatically downloaded into a table for analysis by the credible, widely used, and highly recommended survey software provider *SurveyMonkey.com*. This eliminated the possibility of any form of data capture errors. The print responses were captured in the same format as the electronic tables.
- Interviewer cheating which is a practice of filling in fake answers in the questionnaires. In this study most of the responses came from the Survey Monkey. Interviewer error can be caused by failure of an interviewer to record responses correctly. This study was not administered by the interviewer, in cases where face-to-face engagement with respondents occurred, especially those who did not have access to computers, the standardised format of the questionnaires was followed strictly.

4.6 Quantitative Data Analysis

This section outlines the data analysis strategy used in this research to examine the responses to the quantitative stakeholder survey. According to Malhotra (1996), the selection process of an appropriate data analysis strategy needs to

take into account the context of the study, purpose of the study, research questions and the key assumptions of the statistical techniques to be utilised. Various statistical tools are used for most of the data analysis in this quantitative section. This is because most of the responses to the survey questionnaire were in the form of ordinal data, as the 7-point Likert scale was used in questions 4 to 13. The responses varied from Strongly Disagree = 1; Disagree = 2; Slightly Disagree = 3; Neutral = 4; Slightly Agree = 5; Agree = 6; and Strongly Agree = 7. The parameter estimation method included the estimation of threshold values for the entire set of items in the Likert scale as well as two additional local and spread parameters for each item.

Factor analysis, which often covers principal component analysis as well as exploratory factor analysis, is a broad subject area that includes "a variety of statistical techniques whose common objective is to represent a set of variables in terms of a smaller number of hypothetical variables" (Kim & Mueller, 1978:9). Principal component analysis and exploratory factor analysis are both used in this study's analysis of results. Principle component analysis is used by researchers mainly as a variable reduction tool (Conway & Huffcutt, 2003). In the same vein, principle component analysis is used in cases where the main aim is to create a single composite measure with the fewest possible number of variables to measure the isolated themes (see, for example, sections 5.7 and 5.8). Exploratory Factor Analysis is used to identify and quantify latent variables or themes within the data (Conway & Huffcutt, 2003). For this current study, exploratory factor analysis is used in sections where the items are suspected of being driven by latent themes (see, for example, section 5.9). An oblique factor rotation technique is used in situations where the themes are correlated. For the main data analysis, a factor analysis was conducted in order to reduce the items under analysis to lower redundancy. Principal component analysis was used with promax rotation (an oblique rotation technique) in order to extract the relevant number of factors as well as the factor loadings. The number of factors was selected using the Kaiser criterion (Kaiser, 1960) and Cattell's Scree test (Cattell, 1966). The Kaiser criterion involves a selection of factors with eigenvalues greater than one while the Cattell's Scree test (Cattell, 1966) involves an inspection of the screeplot to detect the discontinuity which then helps to identify the separation between the relevant and

irrelevant factors. The rotated factor loadings were then used to create indices. These indices were then analysed in order to assess the general themes in the entire dataset as well as the differences between the relevant groups. Additional analysis in the form of regression analysis was conducted. The regression analysis was based on a combination of the indices. The procedure for the regression analysis is explained as follows: Regression analysis examines the relationship between a variable (dependent variable) and a set of variables (independent variables). In this study, regression analysis was used to examine the nature of the differences in the perceptions between the stakeholder groups. The assumptions underlying regression analysis were tested in order to ascertain whether the results were valid or not. The tests included testing for hetroskedasticity, normality of the residuals, sample size adequacy as well as an inspection for very influential cases/outliers. The dependent variable is a composite index that was created based on stakeholder views on the effectiveness of a set of reputation management initiatives. Three different dependent variables were established and examined against various independent variables. The construction of the three indices that represent each of the dependent variables is explained in sections 5.6.1. to 5.7.3. The factor loadings computed in the factor analysis section (section 5.6.16) using exploratory factor analysis were used as the weights in constructing the respective indices which represent the aforementioned three different dependent variables. Each index was established to measure the extent to which stakeholders perceive a set of initiatives in terms of their effectiveness in managing corporate reputation. The values of each index range from 0 to 100, where 0 represents completely ineffective and 100 represents very effective. Eight regression models were set up to examine the relationships between the stakeholder perceptions on the effectiveness of a set of initiatives and the stakeholder categories and groups. Seven of eight regression models use dummy variables for the relevant stakeholder category or individual stakeholder group at each level while one of the eight regression models only uses awareness as a control variable. As explained above, the awareness index represents the control variable that is used for the analysis. The awareness index was generated using the weighted average of the variables relating to the levels of awareness an individual has shown for the various initiatives covered by the dependent variable. Three awareness indices

were created, one for each of the three sets of initiatives used to create each dependent variable. The weights are identical to those used in generating the perception index. The values for each Index range from 0 to 100, where 0 represents completely unaware of all the initiatives, while 100 represents a high level of awareness of all the initiatives.

4.7 Qualitative Stakeholder Representative Individual Semi-structured In-depth Interviews

Based on the purpose of this research, literature review results and research questions, semi-structured interviews were conducted with stakeholders in the diamond industry. According to Guba and Lincoln (1987) and Patton (1999), a key informant is a person who has unique skills or a professional background related to the issue/intervention being studied, is knowledgeable about the project participants or has access to other information of interest to the researcher. In this study, the interviews were conducted with the different stakeholders as shown in Table 10. Criteria used in selecting these stakeholders for the face-to-face semi-structured in-depth interviews were based on the key informant's description and assumptions. Creswell (2002) emphasised the importance of selecting respondents who will provide rich and complex responses to questions. The interviewees were chosen on the basis of their extensive expertise and deep knowledge of corporate reputation and the diamond industry in southern Africa. They were spread across a number of areas and geographies to provide a more holistic understanding of the impact of corporate reputation on the diamond industry with special focus on the mining, cutting and polishing, and diamond retail sales, including marketing. A five step procedure approach was used in the selection of interviewees as designed by Hatcher and Corton (2007) as shown in Table 9.

Table 9: Procedure for Selection of Interviewees

Step	Procedure	Results
Step 1	Review applicable literature and consult with corporate reputation practitioners, mine managers and media analysts to compile a list of potential panel members.	List of names and contact details.
Step 2	Check presentations or articles (or other recommendations from the public relations managers in the diamond industry) for evidence of knowledge of corporate reputation or the diamond industry in general.	Mark evidence of knowledge and expertise in the field.
Step 3	Evaluate potential stakeholder representatives as to their contributions to the discussion and/or subject(s) under investigation.	Rate potential stakeholder representatives on a suitability-to-the-study scale of 1 to 3 (1¼ not useful, 2¼ moderately useful, 3¼ very useful to the study).
Step 4	Present evidence of potential stakeholder representatives' expertise to the supervisor for review and sign off.	Develop a final list of potential stakeholder representatives to invite to participate and a list of possible substitutes.
Step 5	Telephone or email each potential stakeholder representative to explain the purpose and scope of the study, with invitation to participate.	Follow-up with each participant committed to the study with a letter.

(Source: Adapted from Hatcher and Corton, 2007:35)

4.7.1 Qualitative Data Collection

The two most prominent data collection methods used in qualitative research are participants' observations and unstructured or semi-structured interviews (Bryman, 1989; Gibbs, 2007). Bryman (1989) argues that, in an organisational research, document analysis should also be used. Qualitative research seeks depth rather than breadth, it is about why, how, reasoning, perspectives, interpretation, motivation and perceptions (Ambert, Adler & Adler, 1995; Bryman, 1989; Creswell, 2014). This is because the qualitative researcher seeks to explore and acquire in-depth and intimate information on a smaller sample of people instead of drawing from a large, representative sample of a greater population. Qualitative research can be interpreted as that which is more appropriate for use as a discovery rather

than a verification mode of enquiry. Therefore, new information may reflect new practices or behaviours; there could be new forms of social structures, practices, new ways of thinking or new ways of interpreting processes of change. For the purpose of this study, the main aim of using qualitative methods is to study and learn about how and why people think in a specific way, behave and make conclusions. Bryman (1989) argues that the most central characteristic of qualitative research is its emphasis on the perspective of the individuals being studied.

In marketing research, the main purpose of qualitative research is to find out what is in a consumer's mind (Aaker et al, 2003) in order to access and to get different perspectives on the complexities of different phenomena. Qualitative data is collected in order to get a deep understanding of things which otherwise could not be observed directly and measured, for example, feelings, thoughts, intentions, and behaviour that took place in the past are things that can only be obtained through qualitative research methods (Foucault, 1980).

According to Aaker et al (2003:189), Creswell (2014) and Denzin and Lincoln (2000), the basic assumption behind qualitative research methods is that an individual's organisation of a relatively unstructured stimulus indicates the person's basic perceptions of the phenomenon and his or her reaction to it.

> The more unstructured and ambiguous a stimulus is, the more subjects can and will project their emotions, needs, motives, attitudes, and values. The structure of a stimulus leaves very little choice: the subject has unambiguous choice among clear alternatives. A stimulus of low structure has a wide range of alternative choices.

Based on the above detailed description of the subject, the qualitative research approach can be defined as a method of enquiry which focuses on participants' perceptions and their perspectives, interpretation of the situation and their emotional expressions (Denzin & Lincoln, 1994; Neuman, 2011). It is based on multiple forms of empirical materials such as case studies, introspection, life story, personal experience, interviews, historical data, observations and visual texts (Merriam, 2002). It is a complex field of enquiry which cuts across various disciplines, fields and subject matters. It is made up of a number of complex,

interconnected terms and many assumptions in relation to the effects of corporate reputation on business success.

This study involved, in part, in-depth interviews. The sampling method used in this study was a purposive non-probability technique that builds on the results of the literature review. Interviews were conducted with a diversified number of different stakeholder groups in line with research questions. According to Aaker et al, (2003) and Creswell (2014), qualitative methods are effective in gaining more insight into the topics than might otherwise be difficult to pursue with structured research methods. In this study, quantitative analyses yielded patterns that motivated follow-up interviews. The latter is used in this research following the extensive quantitative stakeholder survey.

4.7.2 Stakeholder Representative Individual Semi-structured In-depth Interviews

Individual face to face semi-structured in-depth interviews were conducted with stakeholder representatives in the diamond industry in South Africa. In order to facilitate ease of processing the data obtained, Dictaphone recordings of the interviews were transcribed verbatim. According to Lofland and Lofland (1995) and Patton (1999), in-depth interviews are interviews that are conducted face-to-face with the respondent, in which the subject matter of the interview is explored in detail. According to Bryman (1989) and Patton (1999), individual in-depth interviews are characterised by extensive probing and open-ended questions. Many authors claim that there are two types of in-depth interviews. They are non-directive and semi-structured, and their differences lie in the amount of guidance the interviewer gives during the interview (Lofland & Lofland, 1995; Gibbs, 2007). In a non-directive interview, the respondent is given maximum freedom to respond, within the bounds of topics of interest to the interviewer. Success in this type of setting is heavily dependent on the relationship between the researcher and the respondent and the ability of the researcher to probe for elaborations as part of the conversation. This setting also relies on the skills and experience of the researcher in guiding the discussions and the time available for this intensive engagement. The semi-structured interview allows the interviewer to cover a specific list of topics or sub-areas. This mode of interviewing is highly

recommended for use when dealing with busy executives, industry experts and senior government officials. In this research, the semi-structured interview process approach was used (aligned with research questions to ensure that all the relevant topics were covered). The three techniques as suggested by Aaker et al (2003) were used in formulating the structure of various questions. Those are: firstly, *laddering* whereby questioning progresses from product characteristics to user characteristics; secondly, there is the technique that uses *hidden-issue* questioning, whereby the questioning focus is not on socially shared values, but rather on personal "sore spots" – not on general life styles, but on deeply felt personal concerns; and thirdly a technique is used that is referred to as *symbolic analysis*, whereby questioning attempts to analyse the symbolic meanings of objects and meanings by comparing them with their opposites. These techniques were observed in the development of the semi-structured questions.

Interviewees included investors, employees, senior executives from the diamond industry, representatives of NGOs, trade unions, community representatives, customers, senior banking officials, senior government officials, trade associations, industry experts and corporate-reputation practitioners. A total of 22 interviews (Table 10) were conducted during October 2012 and June 2013 with conversations lasting up to one hour on average.

Table 10: List of Stakeholder Representatives in the diamond industry

Number	Stakeholder Segment	Role in the Diamond Industry
1	Investor	Ernest Oppenheimer & Sons (De Beers Shareholder)
2	Investor	Ponohalo (Black Economic Empowerment Partner in the De Beers Consolidated Mines in South Africa)
3	Chief Executive Officer	Diamond Mining Company
4	Chief Executive Officer	Diamond Trading Company
5	Senior Banking Official Practitioner	Diamond Industry
6	Union Representative	National Union of Mine Workers, South Africa
7	Union Representative and a community activist	National Union of Mine Workers, South Africa

8	Politician and community activist	African National Congress Youth League
9	Diamond Beneficiation Practitioner	Diamond Trading Company
10	Senior Mine Manager	Diamond Mining Company
11	Senior Community Relations Practitioner	Diamond Mining Industry
12	Diamond Customer	Sandton, South Africa
13	Diamond Customer	Bryanston, South Africa
14	Diamond Customer	Northcliff, South Africa
15	Non-Governmental Organisation Representative	Community and Environmental issues
16	Senior Community relations Practitioner	Limpopo Province, South Africa
17	Senior Communications Practitioner	Communications and Public Affairs
18	Senior Human Resources Practitioner	Diamond Industry
19	Senior Community Relations Practitioner	Northern Cape
20	Senior Government Official	South African Department of Mineral Resources
21	Senior Government Official	South African Department of Mineral Resources (responsible for Transformation and compliance with Mining Charter)
22	Community Activist	Greater Kapa Bokone Community trust, Kimberley, Northern Cape South Africa

4.8 Qualitative Data Quality and Trustworthiness

Scholars in qualitative research have argued the need to demonstrate that the research is credible not only in quantitative, but also in qualitative research (Golafshani, 2003; Gibbs, 2007). Creswell (2014) proposes the use of the following eight approaches to ensure validity in the qualitative research:

- Triangulation of different data sources of information by examining

evidence from the sources and using it to create a coherent justification for themes.

- Use member checking to determine the accuracy of the qualitative findings through taking the final report or themes back to participants and determining whether these participants feel that they are accurate.
- Use of rich, thick description to convey findings. This description may transport readers to the actual setting and give the discussion an element of shared experience.
- Clarify the bias the researcher brings to the study. This self-reflection creates an open and honest narrative that will resonate well with the readers.
- The presentation of negative or discrepant information that runs counter to the themes. This reflects a real life setting which is composed of different perspectives that do not always coalesce.
- Spend prolonged time in the field so that the researcher develops an in-depth knowledge and understanding of the phenomenon that is being studied and can convey practical details about the site and various dynamics.
- The use of peer debriefing to enhance the accuracy of the findings. This practice involves locating a person who reviews and asks questions about the qualitative study to ensure resonance with other people, not just the researcher.
- Use an external auditor to review the entire research project. As distinct from a peer debriefer, this auditor is not familiar with the researcher or the project and can provide an objective assessment of the project throughout the research process.

Gibbs (2007) proposes four reliability strategies in the qualitative research project as follows:

- The transcripts must be checked to make sure that they do not contain obvious mistakes made during transcription.
- Cross-check codes developed by different researchers by comparing results that are independently derived. Creswell (2014) proposes several procedures be mentioned in a proposal and that single researchers find

another person who can cross-check their code for what is called “intercoder agreement”. This agreement could be based on whether two or more coders agree with codes used for the same passage of text and whether another coder will use the same code.

- Researcher must make sure that there is not a drift in the definition of codes or a shift in the meaning of the codes during the process of coding.
- In terms of team research, coordination of the communication among the coders by regular documented meetings and by sharing the analysis.

Some qualitative researchers have questioned the relevance of the terms validity and reliability in the qualitative research (Huberman & Miles, 2002; Tobin & Begley, 2004). They suggest that terminology such as dependability, confirmability, trustworthiness, verification, transferability and credibility be used in qualitative research studies. The data quality and trustworthiness of the qualitative part of this research was ensured by applying the following criteria in line with both Creswell (2014), and Huberman and Miles’s (2002) proposals which are authenticity, dependability, credibility and confirmation.

Authenticity

The development of the interview questions was based on a substantive theoretical basis in line with research questions and the literature review. The interview questions were tested in a pilot study before the roll-out in order to ensure authenticity of this study.

Dependability

Care was taken to ensure that the research process was clearly documented. An electronic data recording device was used supported by extensive note-taking during the research and an experienced research assistant was employed to assist with the note-taking and with securing access to relevant documents required for this study. This contributed to improving the dependability of information and cut out possible bias.

Credibility

According to Lofland and Lofland (1995) and Creswell and Plano Clark (2011), information from in-depth interviews, supported by extensive document analysis and focus group research, can be regarded as credible. Therefore, careful documentation of the data collection procedures and the questions asked of the respondents is important. In this study, careful consideration was given to the documentation of the entire research process in line with Riessman's (1993) narrative analysis approach in qualitative research projects in marketing. The use of member checking strategy was adopted to determine the accuracy of the findings.

Confirmation

Several strategies and tactics were employed in order to guarantee confirmability of this research. Those include: the researcher conducted separate interviews with at least two individuals in the same stakeholder segment. This provided an opportunity to cross-check the evidence which was gathered from each set of respondents. This was particularly important in gathering perspectives from governments, employees and communities. The verification of different themes (see Appendix 3) by the interviewees (at least by two representatives across the spectrum) were used and there was triangulation of data collection methods. The audit or verification process was implemented in order to ensure that the data and interpretations of the findings were sound and confirmed the findings.

4.8.1 Qualitative Data Analysis

Qualitative data analysis is defined as the process of bringing order, structure and meaning to a mass of collected data (Creswell, 1998; Patton, 1999). Huberman and Miles's model of qualitative data analysis is widely used in sociological and organisational studies (Aaker et al, 2003). This approach analyses the data by implementing data reduction, data display and conclusion drawing and verification. In this study, the pattern-matching method was used in analysing the data (Yin, 2003; Gibbs, 2007). The cross-case search strategy was used in order to search for patterns. Categories or dimensions were used to look for within-group similarities, coupled with inter-group differences. For each of the interview results,

documented information and group discussions, evidence was grouped under four foci of the study – firstly, the understanding of the concept “corporate reputation” and its drivers; secondly, the drivers of corporate reputation and key reputational issues affecting the diamond industry; thirdly, the effects of corporate reputation on long-term business success; and lastly, to elicit recommendations and tools to manage corporate reputation.

4.9 Summary of Chapter Five

A robust methodology based on a mixed-methodology, which flexibly incorporates elements of various research tools and techniques, was adopted in this research. Based on the leads from the literature review, questionnaires were developed and improved through pilot studies and associated iterations. The quantitative data was analysed to gain an insight into the perceptions of various stakeholders. Using the results of the quantitative analyses, interviews were conducted with stakeholders in the diamond industry to probe patterns and leads emerging out of quantitative analyses. This generated useful data from those who are immersed and embedded in the diamond industry and provided real-world knowledge about corporate reputation in the diamond industry.

CHAPTER 5
QUANTITATIVE ANALYSIS OF RESULTS

5.1 Introduction

The overall objective of this study is to define the meaning of corporate reputation and its constructs; identify key industry reputational challenges and risks; evaluate key effects of corporate reputation; and finally review the effectiveness and relevance of the existing corporate reputation management initiatives in the diamond industry in South Africa. In order to achieve this objective in line with research questions, a questionnaire (Appendix 2) was used for data collection. There were 650 questionnaires that were distributed, of which 548 were returned, reflecting a response rate of about 85%. The high response rate indicates the high interest in the study and is attributed to the support given by study assistant in assisting various study participants that did not have access to internet.

This chapter is structured in line with research questions. Firstly, it provides a quantitative analysis of the views of a wide range of stakeholders in the diamond industry, based on their understanding of the meaning of corporate reputation. Secondly, it presents stakeholders' perceptions about the various key components and determinants of corporate reputation. Thirdly, it presents an analysis of reputational issues, both current and future, that affect corporate reputation. Fourthly, it presents an analysis of the key effects of corporate reputation on the diamond industry, based on the perceptions of relevant or specific stakeholder groups. Fifthly, this section presents perceptions of key stakeholders in the diamond industry. Lastly, this section presents perceptions of key stakeholders of various corporate reputation management initiatives and their effectiveness.

5.1.1 Stakeholders' view of an acceptable definition of corporate reputation

Literature survey revealed the presence of different conceptualisations of "corporate reputation" (Helm, 2007:238); Fombrun et al, 2013 Barnett et al, 2006). To examine whether there are any differences in the meaning of corporate reputation in the South African diamond industry, stakeholders were presented with six different definitions of corporate reputation from which to select the one

that best suited their understanding. Those were as follows:

Definition 1: *Corporate reputation is an overall estimation of a corporation by its stakeholders, which is expressed by the net effect of the reactions from customers, investors, employees, and the general public.*

Definition 2: *Corporate reputation is a stakeholder's overall evaluation of a company over time. This evaluation is based on the stakeholder's direct experience with the company, any other form of communication and symbolism that provides information about the firm's action and/or a comparison with other leading rivals.*

Definition 3: *Corporate reputation is a perceptual representation of a company's past actions, as well as future prospects, which describes the firm's overall appeal to all of its key constituents/stakeholders, when compared with other leading rivals*

Definition 4: *Corporate reputation is the observers' collective judgments of a corporation based on assessments of the financial, social, and environmental impacts attributed to the corporation over time.*

Definition 5: *Corporate Reputation is public's effective evaluation of a firm's name relative to other firms.*

Definition 6: *Corporate reputation can be defined in terms of a number of attributes that form a stakeholder's perception as to whether a company is well-known, good or bad, reliable, trustworthy; reputable and believable.*

Table11 presents the findings on how various stakeholder groups understand or interpret the term corporate reputation individually and in combination. The stakeholder groups were divided into internal (within the business) and external (outside the business) (Table 11). Four internal stakeholder groups were: employees, senior executives, suppliers and corporate reputation experts were defined. Also, nine external stakeholder groups: banking institution – providers of debt financing; Investors – providers of equity financing; community representatives – member of the community; consumers; potential consumers, human rights representatives, labour union representatives, media house

representatives and regulatory authorities were defined. An analysis of the results in Table 11 supports the findings in literature that there is no consensus on the most acceptable definition of corporate reputation (see for example, Helm, 2007; Fombrun et al, 2013). The results show that the most popular definition is the one represented by definition 3 by Rayner (2003:11) which is "*Corporate reputation is a perceptual representation of a company's past actions, as well as future prospects, which describes the firm's overall appeal to all of its key constituents/stakeholders, when compared with other leading rivals*" which constitutes 21.46% of all stakeholders regardless of the group of affiliation. Although definition 3 was chosen the most, definition 4 by Barnett et al (2006:9) which is "*Corporate reputation is the observers' collective judgements of a corporation based on assessments of the financial, social, and environmental impacts attributed to the corporation over time"* comes a close second as it commands a 21.26% in terms of popularity. However, definition 5 by Gotsi and Wilson (2001:23) which is "*Corporate reputation is public's effective evaluation of a firm's name relative to other firms"* has been the least popular amongst all stakeholder groups combined. To examine whether or not there is consensus on the most acceptable definition of corporate reputation within individual stakeholder groups, an additional analysis (what analysis) was conducted and the results are presented in Table 11:

Table 11: Definition of Corporate Reputation

Definition	Proportions													
	All Stakeholders	Internal Stakeholders	External Stakeholder											
		Employee	Senior Exec	Supplier	Corporate Reputation Expert	Banking Institution	Investor	Community Rep	Consumer	Potential Consumer	Human Rights grp	Labour Union	Media House	Regulatory Authority
Definition 2	12.45%	10.45%	17.65%	0.00%	18.18%	15.38%	16.67%	15.85%	13.33%	9.41%	15.79%	0.00%	14.29%	20.00%
Definition 1	16.67%	19.40%	23.53%	18.18%	13.64%	30.77%	0.00%	4.88%	18.33%	22.94%	5.26%	0.00%	0.00%	20.00%
Definition 5	10.54%	2.99%	5.88%	9.09%	0.00%	30.77%	0.00%	9.76%	6.67%	13.53%	10.53%	25.00%	14.29%	20.00%
Definition 6	17.62%	20.90%	35.29%	18.18%	27.27%	0.00%	16.67%	14.63%	26.67%	14.71%	10.53%	8.33%	28.57%	13.33%
Definition 4	21.26%	22.39%	11.76%	18.18%	27.27%	23.08%	33.33%	28.05%	16.67%	20.00%	21.05%	41.67%	28.57%	3.33%
Definition 3	21.46%	23.88%	5.88%	36.36%	13.64%	0.00%	33.33%	26.83%	18.33%	19.41%	36.84%	25.00%	14.29%	23.33%

An examination of the findings in Table 11 show variations in what individual stakeholder groups view as the most acceptable definition of corporate reputation according to their own understanding and interpretation of what it entails. However, it is apparent that definitions 3 and 4 were the most popular selections from a list of the six possible selections provided in the questionnaire. They were ranked number one by the same number of stakeholder groups based on proportions observed under each or individual stakeholder groups (that is, each definition was ranked number one by five stakeholder groups). This is consistent with an analysis based on all stakeholders view (see Table 11) where these two definitions were ranked one and two respectively (with a marginal difference of 0.2%).

These results also show that the investor-stakeholder group commonly ranked both definition 3 and 4 as the most acceptable definitions of corporate reputation. In addition to being selected as the most acceptable definition by the investor stakeholder group, definition 3 was also ranked as the most acceptable definition by employees, human rights organisations, regulators and suppliers whereas definition 4 was also considered the most acceptable definition by community representatives, Labour Union representatives, media house representative and corporate reputation experts. Within the four groups that make up the internal stakeholders, it is evident that there exists some differences in terms of what is an acceptable definition of corporate reputation. While employees and suppliers selected definition 3 as the most acceptable, senior executives and corporate reputation experts selected definition 6 more frequently. The observed differences in the selections are expected because of the differences in the roles of these two groups (management - senior executives and corporate reputation experts relative to employees and suppliers) in the industry. While senior executives and corporate reputational experts are more involved in managing and advising on the image of the company and how it is run, as well as maintaining stakeholder relationships, employees and suppliers are the service providers whose nature of engagement with the company shapes the image of the company. These findings indicate clearly that different stakeholders will define and rate corporate reputation differently depending on their experience, impact and direct associations with the organisation.

After observing that there were differences in terms of what stakeholders regard as the most acceptable definition of corporate reputation, a further examination was conducted to determine what these various stakeholder groups consider as the key components of corporate reputation. The findings from this analysis are presented in the following section.

5.2 Stakeholders' views on the key components of corporate reputation

Variations on how stakeholders understand and interpret the term corporate reputation could be shaped by what they consider as key constituents of corporate reputation. If these components are different, then those observed differences could be key to explaining various other aspects or constituents of corporate reputation. This section analyses the findings on stakeholder views of what is considered in literature as the key components of corporate reputation. The stakeholders were presented with nine key components of corporate reputation as shown below:

Component A: *Corporate Legitimation is a component of corporate reputation in the diamond industry.*

Component B: *Corporate Brand is a component of corporate reputation in the diamond industry.*

Component C: *Corporate Identity is a component of corporate reputation in the diamond industry.*

Component D: *Corporate Communications is a component of corporate reputation in the diamond industry.*

Component E: *Corporate Image is a component of corporate reputation in the diamond industry.*

Component F: *Reputation Management is a component of corporate reputation in the diamond industry.*

Component G: *Corporate Leadership integrity is a component of corporate reputation in the diamond industry.*

Component H: *Ethical Product stewardship is a component of corporate reputation in the diamond industry.*

Component I: *Corporate Social Responsibility is a component in corporate*

reputation in the diamond industry.

Individuals in each stakeholder group were asked to indicate their views (based on a Likert scale) using a scale ranging from 1 to 7, with 1 representing strongly disagree and 7 representing strongly agree. The analysis was conducted on four levels, that is, all stakeholders combined, internal and external stakeholders, categories, and individual stakeholder groups. The results from these findings are presented in Tables 12.

Initially an analysis was conducted based on all stakeholder views combined. Thereafter, stakeholder groups were merged into two categories made up of internal and external stakeholders. Stakeholder groups are further split into management, financiers, customers and the voices. Subsequent to the breakdown indicated above, individual stakeholder groups' views were analysed based on each component separately (that is, 6a to 6i) in order to observe the general trend of stakeholders' views (see, Table 12 for this analysis). Furthermore, a Kruskal Wallis test was conducted to check if there were any statistically significant differences between stakeholder groups for each of the components.

Table 12: Combined stakeholders views on key components of corporate reputation (including categories)

	All Stakeholders	Internal	External	Management	Financier	Clientele	Voices	Other
q6a (Legitimation)	6	6	6	6	6	6	6	6
q6b (Brand)	6	6	6	6	6	6	6	6
q6c (Identity)	6	6	6	6	6	6	6	5
q6d (Communication)	6	6	6	6	6	6	6	6
q6e (Image)	6	6	6	7	6	6	6	6
q6f (Reputation management)	6	6	6	6	6	6	6	6
q6g (Leadership integrity)	6	7	6	7	6	6	6	6
q6h (Ethical Product stewardship)	6	7	6	7	6	6	6	6
q6i (Social responsibility)	6	7	6	7	6	6	6	6

The findings presented in Table 12 show that all stakeholders combined agreed to a certain extent that all the corporate reputation components listed were relevant in the diamond industry. All components (6a, corporate legitimation; 6b, corporate brand, 6c, corporate identity, 6d, corporate communication, 6e, corporate image, 6f, reputation management, 6g, corporate leadership integrity, 6h, ethical product stewardship and 6i, corporate social responsibility) received an average score of above five (slightly agree).

The average scores range from 5.455 to 5.829. Component 6a (Corporate legitimation) received the lowest score of 5.455 while component 6h (Ethical product stewardship) received the highest score of 5.829.

By splitting stakeholder groups into internal and external stakeholder groups, interesting differences were observed. The average score for internal stakeholders ranges from 5.790 to 6.387 while for external stakeholders the range was from 5.464 to 5.809. These differences were also observed for each component. The findings in Table 12 show that internal stakeholders have consistently higher average scores for each component compared to the external stakeholders. However, in order to confirm whether these observed difference were significant or not, a Kruskal Wallis test was conducted and it was observed that the observed differences are statistically significant for all the different components (6a and 6d are significant at 5% while the rest are significant at 1%, see the Table 13).

Table 13: Kruskal Wallis test (Internal vs External)

-	Statistics	
Component	χ2	P
q6a_(Legitimation)	5.29	0.0214
q6b_(Brand)	13.48	0.0002
q6c_(Identity)	7.89	0.005
q6d_(Communication)	6.39	0.0115
q6e_(Image)	8.27	0.004
q6f_(Reputation management)	15.20	0.0001
q6g_(Leadership integrity)	36.70	0
q6h_(Ethical Product stewardship)	26.17	0
q6i_(Social responsibility)	19.00	0

Given the differences observed between internal and external stakeholders, further analyses were conducted to examine if there were any differences between the categories that fall under internal and external stakeholders groups. To examine this difference, stakeholder groups were categorised into: Management (senior executives and corporate reputation expert), Financiers (investors and banking institutions), Clientele (potential and actual customers), Voices (human rights groups, labour unions, media house and regulatory authority) and Other (which includes, employees, suppliers and community representatives). The other group was classified as such because all the stakeholder groups that fall under it have slightly different characteristics or features compared to any of the other broader groups discussed above.

An examination of potential differences for each component was conducted at category level followed by a check of any significant statistical differences within the categories.

Firstly, an analysis was conducted to examine whether or not there were any differences for each component within the management category. The findings in Table 13 showed that the average scores range from 5.949 (question 6a) to 6.538

(question 6g and 6h). What is interesting to note is that the average score for each component is very high. This shows that the individuals within the management category agree on all the components of corporate reputation. This was expected, given that this category comprises senior executives and corporate reputation experts. This is a category of people who are more knowledgeable regarding what comprises corporate reputation;

Secondly, an examination was conducted for the financiers category and the findings showed that the average scores ranged from 5.12 (question 6a) to 5.64 (question 6f). While the financier category seemed to agree on some of the individual components (see for example, questions 6b, 6f and 6h), they seemed to slightly agree on most of the individual components (see for example, 6a, 6c, 6d, 6e, 6g and 6i);

Thirdly, an examination of the clientele category showed that the average scores ranged from 5.432 (question 6a) to 5.816 (question 6f). Interestingly the clientele category seemed to agree on most of the individual components (see for example, questions 6b, 6c, 6d, 6e, 6f, 6g, 6h and 6i), except on component 6a with which they seemed to only slightly agree;

Fourthly, an analysis of the voices category showed that the average scores ranged from 5.646 (question 6a) to 6.069 (question 6g). These findings showed that the voices category agree on all the components of corporate reputation. These findings were consistent with the findings observed under the management category. This was expected given that management tries to align corporate strategy and policy with the views of various stakeholder groups, especially the views of the powerful stakeholder groups. The individual stakeholder groups within the voices category represent this power, in terms of regulation (regulatory authority), corporate image (media house), and the lobby groups (human rights group and the Labour Union group); and

Fifthly, the other category showed that the average scores ranged from 5.148 (question 6a) to 5.667 (question 6i). While the other category seemed to slightly agree on most of the individual components (see for example, questions 6a, 6b, 6c, 6d, 6e, 6f and 6g), they seemed to agree on a few of the individual

components (see for example, 6h and 6i). The other category seemed to hold the same position as the financiers' category. Respondents confirmed that legitimation, corporate social responsibility, brand equity, corporate identity, corporate image, corporate communication, leadership integrity and ethical product stewardship are the key components of corporate reputation.

In addition to observing the variations in stakeholder views on the various components of corporate reputation as key attributes, stakeholder views on the key drivers of corporate reputation were also examined. The results from this finding are presented in the following section.

5.3 Stakeholders' view on the key drivers of corporate reputation

What is key in managing corporate reputation is an understanding of its determinants or what drives it. In order to get an insight into what stakeholders perceived as important drivers of corporate reputation, individuals in stakeholder groups were presented with a questionnaire with twenty potential determinants of corporate reputation, as suggested in the literature. Stakeholders were asked to present their views based on a Likert scale with options ranging from 1 to 7, with 1 representing strongly disagree and 7 representing strongly agree.

The results of this analysis are presented in Table 14. Table 14 presents the findings based on all stakeholders combined, internal and external stakeholders and the various categories of stakeholder groups.

Table 14: Combined stakeholder views on key determinants of corporate reputation (including categories) needs to be sorted according to frequency

	All Stakeholders	Internal	External	Management	Financier	Clientele	Voices	Other
q7g_blood diamond,	4.917	5.252	4.922	5.538	5.040	4.757	5.104	4.757
q7f_conflict diamond	4.974	5.244	4.977	5.410	5.208	4.931	5.083	4.713
q7p_beneficiation	5.403	5.429	5.400	5.513	4.640	5.470	5.683	5.019
q7d_profitability	5.468	5.714	5.457	5.795	5.000	5.483	5.683	5.140
q7a_fair treatment of employees	5.587	6.202	5.589	6.487	5.480	5.397	5.847	5.352
q7c_community care	5.591	6.076	5.589	6.103	5.720	5.397	5.924	5.352
q7q_transparency,	5.610	6.025	5.599	5.949	5.720	5.451	5.951	5.352
q7h_employee care	5.621	5.966	5.620	6.000	5.600	5.539	5.903	5.287
q7i_innovativeness	5.631	5.622	5.623	5.872	5.240	5.670	5.727	5.426
q7t_community investment	5.631	5.849	5.612	5.974	5.280	5.521	5.931	5.426
q7n_environmental protection	5.636	6.126	5.634	6.231	5.040	5.511	5.938	5.426
q7e_compliance with Best Practice	5.641	6.294	5.625	6.462	5.440	5.521	5.937	5.259
q7r_brand profile	5.667	6.042	5.654	6.077	5.160	5.654	5.993	5.231
q7s_clear company vision	5.713	5.899	5.701	6.000	5.480	5.632	5.924	5.556
q7m_brand presence	5.758	6.109	5.738	6.308	5.600	5.658	6.063	5.407
q7b_customer care	5.782	6.178	5.770	6.282	5.760	5.711	6.021	5.439
q7o_quality of leadership	5.794	6.151	5.781	6.282	5.840	5.716	6.007	5.491
q7l_strong corporate governance	5.797	6.328	5.788	6.385	5.280	5.688	6.132	5.491
q7j_good relations with stakeholders	5.867	6.378	5.847	6.410	5.560	5.766	6.248	5.444
q7k_quality of products and services	5.974	6.269	5.970	6.385	5.880	5.996	6.146	5.574

The findings in Table 14 show that all stakeholders' views combined vary between slightly agree and agree for all the possible determinants of corporate reputation. Those key drivers are as follows: 7a, *fair treatment of employees*, 7b, *customer care*, 7c, *community care*, 7d, *profitability*, 7e, *compliance with national and global laws*, 7f, *conflict diamond*, 7g, *blood diamond*, 7h, *employee care*, 7i, *innovativeness*, 7j, *good relations with stakeholders,* 7k, *quality of products and services*, 7l, *strong adherence to good corporate governance,* 7m, *brand presence*, 7n, *environmental protection*, 7o, *quality of leadership*, 7p, *beneficiation of diamonds*, 7q, *transparency,* 7r, *brand profile*, 7s, *clear company vision* and 7t, *community investment.* The findings show that, while stakeholders slightly agree with a few of the possible drivers (components 7d profitability), 7f (conflict diamonds), 7g (blood diamonds) and 7p (beneficiation of diamonds), they seem to agree with the rest of the drivers provided on the list. The average scores range from 4.917 (7g (*blood diamonds*) to 5.974 (7k (*quality of product*s and services). The blood diamonds and conflict diamonds scored the lowest. There these two drivers were not seen as the key drivers of corporate reputation, while the rest were seen as key drivers. Quality of product and services, good relations with stakeholders, strong corporate governance, quality of leadership and customer was identified as the top five drivers of corporate reputation by all stakeholders.

By splitting stakeholder groups into internal and external stakeholder groups, interesting differences were observed. The average score for internal stakeholders ranges from 5.244 (7f (conflict diamonds) to 6.378 (7j (Good relations with stakeholders), while for external stakeholders the range is from 4.922 (7g) to 5.874 (7j). These differences were also observed for each component. Looking at the internal stakeholder category, the findings show that individuals in this group on average slightly agreed with just two of the potential drivers (7f and 7g) while they agreed with the rest of the listed drivers. The external stakeholder categories slightly agreed with four of the potential components (7d, 7f, 7g and 7p), they seemed to agree with the rest of the drivers provided on the list. The patterns in the means for responses given by the internal and external categories were consistent with the pattern observed in the combined stakeholder group. Interestingly, both internal and external stakeholder categories seem to slightly agree with components 7f and 7g and agree on the rest of the others except 7d

and 7p where there is no common view amongst these two categories.

There are also a few other interesting findings pertaining to the way in which categories in the combined stakeholders, internal and external categories rank the potential drivers. First, 7d, 7f, 7g and 7p are consistently ranked in the bottom five positions for all of the categories. Second, 7b, 7j, 7k and 7l are consistently ranked in the top five in all the categories.

To determine the significance of the differences within the internal and external categories with respect to each of the potential drivers analysed, a Kruskal Wallis test was performed. The results from this test are shown in Table 15.

Table 15: Kruskal Wallis tests for Q7 based on internal and external categories

	Statistics	
Component	χ^2	p
q7a_ *fair treatment of employees*	17.37	0
q7b_ *customer care*	9.53	0.002
q7c_ *community care*	11.13	0.0008
q7d_ *profitability*,	2.86	0.0905
q7e_ *compliance with national and global laws*	39.26	0
q7f_ *conflict diamond*,	5.74	0.0166
q7g_ *blood diamond*	6.40	0.0114
q7h_ *employee care*	6.44	0.0112
q7i_ *innovativeness*,	0.16	0.6922
q7j_ *good relations with stakeholders*	22.58	0
q7k_ *quality of products and services*	5.24	0.0221
q7l *good corporate governance*	24.27	0
q7m_ *brand presence*	9.38	0.0022
q7n_ *environmental protection*	16.14	0.0001
q7o_ *quality of leadership*	7.08	0.0078
q7p_ *beneficiation of diamonds*	0.08	0.7796
q7q_ *transparency*	10.70	0.0011
q7r_ *brand profile*	10.12	0.0015
q7s_ *clear company vision*	1.91	0.1673
q7t_ *community investment*	1.39	0.239

According to the findings in Table 15, the results show that the differences observed for drivers represented by 7d, 7i, 7p, 7s and 7t are statistically insignificant while for the difference observed for the rest of the other drivers are statistically significant at 1% (7a, 7b, 7c, 7e, 7j, 7l, 7m, 7n, 7o, 7q and 7r) and 5% (7f, 7g, 7h and 7k) respectively.

Following the differences observed above, an examination of potential differences for each driver was further conducted at category level followed by a check of any significant statistical differences within the categories using the Kruskal Wallis test: Firstly, an examination of the management category showed that the mean scores ranged from 5.410 (7f) to 6.487 (7a (fair treatment of employees). An important observation was that the management category seemed to agree with all the potential drivers listed with the exception of 7f, which they seemed to slightly agree with; Secondly, an examination of the financier category showed that average scores ranged from 4.640 (7p) to 5.880 (7k -quality of product and services). On average, the Individuals in this category slightly agreed with twelve of the listed drivers (that is, 7a, 7c, 7d, 7e, 7f, 7g, 7i, 7n, 7p, 7r, 7s and 7t), and agreed with the rest of the remaining drivers (that is, 7b, 7h, 7j, 7k, 7l, 7m, 7o and 7p);

Thirdly, an examination of the clientele category showed that average scores ranged from 4.757 (7g (blood diamonds) to 5.996 (7k). On average, the clientele category slightly agreed with 7 of the listed potential drivers (that is, 7a, 7c, 7d, 7f, 7g, 7p and 7q) and agreed with the rest of the other listed potential drivers;

Fourthly, an analysis of the voices category showed that the average score ranged from 5.083 (7f) to 6.248 (7j). On average, it was interesting to observe that the individuals in this category slightly agreed with just two of the responses (that is, 7f and 7g) and generally agreed with the rest and fifthly, an examination of the other category showed that the average score ranged from 4.713 (7f) to 5.574 (7k). Contrary to the finding with respect to the voices category, the individuals in the other category seemed to agree with only two of the listed drivers (7k and 7s (clear company vision and strategic goals) and slightly agreed with the rest of the listed potential drivers.

An examination of the findings based on individual categories discussed above, reveals a few interesting patterns regarding the nature in which drivers are ranked by different categories:

Firstly, the trend in the rankings of the corporate drivers follows a similar pattern to that observed under the internal and external stakeholder groups. For example, similar to the internal and external stakeholder groups, drivers represented by 7d, 7f, 7g and 7p were consistently ranked in the bottom five positions for all of the categories; and

Secondly, 7b, 7j, 7k and 7l were consistently ranked in the top five by all categories except for the financier category which ranked them 3rd, 8th, 1st and 12th respectively.

As a follow-up on the examination of the key drivers of corporate reputation, stakeholders' perceptions of the diamond industry were investigated and analysed. The results from this analysis are presented in the next section.

5.4 Stakeholders' perception of the diamond industry

In recognition of the diversity of stakeholders' interpretations of the meaning and their views concerning the components and what drives corporate reputation, this section analyses the possibility of variations in stakeholders' perceptions about the diamond industry. Similar to the preceding sections, the analysis was done at four levels as presented in Tables 16 and 17.

According to the results presented in Table 16, the average scores range from 3.098 (8e) to 5.714 (8n). On average, the combined stakeholder group shows some differences in stakeholder perceptions about the diamond industry. While some stakeholders slightly disagreed with perceptions 8a, 8d, 8e and 8h; other stakeholders were indifferent (neutral) on the proposed perceptions 8k and 8r. In a similar vein, while some stakeholder groups slightly agreed with perceptions 8g, 8l, 8m, 8o, 8p, 8q and 8s, other stakeholder groups agreed with 8f, 8i, 8j and 8n.

Despite the differences in views about each of the proposed choices of perceptions about the diamond industry, the majority of the proposed perceptions were slightly agreed on by the stakeholders combined. In order to discover more

about these differences, Table 16 presented the results based on internal and external stakeholders.

Table 16: Combined stakeholder groups or categories views on key perceptions of the diamond industry

	All Stakeholders	Internal	External	Management	Financier	Customer*	Voices	Other
q8e_irresponsible	3.098	2.849	3.105	3.103	3.560	3.370	2.848	2.731
q8d_unethical	3.133	2.849	3.127	3.231	3.840	3.384	2.792	2.850
q8h_untrustworthy	3.311	3.008	3.301	3.282	3.708	3.585	2.986	3.074
q8a_non coop	3.336	3.286	3.316	3.949	3.720	3.694	2.890	2.850
q8k_illicit	3.807	3.210	3.815	3.538	3.960	4.137	3.211	3.935
q8m_Contributed to human degradation	4.055	2.857	4.065	3.282	4.120	4.174	3.650	4.593
q8r_human rights abuses	4.158	3.176	4.169	3.641	4.320	4.129	3.938	4.667
q8o_secretive	4.918	4.882	4.909	5.179	5.160	4.833	5.000	4.843
q8q_caring	4.984	4.782	4.989	4.513	4.760	4.870	5.179	5.185
q8l_contributesto Millennium development goals	5.040	4.840	5.048	4.744	4.880	5.116	4.903	5.206
q8c_motivated employees	5.075	4.924	5.083	4.795	5.160	5.077	4.951	5.315
q8s_ethical	5.160	5.269	5.158	4.846	4.800	5.043	5.372	5.324
q8b_customer orientation	5.191	5.319	5.191	5.385	5.280	5.107	5.469	4.907
q8p_investment heaven	5.276	4.387	5.304	4.590	4.840	5.657	4.979	5.213
q8g_good leadership	5.333	5.319	5.334	5.282	5.360	5.205	5.368	5.574
q8j_respected	5.625	5.731	5.617	5.462	5.320	5.617	5.606	5.802
q8i_world class	5.630	5.807	5.632	5.513	5.360	5.534	5.881	5.611
q8f_high quality	5.635	5.756	5.622	5.744	5.600	5.528	5.653	5.813
q8n_Good for Africa	5.714	6.017	5.706	6.000	5.240	5.715	5.779	5.630

Table 17: Combined Individual stakeholder views on key perceptions

	Employee	Senior Exec	Supplier	Corporate Reputation Expert	Banking Institution	Investor	Community Rep	Consumer	Potential Consumer	Human Rights grp	Labour Union	Media House	Regulatory Authority
q8m_Contributed human to degradation	2.507	3.294	3.545	3.273	3.385	4.917	4.711	4.032	4.225	4.870	5.417	4.750	4.323
q8d_unethical	2.681	2.882	2.545	3.500	3.385	4.333	2.885	3.774	3.241	2.913	2.417	2.125	3.250
q8e_irresponsible	2.681	3.059	3.000	3.136	3.000	4.167	2.701	3.790	3.220	2.667	2.583	2.375	3.563
q8h_untrustworthy	2.754	3.353	3.636	3.227	3.385	4.091	3.010	4.000	3.436	2.958	2.750	2.500	3.742
q8r_human rights abuses	2.884	3.706	3.364	3.591	3.769	4.917	4.814	4.161	4.118	5.167	5.500	4.625	4.531
q8a_non coop	2.971	4.176	2.909	3.773	3.385	4.083	2.844	3.885	3.626	2.417	2.333	2.625	3.344
q8k_illicit	2.971	3.647	3.545	3.455	3.231	4.750	3.979	4.048	4.169	3.000	3.167	3.250	3.933
q8p_investment heaven	4.246	4.059	4.545	5.000	4.615	5.083	5.289	5.672	5.651	5.375	5.833	5.750	5.750
q8o_secretive	4.667	5.588	5.182	4.864	4.385	6.000	4.804	4.903	4.808	5.875	5.500	4.375	5.031
q8l_contributes to MDG	4.870	4.412	5.000	5.000	4.846	4.917	5.229	4.867	5.202	5.333	5.000	4.750	4.645
q8q_caring	4.957	4.765	4.636	4.318	4.769	4.750	5.247	4.667	4.941	5.625	5.583	5.875	5.000
q8c_motivated employees	5.000	5.176	4.909	4.500	5.231	5.083	5.361	4.803	5.174	5.292	4.667	5.500	4.548
q8g_good leadership	5.304	4.941	5.545	5.545	5.154	5.583	5.577	5.279	5.179	6.083	5.083	5.625	5.000
q8b_customer orientation	5.493	5.235	4.000	5.500	5.769	4.750	5.010	5.419	4.994	5.500	5.250	6.250	5.281
q8s_ethical	5.551	5.059	5.000	4.682	4.538	5.083	5.361	4.823	5.124	5.500	5.833	5.000	4.813
q8f_high quality	5.812	5.471	5.455	5.955	5.615	5.583	5.854	5.468	5.549	5.565	5.417	5.500	5.500
q8j_respected	5.841	5.118	6.000	5.727	5.462	5.167	5.779	5.613	5.618	5.652	4.636	5.000	5.548
q8i_world class	5.971	5.235	5.818	5.727	5.308	5.417	5.588	5.645	5.494	6.182	4.833	6.000	5.844
q8n_Good for Africa	6.000	5.765	6.182	6.182	4.692	5.833	5.567	5.661	5.734	6.042	5.250	6.125	5.219

By splitting stakeholder groups into internal and external stakeholder groups, some interesting insights about differences in perceptions were observed. The average score for internal stakeholders ranges from 2.849 (8d and 8e) to 6.017 (8n) while for external stakeholders the range was from 3.105 (8e) to 5.706 (8n). The interesting part is that the internal stakeholder group's average scores on their perceptions about the diamond industry have a wider range than those displayed by the external stakeholder group. In addition to that, the external stakeholder group's average score range falls within the internal stakeholder average score range. Furthermore, there are notable differences displayed between these two groups in terms of their views on the individual proposed perceptions as can be seen in Table 17. While internal stakeholders slightly disagree with the proposed perceptions 8a, 8d, 8e, 8h, 8k, 8m and 8r; the external stakeholder group slightly disagree with propositions 8a, 8d, 8e and 8h. From the above observation, it is apparent that these two groups of stakeholders show some similarities in terms of what they slightly disagreed on (see above, propositions, 8a, 8d, 8e and 8h).

Despite some common patterns in terms of what they slightly disagreed with, they seemed to be differing in terms of what they are indifferent about. While internal stakeholder groups were neutral about perception 8p, the external stakeholder group seemed to be neutral about perceptions 8k and 8r. Interestingly there seemed to be some common insights in terms of what stakeholders slightly agreed on. While internal stakeholders slightly agreed with perceptions 8b, 8c, 8g, 8l and 8q and 8s, external stakeholders slightly agreed with perceptions 8b, 8c, 8g, 8l, 8m, 8n, 8o, 8p, 8q and 8s. From the above findings, it is apparent that internal stakeholders slightly agreed with all the proposed perceptions that external stakeholders slightly agreed with the exception of perceptions 8m, 8n, 8o, 8p.

Surprisingly, the findings also show a consensus on the proposed perceptions that the two different groups agreed on, they both seem to agree with perceptions 8f, 8i, 8j and 8 on average. This is surprising in that these are two different groups that show different characteristics in what they are and represent.

These findings indicate a level of agreement among the stakeholders that the industry is associated by both positive and negative perceptions. The positive

perceptions dominate the list of top five perceptions which is good leadership, motivated employees, caring industry and contribution to the millennium development goals. Secretive was identified as the number five dominant perception. Industry perceptions are dependent of stakeholder groupings and they are also linked to stakeholder relations as well at direct association. Perceptions relating to industry's contribution to human degradation, unethical, irresponsible industry, untrustworthy, human rights abuses, non-cooperative and illicit trading scored the lowest among most respondents. This implies that these perceptions do no resonate with different stakeholders as key perceptions.

In addition to analysing the stakeholder perceptions about the diamond industry, it is also necessary to examine stakeholder perceptions about the reputational risks or challenges that could affect the reputation of the diamond industry. This analysis is presented in the next section.

5.5 Stakeholders' perceptions about the current and future reputational issues

Since the diamond industry is susceptible to numerous national and international challenges, both currently and in the future, these challenges represent various risks that should be managed effectively and efficiently in order for the corporation to survive and prosper. Reputational risk is one of the critical risks in the diamond industry, given that it involves luxury goods whose image is important in the sense that its aesthetic value is significantly greater than its functional value to consumers (Lussier, 2014). However, the various challenges and risks that affect the reputation of corporations in the diamond industry are perceived differently by various stakeholder groups. The findings from this analysis are presented in Tables 18 to 21.

Table 18: Combined stakeholder views on current and future issues (including categories)

	All Stakeholders	Internal	External	Management	Financier	Customer*	Voices	Other
q10x_NGO scrutiny	4.568	4.597	4.591	4.744	4.917	4.725	4.292	4.463
q10n_cautious lending	4.608	5.126	4.617	5.308	4.240	4.603	4.653	4.389
q10v_tough regulation	4.706	5.303	4.707	5.462	4.400	4.728	4.521	4.704
q10w_nationalisation	4.741	5.597	4.747	5.667	4.600	4.591	4.799	4.685
q10p_finance cost	4.775	5.294	4.773	5.128	4.560	4.775	4.819	4.639
q10g_artisanal mining	4.831	5.218	4.820	4.846	4.280	4.867	4.861	4.833
q10o_Kimberley process collapse	4.841	5.782	4.830	5.359	4.600	4.766	5.069	4.565
q10f_benefiation	4.846	5.050	4.834	4.949	4.720	4.974	4.573	4.926
q10q_Forex volatility	4.858	5.588	4.853	5.282	4.520	4.806	5.028	4.667
q10t_monopoly	4.869	4.790	4.875	4.718	4.760	5.052	4.611	4.898
q10r_-ve publicity	4.901	5.697	4.915	5.744	4.520	4.841	4.840	4.898
q10h_reduced gem supply	4.933	5.445	4.922	5.333	4.440	4.983	4.986	4.722
q10m_Liquidity	4.989	5.445	4.981	5.333	5.200	5.077	4.861	4.796
q10k_talent retention	5.024	5.454	5.011	5.615	5.000	5.096	4.874	4.861
q10s_local Contribution	5.039	5.370	5.030	5.179	4.880	5.202	4.944	4.806
q10y_conflict diamonds	5.126	5.924	5.111	5.795	4.880	5.211	5.146	4.731
q10l_uncertainty	5.135	5.697	5.122	5.615	5.120	5.202	5.125	4.833
q10u_political instability	5.145	5.958	5.137	5.615	4.800	5.212	5.134	4.926
q10e_enviromental(mine closure)	5.166	5.655	5.163	5.615	4.840	5.246	5.097	5.000
q10a_Labour unrest	5.243	5.546	5.244	5.564	5.160	5.498	4.979	4.954
q10i_human rights	5.250	5.790	5.240	5.846	5.040	5.412	5.118	4.907
q10j_energy restrictions	5.253	5.840	5.236	5.769	5.000	5.348	5.181	5.019
q10b_Worker exploitation	5.271	5.336	5.264	5.436	5.840	5.517	4.916	5.019
q10c_Diamond theft	5.316	5.874	5.316	5.692	5.320	5.522	5.250	4.824
q10d_Illegal diamond trade	5.495	6.151	5.478	6.026	5.565	5.591	5.448	5.148

Table 19: Combined stakeholder views on current and future issues (including categories) continuation

	All Stakeholders	Internal	External	Management	Financier	Customer*	Voices	Other
q10af_China rising	4.305	3.849	4.307	3.590	4.120	4.500	3.979	4.626
q10aj_recycling diamonds	4.388	4.126	4.378	4.077	4.440	4.628	4.112	4.343
q10ae_higher demand	4.485	4.126	4.488	3.974	3.920	4.789	4.257	4.454
q10al_Strict competition laws	4.625	4.613	4.621	4.436	4.200	4.851	4.410	4.602
Mine rehab	4.687	5.227	4.673	4.897	4.360	4.707	4.727	4.593
q10ab_affordability	4.697	4.521	4.706	4.667	4.720	5.009	4.347	4.500
q10am_artificial inflation	4.863	4.941	4.864	4.769	4.640	5.095	4.653	4.731
q10ai_unemployment	4.876	5.143	4.885	5.026	4.520	5.009	4.743	4.796
q10ad_synthetics	4.881	5.286	4.862	4.923	4.120	5.113	4.909	4.509
q10ah_state control	4.884	5.415	4.879	5.359	4.840	4.822	4.958	4.757
q10ac_exporting diamonds	4.897	5.218	4.902	5.179	4.920	5.122	4.757	4.500
q10ag_Mineral wars	4.960	5.395	4.959	5.128	4.760	5.052	5.077	4.593
q10an_greed	4.971	5.067	4.966	5.179	4.880	5.265	4.643	4.722
q10ao_wealth gap[	4.987	5.151	4.989	5.000	5.000	5.220	4.776	4.759
q10ar_cutting costs	5.044	5.261	5.041	5.154	4.800	5.277	4.903	4.750
q10as_exploitation	5.115	5.445	5.117	5.308	5.200	5.409	4.958	4.611
q10z_blood diamonds	5.134	5.950	5.129	5.795	5.520	5.113	5.111	4.880
q10ap_image	5.141	5.647	5.134	5.462	5.040	5.293	5.111	4.759
q10aq_energy cost	5.165	5.798	5.160	5.590	5.080	5.291	5.160	4.769
Safety	5.210	5.471	5.211	5.333	5.480	5.519	4.868	4.898
q10av_crime	5.252	5.765	5.248	5.179	5.280	5.394	5.215	5.019
q10aa_environmental	5.277	5.966	5.272	5.769	5.160	5.426	5.329	4.741
q10at_illegal diamonds	5.311	5.966	5.304	5.769	5.040	5.515	5.222	4.889

Table 20: Combined stakeholder views on current and future issues (individual)

	Employee	Senior Exec	Supplier	Corporate Reputation Expert	Banking Institution	Investor	Community Rep	Consumer	Potential Consumer	Human Rights grp	Labour Union	Media House	Regulatory Authority	Other
q10x_NGO scrutiny	4.551	4.235	4.364	5.136	4.167	5.667	4.474	4.724	4.725	4.375	4.182	4.125	3.750	4.463
q10t_monopoly	4.797	4.000	5.000	5.273	4.385	5.167	4.887	4.500	5.244	4.583	4.636	3.875	4.406	4.898
q10n_cautious lending	5.072	5.118	4.818	5.455	4.077	4.417	4.340	4.500	4.640	4.292	4.000	4.875	4.188	4.389
q10f_benefiation	5.087	5.118	5.182	4.818	4.692	4.750	4.897	4.459	5.158	4.708	4.400	3.625	3.656	4.926
q10v_tough regulation	5.232	5.000	5.182	5.818	4.077	4.750	4.649	4.367	4.855	4.208	4.273	3.375	3.594	4.704
q10b_Worker exploitation	5.275	4.824	5.364	5.909	5.692	6.000	4.979	5.328	5.585	4.609	4.727	3.750	4.719	5.019
q10g_artisanal mining	5.319	5.176	5.909	4.591	4.000	4.583	4.711	4.774	4.901	5.083	4.545	4.125	4.000	4.833
q10k_talent retention	5.333	5.765	5.636	5.500	4.692	5.333	4.773	4.639	5.260	5.167	4.200	4.000	4.094	4.861
q10p_finance cost	5.362	4.824	5.455	5.364	4.154	5.000	4.546	4.617	4.830	4.583	4.364	4.875	3.969	4.639
q10a_Labour unrest	5.493	5.000	5.818	6.000	4.923	5.417	4.856	5.250	5.585	4.417	4.364	4.375	4.656	4.954
q10m_Liquidity	5.493	5.353	5.545	5.318	5.154	5.250	4.711	4.871	5.152	5.042	4.000	3.750	3.938	4.796
q10s_local Contribution	5.507	4.706	5.182	5.545	4.462	5.333	4.763	4.610	5.408	4.542	4.273	4.000	4.500	4.806
q10w_nationalisation	5.565	5.647	5.545	5.682	4.308	4.917	4.588	4.600	4.587	4.875	4.545	4.000	3.375	4.685
q10h_reduced gem supply	5.580	5.706	5.000	5.045	4.154	4.750	4.691	4.758	5.064	4.833	4.091	4.500	4.250	4.722
q10r_-ve publicity	5.725	5.588	5.364	5.864	3.923	5.167	4.845	4.500	4.959	4.500	3.909	4.000	3.719	4.898
q10e_enviromental(mine closure)	5.754	5.353	5.182	5.818	4.615	5.083	4.979	5.113	5.294	4.792	4.909	3.500	4.375	5.000
q10i_human rights	5.768	5.882	5.727	5.818	4.923	5.167	4.814	5.129	5.515	5.042	4.182	3.625	4.469	4.907
q10l_uncertainty	5.783	5.588	5.455	5.636	5.000	5.250	4.763	4.903	5.310	5.083	4.000	3.750	4.469	4.833
q10q_Forex volatility	5.783	4.941	5.455	5.545	4.538	4.500	4.577	4.550	4.895	4.708	4.273	4.875	3.938	4.667
q10j_energy restrictions	5.841	5.647	6.091	5.864	4.769	5.250	4.897	4.903	5.512	5.083	4.182	4.250	4.406	5.019
q10c_Diamond theft	6.029	6.059	5.545	5.409	5.462	5.167	4.742	5.323	5.594	4.958	4.364	3.375	4.563	4.824
q10y_conflict diamond	6.029	5.882	5.727	5.727	4.231	5.583	4.619	5.150	5.233	4.708	4.091	4.125	4.188	4.731
q10u_political instability	6.059	5.647	6.545	5.591	4.538	5.083	4.742	4.867	5.333	4.458	4.545	4.375	4.032	4.926
q10o_Kimberley process collapse	6.145	5.706	5.000	5.091	4.538	4.667	4.515	4.817	4.749	4.333	4.273	3.625	3.938	4.565
q10d_Illegal diamond trade	6.232	6.353	6.091	5.773	5.500	5.636	5.041	5.322	5.684	4.917	4.818	3.625	4.806	5.148

Table 21: Combined stakeholder views on current and future issues (continuation)

	Employee	Senior Exec	Supplier	Corporate Reputation Expert	Banking Institution	Investor	Community Rep	Consumer	Potential Consumer	Human Rights grp	Labour Union	Media House	Regulatory Authority	Other
q10af_China rising	3.768	2.941	5.273	4.091	4.154	4.083	4.552	4.350	4.553	4.667	4.455	4.500	3.625	4.626
q10ae_higher demand	4.130	3.000	4.636	4.727	3.692	4.167	4.433	4.467	4.901	4.750	4.455	4.375	4.063	4.454
q10aj_recycling diamonds	4.174	4.118	4.000	4.045	4.462	4.417	4.381	4.533	4.661	4.500	4.300	4.250	3.594	4.343
q10ab_affordability	4.435	4.294	4.545	4.955	4.923	4.500	4.495	4.593	5.151	4.417	4.727	5.000	3.813	4.500
q10al_Strict comp laws	4.594	3.824	5.364	4.909	4.077	4.333	4.515	4.717	4.899	4.375	4.545	4.375	4.000	4.602
q10an_greed	4.957	4.471	5.364	5.727	4.769	5.000	4.649	4.733	5.453	4.625	4.545	3.875	4.194	4.722
q10am_artificial inflation	5.000	3.882	5.182	5.455	4.308	5.000	4.680	4.633	5.256	4.708	4.545	3.875	4.094	4.731
q10ao_wealth gap[	5.058	5.000	6.273	5.000	4.923	5.083	4.588	4.883	5.337	4.917	4.636	3.625	4.387	4.759
q10ai_unemployment	5.116	4.706	5.727	5.273	4.385	4.667	4.691	4.783	5.087	4.583	4.636	3.500	4.406	4.796
q10ac_exporting diamonds	5.319	4.882	4.727	5.409	4.769	5.083	4.474	4.883	5.206	4.542	4.818	4.250	3.813	4.500
Mine rehab	5.333	4.412	5.727	5.273	4.231	4.500	4.464	4.733	4.698	4.458	4.273	4.625	3.774	4.593
q10ar_cutting costs	5.333	4.882	5.182	5.364	4.462	5.167	4.701	4.850	5.427	4.792	4.455	4.750	4.250	4.750
q10ad_synthetics	5.406	4.235	5.818	5.455	4.077	4.167	4.361	4.966	5.163	4.625	4.545	4.875	4.161	4.509
q10ah_State control	5.464	5.471	5.300	5.273	4.923	4.750	4.701	4.583	4.906	4.917	4.545	4.625	4.097	4.757
q10au safety	5.493	5.706	5.818	5.045	5.385	5.583	4.794	5.117	5.661	4.542	4.182	4.000	4.219	4.898
q10as_exploitation	5.536	4.941	5.364	5.591	4.769	5.667	4.526	5.000	5.553	4.833	4.364	4.125	4.219	4.611
q10ag_Mineral wars	5.594	4.765	5.091	5.409	4.769	4.750	4.536	4.533	5.233	5.167	4.545	4.625	4.161	4.593
q10ap_image	5.812	5.588	5.273	5.364	4.692	5.417	4.701	5.017	5.390	4.875	4.364	3.625	4.406	4.759
q10aq_energy cost	5.884	5.353	6.000	5.773	5.000	5.167	4.629	4.917	5.424	4.833	4.364	4.875	4.188	4.769
q10z_blood diamonds	5.986	5.882	6.273	5.727	5.308	5.750	4.722	5.068	5.129	4.708	4.364	4.125	4.031	4.880
q10at_illegal diamonds	6.058	6.000	6.091	5.591	4.692	5.417	4.753	5.183	5.632	4.708	4.273	3.875	4.469	4.889
q10aa_environmental	6.130	5.471	5.636	6.000	4.615	5.750	4.639	5.117	5.535	4.625	4.909	3.875	4.613	4.741
q10av_crime	6.145	5.176	5.455	5.182	4.923	5.667	4.969	4.967	5.544	4.583	4.273	4.250	4.250	5.019

The findings in Table 18 show that all stakeholders had average scores, ranging from 4.305 (10af) to 5.495 (10d). These findings suggest that stakeholders agree to a certain extent with the proposed risks and challenges that are deemed to be facing the diamond industry. Although stakeholders were neutral or indifferent about some risks or challenges (see for example, 10ae (higher demand for the diamond product), 10af (China to dominate the world markets) and 10aj (rise of recycled diamonds)), they slightly agreed with the rest of the other risks (see for example, those risks represented by 10a, 10b, 10c, 10d, 10e, 10f, 10g, 10h, 10i, 10j, 10k, 10l, 10m, 10n, 10o, 10p, 10q, 10r, 10s, 10t, 10u, 10v, 10w, 10x, 10y, 10z, 10aa, 10ab, 10ac, 10ad, 10ag, 10ah, 10ai, 10ak, 10al, 10am, 10an, 10ao, 10ap, 10aq, 10ar, 10as, 10at, 10au and 10av).

However, an examination of internal and external stakeholders shows some interesting similarities and differences. The findings in Table 20 show that these two groups are neutral or indifferent about the same types of risks or challenges faced in the diamond industry (that is, these two groups are both neutral on the proposed risks represented by 10ae, 10af and 10aj). However, the average score ranges are slightly different. The internal stakeholder group had a slightly wider average score range, and the average score range for the external stakeholders falls within the internal stakeholder average score range. The findings show that the internal stakeholder group had average scores ranging from 3.849 (10af) to 6.151 (10d) whereas that of external stakeholders range from 4.307 (10af) to 5.478 (10d). However, the minimum average score for these two groups is represented by the same type of risk (that is 10af).

Apart from the similarities shown based on the neutral rank, internal stakeholders slightly agree with risks represented by 10b, 10f, 10g, 10h, 10k, 10m, 10n, 10p, 10s, 10t, 10v, 10x, 10ab, 10ac, 10ad, 10ag, 10ah, 10ai, 10ak, 10al, 10am, 10an, 10ao, 10ar, 10as, 10au, whereas the external stakeholders slightly agree with the risks represented by 10a, 10b, 10c, 10d, 10e, 10f, 10g, 10h, 10i, 10j, 10k, 10l, 10m, 10n, 10o, 10p, 10q, 10r, 10s, 10t, 10u, 10v, 10w, 10x, 10y, 10z, 10aa, 10ab, 10ac, 10ad, 10ag, 10ah, 10ai, 10ak, 10al, 10am, 10an, 10ao, 10ap, 10aq, 10ar, 10as, 10at, 10au and 10av. Interestingly, both internal and external stakeholder groups show common features in their ranking for the slightly agree ranking. For

example, the external stakeholder group slightly agrees with all the risks that have been ranked as slightly agree by the internal stakeholders. The only difference between these two groups is that while the internal stakeholders agree with risks represented by 10a, 10c, 10d, 10e, 10i, 10j, 10l, 10o, 10q, 10r, 10u, 10w, 10y, 10z, 10aa, 10ap, 10aq, 10at and 10av, external stakeholders seem to only slightly agree with these proposed risks.

These findings confirmed that illegal diamond trade, potential Kimberley process collapse, political instability in most of the mining town; conflict diamonds arising out of the growing illegal mining trade; higher production costs fuelled by increasing energy costs; forex volatility linked to market volatility; regulatory uncertainty linked to the pending finalisation of the new Mining Charter Three as well as the pending amendments on the Diamond Act of 1998 as amended; high levels of un-employment, poverty and inequalities in the mining communities; violent labour relation environment, possibility mineral wars where communities themselves fight against themselves over employment and business opportunities coupled with violent conflicts between mining companies and local community groups; and environmental issues relating to mine rehabilitation as a result of mine closures and addressing historical rehabilitation and acid water drainage.

After identifying the risks that affect corporate reputation, further analysis was conducted to establish stakeholder views about the statements relating to the positive effects of the corporate reputation in the diamond industry. The procedure for obtaining stakeholder views and findings are presented in the next section.

5.6 Examination of stakeholder views on statements relating to the positive effects of corporate reputation in the diamond industry

This analysis is presented in four sub-sections. The first sub-section presents data screening. The second sub-section presents factor analysis while the third sub-section presents the analysis of results followed by discussion.

5.6.1 Data screening

The screening of data is done in order to identify the possibility of univariate outliers. A Nick Cox's extremes command (it is a user defined command [extremes dv iv] in Stata used to identify cases with the most extreme high and low

values) was used to identify the most extreme low and high values. The findings from this test showed that ten observations had a total of 184 extreme values over the 25 variables.

5.6.2 The effect of Corporate Reputation on Investor Confidence

This section examines the effect of corporate reputation on investor confidence. The analysis was done using an index. However, before an index could be constructed, a factor analysis was computed to identify relevant variables that are key for assessing investor confidence. Thereafter, the factor loadings generated through factor analysis were used as the weights required to construct the index.

Factor analysis

The factorability of the seven effects of positive reputation on investor confidence items was examined. A factorability of correlation criteria was used to identify the factors that are relevant and to identify sub-themes that drive the variations in the data:

Firstly, it was observed that all seven variables correlated at least 0.3 with at least one other variable, suggesting reasonable factorability (see for example Table 22).

Table 22: Correlation matrix

	q11h_	q11k_	q11m_	q11o_	q11q_	q11w_	q11y_
q11h_	1						
q11k_	0.5327	1					
q11m_	0.4605	0.5879	1				
q11o_	0.5056	0.6136	0.6552	1			
q11q_	0.4266	0.4505	0.388	0.553	1		
q11w_	0.3141	0.4221	0.4135	0.4367	0.4006	1	
q11y_	0.0161	0.1415	0.1608	0.166	0.2037	0.4514	1

Secondly, the Kaiser-Meyer-Olkin (KMO), which is a measure of sampling adequacy, was generated and the results showed a value of 0 .824, which is well above the commonly recommended value of 0.6. In a similar vein, all the communalities were above 0.3 except for variable 11y which had communality value of 0.069. Therefore variable 11y was dropped, leaving six variables in the final analysis. After dropping variable 11y, a new KMO measure was generated

and it produced a value of 0.853 which is still well above the minimum required.

The principle component analysis was used to identify and compute indices for characteristics underlying the variation in the identified variables. The eigenvalue for factor 1 is the only one that has a value above 1 (see the plot label Figure 22 and Table 22)

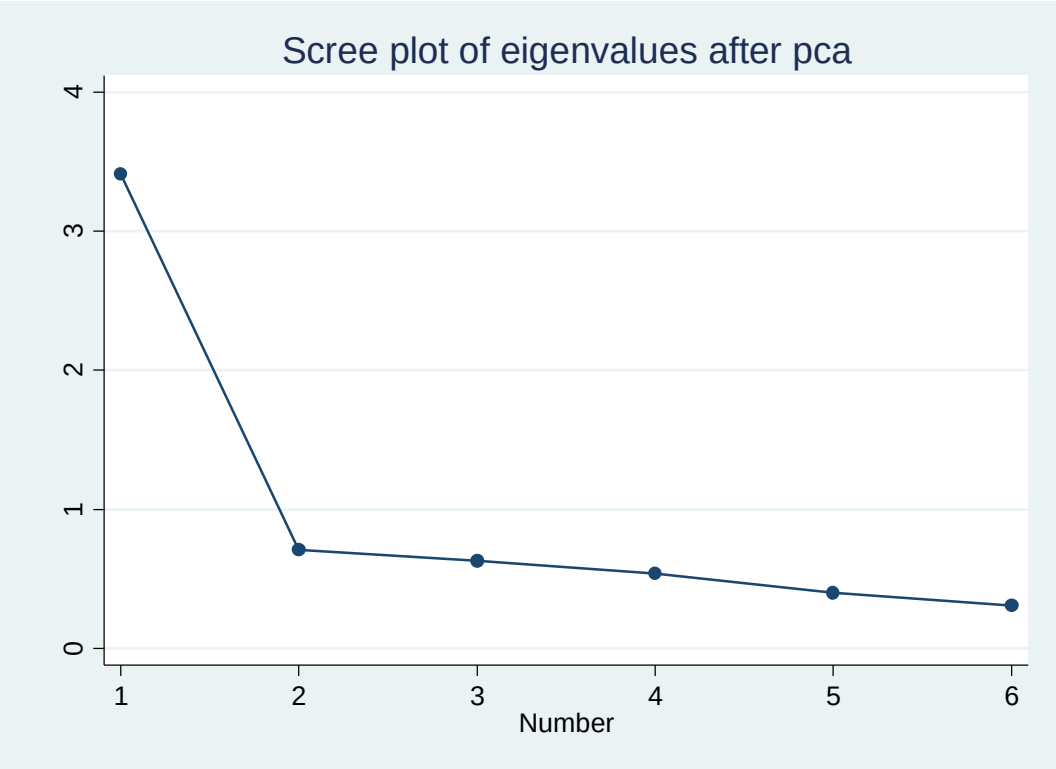


Figure 22: Scree plot showing eigenvalues after PCA

Factor 1 has a value of 3.865 and explains approximately 55.22% of the variance. The solutions were examined using the varimax rotation of the factor loadings. The results are shown in Table 23.

Table 23: Factor loading based on Principal component analysis with varimax rotation (N=551)

Variable	Factor Loading	Communality
q11h_	0.3871	0.5112
q11k_	0.4382	0.655
q11m_	0.4263	0.6199
q11o_	0.4588	0.7181
q11q_	0.3817	0.4971
q11w_	0.3467	0.4101

The findings show that all six components have factor loadings above 0.3; hence, all shall be used in the construction of the index score.

Furthermore, the Cronbach Alphas were generated in order to test the internal consistency or reliability of the index to be created. The results from the Cronbach test show a value of 0.843 which is greater than 0.6 (see for example, Table 24). This means that the index that is going to be created will meet the reliability test.

Table 24: Cronbach's alpha with and without exclusions

Alpha(no exclusions)	0.84
Variable excluded	Alpha
q11h_	0.83
q11k_	0.80
q11m_	0.81
q11o_	0.79
q11q_	0.83
q11w_	0.84

An analysis of alphas for individual variables for the factors shows that exclusion of any one of the variables does not increase the overall Cronbach alpha. As a result, all variables should be included.

Following the tests conducted above, the index was finally generated to examine the effect of positive corporate reputation on investor confidence. The index was generated using the weighted average of the six variables relating to the effects of positive reputation on investor confidence. The factor loadings computed earlier using the principle component analysis were used as the weights in the constructing of the index. The index was established to measure the extent to which stakeholders agree/disagree with the notion that positive reputation improves investor confidence in the diamond industry. The index ranges from 0 to 100, where 0 represents strongly disagree, 50 represents neutral while 100

represents strongly agree. Values above 50 represent agree.

Table 25: Combined stakeholder views on effects of corporate reputation to company success

	N	Mean	SD	Skewness	Kurtosis	Shapiro Wilks z-stat	Shapiro Wilks p-value
All Stakeholders	532	73.4365	17.8488	-0.7022	3.0731	6.4123	0.0000
Internal	114	77.7859	14.0572	-0.7221	3.5212	2.9532	0.0016
External	551	73.3286	17.8446	-0.6681	3.0094	6.3490	0.0000
Management	37	81.5108	9.8914	0.1269	2.4178	-1.5950	0.9446
Financier	24	65.9967	20.5911	-0.4310	2.4956	-0.0549	0.5219
Clientele	225	71.6024	18.4647	-0.7765	3.3305	4.7365	0.0000
Voices	140	75.9161	16.7097	-0.4962	2.4672	3.5550	0.0002
Other	106	72.9210	18.3416	-0.4909	2.1828	3.8576	0.0001
Employee	66	76.5263	14.5446	-0.4876	2.8842	1.0359	0.1501
Senior Exec	17	77.7067	11.2478	0.6985	2.7179	0.6320	0.2637
Supplier	11	72.8144	20.4124	-0.7268	2.2471	1.4629	0.0718
Corporate Reputation Expert	20	84.7442	7.4087	0.2891	2.1198	0.1221	0.4514
Banking Institution	12	52.7692	18.1309	-0.1160	2.5571	-1.8063	0.9646
Investor	12	79.2241	13.2689	-0.4388	2.3176	-0.2771	0.6092
Community Rep	95	72.9334	18.2059	-0.4562	2.1662	3.7053	0.0001
Consumer	59	73.3899	19.3286	-1.2525	4.5100	3.6531	0.0001
Potential Consumer	166	70.9671	18.1655	-0.5935	2.9189	3.4148	0.0003
Human Rights grp	23	75.3380	22.9245	-0.5464	1.9826	2.0118	0.0221
Labour Union	11	71.3463	21.1589	-0.0449	1.2877	1.4080	0.0796
Media House	8	75.8163	13.5902	-0.2845	2.1012	-1.3733	0.9152
Regulatory Authority	32	76.6690	15.5005	-0.2876	1.8805	0.8595	0.1950

The findings in Table 25 show that all stakeholders at all levels have mean values that are significantly greater than 50% except the banking institutions. This shows that other stakeholder groups, except banking institutions, agree that positive corporate reputation improves investor confidence. The banking institution has a mean of 52.77% which shows that this stakeholder group is relatively neutral. To confirm this finding a t-test was conducted and the results from this test showed the mean of the banking institution stakeholder was not statistically greater than 50% (t= 0.529; p= 0.304).

To further explore the extent to which stakeholder groups agree that positive corporate reputation improves investor confidence, the analysis was divided into three levels; the first level examines differences between the decision-makers who are directly involved with the company (internal stakeholder group) and those who are indirectly involved with the company (external stakeholders); at the second level, an examination of the differences between management and the providers of financing is analysed; the third level examines the differences between senior executives and each of the three relevant stakeholder groups namely, corporate reputation experts, banking and financial institutions and investors stakeholder groups. The analysis starts with the comparison of the means followed by a t-test to confirm whether there are any differences between the two means or not. The Welch t-test is used in cases where the variances of the two groups are not equal but data for both groups are normally distributed. The Kruskal Wallis test is used where the data for either group is not normally distributed. The examination produced five sets of data and the results from this examination are presented separately below:

Firstly, the results in Table 25 show that internal stakeholders had a mean (77.79) greater than the external stakeholders (73.32). The data for both the internal and external stakeholder groups were not normally distributed as shown by the Shapiro Wilks test in Table 25. Hence the Kruskal Wallis test was conducted and the results from this test show that the mean of the internal stakeholder group is significantly greater than the internal stakeholder group ($\chi^2 = 6.529$, $p = 0.011$). This result shows that the internal stakeholder group agrees more that positive corporate reputation improves investor confidence than the external stakeholder group;

Secondly, the findings show that the management stakeholder group has a mean (81.51) greater than the financiers stakeholder group (66). The data for both the management stakeholder group and the financiers stakeholder group are normally distributed, but the variances for the two stakeholder groups are not equal (Bartlett's $\chi^2 = 15.129$, $p < 0.01$) Hence, the Welch t-test was conducted and the results from this test show that the management stakeholder group has a mean that is statistically greater than the financiers stakeholder group ($t = 3.442$, $p <$

0.01). This finding confirms that the management stakeholder group agrees more than the financiers' stakeholder group that positive corporate reputation improves investor confidence. This finding indicates the level of stubbornness associated with financiers like bankers and fund managers when it comes to taking on board intangible assets as a main consideration for them in making financing decisions. In other words, management or internal stakeholders believe more that positive corporate reputation has a positive effect on investor confidence;

Thirdly, the senior executive stakeholder group has a mean (77.71) smaller than the corporate reputation experts stakeholder group (84.74%). The data for both the senior executives stakeholder group and the corporate reputation experts stakeholder group are normally distributed and the variances for the two stakeholder groups are equal (Bartlett's $\chi^2 = 2.929$, $p = 0.087$) Hence, the student t-test was conducted and the results from this test show that the senior executive stakeholder group has a mean that is statistically smaller than the corporate reputation experts stakeholder group ($t = -2.279$, $p = 0.014$). This finding confirms that the corporate reputation experts' stakeholder group agree more than the senior executive stakeholder group that positive corporate reputation improves investor confidence. This finding indicates that corporate reputation practitioners have a higher appreciation of the effects of corporate reputation to investor confidence and also to all of the other effects of corporate reputation. This is because corporate reputation is their day to day responsibility and that is why they have better appreciation;

Fourthly, the senior executives group has a mean (77.71) greater than the banking institutions group (52.77). The data for both senior executives stakeholder group and the banking institutions stakeholder group were normally distributed and the variances for the two stakeholder groups are equal (Bartlett's $\chi^2 = 2.923$, $p = 0.087$) Hence, the student t-test was conducted and the results from this test show that the senior executive stakeholder group has a mean that is statistically greater than the banking institutions stakeholder group ($t = 4.576$, $p < 0.01$). This finding confirms that the senior executives' stakeholder group agree more that positive corporate reputation improves investor confidence than the banking institutions group and fifthly, the senior executives group has a mean (77.71) smaller than the

investors stakeholder group (79.22). The data for both senior executives stakeholder group and the investor stakeholder group are normally distributed and the variances for the two stakeholder groups are equal (Bartlett's χ^2 =0.348, p = 0.555) Hence, the student t-test was conducted and the results from this test show that the investors stakeholder group has a mean that is not statistically smaller than the investors stakeholder group (t = -0.332, p = 0.371). This finding confirms that there is consensus between these two groups about the extent to which positive corporate reputation improves investor confidence.

These findings have indicated that all stakeholders in varying degrees believe that positive corporate reputation in the diamond industry contributes positively to investor confidence, though the bankers and financiers slightly agree, while corporate reputation experts together with executives strongly believe. This is another descriptor indicating Rindova et al (2005) and Tshivase and Kleyn (2016) assertion that stakeholder hold differing views about the effect of corporate reputation dependent on their experience, perceptions and relationship with the firm.

5.6.3 The Effect of corporate reputation on Employee engagement, talent attraction and retention

Factor Analysis

The factorability of the seven effects of positive reputation on employee engagement, talent attraction and retention items was examined. A factorability of correlation criteria was used to identify the factors that are relevant and to identify sub-themes that drive the variation in the data. It was observed that all seven variables correlated at least 0.3 with at least one other variable, suggesting reasonable factorability (see for example, Table 26).

Table 26: Correlation matrix

	q11a_	q11b_	q11l_	q11n_	q11o_	q11p_	q11w_
q11a_	1						
q11b_	0.763	1					
q11l_	0.5856	0.61	1				
q11n_	0.5636	0.518	0.6404	1			
q11o_	0.4668	0.5126	0.5925	0.5504	1		
q11p_	0.4438	0.4182	0.5824	0.5444	0.6135	1	
q11w_	0.3226	0.3217	0.3795	0.3932	0.432	0.3716	1

Table 27: Factor loading based on Principal component analysis with varimax rotation (N=556)

Variable	Factor Loading	Communality
q11a_	0.39	0.62
q11b_	0.39	0.62
q11l_	0.41	0.69
q11n_	0.39	0.63
q11o_	0.38	0.61
q11p_	0.36	0.55
q11w_	0.28	0.32

Table 28: Cronbach's alpha

Alpha (no exclusions) 0.8755

Variable excluded	Alpha
q11a_	0.85
q11b_	0.85
q11l_	0.84
q11n_	0.85
q11o_	0.85
q11p_	0.85
q11w_	0.88

According to the results of the principle component analysis, it is evident that the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was 0 .866, which is well above the commonly recommended value of 0.6. The communalities values were all above 0.3. The factor loadings are greater than 0.3 for all variables except 11w (see Table 27) 11w's inclusion in the model was investigated using Cronbach's alpha which will analyse the effect excluding the one that violates the internal consistency test. As seen in Table 28, the internal consistency improves when 11w is dropped from the model. 11w is dropped from the model as a result of the low factor loading and its adverse effect on the internal consistency. This leaves six variables in the final analysis. After dropping variable 11w, a new KMO measure was generated and it produced a value of 0.850 which is still well above the minimum required.

In addition, the principle component analysis was used to identify and compute indices for characteristics underlying the variation in the identified variables. The eigenvalue for factor 1 is the only one that has a value above 1 (see the plot label Figure 23).

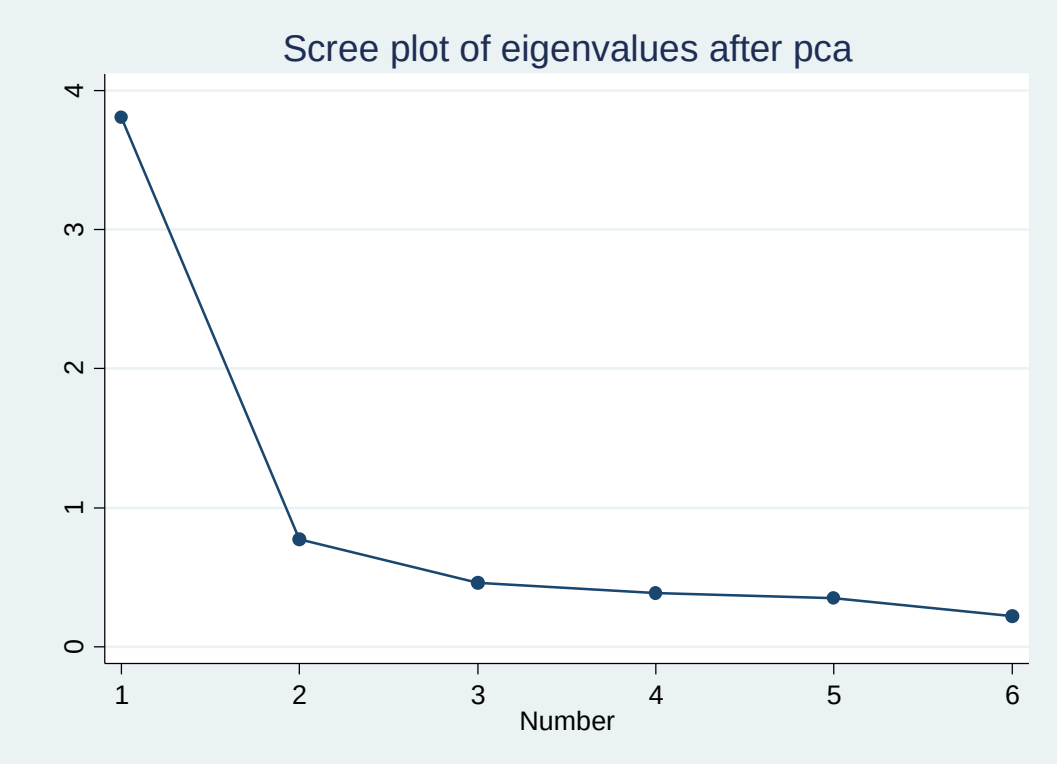


Figure 23: Scree plot of eigenvalues after PCA

Factor 1 has an eigenvalue value of 3.808 and explains approximately 63.47% of the variance. The solutions were examined using the varimax rotation of the factor loadings. The results are shown in Table 29.

Table 29: Factor loading based on Principal component analysis with varimax rotation (N=560)

Variable	Factor Loading	Communality
q11a_	0.4106	0.6419
q11b_	0.412	0.6466
q11l_	0.4326	0.7128
q11n_	0.4099	0.6399
q11o_	0.3996	0.6081
q11p_	0.3832	0.5592

The findings show that all six components have factor loadings above 0.3; hence, all shall be used in the construction of the index score.

Furthermore, the Cronbach Alphas were generated in order to test the internal consistency or reliability of the index to be created. The results from the Cronbach test show a value of 0.883 which is greater than 0.6 (see for example, Table 30). This means that the index that is going to be created will satisfy the reliability test.

Table 30: Cronbach's alpha with and without exclusions

Alpha (no exclusions)	0.8838
Variable excluded	Alpha
q11a_	0.86
q11b_	0.86
q11l_	0.85
q11n_	0.86
q11o_	0.86
q11p_	0.87

An analysis of alphas for individual variables for Factor 1 shows that exclusion of

any one of the variables does not increase the overall Cronbach alpha (see Table 30). As a result, all variables should be included.

Following the tests conducted above, the index was finally generated to examine the effect of positive corporate reputation on employee engagement, talent attraction and retention. The index was generated using the weighted average of the six variables relating to the effects of positive reputation on employee engagement, talent attraction and retention. The factor loadings computed using principle component analysis (see Table 31), were used as the weights in the construction of the Index. The index was established to measure the extent to which stakeholders agree/disagree with the notion that positive reputation improves employee engagement, talent attraction and retention in the diamond industry. The index ranges from 0 to 100, where 0 represents strongly disagree, 50 represents neutral while 100 represents strongly agree. Values above 50 represent agree.

Table 31: Stakeholders' views on the effects of reputation on employee engagement, talent attraction and retention

	N	Mean	SD	Skewness	Kurtosis	Shapiro Wilks z-stat	Shapiro Wilks p-value
All Stakeholders	541	75.1925	18.7984	-0.7996	2.8873	7.7346	0.0000
Internal	103	81.7175	11.8522	-0.4014	2.6901	1.5225	0.0639
External	438	73.6581	19.7861	-0.6855	2.5479	7.2101	0.0000
Management	37	82.9374	12.5838	-0.5277	2.6151	1.1391	0.1273
Financier	25	71.2363	21.6925	-0.5433	2.3788	0.8383	0.2009
Clientele	231	72.4755	20.7938	-0.6213	2.4176	5.5215	0.0000
Voices	141	78.6125	15.8065	-0.9506	3.2555	5.0764	0.0000
Other	107	74.7977	17.7568	-0.7041	2.8401	4.3673	0.0000
Employee	66	81.0336	11.4635	-0.3486	2.7859	0.4785	0.3162
Senior Exec	17	76.5567	13.7031	0.0957	2.2181	-2.0932	0.9818
Supplier	11	79.5849	16.8863	-0.9879	2.7596	1.7993	0.0360
Corporate Reputation Expert	20	88.3611	8.6322	-0.4585	3.0513	1.2811	0.1001
Banking Institution	13	63.4846	23.9368	-0.1418	1.9308	-0.4794	0.6842
Investor	12	79.6339	15.9274	-0.4569	2.0134	0.1106	0.4560
Community Rep	96	74.2492	17.8561	-0.6744	2.8492	3.9951	0.0000
Consumer	61	72.6702	20.3582	-1.1526	4.1228	3.7027	0.0001
Potential Consumer	170	72.4057	21.0069	-0.4495	1.8937	4.6800	0.0000
Human Rights grp	23	76.5722	21.0786	-0.7687	2.2363	2.6738	0.0037
Labour Union	12	71.0449	20.7634	-0.4900	1.7827	1.4892	0.0682
Media House	8	78.0998	17.2494	-1.0319	2.4533	1.8353	0.0332
Regulatory Authority	32	78.0516	16.7088	-0.8877	2.6843	2.5254	0.0058

The findings in Table 31 show that all stakeholders at all levels have mean scores that are greater than 60%. This shows that, on average, all stakeholder groups agree that positive stakeholder engagement improves employee engagement, talent attraction and retention.

To further explore the extent to which stakeholder groups agree that positive corporate reputation improves employee engagement, talent attraction and retention, further analysis was conducted after dividing the data into three levels, The first level examines differences between the decision-makers who are directly involved with the company (internal stakeholder group) and those who are indirectly involved with the company (external stakeholders). At the second level, an examination of the differences between management and the other category (the category that includes employees) is analysed. The third level examines the differences between senior executives and each of the two relevant stakeholder groups namely, corporate reputation experts and employees stakeholder groups. The analysis starts with the comparison of the means followed by a t-test to confirm whether or not there are any differences between the two means. The Welch t-test is used in cases where the variances of the two groups are not equal but data for both groups are normally distributed. The Kruskal Wallis test, a non-parametric alternative, is used where the data for either group are not normally distributed. The examination produced five sets of data and the results from this examination are presented separately as below:

Firstly, the results in Table 31 show that internal stakeholders have a mean (81.71) greater than the external stakeholders (73.66). The data for both the internal and external stakeholder groups are not normally distributed, as shown by the Shapiro Wilks test in Table 31. Hence the Kruskal Wallis test was conducted and the results from this test showed that the mean of internal stakeholder group was significantly greater than the internal stakeholder group (χ^2 =8.535, p <0.01). This result showed that the internal stakeholder group agreed more than the external stakeholder group that positive corporate reputation improves relations with both actual and potential employees. This finding is attributed to the fact that internal stakeholders experience employee engagement, retention and attraction more than the external stakeholders who are not directly linked to the day to day

developments in the organisation.

Secondly, the findings show that the management category has a mean (82.94) greater than the other category group (74.80). As the Other category is not normally distributed, the Kruskal Wallis test was used and the results from this test show that management category has a mean that is significantly greater than the mean of the other category group (χ^2 =5.257, p =0.0217). This finding confirms that the management stakeholder group agree more than the Other category that positive corporate reputation improves employee relations; Thirdly, the senior executive stakeholder group has a mean (76.56) smaller than the corporate reputation experts stakeholder group (88.36%). The data for both senior executives stakeholder group and the corporate reputation experts stakeholder group is normally distributed and the variances for the two stakeholder groups are equal (Bartlett's χ^2 = 3.575, p = 0.059). Hence, the student t-test was conducted and the results from this test show that the senior executive stakeholder group has a mean that is statistically smaller than the corporate reputation experts stakeholder group (t = -3.184, p <0.01). This finding confirms that the corporate reputation experts' stakeholder group agree more than the senior executive stakeholder group that positive corporate reputation improves employee relations.

Fourthly, the senior executives' stakeholder group has a mean (77.71) less than the employee stakeholder group (81.03). The data for both senior executives stakeholder groups are greater than the employee stakeholder group and the data are normally distributed (see Table 31) and the variances for the two stakeholder groups are equal (Bartlett's χ^2 = 0.858, p = 0.354). Hence, the student t-test was conducted and the results from this test show that the senior executives stakeholder group has a mean that is not statistically greater than the employee stakeholder group (t = -1.379, p = 0.086). This finding confirms that there is consensus between these two groups that positive corporate reputation improves employee relations. The reason corporate reputation experts and senior level executives in the diamond industry value more the positive contribution of reputation to employee engagement, retention and attraction is because of the important stake this outcomes has in their success in terms of productivity and business success.

5.6.4 The effect of corporate reputation on purchase decisions for diamond jewellery

This section examines the effect of corporate reputation on consumer purchase decisions for diamond jewellery. The analysis was done using an index. However, before an index could be constructed, a factor analysis was computed to identify relevant variables that are key for assessing consumer purchase decisions. Thereafter, the factor loadings generated through factor analysis were used as the weights required to construct the index.

Factor analysis

First, the factorability of the six effects of corporate reputation on the purchasing decisions was examined. A factorability of correlation criteria was used to identify the factors that are relevant and to identify possible sub-themes that drive the variation in the data. It was observed that all six variables correlated at least 0.3 with at least one other variable, suggesting reasonable factorability (see for example, Table 32).

Table 32: Correlation matrix

	q11f_	q11i_	q11j_	q11o_	q11q_	q11r_
q11f_	1					
q11i_	0.4815	1				
q11j_	0.4496	0.6683	1			
q11o_	0.4263	0.5497	0.5723	1		
q11q_	0.3799	0.4471	0.4279	0.5536	1	
q11r_	0.4019	0.5173	0.5577	0.5912	0.6352	1

Table 33: Factor loading based on Principal component analysis with varimax rotation (N=555)

Variable	Factor Loading	Communality
q11f_	0.3495	0.5643
q11i_	0.422	0.3646
q11j_	0.4246	0.357
q11o_	0.4264	0.3515
q11q_	0.3937	0.4471
q11r_	0.4275	0.3479

Principle component analysis was used to identify and compute indexes for characteristics underlying the variation in the identified variables. The eigenvalue for Factor 1 is the only one that has a value above 1 (see the plot label Figure 24). The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy for the model was 0 .861, which is well above the commonly recommended value of 0.6.

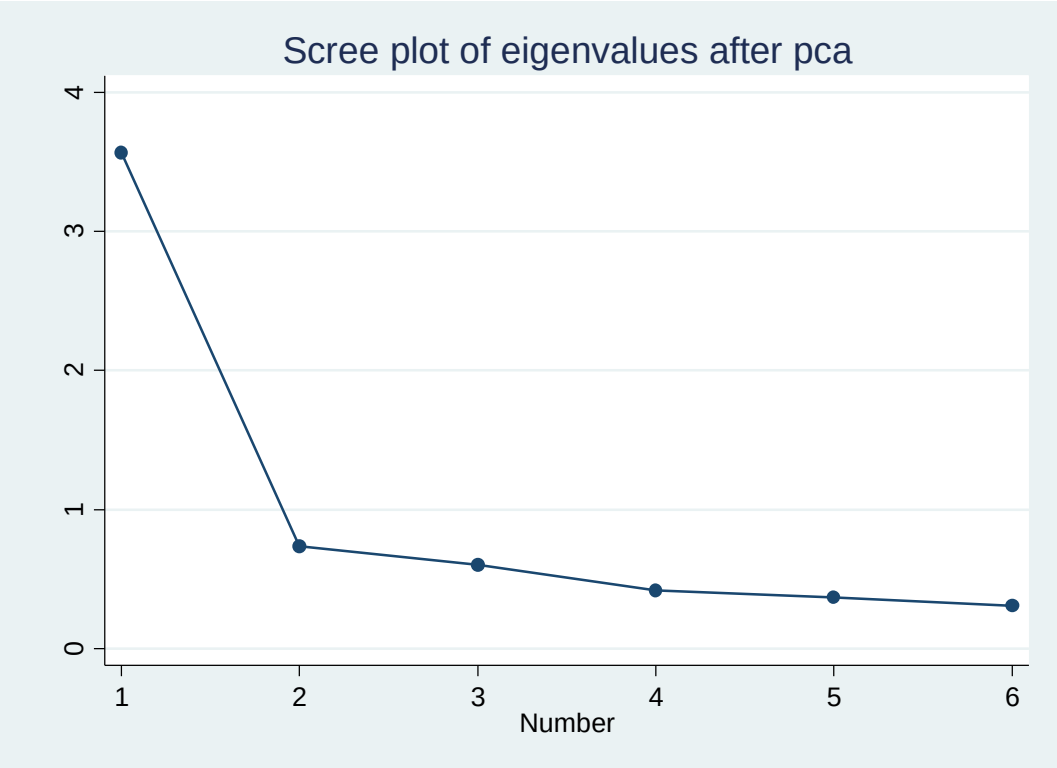


Figure 24: Scree plot of eigenvalues after PCA

Factor 1 has an eigenvalue of 3.567 and explains approximately 59.46% of the variance. The factor loadings were generated using the varimax rotation of the factor loadings (see Table 33). The communalities values were all above 0.3. The findings show that all six components have factor loadings above 0.3; hence, all shall be used in the construction of the index score.

Furthermore, the Cronbach's alphas were generated in order to test the internal consistency or reliability of the index to be created. The results from the Cronbach's test show a value of 0.859 which is greater than 0.6 (see for example, Table 34). This means that the index that is going to be created will satisfy the reliability test.

Table 34: Cronbach's alpha with and without exclusions

Alpha (no exclusions)	0.859
Variable excluded	Alpha
q11f_	0.85
q11i_	0.83
q11j_	0.83
q11o_	0.82
q11q_	0.83
q11r_	0.82

An analysis of alphas for individual variables for the factors shows that exclusion of any one of the variables does not increase the overall Cronbach alpha. As a result, all variables should be included in the index.

Following the tests conducted above, the index was finally generated to examine the effect of corporate reputation on purchasing decisions. The index was generated using the weighted average of the six variables relating to the effects of corporate reputation on purchasing decisions. The factor loadings computed using principle component analysis (see Table 35), were used as the weights in the construction of the index. The index was established to measure the extent to which stakeholders agree/disagree with the notion that corporate reputation affects the purchasing decisions in the diamond industry. The index ranges from 0 to 100, where 0 represents strongly disagree, 50 represents neutral while 100 represents strongly agree. Values above 50 represent agree.

Table 35: Stakeholder views on reputation effects on purchasing decisions

	N	Mean	SD	Skewness	Kurtosis	Shapiro Wilks z-stat	Shapiro Wilks p-value
All Stakeholders	536	75.1505	17.7138	-0.7376	3.1702	6.6317	0.0000
Internal	103	79.6124	12.2257	-0.2539	2.6289	0.0888	0.4646
External	433	74.0892	18.6394	-0.6725	2.8973	6.1641	0.0000
Management	37	81.0448	10.4974	-0.0964	2.7627	-1.5383	0.9380
Financier	25	69.3492	20.0722	-0.9706	2.9799	2.2750	0.0115
Clientele	226	74.0096	18.4265	-0.7295	3.1190	4.5699	0.0000
Voices	141	78.1755	16.4631	-0.6174	2.8184	3.9198	0.0000
Other	107	72.8913	18.3362	-0.5259	2.6190	3.9317	0.0000
Employee	66	78.8094	13.1033	-0.2300	2.4273	-0.3576	0.6397
Senior Exec	17	77.4018	12.1879	0.4160	2.7238	-0.1713	0.5680
Supplier	11	73.6209	21.3654	-0.5755	1.9485	1.0497	0.1469
Corporate Reputation Expert	20	84.1414	7.8571	-0.0383	2.6609	-1.1409	0.8731
Banking Institution	13	59.5752	21.8886	-0.4354	1.8007	1.1618	0.1227
Investor	12	79.9377	11.0072	-0.5552	2.5447	-0.5821	0.7198
Community Rep	96	72.8078	18.0838	-0.5203	2.7293	3.8293	0.0001
Consumer	61	74.3239	17.9900	-0.9976	3.9448	2.7947	0.0026
Potential Consumer	165	73.8935	18.6378	-0.6400	2.8605	3.5894	0.0002
Human Rights grp	23	77.4302	24.1293	-0.6859	2.1685	2.7050	0.0034
Labour Union	12	74.1972	21.8814	-0.2318	1.3973	1.2378	0.1079
Media House	8	79.8050	15.4419	-0.7254	2.8747	-0.0139	0.5056
Regulatory Authority	32	78.4882	14.7955	-0.4462	2.1710	1.0236	0.1530

Table 35 shows that all stakeholders at all levels have mean values that are greater than 70 except for the banking institutions with a mean of 59.58. This shows that, on average, just about all the stakeholder groups agree that corporate reputation affects the purchasing decisions in the diamond industry.

To further explore the extent to which stakeholder groups agree that corporate reputation affects the purchasing decisions, the analysis was divided into three levels. The first level examines differences between the decision-makers who are directly involved with the company (internal stakeholder group) and those who are indirectly involved with the company (external stakeholders). At the second level, an examination of the differences between management and the clientele category (the category that includes both actual and potential consumers of diamonds) is analysed. The third level examines the differences between senior executives and each of the three relevant stakeholder groups namely; corporate reputation experts, actual consumers and potential consumer stakeholder groups. The analysis starts with the comparison of the means followed by a t-test to confirm whether or not there are any differences between the two means. The Welch t-test is used in cases where the variances of the two groups are not equal but data for both groups are normally distributed. The Kruskal Wallis test, a non-parametric alternative, is used where the data for either group are not normally distributed. The examination produced five sets of groupings and the results from this examination are presented separately as below:

Firstly, the results in Table 35 show that internal stakeholders have a mean (79.61) greater than the external stakeholders (74.09). The data for the external stakeholder groups are not normally distributed, as shown by the Shapiro Wilks test in Table 35. Hence the Kruskal Wallis test was conducted and the results from this test show that the mean of internal stakeholder group is significantly greater than the external stakeholder group (χ^2 =4.003, p=0.0454). This result shows that the internal stakeholder group agree more that positive corporate reputation influences the purchasing decision than the external stakeholder group;

Secondly, the findings show that the management category has a mean (81.044) greater than the clientele category group (74.01). As the clientele category data are not normally distributed, the Kruskal Wallis test was used and the results show

that management category has a mean that is not significantly greater than the mean of the clientele category (χ^2 =3.295, p =0.0692). This finding confirms that there is a consensus between the management stakeholder group and the clientele stakeholder that corporate reputation affects the purchasing decision;

Thirdly, the senior executive stakeholder group has a mean (77.40) smaller than the corporate reputation experts stakeholder group (84.14). The data for both senior executives stakeholder group and the corporate reputation experts stakeholder group are normally distributed and the variances for the two stakeholder groups are equal (Bartlett's χ^2 = 3.232, p = 0.072). Hence, the student t-test was conducted and the results from this test show that the senior executive stakeholder group has a mean that is statistically smaller than the corporate reputation experts stakeholder group (t = -2.029, p =0.025). This finding confirms that the corporate reputation experts' stakeholder group agree more that corporate reputation has an effect on the purchasing decision;

Fourthly, the senior executives group has a mean (77.40) greater than the consumer group (74.32). Since the data for the consumer stakeholder group are not normally distributed (see Table 35, the Kruskal Wallis test was conducted and the results from this test show that senior executives group has a mean that is not significantly greater than the mean of the consumer group (χ^2 =0.913, p =0.909). This finding confirms that there is consensus between these two groups that corporate reputation influences the purchasing decisions;

Fifthly, the senior executives group has a mean (77.40) greater than the potential consumer group (73.89). Since the data for the potential consumer stakeholder group are not normally distributed (see Table 35), the Kruskal Wallis test was conducted and the results from this test show that senior executives group has a mean that is not significantly greater than the mean of the potential consumer group (χ^2 =0.080, p =0.777). This finding confirms that there is consensus between these two groups that corporate reputation has an effect on the purchasing decisions. These findings indicate that internal stakeholders are more optimistic that consumers about the effect of positive corporate reputation in term of purchasing decisions.

5.6.5 The effect of corporate reputation on customer attraction and loyalty

This section examines whether or not corporate reputation impacts negatively or positively on customer attraction and loyalty. Similar to prior sections, analysis was conducted in stages. However, before final analysis was conducted, various tests were carried out in order to establish the correct method for the various analyses to be conducted. The various steps in the analyses are discussed in the sections below:

Factor analysis

The factorability of the seven effects of corporate reputation on customer attraction and loyalty was examined. Similar to procedures followed in prior analyses (Table 36 and 37), the factorability of correlation criteria was used to identify the factors that are relevant and to identify possible sub-themes that drove the variation in the data. It was observed that all seven variables correlated at least 0.3 with at least one other variable, suggesting reasonable factorability (see for example, Table 49).

Table 36: Correlation matrix

	q11c_	q11d_	q11e_	q11f_	q11i_	q11j_	q11o_
q11c_	1						
q11d_	0.6862	1					
q11e_	0.6356	0.6141	1				
q11f_	0.5128	0.4911	0.5435	1			
q11i_	0.5819	0.5754	0.6163	0.478	1		
q11j_	0.5502	0.6013	0.5957	0.4495	0.6685	1	
q11o_	0.4869	0.4468	0.5272	0.4219	0.5496	0.5701	1

Table 37: Factor loading based on Principal component analysis with varimax rotation (N=552)

Variable	Factor Loading	Communality
q11c_	0.3912	0.6625
q11d_	0.3881	0.652
q11e_	0.3981	0.6861
q11f_	0.3352	0.4866
q11i_	0.3926	0.6672
q11j_	0.3893	0.6561
q11o_	0.3462	0.519

Principle component analysis was used to identify and compute indexes for characteristics underlying the variation in the identified variables. The eigenvalue for factor 1 was the only one that had a value above 1 (see the plot label Fig 24). The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy for the model was 0 .910, which is well above the commonly recommended value of 0.6.

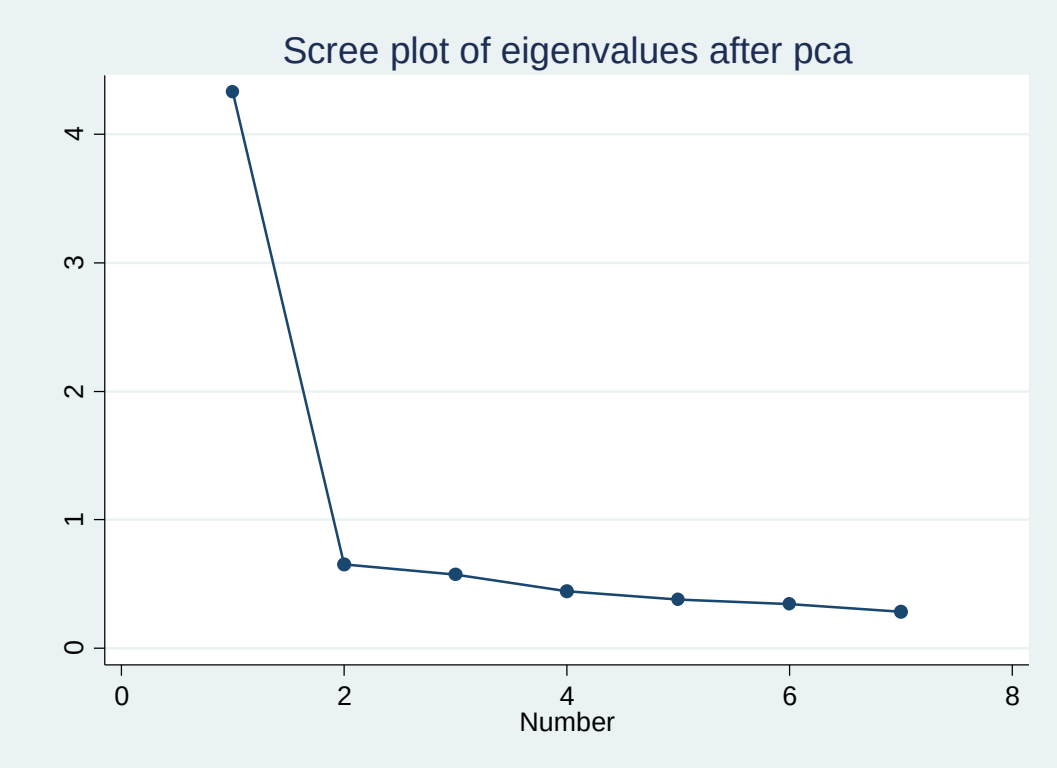


Figure 25: Scree plot of eigenvalues after PCA

Factor 1 has an eigenvalue of 4.330 and explains approximately 61.85% of the variance. The factor loadings were generated using the varimax rotation of the factor loadings (see Table 37). The communalities values were all above 0.3. The findings show that all seven components have factor loadings above 0.3; hence, all shall be used in the construction of the index score. Furthermore, the Cronbach's alphas were generated in order to test the internal consistency or reliability of the index to be created. The results from the Cronbach's test show a value of 0.894 which is greater than 0.6 (see for example, Table 38). This means that the index that is going to be created will satisfy the reliability test.

Table 38: Cronbach's alpha with and without exclusions

Alpha (no exclusions)	0.8939
Variable excluded	Alpha
q11c_	0.8749
q11d_	0.8753
q11e_	0.8714
q11f_	0.8901
q11i_	0.874
q11j_	0.8754
q11o_	0.8872

An analysis of alphas for individual variables for the factor(s) showed that exclusion of any one of the variables does not increase the overall Cronbach alpha. As a result, all seven variables should be included in the index.

Following the tests conducted above, the index was finally generated to examine the effect of corporate reputation on customer attraction and loyalty. The index was generated using the weighted average of the six variables relating to the effects of corporate reputation on customer attraction and loyalty. The factor loadings computed using principle component analysis (see Table 38), were used as the weights in the constructing of the Index. The index was established to measure the extent to which stakeholders agree/disagree with the notion that corporate reputation impacts negatively or positively on customer attraction and loyalty in the diamond industry. Similar to the Indices created before, the values for index created for this purpose ranged from 0 to 100, where 0 represents strongly disagree, 50 represents neutral while 100 represents strongly agree. Values above 50 represent agree.

Table 39: Stakeholders' views on effects of corporate reputation on customer attraction and loyalty

	N	Mean	SD	Skewness	Kurtosis	Shapiro Wilks z-stat	Shapiro Wilks p-value
All Stakeholders	533	76.8041	17.1472	-0.8793	3.4355	7.3045	0.0000
Internal	103	82.5892	10.9730	-0.3670	2.9665	1.8082	0.0353
External	430	75.4183	18.0563	-0.7760	3.0653	6.6220	0.0000
Management	37	82.4936	9.4431	-0.1749	3.0662	-0.2668	0.6052
Financier	25	73.0463	19.2076	-0.5890	2.2709	1.5446	0.0612
Customer*	224	75.5744	17.9645	-0.8811	3.5083	5.2667	0.0000
Voices	140	80.3555	15.3064	-0.8095	2.8829	4.5238	0.0000
Other	107	73.6422	18.1967	-0.6696	2.9080	3.9680	0.0000
Employee	66	82.6429	11.8132	-0.4187	2.8055	1.5511	0.0604
Senior Exec	17	78.5676	10.5738	0.5093	3.2799	0.6572	0.2555
Supplier	11	73.7344	23.6350	-0.9575	2.4616	1.9701	0.0244
Corporate Reputation Expert	20	85.8308	7.0208	-0.4050	4.1831	0.5489	0.2915
Banking Institution	13	64.5691	20.1976	-0.2163	1.4987	1.2174	0.1117
Investor	12	82.2298	13.5272	-0.3814	2.2089	0.3389	0.3673
Community Rep	96	73.6317	17.6255	-0.5909	2.9240	3.8115	0.0001
Consumer	60	76.8785	17.2351	-1.3238	5.1633	3.6318	0.0001
Potential Consumer	164	75.0973	18.2522	-0.7398	3.0649	4.1462	0.0000
Human Rights grp	22	77.6822	20.3844	-0.5958	1.8109	2.2746	0.0115
Labour Union	12	71.3237	20.2867	-0.2167	1.7253	-0.4241	0.6643
Media House	8	81.8565	17.1763	-0.8316	2.4379	0.4908	0.3118
Regulatory Authority	32	80.4875	14.6757	-0.8340	2.6283	2.2350	0.0127

The findings in Table 39 show that all stakeholders at all levels have mean values that are greater than 64. This shows that, on average, all the stakeholder groups agree that positive stakeholder groups have an impact on customer attraction and loyalty.

To further explore the extent to which stakeholder groups agree that corporate reputation affects customer attraction and loyalty, the analysis was divided into three levels. The first level examines differences between the decision-makers who are directly involved with the company (internal stakeholder group) and those who are indirectly involved with the company (external stakeholders). At the second level, an examination of the differences between management and the clientele category (the category that includes both actual and potential consumers of diamonds) is analysed. The third level examines the differences between senior executives and each of the three relevant stakeholder groups, namely, corporate reputation experts, actual consumers and potential consumer stakeholder groups. Similar to prior analyses, the analysis for this section also started with the comparison of the means followed by a t-test to confirm whether or not there are any differences between the two means. The Welch t-test was also used in cases where the variances of the two groups were not equal but data for both groups were normally distributed. The Kruskal Wallis test, a non-parametric alternative, was used where the data for either group were not normally distributed. The examination produced five sets of analyses and the results from this examination are presented separately as below:

Firstly, the results in Table 39 show that internal stakeholders have a mean (82.59) greater than the external stakeholders (75.42). The data for the external stakeholder groups were not normally distributed, as shown by the Shapiro Wilks test in Table 39. Hence the Kruskal Wallis test was conducted and the results from this test show that the mean of internal stakeholder group is significantly greater than the internal stakeholder group (χ^2 =8.763, $p<0.01$). This result shows that the internal stakeholder group agrees more than the external stakeholder group that corporate reputation impacts positively or negatively on customer attraction and loyalty;

Secondly, the findings show that the management category has a mean score (82.49) greater than the clientele category group (75.57). As the clientele category is not normally distributed, the Kruskal Wallis test was conducted and the results from this test show that management category has a mean score that is not significantly greater than the mean score of the clientele category (χ^2 =3.655, p =0.056). This finding confirms that there is a consensus between the management stakeholder group and the clientele stakeholder group that corporate reputation has an effect on customer attraction and loyalty;

Thirdly, the senior executive stakeholder group has a mean score (78.57) smaller than the corporate reputation experts stakeholder group (85.83). The data for both senior executives stakeholder group and the corporate reputation experts stakeholder group were normally distributed and the variances for the two stakeholder groups are equal (Bartlett's χ^2 = 2.819, p = 0.093). Hence, the student t-test was conducted and the results from this test show that the senior executive stakeholder group has a mean that is statistically smaller than the corporate reputation experts stakeholder group (t = -2.495, p <0.01). This finding confirms that the corporate reputation experts' stakeholder group agree more than the senior executive group that corporate reputation has an effect on customer attraction and loyalty;

Fourthly, the senior executives group has a mean score (78.57) greater than the consumer group (75.57). The data for the consumer stakeholder group were not normally distributed (see Table 39), thus the Kruskal Wallis test was conducted and the results show that the senior stakeholder group has a mean that is not significantly greater than the mean of the consumer group (χ^2 =0.207, p =0.649). This finding confirms that there is consensus between these two groups about the effect of a corporate reputation on customer attraction and loyalty;

Fifthly, the senior executives group has a mean (78.57) greater than the potential consumer group (75.10). The data for the potential consumer stakeholder group were not normally distributed (see Table 39), the Kruskal Wallis test was conducted and the results show that senior executive stakeholder group has a mean that is not significantly greater than the mean of the potential consumer group (χ^2 =0.001, p =0.973). This finding confirms that there is consensus

between these two groups about the effect of a corporate reputation on customer attraction and loyalty. These findings are similar to a large extent to the findings from the previous section on purchasing decisions. Internal stakeholders are more optimistic about the effect of positive corporate reputation to customer attraction, retention and loyalty.

5.6.6 Effect of reputation on government relations and other external stakeholders like suppliers, communities, media houses and authorities

An examination of whether or not corporate reputation has an effect on the relationships between the corporate and the government, as well as with other external stakeholders, was assessed. Given the nature of the analysis for this section, a similar procedure to prior sections was followed in order to investigate this relationship. The results from each step are presented and discussed in the sections below:

Factor analysis

The factorability of the four effects of corporate reputation on external stakeholder relations was examined. A factorability of correlation criteria was used to identify the factors that are relevant and to identify possible sub-themes that drive the variation in the data. It was observed that all four variables correlated at least 0.3 with all variables, suggesting reasonable factorability (see for example, Table 40).

Table 40: Correlation matrix

	q11g_	q11o_	q11s_	q11u_
q11g_	1			
q11o_	0.4925	1		
q11s_	0.5191	0.6275	1	
q11u_	0.5055	0.4896	0.5456	1

Principle component analysis was conducted to identify and compute indices/scores for characteristics underlying the variation in the identified variables. The eigenvalue for Factor 1 is the only one that has a value above 1 (see the plot label Figure 26). The Kaiser-Meyer-Olkin (KMO) measure of

sampling adequacy for the model was 0 .7935 which is well above the commonly recommended value of 0.6.

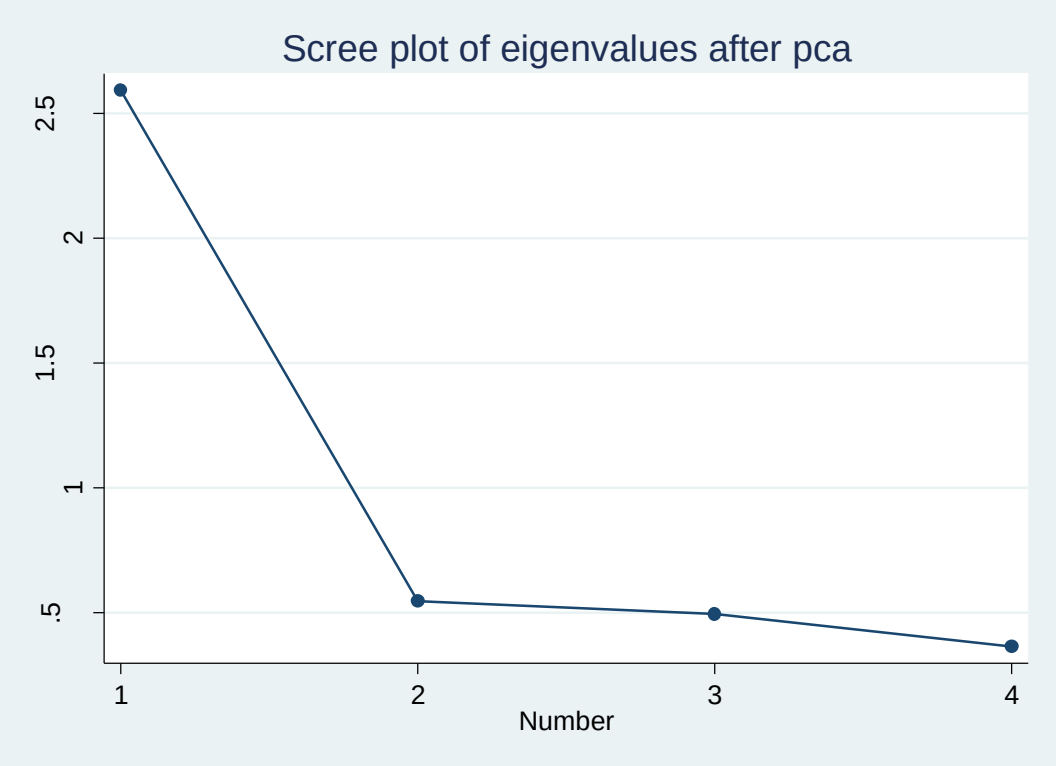


Figure 26: Scree plot of eigenvalues after PCA

Factor 1 has an eigenvalue of 2.592 and explains approximately 64.80% of the variance. The factor loadings were generated using the varimax rotation of the factor loadings. The communalities were all above 0.3. The findings show that all seven components have factor loadings above 0.3; motivating the use of all variables in the construction of the index score. Furthermore, the Cronbach's alphas were generated in order to test the internal consistency or reliability of the index to be created. The results from the Cronbach's test show a value of 0.815 which is greater than 0.6 (see for example, Table 41). This means that the index that is going to be created will satisfy the reliability test.

Table 41: Cronbach's alpha with and without exclusions

Alpha (no exclusions)	0.8149

Variable excluded	Alpha
q11g_	0.78
q11o_	0.76
q11s_	0.74
q11u_	0.77

An analysis of alphas for individual variables for the factor shows that exclusion of any one of the variables does not increase the overall Cronbach alpha. As a result, all four variables should be included in the index.

Following the tests conducted above, the index was finally generated to examine the effect of positive corporate reputation on customer attraction and loyalty. The index was generated using the weighted average of the six variables relating to the effects of positive reputation on purchasing decisions. The factor loadings computed using principle component analysis (see Table 41), were used as the weights in constructing the index. The index was established to measure the extent to which stakeholders agree/disagree with the notion that corporate reputation impacts positively or negatively on the relationship between the corporation and the government as well as with the other external stakeholder groups in the diamond industry. The index ranges from 0 to 100, where 0 represents strongly disagree, 50 represents neutral while 100 represents strongly agree. Values above 50 represent agree.

Table 42: Stakeholders' views on effects of reputation on stakeholder relations

	N	Mean	SD	Skewness	Kurtosis	Shapiro Wilks z-stat	Shapiro Wilks p-value
All Stakeholders	537	75.1727	17.8698	-0.8119	3.1082	7.2968	0.0000
Internal	103	81.8629	11.1798	-0.4018	2.8345	1.8203	0.0344
External	434	73.5849	18.7796	-0.6918	2.7561	6.5752	0.0000
Management	37	85.3121	9.9471	-0.3307	2.4372	-0.0949	0.5378
Financier	25	69.3862	21.6528	-0.7248	2.7969	1.3179	0.0938
Customer*	228	73.8748	18.7613	-0.7973	3.0978	5.2992	0.0000
Voices	141	77.3171	15.9057	-0.6775	2.6975	3.8558	0.0001
Other	106	72.9373	18.2116	-0.5594	2.3155	3.7957	0.0001
Employee	66	79.9293	11.4353	-0.3527	2.8158	0.3891	0.3486
Senior Exec	17	81.5624	10.1487	0.1687	2.6433	-0.6272	0.7347
Supplier	11	78.6851	14.6705	-0.1579	1.8050	0.0626	0.4750
Corporate Reputation expert	20	88.4994	8.8016	-0.7591	3.1627	1.1281	0.1296
Banking Institution	13	59.5026	22.9253	-0.3698	2.0021	0.7846	0.2164
Investor	12	80.0935	14.4591	-0.3361	2.0567	-0.4778	0.6836
Community Rep	95	72.2718	18.5274	-0.5433	2.2316	3.7804	0.0001
Consumer	61	73.8291	18.5268	-1.1184	4.1887	3.4489	0.0003
Potential Consumer	167	73.8915	18.9015	-0.6886	2.7344	4.3487	0.0000
Human Rights grp	23	75.1468	21.3331	-0.3051	1.7087	0.8859	0.1878
Labour Union	12	72.5197	20.6857	-0.2104	1.5056	0.5327	0.2971
Media House	8	78.5842	19.4106	-0.5620	1.9005	0.2809	0.3894
Regulatory Authority	32	74.9715	16.5963	-0.8525	2.5831	2.6389	0.0042

The findings in Table 42 show that the index's mean of the combined stakeholder groups is 75.17 which is moderately high. In addition, the means of all stakeholders' sub-groupings are greater than 69 except for the banking institution group which has a mean of 59.50. This shows that on average all the stakeholder groups agree that corporate reputation impacts positively or negatively on corporate relationships with government and other external stakeholder groups.

To further determine the extent to which stakeholder groups agree that corporate reputation has an effect on corporate relationships with government and other external stakeholder groups, the analysis is divided into three levels. At the first level, an examination of the differences between the decision- makers who are directly involved with the company (internal stakeholder group) and those who are indirectly involved with the company (external stakeholders) was undertaken. At the second level, an examination of the differences between management and the four other categories that are dominated by external stakeholders is analysed. The third level examines the differences between senior executives and each of the three relevant stakeholder groups, namely, the corporate reputation experts, suppliers, banking institutions, investors, community, consumer, potential consumers, human rights, Labour Unions, media houses and regulators. The analysis starts with the comparison of the means followed by a t-test to confirm whether or not there are any differences between the two means. The Welch t-test is used in cases where the variances of the two groups are not equal, but data for both groups were normally distributed. The Kruskal Wallis test, a non-parametric alternative, is used where the data for either group were not normally distributed. The examination produced five sets of analyses and the results from this examination are presented separately as below:

Firstly, the results in Table 42 show that the internal stakeholder group has the mean (81.86) that is greater than that of the external stakeholder group (73.58). The data for both the internal and external stakeholder groups were not normally distributed as shown by the Shapiro Wilks test in Table 42. Hence the Kruskal Wallis test was conducted and the results from this test show that the mean of internal stakeholder group is insignificantly greater than that of the internal stakeholder group (χ^2 =10.626, $p<0.01$). This result shows that the internal stakeholder group agrees more that than the external stakeholder group that

corporate reputation affects external relations;

Secondly, in order to investigate the differences in the mean of the internal and external categories further, the second level of stakeholder category was analysed. The mean of the management category is 85.31 is higher than the means of the rest of the groups. The means for the four other categories, namely, the financier, clientele, voice and the other categories are 69.39, 73.87, 77.32 and 72.94 respectively. The data from three of the categories (that is the Clientele, Voice and Other categories) were not normally distributed, as shown in Table 42 hence the Kruskal Wallis test was conducted for the analysis regarding these categories and the results show that the means for the five groups do not significantly differ (χ^2 =16.060, p <0.01). This finding shows that there are significant differences in the level of agreement with respect to the effects of corporate reputation on external relations between at least two of the categories. In order to ascertain which of the categories is significantly smaller than the management category, the means of the management category and each of the other categories was tested using the relevant test. The results of the tests are presented in Table 43, they show that the mean of the management category is significantly greater than the mean of all the other categories.

Table 43: Testing the equality of variances and means (categories)

	Testing the equality of the variances		Testing the equality of the means		
	χ^2 (Bartlett's)	p-value	t (welch)	χ^2 (Kruskal Wallis)	p-value
Financier	17.23	p<0.01	3.44		p<0.01
Clientele				11.563	p<0.01
Voices				7.131	p<0.01
Other				11.622	p<0.01

Thirdly, to further investigate the differences between the individual stakeholder groups, the mean score of the senior executive stakeholder group was compared to the mean score of the other twelve stakeholder groups. The mean of the senior executive stakeholder group (81.56) is less than the mean of the corporate reputation experts (88.50), however it is greater than the mean of the other

stakeholder groups namely, Employees (79.93), Supplier (78.69), Banking institutions (59.50), Investors (80.09), Community (72.27), Consumer(73.83), potential consumer (73.89), Human rights (75.15), Labour Unions (72.52), media house (78.58) and the regulator (74.97) stakeholder groups. Four of the stakeholders groups failed to meet the normality assumption (as shown by the Shapiro Wilks test in Table 44, hence the Kruskal Wallis test was used to assess if the means of all the stakeholder were equal or not and the results show that the means of at least two of the groups significantly differ (χ^2 =26.337, p <0.01).

Table 44: Testing of equality of variances and means (individual stakeholders)

	Testing the equal of variances		Testing the equality of the means			
	χ^2 (Bartlett's)	p-value	t	t (welch)	χ^2 (Kruskal Wallis)	p-value
Employee	0.341	0.559	0.536			0.297
Supplier	1.661	0.197	0.6151			0.272
Corporate Rep Experts	0.344	0.558	-2.227			0.016
Banking Institution	8.539	p<0.01		3.236		p<0.01
Investor	1.605	0.205	0.322			0.375
Community Rep					1.8	0.18
Consumer					1.607	0.205
Potential Consumer					1.284	0.257
Human Rights grp	8.562	p<0.01		1.262		0.108
Labour Union	6.4	0.011		1.4		0.091
Media House	4.322	0.038		0.409		0.346
Regulatory Authority					0.399	0.528

The mean score of the senior executive stakeholder group was then compared with the mean score of each of the other twelve stakeholder groups using the relevant test. The results of the test are presented in Table 44. The findings show that the mean of the senior executive stakeholder is significantly different to two of the twelve stakeholder groups. The findings show that the mean score for senior executive stakeholder group is significantly greater than the mean of the banking institution stakeholder group and significantly smaller than the mean score of the corporate reputation stakeholder group. However, the mean score of the senior executive stakeholder group is insignificantly greater than the mean of the other

stakeholder groups, namely the Employees, Supplier, Investors, Community, Consumer, potential consumer, Human rights, Labour Unions, media house and the Regulator stakeholder groups.

This research has found a direct correlation between positive corporate reputation and investor confidence, purchasing decisions, employee engagement and loyalty, customer attraction and retention and stakeholder relationships. This conclusion is supported by all the stakeholders. Internal stakeholders including executives and corporate reputation experts are more optimistic about the positive contribution made, while external stakeholders are less optimistic. Bankers or financiers on the other hand in general are least optimistic about the value of corporate reputation.

5.7 Stakeholder perceptions about the importance of complying with global best practice principles

Given that the findings from the effect of positive reputation on corporate reputation show that stakeholders value them as important, it is equally plausible to examine whether or not stakeholders view compliance with global best practice principles as something that is critical and crucial in managing corporate reputation.

Factor analysis

The factorability of the eight variables linked to the importance of Global Best Practice Principles was examined in this section. A factorability of correlation criteria was used to identify the factors that are relevant and to identify possible sub-themes that drive the variations in the data. It was observed that all eight variables correlated at least 0.3 with at least one other variable, suggesting reasonable factorability (see for example Table 45).

Table 45: Correlation matrix

	q9a_	q9b_	q9c_	q9d_	q9e_	q9f_	q9g_	q9h_
q9a_	1							
q9b_	0.5959	1						
q9c_	0.5361	0.473	1					
q9d_	0.4963	0.5708	0.4616	1				
q9e_	0.5663	0.5003	0.4438	0.567	1			
q9f_	0.4715	0.4794	0.4235	0.5172	0.6859	1		
q9g_	0.5319	0.4675	0.4391	0.5001	0.7244	0.694	1	
q9h_	0.5444	0.5616	0.4399	0.5193	0.5648	0.574	0.6626	1

Table 46: Factor loading based on Principal component analysis with varimax rotation (N=555)

Variable	Comp1	Communality
q9a_	0.3507	0.5866
q9b_	0.343	0.5609
q9c_	0.3065	0.4478
q9d_	0.3424	0.5589
q9e_	0.3786	0.6835
q9f_	0.3625	0.6265
q9g_	0.3765	0.6761
q9h_	0.3629	0.628

Principle component analysis was used to identify and compute indices for characteristics underlying the variation in the identified variables. The Kaiser-Meyer-Olkin (KMO) measure (1960) confirmed that one theme was present in the data as the eigenvalue for factor 1 is the only one that has a value above 1 (see the plot label Figure 27). The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy for the model was 0 .907, which is well above the commonly recommended value of 0.6.

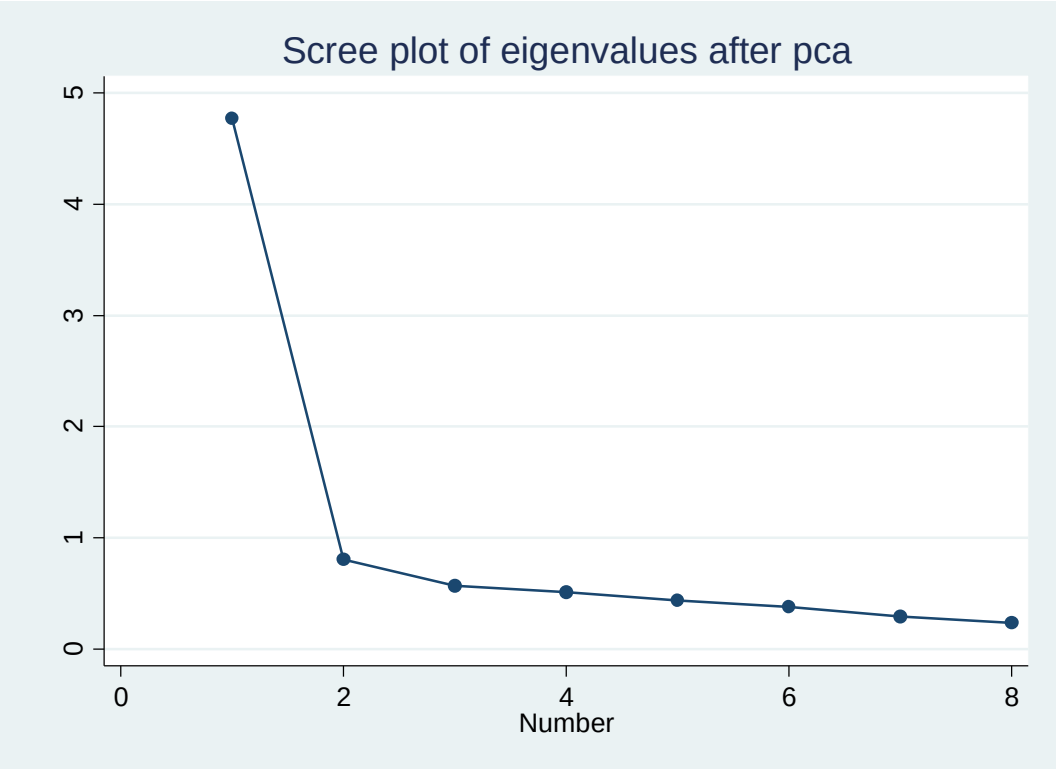


Figure 27: Scree plot of eigenvalues after PCA

Factor 1 has an eigenvalue of 4.768 and explains approximately 61.85% of the variance. The factor loadings were generated using the varimax rotation of the factor loadings. The commonalities were all above 0.3 (see Table 46). The findings in table 46 show that all seven components have factor loadings above 0.3; hence, all shall be used in the construction of the index score.

Furthermore, the Cronbach's alphas were generated in order to test the internal consistency or reliability of the index to be created. The results from the Cronbach's test show a value of 0.903 which is greater than 0.6 (see for example, Table 47). This means that the index that is going to be created will satisfy the reliability test.

Table 47: Cronbach's alpha with and without exclusions

Alpha (no exclusions)	0.9025
Variable excluded	Alpha
q9a_	0.8902
q9b_	0.8927
q9c_	0.8991
q9d_	0.8921
q9e_	0.8843
q9f_	0.8883
q9g_	0.8852
q9h_	0.8879

An analysis of alphas for individual variables for the factors shows that exclusion of any one of the variables does not increase the overall Cronbach alpha. As a result, all seven variables should be included in the index.

Following the tests conducted above, the factor loadings computed using principle component analysis (see Table 48), were used as the weights in the construction of the index. The index was established to measure the extent to which stakeholders agree/disagree with the notion that Global Best Practice Principles are important in the effective management of corporate reputation. The index ranges from 0 to 100, where 0 represents strongly disagree, 50 represents neutral while 100 represents strongly agree. Values above 50 represent agree.

Table 48: Stakeholders' views on Global Best Practice Principles on reputation management.

	N	Mean	SD	Skewness	Kurtosis	Shapiro Wilks z-stat	Shapiro Wilks p-value
All Stakeholders	537	70.0187	18.2685	-0.6025	3.1369	5.9691	0.0000
Internal	105	72.7032	14.6129	-0.6538	3.4289	1.9837	0.0236
External	432	69.3662	19.0087	-0.5519	2.9829	5.4847	0.0000
Management	39	73.6044	17.5047	-0.5275	2.6210	0.3977	0.3454
Financier	25	67.8803	20.7235	-0.7956	3.8009	1.1977	0.1155
Clientele	228	70.1863	19.0758	-0.4992	2.9285	3.8883	0.0001
Voices	139	69.5341	17.3030	-0.8119	3.2960	4.2448	0.0000
Other	106	69.4787	17.5465	-0.5684	3.1483	2.8344	0.0023
Employee	66	72.1707	12.7180	-0.9023	4.2077	2.4236	0.0077
Senior Exec	17	73.1551	12.6099	0.0986	1.7720	0.3482	0.3639
Supplier	11	67.1528	12.0387	-0.2539	1.6651	0.2044	0.4190
Corporate Reputation Expert	22	73.9516	20.8092	-0.6233	2.2860	1.0305	0.1514
Banking Institution	13	68.7540	15.6616	0.3056	2.3490	-0.7424	0.7711
Investor	12	66.9338	25.8370	-0.9188	3.0832	1.5010	0.0667
Community Rep	95	69.7480	18.1048	-0.5971	3.0999	2.8360	0.0023
Consumer	61	66.6561	18.7871	-1.0491	3.5778	3.4936	0.0002
Potential Consumer	167	71.4758	19.0730	-0.3292	2.5298	3.5586	0.0002
Human Rights grp	22	70.6414	19.1687	-0.4092	1.9128	1.7467	0.0403
Labour Union	11	70.8877	22.9893	-0.6097	2.0888	0.8142	0.2078
Media House	8	63.0054	22.1488	-0.3255	1.9432	-0.7057	0.7598
Regulatory Authority	32	64.5016	20.2486	-0.6780	2.8780	1.7290	0.0419

The mean for the all stakeholders is 70.02, which is moderately high. The findings in Table 48 show that mean values lie in a relatively narrow range (maximum minus minimum) of approximately 10.95 with the lowest mean being 63.01 (media houses) and the highest mean being 73.95 (corporate reputation experts). This shows that on average all the stakeholder groups agree that Global Best Practice Principles are important in managing corporate reputation.

To further explore the extent to which stakeholder groups value Global Best Practice Principles as an effective reputation management tool, the first level examines differences between the decision-makers who are directly involved with the company (internal stakeholder group) and those who are indirectly involved with the company (external stakeholders); the second level examines the differences between management and the rest of the other categories (these are the financier, clientele, voices and the other category); the third level examines the differences between senior executives and each of the stakeholder groups, namely, corporate reputation experts, actual consumers and potential consumer stakeholder groups. The analysis starts with the comparison of the means followed by a t-test to confirm whether or not there are any differences between the two means. Similar to other analyses presented earlier, the Welch t-test is used in cases where the variances of the two groups are not equal but data for both groups were normally distributed. The Kruskal Wallis test, a non-parametric alternative, is used where the data for either group is not normally distributed. The examination produced five sets of analyses and the results from this examination are presented separately below:

Firstly, the results in Table 48 show that internal stakeholder group has the mean of the index (72.70) greater than that of the external stakeholder group (69.37). The data for both the internal and external stakeholder groups were not normally distributed as shown by the Shapiro Wilks test in Table 48. Hence the Kruskal Wallis test was conducted and the results from this test show that the mean of internal stakeholder group is insignificantly greater than that of the internal stakeholder group (χ^2 =1.554, p=0.2126).). This finding shows that there is consensus between these two groups about the importance of Global Best Practice Principle in managing corporate reputation;

Secondly, in order to investigate the similarities in the mean of the internal and external categories further, the second level of stakeholder category was analysed. The means for the five categories, namely the management, financier, clientele, voice and the other categories are 73.60, 67.88, 70.18, 69.53 and 69.48 respectively. Data for three of the categories (the Clientele, Voice and Other categories) were not normally distributed as shown in Table 48, hence the Kruskal Wallis test was used and the results show that the means for the five groups do not significantly differ (χ^2 =1.534, p =0.8206). This finding shows that there is a consensus between the five categories about the importance of Global Best Practice Principles in managing corporate reputation; and

Thirdly, the thirteen stakeholder groups were evaluated for differences in the importance they place on Global Best Practice Principles. The mean value for the index ranges from 63.01 (media houses) to 73.95 (corporate reputation experts). Five of the stakeholder groups failed to meet the normality assumption (as shown by the Shapiro Wilks test in Table 48), hence the Kruskal Wallis test was used and the results show that the means for the five groups do not significantly differ (χ^2 =7.692, p =0.809). This finding shows that there is a consensus between the thirteen stakeholder groups about the importance of Global Best in managing corporate reputation.

5.8 Methods stakeholders consider as effective or acceptable in managing corporate reputation

Following a general consensus amongst stakeholder groups that compliance with global best practice enhances corporate reputation, it is equally plausible to take a closer look at the possibility of other initiatives that could be considered as vital in managing corporate reputation by stakeholders. To fulfil this objective, this section examines stakeholder views on the effectiveness or acceptability of several initiatives that management used in managing corporate reputation. Similar to prior sections, a step by step approach is used to conduct the analysis. Each of the steps used for this analysis is discussed in detail in the sub-sections below.

5.9 The effectiveness of diamond industry initiatives in resolving reputational issues

This section examines the effectiveness of fifteen diamond industry initiatives in resolving reputational issues around the world. Those 15 initiatives are:

Initiative A: *The Kimberley Process Certification Scheme, the voluntarily system of warranties for guaranteeing the ethical supply of diamonds.*

Initiative B: *The Diamond Development Initiative to assist artisanal miners.*

Initiative C: *Beneficiation projects in the Producer Countries.*

Initiative D: *Social Investments in the diamond producing countries averaging at 1% of net profit after tax.*

Initiative E: *Implementation of the Diamond Trading Co - Diamond Best Practice Principles.*

Initiative F: *Win – Win partnerships with Producer Countries Governments.*

Initiative G: *Compliance with Rapaport Fair Trade Principles.*

Initiative H: *The Council for Responsible Jewellery Practice Code of Practice to drive business ethics in the diamond industry.*

Initiative I: *The Responsible Jewellery Council (RJC) has implemented its Certification System that will certify its members for responsible ethical, social and environmental practices in the diamond jewellery supply chain.*

Initiative J:*. Greater Transparency of diamond companies in terms of payments to governments, taxes paid, contracts and credibility with stakeholders through their sustainability reports.*

Initiative K: *Eradication of corruption initiative in most major diamond producing countries.*

Initiative L: *Eradication of Human Rights abuses initiative in most major diamond producing countries.*

Initiative M:*Adherence to world class safety standards.*

Initiative N*: Effective risk management systems.*

Initiative O: *Effective Community Engagement Programmes with regular engagements with community leaders and various authorities.*

Similar to other sections discussed earlier, the analysis is done based on an index. To start with, a factor analysis was computed in order to identify the variables that are appropriate in assessing stakeholders' views on the effectiveness or acceptability of the initiatives that were used by management in managing corporate reputation. Thereafter, the factor loadings generated through factor analysis were used as the weights that are required for constructing the index. The

results from this procedure are explained below.

Factor analysis

The factorability of the fifteen responses regarding the effectiveness or acceptability of the initiatives used by management in diamond mining was examined. A factorability of correlation criteria was used to identify the factors that are relevant and to identify sub-themes that drive the variation in the data. It was observed that all fifteen variables correlated at least 0.3 with at least one other variable, suggesting reasonable factorability (see for example, Table 49).

Table 49: Correlation matrix

	q13a_	q13b_	q13c_	q13d_	q13e_	q13f_	q13g_	q13h_	q13i_	q13j_	q13k_	q13l_	q13m_	q13n_	q13o_
q13a_	1														
q13b_	0.3614	1													
q13c_	0.3267	0.4433	1												
q13d_	0.3486	0.4604	0.4251	1											
q13e_	0.3517	0.3567	0.402	0.4952	1										
q13f_	0.3648	0.3963	0.3975	0.477	0.4934	1									
q13g_	0.31	0.3706	0.3538	0.3611	0.3494	0.3522	1								
q13h_	0.197	0.2923	0.3439	0.2678	0.3643	0.2741	0.5096	1							
q13i_	0.2322	0.3063	0.3711	0.2819	0.3602	0.3103	0.4756	0.6211	1						
q13j_	0.2801	0.3185	0.3235	0.3597	0.3404	0.3828	0.4069	0.3872	0.4502	1					
q13k_	0.2845	0.3755	0.4346	0.3745	0.3748	0.3133	0.4279	0.4471	0.5166	0.4865	1				
q13l_	0.3118	0.2956	0.4026	0.3432	0.3049	0.3348	0.3894	0.3748	0.3284	0.504	0.5953	1			
q13m_	0.3019	0.2738	0.3002	0.3519	0.3933	0.3202	0.3399	0.3448	0.3619	0.3852	0.4576	0.4838	1		
q13n_	0.3175	0.3507	0.3374	0.3398	0.3326	0.3257	0.3361	0.355	0.3553	0.4564	0.4358	0.5394	0.6171	1	
q13o_	0.2909	0.2708	0.395	0.3444	0.3325	0.3731	0.3437	0.292	0.3708	0.4296	0.4835	0.5208	0.5622	0.6584	1

After running an exploratory factor analysis, it became evident that only one of the eigenvalues was above one. It was also evident that there was a discontinuity at the fourth factor, see the scree plot in Figure 28. The discontinuity implied three sub-themes were present in the data. Factor 1 has a value of 3.865 and explains approximately 79.28% of the variance. Factors 2 and 3 have eigenvalues of 0.797 and 0.737, explaining 10.78% and 9.96% of the variance respectively. The Kaiser-Meyer-Olkin (KMO) which is a measure of sampling adequacy was generated and the results showed that it took a value of 0.916, which is well above the commonly recommended value of 0.6. In a similar vein, all the commonalities were above 0.3 except for initiative 13a which had a commonality value of 0.291 (see Figure 28). As the commonality is close to 0.3, the value will be kept in the analysis.

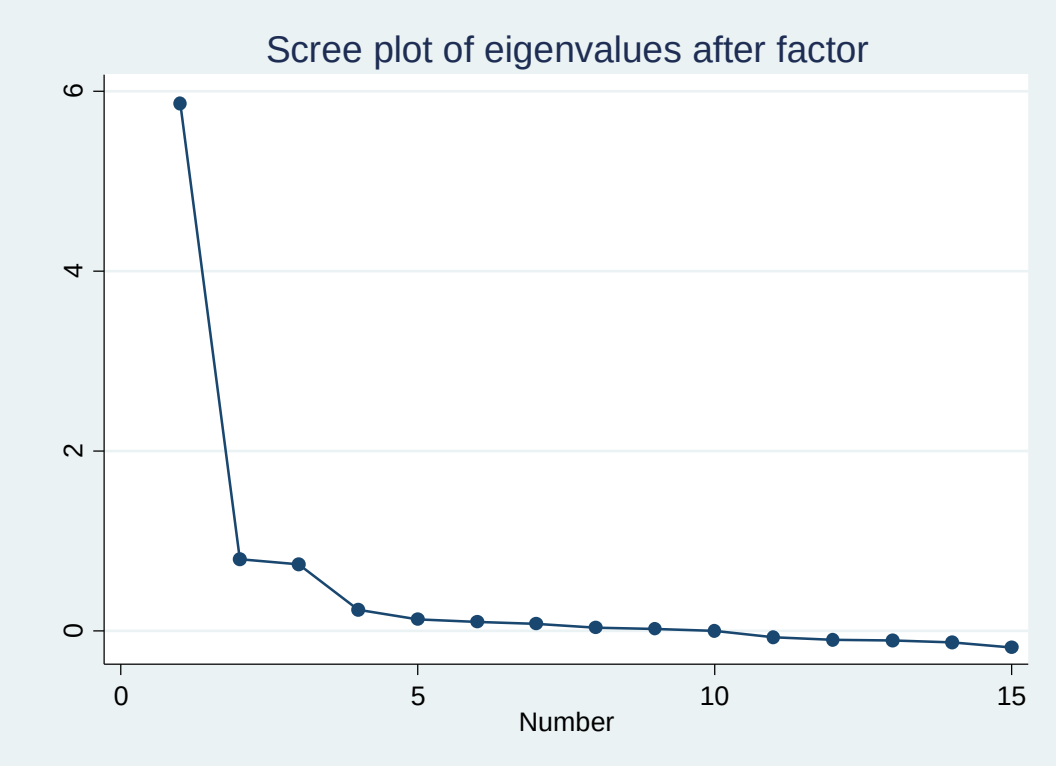


Figure 28: Scree plot of eigenvalues after factor analyses

The solutions were examined using the varimax rotation of the factor loadings. The results are shown in Table 50.

Table 50: Factor loading based on Exploratory factor analysis with promax rotation (N=556)

	Factor1	Factor2	Factor3	Communality
q13a_		0.4871		0.2912
q13b_		0.591		0.3951
q13c_		0.4738		0.3963
q13d_		0.7346		0.5166
q13e_		0.5914		0.4407
q13f_		0.6665		0.4598
q13g_			0.482	0.4352
q13h_			0.8185	0.6114
q13i_			0.7814	0.6132
q13j_	0.3335			0.4156
q13k_	0.3647		0.381	0.5205
q13l_	0.5954			0.5128
q13m_	0.6707			0.5137
q13n_	0.8384			0.6582
q13o_	0.7915			0.6147

It is observable in Table 50 that the initiative represented by 13k cross-loaded on Factor 1 and Factor 3. Since any cross-loadings should be dropped from the analysis, initiative 13k (*Eradication of corruption initiative in most major diamond producing countries)* was dropped from the analysis. However, there are no cross-loadings that can be observed for the remaining initiatives, hence, these initiatives were retained.

When initiative 13k was dropped, the remaining fourteen responses were analysed using exploratory factor analysis yielding results consistent with the initial analysis before dropping initiative 13k.

Table 51: Factor loading based on Exploratory factor analysis with promax rotation (N=557) after dropping 13k.

Variable	Factor1	Factor2	Factor3	Communality
q13a_	0.4958			0.2943
q13b_	0.603			0.3958
q13c_	0.4984			0.3954
q13d_	0.7406			0.5176
q13e_	0.5934			0.4418
q13f_	0.6646			0.4635
q13g_			0.47	0.4386
q13h_			0.8577	0.6733
q13i_			0.7281	0.5828
q13j_		0.3263		0.4067
q13l_		0.5653		0.4768
q13m_		0.6707		0.5186
q13n_		0.8622		0.698
q13o_		0.783		0.6162

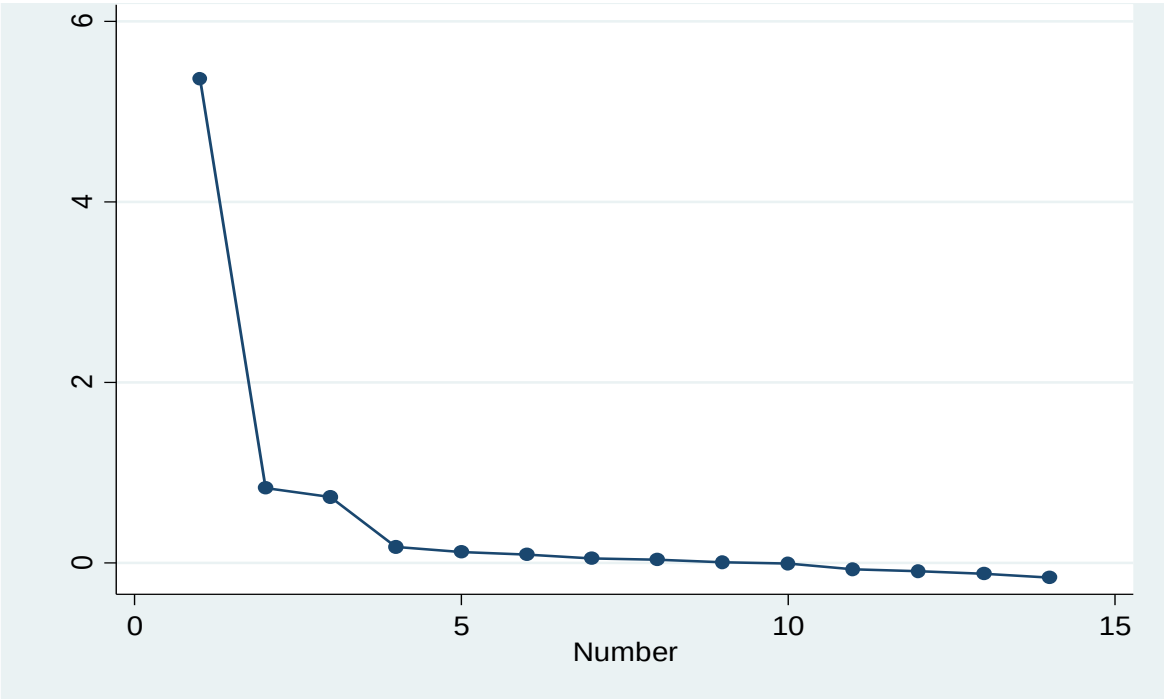


Figure 29: Scree plot of eigenvalues after factor analyses

The results from the factor analysis show that initiative 13a (*The Kimberley*

Process Certification Scheme, the voluntarily system of warranties for guaranteeing the ethical supply of diamonds) had a commonality value of 0.2912. This presents an issue of a border-line case (i.e. value close to the cut-off point --- 0.2912 relative to 0.3 in this case). In situations like these, the researcher had to use discretion whether to include or to exclude (Brown, 2001).In this case, this researcher chose to keep the data. Likewise, three sub-themes are identified.

Following the tests conducted above (see Table 51 and Figure 29), three indices were generated to examine the perceptions about the effectiveness of the diamond industry initiatives. The first index was based on the first sub-theme (q13a to q13f), the second index was based on the second sub-theme (q13j, q13l to q13i). The last index was based the third sub-theme (q13g, q13h and q13i). The indices were generated using the weighted average of the variables relating to each sub-theme of the effectiveness of the set of diamond mining initiatives. The factor loadings computed earlier using exploratory factor analysis were used as the weights in constructing the respective Indices. Each index was established to measure the extent to which stakeholders perceive the set of initiatives to be effective. Each Index ranges from 0 to 100, where 0 represents completely ineffective, while 100 represents very effective.

Table 52: Effectiveness of various reputation management initiatives (all stakeholder categories)

	N	Mean	SD	Skewness	Kurtosis	Shapiro Wilks z-stat	Shapiro Wilks p-value
All Stakeholders	548	62.2290	17.3358	0.1154	3.2545	6.6159	0.0000
Internal	108	68.4824	16.4579	-0.3372	3.0680	1.1417	0.1268
External	440	60.6940	17.2181	0.2320	3.5073	6.7223	0.0000
Management	39	65.2079	20.7005	-0.2996	2.4130	-0.0350	0.5140
Financier	25	62.5671	13.4930	0.2118	1.5742	1.9791	0.0239
Customer*	233	56.9119	16.4244	0.3975	4.7693	6.2906	0.0000
Voices	143	66.2915	16.6932	-0.2603	3.3100	2.3019	0.0107
Other	108	67.1669	16.6470	0.2398	2.0552	3.3508	0.0004
Employee	69	70.3332	13.3088	0.2113	2.1887	1.2639	0.1031
Senior Exec	17	58.6354	19.6364	-0.4852	2.2297	0.3329	0.3696
Supplier	11	59.6032	10.9158	0.6353	1.8415	1.8292	0.0337
Corporate Reputation Expert	22	70.2866	20.4849	-0.3025	2.2632	0.8443	0.1992
Banking Institution	13	62.2223	13.2159	0.0834	1.6167	0.2269	0.4102
Investor	12	62.9406	14.3664	0.3086	1.4926	1.5871	0.0562
Community Rep	97	68.0246	17.0049	0.1496	2.0044	2.7743	0.0028
Consumer	61	57.4113	18.4891	0.1246	4.0362	2.2850	0.0112
Potential Consumer	172	56.7348	15.6820	0.5360	5.1018	5.9537	0.0000
Human Rights grp	23	65.8331	17.2138	0.3270	2.2761	-0.7828	0.7831
Labour Union	11	61.5190	21.4873	-1.3290	4.4692	1.6777	0.0467
Media House	8	55.7958	15.5970	0.4727	2.0494	0.0563	0.4776
Regulatory Authority	32	62.1707	19.5757	0.0471	2.6165	1.5713	0.0581

The first index is composed of initiatives 13a to 13f. The index summary statistics and normality tests are shown in Table 52. The findings in Table 52 show that stakeholders at all levels have mean values ranging from 55.80 (media house) to 70.33 (Employee). The combined stakeholder group has a mean of 62.23. Though the index shows agreement with the notion that the initiatives were successful, the index scores are very close to 50, meaning that the level of agreement is relatively low. This indicates that while most stakeholder agreed that various reputation management initiatives were successful, their level of agreement is low.

To further explore the extent to which stakeholder groups perceive the effectiveness of diamond industry initiatives to resolve reputational issues, the analysis was divided into three levels; the first level examines differences between the internal stakeholder group and external stakeholder group. At the second level, an examination of the differences between management and the providers of financing was analysed. The third level examines the differences between senior executives and each of the three relevant stakeholder groups, namely, corporate reputation experts, banking and financial institutions and investor stakeholder groups. The analysis starts with the comparison of the means followed by a t-test to confirm whether or not there are any differences between the two means. The Welch t-test is used in cases where the variances of the two groups are not equal, but data for both groups were normally distributed. The Kruskal Wallis test is used where the data for either group were not normally distributed. The results from the various analyses for this section are presented separately below:

Firstly, the results in Table 52 show that internal stakeholders' index has a mean (68.48) greater than the external stakeholders (60.69). The data for the external stakeholder groups were not normally distributed as shown by the Shapiro Wilks test in Table 52. Hence, the Kruskal Wallis test was conducted and the results from this test show that the mean of the internal stakeholder group is significantly greater than the external stakeholder group ($\chi 2 = 22.759$, $p < 0.01$). This result shows that the internal stakeholder group perceive the initiative to be more effective than the external stakeholder group;

Table 53: Kruskal Wallis test for different stakeholder views on effectiveness of various interventions (initiatives 13a to 13f)

	χ^2 (Kruskal Wallis)	p-value
Financier	0.816	0.366
Clientele	8.439	p<0.01
Voices	0.019	0.889
Other	0.056	0.812

Secondly, the findings show that the management stakeholder group has an index mean (65.21) greater than the financiers (62.57) and clientele groups (56.91). The management category has an index mean smaller that the voices (66.29) and the other category (67.17) (see Table 53). In order to assess whether or not these differences are significant, further tests were conducted. Data from the four categories were not normally distributed, therefore the difference between the index mean will be analysed using the Kruskal Wallis test. The results of the tests are shown in Table 53. The finding shows that the index mean of the management category is significantly smaller than the index mean of the financiers. However, there is a consensus in the way that the management and the rest of the categories view the effectiveness of initiatives 13a to 13f (see for examples, clientele, voices and other);

Table 54: Tests of the differences of the variances and means between stakeholders on effectiveness of various interventions

	Testing the equality of variances		Testing the equality of the means			
	χ^2 (Bartlett's)	p-value	T	t (welch)	χ^2 (Kruskal Wallis)	p-value
Employee	4.447	0.035		-2.328		0.015
Supplier	3.564	0.059	0.149			0.441
Corporate Reputation Expert	0.031	0.859	1.793			0.041
Banking Institution	1.951	0.162	0.567			0.288
Investor	1.162	0.281	0.646			0.262
Community Rep					2.255	0.133
Consumer					0.333	0.564
Potential Consumer					1.140	0.286
Human Rights group	0.316	0.574	1.232			0.113
Labour Union		0.755	0.366			0.359
Media House	0.459	0.498	0.358			0.362
Regulatory Authority	0.000	0.989	0.601			0.275

And thirdly, the senior executive stakeholder group has an index mean that is smaller than most of the other stakeholder groups, namely the Employee (70.33), Supplier (59.60), Corporate Reputation Expert (70.29), Banking Institution (62.22), Investor (62.94), Community Rep (68.02), Human Rights grp (65.83), Labour Union (61.52) and Regulatory Authority (62.17) stakeholder groups (see Table 54). The senior executive stakeholder group has an index mean score (58.6354) that is greater than the index mean score of the Consumer (57.41), Potential Consumer (56.73) and the media house stakeholder group (55.7958) (See Table 54). In order to assess these differences, the relevant tests were conducted and these results are shown in Table 54. It is evident from these results that the senior executive stakeholder group has an index mean which is significantly smaller than the index mean of the Employee and the Corporate Reputation Experts. The senior executive stakeholder has an index mean that is not significantly different to other stakeholder groups, namely, suppliers, banking institution, investor, community representatives, consumer, potential consumer, human rights, Labour Unions, media houses and regulatory authority stakeholder groups. These results show that the differences observed between senior executives and individual stakeholder groups are significant with regard to individual internal stakeholder groups and insignificant with regard to individual external stakeholder groups. This shows that there is a consensus in the way senior executives and the individual stakeholder groups view the effectiveness of initiatives 13a to 13f (sub-themes represented by factor 1). Contrary to the consensus observed between senior executives and individual external stakeholder groups, there seems to be no consensus between senior executive stakeholder group and the individual internal stakeholder groups about the effectiveness of initiatives represented by sub-themes in factor 1.

Table 55: Summary statistics and normality tests for stakeholder views on effectiveness of various interventions

	N	Mean	SD	Skewness	Kurtosis	Shapiro Wilks z-stat	Shapiro Wilks p-value
All Stakeholders	546	64.3167	20.2551	0.0303	2.5566	6.2233	0.0000
Internal	108	72.3240	17.6283	-0.4150	2.4443	2.0499	0.0202
External	438	62.3423	20.3916	0.1634	2.7075	6.1396	0.0000
Management	39	73.7664	19.9620	-0.4943	2.0996	2.0415	0.0206
Financier	25	59.0194	17.5425	0.5668	2.7848	1.4806	0.0694
Clientele	231	60.1930	19.4932	0.2962	3.0932	5.1137	0.0000
Voices	143	67.3410	18.3832	-0.1752	2.7136	2.3613	0.0091
Other	108	66.9462	22.7781	-0.2064	2.3154	2.9250	0.0017
Employee	69	71.5087	16.2615	-0.4005	2.7506	0.4818	0.3150
Senior Exec	17	73.5328	19.7454	-0.9164	3.0437	1.1635	0.1223
Supplier	11	66.9143	22.2747	-0.4638	1.7329	0.8433	0.1995
Corporate Reputation Expert	22	73.9469	20.5895	-0.2146	1.4708	1.1669	0.1216
Banking Institution	13	56.8817	14.2804	0.1226	2.3040	0.6000	0.2743
Investor	12	61.3352	20.9216	0.5191	2.2588	0.1862	0.4262
Community Rep	97	66.9498	22.9480	-0.1828	2.3604	2.9354	0.0017
Consumer	60	59.7672	21.1333	-0.2753	2.8167	0.4582	0.3234
Potential Consumer	171	60.3425	18.9476	0.5740	3.1673	5.7547	0.0000
Human Rights grp	23	70.4987	21.7590	-0.1206	1.7134	0.0904	0.4640
Labour Union	11	62.9410	24.0573	-1.2042	3.9466	1.6966	0.0449
Media House	8	58.4109	16.0507	0.9245	2.6715	0.6175	0.2685
Regulatory Authority	32	59.8297	15.9789	0.9465	3.3854	1.7970	0.0362

The second index is composed of initiatives 13j, 13l; 13m, 13n and 13o. The index summary statistics and normality tests are shown in Table 55. The findings in Table 55 show that stakeholders, at all levels, have mean values ranging from 58.41 (media house) to 73.95 (corporate reputation experts). The combined stakeholder group has a mean of 64.32. This index shows relatively higher levels of agreement with the notion that the initiatives were effective.

To further explore the extent to which stakeholder groups perceive the effectiveness of the initiatives used by management in the diamond industry to resolve reputational issues, the analysis was divided into three levels. The first level examines differences between the internal stakeholder group and the external stakeholder group. At the second level, there is an examination of the differences between management and the providers of financing. The third level examines the differences between senior executives and each of the three relevant stakeholder groups, namely corporate reputation experts, banking and financial institutions and investors stakeholder groups. The analysis starts with the comparison of the means followed by a t-test to confirm whether there are any differences between the two means or not. The Welch t-test is used in cases where the variances of the two groups are not equal but data for both groups were normally distributed. The Kruskal Wallis test is used where the data for either group were not normally distributed. The examination produced various analyses which will be presented separately below:

Firstly the results in Table 55 show that internal stakeholders index has a mean (72.32) greater than the external stakeholders (62.34). The data for both the internal and the external stakeholder groups were not normally distributed as shown by the Shapiro Wilks test in Table 56. Hence the Kruskal Wallis test was conducted and the results from this test show that the mean of internal stakeholder group is significantly greater than the external stakeholder group ($\chi 2 = 23.169$, $p < 0.01$). This result shows that the internal stakeholder group perceived that the initiatives represented by 13j, 13l, 13m, 13n and 13o (factor 2 initiatives) were more effective in managing corporate reputation in contrast to the external stakeholders' view.

Table 56: Kruskal Wallis tests for different categories of stakeholders views on effectiveness of various interventions (Initiatives 13j, 13l, 13m, 13n and 13o)

	Testing the equality of the means	
	χ^2 (Kruskal Wallis)	p-value
Financier	8.009	0.005
Clientele	13.580	0.000
Voices	3.609	0.057
Other	2.103	0.147

Secondly, the findings show that the management stakeholder group has an index mean (73.77) greater than the all the other stakeholder groups, namely the financier (59.02), clientele (60.19), voices (67.34) and the other categories. The difference between the indices mean scores was further investigated using the relevant tests and the results of these tests are shown in Table 56. The findings show that the index mean of the management category is significantly greater than the index mean of the financier and clientele stakeholder group, but it is insignificantly greater than the means of the voices and the other category. The findings show that there is no consensus between management and the financier and clientele stakeholder groups separately whether or not the initiatives in factor 2 were effective in managing corporate reputation. Contrary to the absence of a consensus between management and the financier and clientele groups respectively, the findings further show that there is a consensus between management and the voices and the other category respectively that the initiatives represented by 13j, 13l, 13m, 13n and 13o (factor 2 initiatives) were effective in managing corporate reputation in the diamond industry.

Table 57: Tests for different variances and means on effectiveness of various interventions (Initiatives 13j, 13l, 13m, 13n and 13o)

	Testing the equal of variances		Testing the equality of the means		
	χ^2 (Bartlett's)	p-value	t	χ^2 (Kruskal Wallis)	p-value
Employee	1.032	0.310	0.440		0.330
Supplier	0.175	0.676	0.824		0.209
Corporate Reputation Expert	0.031	0.861	-0.063		0.475
Banking Institution	1.326	0.250	2.566		0.008
Investor	0.042	0.837	1.599		0.061
Community Rep				0.885	0.347
Consumer	0.111	0.739	2.404		0.009
Potential Consumer				6.593	0.010
Human Rights group	0.168	0.682	0.453		0.327
Labour Union				1.738	0.187
Media House	0.374	0.541	1.886		0.036
Regulatory Authority				5.872	0.015

Thirdly, the senior executive stakeholder group has an index mean (73.53) greater than most of the other stakeholder groups, namely the Employee (71.51), Supplier (66.91), Banking Institution (56.88), Investor (61.34), Community Rep (66.95), Consumer (59.77), Potential Consumer (60.34) Human Rights group (70.50), Labour Union (62.94), Media houses (58.41) and Regulatory Authority (73.95) stakeholder groups. The senior executive stakeholder group has a mean (73.53) smaller than the index mean of the corporate expert stakeholder group (73.95) (see Table 57).

In order to assess these differences further, relevant tests were conducted and the results from these tests are shown in Table 57. The findings in Table 57 show that the senior executive stakeholder group has an index mean which is significantly greater than the index mean of the banking institutions, consumer, potential consumer, media house and the regulatory authority stakeholder groups respectively. The index mean scores for the employee, senior executives, supplier, corporate reputation expert, investor, community rep, human rights group, and Labour Unions did not significantly differ from the index mean of the senior executive group. These findings show that there is no consensus between the senior executive stakeholder group and the banking institutions, consumer,

potential consumer, media house and the regulatory authority stakeholder groups that initiatives represented by 13j, 13l, 13m, 13n and 13o (factor 2 initiatives) were effective in managing corporate reputation in the diamond industry. Contrary to the above, the results further show that there is a consensus about the effectiveness of these initiatives between senior executives and the employee, supplier, corporate reputation expert, investor, community rep, human rights group, and Labour Union stakeholder groups respectively.

Table 58: Descriptive statistics based on stakeholder views on effectiveness of various interventions (Test for differences between variances and means for initiatives q13g, q13h and q13i)

	N	Mean	SD	Skewness	Kurtosis	Shapiro Wilks z-stat	Shapiro Wilks p-value
All Stakeholders	546	61.9369	19.9129	0.3773	2.7711	6.9357	0.0000
Internal	108	63.6362	22.6132	0.0915	2.5132	2.6137	0.0045
External	438	61.5179	19.1944	0.4640	2.8365	6.6153	0.0000
Management	39	61.2457	24.2820	0.0135	2.6916	0.5300	0.2981
Financier	25	64.2746	19.0063	0.3489	1.7546	2.1630	0.0153
Clientele	232	58.1267	18.1539	0.6038	3.8585	6.0461	0.0000
Voices	142	64.8792	20.6084	0.3929	2.2093	3.9405	0.0000
Other	108	65.9619	19.9336	0.0695	2.1605	0.9241	0.1777
Employee	69	64.9873	21.6798	0.1991	2.2446	1.7061	0.0440
Senior Exec	17	54.4126	17.1892	0.1881	2.6111	0.0107	0.4957
Supplier	11	68.4161	16.4035	0.5099	2.1421	0.5595	0.2879
Corporate Reputation Expert	22	66.5259	27.8351	-0.3756	2.5785	0.4766	0.3168
Banking Institution	13	63.2643	18.8601	0.0455	1.6375	1.2229	0.1107
Investor	12	65.3691	19.9401	0.6153	1.7013	1.1652	0.1220
Community Rep	97	65.6836	20.3489	0.0626	2.1166	0.7896	0.2149
Consumer	62	60.5438	18.2623	0.3372	2.5952	1.2564	0.1045
Potential Consumer	170	57.2451	18.0877	0.7083	4.4143	6.0533	0.0000
Human Rights grp	22	68.1363	21.2932	0.3142	1.5603	1.0339	0.1506
Labour Union	11	70.1680	20.9967	0.5240	1.7229	-0.3356	0.6314
Media House	8	53.5173	13.9988	-0.3356	2.8517	0.1163	0.4537
Regulatory Authority	32	63.4290	18.8191	0.8571	2.2867	1.7484	0.0402

The second index is composed of initiatives 13g, q13h and q13i. The index summary statistics and normality tests are show in Table 58. The findings in Table 58 show that all stakeholders at all levels have mean values ranging from 53.52 (media house) to 68.42 (Suppliers). The combined stakeholder group has a mean of 61.94. Though the index shows agreement with the notion that the initiatives were successful, the index scores are still very close to 50 meaning that the level of agreement is relatively low.

To further explore the extent to which stakeholder groups perceive the effectiveness of diamond industry initiatives to resolve reputational issues, the analysis was divided into three levels. The first level examines differences between the internal stakeholder group and the external stakeholder group. At the second level, an examination of the differences between management and the providers of financing is analysed. The third level examines the differences between senior executives and each of the three relevant stakeholder groups, namely, corporate reputation experts, banking and financial institutions and investors' stakeholder groups. The analysis starts with the comparison of the means followed by a t-test to confirm whether or not there are any differences between the two means. In addition, the Welch t-test is used in cases where the variances of the two groups are not equal, but data for both groups were normally distributed. The Kruskal Wallis test is used where the data for either group were not normally distributed. The results from the various analyses for this section are presented separately below:

Firstly, the results in Table 58 show that the internal stakeholders index has a mean score (63.64) greater than that of the external stakeholders (61.52). The data for both the external stakeholder groups were not normally distributed as shown by the Shapiro Wilks test in Table 59. Hence the Kruskal Wallis test was conducted and the results from this test show that the mean of internal stakeholder group is not significantly greater than the external stakeholder group ($\chi 2 = 0.982$, $p = 0.322$). This result shows that there is a consensus between the internal stakeholder group and the external category in their perceptions regarding the effectiveness of the initiatives used in the diamond mining industry.

Table 59: Tests for equality of variances and means between categories

	Testing the equality of variances		Testing the equality of the means		
	χ^2 (Bartlett's)	p-value	T	χ^2 (Kruskal Wallis)	p-value
Financier				0.214	0.643
Clientele				0.900	0.343
Voices				0.536	0.464
Other	2.293	0.130	1.193		0.117

Secondly, the findings show that the management stakeholder group has an index mean (61.25) greater than the clientele groups (58.13). The management category has an index mean smaller than the financiers (64.27), voices (64.88) and other category (65.96) (see Table 59). In order to assess whether or not these differences are significant, further tests were conducted. The difference between the indices means were analysed using the relevant tests, the results of the tests are shown in Table 59. The finding shows that the index mean of the management category does not significantly differ from the index means of other categories. Therefore, there is a consensus in the way that the management and the rest of the other individual categories view the effectiveness of the initiatives represented by 13g, 13h and 13i (factor 3).

Table 60: Tests for equality of variances and means between individual variables

	Testing the equality of variances		**Testing the equality of the means**		
	χ2 (Bartlett's)	p-value	t	χ2 (Kruskal Wallis)	p-value
Employee				3.184	0.074
Supplier	0.026	0.873	2.142		0.021
Corporate Reputation Expert	3.800	0.051	1.575		0.062
Banking Institution	0.115	0.735	1.340		0.095
Investor	0.281	0.596	1.583		0.063
Community Rep	0.705	0.401	2.151		0.017
Consumer	0.089	0.766	1.241		0.109
Potential Consumer				0.157	0.692
Human Rights group	0.789	0.374	2.166		0.018
Labour Union	0.485	0.486	2.172		0.020
Media House	0.367	0.544	0.128		0.450
Regulatory Authority				1.569	0.210

And, thirdly, the senior executive stakeholder group has an index mean (54.41) smaller than most of the other stakeholder groups, namely the Employee (64.99), Supplier (68.42), Corporate Reputation Expert (66.53), Banking Institution (63.26), Investor (65.37), Community Rep (65.68), Consumer (60.54), Potential Consumer (57.25), Human Rights group (68.14), Labour Union (70.17) and Regulatory Authority (63.43) stakeholder groups. The senior executive stakeholder has a mean greater than the media houses (53.52) (see Table 60). In order to assess these differences further, the relevant tests were conducted and the results for these tests are shown in Table 60. Based on the results in Table 60, it is evident that the senior executive stakeholder group has an index mean significantly smaller than the index mean of the supplier, human rights and Labour Union stakeholder groups. However, the senior executive stakeholder group has an index mean score that is insignificantly smaller that the remaining stakeholder groups listed above. Although the findings discussed above show that there is no consensus about the effectiveness of the initiatives used to manage corporate reputation between senior executives and the supplier, human rights and Labour Union stakeholder groups, there seems to be a consensus in the way senior executives and the rest of the stakeholder categories view the effectiveness of initiatives represented by 13g, 13h and 13i (factor 3).

These results have shown that there is general consensus on the existence of these initiatives, but there is low level of success experienced by most stakeholders.

5.10 Further analysis for the observed differences

Various industry-specific interventions or initiatives have been implemented to manage some of the corporate reputational issues in the diamond industry. Those 15 initiatives are:

Initiative A: *The Kimberley Process Certification Scheme, the voluntarily system of warranties for guaranteeing the ethical supply of diamonds.*

Initiative B: *The Diamond Development Initiative to assist artisanal miners.*

Initiative C: *Beneficiation projects in the Producer Countries.*

Initiative D: *Social Investments in the diamond producing countries averaging at 1% of net profit after tax.*

Initiative E: *Implementation of the Diamond Trading Co - Diamond Best Practice Principles.*

Initiative F: *Win – Win partnerships with Producer Countries Governments.*

Initiative G: *Compliance with Rapaport Fair Trade Principles.*

Initiative H: *The Council for Responsible Jewellery Practice Code of Practice to drive business ethics in the diamond industry.*

Initiative I: *The Responsible Jewellery Council (RJC) has implemented its Certification System that will certify its members for responsible ethical, social and environmental practices in the diamond jewellery supply chain.*

Initiative J: *Greater Transparency of diamond companies in terms of payments to governments, taxes paid, contracts and credibility with stakeholders through their sustainability reports.*

Initiative K: *Eradication of corruption initiative in most major diamond producing countries.*

Initiative L: *Eradication of Human Rights abuses initiative in most major diamond producing countries.*

Initiative M: *Adherence to world class safety standards.*

Initiative N: *Effective risk management systems.*

Initiative O: *Effective Community Engagement Programmes with regular engagements with community leaders and various authorities.*

These interventions or initiatives are perceived to have had various levels of effectiveness. However, it is important for stakeholders to have the knowledge or an awareness of these interventions or initiatives and how effective they were in managing corporate reputation. This section starts off by analysing the levels of stakeholders' awareness of the interventions or initiatives that the diamond industry implemented in managing key reputational issues based on q12 and then follows this up by analysing stakeholders' views on how effective these industry initiatives have been in resolving the reputational issues around the world, based on their response rates obtained from analysing Q13. Thereafter, regression analysis was conducted to analyse the relationship between perceptions of the effectiveness and awareness.

5.10.1 Examination of the levels of stakeholders' unawareness

Below is an analysis of the stakeholder response based on the "I know nothing at all" response choice (see Table 61 for these results) in q12.

Table 61: Stakeholders unawareness of reputation management Initiatives

	All stakeholders	Internal	External	Management	Financier	Clientele	Voices	Other
q12a_	32.01%	6.48%	38.20%	10.26%	24.00%	48.31%	27.63%	18.08%
q12m_	36.53%	7.41%	43.60%	5.13%	40.00%	57.63%	28.95%	18.08%
q12n_	37.07%	11.11%	43.37%	7.69%	28.00%	57.20%	30.26%	20.90%
q12o_	37.25%	14.81%	42.70%	10.26%	32.00%	54.66%	34.21%	22.03%
q12c_	37.97%	18.52%	42.70%	12.82%	32.00%	55.93%	31.58%	23.16%
q12f_	39.78%	15.74%	45.62%	10.26%	32.00%	60.59%	32.89%	22.60%
q12l_	40.14%	21.30%	44.72%	20.51%	44.00%	58.90%	26.32%	24.86%
q12e_	41.23%	12.04%	48.31%	7.69%	40.00%	61.02%	40.79%	22.60%
q12k_	41.23%	25.00%	45.17%	20.51%	44.00%	59.75%	28.95%	25.99%
q12b_	41.59%	22.22%	46.29%	12.82%	48.00%	58.90%	36.84%	25.99%
q12d_	41.95%	19.44%	47.42%	10.26%	40.00%	61.44%	35.53%	25.99%
q12j_	42.68%	18.52%	48.54%	10.26%	44.00%	61.86%	38.16%	25.99%
q12h_	44.30%	32.41%	47.19%	25.64%	40.00%	59.32%	36.84%	32.20%
q12g_	46.47%	38.89%	48.31%	30.77%	44.00%	61.44%	40.79%	32.77%
q12i_	46.65%	44.44%	47.19%	30.77%	48.00%	57.63%	38.16%	38.98%
Average	40.46%	20.56%	45.29%	15.04%	38.67%	58.31%	33.86%	25.35%

Looking at the combined stakeholder groups, it is evident from Table 61 that the proportion of stakeholders who are unaware of the effectiveness of the interventions or initiatives in place varies from one measure to the next. The proportions range from 32.01% (12a - *The Kimberley Process Certification Scheme, the voluntarily system of warranties for guaranteeing the ethical supply of diamonds*) to 46.65% (12i - *The Responsible Jewellery Council (RJC) has implemented its Certification System that will certify its members for responsible ethical, social and environmental practices in the diamond jewellery supply chain*) (see Table 61) representing a significant proportion of the stakeholders who are unaware of the effectiveness of the initiatives in place. A glance at the internal and external categories shows that the internal category has a greater level of ignorance of the effectiveness of the interventions in place than the external

stakeholder group. In a few cases, the levels of ignorance are comparable (12h, 12i and 12g), but in most of the cases the levels of ignorance between these two groups are more than double. The ignorance level for the internal stakeholder group fluctuates around 15% whilst the for the external stakeholder group, the ignorance levels fluctuate around 40%.

In order to explore further the differences in the levels of ignorance noted or observed above, an examination of potential differences for each measure was conducted at category level. Looking at the five categories listed in Table 61, the findings show that the highest level of ignorance is within the clientele category. The level of ignorance for this group fluctuates around an average of 58.31% followed by the financier group with ignorance levels fluctuating at an average of 38.67%. The voices category's ignorance levels fluctuate around the mean of 33.86%, the other category fluctuates around the mean score of 25.35. The management category has the lowest ignorance levels which fluctuate around the mean score of 15.04%. The higher levels of ignorance observed in this analysis should be a cause for concern especially if stakeholders' views about the effectiveness of the interventions are to be examined. These results indicate significantly low levels of awareness of these initiatives. The well know initiative is the Responsible Jewellery Council (RJC) has implemented its Certification System that will certify its members for responsible ethical, social and environmental practices in the diamond jewellery supply chain.

5.10.2 A comparison of stakeholder ignorance and their views on the effectiveness of interventions

In order to test whether or not stakeholders' ignorance about the interventions in place affected their views on the effectiveness of these initiatives in any way, an analysis of stakeholders' knowledge about the effectiveness of the initiatives implemented in the diamond industry in resolving the reputational issues was undertaken based on the "I don't know" response choice shown in question 13.

It is argued that if diamond industry management puts in place some interventions to manage corporate reputation in the industry without informing the stakeholders about what they are doing, does it actually change stakeholder perceptions about the effectiveness of these interventions? In examining this notion, the motive is to

check whether or not the level of awareness has had an impact on stakeholders' views on the effectiveness of the initiatives in place. The findings based on this analysis are presented in Table 62.

Table 62: Stakeholder's ignorance and views on effectiveness of various reputational management initiatives

	All stake-holders	Internal	External	Manage ment	Financier	Customer*	Voices	Other
q13a_	41.23%	10.08%	49.77%	12.82%	36.00%	57.20%	42.11%	26.55%
q13m_	41.59%	15.13%	48.85%	17.95%	48.00%	55.08%	42.11%	27.68%
q13n_	43.76%	19.33%	50.46%	20.51%	52.00%	56.78%	47.37%	28.81%
q13o_	44.30%	22.69%	50.23%	20.51%	44.00%	57.20%	46.05%	31.64%
q13l_	45.03%	31.93%	48.62%	28.21%	56.00%	55.08%	40.79%	35.59%
q13c_	46.11%	22.69%	52.53%	15.38%	56.00%	59.75%	46.05%	33.33%
q13k_	46.29%	36.13%	49.08%	28.21%	48.00%	55.08%	44.74%	38.98%
q13d_	47.74%	29.41%	52.76%	17.95%	48.00%	62.29%	40.79%	37.85%
q13e_	48.28%	26.89%	54.15%	30.77%	44.00%	59.75%	53.95%	35.03%
q13j_	48.28%	31.09%	53.00%	28.21%	52.00%	58.05%	51.32%	37.85%
q13f_	48.46%	23.53%	55.30%	23.08%	44.00%	62.29%	52.63%	34.46%
q13b_	51.54%	38.66%	55.07%	25.64%	52.00%	64.83%	46.05%	41.81%
q13i_	52.44%	48.74%	53.46%	51.28%	52.00%	57.63%	52.63%	45.76%
q13h_	53.35%	47.90%	54.84%	48.72%	48.00%	59.32%	53.95%	46.89%
q13g_	53.89%	48.74%	55.30%	43.59%	48.00%	62.29%	55.26%	45.20%
Average	47.49%	30.20%	52.23%	27.52%	48.53%	58.84%	47.72%	36.50%

The findings in Table 62 show that there is a direct relationship between proportion of stakeholders who selected the "I don't know" answer in Q13 (a measures the perception about effectiveness) and the proportion of the stakeholders who selected the "Nothing at all" answer in Q12 (a measure about level of awareness). Despite the observed direct relationship as explained above, it is also evident that the proportions of stakeholders at each level who selected the "I don't know" is higher than the proportion that selected the "Nothing at all" option. This implies that some stakeholders who had some knowledge of the initiatives were still unable to answer Q13. This shows that knowledge on its own was not enough to help stakeholders to make a meaningful decision about the effectiveness of the interventions in place in the diamond industry.

Based on the fact that the levels of ignorance or unawareness identified above are higher than the perceived effectiveness of the interventions introduced in the

diamond mining industry, it was necessary to perform further tests to confirm whether or not awareness had an effect on stakeholders' views on the effectiveness of the interventions in place.

5.10.3 Further analysis of results based on regression analysis

To perform the proposed tests above, in addition to the indices created in section *6.6.9* which examine the perceptions about the effectiveness of the diamond industry initiatives, additional indices were created in order to assess the general levels of awareness of the initiatives in question. The first awareness index is based on the first sub-theme (12a to 12f), the second awareness index is based on the second sub-theme (12j, 12l to 12i). The last awareness index is based the third sub-theme (12g, 12h and 12i). The indices were generated using the weighted average of the variables relating to each sub-theme of the effectiveness of the set of diamond mining initiatives. As explained in the methodology section, the factor loadings computed in section 6.6.9using exploratory factor analysis were used as the weights in the constructing the respective indices. This ensures that the awareness index is relevant to the effectiveness index. Each index was established to measure the level of awareness stakeholders have of the initiatives collectively. Each index ranges from 0 to 100, where 0 represents completely no knowledge of all the initiatives, while 100 represent a great deal of knowledge of all the initiatives.

After the establishment of the necessary indices for the required analysis, various tests were performed and the results from these tests are presented in the following sections:

Table 63: Levels of stakeholder awareness of reputational management initiatives (12a to 12f)

	N	Mean	SD
All Stakeholders	535	37.6131	31.6546
Internal	90	54.1781	27.3403
External	434	33.7381	31.3071
Management	38	56.8252	24.4728
Financier	25	32.3894	24.0582
Clientele	227	24.4788	29.6218
Voices	141	46.3990	29.5056
Other	104	48.6055	31.3950
Employee	69	55.4989	27.7396
Senior Exec	17	65.4557	19.6578
Supplier	11	54.9660	31.0261
Corporate Reputation Expert	21	49.8386	26.1589
Banking Institution	13	31.3126	22.0226
Investor	12	33.5560	27.0350
Community Rep	93	47.8532	31.5191
Consumer	58	32.9359	27.8939
Potential Consumer	169	21.5764	29.7191
Human Rights group	22	48.4430	30.7052
Labour Union	11	36.5254	28.4458
Media House	8	43.0500	24.9110
Regulatory Authority	31	29.0616	26.4802

The first index is composed of initiatives 12a to 12f. The summary statistics for this index are shown in Table 63. The findings in Table 63 show that the mean awareness level takes a wide range of values, with a minimum of 24.48 (customer), and a maximum of 65.46 (senior executives). The combined stakeholder group has a relatively low mean of 37.61. This shows that there are relatively low levels of awareness among the stakeholders. There are also wide variations within each stakeholder category/group as shown by the large standard deviation. This shows the varying levels of awareness across and within the stakeholder groups.

A closer look at the stakeholder categories reveals the following findings: The internal stakeholder group has a mean of 54.18 while the external stakeholder group has a lower level of awareness shown by a mean of 33.74. This shows that internal stakeholders have a relatively higher level of awareness compared to the external stakeholder group. This finding is based on the level of direct interaction with these initiatives, it is common that internal stakeholders will have a better awareness of these initiative because they have better access to intranet, internal communication material and some interact with these initiatives on daily basis; Looking at the five categories shown in Table 63, it is evident that only the management category has a mean above 50; The voices and the other categories have a fair level of awareness with means of 46.40 and 48.61 respectively; The financier and the clientele have relatively low levels of awareness with means of 32.3894 and 24.4788 respectively. It is evident that financiers and customers have the lowest level of awareness. It is clear that in order to increase their level of awareness, active communication should be effected at the same level of focus like it is done with internal stakeholders; At an individual stakeholder level, the findings show that the senior executives have the highest level of awareness with a mean value of 65.4557; The employee, supplier, corporate reputation experts, community representative, and the human rights stakeholder groups have moderate levels of knowledge with means of 55.4989, 65.4557, 54.966, 49.8386, 47.8532 and 48.443 respectively; and the rest of the stakeholders have relatively low levels of awareness with means below 38.

Table 64: Levels of stakeholder awareness of reputational management initiatives (12j, 12l to 12o)

	N	Mean	SD
All Stakeholders	547	38.3066	33.0331
Internal	91	59.3455	29.1250
External	445	33.7540	32.1702
Management	39	65.2934	29.2443
Financier	25	29.4145	21.6818
Clientele	232	23.3145	28.3863
Voices	144	48.4897	31.3696
Other	107	49.3500	32.8871
Employee	69	59.9190	28.2882
Senior Exec	17	75.3181	21.8447
Supplier	11	48.4313	30.5104
Corporate Reputation Expert	22	57.5470	32.2453
Banking Institution	13	30.8525	20.7755
Investor	12	27.8566	23.4463
Community Rep	96	49.4553	33.2971
Consumer	61	29.9672	25.3181
Potential Consumer	171	20.9413	29.1055
Human Rights group	23	44.7178	30.7003
Labour Union	12	44.3402	33.0266
Media House	8	36.6393	32.1268
Regulatory Authority	32	31.0750	28.9441

The second index is composed of initiatives 12j, 12l to 12o. The summary statistics for this index are shown in Table 64. The findings in Table 64 show that the mean awareness level takes a wide range of values ranging from 27.8566 (investor) to 75.3181 (senior executives). The combined stakeholder group has a relatively low mean of 38.3066. This shows that there are relatively low levels of awareness amongst the stakeholders. There are also wide variations within each stakeholder category/group as shown by the large standard deviation. This shows that the level of awareness varies across and within the stakeholder groups. This finding calls for a dedicated programme to educate investors about various programmes that are implemented by the industry to manage corporate reputation

in the industry.

Key observations, Firstly, if the diamond industry is to thrive in managing reputation, then stakeholder awareness is an important feature; Secondly, stakeholders must be well-informed about what is happening in the industry through various channels of engagement to ensure a proper feedback on the methods of intervention used and other issues facing the industry; Thirdly corporate strategy and direction can only yield meaningful results if there is a co-ordination of efforts between the corporation and its key stakeholders and that is only possible if there is common knowledge between the participants in the industry; and Fourthly, an alignment of goals between the corporation and its stakeholders is only possible if there is a shared view of what is going on in the industry.

5.11 Summary of Chapter 5

In summary, this chapter presented detailed analyses of various aspects of corporate reputation in the South African diamond industry as captured in the questionnaire. Each question was statistically examined to elicit the views of different stakeholders. While there was convergence in some cases, there were divergences in others, pointing to possible expectation gaps.

To probe the differences further, qualitative individual semi-structured interviews were carried out with selected representatives of the various stakeholder groups. This is the focus of the next chapter. The summary of the results for both quantitative and qualitative analysis is presented in Chapter 7.

CHAPTER 6
QUALITATIVE RESEARCH RESULTS

6.1 Introduction

In parallel with quantitative analyses presented in the previous chapter, individual in-depth, semi-structured interviews with 22 representatives of different stakeholder groups, including union representatives, community representatives, diamond company representatives, consumers of diamond products, non-governmental organisations, regulatory authorities and investors, were carried out to gain a "thick" description of the meaning of corporate reputation, key perceptions of the diamond industry, key challenges, effects of corporate reputation and corporate reputation management tools as the primary source for data collection. Interviews were held with stakeholder representatives from different stakeholder groups, i.e. corporate and public affairs senior executives (4), senior executives employed in the diamond industry (4), private investors (2), government regulators (2), union representatives (2), consumers of diamond jewellery (4) and community representatives (4). This chapter is divided into 8 sections aligned with the research questions.

Comments from the transcribed interviews are used to provide additional insight into the research questions. In order to obtain additional information, secondary data sources, mainly company reports, diamond industry reports and technical documents were consulted. These included *The Diamond Insight Report of 2014 and 2015; Global Scan De Beers Reputation Report of 2007 and 2015; Marikana Shootings Report in 2013; Benchmarks Foundation Report on Namaqualand 2009; De Beers Socio-Economic Assessment Report for Kimberley Mines 2014; De Beers Socio-Economic Assessment Report for Venetia Mines 2014; De Beers Socio-Economic Assessment Report for Namaqualand Mines 2014; De Beers Socio-Economic Assessment Report for Voorspoed Mines 2014*; and *Centre for Environmental Resources Report 2014.* In order to bring a detailed youth perspective, two-day focus group discussions were held with 41 participants from different diamond mining towns including Venetia, Kimberley and Voorspoed (see Appendix 10). Quotes taken directly from the transcript and other sources have

not been edited for grammatical errors.

Following the order of research questions, the definition of corporate reputation within the diamond industry is discussed first, followed by components of corporate reputation; key drivers of corporate reputation, reputational perceptions of the diamond industry; compliance with national and global best practice principles; key reputational risks and challenges; awareness of reputation management initiatives and their effectiveness; effects of corporate reputation on business success; key considerations for purchasing diamond jewellery and tools to measure corporate reputation. The chapter concludes with a discussion of some general comments by respondents.

6.2 Research Question One: Definition of corporate reputation

In order to come up with a definition of corporate reputation in the diamond industry, the stakeholder representative members were asked what, in their view, was the most acceptable definition of corporate reputation in the diamond industry. Four themes emerged from their responses.

The first one was a definition that is perception-related, where statements like "corporate reputation is all about how the company is *perceived by its constituencies*"; "*dynamic conclusions based on stakeholder background"* and "it is a summation of all *the beliefs and attitudes of stakeholders which could be accurate or inaccurate*".

The second theme was a doing-good related statement, like the "*moral proposition of a company"*; "*goodwill accorded to the company by its stakeholders"*. The third one involved image-related statements like "*manifestation of identity through actions and past encounters"*; corporate reputation is "*what people think of the company"*; corporate reputation is a "*brand promise*, it is about the *image that comes and goes with the brand";* and "a *view that the consumer has of the brand"*.

The fourth theme is stakeholder assessment-related statements like "*stakeholder assessment of the company actions and past experiences"*; and "*assessment of the company based on its ability to meet different stakeholder expectations, including employment and procurement opportunities and other pressing*

community needs and expectations".

The respondents had different interpretations of what corporate reputation means with some arguing that a company does not have one reputation but has many reputations. This reaches convergence with what reputation experts, such as Fombrun et al (2013), Gotsi and Wilson (2001), and Abiodun et al (2015) have claimed for other industries – that there is no single definition that captures all the elements in defining corporate reputation in general. This is because stakeholder representative members define reputation from their discipline, perceptual or experiential viewpoints, for instance, labour activists base their meaning on employee related matters while accountants base their definition on organisational performance based on empirical and/or on analysts' perspective. As such, it is clear that there is no single definition of corporate reputation and that different stakeholders define corporate reputation differently, depending of the interface and experience of the corporation or industry.

6.3 Key components of corporate reputation in the diamond industry

The existence of multiple stakeholders dictates that corporate reputation in the diamond industry is comprises multiple components. According to the respondents, these components include corporate brand, legitimation, transparency, trust, image, ethical management and leadership, safety leadership, and authenticity. Table 65 provides a summary of the associated statements and examples provided during the individual semi-structured in-depth interviews. The notable ones are the license to operate linked to legitimation and the highly regarded and partner of choice linked to ethical management and leadership. Statements like "good standing with communities", "willingness to engage with all stakeholders" and legacy issues are **some of the most dominant** statements in this section.

Table 65: Components of corporate reputation and associated items

Components	Associated Illustrative Quotes, items and Examples
Corporate Brand	"Company pays better than its peers". Recognisable brand. It has better employee benefits than its peers. It is a respectable corporate brand (e.g. De Beers' *Diamonds are forever*). Company contributes to economic growth of countries in which it operates.
Legitimation	Accepted by its stakeholders. "Has a licence to operate". Compliant to applicable norms and standards including regulatory requirements. Cares for its communities. Strives to partner with its key constituencies.
Ethical Management and Leadership	It is transparent in its dealings with its stakeholders. It is compliant with global best practices. Demonstrates honesty and passion for the future. Encourages diversity and care in the workplace. The company is successful. The company has clear vision and direction. It outperforms its peers. It is innovative and passionate. World class company. Provides consistent returns to its shareholders. Invests in exploration projects.
Image	It is seen as a leader in mining. Positive corporate image and culture. Good standing with its stakeholders. Highly regarded. Partner of choice. Cares for Africa.
Trust	It demonstrates high level integrity. It has an impeccable track record in terms of its commitment to global best practices. It is willing to engage with its stakeholders. Not secretive.
Transparency	Communicates extensively in good and in bad times. Open and transparent. Demonstrates honesty and respectability. Genuine respect for and commitment to human rights.
Safety Leadership	Clean safety record. Invests resources in its quest for zero harm to its

	people. Safe working conditions.
Authenticity	Truthfulness of origin, attributions and commitments. Degree to which an organisation is true to its personality, character and/or values. Has win-win partnerships with its stakeholders including governments and unions. Responsible as a corporate body. It cares for the environment. Invests in beneficiation of diamonds in the producer countries. Invests in community projects. Empowers its employees. Sensitive to indigenous people's culture and their needs. Cares for the artisanal miners. Supports the Kimberley Process.
Legacy issues	Historical association of the diamond industry with slavery in Africa, conflict diamonds, blood diamonds, bad environmental track record. Monopoly, greed, artificial inflation of value through the manipulation of supply of rough diamonds into the open market. Historical control of rough diamonds Profits from extraction of rough diamonds helps to fund local conflict.

(Source: Researcher's own construction based on the results of this research)

In this section, the following components are discussed in detail: corporate brand, legitimation, ethical management and leadership, corporate image, transparency, authenticity and trust.

6.3.1 Corporate Brand

The respondents identified corporate brand as the key component of corporate reputation in the diamond industry in South Africa. Corporate Brand in the context of corporate reputation in the diamond industry is regarded as an organisationally valuable asset, intrinsically linked to its internal factors such as company values, corporate strategy, culture and competitive positioning. One respondent (a corporate reputation practitioner) said, "It can be attributed to the experiences of those that interact with the firm. It is the verbal, visual and behavioural expression of an organisationally unique business model". Catch phrases and advertising by-lines can encapsulate this experience. For example, "Diamonds are Forever"

(Even-Zohar, 2007) and “Diamonds are a Girl’s Best Friend” (Prager, 2014). Stakeholders relate to the reputation of the diamond industry on the basis of “it deals with diamonds”, people like diamonds and its brand associations like good quality, beautiful products and credibility of the diamond brand. The respondents felt that the word “diamond” has a direct link to corporate reputation of the diamond industry because of the uniqueness of diamonds and their historical association which could be good or bad depending on each stakeholder’s experience and association. This highlights the importance of corporate brand as component associated with industry reputation which is heavily determined by stakeholder experience of the brand.

6.3.2 Corporate Image

The respondents identified corporate image as the key component of corporate reputation. Most of the respondents defined corporate image as the sum total of the company’s public impressions, brand perceptions, beliefs and expectations of an organisation built up in the minds of its stakeholders, both internally and externally. According to some respondents (communities and executives),

> corporate image mainly focuses on the external world view of the company, represented mainly by community representatives, regulators, customers, media and the general public.

Another respondent (executive) emphasised that corporate image is becoming a major component internally. Employees are heavily influenced by the external environment, thereby forming their internal impressions and expectations which result in defining their views and beliefs about the company. Corporate image is one of the components of corporate reputation in the diamond industry.

6.3.3 Transparency

Respondents identified transparency as one of the components of corporate reputation. Respondents noted a need for transparency in the diamond industry by the regulators, media, local communities, investors and general public as a fundamental priority more than ever before. This need is fuelled by the following statements that were given by different respondents during the interview sessions according to different stakeholder groupings:

- Media

  The industry is a closed industry. It is impossible to find information especially from the smaller producers and it is even worse in the downstream side of the pipeline with cutters, polishers and retailers.

- Communities

  The diamond industry does not share its corporate responsibility plans in our community.

  We know there are diamonds in our community but we cannot access information. Even our local government cannot provide us with key statistical information on social benefits associated with the diamond industry.

- Governments and regulators

  Transparency concerns of the diamond industry are fuelled by concerns over labour practices and perceptions of monopoly and artificial price inflation, followed by concerns of involvement with conflict diamonds.

- Consumers

  In the past, the only thing I use to hear about the diamond industry is that it is a huge monopoly.

  De Beers own all the mines in Africa and they set prices, fixing the market with inflated prices for diamonds.

  I think they pretty much control diamond mining in Africa and thus can do whatever they wish.

  They are a monopoly in the diamond industry. They control production and worldwide distribution of diamonds.

  I understand that they are very forceful in causing possible competitors to join them or suffer the consequences.

- Investors and Bankers

  It is difficult to understand the financial position of the diamond industry especially in the midstream and in the downstream of the industry because it is dominated by family

The examples above indicate the importance of transparency as an important component in the formulation and maintenance of corporate reputation in the diamond industry.

6.3.4 Authenticity

Respondents identified authenticity as one of the components of corporate reputation in the diamond industry. Among the respondents, there was a feeling that the industry is not authentic in its operations, including in the trading of diamonds. A few respondents pointed out that openness and honesty are fundamental considerations for any authentic organisation therefore authenticity is a key component in the industry. This component is very similar to transparency considerations as one respondent (executive) noted.

6.3.5 Trust

Respondents identified trust as a major component of corporate reputation. Respondents defined trust as the willingness to accept vulnerability based upon positive expectations about another's behaviour. In other words, if someone trusts another, that individual is accepting that, while it is possible they could act to disadvantage them, they are not likely to do so. Trust widely refers both to interpersonal and group interactions. According to some respondents, organisational or industry-wide opinion formers are the trustees in the organisational context, but the trust they extend may relate to a larger entity, such as management or the organisation as a whole. For organisations, trust is necessary for legitimacy, connectedness, co-operation and communication, and it is the foundation for productive relationships.

According to one of the respondents (investor), trust is about the perception of a company's honesty, reliability and benevolence in the eyes of its constituencies. One respondent (corporate reputation practitioner) commented that corporate reputation is formed on the back of trust by the organisational constituencies. Most respondents noted that trust in the diamond industry is determined by the stakeholders' perceptions relating to the companies' historical and current actions. Issues like the exploitation of workers, human rights issues, harm to the environment, neglect of community developmental obligations, negative publicity, stewardship of diamonds, conflict diamonds in Zimbabwe (The Marange Diamonds in Zimbabwe) and others play a significant role in defining the levels of trust. The trust-related attributes make up a major component of how stakeholders relate to the diamond industry.

6.3.6 Ethical Management and Leadership

Respondents claimed that an organisation's reputation is not only affected by external factors or just by its senior management, but by the actions of business partners, business units, various departments and employees who come into contact with stakeholders. One respondent (consumer) noted,

> Compliance with basic governance is not negotiable; it must form part of the day-to-day running of the diamond business. We come from a terrible past where diamonds will just disappear. I am informed that the diamond industry lost more than 1 million carats every year because of security breaches.

Another respondent (labour representative) was quoted, saying, "If management is not careful, diamonds can easily develop legs and walk out of the mine gate". Most respondents concurred that ethical management is a key requirement and is fuelled by increasing scrutiny and activism by stakeholders as well as ethical investing. Accountability placed on CEOs in the diamond industry in terms of ethical profitability, corporate citizenship, "community and environmental accountability is critical, and severe", as one respondent (executive) commented. "Doing the right things the first time around" and ethical leadership make up a significant element of corporate reputation.

6.3.7 Corporate Legitimation

Corporate legitimation has also been identified as a key component of corporate reputation in the diamond industry by all the respondents. One respondent (corporate reputation practitioner) defined corporate legitimation as a form of justification and the cognitive validation of the organisation as acceptable, lovable, desirable, proper, moral and appropriate in a widely shared system of beliefs. Some respondents (communities, labour representative, union and bankers) defined it as "a legible partner of choice who is trusted and tested". Accordingly, these definitions involve acceptance and approval of an organisation by its constituents.

Respondents felt that the meaning of corporate legitimation in the diamond industry is a major issue for debate in most producer countries, but especially in South Africa and Zimbabwe. There is a wide mistrust between big diamond

companies and local communities and, to some extent, even government officials. This issue is not just a diamond mining issue but more of a mining industry issue, hence the growing debate about resource nationalisation in South Africa. There is a belief that most diamond mining companies are not legitimately mining the diamond resources in terms of equitable benefits for the producer governments and their citizens.

To sum up, individual semi-structured in-depth interviews have revealed additional or new sets of components that did not feature in the literature review. Those diamond industry-specific components are transparency, trust, ethical management and leadership, safety leadership, authenticity and legacy issues. This section further revealed that components of corporate reputation in the diamond industry should encapsulate, capture and serve as a basis to express company culture, company activities, company status and its embedded corporate philosophy or paradigm. Reputation should articulate attributes that inform the way the reputation(s) of a company can be formed, compromised and even destroyed in terms of what the organisation stands for – its beliefs, dealings and how it goes about its business. In the diamond industry, components of corporate reputation define the key characteristics of the industry i.e. rarity of diamonds, emotional connections, high quality craftsmanship, enduring nature of diamonds, the good associated with the product and the "foreverness" nature of the product. It also includes the history and past malpractices involved in the development of the industry.

6.4 Key drivers of corporate reputation in the diamond industry

The respondents observed that just as its building blocks vary, what drives corporate reputation also varies depending on different stakeholder perceptions and objectives. There is consensus among the respondents that different people will have different views on what is regarded as important and what is not. For example, the perspective of investors on what drives reputation will be informed by their return on investment, market sentiments and investment climate which is primarily driven by financial performance and stability while communities will be mainly focused on the good the company does in their communities, including social development projects and the provision of employment opportunities. The

following key drivers of corporate reputation in the diamond industry were identified: product and services; community care; conflict diamonds; public perceptions; stakeholder relations; governance; financial performance; environmental protection; equitable share of profits with diamond producing nations; human rights and compliance with global best practice; beneficiation of diamonds inside the producer countries in order to capture jobs; and credibility of leadership.

6.4.1 Equitable Share of Profits with Producing Nations

An equitable share of profits was raised, mainly by the regulators, union representatives and local community respondents. The following statements were used to demonstrate the impetus for equitable sharing of profits with producer nations as a key driver of corporate reputation in the diamond industry:

> Fair distribution of profits with producing nations is the main reason there is mistrust between mining companies and producer governments. There is wide belief that diamond mining companies are all about themselves and their masters in London.

Another respondent (community) noted that mining companies do not want to share equitably with governments, because “they always look hard for loopholes in order to dodge paying taxes and royalties”. Most respondents cited the De Beers/Botswana business model as an example of fair and equitable sharing of profits between private business and host nations. The “Debswana” model is rated highly as a model that achieves greater equity for the producer nation. One respondent (corporate reputation practitioner) noted that, on every R1.00 profit, only R0.18c leaves Botswana while the rest benefits the nation in terms of employment, infrastructure development and funding of various government services for the people of Botswana.

6.4.2 Stakeholder Relations

Most respondents identified stakeholder relations as a driver of corporate reputation. One panellist explained: “If you have enemies everywhere, your reputation will definitely be in shambles”. One panellist stated that “quality relations with governments, NGOs, media, communities and labour unions are

critical in defining and driving your reputation". Another respondent claimed that "pro-active engagement with all stakeholders is fundamental in ensuring that you are in the good books with your stakeholders in order to manage your reputation and address perceptions".

6.4.3 Conflict Diamonds

Most respondents identified conflict and blood diamonds as a key driver of corporate reputation in the diamond industry. Conflict diamonds are seen as a driver and also as a key challenge in the industry. Respondents cited the exploitation of people in the mining of diamonds in Zimbabwe, Sierra Leone, DRC and Central African Republic as an example of the reasons that this issue is being discussed widely. One respondent noted the use of diamonds as a currency of war in these countries. Another respondent stated: "Are you buying a product that has been used to maim, harm, or exploit people?"

6.4.4 Community Care

Respondents identified community care as a major driver of corporate reputation in the diamond industry. One respondent cited "Engagement with local communities on issues affecting their livelihood systems is central in managing cordial relationships with local communities". Another respondent claimed that a "demonstrable contribution to the society and community where the mines are located goes a long way in securing the company's licence to operate". Some respondents commented on the fact that

> the ANCYL is extremely concerned about the high levels of poverty, inequality, racism and unemployment in most mining towns of South Africa and, as a result, the ANCYL is calling for nationalisation of mines as a means to force more equitable sharing of wealth with rural communities in order to eliminate the so-called evil triplets of poverty, inequality and unemployment.

According to the youth group workshop, most young people believe that the South African Mining Charter has led to poorer communities than ever before. The youth group agrees with the ANCYL belief that South Africa's economic freedom has declined in the last ten years. Another respondent pointed out that South Africa has slipped from 42nd to 87th on the economic freedom index according to the

Economic Freedom of the World Annual Report of 2011. Most respondents together with the *Namaqualand SEAT report (2014)* concurred that there is a widespread outcry of the "terrible state" of communities where diamond mines are located i.e. no roads, water, electricity, proper housing with high unemployment and poverty.

6.4.5 Human Rights and Compliance with Global Best Practice

Many respondents cited human rights and general compliance with world best practices as key drivers of corporate reputation. One respondent stated that the general adherence to International Labour Organisation (ILO) principles with special focus on the eradication of child labour is key in the diamond industry. Artisanal miners' involvement in central Africa paints a bleak picture of the modern diamond industry. Consumers, who have seen pictures of an artisanal operation, formulate a negative picture of the whole diamond industry. This is because, in these environments, the operations employ young children and do not provide protective clothing. One respondent noted that this sector is not regulated and is associated with illegal mining activities, especially in Kimberley, in Coleville and, to some extent, in Namaqualand and in Bantokoe where more than 10 illegal miners were found dead in 2012 (Creamer, 2009; Chamber of Mines, 2016).

6.4.6 Products and Services

Respondents identified products and services as a key driver for corporate reputation. One respondent stated, "quality of products and services is a number one point of reference especially by the consumers". Another respondent affirmed that "product quality, believe it or not, is quite an important part of corporate reputation. People assume something about your company from the way in which you make your product". From a brand reputational perspective, another respondent noted, "product that you produce and the quality associated with it is a number one consideration. The key elements of the brand they'll say – the critical driver – is your end product".

Another respondent stated that a good example of how products and services drive corporate reputation can be a new product brand that was launched by De Beers in South Africa in March 2012, *Forevermark Diamonds*, which has a

relatively low awareness in the consumer market but draws most of its market traction from the De Beers brand.

6.4.7 Brand Profile

Brand profile was identified by respondents as a key driver for corporate reputation. For example, one respondent stated that “the more well-known the product, the more people assume that the Corporate Social Responsibility (CSR) activity or the way in which you make the product is also better”. Another stated that

> the product is number one driver and the number two driver is the way in which you make it and then probably third is your overall awareness level. The more well-known you are the more you are assumed to have these issues under control.

Another argued that

> you’ve got to be in the top tiers of quality, so people must believe they’re buying a quality product, whether its diamonds or cars. It’s got to be seen as a company that has high ethics and morals that looks after the environment, that looks after people’s safety and makes sure people aren’t injured or killed in the production of their product.

6.4.8 Financial Performance

Delivering solid financial performance was identified as another key driver of corporate reputation. Most respondents regarded this as the “Delivery of consistent returns to its shareholders including financial institutions”. Another stated that

> any business is in business to make money, let’s not get away from that fact. You have got to be financially sound because you can’t actually do things responsibly without affecting the environment or the local communities. You can’t actually uplift the community if you are not making a profit. In the first place – business is in business, to make a profit”.

Another stated that

> Employees want to be hopeful about the future, prefer to be associated with a winning company, a growing company and a company that makes real money in order to sustain a positive reputation.

6.4.9 Leadership credibility

Respondents stated that leadership credibility accounts for more than 40% of the overall company reputation. They identified leadership credibility as a key driver of corporate reputation in South Africa. One respondent referred to it as the "quality of leadership teams". It is argued that the quality of leadership has a huge reputational impact on an organisation. Another respondent emphasised that leadership should lead from the top by being

> a responsible corporate citizen, making sure you look after the environment, making sure you look after people's safety, making sure you make a contribution to society and the general community through your business and personal conduct.

A youth member described the role of leadership in driving corporate reputation:

> If some crook owns De Beers, I don't think a lot of people would want to be associated with diamonds. Not even a crook. Take De Beers right now, if you were to say tomorrow that Robert Mugabe is the chairman of De Beers – I think quite a lot of people would think twice about whether they want to buy diamonds or not because they look at the leadership and think do they want to be associated with that? If their answer is no, they will take their money somewhere else and go buy something else with their money.

6.4.10 Environmental Care

Environmental care was also identified as a key driver of reputation. It has been a major part of reputation in the oil and gas industry for many years. Exxon Mobil is an example of what could affect the reputational capital of an organisation. One respondent stated that, at the moment in the diamond industry, the environmental impact issues do not bother the consumers, but it is predicted that they will become more critical in the future and start asking questions about this topic. Another respondent affirms the current consumer view by saying

> I think the environmental concerns are not so much from the consumer side, it's more from the government side and the NGO's side. The consumers are not too worried about a big hole in the ground, but the government is.

6.4.11 Corporate Governance

Governance issues in the diamond pipeline were also identified as key drivers of corporate reputation. According to one respondent,

> [the] diamond [industry] is known as a fairly secretive industry and it hasn't always had a very good reputation. I think up until about ten, twelve years ago, nobody worried about its reputation but the blood diamond and other campaigns really woke the industry up, heightened the interest.

6.4.12 Public Perceptions

"Public perceptions, it does not matter whether it is factual or not, could have an impact on a company's reputation". Respondents identified public perceptions as a key driver of reputation in the diamond industry. One respondent noted,

> Reputation can be heavily tarnished by negative newspaper articles. It's definitely about image. That image can be impacted by negative articles, for instance, if you are pumping oil in Nigeria … and you are polluting the river, you are not going to get away with it.

Another stated that

> the public opinion … about the industry remains a key driver of corporate reputation in the diamond industry.

According to a respondent:

> The diamond industry is always associated with the Apartheid Regime in South Africa, known to be a very controversial, fairly secretive industry and it hasn't always had a very good reputation. It has always been associated with cartel industry, monopoly industry and a belief that it is operated by a few mafias, which is an issue for the industry especially for De Beers.

There are those within and outside the diamond mining sector who believe that the Mining Charter has failed to correct the ownership imbalances of the past despite the conclusion of many transactions for exactly this purpose. There is also a feeling that diamond mining companies can do more to ensure that the socio-

economic difficulties and inequalities afflicting many South Africans are successfully mitigated.

6.4.13 Beneficiation

Beneficiation of diamonds in the producer countries was also identified as a key driver of corporate reputation in the diamond industry in South Africa, especially in the eyes of South African government. One respondent noted the need for "Diamond beneficiation to maximise the local benefits of mining in terms of job creation and economic emancipation of the local communities and local fiscus".

In summary, this section has identified various drivers of corporate reputation that did not feature in the literature review. It also noted that there is a clear link between components and drivers of corporate reputation.

6.5 Research Question Two: Key Perceptions of the Diamond Industry

When asked about their perceptions of the diamond industry, the respondents provided views on three interrelated aspects: perceptions of the diamond industry, perceptions of De Beers as a major player in the industry and perceptions related to the diamond industry's association with development in host communities.

6.5.1 Industry Perceptions

Respondents made it clear that the colonial past in South Africa and the association of the mining industry as the epitome of apartheid system in many ways including racial discrimination in terms of pay, housing and treatment of workers in the workplace, still haunts the diamond industry. A respondent was recorded as saying that

> the diamond industry has, over many years, been associated with perceptions of exploitation of local citizens, disregard for ethics, monopoly capital, secrecy, and conflicts such that it has always been associated at different times, with controversy in one form or the other.

One respondent recalled that, after the excesses of the late 1860s to the 1900s, as discussed in Chapter 3, in the last 15 years or so, the issue of blood diamonds heightened the necessity of reputation management in the industry. "There is a widespread belief that the diamond industry is a cartel industry, operated by a few

conglomerates who behave like a mafia". This perception runs across the value chain of the industry which is dominated by a few big conglomerates. However, in Botswana, the diamond industry is highly regarded for the government-De Beers partnership, coupled with astute stewardship of the company and its role in transforming the country's economy in partnership with the Botswana government.

Some of the members of the youth group, together with Kimberley SEAT report (2014), highlighted issues relating to the environmental impact of diamond mining, particularly the big holes left in places such as Kimberley. However, such scars on the landscape, if properly managed, are now heritage sites which can contribute to local economic development. There is also a perception that some of the most powerful players in the diamond industry stockpile and control the price of rough diamonds, thereby artificially inflating the prices.

6.5.2 Perceptions about De Beers

Collectively, the respondents made it clear that De Beers' name is synonymous with diamonds and therefore De Beers' reputation accounts for a major part of the diamond industry reputation. According to the youth representative, the unions and some community based NGOs, there is a wide belief that De Beers controls 99% of South African rough diamond production and distribution. It is believed that 100% of these diamonds are exported overseas without any local beneficiation to support the ailing cutting and polishing industry (State Diamond Trader, 2016) thereby reducing the opportunity for downstream employment opportunities. There is also an unsubstantiated perception that De Beers is actively exploring and mining rough diamonds in conflict zones such as in Zimbabwe with Marange Diamonds and in Sierra Leone.

According to some respondents, there is a perception that some members of the diamond industry control the price of diamonds. One of the panellists used several disputes that De Beers and Transhex has had with the South African Precious Metals and Diamonds Regulator (SAPMDR, 2015) as well as the State Diamond Trader (SDT, 2015) over the fair market price of rough diamonds in 2008, 2012 and 2015.

There is also a perception that De Beers and Alrosa, the world's two biggest

diamond producers, maintain a significant stockpile of diamonds to ensure the price stays high as their strategy is to artificially inflate the rough diamond prices. This view is mainly held by various opinion formers within the diamond industry.

Some respondents, especially investors and employee representatives including some community representatives, felt that De Beers has been in the forefront of transforming the industry over the last decade. One respondent was cited as saying that De Beers was the first mining company in South Africa to publicly announce its support for beneficiation in 2006 by its former CEO Gareth Penny, to partner with the South African government to start the State Diamond Trader in 2007, to pioneer HIV treatment in 2001 and to implement Black Economic Empowerment legislation in 2006 by establishing Ponohalo as their 26% Broad-Based Black Economic Empowerment partner, ahead of the rest of the diamond industry and many other mining companies.

6.5.3 Diamonds and Community Development

Respondents concurred that the diamond industry does not have a positive reputation among the communities living in and around the mines. Community representatives felt that the industry has historically taken the communities for granted, did not engage appropriately, did not invest in community development, and has created serious environmental challenges. One respondent argued that the emergence of NGOs such as the “Host Communities Association of South Africa” and Benchmarks Foundation shows that host communities are now demanding more benefits through partnerships, skills transfer and poverty alleviation that positively influence corporate social investment and local economic development and foster a healthy economic co-existence. This perception of lack of development in host communities is further exacerbated by the ongoing debate in most mining countries regarding resource nationalisation (Economic Freedom Fighters, 2014) calling for active participation of producing countries in their mineral wealth.

Respondents also confirmed that community development facilitators in the diamond mining industry do not agree with this perception and have evidence demonstrating that diamond companies spend more than 1% of net profit after tax on an annual basis on community developmental initiatives. In most diamond

producing nations, this annual spend is enforced through local legislation or mining law. For example, in South Africa, all mining companies need to comply with the conditions stated on the Social and Labour Plans (SLPs) which are part of the Mining Charter and the Diamond Act.

The youth group believes that the regulators in the diamond industry believe that there are those within and outside the diamond mining sector who believe that the Mining Development Legislation adopted by many diamond producing nations has failed to address the socio-economic challenges faced by the communities neighbouring the diamond mines. In South Africa, there is a widespread belief by the South African government that the South African diamond industry has failed to correct the ownership imbalances of the past, despite the conclusion of many transactions devised for this purpose. According to some respondents, “If real transformation had taken place there would not be a call for the nationalisation of mines.”

Respondents are widely divided on the perception that large scale, industrial mining of diamonds has not generally benefitted the local communities where mines are located and that there is limited evidence that those local citizens of a producer nation have benefitted. Some of the respondents argued that the debate in the producer countries like South Africa, Angola and Zimbabwe regarding nationalisation of mines is a reflection of the frustrations that communities are experiencing in terms of equitable distribution of mining wealth to citizens. One of the respondents quoted Mr Cyril Ramaphosa, a successful businessman, former unionist General Secretary and Deputy President of South Africa, in his statement following the debate on mine nationalisation in 2013, where he candidly stated that

> today we are confronted by political ferment on an issue such as nationalisation of mines. We need to sit back and say: Where does this thing come from? It comes from a measure of deep frustration by young people, who are unemployed, of which … many of them have never worked. They see these big corporations raking in a lot of money, and they also see that these corporations have not transformed in the way that was agreed on in the Social and Labour Plans as well as in the Mining Charter.

He further stated, however, that in countries such as Botswana, diamond wealth is credited with transforming the economy of the country from one of the poorest to one of the richest, suggesting that a lot must be learnt from this 50/50 partnership model between De Beers and the Botswana government.

In summary, various respondents cited a number of statements associated with the diamond industry as their opinions on general perceptions by the public. These are some of the perceptions shown aligned with the following themes in Table 66:

Table 66: Public Perceptions of the Diamond Industry

Themes	**Examples**
Manipulative and anti-competitive Business Control	• There is a perception that the industry is secretive and is controlled by a few (Tshivase & Kleyn, 2016). • Monopoly industry. Diamond industry is world class.
Illicit Trading	South African blood diamonds are a problem; not knowing who is selling them and how they can get to the marketplace is a mystery to the non-jeweller. • Artificial price fixing.
Human Rights Abuses	I am concerned over “slave” or child labour that might be abused in the pursuit of diamonds in Africa. I saw the movie *Blood Diamond* and that showed children forced into labour in order to mine diamonds. It would seem De Beers has no concern for how the diamonds are mined or where they come from so long as they get the best. I may have a jaded impression of the company from watching the movie *Blood Diamond*. The way they treat the people who mine their diamonds. They seem like cheapskates when it comes to wages for their workers; not paying a fair pay scale.

Lack of community benefits	• Benefits from the diamond industry are shared among the few. There is no transparency on the payments made to governments and local communities. • Mining epitomises the historical racial division in SA (Pandey, 2012). A perception persists that the benefits of SA mining industry are not shared equitably and not remaining in SA. • Diamond mining companies can do more to ensure that the socio-economic difficulties and inequalities afflicting many South Africans are successfully mitigated. • Diamond mining in Kimberley is the backbone of the mining industry in South Africa and modernism (Even-Zohar, 2007). • Community instability as a result of migrant labour model. • Global leader. • World class Private Public Partnership model in Botswana. Diamonds are good for Africa.

(Source: Researcher's own construction based on the results of this research)

6.6 Research Question Three: Key Diamond Industry Reputational risks and challenges

The respondents identified a number of key reputational risks and challenges in the diamond industry. Most of the respondents agreed that reputational issues and risks can be classified into two broad categories: product integrity and production integrity. According to some respondents,

> production integrity relates to ethical issues relating to diamond exploration, mining and trading of rough diamonds. The risks or challenges could include a perception that diamond mining is environmentally destructive, or is associated with mass human rights issues, or mining in Africa does not contribute equitable share of resources with producer nations, poverty eradication. These issues clearly impact on product demand, also impact on price and have an added impact on consumer confidence while product integrity is very specific to downstream consumer issues and product stewardship.

6.6.1 Production Integrity

The following risks and challenges were identified in the diamond industry in South Africa: artisanal diamond mining, conflict diamonds, resource nationalism, employee value proposition, climate change and carbon tax, increasing production costs, regulatory uncertainty, stricter safety and health rules, beneficiation of diamonds in the producer countries, developmental price for South African strategic minerals, transformation in the diamond industry, mine community unrests, job losses in the mining industry, responsible mine closure and rehabilitation, industrial relations, youth activism and a high level of youth unemployment, illegal mining, access to rough diamonds for small cutters and polishers and land claims.

6.6.1.1 Artisanal Diamond Mining

Artisanal diamond mining by small companies is associated with poor labour conditions, human rights violations and environmental degradation (Bone, 2012). These challenges must, however, be managed because the diamond industry thrives on a product with glamour, love, purity – all the positive things in life. Therefore, if the diamond industry takes a principled stand on human rights abuse issues, this will enhance its reputation. One respondent cited the report by International Mining and Metals on Artisanal Mining titled *Working Together: How large-scale mining companies can engage artisanal and small scale miners* published in September 2015. This report emphasises the importance of embracing the small scale miners and artisanal miners in integrating them into the full value chain in order to maximise developmental benefits of the mining opportunities and to eradicate key challenges in the industry, namely, environmental damage and related health challenges, security threats, gender challenges, child labour and the diamond industry reputation.

6.6.1.2 Conflict Diamonds

Linked to production integrity is the presence of conflict diamonds that pose a major reputational risk to the diamond industry in general. According to one respondent, “conflict diamonds risk tarnishing the diamond industry especially with consumers”. The case of Sierra Leone, so graphically popularised by the movie *Blood Diamonds* and, more recently, Zimbabwe and Central African Republic

(Prager, 2014), further supports their view. In Zimbabwe, a lack of strong governance structures created a free-for-all situation, resulting in deaths and anarchy at Marange. “Whether this is attributable to the diamond industry or not is debatable”, retorted one respondent. Another respondent cited a report by Amnesty International, published in September 2015 titled *Chains of Abuse: The Global Diamond Supply Chain and the Case of the Central African Republic* which highlights alleged human rights abuses and child labour (Amnesty International, 2015).

6.6.1.3 Resource nationalisation

Given the wide belief by many young people in South Africa, premised on the failure of the mining industry to benefit local communities and to create down-line beneficiation industries locally, there has been a clamour for nationalising mines and a view that the *Mining and Petroleum and Precious Metals Resources Development Act* (MPRDA) is not working for the people in the mining towns (Shabangu, 2013). The ANC Youth League, under the leadership of its former president, Julius Malema, developed a position paper on the nationalisation of mines in preparations for the ANC National General Council in 2010 in Durban. Since the expulsion of Julius Malema in 2013, the ANCYL is no longer a vocal proponent of the nationalisation of mines. In recent years, the Economic Freedom Fighters, under Julius Malema, are once more promoting nationalisation. The respondents identified resource nationalisation as a risk in the diamond industry. Indeed, one of the respondents candidly stated that

> resource nationalisation has become a contagion impacting the mining and metals industry across the globe … The industry needs to become more engaged in the evaluation and management of this risk which can place a heavy burden on existing operations and influence future decisions on whether to invest.

This resource nationalisation is a phenomenon of mineral-dependent countries in Africa and those developed ones such as Australia (Chamber of Mines Report, 2015). Ghana doubled its mining royalties, just as South Africa and Australia did. Zimbabwe introduced legislation which gave locals 51% ownership, just as in Botswana. Document analysis, including the *Socio-Economic Assessment Report,*

De Beers Internal Report on nationalisation and Youth Reports (Appendix 10) summarised the key stakeholder objectives, sub-themes and names of stakeholders in South Africa who held these views (Table 67).

Table 67: Factors driving resource nationalisation in South Africa

Objectives	Sub-themes	Stakeholders raising the issues
More contribution of mining to socio-economic development and poverty alleviation.	Maximise direct contribution of mining to economic growth and job creation.	Trevor Manuel (Former Finance Minister) Pravin Gordhan (Minister of Finance) Susan Shabangu (Former Minister of Mines) Chamber of Mines
Encourage the development of the downstream industries.	Increase the share of mining industry value creation that is captured within South Africa. Use mining to create broader economic development interventions like beneficiation. Ensure security of supply of strategic resources like coal.	Sandile Nogxina (Former Director General at Department of Mines) Gwede Mantashe (Secretary General of ANC) Julius Malema (Leader of EFF) Fred Gona (Former Leader of Portfolio Committee responsible for Mineral Resources in SA parliament) Dipua Peters (Minister of Transport)
Share the benefits of mining more equitably.	Ensure local mining communities benefit from Mines. Manage economic and social dependency on mining i.e. job instability from economic cycles.	Julius Malema (Leader of EFF) Fred Gona (Former Leader of Portfolio Committee responsible for Mineral Resources in SA parliament) France Baleni (Former General Secretary of National Union of Mine Workers)
Increase state control over mining resources	Fulfil political expectations post-elections campaign related to Freedom Charter goals that stated that all mineral wealth shall be transferred to the people. Facilitate the creation of a developmental state with greater state control over mineral resources.	Blade Nzimande (Secretary General of South Africa Communist Party and Minister of Higher Education) Susan Shabangu (Minister of Mines) Max Sisulu (Member of South African Parliament) Jeremy Cronin (Deputy Secretary General of South African Communist Party)

(Source: Researcher's own construction based on the results of this research)

One respondent cited the seven strategic interventions to deliver economic freedom to South African people as articulated by the Economic Freedom Fighters during its 2014 election manifesto launch in Mangaung, South Africa (EFF Manifesto, 2014). These are:

1. Expropriation of South Africa's land without compensation for equal redistribution in use.
2. Nationalisation of mines, banks and other strategic sectors of the economy, without compensation.
3. Building state and government capacity, which will lead to the abolishment of tenders.
4. Free quality education, healthcare, houses and sanitation.
5. Massive protected industrial development to create millions of sustainable jobs, including the introduction of minimum wages in order to close the wage gap between the rich and the poor, close the apartheid wage gap and promote rapid career paths for Africans in the workplace.
6. Massive development of the African economy and advocating for a move from reconciliation to justice in the entire continent.
7. Open, accountable, corrupt-free government and society without fear of victimisation by state agencies.

These statements further complicate the South African perspective of resource nationalisation. Another respondent commented that

> countries will always impose some kind of tax on very profitable businesses and, in particular, on natural resource-based ones; in other words, the country feels it has an ownership of the product that is being extracted. The Australian super tax concept is based more on a sense that mining companies' profits have risen sharply in recent years because of increased commodity prices whilst the government did not receive the same benefit.

One of the respondents interviewed argued that all things being equal, resource nationalisation is seen by long-marginalised communities as being a positive intervention, but is regarded as negative by businessman and investors. In South Africa, the leadership of the country has distanced itself from resource nationalisation but labour and community leaders occasionally clamour for the

Botswana model where the government owns some equity in the mines (see Appendix 6 on *South African Stakeholder Views of Nationalisation of Mines*).

Countries, such as Zimbabwe, have introduced empowerment laws aimed at achieving this. In most diamond producing nations like South Africa, Angola, Botswana, Namibia, Canada and Russia, beneficiation targets have been set and are monitored closely by the regulatory authorities.

6.6.1.4 Employee Value Proposition

The respondents identified the employee value proposition as an issue in the diamond industry, bearing in mind all the negative perceptions associated with the mining industry in South Africa. This perception includes the belief that "the diamond industry is a 'sunset industry'". This phrase poses a lot of risk in the industry particularly when it comes to issues associated with staff retention and attraction of top talent. Another respondent stated that

> the diamond industry employees want to work for a company that has a good reputation, is sensitive to its environment and its people; a company that looks after its people whether financially or in terms of career, that looks after the community within which it works, that is seen to be delivering on the country's strategic issues, like transformation, skills development issues, and supplier relationship building. If your company is showing its responsibility towards those various stakeholders, then people feel more comfortable working for a company like that and are therefore rationally and emotionally committed.

Other respondents, with extensive employee relations experience, indicated that most companies in the industry, notably De Beers Consolidated Mines and Petra Diamonds, outperform the global benchmark in terms of their performance on most of the employee value proposition attributes in the opportunity category, the reward category, the work category, the organisation category and the people category. The notable areas of excellence are in respect of health benefits, people management, manager quality and recognition. In terms of future career opportunities, stability, compensation and work-life balance, there is more the industry could do to improve its employee value proposition (Lotz, 2014). The chart below demonstrates De Beers' employees performance versus other industries in terms of employee value proposition (Figure 30)

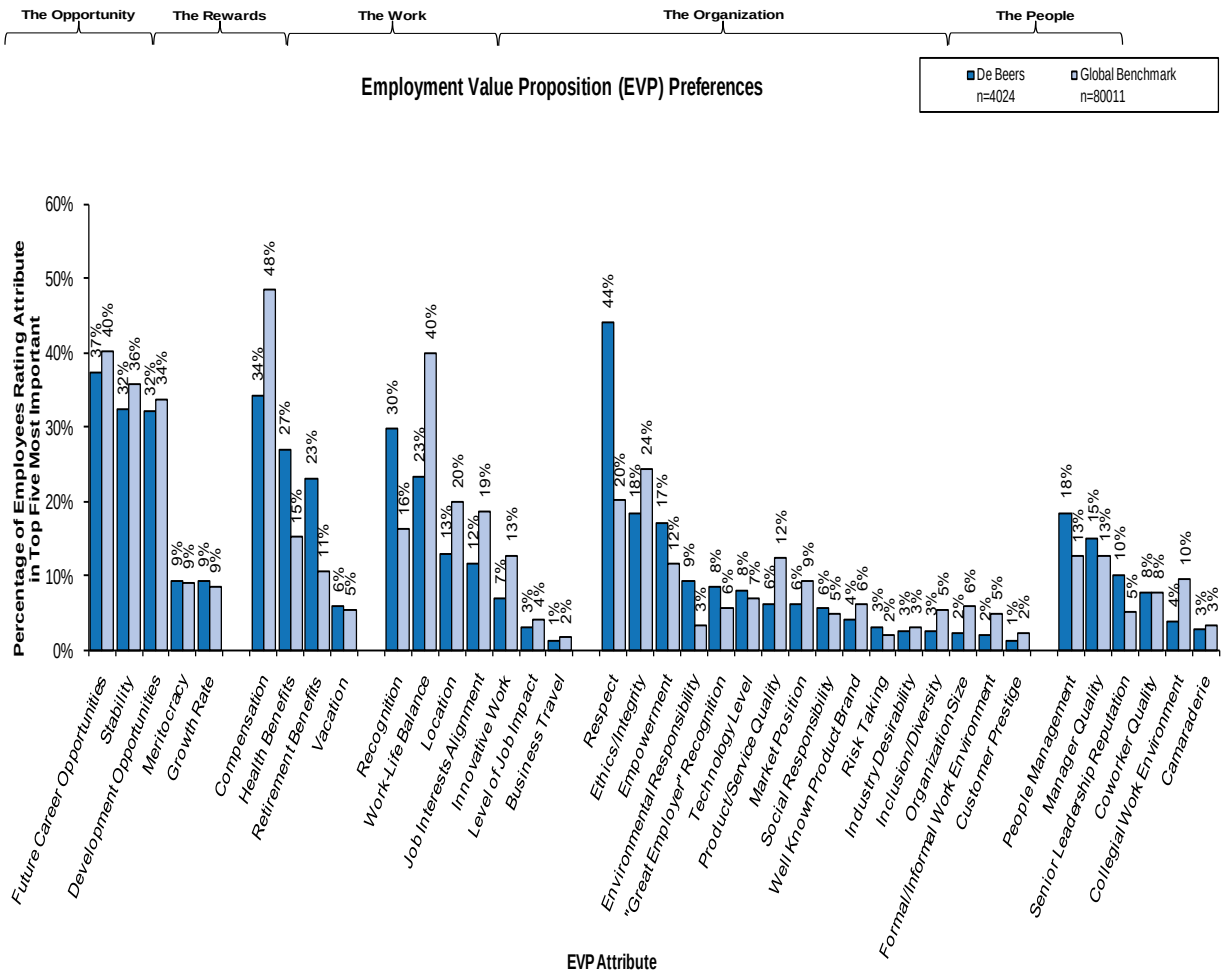


Figure 30: De Beers' employee performance versus other industries in terms of employee value proposition
(Source: De Beers Report to Society, 2013:24)

6.6.1.5 Climate Change and Carbon Tax

Respondents identified climate change as an issue in the medium term in the diamond industry. One of the youth group members argued that if climate predictions are right, then there will be higher standards of accountability for the ways in which humanity will manage such things as water usage and energy consumption. Production costs are therefore likely to rise quite considerably. One respondent argued that post-mining rehabilitation will have to be flexible to allow for sustainable post-mining uses. Some respondents cited the proposed carbon tax as a major burden to the diamond industry. One respondent said, "Scientifically, South Africa's projected emissions do not support the need for imposition of a carbon tax". According to the *Anglo American Report on Carbon Tax (2014)*, the medium term projections up to 2021, indicate South Africa's

emissions (520Mt) are aligned with the trajectory (SA. Department of Environment, 2009) required to limit global warming to 2°C. This report further states that South Africa is the only developing country to propose a national cross-sector carbon tax. When compared to global carbon pricing policies, the proposed carbon tax put the domestic Emissions Intensive Trade Exposed (EITE) industry at a distinct disadvantage, leading to the risk of the industry relocating elsewhere, or reducing future investment in South Africa

6.6.1.6 Regulatory Uncertainties

Regulatory uncertainties, stemming from an inability to predict the future regulatory regime in South Africa, is a complex issue in the diamond mining industry, threatening issues around security of tenure and investment predictability. According to one respondent, this uncertainty is linked to confusing statements by the Mineral resources ministers over the Mining Charter targets and uncertainty with the time line to finalise the *Diamond Amendment Act*, as well as the MPRDA, which has been to cabinet, to parliament to president and now back to parliament. The issue on changes in the leadership of the DMR political office is another concern contributing to regulatory uncertainties. The fact is that, over the last three years, South Africa has had three different Ministers with differing views on policy direction. These issues have a direct impact on investment decisions, cost of operating mines, among others. Respondents felt that regulatory uncertainty is a major current and future risk in South Africa. Respondents were concerned that the anticipated amendments to the *Mining Charter, Diamond Act* and *MPRDA* pose serious regulatory uncertainty in South Africa if they are not managed responsibly. Another respondent made the point that "The constantly changing rules/environment are deterring progress and investment in key projects and in the SA mining industry in general." One respondent said "There is an acknowledgement that the rules should not change from one minister to another". A respondent stated that

> notwithstanding the current declaratory order process and debate on BEE ownership between the DMR and the Chamber of Mines, some in government feel that such key policy issues should not be left to the courts, and that the real thrust of the conversation should be a discussion around the shape of a *Mining Charter 3*.

6.6.1.7 Increasing production cost

Respondents identified an increasing production cost environment as one of the major risks in the diamond-mining industry. According to one respondent, mining will face a diverse set of trends and uncertainties that will shape the industry over the next few decades. Increasing labour costs, energy costs, water use costs and waste stripping costs associated with increased fuel costs (Eskom Annual Report, 2015) are the main issues affecting the diamond industry. According to most respondents, contributing to the production costs will be a limited availability of skilled labour, stronger focus on local suppliers, requirements for beneficiation and the growing importance of green operations. Coupled to that will be the declining resource volumes and ore grades associated with digging deeper, increasing resource remoteness and the associated operational complexity and infrastructure challenges. In South Africa, the energy crisis is a serious issue, given Eskom's problems with power supply (*The Diamond Insight report,* 2015). Respondents identified energy and water security as major issues in South Africa. One respondent stated that South Africa faces a growing gap between water supply and demand (estimated at 2.7 billion cubic metres in 2030). Another respondent noted that the increasing operational input costs for all key production expenses are alarming. These include replacement of tyres, with each truck using six tyres, "a $300,000 cost for a new set of wheels makes me feel a whole lot better about what I got charged to replace the tyres on my car during my last roadworthy check". Another respondent stated that electricity costs experienced a compounded increase of around 11% annually in both Botswana and Russia over the last 4 years while in South Africa, it has increased to a staggering 15% (NERSA, 2015). In the period between 2002 and 2014, labour costs saw a compound annual growth rate of 14% in Botswana, 19% in Russia and about 20% in South Africa. These rising production costs could result in increased mechanisation in the industry, resulting in further job losses, which has a serious reputational challenge in South Africa because of the high unemployment, poverty and inequality of the population.

6.6.1.8 Stricter safety and health rules

The commitment to Zero Harm in the mining industry remains a number one

priority for both CEOs and Regulators because of the poor track record of the mining companies in managing safety performance in the mining industry (Chamber of Mines Report, 2015). Respondents identified safety management as a major risk in the diamond industry affecting the license to operate. One of the respondents cited a Department of Mineral Resources report (SA. Department of Mineral Resources, 2013/14) that stated that work-related respiratory problems and mine accidents are the biggest causes of death in the South African mining industry with serious reputational issues for the mining industry. According to some respondents, *The Anglo American report* (2015) indicates that there are more than 16 fatal injuries out of more than 100 000 employees due to work-related transportation incidents occurring on public roads (see Figure 31). This number indicates the importance of managing this issue as it may cause serious reputational issues for the diamond industry in the eyes of consumers.

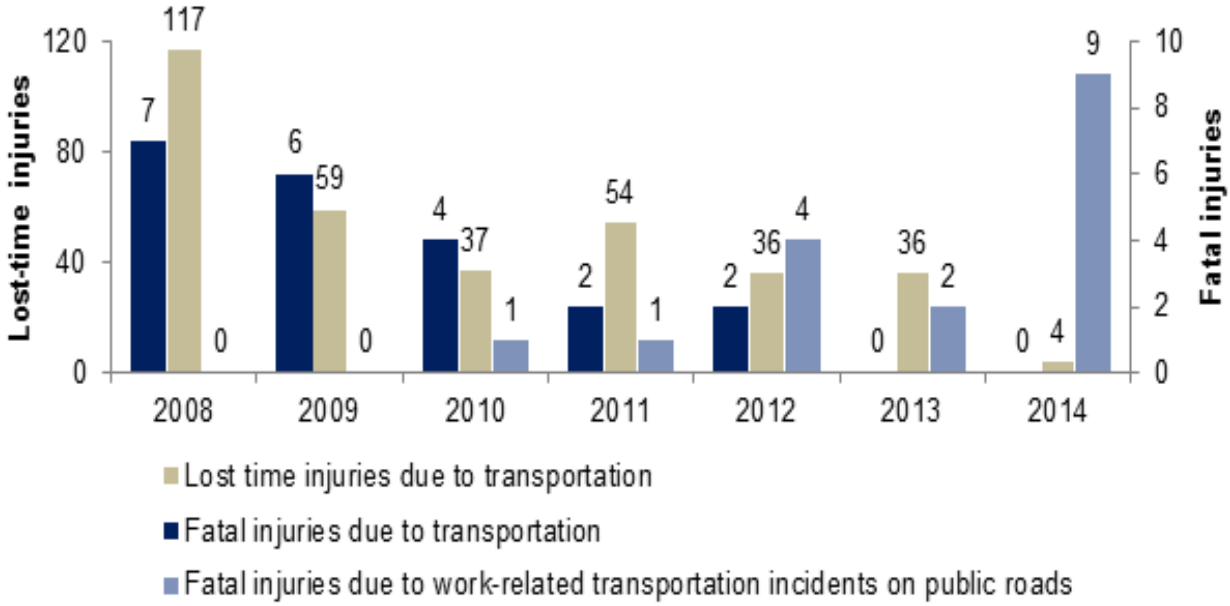


Figure 31: Anglo American report on Fatal and Lost-time injuries due to transportation between 2008 and 2014
(Source: Anglo American Report, 2015:5)

6.6.1.9 Beneficiation of diamonds in the producer countries

Respondents (especially the youth groups and regulators) identified diamond beneficiation as a risk facing the diamond industry, especially the diamond producing nations that are affected by high youth unemployment. There is a perception that most of the beneficiation of diamonds creates employment

elsewhere in the world instead of creating employment in the producer nations. One of the respondents confirmed that India remains the dominant nation, representing about 60% of the global share of diamond cutting and polishing business, whilst Botswana remains the biggest producer of rough diamonds by volume (see Figure 32).

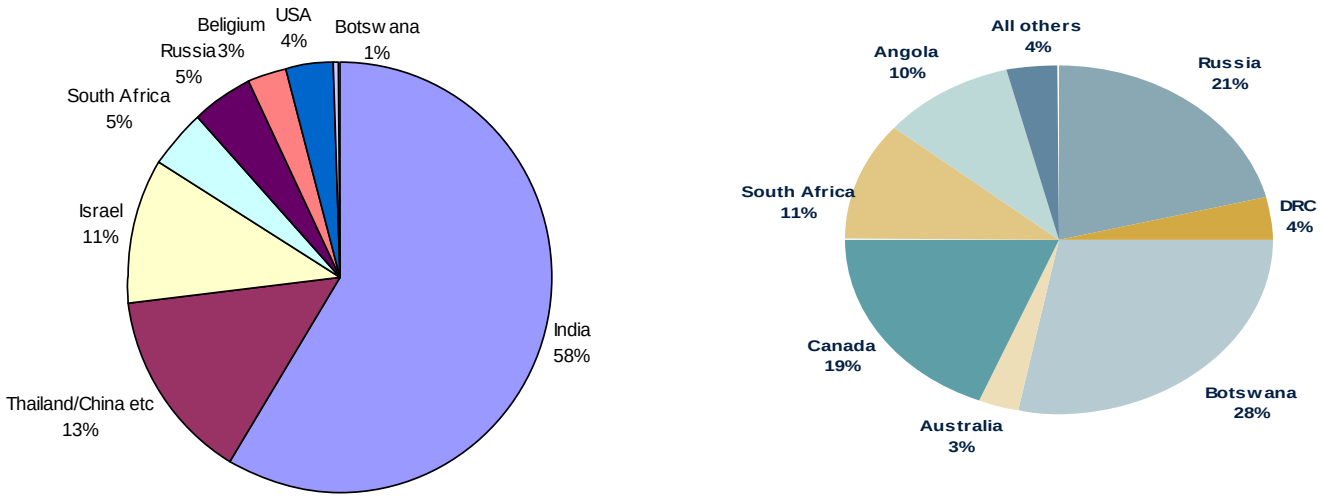


Figure 32: Distribution of diamond polishing in the world (Source: De Beers Report to Exco, 2013:slide 11)

Respondents cited the cost of cutting diamonds and skills availability as a major contributors to this problem. One of the respondents shared some of the statistics that demonstrate the cost of manufacturing and cutting within the world's major cutting centres and the resultant jobs associated with the cutting industry worldwide (Table 68). India alone has created 850 000 jobs compared to South Africa with just 1800 jobs (De Beers Report to Exco, 2013). This is of great concern to the diamond producing nations especially in South Africa, Botswana and Namibia.

Table 68: Jobs associated with diamond cutting and polishing in the world

Cutting Centre	Workforce	Average Manufacturing Cost
India	850,000	6-50
China/Thailand	29,000	15-35
Israel	2,000	50
South Africa	1,800	75
Belgium	1,000	75

(Source: De Beers Group Report, 2009:9)

One of the respondents confirmed that the diamond industry has recognised the problem and has implemented a number of programmes to redress this imbalance. For example, De Beers has launched the Diamond Trading Initiative in all the nations where it has mining operations in partnerships with host governments in Botswana (DTCB), South Africa (DBSSA) and Namibia (DTC Namibia) where it established diamond trading centres. These initiatives are dedicated to increasing local beneficiation of diamonds in the host nations.

6.6.1.10 Developmental Price for South African Minerals

The respondents identified developmental pricing as an emerging issue in the diamond industry. This realisation was exacerbated by the announcement by the Minister of Mineral Resources during the Mining Indaba in 2014 that South Africa is considering introducing developmental pricing of its strategic minerals (Ramatlhodi, 2014). Respondents felt that developmental pricing will compel the mining industry to sell at below market prices to domestic downstream industries such as the cutting and polishing industry, and steel and automobile manufacturers. One respondent cited a statement made by a senior State Diamond Trader official who suggested that the 10% Run of Mine that they are buying from the industry is too expensive and that they will lobby the Minister to impose a cost plus price for all their allocations. Many respondents, especially those representing regulatory authorities, believe that the government objective will be to promote beneficiation, localisation and the associated manufacturing industries which, it believes, will boost the manufacturing sector and thereby create employment.

One respondent stated that “the pricing decision for rough diamonds is complex and requires a number of considerations before the final price can be decided”. Below is an example of the schematic view that is used to set prices, which makes rough diamond pricing a complex task (see Figure 33).

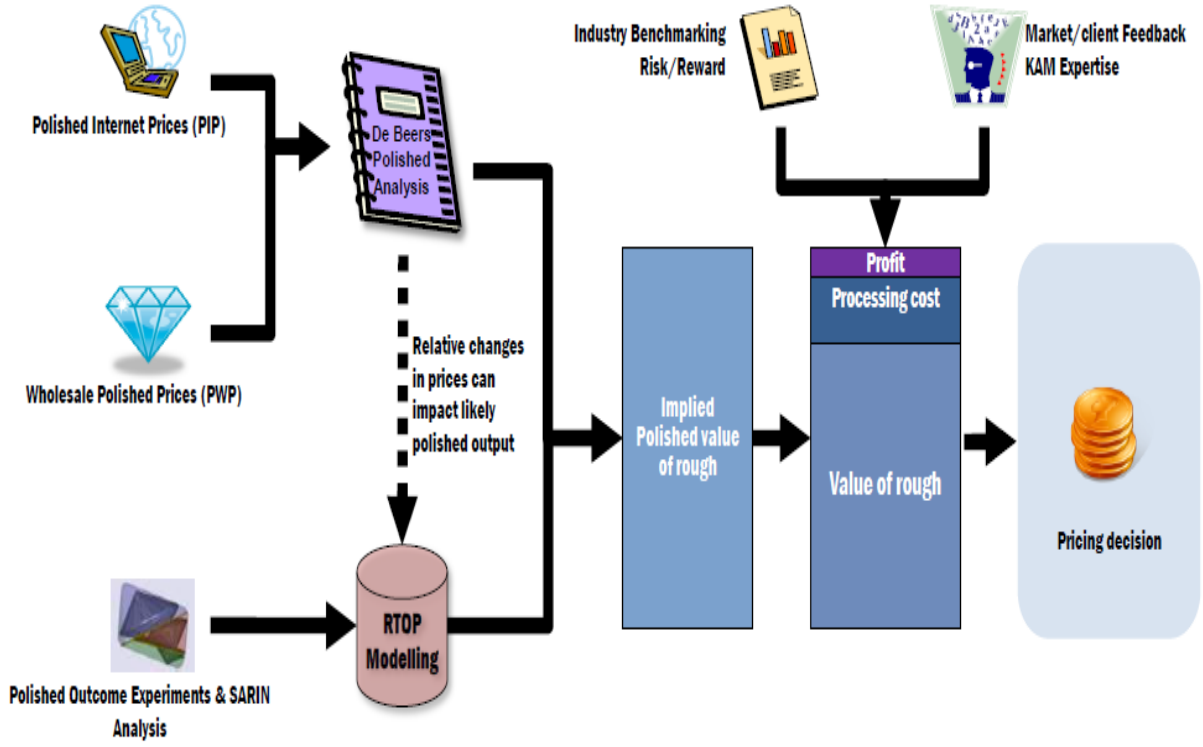


Figure 33: Key Considerations for pricing rough diamonds
(Source: De Beers Presentation to Bankers in South Africa, 2015:6)

Polished Internet Prices (PIP) and Wholesale Polished Prices (WPP) which inform the De Beers Polished Analysis report together with Polished outcome experiments supported with various modelling analysis reports; input from Key Account Managers (KAM); auction prices and the values of polished and rough diamonds play a significant role in the determination of final pricing decisions for diamonds (De Beers Presentation to Bankers in South Africa, 2015).

During his results presentation in July 2014, Mark Cutifani, the Chairman of De Beers, warned the southern African governments against developmental pricing and made the following statements:

> In the interconnected world we now live in, business has no boundaries.

> Prices are global, not local. States should not try to impose prices onto a producer or to cross-subsidise inefficient industries by distorting prices, as this compromises natural competitive advantages and opportunities and embeds inefficiency throughout an economy and society. All prices eventually come back to a global value.

6.6.1.11 Transformation in the Diamond Industry in South Africa

Respondents concurred that there is a strong belief among the government, politicians and various community groups, like youth and church organisations in South Africa, that the diamond industry has not embraced the transformational agenda as it is stipulated in the *Mining Charter* and in the *Diamond Act*. This is probably the biggest reason for the distrust between the diamond companies and their local communities. This is in contrast with the latest Chamber of Mines report titled *Mining Charter Ownership Collation* dated March 2015. It purports that the Diamond sector has achieved a BEE ownership of 26.0% (5% BEE entrepreneurs, 10.4% communities and 10.6% ESOPs) based on value. The ownership structure has benefited 19% BEE entrepreneurs, 40% communities and 41% ESOPs, and an estimated 114 653 individuals. In terms of volumes, the industry has achieved a BEE ownership of 26.0% (5.1% BEE entrepreneurs, 10.2% communities and 10.7% ESOPs). The ownership structure has benefited 20% BEE entrepreneurs, 39% communities and 41% ESOPs. The diamond sector has a net value of between R86 million and R4 229 million representing a change of between -94% and 205%. One respondent said

> Broad Based Black Economic Empowerment (BBBEE) has fallen out of favour. The ANC wants to see black economic participation, black industrialists and operators, black people owning and/or managing and operating the businesses. This further complicates the future transformation directive in South Africa.

Transformation in the mining Industry in South Africa is an emotive issue and has different meanings for different stakeholders. One member of the youth representatives commented that the DMR, youth organisations, unions and various political organisations, including the ANC, the ruling party in South Africa, want to see visible change in the mining industry. These key stakeholders see

this issue as a key concern in the diamond industry and in the mining industry in general. One respondent said,

> Transformation that leaves blacks out is not on – if mining companies have not recruited sufficiently skilled blacks by now, then they have failed, as technical positions were open to all since the late eighties. Mining companies are losing too many black graduates to other sectors of the economy.

He further stated that "the Industry must, however, not put up black faces (foreigners) to the exclusion of black South Africans – the ANC is very sensitive to this". Another community representative stated that

> we must not allow BEE parties that are mere speculators (also called fronting), speculating in the share prices of empowered entities and selling to make an easy windfall. Owning mineral rights must come with responsibilities. Local communities and employees should be prioritised in owning the mines neighbouring their communities.

According to another respondent, the mining charter continues to be challenged. In a media report by Seccombe (2015), the well-known mining lawyer, Advocate Hulme Scholes, and his firm have gone to court to set aside the *Mining Charters of 2004 and 2010.* They argue that the mining charter is unconstitutional, vague and contradictory, open to different interpretations and is subject to possible abuse by the DMR officials and its Minister.

6.6.1.12 Mine Community Unrests

Respondents identified extreme mine community unrest as the "biggest risk" in the wider mining industry. These unrests are perpetuated by the general belief that the mining industry does not take local communities and labour unions seriously. Here are some of the key incidents reported in the mining industry almost every week in recent times:

> Tukakgomo Community along the R555 between Steelpoort and Roossenekal has blocked the roads within the village at the Lanex Mine / Eestergeluk turn-off, approximately 4km out of Steelpoort. According to sources small groups of community members held meetings to review the implementation of the promises made at Burgersfort a few months ago. They felt that the mines

> failed to fulfil their promises to hire 239 local community members from a central point. They decided to blockade the village roads using burning tyres, large rocks and debris. They are also planning to march to the closest mines. Police were called for assistance (Labour Relations Report, dated 12 August (2015:1).

Another Labour Relations Report, dated 31 August (2015:1)

> The Mogalakwena community in Limpopo once again blockaded the road with rocks and burning tyres at the Skimming Crossing near the Kgoshi's house this morning. PS and police cleared the road during the night (31/8). A Bosvark was utilised to transport nine management employees into the mine as the N11 is currently clear except the road leading into the mine. Police top management reported that corrective action will be taken against the commanders who allowed their teams to leave the area while the situation remained unresolved last night. Police teams were called in for assistance.

Another report (Labour Relations Report, dated 12 September 2015:2) stated that in the early hours of the morning on the 1st of September 2015, around 3am, a fully organised attack was launched by a group of angry residents against the contractor's equipment where a community dam is being built in the Sikhukhuneland. According to the LRR, the victim was a contractor building a GaMolekane dam wall who had a site right next to the dam where earth-moving equipment was stored as well as office space and storerooms. The community set alight all the equipment and facilities on this site. It is unknown what the extent of the damage is but a lot of earth-moving machines and buildings were destroyed. These are some of the cases of community unrest. Most respondents concurred that Limpopo province has experienced serious incidents and that this trend is also reported from other mining towns.

6.6.1.13 Job Losses in the Mining Industry

Many respondents, including the youth groups, concurred that the shedding of jobs in the diamond industry since the global recession 2008 is posing a serious reputational risk among local communities, political organisations, labour unions and the regulatory authorities in South Africa. One respondent commented that

> the unions, youth organisations, ANC and DMR are deeply concerned about

> the job losses taking place in the mining industry. They insist that retrenchments should not be done clandestinely and that the industry should engage them on the challenges being faced.

According to some respondents, the impact of the restructuring of De Beers mines in the Namaqualand region in the Northern Cape, South Africa, has had a significant and irreparable impact on the Namaqua people. One respondent said that the impact of mine downscaling is felt not only by the retrenched employees but also by the entire region, including the local municipalities of Nama Khoi and Kamiesberg, due to the outflow of artisans and mining skills to mines outside Namaqua. This is exacerbated by the diminishing mine operations at Okiep Copper Company (OCC), Alexander Bay, Trans Hex and De Beers Namaqualand Mines which are leading to an exodus of artisans in search of employment opportunities in mining to the Postmasburg and Kathu areas of the Northern Cape, but also to mines elsewhere in South Africa. This migration of economically active residents impacts on purchasing power, the local economy and the revenue generating capacity of the local municipalities. The lack of employment opportunities (Statistics South Africa, 2014) further stimulates youth urbanisation with many young people leaving the area in search of a future in Cape Town. Early indications are that the average age of Namaqualand's population is increasing over time which will create ghost towns in the near future.

According to the *Labour Relations report (5 October 2015:1)*, the Congress of South African Trade Unions (Cosatu) will march from Pieter Roos Park on 7 October 2015 to PRASA, TELKOM, ESKOM, Nedbank, Absa, Standard Bank, FNB, the Department of Labour, Gauteng Premier's office and the Chamber of Mines to protest job losses in the various mining towns. According to its president, Sdumo Dlamini, Cosatu is joining millions of workers around the world on 7 October 2015 which is the "World Day for Decent Work". Respondents agreed that job losses in the mining industry will remain a serious issue well into the future because of a tough economic climate which is forcing most of the affected mines to scale down production or put the mines under care and maintenance.

6.6.1.14 Responsible Mine Closure and Rehabilitation

Respondents concurred that responsible mine closure and rehabilitation is a major

reputational issue in the diamond industry. According to one respondent, the objective of responsible mine closure involves a combination of making the site safe and stable, returning a beneficial post-mining land use and ensuring that, after mine closure, there are no adverse long-term environmental, social and economic impacts. This objective applies to all disturbed sites, including waste dumps, tailings of mineral resources, storage facilities, mineral processing plants and open pits. One respondent cited a major concern is the un-rehabilitated and unsecured Coleville mine dump close to the local communities that has been raised repeatedly in Kimberley, the birth place of the modern diamond mining. It is stated that local communities and local environmental NGOs view the unfenced mine dump as a safety risk for children and animals, a hide-out for criminals and an easy access for illegal mining by community members. Although there are generally low levels of environmental awareness among local stakeholders, some view this mine dump, and others in town, as proof of poor environmental performance by the local diamond company, Petra, as they do not see any signs of environmental rehabilitation. One local community member explained “De Beers came and took whatever it could get out of the area and would leave the unsightly dumps as its legacy”.

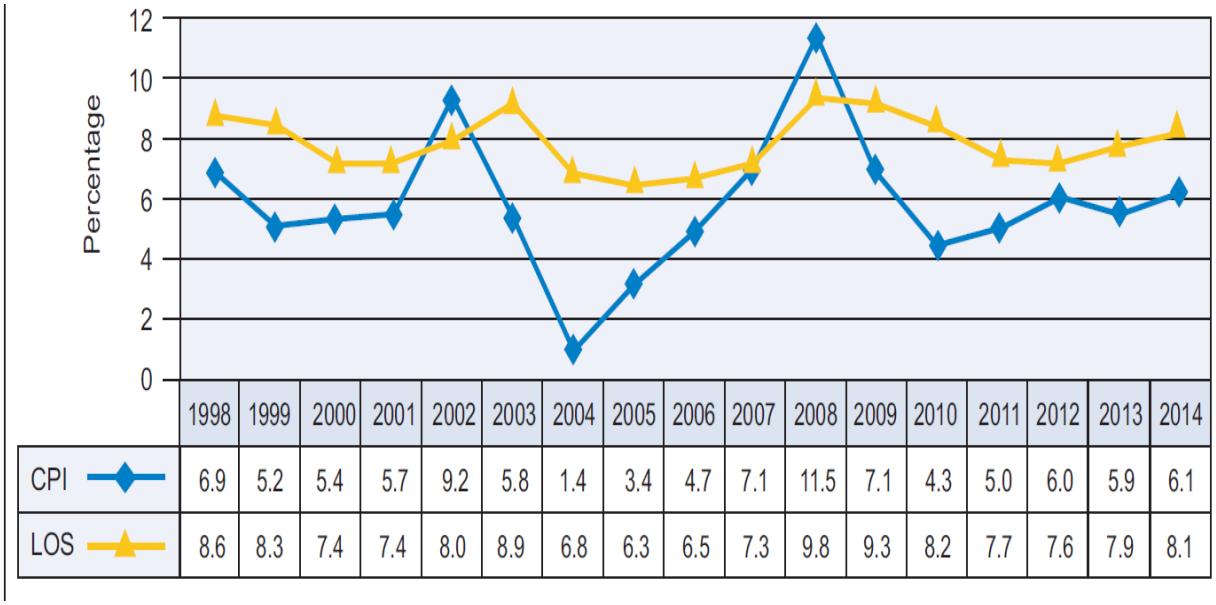
According to some respondents, community members from most villages where diamond mines have been closed or sold to new owners expressed very strong views and emotions concerning what they perceive as their inheritance from De Beers. In areas like Namaqualand and Koffiefontein, communities are comparing areas like Kimberley (or even Kathu and Postmasburg) to what Komaggas in Namaqualand is today, which evokes bitter feelings. Community members feel they, and their families over three generations, directly contributed to diamond wealth – “83 years of diamond mining and nothing to show for it”. A number of references to employee exploitation in the early days of Namaqualand Mines’ mining activity were cited in community focus group discussions (Even-Zohar, 2007) – narratives being kept alive by the perceived disrespect for workers in the A and B salary bands.

Residents of Komaggas, Buffelsrivier, Steinkopf and Koingnaas understand that they are expected to find new and innovative ways to sustain themselves, but

explain that this kind of entrepreneurial thinking stands in stark contrast with the mind-set inculcated by De Beers over many years. Communities believe that the patriarchal nature of De Beers' employer-employee relationship stripped them of development opportunities outside of mining as well as the confidence that they can do anything else. Another respondent said that the lack of viable alternatives to formal employment in these mining towns contributes to the feeling of hopelessness by most community members. Neither small business development, nor agricultural initiatives hold much promise as viable solutions for development in this remote part of the region.

6.6.1.15 Industrial Relations

Industrial relations in the mining industry in South Africa are increasingly becoming highly volatile (Levy, 2015; Chamber of Mines Report, 2014). The developments in the South African Platinum belt, characterised by the emergence of the more militant AMCU and its demand for a greater share of profits for the workers, is a good example. This is in spite of the noticeable growth in wages in South Africa between 1998 and 2014 as shown below in Figure 34, which are well above the CPI.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CPI	6.9	5.2	5.4	5.7	9.2	5.8	1.4	3.4	4.7	7.1	11.5	7.1	4.3	5.0	6.0	5.9	6.1
LOS	8.6	8.3	7.4	7.4	8.0	8.9	6.8	6.3	6.5	7.3	9.8	9.3	8.2	7.7	7.6	7.9	8.1

Figure 34: Average of levels of Wage Settlements over time against CPI (Source: Statistics South Africa (SSA)/Levy Employment Publications, 2015:5)

After a fatal incident in which 34 miners died, South Africa's longest strike followed. This shows that employee and industrial relations were not managed

effectively. One respondent recalled that President Jacob Zuma of South Africa had to make a national announcement during the *State of the Nation Address* (February 2013) where he pledged that violent protest incidents will be acted upon, investigated and prosecuted with special courts allocated for this purpose.

Some respondents stated that the 2012 strike season was like no other in the history of the mining industry in South Africa. As a result of the Marikana incident, the entire mining industry is under intense scrutiny beyond just the labour issues, but all the other issues in terms of mining community issues, such as housing, unemployment and employee indebtedness as the effectiveness of the current collective bargaining framework in which wage-related issues are negotiated, is reconsidered. One respondent also noted that at the height of this crisis, the former Minister of Mineral Resources made a public statement threatening the possibility of her department withdrawing several mining companies' licences.

It has been estimated that, in South Africa, during the longest strike in the platinum belt, the platinum industry lost billions of Rands because of work stoppage. According to one respondent, the table below summarises the cost of a strike in the platinum industry. Anglo American Platinum CEO stated "we have lost an estimated 532,127 platinum ounces (*equiv. refined*) in total which equates to ±R14.360 bn lost revenue, and a total loss of ±R19.983 bn since the start of the industrial action". Ounces lost in ramp-up phase = 107,548 equating to ±R3.066 bn in lost revenue. Ounces lost during strike = 424,579 Pt ounces (see Table 69)

Table 69: Illegal Strike impact on Anglo American Platinum
(Source: Anglo American Platinum Strike Report, 2015)

Strike report date: 23 January - 9 March 2014					
Anglo American Platinum 2014 Strike Impact Return	**Strike period total**	**January**	**February**	**March**	**April**
Own Mines	**127 266**	**23 921**	**78 929**	**24 416**	**-**
Rustenburg	**50 369**	10 911	28 960	10 499	
Union	**27 328**	5 054	17 128	5 147	
Amandelbult	**49 569**	7 956	32 842	8 771	
JVs & 3rd parties	**1 390**	**183**	**905**	**302**	**-**
3rd Parties (Kilken and Pt Mile production affected)	1 390	183	905	302	
Total Group	**128 656**	**24 104**	**79 834**	**24 718**	**-**
Days on strike	**35**	**7**	**23**	**5**	**-**
Basket price - updated from treasury	**26 554**	**25 699**	**26 542**	**27 428**	
Estimated total revenue lost	**3 416 357 190**	**619 446 136**	**2 118 955 214**	**677 955 840**	**0**
Estimated total fixed costs	**1 740 450 873**	**421 301 173**	**1 077 697 200**	**241 452 500**	**0**
Estimated total loss	**5 156 808 062**	**1 040 747 309**	**3 196 652 414**	**919 408 340**	**0**
Revenue lost per day	**105 403 987**	**88 492 305**	**92 128 488**	**135 591 168**	
Fixed costs incurred / day (nett of strike savings)	**51 777 594**	60 185 882	46 856 400	48 290 500	
Total strike impact per day	**157 181 581**	148 678 187	138 984 888	183 881 668	

Respondents agreed that the diamond mining industry in South Africa remains relatively unaffected by the wave of illegal wildcat strikes, with negligible contractual issues. Most of the diamond mines are less prone to the illegal wildcat strikes at the moment due to the following reasons:

- Associated Mining and Construction Union (AMCU) has little or no representation in diamond mines except in the Petra mines at Koffiefontein and Kimberley underground with minor membership at De Beers' biggest operation at Venetia. De Beers has no hostel facilities at any of its operations;
- Most of diamond industry mining operations in South Africa are distant from surrounding communities;
- Management has invested considerable time and effort in fostering relationships and building capacity with the National Union of Mineworkers (NUM) at operational, regional and national levels; and
- The current bargaining unit comprises employees from Paterson bands A to C lower; mineworkers represent 74% of employees within the bargaining unit (A- CL) and 58.7% of total DBCM employees.

According to most respondents, relational issues between the mines and the unions remain a mystery in the industry.

6.6.1.16 Youth Activism and High levels of youth Unemployment

Respondents, including youth groups, raised the issue of youth activism and high levels of youth unemployment as major issues in the diamond industry. One respondent cited high unemployment, especially among young people, as a major risk and the basis of a poor relationship with local communities. The community needs are not being met by the diamond companies (see Figure 35). There is a wide gap between community expectations versus company performance and the ability to deliver on those expectations. Respondents felt that this gap continues to widen the risks to retain a social license.

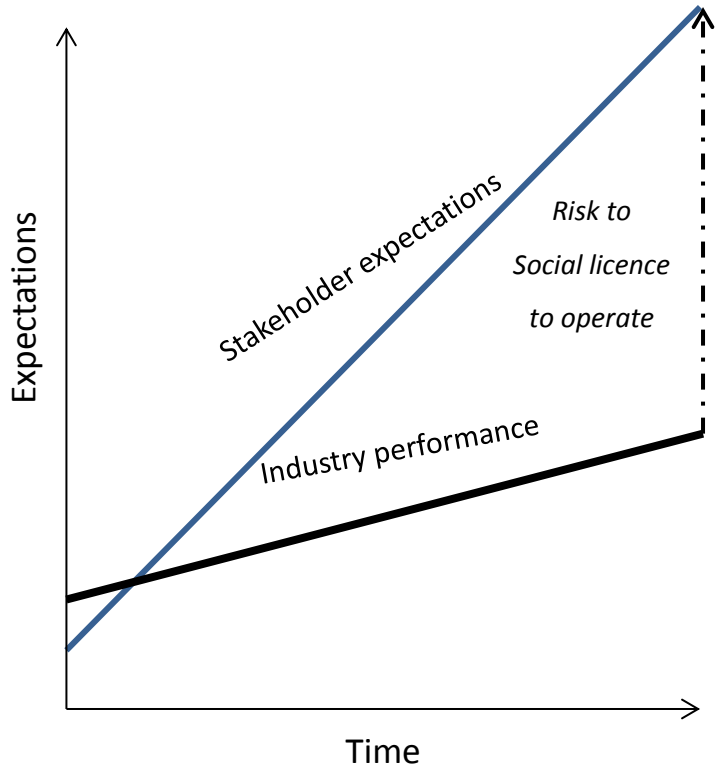


Figure 35: Ever-rising Community expectations versus industry performance

Youth groups raised the issue of local procurement as a major issue in the local communities where diamond mining companies operate. One youth member explained:

> De Beers Kimberley Mines' decision to withdraw from Northern Cape Chamber of Commerce and Industry (NOCCI) and its Tender Board which informed local businesses of tenders at the mine, is perceived as having led to a significant decline in local procurement as local businesses, especially the youth and woman owned enterprises, are now not aware of tender opportunities.

Some respondents stated that there is also a sentiment that Zimele Hub beneficiaries do not receive sufficient support from De Beers to help them access tender opportunities at Venetia Mine. This sentiment was mainly supported by youth members.

According to some respondents, housing projects targeting mine employees and other initiatives to enhance home ownership among employees over the years are seen as not having achieved the desired results in the mining industry in South

Africa. Although the local communities have acknowledged the mine's contribution to housing and living conditions for its employees, there is a sentiment that handing over these projects to the municipality has led to problems regarding maintenance and poor service delivery. One respondent said that De Beers' new 2015 Housing and Living Conditions Plan to promote home ownership among semi-skilled employees is a bone of contention for organised labour and contributes to tension in the relationship between NUM (Kimberley Branch) and Kimberley Mines management. Union representatives are concerned about the affordability of employees' bonds, should Kimberley Mines close. The life of the mine for the De Beers historic Kimberley Mines ends in 2018. In line with its Mine Works Plans, unless De Beers finds a new owner who can extend the mine beyond 2030 as per their blue sky scenario, the mine will be forced to close down in 2018.

Some respondents, together with youth groups, concurred that visibly poor pay-outs and inability to pay out in 2015 from De Beers BEE scheme "Ponahalo", through its Equal allocation Trust that has more than 15 000 beneficiaries, most of whom are pensioners, is cited as a huge issue affecting the local communities especially the former De Beers employees and widows. According to one respondent,

> The payment was significantly lower than anticipated. In the mining industry, local communities and unions, including current employees in the diamond industry, especially in the Northern Cape, are acutely aware of Kumba Iron Ore's widely publicised Envision scheme and the sizable pay-outs (about R500 000 per employee once-off payment in 2013) and they now have similar expectations of the Ponahalo pay-outs and other employee ownership schemes.

On the issue of high unemployment and its effects on the local communities, respondents concurred that, following consecutive waves of staff reductions in most diamond towns like Kimberley, Namaqualand Mines, Marsfontein, Koffiefontein, Jaggersfontein from 2004 to 2013, unemployment escalated in the predominately diamond mines' dependent villages. According to one respondent, "In a number of instances, entire families are without an income as more than one generation has worked in the diamond industry". This is confirmed by *The Namaqualand SEAT report* (2015:20) that prolonged unemployment leads to increased levels of poverty

and the inability to take care of one's family. As is always the case, the vulnerable members of society – children, the elderly and those chronically ill – are the first to feel the brunt. Community Based Organisations (CBOs) caring for the vulnerable, especially the elderly with no means to sustain themselves, raised their concerns regarding the increase in the number of people they have to attend to and the lack of sustainable funding. Another respondent commented that, apart from the obvious economic impact on these villages, large scale unemployment also has psychological and social side effects for a community. *The SEAT reports* noted that, according to faith-based leaders, community leaders and social workers, the social degeneration in communities is becoming increasingly visible in incidents of domestic violence, increased alcohol abuse, the introduction of unlawful means to substitute income and associated problems with drug abuse and prostitution.

6.6.1.17 Illegal Mining

> The Chamber of Mines says illegal mining is surging – it's a R6 billion Rand a year industry due to the troubled socio-economic environment. (Bega Sheree, Saturday Star, 10 September 2016)

This study has identified that illegal mining is a major risk and challenge in the diamond industry. Illegal mining activities have considerably increased since 2011 in Kimberley and in Namaqualand, according to various police reports and the SEAT Report (2014). According to some respondents, in many communities where illegal mining is prevalent, community members across the age spectrum, both male and female, consider that this offers a viable way to generate an income to sustain themselves and their families. This is also fuelled by the fact that mining skills, spanning two to three generations, are the dominant skills in most diamond towns. The availability of the skills and the belief that there are enough diamonds left to sustain small scale mining by community members, are two of the driving forces to participate in illegal mining activities. Retrenched and retired former diamond industry employees have a good working knowledge of how and where to mine and the large size of the mining area means that access can be gained despite fencing and security. According to another respondent, although illegal, these activities are, to an extent, socially endorsed as a decent way to earn a living in the absence of other viable alternatives. Some community

members are adamant that they are not “fortune seekers” but desperate to earn a living (Statistics South Africa, 2013) with the skills they have “on the land God gave them”. They are equally clear that they would prefer to sell the diamonds through legal means rather than getting involved in the underworld of diamond dealings. According to another respondent, members of illegal mining teams, local government officials and community leaders believe that illegal mining must be legalised – one community member stated that “a solution should be pursued to legalise community small scale mining under some level of supervision to ensure adherence to health and safety legislation”. According to these stakeholders, this will restore the dignity and self-worth of people who are intrinsically linked to illegal mining, it will go a long way towards solving unemployment and it will give young people, who do not want to go to the city, an option to stay in mining towns.

6.6.1.18 Access to Rough Diamonds by Small Cutters and Polishers

Respondents felt that access to rough diamonds for small cutters and polishers is an important current dilemma in South Africa. This issue has culminated in the establishment of the State Diamond Trader (SDT) after many small cutters complained to the South African government that it was difficult to become a sightholder for De Beers. In response, government created a State Diamond Trader which, by law, buys up to 10% of Run of Mine from all the diamond producers and off-sells to the small scale industry (SDT, 2014). Respondents believe that this initiative has not totally resolved the challenge and other means must be established. The SDT has been widely criticised as a failure in addressing access challenges. According to one respondent, there are three distinct channels to buy diamonds in South Africa, either through auction sales at the Diamond Exchange Centre in Johannesburg, via the State Diamond Trader or through sightholder systems that De Beers is using around the world. One respondent said that the State Diamond Trader has completely failed to deliver on this mandate and is not self-sustaining. According to some of the respondents, “the requirements to become a sightholder for De Beers remain a major barrier to entry by the small cutters and polishers in South Africa”.

6.6.1.19 Land Claims

Respondents concurred that land claims remain a major issue in the diamond

mining industry on the same basis as the entire mining and agricultural sector in South Africa. One respondent noted:

> People in the six Namaqualand communal areas – Komaggas, Steinkopf, Richtersveld, Concordia, Pella and Leliefontein, and in some parts of Limpopo where diamond mines operate – feel strongly about the loss of ancestral lands to the State.

White farmers and mining companies operated within a legal system that did not recognise their land rights as semi-nomadic pastoralists (Arya & Bassi, 2011; Pandey, 2012). According to the some of the respondents, mine communities believe that current South African rural land claims cannot be addressed through the Land Claims Court process because of the constitutional 1913 cut-off date agreed to for land restitution matters. However, judgments by the Supreme Court of Appeal (March 2003) and the Constitutional Court of South Africa (October 2003) have challenged this view by ruling that the Richtersveld community is entitled to a restitution of land. Most of the mining communities have a special history when it comes to attempts to claim land restitution, including a long-standing dispute over how to justify historical claims to the land. For example, the Komaggas-inwonersvereniging (residents association) argues that Komaggas has never belonged to the State and that residents have a private group title to the land, granted in the mid-nineteenth century by the Governor of the Cape Colony and Queen Victoria. No transfer from the State back to the people was therefore required and they were strongly opposing the integration of Komaggas into the Nama Khoi Local Municipality. Another example is the Hondeklip Bay community which also has a land restitution claim (claim no. M1850 submitted on 30 December 1998), gazetted in May 2008, regarding ten farms, the majority of which belong to De Beers. The community is frustrated with what they believe to be the deliberate delaying tactics imposed by the *Northern Cape Commission on Restitution of Land Rights.*

In summary, the growing frustration regarding government's inaction with these land claims, De Beers' exit and the greater Namaqualand assertion that De Beers should give back the land to the people, a lack of differentiation between mineral rights and surface rights, a lack of clarity about the ownership of De Beers farms, and

uncertainty about the future of the mining communities, converge to give the issue of land ownership prominence in the Namaqualand district.

6.6.2 Product-Integrity related risks

Several product-integrity related risks and challenges were identified by the respondents, including the *Kimberley Process*, money laundering, changing consumer preferences, investor confidence, threat of synthetics and recycled diamonds, diamond security and technology, and corporate citizenship.

6.6.2.1 Kimberley Process

The respondents identified the *Kimberley Process* (KP) as one of the risks in the diamond industry. KP is a certification scheme aimed at curbing illicit diamond trading, including that of blood diamonds (Even-Zohar, 2007). Respondents argued that, although the process is fundamentally right, it must be strengthened in terms of its ability to sanction. For example, one of the respondents said:

> We were talking yesterday about Marange diamonds in Zimbabwe that could not be exported because NGOs are not approving the KP certificate for the Marange goods. There's millions of dollars' worth of goods that are looking for legitimacy in Zimbabwe at the moment and it all hangs on a thin thread of getting a KP certificate that is reliant on one individual and you then worry that influence can be brought to bear and then suddenly the goods are legitimised with the stroke of a pen really and that worries me deeply. I think it stands to undermine the whole industry. Maybe we're too close to it; it's not yet something that you can read about in the newspaper as a Joe Average on the bus to work in the morning. It worries me deeply and that's where I'm least comfortable.

Most respondents believe that the biggest risk of KP is possible manipulation by the big nations and multinational NGOs to drive their political ambitions. The case in Zimbabwe is a good example, according to some of the respondents. Abbey Chikane conducted an assessment on behalf of the KP and found that the Marange goods were legitimate but his report was not accepted because the western countries wanted to drive their agenda of leadership change or for Mugabe to step down using KP certification as a basis. One respondent commented that KP needs to be strengthened "with more teeth", so it can stand

above politics and enforce more control relating to hygiene issues affecting the diamond industry.

According to one respondent, *Amnesty International's report on Central African Republic (CAR)* diamond mining and human rights issues pointed out that one of the main limitations of the world acclaimed *Kimberley Process* is that it only focuses on conflict diamonds and product stewardship and excludes human rights concerns associated with the mining. The report also asserts that KP tackles international trade in conflict diamonds and not the internal trade within countries and, furthermore, KP does not place any responsibility on companies to check their supply chains.

6.6.2.2 Money Laundering

Some of the respondents identified money laundering as a major risk in the diamond industry linked to conflict or blood diamonds and illicit trade. The respondent explained:

> It is the money laundering type things – goods go into Dubai and come out again with 100% value addition when they've spent five minutes there and nobody's done anything to them, it's that sort of thing. That isn't good. Is it illegal? That's the debate.

6.6.2.3 Investor confidence

The respondents identified investor confidence as one of the major issues requiring urgent attention. Some respondents stated that fund managers and analysts believe that the management of social and environmental risks has a positive impact on a company's long-term market value and further concluded that both fund managers/analysts and Investor Relations Officers (IROs) believe that social and environmental considerations will become a significant aspect of mainstream investment decisions over the next few years. Another respondent stated that the majority of IROs are convinced that the next three years will see more legal requirements imposed on companies for social and environmental reporting. Indeed, this has already happened for some companies that have been charged over environmental and health standards' violations in South Africa. For example, the Silicosis class action which is being debated by lawyers representing

the affected mine workers and those representing the mine owners (Van Rensberg, 2015:22). According to youth representatives, this case is very similar to the one won by the South African human rights lawyer Richard Spoor in 2011 in the Constitutional Court where Anglo Gold Ashanti lost the case with costs after a very long battle. This case established a legal right for mine workers to sue their employers for occupational diseases and related illnesses, including lung diseases.

6.6.2.4 Ethical Consumerism

Respondents identified ethical consumerism as an emerging challenge in the diamond industry. Ethical consumerism describes the way that buyers of products are increasingly becoming interested in how they were produced (Lamb, 2009). According to the *Diamond Insight report (2014)*, De Beers, *Forevermark* diamonds are marketed by focusing more on the promise that *Forevermark* diamonds are produced responsibly, are cut by the world's best cutters and are beautiful. According to one respondent, this promise is informed by the level of care and product stewardship invested in various stages of the value chain which translates into concern about bringing the best product and linking it with production integrity.

6.6.2.5 Corporate Citizenship

According to one respondent, positive corporate hygiene is achieved through good corporate citizenship. This is because most respondents believe that there is a positive correlation between the line of sales and a poor reputation. According to one respondent, sustainability and green mining are key to protecting the sources of raw materials to ensure that they are sustainable. One respondent asserted that having a licence to operate means meeting the needs of the present without compromising the ability of future generations to develop and prosper. The issue of morality when doing business in Africa was identified as a major issue in the diamond industry associated with corporate citizenship. Issues like the protection of basic rights for workers, artisanal miners, child labour, communities and freedoms that all humans should have – the right to life (employee safety) and liberty, freedom of thought and expression, and equality before the law are fundamental issues to be taken seriously in doing business in Africa in order to ensure cordial relationships with all stakeholders.

The youth representatives stated that corporate citizenship and better strategic relations with mining companies can be achieved through corporate contributions to education, improving community wellbeing in mining areas, both of which play a role in the financial success of businesses. While it is true that diamond mining historically in South Africa has been associated with some of the worst corporate reputation scandals like mass fatalities, racism and disregard of human rights, according to most respondents, it is also true that attitudes and practices have changed. Therefore, it is essential to manage perceptions so that stakeholders can see that corporate attitudes are changing with time. Gone are the times when it was perfectly acceptable for Cecil John Rhodes and some of his contemporaries to engage in unethical practices to win business concessions and to colonise huge areas in pursuit of gold. The perceptions must therefore be managed so that these issues, achieved in product success and financial performances, are not compromised. Stakeholders are also becoming increasingly activist ensuring that corporates are accountable.

6.6.2.6 Competition from Synthetic Diamonds

One of the as yet unquantified risks relates to increasing accessibility to luxury products other than diamonds. According to *Diamond insight report* (2014), these alternatives include synthetic diamonds and other luxury products including recycled diamonds and fake products. One respondent mentioned the shortage of diamonds as another variable that may give rise to synthetics in the future as a real alternative to natural diamonds. Another respondent (diamond retailer) said,

> If there is a shortage of supply, it will increase prices, so people will have to pay more to get the diamond. The consumer will have a ceiling or a threshold, above which they won't pay unless you are part of the super elite group. So there is a danger if supply becomes too limited that a) the consumer won't see the difference between the natural diamond and the unnatural one or their awareness drops, b) the prices become so high that even if they are aware of it, they just simply won't be able to afford to pay for it and then what you are doing is leaving a vacuum really for something like a synthetic diamond.

This situation is similar to the difference between cultured pearls and natural

pearls. If people cannot afford to pay $10 000 for a one carat stone diamond they may be able to pay $2 000 for a synthetic diamond. The South African consumer, and to some extent, consumers around the world, still look at price as a major factor that informs their purchasing decision. A respondent said,

> Okay, I need to buy this product but I can't afford it because it's way out of my league but let me buy this instead. You almost price yourself out of the market because you become too rare, too expensive, and not mainstream.

According to one respondent, "synthetic diamonds have the potential to be an issue; I don't think it is at the moment". One of the respondents said that synthetic diamonds can only be an issue in one segment of the diamond jewellery business, mainly the low to middle class, but the upper class "will still commit to the exclusiveness and will still pursue the genuine good quality diamonds". Another respondent confirmed the risk associated with synthetics and confirmed that the risk remained unchanged, new and proactive messaging from synthetic diamond producers stress the negative social and environmental impacts of mining through (a) carbon footprint, (b) ecology, and (c) social impact which prompted a discussion on the industry communication and risk management strategy. There is a mixed reaction on the impact of synthetics among the respondents.

6.6.2.7 Competition from Recycled Diamonds

The resale of diamonds also poses a risk to the industry (Lussier, 2014). Some respondents identified diamond recycling as a future issue for the diamond industry. According to one respondent,

> the recycling of diamonds may not be good for diamond mining industry because it would effectively mean that, yes, we would have diamonds that would be recovered from the mines, but we would have significantly more diamonds that would be recycled in the industry and it would be cheaper for people to buy recycled diamonds at the time than for them to buy diamonds that come from the mines.

Another respondent stated that, according to the Even-Zohar (2009) report on recycled diamonds titled *The diamond recycling dilemma: Boom or boomerang* (December 08, 2009:2), it is believed that

since ancient times, about 5.2 billion carats have been mined worth around $420 billion. That means there are 1.2 to 1.8 billion carats of polished stones that have been sold for approximately $900 billion to $1.2 trillion. If a diamond is forever, then there are an enormous amount of diamonds out there that could be recycled.

Another report by *De Beers Presentation on Recycled Diamonds* (2014) explains that 1.2 billion carats of polished diamonds have been sold to consumers over the last 40 years. It is believed that about 254 million carats were sold to the US market, 69 million carats to the Japanese market, 66 million carats to the Gulf market, 22 million to the Italian market, 20 million to the Indian market, 14 million carats to the Turkish market, 8 million to the French market, 7 million to the Chinese market, 7 million to the Taiwanese market and 3 million carats to the Hong Kong market (see Figure 36).

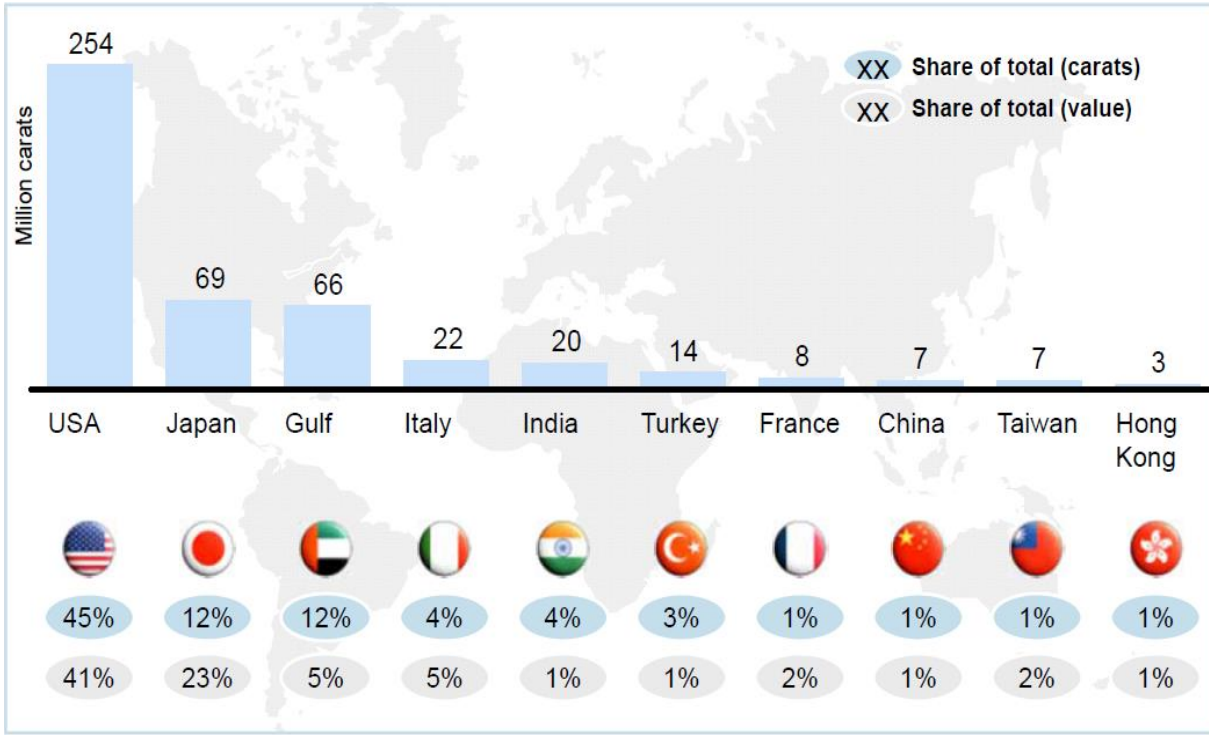


Figure 36: Polished Diamonds sold historically to the world market over the last 40 years
(Source: Diamond Insight Report, 2014:18)

Some respondents felt that the recycling of diamonds is heavily linked to the supply and demand future-trends scenarios. One respondent said,

> I think the issues of landscape in diamond trading are likely to shift towards trade-in of recycled goods. So they will reach a point where there are far more goods entering the marketplace that have been pre-owned, rather than new goods that are cut. Ultimately, the reputational issues that are likely to come about are probably those to do with the impact of reduced production in places like producer countries.

Another respondent said that the introduction of recycled goods could have significant consequences in most of the diamond producing countries. For example, Botswana, a rich, successful country, must diversify because diamond mining contributes more than 80% of the country's GDP (De Beers Group Sustainability Report, 2013). The respondents also noted that diamond cutting centres in India and elsewhere could collapse in the future due to lack of work, especially in places like Surat.

Many respondents appear to be relatively non-committal with mixed feelings about the recycling of diamonds. One respondent who is an expert marketer of polished diamonds said,

> I find it difficult to believe that a man would propose marriage or a free spirited woman in South Africa or anywhere in the world will celebrate their special moment with what is basically a second-hand diamond. Similarly, he is not going to celebrate a wedding anniversary, or purchase a special gift for a female member of his family with a piece of jewellery that came from an old piece of jewellery or maybe from someone who might have passed away.

6.6.2.8 Cyclical Nature of World Economy and Market dynamics

In terms of diamond demand, unlike other precious metals, the only source of value for diamonds is jewellery, as shown in the following graph (Figure 37).

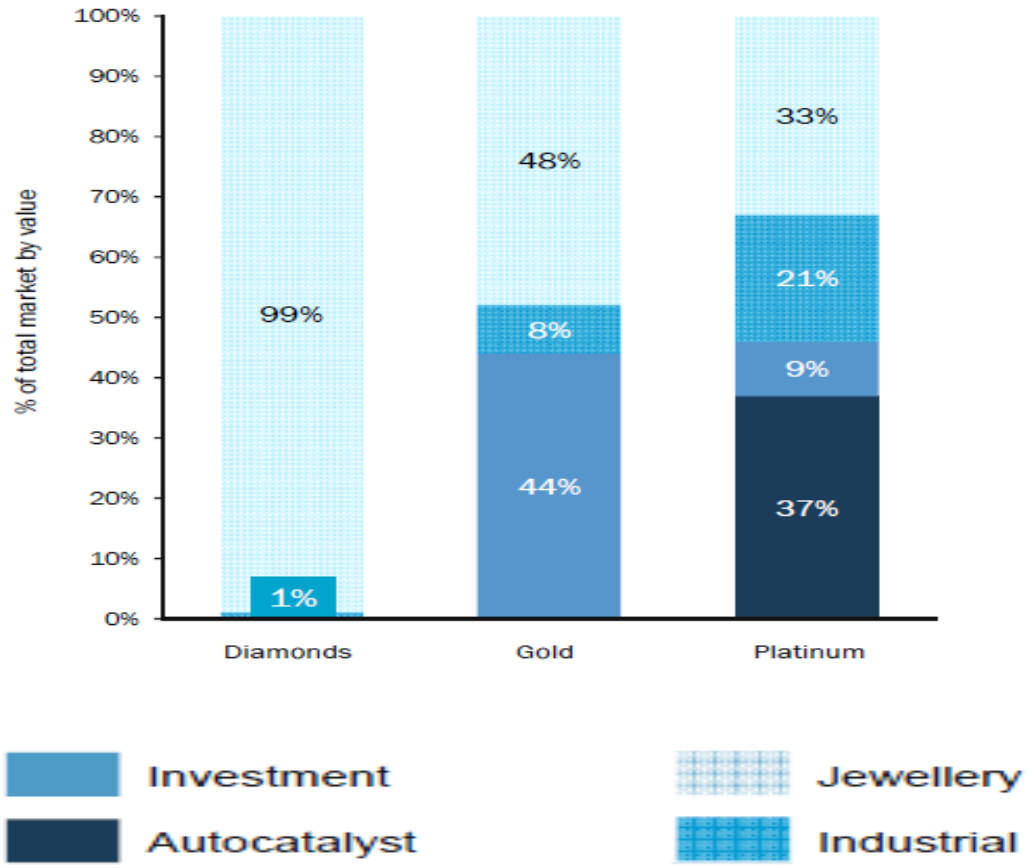


Figure 37: Demand sources for diamonds versus gold and platinum (Source: Diamond Insight Report 2014:21)

Most respondents agreed that growth and demand for diamond jewellery is strongly correlated to the cyclicality of global micro and macroeconomics. Some respondents stated that it appears as though the world is entering another phase of consumption. In this environment, there is a rapid growth of the middle classes in emerging economies. Forecasts for the growth in numbers of middle class homes in India and China are expected to reach around 130 million and 330 million respectively by 2025 (De Beers Presentation to Bankers in South Africa, 2015). The purchasing power of around half a billion middle class consumer households in these markets will need to be a major factor in the industry's decision-making in the years ahead.

One respondent stated that the macro-economic environment and trade outlook indicate further growth in diamond jewellery sales across all main markets. According to another respondent, there is optimism in the US, Chinese and Indian markets. According to *The Diamond Insight report* (2014), the Chinese market is

expected to pick up as the year progresses beyond the Chinese New Year and Q1. One respondent noted that the current low oil price and high consumer confidence, especially in the US, will continue to boost growth in demand for diamond jewellery.

According to the *Diamond Insight report* (2015), "2014 saw positive growth in consumer demand for diamond jewellery across all of the top five markets, which together account for about 75% of global demand". The growth amounted to almost 5% globally (*Diamond Insight Report,* 2015:12). Growth at current exchange rates was 3% due to the US dollar strengthening against the currencies of some of the main consumer markets. The US was the fastest growing market for diamond jewellery in 2014, up 7%, followed by China, up 6%. These are some of the highlights from the *Diamond Insight Report* (2014) in relation to different markets.

The United States

The US diamond jewellery market continued to grow at a robust rate, due to strengthening of the economic recovery, growing job numbers, an improving stock market and, towards the end of the year, declining oil prices, increasing consumers' spending power.

China

China was the second fastest growing diamond market after the US. Whilst this was slower than in 2013, it still represented substantial growth given the consumption base grew so rapidly in recent years. This slower pace of growth in diamond jewellery sales was due largely to the slowing down of the economic growth rate. Chinese consumers' growing preference for travel and luxury shopping abroad compensated for some of the domestic slowdown.

India

The Indian market returned to positive growth, up 3% in local currency terms, as government reforms began to take hold and improving macro-economics boosted discretionary spending. However, Rupee depreciation against the US dollar pushed the growth rate into slightly negative territory (-1%).

Japan

The Japanese market exceeded expectations, achieving positive local currency

growth (+2%), driven by the upsurge in Q1 spending prior to the consumption tax increase. However, the sharp depreciation of the Yen against the US dollar eroded that to negative growth of -11% in US dollars.

Gulf

The Gulf region, and particularly the UAE, saw lower tourist numbers and weaker spending from key overseas nationalities, such as, Russians and Chinese. However, demand from local residents was stable and grew in low single digit numbers.

Some respondents cited the shifting demographics of diamond jewellery demand as another challenge facing the diamond industry. According to one respondent, it is predicted that China and India will, in time, become the largest global consumers of diamond jewellery. Currently, the US is the largest consumer of diamond jewellery as depicted below. The US market was 41% in 2008 and is predicted to reduce in 2016 to about 37%.

Respondents agreed that growth in China is further exacerbated by the steep growing middle class which cannot be compared to anywhere else in the world. One of the respondents cited De Beers' sales statistics of diamond jewellery in 1993, 1997, 2000 and 2006 in different cities. The acquisition rate in Shanghai has grown from 0% in 1993 to 62% in 2006 (see Figure 38).

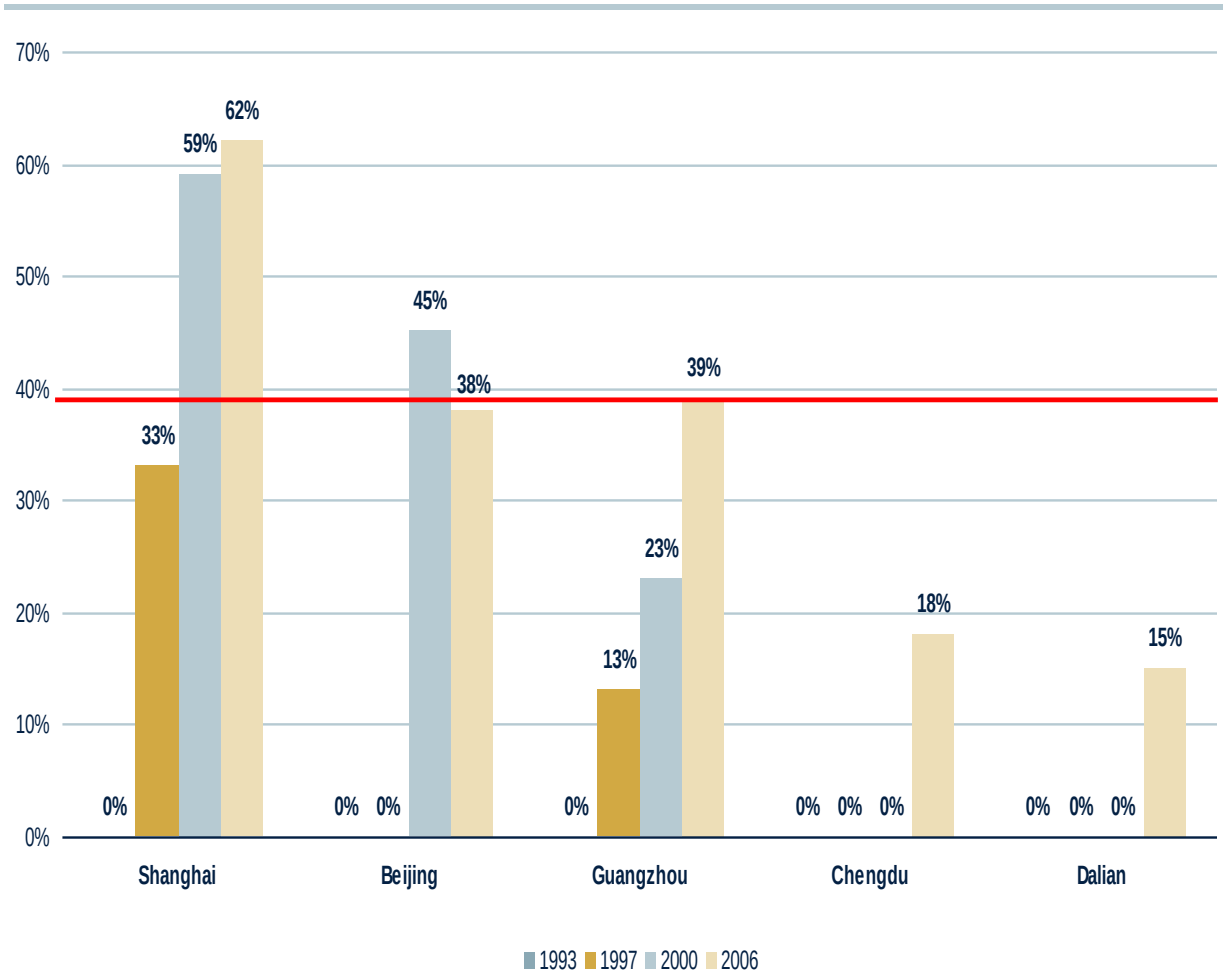


Figure 38: Demand Growth for Diamond Engagement Rings in most Chinese cities between 1993, 1997, 2000 and 2006
(Source: Diamond Insight Report 2014:11)

One of the respondents (executive) made the following observation relating to the changing demographics of the consumer base of diamonds:

> It's interesting when you think of the whole ethics base. The world diamond demand is moving much more towards China and India in terms of the market segmentation rather than dominate reliance on America. It is widely believed that Chinese and Indians' ethical issues are much less important to them, which is actually interesting – it's sort of counter intuitive – while from a Western point of view, they were all getting much more interested in governance and responsible business, etcetera. Research shows it hardly gets a look, in terms of India and China, they're not bothered. They are more bothered by perceived value for money. Will that change the whole ethical marketing spin? That's an interesting dynamic. As India and China become

> bigger consumers, is this a phase? (I would hate to have this played back to me because probably one should be burnt at the stake for saying this). You could make an argument that this is a reputational focus. Will it plateau or will it even diminish as the market moves from the US to the New World? I don't know, that's something. I pose that more as a question to your question, maybe it's not as dark and dramatic as that. I suspect there will also be a noticeable shift in what makes people buy diamonds. In the US it's all about love and emotion, in China and India it's an element of love and emotion but there's also a hard-core of value and that sort of enduring value. What is going to be the motivation for diamond purchases in five years' time is questionable. We in the West will still be increasingly more concerned with these issues and I think the debate will go fast. Will it therefore get to such a critical mass that it envelops the Chinese consumer, or will there be a dilution effect as they become a more dominate consumer? I think that is an interesting one to work through, I have no idea what the answer is, to be honest.

This is a clear reflection that growth of demand in China and India may bring new dynamics in the consumer debate in the future in terms of consumerism issues and consumer trends.

6.6.2.9 Diamond Security and Technology

Respondents agreed that diamond security and technology will remain critically important to support the whole value chain, including sustaining the supply to meet growing demand and in safeguarding the diamond dream from the risk of theft and weakening consumer confidence as a result of undisclosed synthetics and treatments to natural diamonds. One respondent cited the *Diamond Insight report* (2015) that pointed out that, with the slowly depleting reserves in existing mines and the search for new diamond deposits moving to more remote locations, the diamond industry will need to sharpen its technological advancement in order to navigate more complex environments as well as more complex security challenges. According to one respondent (investor), advanced technological improvements will have a direct impact on things such as efficiency, safety and security, all of which are vitally important when it comes to maintaining a sustainable supply of rough diamonds. Improved smart security systems and

access control have delivered a more secure environment for diamond mining and reduced instances of theft. One particularly impressive example of the use of technology in this area is Scannex, a system that allows a safe, full-body, low-dosage x-ray to ensure that no diamonds illicitly leave mining operations with employees (Diamond Insight Report, 2015).

6.6.3 Production and Product Integrity-Related Risks

Respondents identified legacy issues of the diamond industry and shortage of diamonds because of the lack of new greenfield operations in the recent past.

6.6.3.1 Legacy of Diamond Industry

The diamond industry has been around for more than 140 years in Africa and consequently has a legacy lasting more than a century (Davenport, 2013). The respondents identified the legacy of diamonds as a major current and long-term risk in terms of the reputation of the diamond industry. Most of the legacy issues identified the industry's association with monopoly industries, the South African Apartheid system, environmental destruction, exploitation of workers, bad safety track record, association with civil wars in countries like Sierra Leone, habitat destruction, mafia dominated industry, human rights abuses, corruption and child labour. One of the respondents (regulator) stated that

> Legacy issues are the things that dominated media in the past which the industry needs to manage right now in order to make sure that those things do not affect the future of our business.

One respondent stated

> … for example you wanted to apply for a prospecting right somewhere in the Free State and the Premier of the Free State remembers us as the mine that left the Jaggersfontein dumps, then the prospect will potentially cause problems for us.

In the Northern Cape, a local NGO, the Greater Kapa Bokone Community Trust (2015) comprising young people from the Northern Cape, filed a criminal and civil case against De Beers in January 2015. They are suing De Beers for a legacy of gross human rights violations, illegal gains and profits acquired through fraud and,

among others, are demanding compensation amounting to 1 trillion pounds (www.gopetition.com/petitions/greater-kapa-bokone-community-trust-de-beers-petition.html). In the Namaqualand area, local residents are demanding new opportunities beyond De Beers' existence in the area. The diamond industry needs a quick way of dealing with its legacy. The legacy of mining remains a major issue in the diamond industry that requires serious attention. According to one respondent, the issues of the legacy of mining can best be described by a letter written to De Beers, dated 30 June 2011, directed to Sakhile Ngcobo and copied to the Minister of Mineral Resources, Ms Susan Shabangu and all her executive officials, including the Regional Manager of DMR by Benchmarks Foundation, relating to the sale of an old De Beers' mine on the West Coast of South Africa, Namaqualand Mines. The foundation made the following observations after the announcement by De Beers that it will sell its Namaqualand Mines:

- Benchmarks Foundation predicted in its report in 2009 that De Beers will renege on its environmental and social responsibility through the sale of the Mine;
- Concerns about the socio-economic impacts of Namaqualand region once the mine is sold or closes;
- Concerns about complete consultation with the local communities;
- Communities to be properly informed about the future of the mine and its closure implications;
- Requirement for greater community participation in the mining activities in NM;
- The "so called AURORA Scenario" be avoided at all costs; and
- Concerns about the financial guarantees and financial provision for mine closure costs.

Some respondents raised another legacy problem, that of housing in the mining industry as a major issue impacting negatively on the employees in the mining industry in South Africa. In South Africa, 61.3% of households surveyed in 2011 (Statistics South Africa, 2014) owned the homes they were living in. According to one respondent, De Beers conducted a survey to look at the housing issues of its

workforce. It suggests that there is a significantly lower level of ownership among semi-skilled employees, for example, 98% of the De Beers sample live in (backyard) shacks. The study (De Beers Employee Engagement Survey, 2013) suggested that the projected demand for home ownership among De Beers total population of semi-skilled employees is estimated at 730 units – (52 for Kimberley, 470 for Musina, 208 for Kroonstad).The baseline survey was conducted at Venetia, Voorspoed and Kimberley/DTC incorporating a random sample of 236 (23%), semi-skilled employees (statistical error rate 5.6%).

6.6.3.2 Shortage of Diamonds

A respondent identified the shortage of diamonds as a risk in the diamond industry. The scarcity of diamonds is caused because of a lack of new diamond pipes found in the world. It is anticipated that rough diamonds will be a very scarce resource which will push up the price for those who can gain access to them financially (Diamond Insight Report, 2014). De Beers has done extensive research on this topic. Figure 39 below shows that, after the discovery of Canadian new operations, the world has not discovered any new mines except the current expansion investment by De Beers of more than R20 billion in its Venetia Mine in South Africa which was officially opened by President Jacob Zuma in November 2013. According to one of the respondents, “No new material production is expected to come online in the near future in spite of the significant investment in the diamond exploration in South Africa.” According to the Diamond Insight Report (2014), since 2010, no new mines have been opened anywhere in the world (see Figure 39).

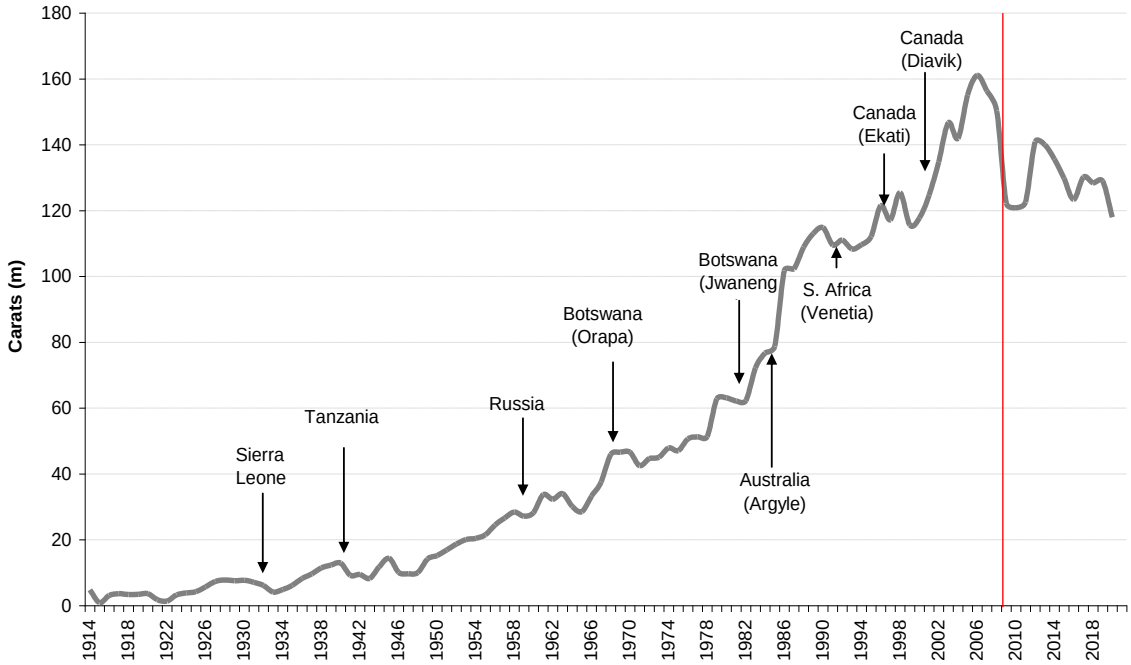


Figure 39: Diamond Mines Opening around the world (Source: Diamond Insight Report 2014:19)

Another respondent linked the challenge of the shortage of diamonds in the future to diamond exploration challenges. It is estimated that, based on the last 140 years of exploration, out of 5 000 Kimberlite samples that have been discovered, 850 of them contain diamond material (diamondiferous) but only 50 of these can be mined economically while only three are known to have resulted in major mining operations with significant returns to the shareholders (Diamond Insight Report, 2015).

6.7 Research Question Four: Effects of Corporate Reputation in the Diamond Industry

In answering this question, in line with the sub-questions, the focus for identifying the effects will be presented from a perspective of investor confidence, employee engagement, diamond purchasing decision-making, customer attraction and loyalty, community relations and stakeholder management.

6.7.1 Investor Relations

There was consensus that a positive corporate reputation has an impact on

investor confidence in the diamond industry in South Africa. Respondents stressed that local and foreign investors would not invest in a company engaged in practices that are below the moral threshold. This view was also echoed by one respondent who stated that

> if the business had a bad reputation, I would ask myself about the sustainability of this business. A business with a negative reputation is guaranteed to have challenges in the future. If my reputation was terrible as a business and I had to go and ask the regulator for something, I know it will be extremely difficult for me to get that thing. Let's assume that I wanted to grow and needed a licence, it will be extremely difficult for me to get this licence. As an investor, I would think twice. I would have a look at the issues and ask myself about the sustainability of this business. If it was a combination of that plus bad leadership, I would not look at investing in it.

Respondents felt that investors will not invest in a highly profitable business because of its poor reputation. The evidence for this is difficult to find but clearly most investors would shun blood diamonds and would want to be associated with good, reputable companies which give them confidence.

6.7.2 Employee Engagement

Respondents identified that employee engagement has a positive effect on corporate reputation. According to one respondent (executive),

> employee engagement can be defined as the extent to which employees commit to something or someone in their organisation and how hard they work and how long they stay as a result of that commitment.

The following diagram illustrates the philosophy of employee engagement based on two types of commitment, four focal points of commitment and outputs of commitment both in terms of discretionary effort and intent to leave (see Figure 40).

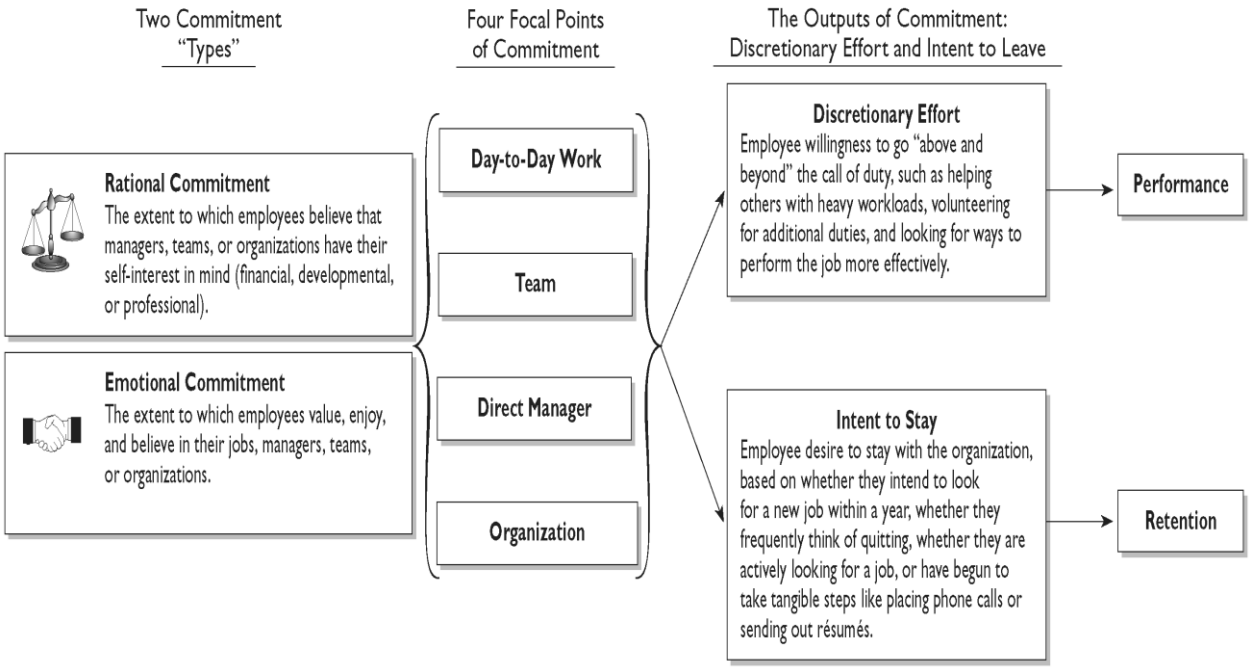


Figure 40: Effects of Employee Commitment to Organisational performance and staff retention
(Source: De Beers Employee Engagement Survey 2013:36)

A respondent felt that

> If the company's culture of engagement is visible, obviously people will talk about it; will identify with it and they will want to be associated with that type of culture but if it's not there, people will feel disconnected.

People do not resign from the mining industry due to its reputation, although it happens in other sectors. The financial sustainability of a company is, however, a cause for resignations. A respondent said that

> diamond industry employees want to work for a company that has a good reputation, [is] sensitive to its environment and its people; a company that looks after its people whether financially or in terms of career; that looks after the community within which it works; and that is seen to be delivering on the countries' strategic issues, like transformation, skills development issues, your supplier relationship building. If your company is showing its responsibility towards those various stakeholders, then people feel more comfortable working for a company like that and are therefore rationally and emotionally committed.

Most respondents believed that highly engaged employees contribute to the

overall performance of the organisation. This assertion is well aligned with Figure 41 where companies with higher levels of engagement from their employees experience higher operating margins.

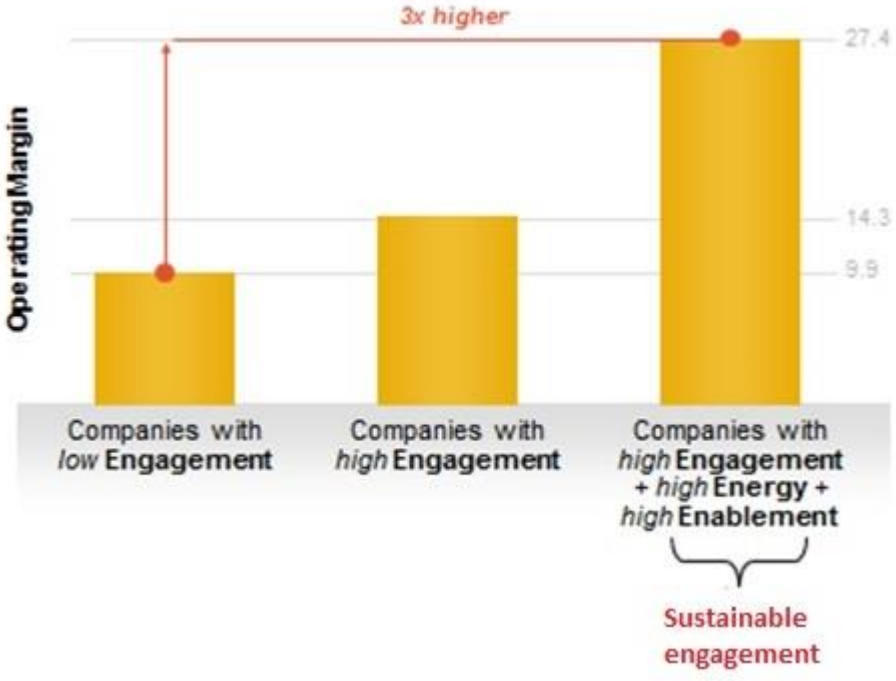


Figure 41: Employee Engagement Model
(Source: De Beers Employee Engagement survey, 2013:14)

6.7.3 Diamond Purchasing Decision-making

There was a mixed response to the effect of corporate reputation as a differentiation strategy with significant impact in influencing consumer behaviour during the diamond purchasing decision-making process and on the price of the product.

One of the respondents (consumer) said:

> As a consumer, I don't think it does have any effect on consumer's purchasing decision. I think things like corporate reputations associated with doing good in communities and to the environment are nice to have, but they are not a deal breaker. It's nice to know I'm buying a *Forevermark* diamond that's linked back to De Beers, which is the company that does projects like build schools, and supports hospitals. It's a nice to have, but that is not a reason not to buy a product, nor is it a reason to buy a product. Equally the things you talk around – restructuring, whatever, I don't think consumers are effected by that – swayed one way or another. Where I think those things are important is

> around the relationships with other stakeholders, with employees and with governments. It's very well to target your consumers, but you actually first have to work with your employees. If your employees don't believe in you, your brand or what you are doing, then you will very quickly lose your skills, from an employee retention, which will then have an impact. But from a consumer point of view, the key drivers [are] around exploitation, environmental issues, government issues, child labour in the factories, best practice principles, all those sort of things.

There was a mixed reaction to the question whether consumers would pay a premium price on the products or services from a company with a good reputation. According to one respondent (diamond retail), "The high end upper-class consumers are likely to be influenced by the reputation of the product". One of the respondents from the low-end consumer segment commented:

> Let me tell you the truth. Some of the high-end consumers, the answer would be yes but me being me right now, the answer is no, I wouldn't. If it was exactly the same product, then I wouldn't pay more. I'm just telling you the honest truth, I wouldn't. So for me, it would go back to the actual product itself, its characteristics, especially quality, as a major consideration. If it was exactly the same product, I wouldn't. It's just like me going and buying an LG big screen TV – why would I buy it at one shop and pay significantly more whereas I can buy it at another credible shop at a slightly lower price. I'm telling you the truth now.

Another respondent (executive) said:

> Personally I would, but it would have to be part of the marketing mix. It would have to be a good quality product, it would have to be part of all that. For me, on its own, it wouldn't be a reason why I would buy something but … with a bad reputation, it would be a good reason why I wouldn't buy something.

According to another respondent (consumer):

> Yes. Paying a premium on the back of doing good makes you feel good, the status that comes with it. If you are talking a Shimansky product – if you know the information, how it started, how they designed their products. If it's a bad company, you don't want to be associated with it.

Respondents also felt that reputation does not affect demand for the product so that the impact of the movie *Blood Diamond* was muted. Consumers do not ask questions when they enter the diamond store but they are concerned with specifications. Reputation does however affect customer attraction and retention. High end consumers are affected by reputation, but not the low end. *Nike* was heavily criticised for using child labour but when high end consumers retreated, low end consumers filled the gap so that sales did not decline. Ordinary consumers who were dreaming of wearing *Nike* labels saw an opportunity.

Some respondents stated that the *Kimberley Process* (KP) does not affect purchasing decision making. According to one respondent (analyst),

> KP only applies when selling rough diamonds, and therefore doesn't actually work through to a polished stone. Once the stone has been polished then you lose its origin because a polished stone looks like any other polished stone.

Another respondent (regulator) offered the comment that

> the Kimberley Process has done about enough and consumers have shown that they are not massively affected by these things, but certainly they add to the weight of ethical issues so I think it's a little more productive to break it down into a series of individual ethical issues, none of which are able on their own to impact the market, but collectively they might**.**

One respondent noted:

> I will tell you about something that I heard about, by the way, when I got to Kroonstad first and foremost. When people heard that De Beers are going to open up a mine in Kroonstad, a lot of people started applying for jobs and the key reason was because of the reputation of De Beers in South Africa. The people looked at De Beers, they saw a future for themselves, and that's actually the reason why a lot of people applied.

6.7.4 Customer attraction and loyalty

There was consensus that positive corporate reputation in the diamond industry has an influence on customer attraction and retention. The nature of the business determines the value of a good reputation. For example, the oil industry has

reputation issues associated with pollution in areas such as Nigeria, wars in Iraq and human rights abuses in some Middle East countries but, because the industry is regarded as an essential industry, reputational issues have not affected its profitability. According to some respondents, the impact of reputation on the oil business is low. However, diamonds are different, they are not a necessity but a luxury, a discretionary product and are non-essential to day-to-day life. Consumers can very easily leave the category and still be able to continue with life. One respondent (practitioner) stated

> In the diamond industry, reputation has a far more direct link to our ability to sell our products than it would if we were an oil company. While a lot of people complain about BP in the Gulf of Mexico or Texaco in Iran and Iraq, they wouldn't think twice about popping into a Texaco or BP petrol station. Where somebody complained about conflict diamonds in Zimbabwe or De Beers' involvement in Sierra Leone 10 years ago or Liberia, consumers will think twice about going to buy a diamond.

Some respondents, who are marketing or brand experts, argue that corporate reputation does matter because consumers are attracted by positive images. However, the warm glow from marketing must not be confused with the principle reason for the purchase. Good reputation also makes it easier to access finance and lines of credit from bodies such as the World Bank. One of the respondents stated that a good reputation brings trust and confidence as a company does not have to go "the extra mile" to impress. This assertion is further supported by *The Diamond Insight Report* (2014) which predicted that brands will become more important as a differentiation factor in terms of diamond purchasing going forward. According to the *Diamond Insight Report* (2015), diamond products are generally a non-branded category, despite an obvious increase in interest in branded products from consumers all over the world. Claimed acquisition of branded engagement rings in the US has risen sharply – from just 7% of consumers in 2002 to three to five times that level in 2011 and 2013, respectively. It is well known in the luxury goods category that brands like LV, Dior and Chanel are growing quickly. In China, traditional branded jewellers, such as Tiffany and Cartier, have seen a jump in claimed brand-acquisitions of eight to nine times by young middle-class consumers since 2008. According to one respondent

(consumer), De Beers *Forevermark* has experienced rapidly growing retailer and consumer interest since its launch in the US in 2011.

Most respondents believed that sustainability and competitive advantage can also be linked to positive reputation. One respondent gave the following account:

> The main point is that, in the luxury goods sector in particular for diamonds, reputation is capable of having a consumer behaviour rather than investor behaviour because we are dealing with discretionary products. For example, fur coats are no longer worn in the UK and US because they are seen as unethical. The product is directly related to the reputation of that actual industry. However, with things like oil and all the rest which are not luxuries, people will buy them no matter what they think.

6.7.5 Community relations

Respondents concurred that positive corporate reputation leads to better relations with local communities. Most respondents agreed that good community relations are very important in the life of a mine. One respondent (community representative) stated that

> good community relations have a halo effect. If you have good community relations in one place, communities elsewhere will be far more likely to work with you. But the bottom line is in terms of managing specific community relation issues that other communities will always be on a case-by-case basis, they will always be 'what's in it for me?' and how does that individual community engage with it and, more generally, it's one of the areas that consumers respond to. If De Beers is mining diamonds and has to kick out a big community of Bushmen in the Central Kalahari Game Reserve in order to do so, that will have a clear negative impact on our ability to do business and our ability to write sales.

6.7.6 Stakeholder Relations

Respondents concurred that a positive corporate reputation assists significantly in building better relations with key stakeholders, including customers, investors, communities, NGOs and regulatory authorities.

Respondents believe that positive relationships with key stakeholders in the South African diamond industry can facilitate better chances of business success by:

- Enabling easy access to rights for new mining resources;
- Contract negotiation;
- Resettlement of indigenous communities; and
- Faster approval of Environmental and Community impact studies.

Some respondents stated that companies, in general, are viewed differently by governments. One respondent (youth group member) stated that, for example, De Beers is viewed differently from other diamond mining companies like Petra and Transhex. One respondent who works directly with government said:

> Yes, I can tell you now. Let me talk about local and provincial government, I definitely do get better treatment because I can go to see government officials at short notice, I will see anyone in that office immediately. Where else if it was somebody else, somebody from other diamond mining companies with bad reputation, they wouldn't. So yes, I have to say I do get preferential treatment. I think even if I want to speak to Director General, I have his number, his home address, I know his family and this is backed by a personal relationship that goes a long way.

Another respondent (investor) felt,

> Yes and no, depending on the nature of your business. In terms of getting government relations, in terms of dealings with government as a regulator – absolutely it has benefits. Good reputation is massively important to us in terms of import taxes and export taxes. In terms of a positive reputation – government relations with producer partners, it can be a business, a disadvantage in that if you take, for example, our partnerships, the fact that we have such a beneficial relationship with the Botswana government, it means that it's likely that places like Angola will ask for agreements we have with them to be structured in the same way and that may well end up very unprofitable.

Another respondent (investor) argued that

> I'm not sure preferential treatment is probably the right way of saying it. We are known to embrace corporate reputation, corporate social responsibility. I think that opens doors for us. I think at the end of the day you're competing on an equal business footing. I think it adds to our credentials. Does it give us preference? I'm not sure I would put it that way in those words but I think it is

> important and it does mean quite a lot. I think it enables us to do business at the highest level and that can be the highest level in government or in corporate and civil society. I'm not sure it gives us preferential treatment or it opens doors for us.

Another respondent recalled that new mining rights may be refused or subjected to a delayed response if the relevant mining company has a bad reputation in spite of the fact that it is demonstrating adequate compliance with the applicable Mining Charter at the time the application is made following a decision to move from a prospecting to a mining phase.

In summary, the respondents agreed that a good corporate reputation is important in the diamond industry in order to achieve goals, redress the negative legacy of the diamond industry especially on the upstream side, remain competitive and prosper. The respondents agreed that a good and positive reputation paves the organisational path to acceptance and approval by stakeholders. It also underpins competitive advantage by demonstrating distinctive differences from other similar organisations. The benefits of a positive corporate reputation are an intangible asset contributing most to overall corporate success through the following areas:

- supports premium pricing (only in the upper or premium segment) and product quality;
- aids staff recruitment;
- improves access to financial resources and attracts investors; and
- fosters the continued expansion of excellent companies.

6.8 Research Question Five: Management Approaches to Corporate Reputation Management in the Diamond industry

The respondents shared the following views regarding the role of communications/external affairs/public relations departments as a strategic department responsible for co-ordinating corporate reputation management actions in the diamond industry in South Africa:

- CEOs and Board members value external or public relations departments as an essential cost of doing business in South Africa and essential to business performance, security of licence to operate and organisational

performance;

- Executives and directors do not feel that communication, external affairs or PR effectiveness is amenable to precise measurement, being long-term and iterative in effect, or being an aid to avoiding surprises or mistakes;
- Directors do not feel a great need to demonstrate a return on their investment in PR in monetary terms except on specific issues relating to the cost of not having a mining or export licence;
- Directors and CEOs felt that PR experts need greater self-confidence in the use of available measures but, more importantly, better training and preparedness to argue the value of the business and organisational contribution they make;
- CEOs recognise a shortage of talent and expertise among practitioners, which – if addressed – would also answer questions about the value of public relations practice. The majority of those interviewed referred with confidence to their own advisers;
- CEOs feel that there is under-investment in the practice of public relations;
- All the directors and executives interviewed, especially CEOs, felt they owned corporate reputation – and it is part of their key performance requirement by their respective boards and shareholders; and
- Directors and reputational experts believe that there is a correlation between overall corporate reputation and the CEO's personal reputation. The *Reputation Institute report* (2016) claims that 40% of a company's reputation is linked to its leaders in the form of an executive chairman or CEO.

The respondents acknowledged that diamond companies have realised that there is something worse than losing money – and that is losing their reputation, their licence to operate, water permit, mining right, goodwill and good relationship with stakeholders. A positive reputation reinforces trust with most stakeholders. Reputation is valuable and is recognised as an intangible asset; it comes from consistency in values which builds trust. This means that a reinforcing argument can be applied to the integrity of social groups or companies. If you have the trust of stakeholders, you have legitimacy. It is legitimacy that enables a company to enjoy a reputation. One can have a highly successful business and make a lot of

money without a good reputation, in the short term. If you want a sustainable business, a good reputation is critical. Reputation is critical to sustainability. A lot of people generate small fly-by-night businesses, make a huge amount of money in a short time and then disappear, but those are the unethical values and that is why they are not sustainable.

The following tools to manage corporate social impact and general community relations as well as government relations were recommended by the respondents:

- *Anglo American Socio-Economic Assessment Toolbox Version 3* (www.angloamerican.com). This toolbox is a well-researched document that is recognised by many multi-national NGOs such as *Care International*, *Fauna and Flora International* and *International Alert*, to name a few, and various South African NGOs and Corporate Reputation practitioners. It comprises seven steps: step one focuses on profiling the operation and evaluation of its impacts; step two focuses on profiling the local communities and the development of the stakeholder engagement plan; step three focuses on an assessment of issues and impacts; step four focuses on the recording of grievances and complaints, conflict assessments, resettlement planning and contract management; step five focuses on identification and recording local procurement opportunities, local institutional capacity development, development and implementation of micro-credit for local small businesses and support for low-cost housing; step six involves tools for developing a social management plan; and step seven provides tools for writing a SEAT report and sharing of the results.
- *Anglo American Government Relations handbook* (www.angloamerican.com). This toolbox is also another well researched document which is extensively used by the Anglo American group of companies around the world. It also has seven steps with 13 tools. The first step focuses on situational analysis and current state; step two on the definition of the future state; step three on identification of key objectives; step four on identification of milestones and key performance indicators; step five on strategies to address key issues; step six focuses on production of the action plan; and step seven on finalisation of the

government and issues management plan. The thirteen tools include tool A: situation analysis; tool B: identification of issues; tool C: influencer mapping; tool D: performance measurement and reporting; tool E: processing complex issues; tool F: partner of choice projects; tool G: choosing engagement techniques; tool H: communications and government relations; tool I: partnerships and memberships; tool J: advocacy through third parties; tool K: working with industry partners like the Chamber of Mines; tool L: use of lobbyists/political consultants; tool M: preparing a brief for CEO/senior manager; and tool N: developing a partnership with NGOs.

CHAPTER 7
DISCUSSION OF QUANTITATIVE AND QUALITATIVE RESULTS

7.1 Introduction

The purpose of this research is to describe various constructs of corporate reputation, identify key industry reputational challenges and risks, evaluate key effects of corporate reputation and finally to review the effectiveness and relevance of the existing corporate reputation management initiatives in the diamond industry in South Africa. The previous two chapters of this thesis presented both quantitative and qualitative results from the questionnaires and individual semi-structured interviews.

This chapter discusses the results of this research as presented in Chapters 5 and 6. In Chapter 5, the results of the quantitative component of this study were reported and Chapter 6 reported on the results of the qualitative component. This chapter discusses salient points emerging from the previous two chapters as captured in line with the research questions.

7.2 Definition of Corporate Reputation

The quantitative results in Chapter 5.2 showed that the most popular definition of corporate reputation in the diamond industry amongst all the respondents is the following:

> Corporate reputation is a perceptual representation of a company's past actions, as well as future prospects.

This finding is aligned with the conclusions from many corporate reputation studies that state this as the commonly utilised definition (Tracey, 2014). After conducting additional analysis of different stakeholder preferences, it emerged that there are some noticeable variations in what different stakeholder groups define as corporate reputation. For example, community representatives, labour unions, media houses and corporate reputation experts or practitioners preferred the definition which reads:

> Corporate reputation is the observers' collective judgements of a corporation

based on the assessments of the financial, social, and environmental impacts attributed to the corporation over time.

While *o*ther stakeholder groups ranked the following as the most preferred option:

> Corporate reputation is a perceptual representation of a company's past actions, as well as future prospects.

The qualitative results in section 6.2 showed that there is no single common and acceptable definition of corporate reputation in the diamond industry instead it proposed different themes that best capture the definition from different stakeholder groups. Those themes were perception-related, organisational actions (doing-good related), image-related and assessment-related. These are some of the examples used by various stakeholders from different perspectives:

> Corporate reputation is the summation of all the beliefs and attitudes that a wide group of stakeholders, call it the public to be broad, when one gets into the details of who the stakeholders are. It's the summation of all the beliefs and attitudes, they could be accurate, they can be inaccurate. All those things together form up what is the reputation of the company.

> Corporate reputation is the image of the company in the eyes of the public. People either believe it's a good company or a bad company, irrespective of the business they are in. It is more about how they behave. Are they responsible corporate citizens, are they seen to be a fair company, do they generally improve the world? That's what reputation is all about, it's what people think of your company.

Both the quantitative results and qualitative results concluded that different stakeholders have different interpretations of what corporate reputation means, though there was consensus on the key features and attributes related to the definition of corporate reputation. Those features and attributes include perceptions, intangible assets for the corporation, admiration, assessment of corporation actions over time, stakeholder experiences and relationships with the organisation.

The above variations are consistent with the notion that there is no consensus amongst all stakeholder groups on the most suitable definition of corporate

reputation as stated by Dowling (2016) and Barnett et al (2006). These findings further confirmed Fombrun et al (2015), Flynn (2006), Wartick (2002) and Feldman et al's (2014) three distinct clusters of the meaning of corporate reputation which is to define it as an *asset* (economic asset and/or intangible asset); as a *state of awareness* (collective representation of past, current and future actions and/or aggregate of perceptions); and *as an assessment* (gauge of the firm's relative attractiveness and/or general firm's esteem). This confirmation is aligned with Dowling's (2016) definition of corporate reputation as the admiration and respect a person holds of an organisation at a point in time.

This research has also revealed that different groups of people will evaluate corporate reputation of an organisation differently as stated in the literature review by Barnett et al (2006) and Bromley (2001). This study concurred with research by Satir (2006) that assessed whether corporate reputation can be analysed or not and found that corporate reputation cannot be explained by only one experience, contact or impression. For example, investors will evaluate corporate reputation from a point of view of its investment potential, while communities will evaluate a firm's reputation on the back of companies' activities in their communities.

7.3 Key Components of Corporate Reputation in the Diamond Industry

Quantitative results concluded that all the components, as derived from the literature review (Lloyd, 2007; Sequeira et al, 2015; Kaul & Desai, 2015), are also relevant in the diamond industry. Those components are: corporate legitimation, corporate brand, corporate identity, corporate communication, corporate image, reputation management, corporate leadership integrity, ethical product stewardship and corporate social responsibility.

The qualitative results concurred with quantitative findings that most of the identified components are also relevant to the diamond industry but added new components such as mine safety leadership, public trust, transparency, corporate social responsibility and the legacy issue.

Qualitative and quantitative results identified corporate legitimation, corporate brand, leadership integrity, corporate communication, mine safety leadership, public trust, legacy issues, transparency, corporate social responsibility and

corporate identity (Figure 42)



Figure 42: Key Components of Corporate Reputation in the Diamond Industry (Source: Researchers own construction, based on the outcomes of this research)

7.4 Drivers of corporate reputation in the diamond industry in South Africa

Quantitative results concluded that the industry valued fair treatment of employees, customer care, community care, profitability, compliance with national and global laws, innovativeness, good relations with stakeholders, quality of products and services, strong adherence to good corporate governance, brand presence, quality of leadership, environmental protection and transparency.

Qualitative results identified similar key drivers of corporate reputation as with quantitative analysis. The findings from both the quantitative and qualitative results concur with the literature review as stated by Schwaiger (2004) and Reputation Institute (2016) on corporate governance, environmental care, organisational financial performance, quality of product and services, leadership

credibility, brand equity, stakeholder relations (acceptance), compliance with global best practice principles like human rights principles and Kimberley Process, leadership credibility, corporate social responsibility and public social license to operate (general acceptance). It further gave key examples of stakeholder relations that are attributable to these drivers, such as stakeholder relations, the quality of relationships with key stakeholders like governments, NGOs, media, local communities and labour unions.

It was clear that different stakeholders will have very different drivers of corporate reputation in the diamond industry. For example, for consumers, according to several respondents, there are only three critical drivers for corporate reputation which are product quality, brand status and corporate social responsibility. This was clearly cited in the following comment from one of the respondents.

> The key driver of your brand reputation is the product that you produce and the quality associated with it and that's pretty crucial. The second thing will be more broadly the question of, well that's what I produce and that's the most important thing, and interestingly, the more well I know the product and the higher the quality, the more people assume that the CSR activity, what I call the way in which you make the product, is also better. So those whose name you are more familiar with, you have less of an issue with them, you associate them with also being the way in which they made the product, the community impact, etcetera. That then becomes second. So your product is the number one driver and the number two driver is the way in which you make it and then probably third is your overall awareness level. The more well-known you are, the more you assume to have these issues under control.

The following model is developed as an outcome of this study with the four critical drivers of corporate reputation in the diamond industry. Those are leadership and performance, product and services, social license to operate and corporate citizenship (Figure 43).

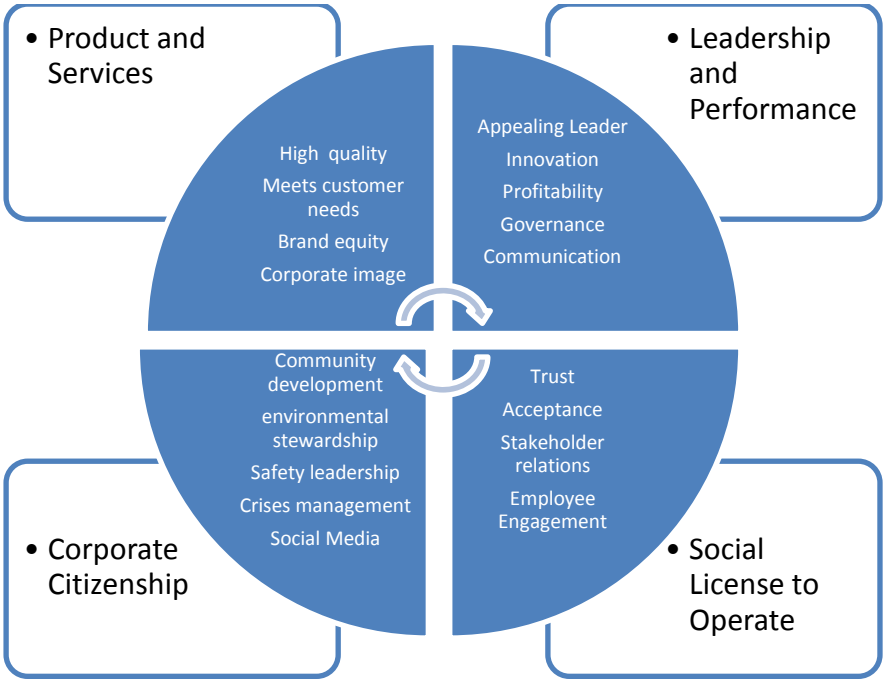


Figure 43: Four drivers of corporate reputation in the diamond industry (Source: Researchers own creation based on the research findings)

7.5 Key Perceptions of the Diamond Industry

Quantitative results highlighted the following key positive and negative stakeholder perceptions of the diamond industry in South Africa: an ethical industry, caring, investment heaven, secretive environment, operations historically have contributed to human degradation and spread of HIV/AIDS because of the hostel system, respected industry, contributes to Millennium Development Goals, world class, good relationship with stakeholders, motivates its employees, customer orientated. The respondents were neutral on perceptions including non-co-operative, unethical in its conduct, untrustworthy, associated with illicit diamonds, and associated with mass human rights violations. The quantitative results inclined more towards the positive perceptions of the diamond industry in South Africa with very few negative perceptions, like secrecy and the contribution of its operations towards human degradation. The qualitative results, on the other hand, slanted more towards the negative side of the reputational capital. These are some of the negative statements: secretive and controlled by a few, monopoly industry, involved with artificial price fixing by controlling its London stock pile of rough diamonds, lack of transparency on payments that are made to governments, ill treatment of mine workers, slave and child labour associated with artisanal mining

in the DRC and Zimbabwe, diamond mining epitomises the historical racial divisions in South Africa, mining companies not doing enough to develop mine communities. There were also a few positive perceptions like the diamond industry is a world class industry, a global corporate leader, has the world's best Private-Public Partnership model in Botswana, *Diamonds are good for Africa* and excellent safety record in South Africa

These perceptions demonstrate that the diamond industry needs to do more in managing its reputation. This is aligned with industry corporate reputation practitioners like Prager (2012) and Lussier (2014) who argue that the diamond industry needs to invest in building its reputation holistically. The issue of lack of community benefits remains a critical challenge for the mining companies in general. According to Govindan et al (2014), mining industries receive significant global attention due to the nature of their environmental and social responsibilities. This research has highlighted the need to manage public perceptions by adopting various reputation management actions that are being discussed in this study in the reputation management section.

7.6 Key Reputational Risks and Challenges in the Diamond Industry

> The main challenge for the mining industry is to clearly demonstrate that it contributes to the welfare and wellbeing of the current generation, without compromising the potential of future generations for a better quality of life. (Azapagic, 2004:640).

This research has revealed that the diamond industry in South Africa faces significant risks and challenges which puts the corporate reputation of this industry at a crossroads. Diamond companies are expected to manage unique South African operational complexities coupled with tough legislative requirements and the most challenging stakeholder relations while still operating in the context of global consumer pressures.

Quantitative results identified the following key risks in the diamond industry: labour unrest, worker exploitation, diamond theft, illegal diamond trade, mine closures and associated environmental and social risks and concerns, beneficiation, artisanal mining, reduced gem supply, human rights concerns,

energy restrictions because of load shedding, policy uncertainty, monopoly, tough regulations' imposition, collapse of the Kimberley Process, increased costs of mining diamonds in South Africa, political instability, nationalisation of mines, increased NGO scrutiny, negative publicity, blood diamonds, affordability of diamonds, synthetics, China overtaking the world markets, mineral wars, wealth gaps among community members, illegal mining and high unemployment in many rural communities. The quantitative analysis did not see a higher demand for diamond jewellery as a major risk, but factored in the rise of China and recycled diamonds as potential future risks.

The qualitative results identified the following additional reputational risks in the diamond industry: resource nationalisation, investor confidence, ethical consumerism, corporate citizenship, regulatory uncertainty, rising production costs on the back of the increasing labour costs and double digit increases of electricity costs, negative industry perceptions, rise of social media, job security associated with the ongoing retrenchments in most mining companies, high inequality in many mine communities coupled with high unemployment and high levels of poverty, mine health and safety, effectiveness of ESOPS, equity participation and Community Trusts, illegal mining, poor access to procurement opportunities by woman and youth groups, employee engagement, climate change, carbon tax and developmental price, unsatisfactory compliance with mining charter and the legacy of the diamond industry, especially in areas where it ceased to operate, as in parts of Kimberley, Namaqualand, Koffiefontein, Marsfontein, Jaggersfontein and Oaks in Limpopo where there is high unemployment and serious issues relating to mine rehabilitation and land degradation. The issue of resource nationalism resonated with many respondents during the semi-structured interviews. One respondent said:

> The issue of resource nationalism, it's a huge issue. It depends from which perspective you looking at it. If you look at it purely from a business perspective, you will see it as a negative thing. If I was an investor, I would think twice to invest it in a country where I put my resources on the table but I must share it with someone who doesn't put in anything. Investors could shy away from such countries. If you look at it from a communism perspective, then you look at it and say 'yes, let's share the resources with the people of

that country'. It can be good or bad depending on which perspective you look at it.

Hilson and Yakovleva (2007) stated that many developing countries like South Africa have, over the last two decades, reformed their national mineral policies and taxation codes in order to exert better control and to balance national priorities including fiscal development. This research has identified this development as a major contributor to regulatory uncertainty. The South African Mining Charter Two expired in 2014 and the Department of Mineral Resources, in consultation with key stakeholders, is busy finalising several amendments in the so-called Mining Charter Three.

The Employee Share Ownership Plans (ESOPs) in the mining industry have created more risks and challenges for both employers, DMR and unions in the diamond industry. This study has revealed that employees are concerned that these schemes will not provide any benefits for the workers. One of the schemes is currently being debated between the unions and the communities. Employees are concerned about the non-payment or the size of the pay-out that was received in 2014 after waiting for more than eight years. Figure 44 shows the value of each of the units since the inception of the trust. The workers are concerned about the time it takes for these schemes to pay out or to show some economic benefits for the employees. Some employees say that "the mining company is waiting for us to die before the pay-out can be made so that they can forfeit the money". The issue of ESOPs is problematic in the South African mining industry after the advent of the Mining charter but will be used until an acceptable option with a line of sight is found. Figure 44 shows an example of a scheme that has not produced the anticipated value for the communities which was projected to be about R80 000 per unit in 2014. Community members do not want to wait for 10 years to realise R6 000 or the possibility that this scheme may be worth nothing in two years' time.

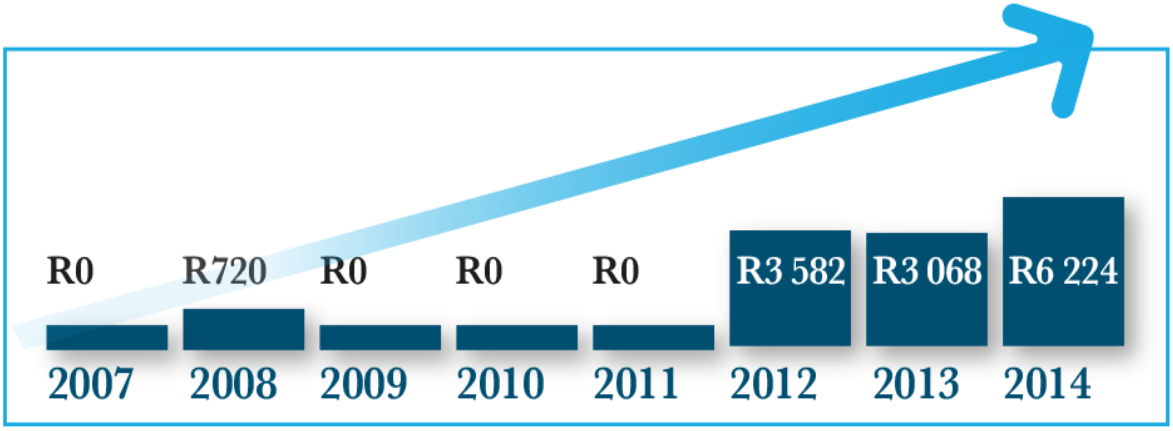


Figure 44: Performance of Community Equity Ownership Scheme between 2006 and 2014
(Source: Researchers own calculations)

In term of equity participation opportunities, this study has revealed that local communities are gravely concerned because BEE is only benefiting a few or politically connected individuals. This issue is causing serious reputational damage to the diamond industry and the wider mining industry.

The concern about lack of progress in meeting mining charter expectations with special emphasis on Social and Labour Plan (SLP) commitments and local preferential procurement, high unemployment and poor access to basic services, is aligned with the Ministers of Mines assertions in 2014 and 2015 Mining Indaba speeches (Shabangu, 2014; Ramatlhodi, 2014) calling for improved compliance. This research also acknowledges that diamond mining companies have made significant progress in meeting the mining charter expectations especially on equity participation of black empowered companies, women in mining, diamond beneficiation, small business development through the De Beers Zimele initiative, which was also adopted by Petra Diamonds, and skills development.

The decline in production and the rise of synthetic diamonds were identified as future challenges facing the diamond industry. This is in line with the conclusion by De Beers Sustainability Report (2012) and Cleaver (2016) that, because there are no new major finds or new diamond operations streaming in the near future, this will pose serious shortages of the product which will have a number of implications in terms of price as well as the marketing of the diamonds. The issue

of the decline in production is described by one respondent:

> This is my opinion, not supported by any evidence. I think the depletion of the product is becoming evident. We see in various countries where the mines are closing down and that comes with reputational issues.

On the issue of synthetic diamonds, respondents felt that their impact is very minimal at this stage, but it could grow in the future depending on how they are marketed. This is in line with Prager's (2014) conclusion that synthetic diamonds have no impact on the diamond industry because consumers still desire real diamonds. Some respondents felt that synthetics are likely to affect the low end segment of the jewellery industry and not the high end. One respondent, when asked if synthetics will pose a real challenge in the industry in the next 20 years, responded:

> Yes, but only again applies to your low to middle class customers. The upper class will still commit to the exclusiveness and will still pursue the genuine good quality diamonds.

This study concurred with Hilson's (2002) conclusion in his research on the impact of mining on communities. This study acknowledges that, where communities are forced to bear the full brunt of mining impacts, they cannot be assumed, from the outset, to be inherently in favour of local mineral development. According to one of the respondents,

> The diamond industry has some very tough challenges. I divided them up into a couple of buckets. One is they're driven by the fact that, to begin with, we're a mining company and a mining company, generally, a general impressions without any knowledge of consumers, when you talk to them about mining they associate it with environmental damage, it just a sort of knee-jerk, uninformed perception that the two go hand-in-hand. So, for a luxury product to begin with, it's rather difficult. The second and quite pressing problem is the issue for us of what are known as conflict diamonds and, while these are infinitesimal in their market share, they risk tarnishing your overall image of the category and those are continually alive. In the last decade, it was Sierra Leon, this decade it's Zimbabwe. It's a fact of life in the diamond business that we have to deal with what is a very complex and challenging risk. Then third, is the whole issue of artisanal diamonds which again is not the formal

> sector that companies like De Beers or other majors participate in. Clearly, in the artisanal sector in developing countries, quite a lot of issues around labour conditions and human rights issues that result there. Now, all of those are a challenge to a company's product in the end. Whose category in the end is associated with glamour, love, purity all the positive things in life?

This research did not confirm the statement in the literature review that fake diamonds and conflict diamonds are a real challenge in the diamond industry.

This research has highlighted the growing anti-mining or anti-business virulence that poses new strategic risks for the diamond industry and the rest of the mining industry in South Africa. This supports the assertions made by Davis and Franks (2014).

7.7 Effects of Corporate Reputation in the Diamond industry

> Futuregrowth Asset Management, South Africa's largest specialist fixed-income money manager, said it has suspended funding to the South African coal industry until it develops environmentally sustainable methods of operating (Agency Staff September 20, 2016).

Quantitative and qualitative results revealed that positive corporate reputation has a positive effect on investor confidence; improves employee engagement, talent attraction and retention; affects consumer purchase decision-making processes; improves customer attraction and loyalty; and improves stakeholder relations. It also enhances competitive advantage by differentiating the company in the marketplace. Good corporate reputation, held by a firm's stakeholders, is understood as reputational capital. This capital is claimed to contribute to reduced transaction costs, employee loyalty, easier recruitment and general legitimacy of the organisation. The study concurred with Deloitte (2014), Reputation Institute (2016), Farooq (2016) and Azapagic's (2004) findings that positive corporate reputation has many benefits including easier access to lenders and insurers, and better access to regulators for funding requirements.

- **Employee Engagement, Talent Attraction and Key Staff Retention**

This study confirmed that positive corporate reputation will ensure that employees

are motivated, hard-working and become better ambassadors of the organisation who will speak pro-actively and positively about the organisation. It confirmed Dolphin (2004) and Kaul and Desai's (2015) findings that a favourable reputation with employees can help attract better staff, spur productivity and enhance profitability. The study confirmed that positive corporate reputation supported by effective communication programmes will further strengthen employee morale (especially during difficult times), thereby enhancing productivity and, ultimately, profitability. These findings are aligned with Coldwell et al (2008) and Einwiller's (2003) findings that a positive corporate reputation will enable employees to be fully engaged and to be emotionally attached to the organisation.

- **Customer Attraction, Retention and Loyalty**

This research has confirmed that a positive corporate reputation contributes to the attraction and retention of key customers in the diamond retail outlets thereby ensuring repeat custom. This is aligned with Farooq's (2016) findings. It also confirmed that a positive corporate reputation fosters positive word-of-mouth promotion and improved customer loyalty. This is in line with Tshivase and Kleyn (2016), Sequeira et al (2015), Deloitte (2014) and Dowling's (2016) conclusions during their separate empirical studies in different fields. The study revealed that a positive corporate reputation in the diamond industry will instil consumer confidence in such a way that synthetics or unnatural diamonds will not have the same emotional and financial value as diamonds because the value of diamonds is inextricably linked to how they were naturally formed. It also found that a positive corporate reputation increases customer confidence in products and services offered, advertising claims and in the buying decision. This is aligned with Pfarrer et al (2010), Dowling (1994) and Deloitte (2014) who believe that a positive corporate reputation contributes to reduced marketing costs to ensure rapid global growth coupled with minimum or zero advertising and a reliance on experience based on word-of-mouth. This study found that a positive corporate reputation may reduce information asymmetries between buyers and sellers, and allows buyers to reduce uncertainty and concerns about their product or service quality. During the semi-structured interviews, one respondent was also asked to explain whether there was a direct relationship between a positive reputation and

customer attraction and customer loyalty. The answer was:

> It's what I call the 'warm glow' of the brand. If you ask the consumer why do you buy this brand? They won't say because they have a good corporate reputation. They will say because of the quality of the stone or its good value for money etcetera. But what they will then say is 'I like the idea when in the communication process it makes me feel good it also has a story I can feel proud of'. … So it creates a warm glow which, in marketing terms, is a pretty positive thing to create a warm glow about your brand. That's a positive. We mustn't confuse the warm glow with the principle reason for purchase and that's why we separate those two things in our mind in terms of marketing but then look how we bring them back in an introverted way in communications.

This study did not confirm that a positive reputation allows diamond companies to charge premium price on the back of reputation alone, but agreed with Lussier's (2014) assertion that a positive reputation brings increased sales, but does not always enable companies to charge premium prices for the goods or services. In order to demonstrate the respondent's perspective of this correlation, one respondent was asked whether consumers pay a premium on the back of reputation. The answer was as follows:

> No, at the moment but the reality is if you bundle it together with other things, it forms the basis of your brand you get an overall premium but not on a stand-alone basis. We need to do it together with other attributes which help to reinforce that price, as part of the package on a stand-alone basis, our research is saying no.

This research did not confirm Houser and Wooders' (2000) research which provided a solid body of evidence about the value of corporate reputation. They analysed auctions of Pentium processors and gold coins, and concluded that, during the auctions, there was a significant relationship between corporate reputation and the price that consumers were willing to pay. They found that a good reputation leads to higher prices and a bad reputation leads to lower prices. This thesis could not find this correlation by Houser and Wooders. This research instead concurred with Lucking-Reiley et al (2000) in the correlation between corporate reputation and the price that consumers are willing to pay and concluded that high reputation does not allow sellers to increase the price level.

- **Stakeholder Relations**

This study found that a positive corporate reputation facilitates better relationships with key external stakeholders, i.e. media, analysts, communities, opinion formers and non-governmental organisations (NGOs). It found that a positive corporate reputation is advantageous in conducting negotiations with stakeholders. The qualitative results concurred with the quantitative analysis findings with a few riders, for example, many respondents maintained that a positive reputation facilitates access to key stakeholders but does not result in regulators granting permits without full compliance of regulations.

- **CEO reputation and Business Success**

This study has found that a positive CEO reputation plays a significant role in attracting more investors, clients, work applicants and trust in the corporate decisions of a diamond company. This is in line with Prager (2014) and Reputation Institute's (2016) findings that a positive CEO reputation accounts for more than 40% of a corporate reputation. A positive CEO reputation enables the diamond companies to project their core mission and identity in a more systematic and consistent fashion than those with a negative corporate reputation.

- **Investor Confidence**

This study found that a positive corporate reputation facilitates access to capital markets, which has a direct impact on decreasing the capital costs and lowering procurement rates. This study confirmed that the diamond industry banks, asset managers and term assurers are screening their shareholdings in favour of companies that demonstrate commitment to social and environmental programmes and against those that are associated with activities deemed detrimental and unethical to society and to the environment.

This study disapproved Meyer and Rowan (1977), Staw and Epstein (2000) and Inglis et al's (2006) assertions which claimed that there is no causal relationship between a positive corporate reputation and financial performance (in either direction), i.e. reputation does not affect financial performance nor does financial performance affect reputation. This study concurred with findings from Rose and Thomsen (2004), Sequeira et al (2015), Deloitte (2014) and Reputation Institute

report's (2016) empirical research findings that established a causal relationship between a positive reputation and corporate financial performance.

7.8 Management approaches to managing reputational issues in the diamond industry

> Digging our heads in the sand will not assist mining companies to address community relations' issues. We need to change attitudes. We need to start implementing tangible projects that brings bread to the table (MEC Charlie Sekoate, Limpopo September 2016).

This research has revealed that the South African diamond industry, together with the rest of the mining and minerals sector, faces some of the most difficult challenges of any industrial sector. In order to secure and to retain its continued social license to operate, the industry must respond decisively to the challenges by engaging its diverse, complex, multiple stakeholders and address each of the reputational concerns and perceptions. Quantitative results revealed that compliance with global best practices (eiti.org/standard/principles) is an ideal approach to managing corporate reputation in the diamond industry. Those practices include:

- The diamond industry shares a belief that the prudent use of natural resource wealth should be an important engine for sustainable economic growth that contributes to sustainable development and poverty reduction.
- The diamond industry recognises that management of natural resource wealth for the benefit of a country's citizens is in the domain of sovereign governments to be exercised in the interests of their national development.
- The diamond Industry recognises that the benefits of diamond mining occur as revenue streams over many years and can be highly price-dependent.
- The diamond Industry recognises that a public understanding of government revenues and expenditure over time could help public debate and inform the choice of appropriate and realistic options for sustainable development.
- The diamond Industry embraces the importance of transparency by governments and companies and the need to enhance public financial

management and accountability.

- The diamond industry recognises the enhanced environment for domestic and foreign direct investment that financial transparency may bring.
- The diamond Industry believes in the principle and practice of accountability by government to all citizens for the stewardship of revenue streams and public expenditure.
- The diamond industry believes that, in seeking solutions, all stakeholders have important and relevant contributions to make.

This study confirmed the assertions of Bone (2012), Penny (2009) and Lussier (2014) that various corporate reputation management initiatives have been implemented in order to address various commercial and reputational issues over the last 10 years in the diamond industry around the world. Those initiatives are:

- The Kimberley Process Certification Scheme, the voluntarily system of warranties for guaranteeing the ethical supply of diamonds.
- The Diamond Development Initiative to assist artisanal miners.
- Beneficiation projects in the producer countries.
- Social investments in the diamond producing countries averaging at 1% of net profit after tax.
- Implementation of the Diamond Trading Co - Diamond Best Practice Principles.
- Win-win partnerships with Producer Countries' Governments.
- Compliance with Rapaport Fair Trade Principles.
- The Council for Responsible Jewellery Practice Code of Practice to drive business ethics in the diamond industry.
- The Responsible Jewellery Council (RJC) has implemented its Certification System that will certify its members for responsible, ethical, social and environmental practices in the diamond jewellery supply chain.
- Greater transparency of diamond companies in terms of payments to

governments, taxes paid, contracts and credibility with stakeholders through their sustainability reports.

- Eradication of corruption initiatives in most major diamond producing countries.
- Eradication of Human Rights abuses in most major diamond producing countries.
- Adherence to world class safety standards.
- Effective risk management systems.
- Effective Community Engagement Programmes with regular engagements with community leaders and various authorities.

In examining the effectiveness of these corporate reputation management initiatives, both the quantitative and qualitative results confirmed that the Kimberley Process is effective and that there are high awareness levels by many stakeholders. This is in line with Bone (2012) and Lussier (2014) who claimed that more than 99.9% of the world diamonds are Kimberley Process certified.

This study revealed that the diamond development initiative is not well known and is not effective in South Africa.

In terms of beneficiation initiatives, most stakeholders are aware of several initiatives by diamond producers including the Department of Mineral Resources' State Diamond Trader (SDT). Most of the external stakeholders including unions, community leaders and NGOs believed that these initiatives were not effective and were not well known. Many stakeholders, especially government officials and local communities, believe that the industry is not doing enough to promote local beneficiation. This assertion is in line with Minister Shabangu's remarks during her budget speech in Cape Town where she was calling for the industry to support product beneficiation (DMR, 2013).

The qualitative and quantitative results revealed that social investment initiatives in the diamond producing nations average more than 1% of net profit after tax. This is in line with most of the world's standards in term of social spending (Bone,

2012). There is a general awareness with clear acceptance by most of the stakeholders who participated in this study that these initiatives are effective. Community members and youth groups felt the diamond industry should consider doubling their investment in the community in order to assist in poverty alleviation, unemployment and inequality.

In the implementation of Diamond Best Practice Principles, there was a general consensus

- on the awareness, with varying views, about its effectiveness;
- on the win-win partnerships with producer countries, there was good awareness with clear appreciation of its effectiveness in Botswana;
- on compliance with Rapaport Fair Trade Principles, there was minimal level of awareness with almost no comments on its effectiveness;
- on implementation of responsible Jewellery Council principles, there was low level of awareness among most stakeholders with minimal appreciation of its effectiveness;
- on transparency initiatives, there was some appreciation with minimal knowledge of its effectiveness;
- on eradication of corruption initiative in most major diamond producing nations, there was a low level of appreciation as well as its effectiveness;
- on adherence to world class safety standards, risk management systems, there was a high level of awareness and high appreciation of its effectiveness in the diamond industry; and
- on the effective community engagement programmes with regular engagements with community leaders and various authorities, there was a general knowledge about various community engagement initiatives including monthly community meetings, use of social media and distribution of stakeholder reports. Although there were varied views about its effectiveness, it was generally accepted, but the youth groups and various

community groups felt this area could be improved significantly.

This research has concurred with Shamma (2012) that corporate reputation management in the mining industry has not gained enough attention in the corporate reputation literature. In terms of measurement of corporate reputation, aligned with Deloitte (2014), Dowling (2016) and Reputation Institute (2016), this research has identified critical dimensions for consideration in the measurement of corporate reputation in the diamond industry. The following dimensions were identified as primary pillars: social license to operate, financial performance, corporate social responsibility and vision and leadership (see Figure 45). The rest were classified as secondary pillars which include: employee engagement, financial performance, emotional appeal, vision and leadership, social license to operate, quality of product and services, innovation, ethics and integrity, corporate social responsibility, safety leadership, stakeholder relations and environmental responsibility.

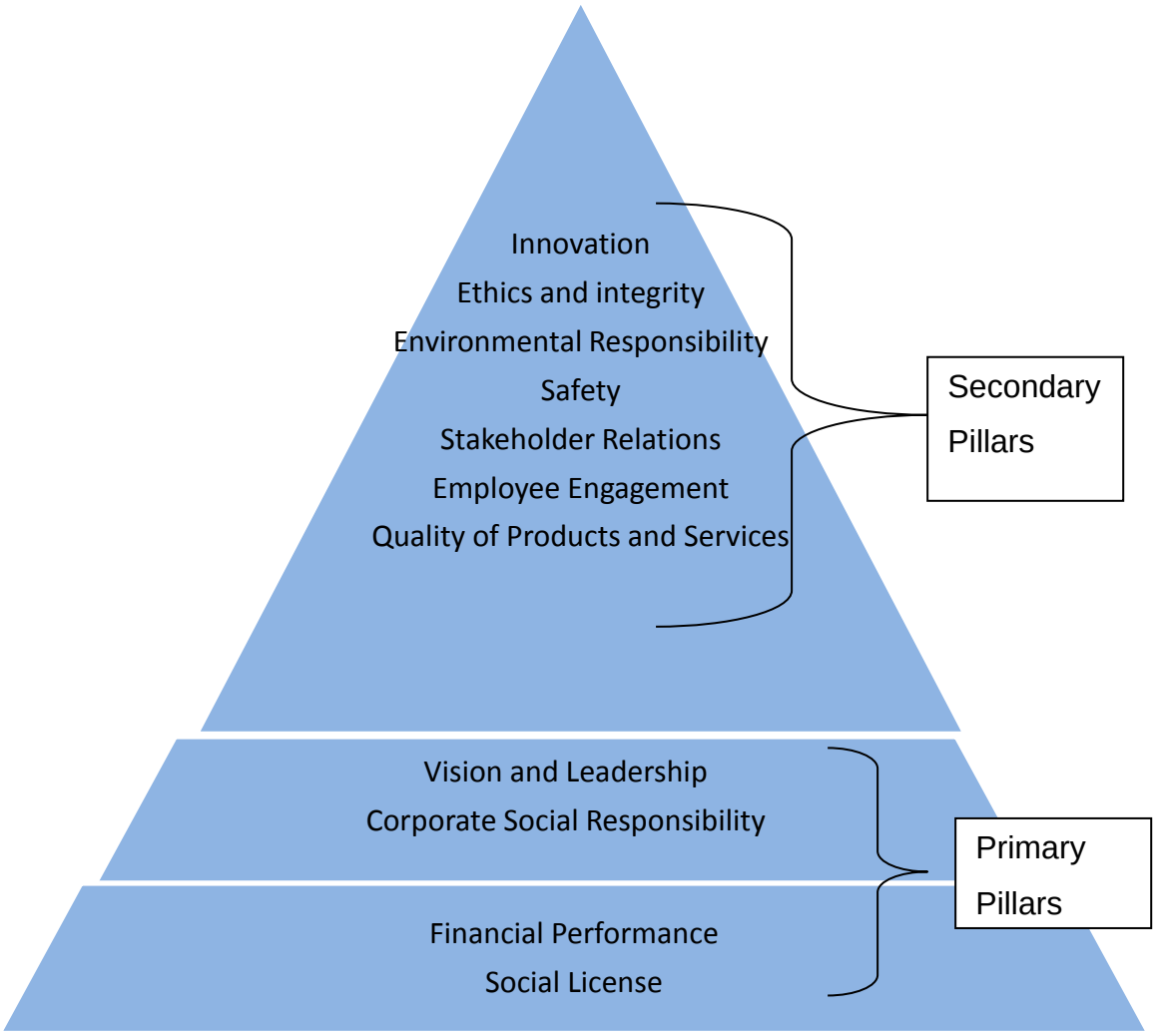


Figure 45: Pyramid-based pillars for corporate reputation
(Source: Adapted from Shamma, 2012:164)

This study recommends the following model to be used to manage stakeholder relations by balancing the stakeholder needs against the business needs. The steps are:

- a detailed scoping, stakeholder identification and classification;
- a formal engagement with senior leaders to understand the company strategy and business priorities;
- investigate multiple-stakeholder expectations and experiences with the firm and the status of their relationships with the organisation;
- conduct a gap analysis between what the firm is doing versus the expectations of the key stakeholders and further evaluate the gaps in the firm's actions versus the required actions;

- look at balancing the needs of the firm with those of the stakeholders; and
- measure the behavioural and attitudinal impact of actions taken and revisit all stakeholder to assess progress and recommend renewed remedial actions.



Figure 46: Stakeholder and Business Needs and Expectations balancing Model (Source: Adapted from Money, Hillenbrand & Pavelin, 2012)

This research endorses Hills (2008) eight steps to building effective stakeholder relationships :

1. Develop a stakeholder strategy on communication.
2. Determine a process for execution of strategies.
3. Consistently involve, engage and feedback.
4. Understand each stakeholder, the role they play, know the communication tools at hand and identify messages to be filtered through to the various mediums.
5. Media: Train key spokespeople on dealing with sensitive issues and neuro-linguistic programming (NLP).
6. Manage specific stakeholders' expectations and issues – customers,

investors, suppliers, employees, the media, activists and governments.

7. Explore ways to enhance relationships with various stakeholders.
8. Measure, assess and evaluate stakeholder relationship influence – implement improvement.

The development of effective relationships with communities, based on mutual respect and trust, is necessary to ensure that communities benefit from business activities and are able to engage with diamond mining companies at all times (Prno & Slocombe, 2012; Luoma-aho, 2015). This study has found that the diamond industry believes that, in seeking solutions, all stakeholders have important and relevant contributions to make. This study recommends that mining companies should develop community partnership plans (CPP) (Appendix 8) and Government Relations Guidelines (Appendix 9). These plans need to be reviewed annually and be repeated every three years.

Qualitative and quantitative results are advocated for the development of an effective risk management protocol in the diamond industry as part of the reputation management strategy. This is in line with Lussier (2014) who believes that risk management is a key to an effective corporate reputation in the diamond industry. This study recommends that each diamond operation needs to monitor its risks through a formal risk management tool. *The Anglo American Risks management toolbox* (www.angloamerican.com) is strongly recommended.

The diamond industry recognises that a public understanding of government revenues and expenditure over time could help public debate and inform the choice of appropriate and realistic options for sustainable development. This study recommends that Government Relations executives in the diamond mining industry in South Africa develop effective relationships with governments at all levels, in order to ensure current and future smooth-running business activities through the delivery of relevant permits. Basic government relations protocols should be adopted to deliver effective, co-ordinated and efficient government relations. The Anglo American Government Relations Handbook (www.angloamerican.com/governmentrelationstoolbox) is recommended to facilitate this engagement with clear goals, actions and monitoring protocol.

In the development of a corporate reputation management model in the diamond industry, based on the literature review as well as the stakeholder views gathered as part of this study, it is important to develop a multi-dimensional model which emphasises links and connections between components, drivers and effects in summarising what corporate reputation is and what it does, if managed appropriately. Such a model pays particular attention to key components and drivers of corporate reputation in the diamond industry. Special attention is given to organisational image, legitimacy, trust, ethics and transparency as part of the key components that override the make-up and key philosophical, behavioural and value systems that should guide organisational actions. Public perception, stakeholder relations, equitable share of diamond wealth with producer nations and community care are the drivers of corporate reputation and require extensive community engagement and effective stakeholder management in order to deliver positive reputational outcomes such as stakeholder confidence, good will, licence to operate, customer loyalty and profitability. Figure 47 below highlights these key attributes in bold.

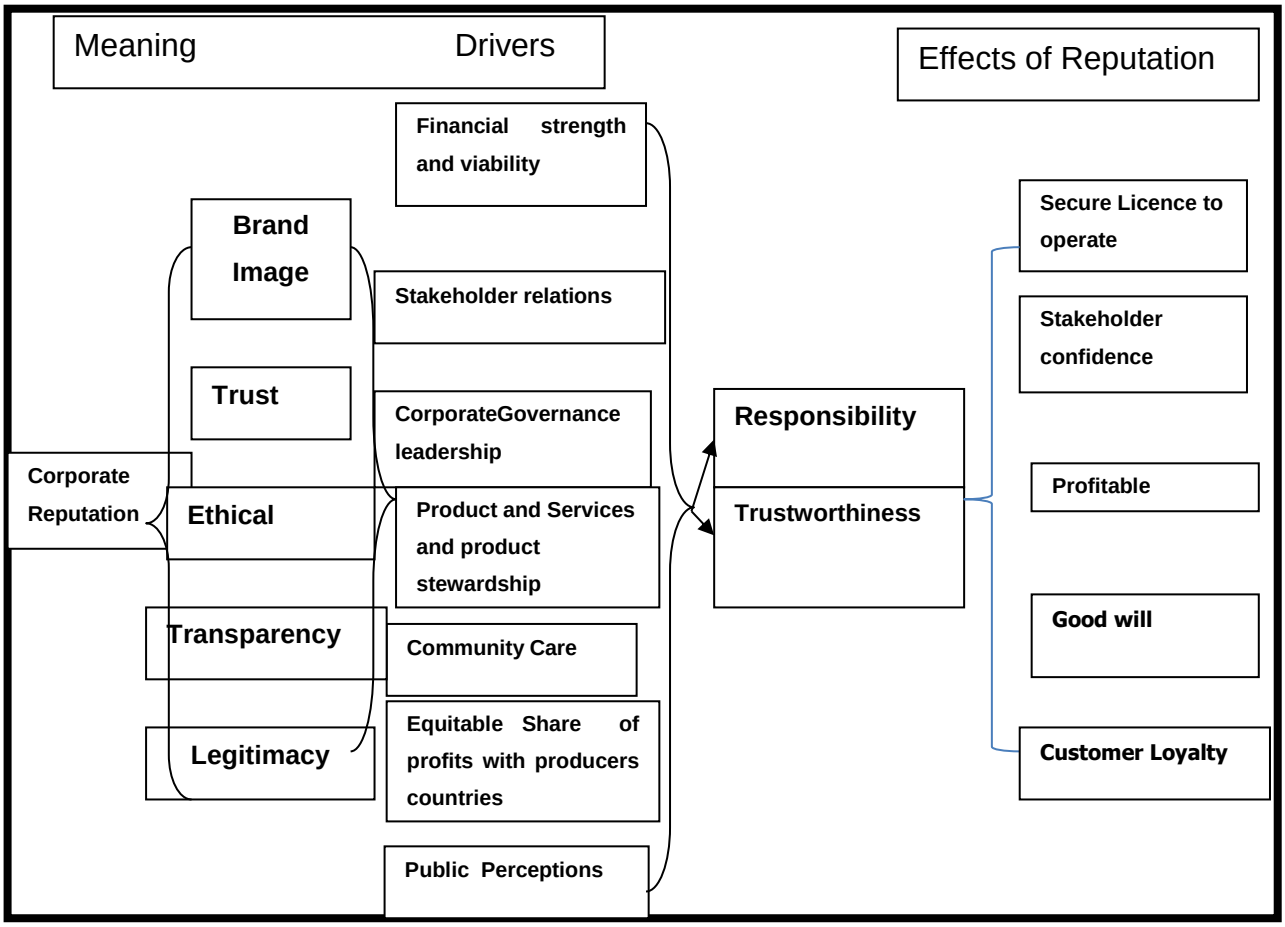


Figure 47: A multi-dimensional approach to corporate reputation
(Source: Researcher's own construction based on the research outcomes)

CHAPTER 8
CONCLUSIONS, RECOMMENDATIONS, CONTRIBUTION TO KNOWLEDGE, FUTURE RESEARCH AND LIMITATIONS

The movie called *Blood Diamond* highlighted the fact that the civil war in Sierra Leone was funded by revenue from the diamond business in the biggest polished diamond market in the USA. The Marikana massacre after the long illegal strike which resulted in more than 44 people losing their lives in the platinum belt in South Africa highlighted the on-going disputes between mining companies and mine communities. Negative media frenzy about the illegal mining and consumer boycotts around the world over environmental incidents – all have highlighted the importance of corporate reputation management in the diamond industry.

The literature review highlighted that corporate reputation is a strategic asset that contributes to business success through the involvement of multiple stakeholders (Fombrun et al*,* 2013). It further demonstrated that corporate reputation is a fundamental tangible and intangible asset of a company which must be managed with care. Not surprisingly, during the past decades, interest in corporate reputation has grown and now covers numerous disciplines, for example, marketing, corporate reputation, public relations and strategic management. Insights from existing studies underline the fact that an organisation's corporate reputation is simultaneously a tangible and an intangible asset. As such, it is critical for a company to identify the components and drivers of its reputation in order to manage it successfully (Prager, 2014). However, reputation affects businesses differently, depending on the nature of what they do. Businesses that deal with necessities like oil and electricity supply are often less likely to be affected by reputation when compared to businesses that deal with luxury products (Lussier, 2014). Diamonds are a luxury product with no recognisable consumer/retail footprint. De Beers, a near 150-year-old company, was established in South Africa but primarily operates in the developing world while selling its products in the developed world where its reputation has a major impact on the entire diamond industry. The diamond industry is worth close to US$150 billion but it has never been surveyed and analysed by the image barometers. In

fact, the very notion of *"diamonds are forever"* is the result of a carefully nurtured image (Bieri, 2010). Although the industry survived ethical excesses of the late 19th century, nowadays diamonds are associated with legacy issues such as environmental degradation and blood diamonds, among others (Bone, 2012).

Using stakeholder theory, questionnaire surveys and interviews, this thesis sought to explore the meaning, components and drivers of reputation in the diamond industry as well as to identify risk factors and possible mitigation strategies through effective reputation management tools. The thesis considered responses from internal (employees in the diamond industry and senior executives in the diamond industry) and external (banking institutions, investors, labour unions, community groups, consumers of diamonds, regulatory authorities and media houses) stakeholders. It highlighted that, from a stakeholder point of view, reputation in the diamond industry is affected by legacy issues, stakeholder relations with a special focus on local communities and labour unions, product stewardship and customer relations. Other issues which drive reputation and competitiveness and must also be managed include social responsibility and environmental issues. Therefore, any model for managing reputation in the diamond industry must consider the views of multiple stakeholders, and their often divergent expectations.

8.1 Conclusions

The following paragraphs provide conclusions of this study in line with research questions.

8.1.1 Definition of corporate reputation in the diamond industry: Views from different stakeholders

This study has adopted a multi-faceted definition of corporate reputation in the diamond industry in line with Rayner's (2003) definition which highlighted that corporate reputation is a perceptual representation of a company's past actions, as well as future prospects, which describes the firm's overall appeal to all its stakeholders and Barnett et al's (2006) definition which highlighted that corporate reputation is the observers' collective judgements of a corporation based on assessments of the financial, social and environmental impacts attributed to the organisation over time, coupled with themes such as stakeholder perceptions,

moral “doing good” perspective, judgement and organisational actions. In coming up with a diamond industry specific definition, this research defines it as follows:

> Corporate reputation in the diamond industry is the observers’ collective judgement based on perceptual representation of company’s past actions, as well as future prospects in terms of its financial, social, product stewardship, stakeholder relations and environmental impacts which informs the firms’ overall appeal to its stakeholders.

While this definition captures the findings of this thesis, it can be concluded that there is no single alpha definition that captures the total meaning of reputation for all stakeholders. This assertion concurs with Sohn and Lariscy (2015), Luoma-aho (2015) and Helm’s (2007) stakeholder theory that contends that each stakeholder defines reputation from their own position, based on the interface with the organisation, experiences, past actions, overall appeal of the organisation and various perceptions of the organisation (Dowling, 2016). Therefore, mining communities may define reputation on the back of the good (or bad) that the organisation does for them as well as on its relationship with the mine (Davis & Franks, 2014), while investors may define reputation on the back of the company performance, overall appeal and return on investment.

8.1.2 Components of corporate reputation in the diamond industry

This thesis concludes that the following components are critical in terms of corporate reputation in the diamond industry in South Africa:

- respectability of the organisation;
- corporate citizenship which covers social conformity, respect and embraces the socio-cultural dynamics and the spirit of leaving a positive legacy in the mine communities, by doing good in the communities through targeted social development initiatives;
- building lasting trust, which is about whether local stakeholders trust your organisation or not;
- transparency in terms of day-to-day dealings of the organisation;
- safety leadership and financial stability;
- corporate governance;

- leadership integrity and credibility; corporate communication; and
- ethical product stewardship and stakeholder management.

Sir Ernest Oppenheimer's statement captures the key component of corporate reputation through his inaugural statement where he said the goal of this business is to make profit for our shareholders in a way that ensures that we leave a lasting social impact on the communities where we mine. This statement remains fundamental as a core value of corporate reputation.

8.1.3 Key drivers of corporate reputation in the diamond industry

This study concurs with Flynn (2006), Rayner (2003), Reputation Institute (2006), De Beers Reputation Report (2015), The Economist Intelligence (2005), Pharoah (2003), Schwaiger (2004) and Van Riel and Fombrun (2003) who proposed drivers of corporate reputation including the following:

- Financial soundness or financial strength or above average financial performance;
- Community care;
- Quality of products and services;
- Satisfaction of customers;
- Adherence to world class human rights requirements;
- Employee value proposition and organisational ability to attract and retain top talent;
- Leadership credibility;
- Strong adherence to good governance practices and adherence to the Kimberley Process;
- Social License to Operate;
- Quality of stakeholder relations; and
- Public perceptions.

Since these are the key drivers of corporate reputation in the diamond industry, it needs to devise a strategy to manage each of these issues in order to proactively manage the corporate reputation.

8.1.4 Stakeholder perceptions of the South African diamond industry

The perceptions of both internal and external stakeholders were also analysed in detail regarding the components and drivers of corporate reputation in the diamond industry. Statistical analyses as well as the qualitative analysis of the responses demonstrated the existence of differences in stakeholder perceptions about the diamond industry, both positive and negative. It is also noted that there are more negative perceptions than positive ones. Table 70 shows the difference.

Table 70: Stakeholder Perceptions of the Diamond Industry

Positive perceptions of the diamond industry	**Negative perceptions of the diamond industry**
Best employer	Benefitted from apartheid government
Authentic	Arrogant and brash
Development partner	Secretive
Responsible	Manipulative
Industry's most successful marketing campaign of all times "Diamonds are Forever" slogan	Controlled from London – cartel
Has the world's most successful and celebrated private-public partnerships	Uncaring of the local communities during closure or divestment. SLPs are not addressing real community issues.
Leading consumer confidence technology	Not compliant with Mining Charter and Land Restitution requirements.
Caring industry	No relationships with youth groups in the mining towns.
World class industry	Divesting from South Africa
	Diamond mining companies owe the communities, especially the former employees, millions of dollars.
	Imperialists.
	Monopolistic industry.

Table 70 shows that the diamond industry is still regarded as a world class industry with leading consumer marketing campaigns and world class consumer confidence technologies to detect synthetics and other non-diamanteriferous

material; an industry which has the world's most successful and celebrated public private partnership through Debswana (De Beers and Government of Botswana partnership); a responsible industry; a caring industry; the preferred development partner in many parts through its sustainable community projects; and an employer of choice. This research has also indicated that the diamond industry has many negative perceptions such as being imperialistic, monopolistic, not compliant with the Mining Charter, secretive and arrogant. This research has disapproved some of the historic perceptions of the diamond industry as suggested in the literature review. Opinions such as illicit trade, dirty industry associated with gross human rights violations, child labour, the existence of racial discrimination in the mines, blood diamonds and unethical industry run by warlords. These negative sentiments are slowly becoming perceptions of the past. This demonstrates that the industry has been successful in implementing various interventions to manage its reputation over the past decade. This study shows that initiatives like the *Kimberley Proces*s which was initiated in 2002 in Kimberley in South Africa, the role out of *Responsible Jewellery Council certification* and the implementation of Best Practice Principles (BPP) among De Beers and its client base has played a significant role in improving the perceptions of the diamond industry in general.

8.1.5 Key reputational risks facing the diamond industry

The literature review has highlighted that the diamond industry, as a luxury goods industry, is susceptible to numerous national and international challenges which must be sustainably managed. The need to explore the nature of risks affecting the diamond industry from a stakeholder point of view is critical. Multiple options that include labour unrest, worker exploitation, diamond theft, illegal diamond trade, mine closure, beneficiation, artisanal miners' incorporation into the main stream mining practices, supply dynamics, human rights abuses, energy issues with Eskom, talent retention, global economic cycles, industry liquidity (especially the cutters and polishers), high levels of poverty in the mine communities, youth activism, rise of synthetics diamonds, capital flight, fear of possible collapse of the Kimberley Process, rising production costs, negative publicity, failure to contribute to local economy and political instability, were part of the key findings from the literature reviews. Quantitative and qualitative analysis results further confirmed

that there are numerous risks which must be managed. Some of these risks are related to production integrity and others are related to product integrity. This report has identified the following key risks and possible management actions from each of the stakeholder's perspectives.

8.1.5.1 Community-Related Risks

High unemployment, inequality and high levels of poverty in the communities neighbouring the mining towns is major risk affecting the local communities and the reputation of the mining industry in South Africa. The researcher believes that, in the future, there will be mineral conflicts between mining companies and local communities and rivalries between community members for jobs and tenders from the mine. According to Brand (2012), only four out of 10 adults work in South Africa. This number is very low compared to other countries around the world with similar GDP numbers. This research confirmed that high unemployment and poverty which is prevalent among young people in most mining towns, is the major contributor to community activism which dominates the mining industry in South Africa and includes service delivery protests, illegal strikes and violent stand offs between mining companies and local communities.

The retrenchments in the diamond industry since 2008, as a result of disposal of mining assets and/or mine closures, have also contributed to the high unemployment and poverty in the affected mining towns like Namaqualand, Oaks Mine neighbouring villages, Kimberley, Finch and Marsfontein. This has contributed to high levels of unhappiness in these villages and small towns since diamond mining was the only source of employment. This confirms the assertion by Lussier (2014) and Djordjevic and Djukic (2008) that downsizing has a direct impact on the reputation of the corporation, both internally and externally. These issues are posing serious reputational issues among local communities, political organisations, labour unions and the regulatory authorities. This research report acknowledges that issues of poverty, unemployment and inequality are a major issue in South Africa, not only in the diamond industry.

Mine communities believe that mining companies are bad communicators and are not to be trusted. This research concludes that poor communication by mining companies and general distrust between local communities and the mining

companies is another major risk affecting the diamond industry reputation. This further contributes to the poor relationships between mine communities and their neighbouring mining companies. As a result, there is conflict between the mining companies and the local communities. Poor communication has resulted in the lack of understanding between diamond companies and local communities in terms of what are the direct benefits of mining companies to the local communities. Youth in most of these communities feel left out and forgotten.

Another issue affecting the local communities is the social impact of closing mining operations, or the sale or transfer of assets, in terms of jobs, local economic activity, housing provisions and other service provisions.

The management of diseases such as HIV and other communicable diseases in the workforce and associated host communities is an issue affecting local communities. This study confirmed that the diamond industry is regarded as world class in partnering with its employees and local communities in addressing health issues in the local communities through effective health care and HIV/AIDS management programmes.

Land claims were also identified as an issue affecting the local communities in the diamond mining industry as well as the mining companies.

Local communities have raised concerns about the impacts of mining activities in their communities, especially those that are neighbouring disused mining dumps e.g. health, cracked houses, dust, gaseous emissions, water pollution/availability and land sterilisation.

Some community members have experienced an influx and proliferation of informal settlements in Venetia where De Beers is investing R20 billion to construct the Venetia Underground Project. This investment will provide new jobs but there is a chance of possible community conflict over the available limited opportunities.

8.1.5.2 Employee well-being

On-going restructuring, selling off of non-core assets and downscaling resulting in the shedding of jobs in the mining industry in general is a contributor to the current climate of distrust between the mining companies, their employees as well as politicians, governments, CBOs and unions. Various stakeholders in the mining industry have expressed deep concerns over the current mass retrenchments. This adds to the already high numbers of unemployed people in this country. The latest announcement by Mark Cutifani, CEO of Anglo American, on the 2nd of July 2015, to retrench more than 20% of its employees worldwide, further complicates the relationship between employers and employee representatives and local communities. These issues contribute to lowering of staff morale, productivity and levels of employee engagement. This study also revealed that the generic perception of the industry is associated with it being a "sunset" industry because of the short life of mines in most of the mining areas, except in Venetia where De Beers has recently announced a R20 billion investment in constructing the underground mine which will extend the life of the mine from 2021 to 2043.

This thesis confirmed that disruption to operations through labour action, including sustained legal industrial action and illegal/violent protests and strike actions is a major current and future risk in the diamond industry in South Africa.

The Marikana Massacre refers to the wildcat, illegal and fatal strike which resulted in 34 miners losing their lives during the South Africa's longest strike in Marikana in the South African platinum belt in 2012. This study concludes that, as a result of the Marikana Massacre, the diamond industry is under intense scrutiny, beyond just labour issues, but also on community issues, including employee indebtedness, employee living conditions, provision of decent housing in the local communities, community relations, illiteracy issues among mine employees, unsatisfactory employee working conditions, unresolved conflicts, poor communication, poverty issues and also the effectiveness of the current bargaining system.

Respondents concurred that the wage gap between executives and ordinary mine workers remains a thorny issue in the diamond industry and in the mining industry

in general. Various media reported that Marius Kloppers, CEO of BHP earned a R31 million package in one year, Mark Cutifani CEO of Anglo American R16 million (when he was CEO of Anglo Gold Ashanti in 2012), Cynthia Carol, former CEO of Anglo American, took home R24 million, Nick Holland netted R11 million in one year. It has also recently been reported that Mark Cutifani earned R85 million in one year and Andrew McKenzie, CEO at BHP Billiton earned R89.8 million. This puts them among the 10 highest paid CEOs in South Africa (Business Day, 2013). These numbers are alarming compared to R5 000/month which is paid to the lowest paid worker in the mining industry in South Africa (NUM, 2014). While the mine workers have benefitted greatly from unionisation since 1994, whereby real wages for unionised workers have risen from as little as R800/month in 1994 to about R5 000/month in 2014, the wage gap remains a major source of discontent leading to mine strikes, distrust, low productivity and low employee engagement.

The commitment to zero harm and eradication of mine fatalities in the mining industry is being cited as the best example of how partnerships between employees and unions, communities and mining companies (Tri-partite Alliance) can achieve improved working conditions. This study has revealed that the diamond industry has made significant progress in the reduction of fatalities and other major incidents in the workplace. While the work-related accidents have reduced significantly, transportation incidents outside the workplace are on the rise. In 2012 alone, De Beers reported more than six fatal incidents on public roads involving its employees and their families (De Beers Group Sustainable Report, 2013).

This study did not find any issues relating to the exploitation of mine workers, child labour issues, worker exploitation and non-adherence to global human rights regulations.

8.1.5.3 Governments, Regulators and Authorities

This thesis concludes that there is a lack of trust between diamond mining companies and their stakeholders, especially local communities and various regulators, NGOs, local churches and local governments. This raises key barriers in terms of stakeholder relations and stakeholder management. It further confirms

that, in South Africa, there is general hostility towards the private sector, the so-called Anti-Mining Syndrome associated with the apartheid system, since some South African black individuals associate mining with exploitation and human degradation. There is an historic belief in some quarters that mining companies extract South African resources at the expense of South Africans.

High unemployment, poverty and inequality in the mining towns are the major issues that concern the South African Regulators. The growing wage gap between management and miners remains a thorny issue in government circles, as well as in the union gatherings.

Non-compliance with approved social and labour plans, environmental management plans, safety standards and mine works plans is another issue affecting relationships between mining companies and regulators. This study has found that most of the diamond mining companies in South Africa have made good progress in complying with DMR provisions. The deviations from most of these plans are not always communicated and discussed with the regulator. These issues continue to create animosity between mining companies and regulators.

This research concludes that the extent to which diamond companies drive economic growth in producer countries through commercial activities, including the creation of secondary industries linked to mining through their procurement processes in South Africa, is a concern for NGOs, regulators and local communities in the diamond industry. There is a call for greater participation of local small business owners in the supply chain opportunities. De Beers Zimele enterprise development programme is praised as best practice in South Africa for its work in conducting supplier development programmes and for providing vendor and equity financing at minimal costs of foreign capital. These initiatives have created thousands of non-mining jobs (www.AngloAmericanZimele.com).

In spite of all the initiatives that diamond companies are implementing, governments generally believe that extra activities to increase economic participation in the value chain in countries of production, so that local citizens can add to, and derive benefit from natural resource production remain problematic

and unsatisfactory in most producer countries. This study has found that local procurement targets are not always met by mining companies. This is creating a serious rift between mining companies and their stakeholders.

Diamond beneficiation in the producer nations, including in South Africa, is a major issue affecting most role players in the diamond industry. It is understood that India remains the dominant nation responsible for cutting and polishing about 58% of the world's diamonds, followed by Thailand/China which is responsible for about 13% of cutting and polishing of diamonds. India is understood to have created more than 850 000 jobs while South Africa is struggling to get to at least 1000 jobs for the same process. The argument that is put forward by diamond producers is that production costs in South Africa are more than a third higher than the manufacturing costs in India. It is estimated that it costs $100.00 to cut and polish one carat in South Africa while it only costs about $0.30c in India (Prager, 2014). In response to this, the South African government has developed a beneficiation strategy calling for mining companies to beneficiate their mining products. *The Diamond Act* requires the large producers to sell more than 40% of the production by value to local beneficiaries. This study has revealed that De Beers, Petra and Transhex have implemented a number of beneficiation initiatives in South Africa, including supporting the establishment of the State Diamond Trader (SDT) and selling more than 40% of its rough diamonds by value to local beneficiaries. These South African cutting and polishing companies need to have a valid beneficiaries' licence and must manufacture more than 80% of what they purchase in South Africa in line with the prescripts of the *Export Levy Act* of the *Diamond Act.* It is believed that this will maintain a steady cutting and polishing industry in South Africa. This study found that SDT has not made any significant impact in encouraging local beneficiation in South Africa. It remains a cost centre which is not sustainable and has very little chance of become self-sustaining using the current run of mine purchasing arrangements with diamond producers. A different model incorporating elements of the sightholder system, coupled with the abandoned De Beers Diamdel method, may revive SDT in the future.

DMR and other role players in South Africa, including various youth groups and unions, believe that diamond companies have not fully embraced the spirit of the

transformation agenda, as outlined in the *Mining Charter*. This is one of the reasons there is mistrust between the mining companies and local authorities. This distrust manifested itself during the launch of the *Mining Charter report* (May 2015) by the Minister of Mineral Resources which is in contrast to the *Chamber of Mines Mining Charter Report.* This study reveals that the transformation in the diamond industry is an emotive issue. DMR and other stakeholders are concerned about what they call “fronting” and the “Blacks for Hire” syndrome. This assertion is directed to the BEE partners that are known to be spectators and not directly involved in the day-to-day running of the business.

This study has found that diamond theft from some of the mining operations throughout the value chain and their distribution to market, is impacting negatively on profitability and reducing diamond revenues to government and other stakeholders. The association of diamonds with criminality and illegal mining is another concern of the diamond industry.

8.1.5.4 Investors’ issues

The study showed that South Africa remains an attractive investment destination and is regarded as one of the most prospective destinations for diamond mining in the world.

Regulatory uncertainty is a major issue among the investors and mine owners in South Africa. The major causes for this uncertainty are fuelled by the proposed amendments of the *Mining Petroleum Regulations Development Act* (MPRDA), Mining Charter and the *Diamond Act of 2004*; uncertainty about the future of the *State Diamond Trader*, linking it to developmental pricing and “cherry picking” instead of 10% of “Run of Mine” as per the current regulations.

This study found that investors are concerned that the ever-increasing costs and DMR expectations in conducting exploration investments in South Africa coupled with complex regulatory requirements in terms of funding historical disturbances, closure requirements and the time it takes to secure reconnaissance and prospecting permits. Investors have also raised a concern in term of general interpretation of mining regulations in South Africa which is open to different interpretations from one region to the next.

Investors are perturbed by what they describe as the “combustible” industrial relations environment in South Africa, following the platinum industry illegal strike which was long and violent. They are concerned about the long-term impact of these strikes in terms of stability in the mining industry in South Africa. They have a fear that the South African government in unable to curb these strikes and maintain peace and order. They are also worried by the so-called “3 Mr Js”, Mr Julius Malema, the Commander in Chief for EFF, Mr Joseph Matunjwa the Leader of Amcu and Mr Irvin Jim, the General Secretary of Numsa.

The investors are very concerned about the rising cost of doing business in South Africa. These costs manifest themselves in permanently rising labour costs, on an average of 10% over the last seven years, which is well above inflation. Labour productivity remains a major concern for the investors and mine managers. They believe that the rising labour costs do not correlate with productivity levels. The other contributing factors are the rising electricity costs and ever-increasing rises in business costs. The increased costs in operating mining businesses in South Africa are further complicated by the proposed carbon tax which, it is believed, will add to the current financial burden.

Diamond demand and the cyclical nature of the diamond business is another issue in the diamond industry affecting investors, as well as marketers. This study revealed that diamond jewellery demand is the only source of value for the diamond business, unlike the other precious metals that have other sources of use. According to Prager (2015), 99% of the total market for diamonds by value, is diamond jewellery. Demand for diamond jewellery continues to rise, following the serious dip during the world recession in 2008 and several supply/demand challenges in 2014. This study has shown that the rapid growth of middle classes coupled with the alarming increasing interest in luxury goods in the emerging economies, notably in India and in China, widens the demand for diamond jewellery and branded goods in general. According to Lussier (2015), the forecasted numbers of middle class homes in China and India are expected to reach around 130 million and 330 million respectively in 2025. In Shanghai and the other two big cities in China alone, a recent research report has shown that engagement ring demand is growing fast because more than 11 million weddings

take place there almost every year.

This study also revealed that the changing demographics of the diamond consumer base may come with other new dynamics in terms of various factors influencing the purchasing decisions of the diamond jewellery, i.e. ethics, size of the diamond and price. In terms of size, large sized diamonds are popular in America while the Chinese market demands quality and volume; on ethics, Chinese consumers will not ask about the origin of diamonds including issues of child labour and environmental stewardship while the European market is concerned about ethics and product stewardship, lastly, regarding diamond prices, the emerging markets tend to use price as a major point of purchasing decisions, especially in South Africa and Brazil, while in the US and Japan, price is only one of the considerations, which include, size and other attributes which are more important. This study has found that price is only one of the key considerations in the diamond purchasing decision by many South Africans.

8.1.5.5 Environmentalists, NGOs and Community-Based Organisations

While most of the issues above are cross-cutting for most stakeholders, the legacy of the diamond mines remains a long-term concern affecting the diamond industry. This study has noted that there are a number of diamond mines that have been closed, such as Oaks Mine, historic Kimberley Mines and various abandoned mining dumps scattered around Kimberley. These continue to raise serious concerns among the local communities, CBOs, NGOs and various environmental groups, including relevant authorities like the DMR, the Department of Water Affairs and Sanitation and the Department of Environmental Affairs.

There is a belief among these groups that diamond mining companies may abandon these mines without comprehensive rehabilitation as per the South African regulations as part of the Environmental Management Plans. As a result, DMR is not issuing closure certificates.

8.1.5.6 Media Relations

This study revealed that various media houses in the diamond industry have a perception that diamond mining, and mining in general, does not embrace social transformation and is a good source for sensationalist media reporting. It was also

found that some journalists use the mining issues as a means to increase their personal profiles.

8.1.5.7 Customer Relations

This study revealed that the competition from synthetic diamonds is more of a future unquantifiable issue. The study noted that the improved quality of synthetics will result in increased competition between diamond jewellery and synthetics. This issue is being fuelled by a forecast shortage of diamonds in the near future. This study revealed that a shortage of diamonds will spark higher prices and the use of alternative jewellery products like synthetics, recycled diamonds and other non-diamond luxury products. Customers who participated in this study were sceptical about synthetics. Many of them felt they would not give their partners synthetic stones instead of diamonds. They said their partners would be very disappointed because they expect the “real” thing.

This study also asserted that undisclosed synthetic diamonds integrated within the natural diamond value chain at natural diamond prices could also undermine consumer confidence in reliability and quality of diamonds. The diamond industry is commended for using technology to prevent synthetic diamonds from entering the market undetected through the diamond sure technology.

In terms of recycled diamonds, potential and current diamond consumers who participated in the study felt that recycled diamonds are not a threat to the diamond industry at this stage because of the low demand for recycled diamonds. The study found that more than a 1bn diamonds have been produced and sold to the market over the last 100 years. The study asserted that most of these diamonds are in the USA and Japan.

8.1.5.8 Trans-stakeholder issues

This study has identified resource nationalisation and nationalisation of mines as a complex multifaceted issue affecting the diamond industry in South Africa. This issue is not, however, just a South African issue, but is a world-wide phenomenon affecting all the countries endowed with mineral resources. This study concludes that resource nationalisation represents various expectations (Appendix 3) by various stakeholders in the mining industry in South Africa with the following key

expectations: The stakeholder requires that diamond mining should be conducted in a way that maximises the direct contribution of mining to economic growth and job creation. South Africa should capture more of the mining industry value for South Africa and its citizens by creating broader economic development through local procurement and beneficiation of minerals in order to start new downstream industries. It also calls for more state participation in the mining industry through its State Mining Company that is being formed in South Africa and the implementation of legislation that ensures that the mining industry benefits its citizens in a meaningful manner. This study confirms that there is a wide belief that the Kimberley Process assures consumers that 99% of the world's diamonds are conflict free. However, it also cautions that the KP is slowly starting to lose its strategic significance in South Africa. This is associated with serious debates. In one of the KP meetings, NGOs forced the KP committee not to issue the KP certificate to the Zimbabwe goods even though a thorough report by former CEO of the *State Diamond Trader* in 2012 recommended approval. This was endorsed by all the member countries, except some NGOs and a US representative because of their bilateral political issues against Zimbabwe, not because the goods were not legitimate. This is a serious weakness of the KP process which needs to be addressed.

This study does not fully agree that talent retention in the diamond industry is a major issue. This is because the industry is shrinking in South Africa and cannot absorb all the available talent; instead it is shedding jobs and thereby losing talent to other sectors.

The blood diamond or conflict diamond issue is also not regarded as a major issue as stated in the literature review. This research concluded that blood diamonds and conflict diamonds are not an issue in South Africa but may be a concern in the future in volatile countries such as Angola, Zimbabwe and Democratic Republic of Congo.

Mineral wars are issues of the past; this research did not regard this as a major risk in the diamond industry in South Africa. It is believed that the mineral war debate is being fought through various policy debates among the relevant stakeholders and not through arms, as it happened in Sierra Leone in the 1990s.

This study asserts that if community relations are not resolved in the short term, the mining industry in South Africa may experience a different kind of mineral war but this time it will be community groupings against mining companies. This phenomenon is slowly picking up in Limpopo where community members have set alight buses, trucks carrying mining material as well as the recent burning of the school that was funded by a mining company, Anglo American Platinum, over the dispute of the relocation of the school. This study concludes that unemployed youth members will lead this battle. The trigger will be who benefits in the communities from the ESOPs or community trust, who manages the trusts and who allocates resources. Communities will demand royalties and peace bonuses. Currently, the policy that royalties must be paid to the national fiscus is not sustainable, local communities want to see real opportunities for themselves.

Artisanal mining is a major issue in Africa because it is not properly organised and is linked to illegal mining and serious human rights abuses including child labour. This study did not find evidence that this was a major problem in the South African diamond industry. On the other hand, this study found illegal mining to be an concern ravaging the rest of the mining industry.

Employee exploitation and neglect of human rights' treaties may be an issue elsewhere in Africa as was widely reported in Marange diamond diggings in Zimbabwe in 2013. This study did not regard this as a major issue in South Africa. This study demonstrated that the mining charter and employment equity policies have gone a long way to correct most of the wrongdoings in the industry that were once major issues in the 1980s and 1990s in the diamond industry in South Africa.

In summary, this study has found that stakeholders from all levels of society, regulators, customers, financiers, employees and host communities, now demand more transparency and accountability from diamond mining companies. In particular, diamond mining communities, such as those in the Northern Cape, are forming benefit organisations to demand more from diamond mining companies and they require them to address historical legacies. Mining must also contribute to long-term sustainability as enshrined in local and international standards of best practice. The issue of beneficiation and post-mining economic activity is also critical and must be addressed.

8.1.6 Effects of Corporate Reputation

> Earthlife Africa Johannesburg has applied to the High Court in Pretoria to revoke the Environmental authorisation granted to the Thabatsi coal-fired power station (a potential 1,200MW project) near Lephalale (Mathews, September 2016)

In terms of the examination of stakeholder views on statements relating to positive effects of corporate reputation in the diamond industry, it was important to understand stakeholder views relating to this. It was clear that, within variations, good corporate reputation was associated with many benefits such as increased investor confidence. Furthermore, as postulated in the literature, good corporate reputation confers positive benefits to a company in areas such as customer loyalty, government relations, community relations, employee engagement, purchasing decisions, media relations and investor relations. Indeed, the literature review and the quantitative and qualitative analyses carried out for the purposes of this thesis, reached the same conclusion. Good reputation appeals to different stakeholders from various positions: investors, financiers, customers, regulatory authorities and communities. As such, a company cannot manage reputation for just one group. Rather an all-inclusive stakeholder engagement approach is essential for corporate reputation in the diamond industry. Therefore, positive corporate reputation is essential for business survival.

This study confirmed that a strong and positive corporate reputation could result in positive effects. In terms of talent and employee engagement, this study confirmed that a positive corporate reputation will enable the firm to win the war for talent attraction, foster employee retention, reduce employee absenteeism and enhance full employee engagement. This conclusion was supported by the internal stakeholders (81.71%) compared to external stakeholders (73.66%). The internal stakeholders value the effect of corporate reputation more than the external stakeholders because of the level of exposure that the internal stakeholders have on the key initiatives that are being implemented to bolster positive reputation of the employer as encapsulated in the employment value proposition, i.e. availability of career opportunities, compensation of employees, social responsibility and empowerment, among others.

In terms of diamond purchasing decisions, this study concurred with the results of the literature review that a positive corporate reputation has an effect of driving the purchasing decisions of consumers, but It also found that it is not only corporate reputation that drives consumer confidence and purchasing decision making. Collective aspects such as price, diamond jewellery store ambience, brand promise and continuity of diamond jewellery pieces must also be considered.

In terms of customer confidence in the products and services of a reputable firm, this study confirmed the literature assertion that a positive corporate reputation will lead to increased customer confidence in products and services, advertising claims and in the buying decisions, thereby promoting better customer attraction and customer loyalty.

This study concurs with Lussier's (2014) assertion that consumers of diamonds buy diamonds as a luxury product, not a necessity like other precious metals in the luxury goods industry. People buy brand promise which is more important than diamond jewellery's functional value to customers, therefore corporate reputation in the diamond industry is the *single most critical* intangible asset that requires the greatest care.

In terms of stakeholder relations, this study maintains that a positive reputation will attract and retain key stakeholders, i.e. shareholders, top employees, community members and suppliers, and build solid long-term strategic relations. In line with Puncheva-Michelotti and Michelotti's (2010) assertion, this study revealed that a positive corporate reputation will provide advantages in conducting negotiations with stakeholders and provide access, which is an important attribute in relationship management and in negotiating licences as part of permission requirements in both the exploration and mining side of the diamond industry. It can also strengthen the company's strategic position in the competition for mining rights especially during the adjudication of mining permits. It can also facilitate better relationships with key external stakeholders, i.e. media, analysts, communities, opinion formers and non-governmental organisations (NGOs). The study also acknowledges that a positive reputation alone will not guarantee quicker and positive permitting decisions, but can provide a better chance to be heard and to be given the benefit of the doubt.

This study further confirms that a positive reputation increases organisational attractiveness to investors and other funding institutions. In terms of crisis management, this study has found that a positive reputation provides a buffer zone of reputational capital to insulate against unintentional failures, i.e. economic crisis, safety incidents or disasters, community protests and during industrial relations challenges.

This study further believes that corporate reputation is a significant aspect of mainstream investment decisions over the entire value chain in the diamond industry. This study revealed that investors will not invest money in companies with bad reputations in spite of all the positive financial attributes such as an IRR of 50% and attractive ROCE if the reputational issue cannot be resolved. While all the stakeholders interviewed felt that corporate reputation contributes to investor confidence, the bankers were neutral on this point, but after a further qualitative interview, they confirmed that corporate reputation is one of the criteria they consider before making any financial decisions. This study further confirmed that adhering to best practice in terms of corporate reputation is now a legal requirement in many countries and is not negotiable.

Finally, a positive reputation is not an invitation to take short cuts in terms of investing in marketing, working daily on managing stakeholder relations, doing good in communities and continuing to comply with all the applicable laws and regulations.

The study also found that the development of a corporate reputation can be very costly and time-consuming and may not, in the short-term, bring a direct a return on investment. Lastly, this study found no direct relationship between positive or high reputation and price. In other words, this study could not prove whether or not consumers will pay a premium price for a product because of a good corporate reputation alone but other attributes were also critical in the purchasing decision.

8.1.7 Corporate Reputation Management in the Diamond Industry

Given the ever-increasing globalisation and connectivity between different world areas, companies can no longer afford to ignore global standards of best practices. According to this study, consumers are now increasingly shunning

products that are produced by child labour and are associated with other unethical practices. In the case of diamonds, the movie *Blood Diamond* exposed unethical conditions in which diamonds from conflict areas were extracted and this has precipitated the formation of standards of conduct, such as the Kimberley Process, which are meant to ensure that diamonds come from ethical sources (Bieri, 2010). This study revealed that the *Blood Diamond* movie did not have any impact on the demand for diamond jewellery whatsoever. Instead, the movie was a "wake-up call" to the rest of the industry in terms of the diamond reputation and the potential impacts it has on the industry.

However, this study indicated that there is no stakeholder consensus on the level of awareness and effectiveness of these initiatives used to manage corporate reputation risks and challenges in the diamond industry. These interventions or initiatives are not well known by many stakeholders, especially external stakeholders like local communities, NGOs and Regulators. These initiatives are perceived by internal stakeholders and various industry experts to have had various levels of effectiveness and success. Our analyses revealed that, on the whole, internal stakeholders including employees, executives and mine managers are certain about the effectiveness of the interventions in place and have a high level of awareness when compared to the external stakeholder group. The customers are least aware of these initiatives or their effectiveness. Corporate reputation practitioners cited the *Botswana/De Beers* partnership in the ownership of diamond mines in Botswana as a model to ensure shared benefits between governments, private businesses and local citizens. They explained that almost all diamond companies in South Africa have a Social and Labour Plan worth more than 1.5% of net profit after tax which is already well above the world recommended 1%. The same level of awareness was very limited for the external stakeholders. On the whole, there is a positive association between the awareness levels and the stakeholder views on the effectiveness of the initiatives used. This implies that, for most stakeholder groups, knowledge has a positive effect on stakeholder perceptions on the effectiveness of interventions used in diamond mining. This study believes that the industry needs to improve its communication about the positive measures it takes.

The main outcome of this study is that different stakeholders have different expectations of a company or organisation. The expectations of employees, labour unions, customers, regulatory authorities and financiers all differ although they reach convergence in a few cases. Corporate reputation management cannot afford to only focus on only one stakeholder group to the exclusion of others. Even if one component, such as legitimacy, is not managed, the reputation will be affected. A good example is that of blood diamonds which were coming from a few areas and yet NGOs managed to create an awareness which threatened to seriously affect the industry. Similarly, industrial action over pay can affect share prices and business sustainability, as shown in the case of the AMCU strike in the platinum belt. Failure to comply with environmental regulations precipitated a clash between Coal of Africa and NGOs interested in heritage and the environment. The result was that the share price of the company fell, resulting in a loss of value. Corporate reputation management must be holistic, emphasising all aspects of corporate reputation equally, otherwise it will be a wasted effort. Mining must also benefit local communities otherwise serious legacy issues are created. Similarly, rehabilitation of mines should cater for post-mine closure.

8.2 Recommendations for implementation in practice

The overall recommendation from this research is the call for individual diamond mining companies to fully subscribe to the African Mining Vision which reads as follows:

> A transparent and inclusive mining sector that is environmentally and socially responsible…which provides lasting benefits to the community and pursues an integrated view of the rights of various stakeholders … is essential to addressing the adverse impacts of the mining sector and to avoid conflicts induced by mineral exploitation. Public participation in assessing the environmental and social impacts and the enforcement of impact assessment requirements is important in tackling these challenges.

In line with the literature review, findings and conclusions of this study, the following eight recommendations are made:

1. South African diamond mining companies must appreciate that the definition, meaning and interpretation of corporate reputation in the diamond industry is informed by different stakeholders' perceptions, hearsay, past experiences and past corporate events and actions. There is not one reputation but there are many reputations, depending on who you talk to. It is recommended that senior managers, including Chief Executive Officers responsible for corporate reputation management, continuously scan, document and analyse the stakeholder perceptions, experiences, grievances through a formalised stakeholder issues monitoring programme like media monitoring and grievance management mechanisms. The Community Partnership Plan is recommended as a tool to facilitate mine/community relationships (Appendix 8)

2. Corporate reputation is deeply embedded in the leadership of the organisation, some researchers claim that up to 40% of the company's reputation is influenced by the CEO (Reputation Institute, 2006), the corporation's legitimacy to its stakeholders and brand loyalty. This research recommends that it is important to appoint a CEO who has a full appreciation of corporate reputation, its components and key drivers of corporate reputation, and its significance in the diamond industry as a key recruitment criterion to the industry.

3. The perceptions of the diamond industry remain a key challenge for the industry, negative statements like cartel, monopoly industry, among others, continue to affect the reputation of the diamond industry in South Africa. It is recommended that the diamond industry needs to actively manage its perceptions by introducing dedicated perception analysis, monitoring and management solutions to eradicate negative perceptions and to grow the positive perceptions. This study recommends that the industry requires a reputational facelift where it repositions its reputation among its stakeholders, focusing on neighbouring communities with a special focus

on youth groups, consumers and various international NGOs like Amnesty International and local NGOs like Benchmarks Foundation.

4. A number of risks and challenges were identified as part of this study. This study advocates for the development of effective management responses and actions for each of these challenges and risks and the following recommendations for a number of key risks and challenges have been singled out:

- In terms of addressing poverty and unemployment in the neighbouring mine communities, this study recommends that diamond mining companies need to support sustainable local economies and communities, through effective social investment programmes aligned with SLPs: infrastructure development, employee indebtedness programmes, employee housing development programmes, focus on creating local employment opportunities, facilitating preferential procurement and enterprise development in the local communities. It is recommended that the diamond mining companies need to partner with local government, provincial government, its suppliers and other local stakeholders to combine resources in addressing poverty and unemployment issues. The Socio-Economic Assessment Toolbox presents various tools that could be used to facilitate these proposals.

- On the Broad Based Black Economic Empowerment (BBBEE) concerns, it is recommended that the diamond industry, through the Chamber of Mines Diamond Producers forum, engage Department of Mineral Resources (DMR) pro-actively in the development of the Mining Charter Three or the proposed amended mining charter. Care must be taken to recommend a better funding model for the BEE transactions. Appendix 7 provides an example of key lessons learned since 2006 and provides a comparative analysis of different transactions. There is no single solution in resolving the challenges associated with BEE transactions in the mining industry since they are affected by many variables, most of which are uncontrollable like market price and exchange rate.

- In terms of Employee Share Ownership Plans (ESOPs), it is recommended that the South African government, in partnership with mining companies, must develop BBBEE or Mining Charter guidelines to guide the formation of future ESOPs or the revision of the current ones. A clear line of sight must be formed and these ESOPs should mature after a maximum of five years. There must be a lock-in mechanism in order to ensure continuous BBBEE or Mining Charter compliance. These ESOPs must be linked to organisational profitability and productivity.
- On effectiveness of the current Mining Charter target that requires 26% Black ownership without clear guidelines on who should make up this 26%, this research recommends a combination of community participation with a special focus on youth, Black employee participation and selected industrialists (woman and people with disabilities) to form part of the 26% black ownership recommended. The selected individuals must be committed and they must be actively involved in the day-to-day running of the business.
- On the dividend policy, this study recommends that a trickle dividend policy must be incorporated in all future BEE transaction to ensure that some financial benefits flow through at least on an annual basis provided that the company is profitable and can afford this.
- On employee engagement, this study recommends that mining companies must consider creating an employee volunteer programme which will enable its employees to be encouraged to do community service. This will address the issues relating to the distrust between mine employees and the rest of the local community and the segregation between those employed and those unemployed in the same community. Employees must be encouraged to identify community projects where they, together with the company, could get involved. De Beers has a good case study on this through its Saturday schooling project where a number of its employees volunteer their time to teach local youth in maths and science. There are other cases where mining companies second their employees to local government to assist with service delivery back-locks and challenges by availing their technical personnel to local government
- On the Kimberley Process (KP), this study recommends that the current KP

needs to be strengthened in order to incorporate issues of human rights abuses, intra-country trade issues as well as the requirement for KP to place more responsibility on the diamond companies to monitor their supply chain. *The De Beers Best Practice Principles* should be incorporated into the KP.

- On environmental stewardship and responsible mine closure and rehabilitation, diamond mining companies are encouraged to implement programmes aimed at making a lasting contribution to sustainable development and post-closure legacy for future generations in local communities. It is recommended that a book by Georgina Pearman (2009) entitled "*101 Things to do with a hole in the ground"* be used as a guide in terms of various options to be considered as a post-mining use of "the hole in the ground" or the mine dumps.

5. It is recommended that DMR must include a Community Partnership Plan (CPP) (Appendix 8) and a Small Business Development model (Appendix 12) which has been developed as part of this research in the anticipated Mining Charter Three. As stated in Appendix 8, the CPP must require mining companies to develop a comprehensive community partnership plan outlining the list of stakeholders in the community, community needs, community interventions focusing on education, rural development, housing development, sports and recreation, community health issues and a youth development plan. The Small Business Development model must require mining companies to invest about 3% of their mining profits to support small businesses in their local communities, focusing on women and youth-owned businesses. A special focus must be given to Local Procurement and Supply Chain development. These plans must be developed together with local communities and be approved by DMR as part of the normal permission process. The Small Business Development model (see Appendix 12) together with the well-publicised Anglo American Zimele Enterprise Development Model is recommended.

6. In terms of delivering equitable benefits for the local mine communities, this study recommends that the South African government must consider

investing at least 30% of the mining royalty payments into the mining towns.

7. On the media relations front, this study recommends a pro-active approach in managing media house relations; calls for Public Relations practitioners to invest in building strong relations with both Tier 1 (well experienced journalists and editors) and Tier 2 (junior and inexperienced journalists and editors); expose the media to the industry by organising media visits, launches of insight reports and by supplying the right information; develop a media relations plan; show transparency in oversight of strategic decision-making within the business and public disclosure of payments to governments through taxes, royalties and charges.

8. Lastly, in terms of the level of awareness and the effectiveness of various diamond industry initiatives aligned with world best practice principles to manage corporate reputation and other commercial success, this study recommends that the diamond industry corporate reputation practitioners must put in place tools to evaluate the success of these initiatives and implement an aggressive promotion or marketing plan in order to communicate these initiatives to all stakeholders with a special focus on consumers, local communities, DMR and media houses.

8.3 Contributions to knowledge made by this study

The major contributions made by this study can be divided into three major implications, which are managerial, policy and theoretical implications.

The managerial contributions are various tools for the identification of key reputational issues backed by real life examples, as well as the management tools and various approaches to managing corporate reputation in the diamond industry and in the wider mining industry in South Africa.

On the empirical contributions, this study provides an acceptable definition of corporate reputation in the diamond industry in South Africa, identifies key components of corporate reputation and key drivers of corporate reputation, as well as key risks facing the diamond industry, including perceptions. It determines the effects of corporate reputation and concludes by making several

recommendations and management actions to manage corporate reputation in the diamond industry in South Africa.

On the theoretical side, it is widely acknowledged that corporate reputation and public relations scholars have periodically expressed frustrations with the difficulty of describing and measuring the effects of corporate reputation in the mining industry (Benchmark Foundation, 2009; Davis & Franks, 2014; Lussier, 2014). Many scholars have written extensively about the growing concerns among mine communities, governments and other stakeholders regarding the adverse social and environmental impacts as a result of mining activities in the sub-Saharan countries and the need for mining companies to obtain social license to operate (Parsons et al, 2014; Owen & Kemp, 2013). This thesis has examined the meaning of corporate reputation in the diamond industry from a multi-stakeholder perspective including key components, drivers and various perceptions of the diamond industry. This study has resulted in the development of a number of theoretical models and guidelines that will go a long way in guiding Public Relations practitioners, academics and other stakeholders to understand the diamond industry's corporate reputation in South Africa. Key theoretical contributions to the corporate reputation literature include: definition of corporate reputation, key components of corporate reputation and various key drivers, current and future reputational risks and challenges, effects of corporate reputation and various recommendations for corporate reputation management. In terms of practical tools and models, those contributions include the recommended key considerations in funding BEE mining transactions to ensure immediate and equitable benefits for the BEE companies (Appendix 7); community partnership plans to assist mining companies in improving their engagements with local communities (Appendix 8); the government relations framework to guide effective and win-win engagement between mining companies and all their key stakeholders (Appendix 9); and lastly the small business development framework which is informed by the extensive experience in assisting neighbouring communities in starting small businesses (Appendix 12).

This study is making a number of policy proposals both for the diamond companies and the South African government authorities. For diamond mining

companies, it is stated that community relations' policies need to be adjusted to reflect the clear involvement of youth groups and community based organisations including informal leaders. It is also important to introduce ongoing stakeholder surveys. The Social Labour Plans need to incorporate enterprise development programmes and the localisation of procurement spending. For the department of mineral resources, the mining policy of South Africa needs to revisit the provisions of the mining charter to expand on enterprise development and prevention of fronting by requiring black industrialists to actively participate in the day-to-day running of the mining operations. The SLPs must emphasise a requirement for on-going stakeholder engagement and on-going monitoring of SLPs to ascertain compliance.

In addition to the above contributions, the overall contribution to knowledge is to highlight the different stakeholder perspectives in the definition of corporate reputation and its constructs in terms of reputational components and drivers of corporate reputation, key perceptions of the diamond industry and its implications to the reputation management; to highlight key socio-economic and political challenges affecting the industry involving ethical governance issues, community wellbeing, transparency and accountability; and various management actions to manage the industry reputation. These issues have highlighted the significance of the social license to operate theory in the diamond industry as emphasised by Owen and Kemp (2013) and Parsons et al (2014). This research advocates that obtaining and maintaining the social license to operate is a fundamental step to achieve corporate success in the diamond industry.

This research has showed that stakeholder theory may help corporate reputation practitioners in the management of corporate reputation in the diamond industry. The combination of different approaches for the identification and classification of stakeholders through an informed salience (power, legitimacy, urgency, proximity and whether they are hateholders or faithholders), as proposed by Neville et al (2004) and Luoma-aho (2015), offers a more relevant, robust and useful tool for stakeholder management in the corporate reputation management in the diamond industry in South Africa.

8.4 Areas for Future Research

This study focused mainly on the wider stakeholder perspectives of corporate reputation in the diamond industry. It did not focus in detail on some of the key effects of positive or negative impacts of reputation. It is recommended that future research should focus on quantitative and qualitative impacts of reputation.

This study did not look at the economic impacts of corporate reputation. It is recommended that future research should evaluate the relationship between positive or high reputation and the price that consumers are willing to pay.

The cost of building corporate reputation capital for the organisation was not explored in this study. This study recommends that future research should review the costs of building reputation in the diamond industry with special emphasis on promotional costs and marketing initiatives.

More research is recommended to better understand the effects of synthetic gem quality as well as the recycled diamonds.

More research is recommended to understand the anti-mining movement in South Africa from most of the local NGOs and several community-based organisations, especially youth-based organisations or various youth formations.

More research is recommended to understand why Marikana took place in 2013, the occurrence of violent and sometimes brutal illegal strikes as well as the call for resource nationalisation in South Africa. This study believes that not enough empirical research has been undertaken to better understand these issues in detail.

More research is recommended to understand the community expectations and to review the current community development and community engagement initiatives including the *SEAT toolbox, Social Way* and *Government Relations Handbook.*

More research is recommended to understand the legislative and economic rationale for why India dominates the cutting and polishing industry.

More research is recommended to understand the reasons for the failure of most of the BEE transactions that were implemented between 2006 and 2014.

8.5 Weaknesses and Limitations of the study

The main limitation relates to the fact that the data was generated using a non-random sampling technique, which provides limited generalisability of the results obtained from the sample, However, the use of a mixed method approach via an extensive questionnaire supported by the in-depth interviews, document analysis and focus group workshop ameliorate this limitation and therefore is not likely to have an impact on the findings.

Another limitation is that the study is conducted in a single country, South Africa, therefore it does not account for possible cross-cultural variations in the understanding of corporate reputation in the diamond industry since South Africa only accounts for only 5% of the diamond industry's rough diamond production. It is believed that the in-depth semi-structured interviews with global experts in the diamond industry, goes a long way to address this limitation.

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Appendix 1
Historical Milestones of De Beers Consolidated Mines and the South African Diamond Industry

Year	Key Event or Development
1871	The De Beers diamond mine was discovered in May on a farm owned by the De Beer brothers, and the Kimberley diamond mine in July. The latter would become the world's richest mine for nearly a century.
1887	Cecil Rhodes and Barney Barnato on an acquisition of several diamond mines in Kimberley. Each buying claims and shares in nearby mines. Each had intentions to take over all the diamond assets. In the process to out compete each other, they flooded the market causing diamond prices to plummet. A merger became the only solution to maintain steady demand and steady production.
1888	The famous De Beers Consolidated Mines Limited was established on 12 March 1888. Cecil Rhodes was named founding chairman.
1902	The Premier Mine now called Cullinan Diamond mine Near Pretoria was discovered. It ultimately produced a higher number of large gem diamonds than any other mine.
1905	The Cullinan diamond is discovered at the Premier Mine. At 3 106 carats it is the largest rough diamond ever found.
1914	The outbreak of world war causes the suspension of all mining at De Beers' operations.
1917	Sir Ernest Oppenheimer founded Anglo American Corporation initially to develop gold mining in South Africa as part of De Beers divestment strategy to other mining opportunities.
1926	Sir Ernest Oppenheimer was knighted for his wartime effort, elected to the De Beers board after Anglo American, becomes a major shareholder.
1928	De Beers open its first African cutting factory in Kimberley. This marked the beginning of diamond beneficiation in South Africa.
1929	Sir Ernest would becomes Chairman of De Beers Consolidate Mines.
1929	The Central Selling Organisation, as a single channel sales mechanism which soon took responsibility for more than 90% of the world's rough diamonds. This systems was supply driven, led to the establishment of a

	stock pile, based on centric or cartel approach, very hierarchical and had serious competition and legal issues.
1932	The Great Depression deepens, demand for diamonds dried up. De Beers responded by closing all its mines.
1934	Harry Oppenheimer, son of Sir Ernest, joins the De Beers board.
1940	World War II engulfs Europe, all De Beers mines closed for the duration.
1940	Dr John Williamson, a Canadian geologists establishes The Williamson Diamond Mine, later famous for its fine pink diamonds.
1947	*Ädiamond is Forever*" slogan is coined by a young copywriter at the N W Ayer advertising agency by the name of Frances Gerety. This timeless lifetime world aclaimed slogan was recognised by Ad Age as the greatest advertising slogan of the 20th century.
1947	King George VI and Queen Elisabeth, and the Princesses Elisabeth and Margaret visited De Beers Kimberley mines and were generously showered with several significant diamond gifts.
1957	Harry Oppenheimer succeeds his father as chairman of De Beers following the sad passing of his father.
1966	Kimberlite, the diamond – bearing ore body, is discovered by De Beers' prospectors in Northern Botswana.
1967	Orapa Kimberlite pipe is discovered a year after Botswana gains it independence from Britain. Orapa pipe was the second largest pipe in the world covering 262 acres at the surface.
1969	Debswana is formed. De Beers joins with the Republic of Botswana to establish Debswana, a 50/50 partnership to develop Orapa.
1971	Orapa diamond mine begins its production.
1972	Jwaneng kimberlite pipe which was hidden 150 metres underground is discovered by a De Beers geologists. Jwaneng soon became the world's richest diamond mine.
1982	Production begins at Jwaneng Mine in Botswana.
1992	Venetia Mine opens in Limpopo, South Africa. It became South Africa's largest diamond mine and richest diamond operation.
1994	De Beers joins with the newly independent Republic of Namibia to form Namdeb – 50/50 joint venture partnership to mine the country's diamond.

1998	Nicky Oppenheimer became Chairman of De Beers.
1998	De Beers begin the development of diamond inscribing technology that would end up used in Forevermark.
2001	De Beers Diamond Jewellers company is formed as a 50/50 joint partnership between De Beers and a luxury group LVMH Moet Hennessy Louis Vuitton.
2002	Gary Rafle, CEO of De Beers spear-head the process to abandon the single selling channel selling mechanism to replace it with a demand driven selling strategy aligned with fair trading and legal alignement with competition issues.
2003	De Beers helps establish the Kimberley process Certificate Scheme to stem the flow of conflict diamond. It is estimated that 100 % of De Beers' diamonds are certified conflict free.
2006	In partnership with the Government of the Republic of Botswana , De Beers establishes Diamopnd Trading Company short for DTC Botswana, a company to sort and value all Debswana production and support local diamond manufacturing and 99.9% of world's diamonds.
2006	De BeersConsolidated Mines concludes its landmark BEE transaction by selling its 26% shares to broadbased BEE partner Ponohalo.
2008	Forevermark is launched in select countries with focus in the United States. This brand is premised on the assertion that its diamond jewellery range is Rare, beautiful and responsibly sourced.
2009	De Beers invest in a Mining Vessel called Peace in Africa and later sells this vessel to Namdeb.
2011	Anglo American a majority shareholder in De Beers since 1926 , and the Oppenheimer family announce an agreement for Anglo American to acquire the family 40% share in De Beers.
2012	De Beers becomes a subsidiary of the Anglo American group. Anglo American concludes its acquisition to increase its interest in De Beers to 85%.
2013	De Beers Consolidated Mines sells most its mines to Petra Diamonds.
2016	De Beers sells its Kimberley diamond mine and all its properties to Ekapa consortium.

(Source: De Beers Sustainability Presentation. Internal Document, 2013)

Appendix 2
Research Questionnaires

1. General Information

Company:

Country:

Email Address:

2. Please choose the occupation that best describes your association with the Diamond Industry.

☐ Banking Institution
☐ Community Representative (including CBOs)
☐ Consumer of Diamond Jewelry
☐ Corporate Reputation expert
☐ Employee in the Diamond Industry
☐ Human Rights and other lobby groups
☐ Investor and/or Banking Institutions
☐ Labour Union
☐ Media House
☐ Potential Consumer of Diamonds
☐ Regulatory Authority
☐ Senior Executive in diamond industry
☐ Supplier to the Diamond Company

3. Choose one statement that best describes the meaning of corporate reputation in the diamond industry.

1) Corporate reputation is an overall estimation of a corporation by its stakeholders, which is expressed by the net effect of the reactions from customers, investors, employees, and the general public.

2) Corporate reputation is a stakeholder's overall evaluation of a company over time. This evaluation is based on the stakeholder's direct experience with the company, any other form of communication and symbolism that provides information about the firm's action and/or a comparison with other leading rivals.

3) Corporate reputation is a perceptual representation of a company's past

actions, as well as future prospects, which describes the firm's overall appeal to all of its key constituents/stakeholders, when compared with other leading rivals.

4) Corporate reputation is the observers' collective judgments of a corporation based on assessments of the financial, social, and environmental impacts attributed to the corporation over time.

5) Corporate Reputation is public's effective evaluation of a firm's name relative to other firms.

6) Corporate reputation can be defined in terms of a number of attributes that form a stakeholder's perception as to whether a company is well-known, good or bad, reliable, trustworthy; reputable and believable.

4. Listed below are the components of corporate reputation in the diamond industry, please indicate to what extent you agree or disagree with the statements by circling the appropriate response.

a) Corporate Legitimation is a component of corporate reputation in the diamond industry.

b) Corporate Brand is a component of corporate reputation in the diamond industry.

c) Corporate Identity is a component of corporate reputation in the diamond industry.

d) Corporate Communications is a component of corporate reputation in the diamond industry.

e) Corporate Image is a corporate reputation in the diamond industry.

f) Reputation Management is a component of corporate reputation in the diamond industry.

g) Corporate Leadership integrity is a component of corporate reputation in the diamond industry.

h) Ethical Product stewardship is a component of corporate reputation in the diamond industry.

i) Corporate Social Responsibility is a component in corporate reputation in the diamond industry.

5. Listed below are the DRIVERS of corporate reputation in the diamond industry, please indicate to what extent you agree or disagree with the statements by circling the appropriate response.

a) Fair treatment of employees is a driver of corporate reputation.b) Customer care is a driver of corporate reputation.
c) Community care is a driver of corporate reputation.
d) Profitability is a driver for corporate reputation.
e) Compliance with National and Global Laws is a driver of corporate reputation.
f) Conflict diamond is a driver of corporate reputation.
g) Blood diamond is a driver of corporate reputation.
h) Employee care is a driver of corporate reputation.
i) Innovativeness is a driver of corporate reputation.
j) Good relations with stakeholders is a driver of corporate reputation.
k) Quality of product and services is a driver of corporate reputation.
l) Strong adherence to good governance practices is a driver of corporate reputation.
m) Brand presence is a driver of corporate reputation.

n) Environmental protection is a driver of corporate reputation.

o) Quality of the leadership team is a key driver of corporate reputation.

p) Beneficiation of diamonds in the producer countries is a driver of corporate reputation.

q) Transparency as reflected by producing annual sustainability reports and financial reports is a driver to corporate reputation.

r) Brand Profile is a driver of corporate reputation.

s) Clear company vision and strategic goals are the drivers of corporate reputation.

t) Community investment is a driver of corporate reputation.

6. Please indicate to what extent you agree or disagree with the following perceptions of the diamond industry.

a) Non-co-operative
b) Customer orientated
c) Highly motivated employees
d) Unethical
e) Irresponsible
f) High quality standards
g) Good leadership
h) Untrustworthy
i) World Class industry
j) Internationally respected
k) Illicit industry
l) Contributes to millennium goals
m) Associated with mass human degradation
n) Good for Africa's Growth
o) Secretive industry
p) Investment heaven
q) Caring industry
r) Contributes to human rights abuses

s) Ethical

7. Compliance with Global Best-Practice principles and criteria is important in managing corporate reputation in the diamond industry. Please indicate to what extent you agree or disagree with the following statements in the diamond industry by circling the appropriate response.

a) The diamond industry shares a belief that the prudent use of natural resource wealth should be an important engine for sustainable economic growth that contributes to sustainable development and poverty reduction.

b) The diamond industry recognizes that management of natural resource wealth for the benefit of a country's citizens is in the domain of sovereign governments to be exercised in the interests of their national development.

c) The diamond Industry recognizes that the benefits of diamond mining occur as revenue streams over many years and can be highly price-dependent.

d) The diamond Industry recognizes that a public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development.

e) The diamond Industry embraces the importance of transparency by governments and companies and the need to enhance public financial management and accountability.

f) The diamond industry recognizes the enhanced environment for domestic and foreign direct investment that financial transparency may bring.

g) The diamond Industry believes in the principle and practice of accountability by government to all citizens for the stewardship of revenue streams and public expenditure.

h) The diamond industry believes that, in seeking solutions, all stakeholders

have important and relevant contributions to make.

8. Listed below are the key current and future global reputational risks or challenges in the diamond industry that could affect the reputation of the diamond industry, please indicate to what extent you agree or disagree with the key risks as stated by circling the appropriate response.

1. Labour unrest is an important risk.

2. Perceived Worker exploitation is an important risk.

3. Diamond theft is an important risk.

4. Rise of illegal diamond trade is an important risk.

5. Mine closures leading to adverse impacts to rural communities and environment is an important risk.

6. Lack of beneficiation in the producer countries is an important risk.

7. Increase of artisanal mining is an important risk.

8. Reduced supply of global gem quality diamonds because profitable reserves are being depleted with little progress in finding new viable diamond mines is an

important risk.

9 Human rights abuses is an important risk.

10. Restricted supply of energy is an important risk.

11. Retention of talent in the diamond industry is an important risk.

12. Continued uncertainty about the resilience of global economy is an important risk.

13. Industry liquidity – the debt levels in the cutting centres are still much higher than the norm is an important risk.

14. Cautious lending by the banks and other investors is an important risk.

15. Collapse of the Kimberley Process is an important risk.

16. Expected increase in the cost of financing the diamond industry is an important risk.

17. Foreign exchange rate volatility – the large fluctuations of Southern African. currencies vs US$, the commonly used unit of sale in the industry, is an important risk.

18. Negative Publicity through media pressure is an important risk.

19. Lack of contribution to local economies is an important risk.

20. Rise of Monopoly players is an important risk.

21. Political instability within the producer countries is an important risk.

22. Tough regulatory regimes regulating the diamond trade and mining including retail is an important risk.

23. Nationalisation of diamond mines by the producer countries is an important risk.

24. Increased NGO scrutiny of the diamond pipeline is an important risk.

25. Conflict diamonds is an important risk.

26. Blood diamonds is an important risk.

27. Environmental destruction is an important risk.

28. Affordability of diamonds is an important risk.

29. Problems in exporting diamonds from producer countries is an important risk.

30. The rise of synthetics as an acceptable alternative to natural diamonds is an

important

risk.

31. Increased demand base globally is an important risk.

32 China becoming the biggest market for diamonds in the world by 2015 is an important

risk.

33. Several African countries affected with Mineral Wars is an important risk.

34. Increased state control in the producer countries is an important risk.

35. Increasing unemployment within the value chain of the diamond industry is an

important risk.

36. Introduction of the recycling of diamonds because of shortage is an important risk.

37. Rehabilitation of Mines is an important risk.

38. Strict competition Laws is an important risk.

39. Artificial inflation of diamond value is an important risk.

40. Increased greediness is an important risk.

41. Increase in the gap between those who have and the have-nots where diamonds are mined is an important risk.

42. The diamond industry'stainted public image is an important risk.

43. Increased cost of water is an important risk.

44. Increased manufacturing costs within the major cutting centres is an important risk.

45. Exploitation of the 3rd world is an important risk.

46. Illegal diamond mining and trading is an important risk.

47. Violent crime is an important risk.

48. Worsening safety incidents is an important risk.

9. Please indicate to what extent you agree or disagree with the following statements relating to the positive effects of corporate reputation in the diamond industry by circling the appropriate response

a) Positive corporate reputation will ensure that employees get motivated, hard working and become better ambassadors of the organisation who will speak proactively andpositively about the organisation.

b) Positive corporate reputation will enable employees to be fully engaged and to be emotional attached to the organisation.

c) Positive corporate reputation contributes to attraction and retention of customers in the diamond retail outlets thereby ensuring repeat custom.

d) Positive corporate reputation fosters positive word-of-mouth promotion and improved customer loyalty.

e) Positive corporate reputation has many benefits for the firm, such as increased consumer loyalty, enhanced firm reputation, reduced price elasticity, lower cost of future transactions, and higher employee efficiency and loyalty.

f) Positive corporate reputation will instil consumer confidence in such a way that synthetics or un-natural diamonds will not have the same emotional and financial value as diamonds because the value of diamonds is inextricably linked to how they were naturally formed billions of years ago.

g) Positive corporate reputation provides advantages in conducting negotiations with stakeholders.

h) Positive CEO reputation plays a significant role in attracting more investors, clients, work applicants and trust in the corporate decisions of a diamond company.

i) Positive corporate reputation helps enhance competitive advantage, by differentiating the company in the marketplace.

j) Positive corporate reputation increases customer confidence in products and services, advertising claims and in the buying decision.

k) Positive corporate reputation facilitate better access to capital markets, which has a direct impact on decreasing the capital cost and lowering procurement rates.

l) Positive corporate reputation with effective communication programmes will Strengthen employee morale (especially during difficult times), thereby enhancing productivity and ultimately profitability.

m) Banks, asset managers and term assurers are screening their shareholdings in favour of companies that demonstrate commitment to social and environmental programmes, and against those that are associated with activities deemed detrimental and unethical to society and to the environment.

n) A favourable reputation with employees can help attract better staff, spur productivity and enhance profitability.

o) Good corporate reputation held by a firm's stakeholders is understood as

reputational capital. This capital is claimed to contribute to reduced transaction costs, employee loyalty, easier recruitment and general legitimacy of the organisation

p) Positive reputation can establish, protect and enhance competitive position, while a tarnished reputation can set an enterprise on a cycle of decline through high labour turnover and lower morale

q) Positive reputation will allow seller organisations to charge higher premiums. In other words, the high corporate reputation of an exchange partner will result in the ability to command premium price during the transaction.

r) Positive corporate reputation reduces information asymmetries between buyers and sellers, and thereby allows buyers to reduce uncertainty and concerns about their product or service quality.

s) Positive corporate reputation enables the diamond companies to project their core mission and identity in a more systematic and consistent fashion than those with negative corporate reputation.

t) Positive corporate reputation leads to higher prices during the auctioning of diamond jewellery.

u) Positive corporate reputation facilitates better relationships with key external stakeholders, i.e. media, analysts, communities, opinion formers, non-governmental organisations (NGO’s).

v) Positive corporate reputation contributes to reduced marketing costs to ensure rapid global growth coupled with zero advertising with reliance on experience based on word of mouth.

w) Positive corporate reputation provides a buffer zone of reputational capital to insulate against unintentional failures, i.e. economic crisis; retrenchments; etc.

x) Positive reputation brings increased sales, but does not always enable companies to charge premium prices for the goods or services.

y) Positive corporate reputation does not affect financial performance nor does financial performance affect reputation, as a result there is no causal relationship between corporate reputation and financial performance (in either direction).

10. Listed below are the key programmes or interventions that the diamond industry has implemented in managing key reputational issues in the diamond industry. Please indicate the level of your awareness of the following programmes or interventions by circling the appropriate response (whether a great deal, a fair amount, just a little or nothing at all)

a) The Kimberley Process Certification Scheme, the voluntarily system of warranties for guaranteeing the ethical supply of diamonds.

b) The Diamond Development Initiative to assist artisanal miners.

c) Beneficiation projects in the Producer Countries.

d) Social Investments in the diamond producing countries averaging at 1% of net profit after tax.

e) Implementation of the Diamond Trading Co - Diamond Best Practice Principles.

f) Win – Win partnerships with Producer Countries Governments.

g) Compliance with Rapaport Fair Trade Principles.

h) The Council for Responsible Jewellery Practice Code of Practice to drive business ethics in the diamond industry.

i) The Responsible Jewelry Council (RJC) has implemented its Certification System that will certify its members for responsible ethical, social and environmental practices in the diamond jewellery supply chain.

j) Greater Transparency of diamond companies in terms of payments to governments, taxes paid, contracts and credibility with stakeholders through their sustainability reports.

k) Eradication of corruption initiative in most major diamond producing countries

l) Eradication of Human Rights abuses initiative in most major diamond producing countries.

m) Adherence to world class safety standards.

n) Effective risk management systems.

o) Effective Community Engagement Programmes with regular engagements with community leaders and various authorities.

11. How effective would you say the following diamond industry initiatives are in resolving the reputational issues around the world (whether not at all effective, not effective, fairly effective, very effective or I don't know)

a) The Kimberley Process Certification Scheme, the voluntarily system of warranties for guaranteeing the ethical supply of diamonds.

b) The Diamond Development Initiative to assist artisanal miners.

c) Beneficiation projects in the Producer Countries.

d) Social Investments in the diamond producing countries averaging at 1% of net profit after tax.

e) Implementation of the Diamond Trading Co - Diamond Best Practice Principles.

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g) Compliance with Rappaport Fair Trade Principles.

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k) Eradication of corruption initiative in most major diamond producing countries

l) Eradication of Human Rights abuses initiative in most major diamond producing countries.

m) Adherence to world class safety standards.

n) Effective risk management systems.

o) Effective Community Engagement Programmes with regular engagements with community leaders and various authorities.

12. Listed below are the key statements demonstrating some key considerations that consumers take into account before making a purchasing decision for diamond jewellery. Please rank your order of preference from priority number 1 to priority number 11 by circling the appropriate response.

a) Consumers of diamond jewellery want a high level of assurance that the product they buy is associated with community upliftment, compliance with human rights and environmental care as a reference point before making a purchase.

b) The price of the product is the major reference point for diamond jewellery purchasing decisions.

c) Consumers want fewer, better things - things that will last and can be

passed on to the younger generation, and are durable. This is a major point of reference in making a jewellery purchasing decision.

d) Discovery of something new is the major consideration affecting the purchasing decision.

e) Consumers desire a return to ‘true luxury’ For example, something that is handmade, with a personalized level of detail and genuinely exclusive is a major point of reference for diamond jewellery purchasing decisions.

f) Rarity of the object is a major point of reference for diamond jewellery purchasing decisions.

g) The promise of high quality in terms of technical and functional value is a major point of reference for diamond jewellery purchasing decisions.

h) Diamond jewelry consumers are asking for certification and guarantees (which) need to be provided by a neutral, respectable third party that comes with impeccable credentials.This is a major point of reference for diamond jewellery purchasing decisions.

i) Pleasure of the purchase or purchase excitement.

j) Diamond jewellery consumers have a growing interest in the details of the story behind their purchase – where the product was sourced and how it was made is a major point of reference for diamond jewellery purchasing decisions.

k) Emotional value is a point of reference for diamond jewellery purchasing decisions.

13. Listed below are the key measures that can be used to measure

corporate reputation. Using the following scale, please indicate to what extent you agree or disagree with the statements by circling the appropriate response

a) Emotional appeal (have a good feeling about the company, admire and respect, and trust the company a great deal).

b) The companyhas excellent leadership, has clear vision for its future and it recognizes and takes market opportunities.

c) The workplace environment is well managed. The company looks after its people. It is a good company to work for and it has good employees).

d) Product and services. (The company develops innovative products and services, offers high value for money and high quality products and services).

e) Social and environmental responsibility. (The company supports good causes.It is environmentally responsible and it, maintains high standards in the way it treats people).

f) Financial performance. (The company has a strong record of profitability, strong prospects for growth, and excellent performance against its rivals).

14. Thank you for completing the survey

Appendix 3 Lists of Codes

Appendix 3A
List of Codes and Associated Definition: Definition of Corporate Reputation at its Constructs

CODE TYPE		CODE	DEFINITION	THEME
Master code		CB	Corporate Brand	Brand status
	Sub-code	CBE	Corporate Brand Equity	Brand status
Master code		CRL	Community Relations	Community Views
Master code		CC	Corporate Citizenship	Doing good in the community
Master code		CI	Corporate Identity	Identity
Master code		CIM	Corporate Image	Image
Master code		CP	Corporate Personality	Identity
Master code		CSR	Corporate Social Responsibility	Corporate Responsibility
Master code		CL	Corporate Legitimation	Legitimacy
Master code		CR	Corporate Reputation	Reputation
	Sub-code	CR-A	Corporate Reputation - Assessment	Assessment
	Sub-code	CR-P	Corporate Reputation - Perceptions	Perceptions
	Sub-code	CR-I	Corporate Reputation - Intangible	Asset
	Third level code	CR-I - R	Corporate Reputation – Intangible - Resource	Asset
Master code		CG	Corporate Governance	Authenticity
Master code		EW	Employee Well being	Employee care
Master code		FP	Financial Performance	Profitability
Master code		QL	Quality Leadership	Credibility
Master code		SP	Safe Production	Safety First
Master code		SAV	Shareholder Activism	Confidence
Master code		SL	Social License	Acceptance
	Sub-code	SL-O	Social License – to Operate	Legitimacy
Master code		SR	Stakeholder Relations	Relations

Appendix 3B
List of Codes and Associated Definition: Key Perceptions of the Diamond Industry

CODE TYPE		CODE	DEFINITION	
Master code		AP	Alternatives Products	Alternatives
	Sub-code	AP-S	Alternatives Products - Synthetics	Synthetics
	Sub-code	AP-O	Alternatives Products – other Luxury Brands	Branded Products
Master code		BD	Blood Diamond	Conflict Diamonds
Master code		CI	Caring Industry	Caring or non-caring
	Sub-code	CI-P	Caring Industry-People	Show we care
Third level code		CI-P-E	Caring Industry-People-Earth	Nurturing
Master code		CC	Community Care	Community Benefits
Master code		CMC	Compliant with Mining Charter	Compliant or Non-compliant
Master code		ED	Environment Degradation	Environmental Stewardship
Master code		EAS	Epitome of Apartheid System	Racial Discrimination
Master Code		HRA	Human Rights Abuses	Human rights
	Sub-code	HRA-CL	Human Rights Abuse – Child Labor	Child Labor
Master code		IT	Illicit Trading	Illicit
Master Code		IC	Irresponsible Corporate	Compliant or Non-compliant
Master code		CMC	Non-compliant with Mining Charter	Compliant or Non-compliant
Master code		PC	Partner of Choice	Partnerships
Master Code		PL	Poor Leadership	Credibility
Master Code		RI	Responsible Corporate	Compliant or Non-compliant
Master		SI	Secretive Industry	Secretive

Code				
Master Code		SL	Strong Leadership	Authentic
Master Code		TI	Transparent Industry	Transparent
Master Code		GTN	Ghost Town	Legacy

Appendix 3C
List of Codes and Associated Definition: Key Risks and Challenges Affecting the Diamond Industry

CODE TYPE		CODE	DEFINITION	THEME
Master code		ARP	Access to Rough Production	Access by prospective new entrants to the industry
Master code		BN	Beneficiation	Localization
Master code		BD	Blood Diamonds	Association with wars and human rights abuses
Master code		CT	Carbon Tax	Green tax
Master code		CC	Climate Change	Climate Change
Master code		CI	Community impacts	Community Benefits from the mine activities
	Sub-code	CI-P	Community impact-poverty	Poverty
	Third level code	CI-P-U	Community impact-poverty-unemployment	Un-employment
	Third level code	CI-P-U-I	Community impact-poverty-unemployment-inequality	Inequality
Master Code		CR	Community Relations	Strained relations
	Sub-code	CR-P	Community Relations Positive	Positive Relations with communities
	Sub-code	CR-N	Community Relations Negative	Negative Relations with communities
Master code		CD	Conflict Diamonds	Blood Diamonds
Master code		CC	Consumer Confidence	Kimberley Process

Master code		CCZ	Corporate Citizenship	Doing Good
Master code		CSD	Competition from Synthetic Diamonds	Rise of synthetics
Master code		CR	Competition from Recycled Diamonds	Rise of recycled diamonds
Master code		CP	Cutting and Polishing	Beneficiation
	Sub-code	CP-B	Cutting and Polishing - beneficiation	Beneficiation
	Third level code	CP-L	Cutting and Polishing – localization	Beneficiation
Master code		DP	Developmental Price	Beneficiation
Master code		DS	Diamond Security	Illegal Trade
Master code		FT	Fronting	Transformation
Master code		GT	Ghost Towns	Legacy
Master code		GE	Global Economic	Globalization
	Sub-code	GE-G	Global Economic - Growth	Globalization
	Sub-code	GE-D	Global Economic - Depression	Economic Recession
Master code		ICE	Illegal Mining	Security
Master code		!C	Increasing Community Expectations	Un-employment
Master code		IM	Investor Confidence	Confidence
Master code		JL	Job – Losses	Un-employment
	Sub-code	JL-I	Job – Losses - Increase	Un-employment
	Third level code	JL-I-U	Job – Losses – Increase –Un-employment	Un-employment
	Third level code	JL-I-U-P	Job – Losses – Increase – Un-employment - Poverty	Un-employment and Poverty
Master code		LC	Land Claims	Community Conflict
Master		MD	Market Dynamics	Consumerism

code				
	Sub-code	MD-C	Market Dynamics –Rise of China	Social media
	Sub-code	MD-USA	Market Dynamics – Reduced Sales in USA	Globalization
Master code		ML	Money Laundering	Laundering
Master code		PI	Production Integrity	Confidence
Master code		RU	Regulatory Uncertainties	Unpredictable regulatory environment
Master code		RN	Resource Nationalism	Youth Activism
Master code		SD	Shortage of Diamonds	Limited Supply
Master code		YA	Youth Activism	Youth Activism
	Sub-code	YA-V	Youth Activism-Violent -	Youth involvement
	Third level code	YA-V-CU	Youth Activism-Violent-Community Unrest	Youth Activism
Master code		WE	World Economy	Globalization

Appendix 3D
List of Codes and Associated Definition: Effects of Reputation

CODE TYPE		**CODE**	**DEFINITION**	
Master Code		CE	Community Engagement	Community Involvement
	Sub-code	CE-H	Community Engagement - High	Community Involvement
	Sub-code	CE-L	Community Engagement - Low	Community Involvement
Master code		CI	Community impacts	Community Benefits
	Sub-code	CI-P	Community impact-poverty	Community Development
	Third level code	CI-P-U	Community impact-poverty-unemployment	Community Development
	Third level code	CI-P-U-I	Community impact-poverty-unemployment-inequality	Community Development
Master Code		CR	Community Relations	Community Relationships
	Sub-code	CR-P	Community Relations Positive	Community

				Relationships
	Sub-code	CR-N	Community Relations Negative	Community Relationships
Master code		CI	Consumer impact	Consumer confidence
	Sub-code	CI-PD	Consumer impact-purchasing decision	Purchasing Decisions
	Third level code	CI-PD-N	Consumer impact-purchasing decision-negative	Purchasing Decisions
	Third level code	CI-PD-P	Consumer impact-purchasing decision-positive	Purchasing Decisions
Master Code		CR	Corporate Reputation	Reputation capital
	Sub-code	CR-P	Corporate Reputation-Positive	Reputation capital
	Sub-code	CR-N	Corporate Reputation-Negative	Reputation capital
	Sub-code	CR-D	Corporate Reputation Damage	Reputation capital
	Sub-code	CR-R	Corporate Reputation-Responsiveness	Reputation Management
Master Code		DE	Deep Emotions	Trust
	Sub-code	DE-CO	Deep Emotional-Connection	Trust
	Third level code	DE-CO-EX	Deep Emotional-Connection-Expression	Trust
Master code		EE	Employee engagement	Employee value proposition
	Sub-code	EE-P	Employee engagement - positive	Employee value proposition
	Sub-code	EE-N	Employee engagement - negative	Employee value proposition
Master Code		EC	Ethical Consumerism	Brand Equity
	Sub-code	EC-PB	Ethical Consumerism –Product Boycotts	Brand Equity
	Sub-code	EC-PP	Ethical Consumerism – Product Promotion	Brand Equity
Master code		FP	Financial Performance	Sound financial performance

	Sub-code	FP-P	Financial Performance - Profitability	Financial Success
	Sub-code	FP-L	Financial Performance - Loss	Financial Success
Master code		GR	Government Relations	Engagement with regulators
	Sub-code	GR-P	Government Relations - Positive	Engagement with regulators
	Sub-code	GR-N	Government Relations – Negative	Engagement with regulators
Master code		IR	Industrial Relations	Unionism
	Sub-code	IR-C	Industrial Relations - Challenging	Unionism
	Third level code	IR-C-V	Industrial Relations – Challenging - Violent	Unionism
Master code		IC	Investor confidence	Investor comfort
	Sub-code	IC-M	Investor confidence-maintained	Investor comfort
	Sub-code	IC-S	Investor confidence-secured	Investor comfort
	Sub-code	IC-L	Investor confidence-lost	Investor dis-comfort
Master code		KP	Kimberley Process	Product stewardship
	Sub-code	KP-A	Kimberley Process-Approval	Kimberley Process
	Sub-code	KP-D	Kimberley Process -Disapproval	Kimberley Process
Main code		LR	Land Restitution	Legacy
	Sub-code	LR-	Land Restitution-Redistribution	Legacy
Master code		LG	Luxury Goods	Brand equity
Master code		LB	Luxury Brands	Brand equity
Master code		MD	Market Dynamics	Globalization
	Sub-code	MD-C	Market Dynamics –Rise of China	China Effect
	Sub-code	MD-USA	Market Dynamics – Reduced Sales in USA	China Effect

Master code		MC	Mining Charter	Compliance reviews
	Sub-code	MC-T	Mining Charter Target	Compliance
	Third level code	MC-C	Mining Charter Compliance	Compliance
	Third level code	MC-NC	Mining Charter-Non-.Compliance	Compliance
Master code		PS	Product and Services	Product and Services
	Sub-code	PS-Q	Product and Services - quality	Quality
	Third level code	PS-Q-P	Product and Services –quality - price	Prize
	Third level code	PS-Q-P	Product and Services –quality-price-experience	Appeal and Experience
Master code		SL	Social License	Stakeholder approval
	Sub-code	SL-O	Social License -to Operate	Legitimacy
	Third level code	SL-OA	Social License-to Operate - approval	Acceptance
	Third level code	SL-OD	Social License-to Operate – dis-approval	Illegitimacy
Master Code		STR	Stakeholder Relations	Partnering
	Sub-code	STR-N	Stakeholder Relations- Negative	Engagements
	Third level code	STR-P	Stakeholder Relations-Positive	Engagements
Master Code		SD	Synthetic Diamonds	Competition
	Sub-code	SD-G	Synthetic Diamonds - Growth	Competition
	Sub-code	SD- D	Synthetic Diamonds - Decline	Competition
Master code		YI	Youth impact	Youth involvement
	Sub-code	YI-U	Youth impact-unhappiness	Youth Activism
Third level code		YI-U-V	Youth impact-unhappiness-violence	Youth Activism
Third level code		YI-U-V-D	Youth impact-unhappiness-violence-disruptions	Youth Activism
Third level code		YI-U-V-D	Youth impact-unhappiness-violence-disruptions	Youth Activism

Appendix 3E
List of Codes and Associated Definition: Reputation Management

CODE TYPE		CODE	DEFINITION	THEME
Master code		BE	Brand Equity	Brand Awareness
	Sub-code	BEI	Brand Equity Impact	Brand Status
Master code		CA	Community Activism	Community Action
Master Code		CAl	Community Appeal	Community Action
Master code		CE	Community Engagement	Community Engagement
	Sub-code	CEP	Community Engagement Plans	
Master code			Consumer Expectations	Purchasing Decision
Master code		CC	Corporate Citizenship	Doing Good
Master code		CSR	Corporate Social Responsibility	Review Social and Environmental Responsibility
Master code		CL	Corporate Legitimation	Social License
Master code		CR	Corporate Reputation	Reputation management
	Sub-code	CR-A	Corporate Reputation - Assessment	Reputation management
	Sub-code	CR-P	Corporate Reputation - Perceptions	Reputation management
	Sub-code	CR-I	Corporate Reputation -	Governance
Master code		CG	Corporate Governance	Reputation management
Master code		CM	Crises Management	Crises Management
Master code		EW	Employee Wellbeing	Employee Value Proposition
Master code		FP	Financial Performance	Financial Review
Master code		QL	Quality Leadership	Leadership credibility
Master		RM	Risk Management	Risk Management

code				
Master code		SL	Social License	Acceptance and stakeholder approval
	Sub-code	SL-O	Social License – to Operate	Acceptance and stakeholder approval
Master code		SR	Stakeholder Relations	Stakeholder Management
	Sub-code	SRI	Stakeholder Relations - Identification	Acceptance and stakeholder approval
	Sub-code	SRM	Stakeholder Relations - Mapping	Acceptance and stakeholder approval
	Sub-code	SRE	Stakeholder Relation Engagement	Acceptance and stakeholder approval
	Third level code	SREP	Stakeholder Relations Engagement Plan	Acceptance and stakeholder approval

Appendix 4
Invitation Letter to potential respondents

Dear Respondent

CORPORATE REPUTATION IN THE DIAMOND INDUSTRY.

I am conducting an independent study on Corporate Reputation within the diamond industry as part of my PhD research. The purpose of this doctoral study, conducted under the auspices of the Business School at the University of Witwaterand, in South Africa is to describe various constructs of corporate reputation, identify key short and long-term reputational risks, evaluate the effects of corporate reputation from various stakeholder perspective and recommend effective measures that can be used to manage corporate reputation within the diamond industry.

Please take a few moments to complete this electronic questionnaire, which should not take longer than 40 minutes of your valuable time by not later than 20 April 2011. To complete the survey, please click **https://www.surveymonkey.com/s/5YBPPCB.** or alternatively please copy and paste this link onto your internet browser. All information you provide will be strictly confidential and your privacy will be protected.

Should you wish to receive a summary of the research findings and the managerial implications, or be invited to attend a presentation of the findings please indicate so by providing your e-mail address in the space provided.

Thank you in advance for your time and willingness to participate. Your valued contribution will provide the diamond industry with empirically tested insight on how to implement effective corporate reputation programme.

Yours regards

SakhileNgcobo

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Appendix 5
Interview Protocol

Corporate Reputation in the Diamond Industry in South Africa

Details of the respondent
Name:
Title:
Organization:
Contact details:
Email Address:

Opening Statement to Respondent

The reputation of the diamond industry is faced with many challenges. Over the last few years, it has experienced a number of turbulences world-wide including the launch of the Blood Diamond movie, consumer boycotts, introduction of synthetic diamonds, restructuring of the diamond operations in South Africa, unprecedented mine strikes, several community disruptions, demands by South African governments for mining companies to comply with Mining charter targets.

The purpose of this research is to describe various constructs of corporate reputation; identify key reputational challenges and risks; evaluate key effects of corporate reputation; and finally review the effectiveness and relevance of the existing corporate reputation management initiatives in the diamond industry in South Africa.

Background question

Provide a short background about the diamond industry, with special focus on mining, cutting and retail (luxury status)

Interview questions

What is your definition of corporate reputation in the diamond industry based on your experience?

What are the key components and drivers of corporate reputation in the diamond industry?

What are your perceptions of the diamonds industry?

What is the perceived level of compliance of the industry against global industry best practices?

What are the key current and future (2030) reputational issues in the diamond industry?

Is the industry doing something to address these issues and how effective are those interventions?

What are the key effects of corporate reputation in the diamond industry in your experience?

- Employee engagement, talent attraction and retention?
- Purchase decisions for luxury goods?
- Customer attraction and loyalty?
- Attracting and retaining investor relations and confidence?
- Corporate social responsibility or corporate citizenship?

Appendix 6
South African Stakeholder Views on Nationalisation of Mines

Name	Institution	Designation	Date	Comment	Stance
Susan Shabangu	DMR	Minister	November 2011	“No matter how often our government states the obvious, that nationalisation is neither South African government policy, nor is it ANC policy; the controversies and potential fears do not seem to disappear”	Against
Jacob Zuma	Government	President	October 2011	South Africa is committed to a free market economy but that in a democracy one cannot stifle debate	Against
Susan Shabangu	DMR	Minister	October 2011	"Based on the feedback from various sources, including meetings during the road shows and promotional activities, there is no evidence that there is a trend of disinvestment due to the nationalisation debate”	Against
Kgalema Motlanthe	Government	Deputy President	October 2011	“When Malema says the mining companies are making huge profits and if we nationalise them these profits will address our issues, our plight, the young people hear that. That’s the only message they hear”	Against
Julius Malema	ANCYL	President	October 2011	The impending disciplinary action against him would not distract him from fighting for the nationalisation of mines.	For
Matthews Phosa	ANC	Secretary General	October 2011	"The ideal deal ... would not only ensure that profitable companies such as yours further expand their activities and create jobs, but also address the substantial challenges faced by government to create new jobs and hasten the process towards increased social cohesion and security."	For

Name	Institution	Designation	Date	Comment	Stance
Enoch Godongwana	Nationalisation task team	Head	September 2011	In some circumstances national interest must prevail over those of private companies when it comes to exporting minerals.	For
Malusi Gigaba	Public Enterprises	Minister	September 2011	“The privileged will not voluntarily and out of magnanimity share their privileges, let alone surrender them. I am certain that you know that. A lot of effort, akin to a struggle, is required in order to bring about the economic transformation that we seek”	Mixed
Pravin Gordhan	Treasury	Finance Minister	September 2011	“The danger is that the nationalisation debate is mishandled, which could affect sentiment, undermine confidence and raise uncertainty regarding policy and policy direction” The calls for nationalisation stem from “frustration at the slow pace of economic transformation”. Mining companies have “fallen short” of commitments to increase black participation in the industry.	Against
Mathews Phosa	ANC	Former Treasure General	September 2011	Any policy of nationalisation adopted by the government would be in the best interests of the country as a whole, and the government in general was "very open" to public-private partnership in the mining industry. The party’s report on nationalisation, to be released next year, would represent "a middle road somewhere" that would be a "win-win for everyone".	For

Name	Institution	Designation	Date	Comment	Stance
Sandile Nogxina	Advisor to Susan Shabangu	Advisor	September 2011	Nationalisation is not policy for South Africa and there is no government process that is formulating a policy on nationalisation." "The matter will be put to bed by July next year when the ruling party holds its policy conference whereupon the issue will be debated, discussed and perhaps will be adopted or not."	Mixed
Fred Gona	Mining Committee	Chairman	September 2011	"The industry brought the nationalisation debate on itself. It is unsustainable that so few benefit from the industry"	For
Rob Davies	Department of Trade and Industry	Minister	September 2011	An assessment of the impact of the nationalisation and collectivisation debate depended on which investors you were talking to. Tata, the Indian conglomerate, for example, did not "give a fig about a debate on nationalisation".	Against
Trevor Manuel	National Planning Commission	Head	August 2011	Concerned that some people seemed intent on driving away investment	Against
Gwede Mantashe	ANC	Secretary General	August 2011	There are plans to complete a study on how South Africa should use its vast mineral wealth to fight widespread poverty by the end of the year "The fact that there are rich deposits of minerals in the country but there is poverty, is an ill that must be worrying all of us" "When we take a decision, we will take a decision that says: 'What they did in Botswana and what they did in Brazil will work for us. We don't take decisions on the basis on emotion"	For

Name	Institution	Designation	Date	Comment	Stance
Julius Malema	ANC Youth League	President	August 2011	"Everyone has the right to benefit from wealth in South Africa. South Africa is divided as we speak, we have two economies in one country, two nations in one country, and it is nationalisation that will unite us."	For
Keith Khoza	ANC	Spokesman	August 2011	It was misleading to say that the party had agreed to nationalisation: “It is not a foregone conclusion that there will be nationalisation, but we are not opposed to nationalisation”	For
David Masondo	ANC Limpopo province	General secretary and treasury MEC	August 2011	Supports nationalisation based on the principles of the freedom charter, believes that the state should gain revenue from mines not only from taxes but also from a share of the profits	For
Malusi Gigaba	Public Enterprises Department	Minister	August 2011	"We know the harm this acrimonious and reckless debate about nationalisation is doing to investments, to the good image of our country”	Against
Susan Shabangu	Department of Mineral Resources	Minister	August 2011	Surprised that South Africa was grappling with a debate about nationalisation while there is a real global concern about the state of the world economy, with all countries chasing investments in a bid to drive growth and create sustainable jobs.	Against

Name	Institution	Designation	Date	Comment	Stance
Pravin Gordhan	Treasury	Finance Minister	July 2011	"There are people who don't know South Africa that well and our politics that well who could be, and I have had bits of information, who could be put off or who will say let's just clarify what's going on in the country . Promoting certainty and promoting optimism in our environment is as important as having our debate as well so we have got to manage those processes." "We need investments, we need technology to come from outside of South Africa and we need to partner in the right way with each of these people so that we can advance our own cause ... We have to manage South African affairs in a way in which we don't alienate overseas investors and at the same time identify the serious challenges we face and work together to solve those challenges."	Against
Sandile Nogxina	Adviser to Susan Shabangu	Adviser	July 2011	Believes the ANCYL's call is partly the result of mining companies' failure to achieve the goals they were set, and the promised contained in social and labour plans, but believes the debate should run its course	Mixed

Name	Institution	Designation	Date	Comment	Stance
Floyd Shivambu	ANC Youth League	Spokesperson	July 2011	“The people as a whole are vividly distinguishable from State rentals of mineral wealth to big corporations, who brutally exploit labour and unsustainably exploit mineral wealth to make big profits.” “The Freedom Charter is the clearest expression of what the ANC and alliance partners seek to achieve in South Africa and any person who is against the Charter is against the aims of the ANC and the revolutionary alliance”.	For

Name	Institution	Designation	Date	Comment	Stance
Julius Malema	ANC Youth League	President	June 2011	"The wealth must be transferred to all the people, the banks and mines should be nationalised. Land redistribution should be speeded up otherwise we will have no alternative to take over the land without compensation," “There is greater consensus in the ANC on the nationalisation of mines and other strategic sectors of the economy, but we are still to see if the leadership has the political will to confront mining capitalists. It is the courage and the political will of the leadership which must inform the militant and radical resolutions and policy directions to be taken at the 53rd National Conference of the ANC in December 2012.” “Our call for mines to be nationalised and land to be expropriated without compensation are currently the most important rallying points to mobilise society behind the visions of the Freedom Charter” “We need the ANC to declare that we are in an economic struggle. Once that declaration is made, everyone will work towards economic emancipation. Our focus must be on economic freedom.” “We’re going to war comrades. A war for radical policy shift.” [On Susan Shabangu]:“She should prepare the mining sector psychologically, otherwise the mining sector will be in for a shock... .”	For

Name	Institution	Designation	Date	Comment	Stance
Ben Turok	ANC	MP	June 2011	The nationalisation of mines in SA was impractical, given the need for skilled personnel to run the mines and a favourable economic environment.	Against
Gwede Mantashe	ANC	Secretary General	June 2011	“The ANC is not a stokvel, it is a political party. We don’t develop a policy on our feet, and we don’t just wake up and adopt policies just because a group is vocal on the nationalisation of mines. It does not work that way”	Against
Malesela Maleka	SACP	Spokesman	June 2011	The organisation was in alliance with the ANC, and not the youth league, and therefore the process of research into the feasibility of mines had to be respected.	Against

Name	Institution	Designation	Date	Comment	Stance
Blade Nzimande	SACP	Secretary General	June 2011	Malema's populist rhetoric divided the nation and was becoming a threat to the democracy won in 1994 after decades of white minority rule. "This demagogy constitutes the greatest threat not just to our electoral performance but also to our hard-won democratic achievements" "Malema is part of this populism that is sounding left and workerist but actually [carries] the hidden agenda of acquiring wealth by selfish and unlawful means. This has happened before. People who have devious aims have always attacked the SACP for its principled stand. So Malema and his ilk do not surprise us." "We want to make it clear that the call [for nationalisation] is not a genuine call to actually empower the workers and the poor. Nationalisation has been undertaken by Hitler. "Ten years from now there will be a renewed call for privatisation." "The ANCYL wants the state to buy mining companies owned by black investors that are indebted"	Against
Jacob Zuma	ANC	President	May 2011	ANC Youth League president Julius Malema's utterances on nationalisation of land and mines were not the policies of the ANC or the government	Against

Name	Institution	Designation	Date	Comment	Stance
Ben Turok	Congress of Democrats	Anti-apartheid activist, Head of the Congress of Democrats	Feb 2011	“Well it’s a complicated issue …the point is that when I wrote that charter, the international environment was very different than today … nationalisation was a policy adopted around the world … but the main thrust of our policy at that time was about making public ownership of the resources of the country and that’s why we talked about the minerals, it was not the mines … it was a question of restitution.”	Mixed
Ben Turok	Congress of Democrats	Anti-apartheid activist, Head of the Congress of Democrats	Feb 2011	“We note that the word ‘nationalisation’ does not appear in the clause headed ‘the people shall share in the country’s wealth’. What was in our minds at the time was to emphasise that white economic power had usurped the historical legacy of the indigenous people whose ownership had to be restored. It was the colonial aspect that the Charter sought to reverse, not private ownership of property. It has never been the intention of the ANC to create a demand economy by nationalisation”. “In my judgement, the case for nationalising the mines has yet to be made convincingly”	Against
Musa Zondi	Department of Mineral Resources	Spokesperson to DMR minister	Feb 2011	“It is not being investigated by government - it is being investigated by the ruling party, which is a separate thing altogether. But government's position still remains the same - nationalisation is not a policy."	Against
Susan Shabangu	Department of Mineral Resources	Minister	Feb 2011	"I still believe, I feel very strongly, that nationalisation would not be the option for South Africa."	Against

Name	Institution	Designation	Date	Comment	Stance
Susan Shabangu	Department of Mineral Resources	Minister	Feb 2011	"Is nationalisation going to give us jobs? No. We have got to make sure that we become responsible and we attract more investments, because we do need investments in South Africa."	Against
Gwede Mantashe	ANC	Secretary General	May 2010	"The idea of nationalisation of the mines as raised by the ANCYL will have to go through the ANC's economic transformation committee, the national general council, and the policy conference before even reaching the national conference in 2012"	Mixed
Julius Malema	ANCYL	Leader	May 2010	"It is common knowledge that the ANCYL has called for the nationalisation of the country's mines, which is crucial for opening opportunities for all South Africans and creating more jobs through (the) beneficiation and industrialisation of minerals."	For
Floyd Shivambu	ANCYL	Spokespers-on	May 2010	"Our concern is the reality that the colonial features of the South African economy are still vivid, exporting virtually all natural resources and importing finished goods and products, but also enriching the white minority at the expense of the black majority"	For
Julius Malema	ANCYL	Leader	May 2010	The state should 'not tamper with what people own now' but rather it should go 'find open spaces'	For

Name	Institution	Designation	Date	Comment	Stance
Joel Netshite-nzhe	ANC	Veteran Policy guru	May 2010	On the Freedom Charter: "It is ahistorical to quote texts from some half century ago as evidence of an immutable policy stance, without an appreciation of the obvious changing context" "This is because state owned natural resource companies lend themselves to corruption – they have high lootability". The right question is whether state ownership would do more to strengthen the ability of the nation to deal with poverty and inequality than better regulation or different forms of taxation. In a nutshell, the call for holus bolus nationalisation of the mines is not supported by strong enough evidence"	Against
Julius Malema	ANCYL	Leader	As quoted by Alistair Sparks, Mar 2010	"In his first public address after release from prison, former president Nelson Mandela said, 'Nationalisation of the mines, banks and monopoly industry is the policy of the ANC and a change or modification of our view in this regard is inconceivable.'"	For

Name	Institution	Designation	Date	Comment	Stance
Jacob Zuma	ANC	President of South Africa	March 2010	"Let me use this opportunity to state that South African law does not provide for the nationalisation of mineral resources, and there is no discussion within government about the nationalisation of mines. Our Mineral and Petroleum Resources Development Act gives effect to the notion of state custodianship of mineral rights. "The law recognises the mineral wealth as a national asset, a common heritage that belongs to all in South Africa and pronounces the state as the custodian thereof."	Against
Jeremy Cronin	SACP	Deputy General Secretary	Feb 2010	“Any progressive call for nationalisation needs to be a coherent and do-able part of an overall democratic programme. How we transform the mining sector should be located within such a broader discussion and not be based on one third of a de-contextualised clause in the Freedom Charter”.	Against

Name	Institution	Designation	Date	Comment	Stance
Susan Shabangu	DMR	Head	Feb 2010	"In my lifetime there will be no nationalisation. Maybe when I'm dead, and rest assured I'm not dying next week". "Why should we stop young people when they want to engage in an intellectual debate? If Malema flexes his muscles and engages in an intellectual and academic exercise, why must we stop him?" "If the government wants to be involved in mining then it has to run these in a competitive way, like any other business. Its businesses must be run professionally and they should be able to compete on their own locally and globally. Nationalisation is about everything, and that's not the route we're taking". "Nationalisation is not a government policy… and this is not the route we are taking.. but if Julius Malema wants to flex his muscles intellectually, why should we stop him?"	Against

Name	Institution	Designation	Date	Comment	Stance
Julius Malema	ANCYL	Leader	Feb 2010	"Our position is that banks are going to be nationalised but we want to start first with the mines. Our position is inspired by the Freedom Charter. If there is an investor who is afraid of our restructuring, they are not welcome". "If any investor leaves here… other investors are going to come. Investors must be aware we have a strong communist friend China… They will invest here, they will mine here." "We come with the minerals, you come with the financial capital"	For
Floyd Shivambu	ANC Youth League	Spokesperson	Dec 2009	"Our view is that government must not pay anything for nationalisation. At the end of the debate, the law must clearly state that companies applying for mining rights must accept that the government will own 60 percent of the profits. Whether we end up with nationalisation with or without compensation will depend on a final model that will be done by the ANC."	For

Name	Institution	Designation	Date	Comment	Stance
Blade Nzimande	SACP	Minister of Higher Education	Dec 2009	"The new tendency is opportunistically using the historical documents and position of our movement to try and assert its new positions; [for example], an opportunistic use of the clauses on nationalisation in the Freedom Charter, and the vulgarisation of the characterisation of our revolution as seeking to liberate blacks in general and Africans in particular." "Together, led by the ANC and its broad movement, let us ensure that the noble task of black emancipation is not captured by a faction of parasites who use and abuse their political connections for their own private accumulation. "Let us defeat javelin throwers and 'tenderpreneurs'. Let us defeat fronters, go-betweens, compradors who parade their blackness only in order to advance their own private interests by doing the bidding of their masters - well-entrenched monopoly"	For

Name	Institution	Designation	Date	Comment	Stance
Mr. Pieter Groenewald (MP)	Freedom Front Plus	Parliamentary spokesperson on Agriculture and Land Affairs	Aug 2008	“Cosatu proposes that expropriation should be used to nationalise key strategic industries such as Sasol, Mittal, commercial banks and monopoly industries. On the other hand, Cosatu proposes that expropriation should be used, should it be in the national interest, to nationalise businesses which are on the brink of collapse in order to prevent workers from being fired. Cosatu's proposals destroy the ground principles of a free-market economy and will destroy South Africa"	Against
Bheki Khumalo	ANC	Spokesman for the Department of Minerals and Energy (DME)	Oct 2008	"The policy of nationalisation is not government policy, it is not an option and is not on the table" "We have no intention on the side of government to nationalise anything…only a minority had proposed nationalisation.”	Against
Jacinto Rocha	ANC	Deputy Director General of (then) DME	Oct 2008	"If there are platinum opportunities, we are going to get involved, either directly as a miner or indirectly as a shareholder"	For
Nelson Mandela	ANC	President of the party	1990	“Nationalisation remained, in certain areas, a basic policy of the ANC, but the economy at large would still be based on private enterprise. The entire economy will remain intact”	Against
Freedom charter	ANC document		1955	“The mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole. All other Industry and trade shall be controlled to assist the wellbeing of the people”.	For

UNIONS					
Name	**Institution**	**Designation**	**Date**	**Comment**	**Stance**
Chris Malekane	Cosatu	Economist	August 2011	The team established by the ANC to examine the nationalisation issue was not looking at policy feasibility but was exploring the most appropriate model to implement – nationalisation will happen	For
Policy document	NUM		August 2011	The principal objective now should be to transform mining and mineral-processing industries to serve the interests of all people Nationalisation will lead to the collapse of the JSE that could set off a 'revolutionary backlash' from large numbers of ordinary citizens, mine workers and civil servants whose retirement investments would be lost as a result.	Against
Nomusa Cembi	South African Democratic Teachers Union	Spokesman	July 2011	The union supports the call to nationalise mines. Its stand is the same as Cosatu's.	For
Zwelinzima Vavi	Cosatu	General Secretary	July 2011	The debate over nationalisation started "wrongly and in the wrong place"; Cosatu was not necessarily for nationalisation of all the mines in SA. "But we do say that we need a state that can have a company that can intervene in the strategic minerals" "We are strong proponents of this clause of the Freedom Charter and this places us	Mixed

UNIONS					
Name	**Institution**	**Designation**	**Date**	**Comment**	**Stance**
				firmly on the side of the debate that would support nationalisation of mines, the banks and monopoly industry. Nationalisation means transferring ownership to the people as a whole with the State representing the people"	
Frans Baleni	NUM	General Secretary	June 2011	"The central committee fully supports the Freedom Charter clause on nationalisation as well as the ANC 2010 NGC resolution on the matter. The CC supported in particular the research and reference group mooted by the ANC which would culminate in a formal policy decision."	For
Patrick Craven	Cosatu	Spokesman	June 2011	"Malema was correct to say that the nationalisation of mines is a requirement of the Freedom Charter, because according to the Freedom Charter the mineral wealth should belong to all. The problem is that Malema is jumping the gun by talking about nationalisation when he is yet to convince the ANC. He has got to take the debate to the ANC, which will take place during the policy conference next year."	For
Sasco	Sasco	Statement	Feb 2010	"We see nationalisation as urgent and necessary to transform the South African economy"	For
NUMSA	NUMSA	Statement	Mar 2010	"We support the call for nationalisation of mines."	For

UNIONS					
Name	**Institution**	**Designation**	**Date**	**Comment**	**Stance**
Madoda Sambatha	NUM	Parliamentary Officer	May 2010	“Whether Parliament takes a decision on nationalisation or not, the reality is that any decision will ultimately need an implementation arm or vehicle. Our view as the union is that the current debate on nationalisation and this public hearing (on a state owned mining company) should be seen as integral and reinforcing each other”.	Mixed
NUM	NUM	Statement	Mar 2010	“A state mining company should be operationalised and used as a government vehicle to invest only in strategic minerals (such as) platinum, coal, uranium, iron ore and manganese"	For
Madoda Sambatha	NUM	Parliamentary Officer	August 2010	“The country could also nationalise iron ore mines and Arcelor Mittal SA to mitigate and cushion steel prices which would be beneficial in South Africa's industrialisation programme" "Thus, our preference is that our nationalisation model should encompass a majority shareholding position of 50 percent plus one and the establishment of joint ventures or partnerships of 25percent equity plus one share"	For
Numsa	Numsa	Statement	Dec 2009	"Numsa believes the ANC-led alliance must now fast-track the implementation of a framework within which nationalisation premised on the socialisation of the	For

UNIONS					
Name	**Institution**	**Designation**	**Date**	**Comment**	**Stance**
				economic heights of the economy can be executed"	
Jaco Kleynhans	Solidarity	Spokesperson	July 2009	"Mining is a long-term investment and is built on stability, but this type of statement discourages investors from investing in South Africa" "The statements that are now being made and the ANC's current support for debate are an ominous sign. The statements could not have come at a worse time. Commodity prices have dropped sharply and nearly 35,000 employees in the industry have already lost their jobs this year. Mining companies hate uncertainty and serious investors will not invest in South African mining" "There are fixed frameworks, consisting of the state, labour and the mining companies. They need to resolve policy issues in a responsible manner and it is unnecessary to stir up emotions on the sideline. The state must focus on long-term challenges such as adding value, training, combating illegal mining activities, and mining safety"	Against

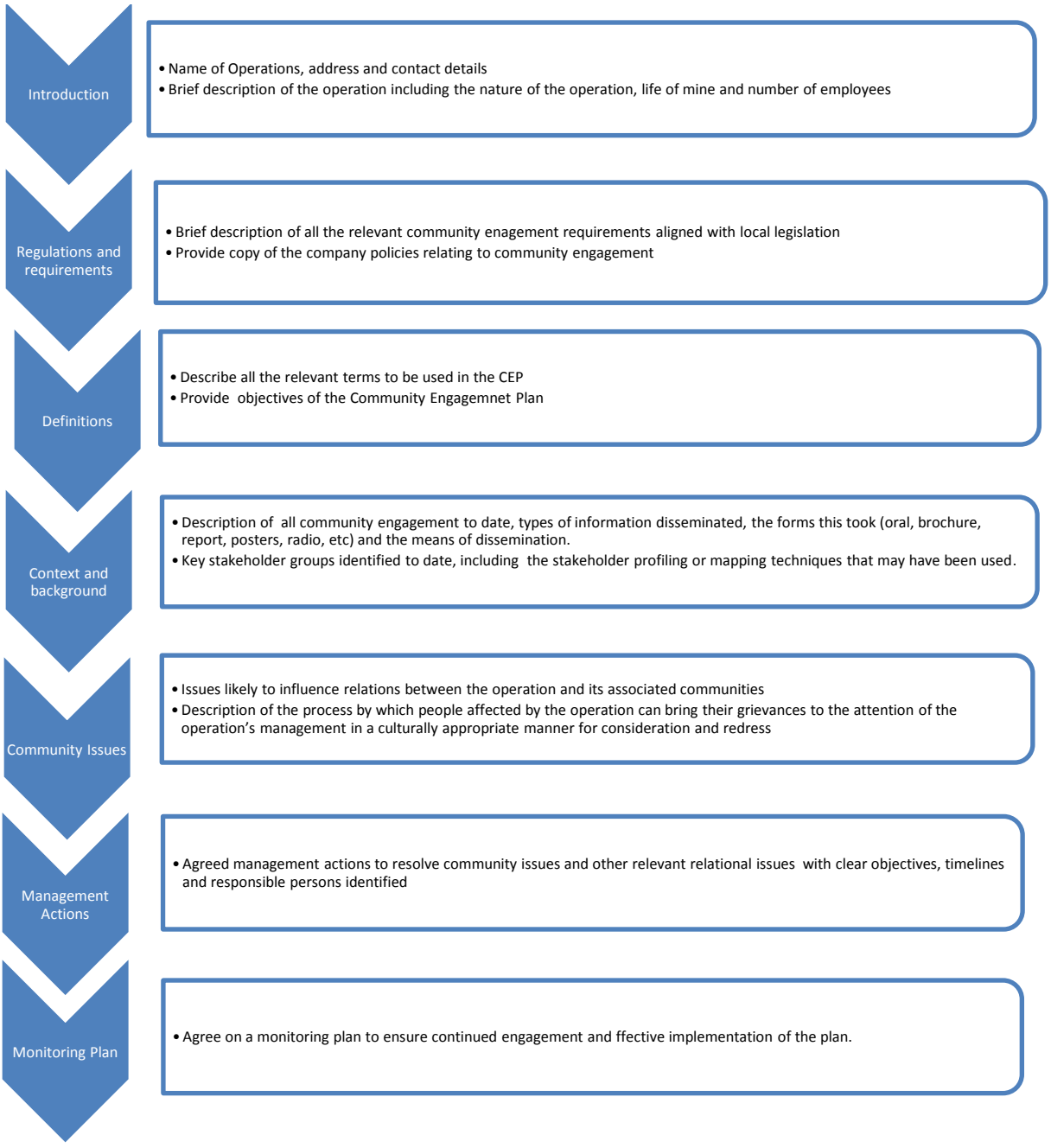
Appendix 7
Key lessons in funding BEE companies
(Source: Adapted from various mining companys' internal reports)

	Transaction Type 1	**Transaction Type 2**
Sustainability	Transaction Type 1 was concluded in 2006, and at the time, the global finance crisis was neither foreseen nor contemplated. The material negative effect of the global financial crisis on the diamond industry and BEE company , was severe. With positive action and support from Parent company, this mining company has withstood this crisis Whilst there has been a material equity gain for BEE company in terms of its shareholding, the potential economic gains for BEE may be less than were originally anticipated.	The Transaction type 2 transaction has been specifically structured to maximize cash flows to Empowered company. Whilst there can be no guarantee of positive equity returns, Parent company and BEE company have conducted extensive scenario analyses to ensure that BEE company should experience a positive economic benefit from their ongoing participation. The Transaction Type 2 BEE transaction has been structured 'defensively' to limit the risk of low returns due to low macroeconomic declines, poor dividends flows and external bank funding.
BEE Funding	As was the norm in 2006, BEE acquired equity based on external bank funding and this was the case with Transaction Type 1 With hindsight, this may have negatively affected the economic benefits to BEE The evolution of BEE in South Africa has led to more vendor financing arrangements being offered, providing flexibility to BEE structures and a lessoning of the default risk for BEE.	The empowerement deal will be vendor financed by Parent company. No additional debt obligation for BEE company. Parent company will bear a material portion of the economic cost / dilution as a result of the vendor finance.
Funding Equity Contribution	At the time of the Transaction Type 1 transaction, BEE partners was required to subscribe for equity in the amount of c. R11m	BEE partners is not required to contribute any further equity.

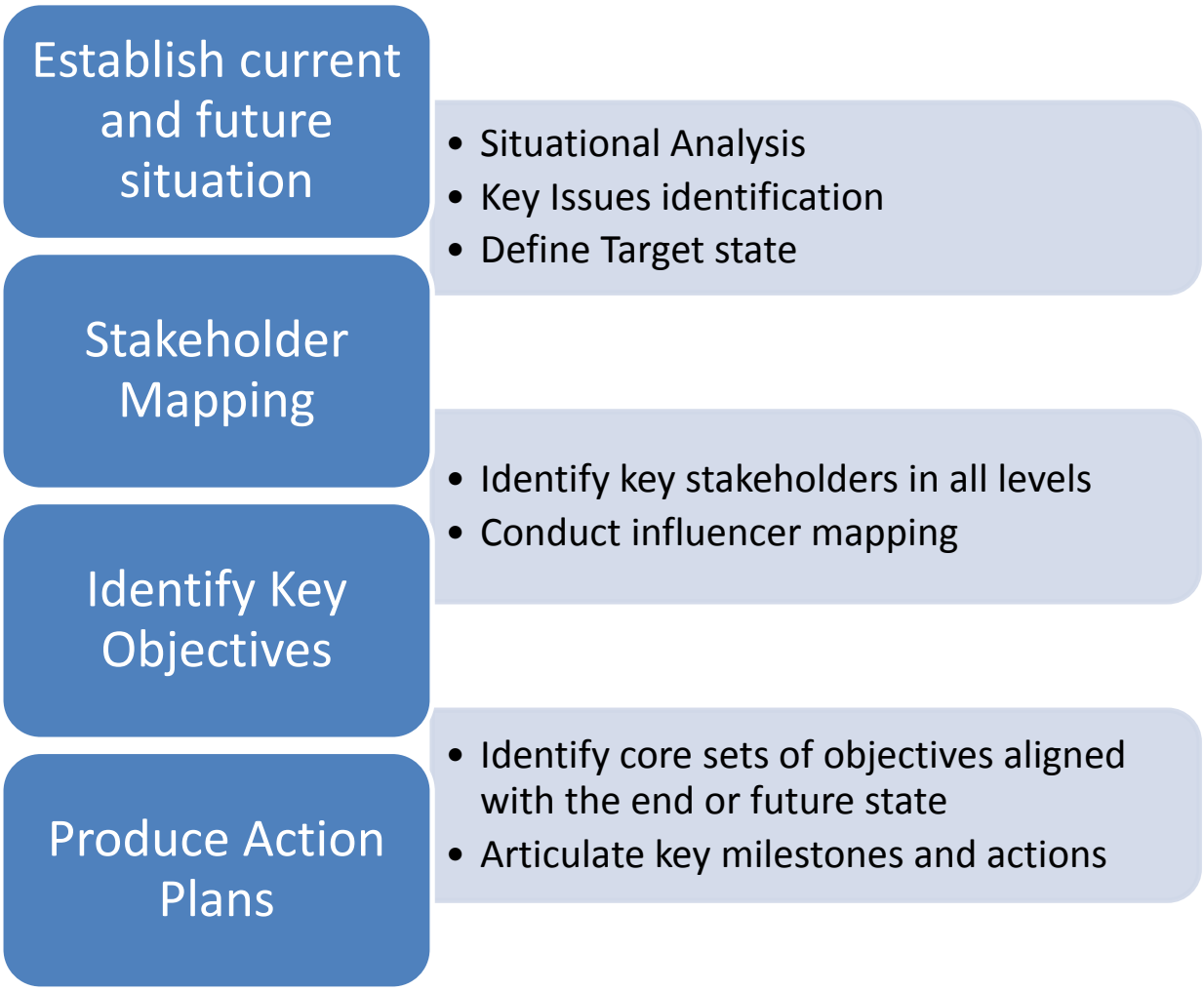
	in aggregate Equity investment capital contribution from BEE is still a standard requirement in BEE transactions.	
Surbodination	With the Transaction Type 1 transaction, and the use by BEE of external debt, Parent company subordinated certain of the obligations owed by resultant empowered company to Parent company to assist BEE partners in managing its other debt obligations.	Parent company continues with its subordination as per Transaction Type 1 as has extended this where necessary. The Transaction Type 2 structure further subordinates payments to the greater Parent company in favour of BEE.
Trickle Dividend	Trickle dividends and a flow of economic benefits to BEE from the commencement of the BEE transaction is a relatively new concept in BEE structures. The MPRDA now specifically requires economic benefits to flow from commencement. The Transaction Type 1 transaction specified that certain dividends would flow to BEE company from commencement which were temporarily halted at the time of the financial crisis.	The trickle dividend has been reinstated and increased in an aggregate amount of c. R24m per annum, escalating at CPI to 2022. This is clearly a direct and immediate economic benefit to BEE in line with the views of the DMR.
External Bank Finance	The external debt of BEE company is due to be refinanced.	The cash flows due to Parent company from the diamond trading business have been specifically structured to ensure that sufficient cash is dividend out to BEE company for BEE partners to optimally renegotiate its external bank refinance. Parent company will subordinate certain claims to facilitate this refinance Parent company may further facilitate the sustainability of BEE company by assuming a portion of the external bank

		finance.
Vendor Finance rates	With the Transaction Type 1transaction relying on external bank finance, the interest rate is set by the bank market as it is linked to Prime. This has created certain leakages in the returns to BEE.	The vendor finance rate of the acquisition business by BEE company has been undertaken on a favorable basis. The rate is materially reduced over the period that BEE partners external debt remains in existence which will facilitate the potential equity returns to BEE partners and ensure that BEE company is deleveraged as soon as economically viable.
Discounts	The Transaction Type 1transaction was undertaken at arms' length on commercial terms based on a valuations by financial advisors.	BEE company receives a material discount to fair value, of c. [20%]. This will immediately provide an economic uplift in the equity value of BEE company shareholding in the parent company.

Appendix 8
Community Partnership Plan (CPP) Guidelines



Appendix 9
Government Relations Framework



Appendix 10
List of Youth Participants in the Focus Group Discussions

No.	Nominated by	Gender	Organisation
1	Venetia Mine	Male	Musina Municipality
2	Venetia Mine	Male	Youth Council
3	Venetia Mine	Female	Youth Council
4	Venetia Mine	Male	NUM Youth
5	Venetia Mine	Female	SRC Eric Louw High School
6	Venetia Mine	Male	SRC Musina High
7	Venetia Mine	Female	SRC Renaissance High
8	Venetia Mine	Male	SRC Alldays Combined
9	Venetia Mine	Male	SRC Mathipa Makgate Secondary
10	Venetia Mine	Male	SRC Thokampe Secondary
11	Venetia Mine	Male	Musina Youth in Business Forum
12	Voorspoed Mine	Male	Southern African Youth Movement (SAYM)
13	Voorspoed Mine	Male	Southern African Youth Movement (SAYM)
14	Voorspoed Mine	Female	Ngwathe Secondary School
15	Voorspoed Mine	Female	Ngwathe Secondary School
16	Voorspoed Mine	Female	Ngwathe Secondary School
17	Voorspoed Mine	Male	Dr Cingo Secondary School
18	Voorspoed Mine	Female	Dr Cingo Secondary School
19	Voorspoed Mine	Male	Dr Cingo Secondary School
20	Voorspoed Mine	Male	Ngwathe Local Mnunicipality
21	Voorspoed Mine	Male	Ngwathe Local Mnunicipality
22	Kimberley Mines	Male	Isibindi

23	Kimberley Mines	Female	Isibindi
24	Kimberley Mines	Male	FAMSA (Family South Africa)
25	Kimberley Mines	Male	Rradiragatsa Youth Group
26	Kimberley Mines	Female	Rradiragatsa Youth Group
27	Kimberley Mines	Male	Hunger and Thirst
28	Kimberley Mines	Female	Hunger and Thirst
29	Kimberley Mines	Male	Mabaleng ANCYL
30	Kimberley Mines	Male	Zimele Entrepreneur
31	Kimberley Mines	Male	Zimele Entrepreneur
32	Kimberley Mines	Female	Northern Cape Youth Chamber
33	Kimberley Mines	Female	Northern Cape Youth Chamber
34	CHQ	Female	Khula Weekend School
35	CHQ	Female	Khula Weekend School
36	CHQ	Male	UJ
37	CHQ	Male	
38	CHQ	Female	
39	CHQ	Female	
40	CHQ	Male	
41	CHQ	Male	

Appendix 11
Focus Group programme

De Beers Youth Symposium

24-26th June 2015

Day 1: Wed 24th June				
Time	Activity	Description	Resources	Lead
15:00 – 16:00	**Welcome and Registration**	Registration of all delegates	Registration system/forms Packs (incl. pen/paper/promotional material	De Beers
		Welcome and Opening by De Beers *Opening address by key De Beers staff member, focus on opportunity, partnership and learning*	To be confirmed	De Beers
16:00 -17:30	**Expectations, Values –base**	Session 1: Ice-breaker [15min] *Getting to know you, fun, upbeat* Session 2: Introduction to session [10 min] Session 3: Expectations [30min) *Self-reflection exercise leading to group activity using 'posties'* *Facilitators work with the group to cluster into themes.* *Work with priorities, maybe include parking lot.* *Summaries expectations into 4-6 key areas These will be used to guide the discussion/questions at the CEO's breakfast*	None None Sticky Notes, Kokis, space in conference room for Expectations wall Flip Chart Paper	Mark and Xolani Mark will purchase De Beers to provide

		Session 4: Full Value Contract. [20min] *Whole group engagement building a commitment to how we are going to behave as a group.*		
17:30 – 18:30	**The World of De Beers**	Overview of the De Beers business	tbc	De Beers
Time	Activity	Description	Resources	Lead
18:30 – 19:00	**Team Build**	Run 1 team build initiative	None	Mark and Xolani
19:00 – 20:00	**Dinner**	Guest Speaker		
20:00 – 21:00	**Prep for CEO Breakfast**	This slot will be an option dependant on energy level/tiredness of group and need in terms of ensuring that the engagement is focussed on building partnership and not animosity. {DeBeers team to make this call with input from Mark and Xolani}	Flip Chart paper, Koki's	Mark and Xolani

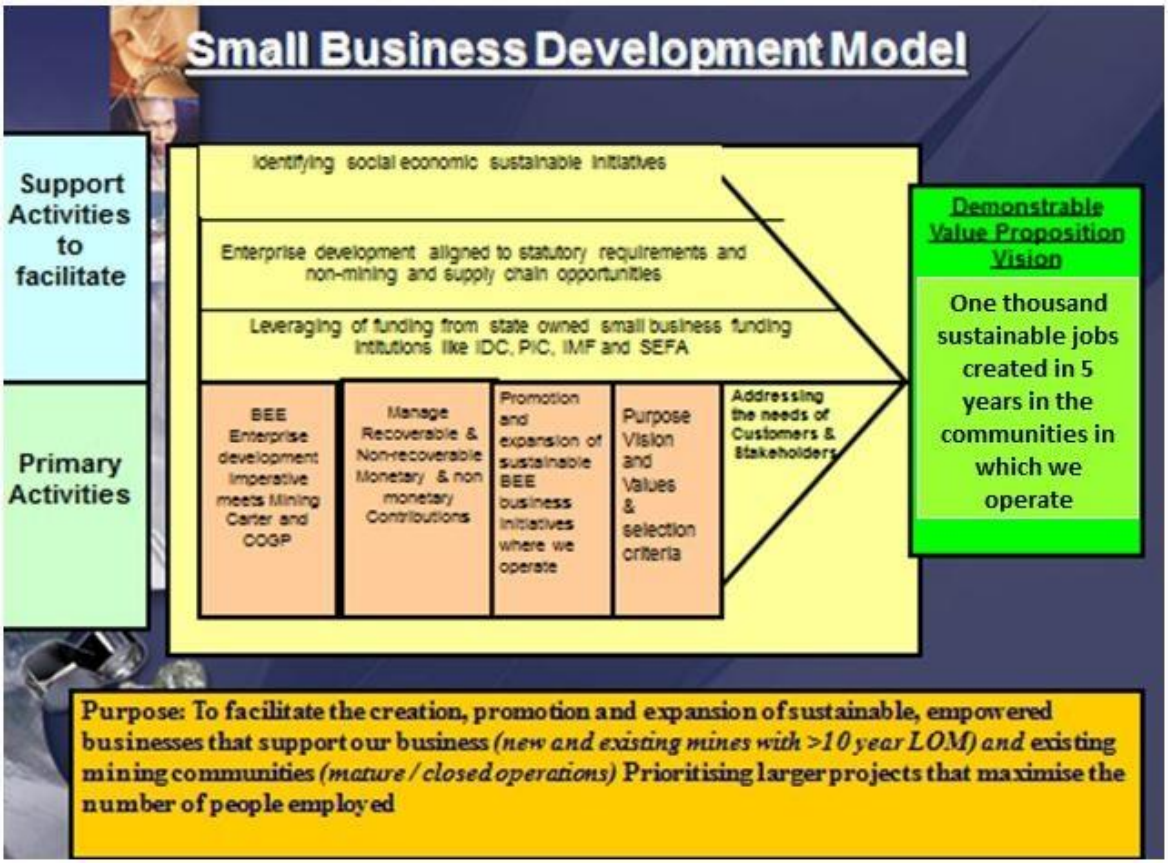
Day 2: Thurs 25th June				
Time	Activity	Description	Resources	Lead
08:30 – 09:30	**CEO Breakfast**			De Beers
09-45 – 12:45	**Modelling Exercise – My world, my reality, my future**	Session # 1: Setting the theme/reflection [20min] *Introduction to activity and a reflective exercise* Session # 2: Creating the current [40min] *Groups divided into their*	A1 card Play Dough Arts and craft materials used as symbols Card cut out, human form	Mark and Xolani

		communities – theme question, model your community as you see it now – including elements that demonstrate hope, risk, potential and despair. Session # 3: Building clarity through the 4 archetypes [30 min] *4-archetypes perception process used to increase awareness of current 'reality' and emergent change areas.* Session # 4: Shaping the future [30 min] *Participants are given time to change their model to create a vision for their communities in the next 5 years.* Session # 5: Feedback for learning [40 min] *Each group present their model* *Group session drawing common threads of vision, need and mechanism.* *Individual reflection: What will I do – on the day that I get home, in the subsequent week, over the subsequent month and year. Info shared in groups of 4.*		

Time	Activity	Description	Resources	Lead
12:45 – 13:45	**Lunch**			
13:45 – 15:00	**Resource Mapping**	Building a resource map for each community Session #1 Introduction	String,sosatie sticks, paper flags, koki's, prestick,	Mark and Xolani

			to Activity [5min] Session # 2 Mapping current resources [20 min] *Using the models from the previous session resources are flagged and linked* Session # 3 Mapping the Resource GAP [20 min] *Similar to session # 2, but placement and linking of resources that are needed.* Session # 4 Discussion on accessing resources, leveraging current resources to reduce GAP and possibly some dialogue on mind-set [30 min] Session # 5: Close session with human web activity [15min]	balloons
15:10 – 15:30		**Tea**		
15:30 – 17:00		**De Beers Presentation**	De Beers to present their strategy on community development, SMME development, Youth Development Allow for Q&A	De Beers to De Beers confirm
17:00 – 18:00		**Free time**		
18:00 – 20:00		**Braai/Social**		

Appendix 12
Small Business Development Model



(Source: Researcher's construction based on this research and experience in Enterprise Development)