

UNIVERSITY OF THE WITWATERSRAND

South African Environmental Reporting: A test of the Legitimacy Theory

A research report presented to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfillment for the accreditation of a Masters of Commerce.

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Abstract

This study examines the corporate environmental disclosures of South African mining organisations from 2009 to 2011 to establish the level and type of these environmental disclosures. An examination is made of mining organisations' media articles to establish whether their environmental disclosures can be explained by the concept of an implicit social contract. Legitimacy theory posits that an organisation needs to be aware of all their stakeholders' needs and needs to portray themselves as acting in line with stakeholder values and norms to ensure their continued success.

Although environmental reporting has been on the strategic agenda of several organisations disclosures in South Africa, only a minority of research papers have explored how an environmental crisis may impact upon the provision of such disclosures. This paper will help fill this void by performing an examination of management communication strategies, organisational actions and the change in the level of environmental disclosures contained in the mining organisations' annual report as a result of the acid mine drainage incident that occurred in late 2009.

Media articles during and after the mining organisations' legitimacy had been challenged were examined using Suchman's (1995) three types of legitimacy: pragmatic, cognitive and moral to identify the type of legitimacy used in the context of a developing country.

Regarding the annual report disclosures and media articles' communication strategies, results were found to be consistent with the legitimacy theory. They indicate that South African mining organisations use mostly the repair strategy in attempting to change the perceptions of the public after an environmental crisis. The strategies utilised by the mining industry in the media disclosures are expected of an organisation in crisis. The mining industry used, primarily, repair strategies in interacting with its relevant stakeholders. The study's finding that maintenance strategies were the least of the three types of legitimacies is consistent with an industry in crisis.

Even though the mining industry primarily used the repair legitimisation tactic, the range of legitimacy techniques has proved to be a finding worth discussing. The mining industry did not completely avoid the event i.e. use disclaimer strategies. Overall, the mining organisations reacted to the heightened institutional pressures by increasing their environmental disclosures and disclosed environmental information that conformed to stakeholders' values and persuaded society to view acid mine drainage as less problematic than it was reported to be.

Keywords: social contract, environmental disclosures, organisational legitimacy

Declaration

I, Boitumelo Loate, declare that this research is my own, unaided work. It is submitted in partial fulfillment of the degree of Masters of Commerce by Coursework and Research Report at the University of the Witwatersrand, Johannesburg. It has not been submitted elsewhere for the purpose of being awarded another degree or for examination purposes at any other university

Signed on this day of August 2013, in Johannesburg

B. Loate

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List of Acronyms

CSR	Corporate Social Reporting
CED	Corporate Environmental Disclosures
CER	Corporate Environmental Reporting
DEAT	Department of Environmental Affairs and Tourism
GRI	Global Reporting Initiative
NGO	Non-governmental organisation
UNEP	United Nations Environment Programme
FSE	Federation for a Sustainable Environment
DWA	Department of Water Affairs
AMD	Acid Mine Drainage
DEA	Department of Environmental Affairs
DMR	Department of Mineral Resources
DST	Department of Science and Technology
WCEP	World Commission of Environment and Development
IMC	Inter-Ministerial Committee
UNCED	United National Conference on Environment and Development

Definition of key Terms

Environmental reporting	includes all areas of accounting and reporting “that may be affected by the business response to environmental issues, including new areas of eco-accounting”.
Triple Bottom line	evaluating company performance according to a summary of costs and benefits to the organisation’s finances, the communities where it operates and impacts on natural resources.
Environmental Aspects	an element of an organisation’s activities, products or services that can interact with the environment.
Sustainable report	an organisational report that gives information about economic, environmental, social and governance performance.
Organisational legitimacy	generalised perception or assumption that the organisational behaviours are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.
Legitimation	organisational behaviours such as business strategies or operational strategies to build and maintain organisational legitimacy among publics, regulatory government and/or industrial associations.
Organisational legitimacy gap	the discrepancy between organisational performances and the public’s expectation towards an organisation and its performance perception exposed about an issue.