

**An investigation into stakeholder inclusivity and the board's ability to create  
competitive advantage at South Africa's "big five" retail banks**

Thesis submitted in partial fulfilment of the requirements for the degree of

**MASTER OF BUSINESS ADMINISTRATION**

in the

**RHODES BUSINESS SCHOOL**

by

**DARREN WILFRED WOLHUTER**

Student Number: 11W5970

**SUPERVISED BY:** Professor Owen Skae

## **ABSTRACT**

Stakeholder theory has long put forth the concept that managerial attention must be given to all stakeholders towards the realisation of value creation opportunities. Through the process of stakeholder engagement, and through the adoption of stakeholder inclusivity principles, an organisation can position itself to reap the benefits of understanding the legitimate needs and interests of all its stakeholders by seeking to satisfy all its stakeholders in turn. This study analysed the integrated reports of five retail banks, whose main base of operations were in South Africa, to assess the board's ability to create value for its stakeholders through adopting a stakeholder inclusive approach to corporate governance as advocated for by the King Code on Corporate Governance in South Africa – King IV™. This assessment was done through an examination of a selection of outcomes relevant to the banking industry and related to each of the six capitals that form part of the value creation process as indicated for in the Integrated Reporting Framework (IIRC, 2013): 1) Financial Capital, 2) Manufactured Capital; 3) Intellectual Capital; 4) Human Capital; 5) Social and Relationship Capital, and; 6) Natural Capital. The results obtained, over a three-year period – 2018 to 2020, revealed that while the directors had a firm understanding of who their material stakeholders were, they struggled to create value that catered to all their stakeholders collectively. In addition, the directors were also unable to create sustainable value over the assessment period. As a result of this, most banks, with the exception of one, were unable to realise the value creation opportunities that could have led to a potential source of competitive advantage. The study concludes that while no observable sustainable competitive advantage was evident over the period of assessment, the concept of stakeholder inclusivity is an important corporate governance principle that drives value creation and, as such, warrants more attention from the director's point of view. This research is intended to contribute to the growing knowledge on the importance of stakeholder inclusivity in corporate governance execution.

## Table of Contents

<b>ABSTRACT</b> .....	1
<b>ACKNOWLEDGEMENTS</b> .....	4
<b>List of Figures</b> .....	5
<b>List of Tables</b> .....	5
<b>List of Acronyms</b> .....	6
<b>CHAPTER 1: Introduction</b> .....	7
<b>1.1 Setting the Context</b> .....	7
<b>1.2 Stakeholders and Stakeholder Value</b> .....	7
<b>1.3 The retail banking industry of South Africa</b> .....	9
<b>1.4 Aligning theory with the proposed research</b> .....	10
<b>1.5 Problem Statement</b> .....	10
<b>1.6 Research Goals and Objectives</b> .....	11
<b>CHAPTER 2: Literature Review</b> .....	12
<b>2.1 Stakeholder Management</b> .....	12
<b>2.1.1 Stakeholder Management – Theoretical Foundations</b> .....	12
<b>2.1.2 Stakeholder identification and classification</b> .....	13
<b>2.1.3 Creating Stakeholder value</b> .....	14
<b>2.1.4 Effective stakeholder management as a resource for competitive advantage</b> .....	16
<b>2.2 Laying a firm foundation: Corporate Governance</b> .....	18
<b>2.2.1 Triple Bottom Line Value Creation</b> .....	18
<b>2.2.2 Adopting a stakeholder inclusive approach</b> .....	18
<b>2.2.3 Corporate Governance Disclosure – An Integrative Approach</b> .....	19
<b>2.2.4 Corporate Governance</b> .....	19
<b>2.3 Strategy &amp; Strategic Positioning</b> .....	21
<b>2.4 Disclosing the right information: Integrated Reporting</b> .....	22
<b>2.5 Conceptual Framework</b> .....	24
<b>CHAPTER 3: Research Methodology</b> .....	27
<b>3.1 Research Design &amp; Method</b> .....	27
<b>3.2 Research Paradigm</b> .....	27
<b>3.3 Sampling</b> .....	28
<b>3.4 Content Analysis</b> .....	28
<b>3.4.1 Identification of stakeholders as listed by each bank</b> .....	28
<b>3.4.2 Analysing value through outcomes relating to the six capitals</b> .....	29
<b>3.5 Validity and Reliability</b> .....	32
<b>3.6 Ethical Considerations</b> .....	32

<b>CHAPTER 4: Research Findings</b> .....	33
<b>4.1 The banks and their stakeholders</b> .....	33
<b>4.1.1 Primary vs Secondary Stakeholders</b> .....	34
<b>4.2 Value Assessment as per the Six Capitals</b> .....	36
<b>4.2.1 ABSA</b> .....	36
<b>4.2.2 Capitec Bank</b> .....	38
<b>4.2.3 FirstRand (FNB)</b> .....	39
<b>4.2.4 Nedbank</b> .....	41
<b>4.2.5 Standard Bank</b> .....	43
<b>CHAPTER 5: Analysis of Findings</b> .....	45
<b>5.1 Financial Capital</b> .....	45
<b>5.2 Manufactured Capital</b> .....	48
<b>5.3 Intellectual Capital</b> .....	49
<b>5.4 Human Capital</b> .....	50
<b>5.5 Social and Relationship Capital</b> .....	53
<b>5.6 Natural Capital</b> .....	55
<b>CHAPTER 6: Discussion &amp; Concluding Remarks</b> .....	56
<b>6.1 Discussion</b> .....	56
<b>6.2 Limitations on Research</b> .....	59
<b>6.2.1 King IV™ and Sample Size</b> .....	59
<b>6.2.2 Information Reporting</b> .....	59
<b>6.2.3 Impact of Covid-19</b> .....	60
<b>REFERENCE LIST</b> .....	61
<b>ANNEXURE A: MATERIAL STAKEHOLDERS AS IDENTIFIED BY EACH BANK IN THEIR INTEGRATED REPORTS</b> .....	69

## ACKNOWLEDGEMENTS

First and foremost, I would like to extend my appreciation and gratitude to the Rhodes University Business School and its staff. My journey with the business school began as a PDEM student in 2017 and the wealth of knowledge that I have attained since then has been second to none. Thank you to the staff for the passion shown in delivering the various courses and the critical thinking abilities I have developed through my time at the business school. I would also like to stop here and thank my supervisor, Professor Owen Skae, for the patience and knowledge bestowed on me through the completion of my thesis.

Secondly, I would like to express my sincere appreciation and thanks to my family, friends and colleagues who supported me and lifted me up when I was on the brink of collapse and giving up.

- To the 2018 MBA cohort, thank you for the laughter and support that kept me motivated and full of smiles throughout this journey.
- To my family, thank you for the constant support and encouragement
- To my mother, thank you for sacrifices and love that started my journey at Rhodes University and saw me through till this point. Words fail to express my deep appreciation for all that you have done for me.
- To my partner and mother of my children, Verona, thank you for absolutely everything that you have done and sacrificed for me throughout this journey. You have been my rock of support and pillar of strength during difficult times, and my number one cheerleader and motivator when I lost all hope. Thank you babe – Kea u Rata!
- To my children, Kiana (b.2018) & Carter (b.2021) – my MBA babies, thank you for the smiles and joy you bring to my heart. Becoming your father was the best thing that ever happened to me!

Thirdly, and most importantly, I would like to express my thanks and praises to God for his hand of blessing and mercy he has bestowed on me and my family during my MBA journey. My MBA journey has been marred by many setbacks and challenges, but it has all made me the stronger, more resilient person I am today.

*This thesis is dedicated to my late grandfather, Mr. Wilfred Wolhuter, who groomed me into the man I am today. On your death bed in 2015, you said that I must endeavour to make a success of my studies and since then, I have managed to ascertain two degrees with the third pending. I hope I made you proud!*

## List of Figures

Figure 1: The Value Creation Process .....	22
Figure 2: Conceptual Framework Pertaining to this research .....	24
Figure 3: Material Stakeholders Identified by each bank (2018 - 2020) .....	33
Figure 4: Power-Interest Grid of the collective group of stakeholders identified by the five banks (2018 – 2020).....	34
Figure 5: ROE Comparison Chart (2018 – 2020).....	45
Figure 6: Cost-to-Income Ratio Comparison Chart (2018 – 2020) .....	46
Figure 7: Economic Value-Added Comparison Chart (2018 – 2020) .....	47
Figure 8: Number of Branches Comparison Chart (2018 – 2020).....	48
Figure 9: Number of ATMs Comparison Chart (2018 – 2020) .....	49
Figure 10: Employment Opportunities Comparison Chart (2018 – 2020).....	50
Figure 11: Employment Remuneration and Benefits Comparison Chart (2018 – 2019).....	51
Figure 12: AIC Representation Comparison Chart (2018 – 2020) .....	51
Figure 13: Female Representation Comparison Chart (2018 – 2020) .....	52
Figure 14: Number of Clients Comparison Graph (2018 – 2020) .....	53
Figure 15: CSI Comparison Chart (2018 - 2020) .....	54
Figure 16: Carbon Emissions Comparison Graph (2018 – 2020).....	55

## List of Tables

Table 1: ABSA's Six Capital Outcomes (2018 -2020) .....	37
Table 2: Capitec's Six Capital Outcomes (2018 – 2020).....	39
Table 3: FNB's Six Capital Outcomes (2018 – 2020) .....	40
Table 4: Nedbank's Six Capital Outcomes (2018 – 2020) .....	41
Table 5: Standard Bank's Six Capital Outcomes (2018 – 2020) .....	44

## **List of Acronyms**

ABSA – Amalgamated Bank of South Africa

AIC – African, Coloured, Indian (as it relates to employment diversity in SA)

ATM – Automated Teller Machine

ADT – Automated Deposit Teller

CSI – Corporate Social Investment

ESG – Environmental, Social, Governance

FNB – First National Bank

IIRC – International Integrated Reporting Council

King III – The third King Report on Corporate Governance in South Africa

King IV™ – The fourth King Report on Corporate Governance in South Africa

RBT – Resource-Based Theory

ROE – Return on Equity

SA – South Africa

VRIO – As it relates to resource-based theory: “Valuable, Rare, Inimitable, Organised”

## **CHAPTER 1: Introduction**

### **1.1 Setting the Context**

Corporate governance was popularly defined as a “system by which companies are directed and controlled” in the Cadbury report on corporate governance of 1992 (Cadbury, 1992). This same definition formed the basis on which the first King Code on corporate governance, published in SA in 1994, was built (Rossouw, et al., 2002). Corporate governance was centred around the notion of holding directors responsible and accountable with regards to the companies they represented, particularly in relation to the financial management of these companies at the time (Barac & Moloï, 2010). These directors would be held to account by the shareholders whose funds they were in control of, with corporate governance ensuring that the best interests of the shareholders were always prioritised (Rossouw, et al., 2002).

More than two decades later, corporate governance has evolved to cope with the challenges and developments that organisations and society are faced within the 21st century. Corporate governance no longer only prioritizes the needs of the shareholder but has come to adopt a stakeholder inclusive approach that considers the legitimate interests and expectations of all stakeholders in relation to making decisions that are in the best interest of the company (Institute of Directors in Southern Africa, 2009). As such, corporate governance has shifted from being shareholder centric to stakeholder centric. This shift in corporate governance ideology stems from the introduction of the third King Report on Corporate Governance in South Africa – King III, that adopted this stakeholder inclusive approach which has been subsequently maintained in the latest iteration of the corporate governance code - King IV™, which came into effect on 1 April 2017 (The Institute of Directors Southern Africa, 2016).

### **1.2 Stakeholders and Stakeholder Value**

A stakeholder can be defined as “any individual or group who can affect or be affected by the achievement of the organisation’s objectives” (Freeman, 1984, p. 46) and can be broadly categorised as either a primary or secondary stakeholder (Benn, et al., 2016). Primary stakeholders are defined as those stakeholders who are essential in ensuring the organisation’s existence and its ability to operate as a going concern, whereas secondary stakeholders, on the contrary, are those stakeholders who are not essential to the organisation’s survival or involved directly with the organisation, but can exert influence on the organisation or be influenced by the organisation (Carroll, 1993). In addition, stakeholders can be further mapped out according to the linkages between them and the organisation, as well as the interlinkages between the various stakeholders (Rowley, 1997; Svendsen, et al., 2001). The importance of this distinction between the two types of stakeholders, and their linkages with each other and the organisation, allows an organisation’s management/board of directors to make better decisions

regarding their stakeholder management and stakeholder inclusivity strategies and practices (Ackermann & Eden, 2001) . This classification of stakeholders also assists directors and managers to assess how these stakeholders affect the organisation in relation to the power and influence they can exert on each other and on the organisation (Ackermann & Eden, 2001; Rowley, 1997). In so doing, directors can better assess potential opportunities and threats to their business operations (Laszlo, et al., 2005), and so better fulfil their corporate governance mandate in ensuring effective stakeholder engagement, inclusivity and delivering intrinsic value to their stakeholders.

Stakeholder value is determined through an organisation's economic, social, and environmental performance – commonly referred to as an organisation's triple bottom-line (Laszlo, et al., 2005). In creating this value, an organisation must aim to maximise its performance in relation to its triple bottom-line for the ultimate benefit of all the organisation's stakeholders - including but not limited to its shareholders (Laszlo, et al., 2005). In order to create such value, organisations must actively engage and solicit involvement from their stakeholders as a means to move collectively towards decision making processes and activities that balance the interests and concerns of all stakeholders (Freeman, et al., 2010). Here environmental, societal and governance (ESG) considerations and disclosures go a long way in addressing stakeholder concerns and balancing the interests of various role players (Lokuwaduge & Heenetigala, 2017). As the world around us evolves, so too will the expectations and views of stakeholders. Thus, the challenge of creating stakeholder value is one that requires constant revision and refinement to adequately respond and adapt to the operating environment in which we find ourselves (IIRC, 2013). The introduction of the Integrated Reporting Framework (IIRC, 2013) as a means to adequately address how we report on ESG matters and consider the creation of value, is one such response. Another is the more recent development of industry specific sustainability reporting standards to aid in helping stakeholders compare organisations in the same industry with regards to their effects on sustainability (Sustainability Accounting Standards Board, 2018). These developments all aid in helping organisations deal with the sustainability and reporting issues in present day reality, and help organisations engage their stakeholders. This engaged status, where stakeholder value is maximised, is where sustainable value is realised, which in turn, it is argued, creates a competitive advantage for the organisation (Laszlo, et al., 2005).

Perhaps an additional viewpoint of how stakeholder engagement can lead to competitive advantage, is through considering the process of stakeholder management as a potential intangible resource, with regards to resource-based theory (Galbreath, 2005). Barney (1991) argues that competitive advantage can be achieved through the strategic use of resources which are valuable, rare, inimitable, and non-substitutable. Where a resource possesses all four of these tenets, he asserts that competitive advantage can be achieved (Barney, 1991). Thus, considering the complex nature of human beings and their behaviours which influence the social interactions of our society (Freeman, 2010), it may be possible

to view the concept of effective stakeholder management as a resource that can be possessed by directors and governing boards in the achievement of competitive advantage for their respective organisations. Evidence suggests that managing for stakeholders has a positive influence on performance (Galbreath, 2006) (Harrison, et al., 2010), and that the relationship between stakeholder theory and resource-based theory are mutually reinforcing leading to the view that a combination of these theories are highly sought after (Freeman, et al., 2021) (McGahan, 2021). In light of this, it then appears plausible that through embedding stakeholder inclusivity at the core of one's corporate governance agenda, it is possible for an organisation, through its directors, to create value in a manner that is sustainable and manifests as a source of competitive advantage – an advantage needed in a highly competitive industry.

### **1.3 The retail banking industry of South Africa**

The advent of the Fourth Industrial Revolution has brought with it the increasing need for banks to keep up to date with the latest technological trends and advancements (Coetzee, 2018). This, coupled with a change in customer expectations (Coetzee, 2018), has caused banks to have to shift to new digitalised ways of banking to remain competitive in the retail banking space and retain market share (South African Society of Bank Officials, 2019a) . However, this has, for some banks, come at the expense of their human capital (South African Society of Bank Officials, 2019b) - Standard Bank and ABSA, two of South Africa's big five retail banks, have had to retrench approximately 2000 employees in 2019 alone (de Villiers, 2019). This creates a unique dilemma for these banks, as there is an inherent conflict between trying to remain competitive and having to let go of its employees - on the one hand, SA's unemployment rate has been quite high sitting on 27.6% in 2019 (South African Society of Bank Officials, 2019a), and on the other hand, new competitors such as Thyme Bank and Bank Zero, both fully digital banks, threaten to corrode the existing banks' market share (Donnelly, 2019) . As such, the boards of directors of these banks find themselves having to make difficult decisions that often involve conflicting stakeholder interests.

Another such example, of conflicting stakeholder interests, was the 2019 decision made by Standard Bank's shareholders for the bank to not publicly disclose its exposure to climate change risk. An overwhelming majority voted against a proposal for the bank to publicly disclose this information in relation to its lending activities, while 38% of shareholders, including a responsible investment non-profit organisation – Just Share, voted in favour of the proposal (Steyn, 2019). Although this resolution was not a direct consequence of a decision made by the board of directors, it does bring into question how the board of directors will respond to these changes in stakeholders' expectations into the future and the importance of stakeholder inclusivity as a core component of navigating the corporate governance landscape in SA.

## **1.4 Aligning theory with the proposed research**

Stakeholder theory asserts that boards who are engaged with their stakeholders will be able to better align their strategy and operations to meet stakeholder expectations (Laszlo, et al., 2005) – but is this indeed the case, or are boards of directors falling short of achieving stakeholder inclusivity? As the integrated report is described as the basis on which stakeholders can make informed decisions about the organisation and their involvement with it (IIRC, 2013), and is the reporting favoured by corporate governance code (The Institute of Directors Southern Africa, 2016), its usefulness in assessing stakeholder issues is of relevance to this research. As such, the integrated reports of South Africa's big five retail banks, namely: Standard Bank, ABSA, First National Bank, Nedbank, and new entrant Capitec, will be of importance in determining each bank's level of stakeholder engagement, the creation of its competitive advantage, if any, and the board's realisation of stakeholder inclusivity through King IV™.

In review of the aforementioned literature, the concepts of corporate governance, stakeholder inclusivity, competitive advantage and integrated reporting are all linked – corporate governance provides the framework for stakeholder inclusivity which in turn provides a means for realising competitive advantage which can be evaluated through the examination of the integrated report. As such, the integrated nature of the key concepts provides a firm foundation on which the proposed research is to be carried out.

## **1.5 Problem Statement**

Stakeholder theory has long alluded to the fact that managerial attention must be given to all stakeholders towards the creation of holistic and sustainable stakeholder value, which, in turn, can be a source of competitive advantage. Given the fact that corporate governance in SA, through King IV™, adopts a stakeholder inclusive approach to strategy development and governance in line with sustainability principles, it becomes increasingly important to understand the boards' role in ensuring stakeholder engagement as a means of creating value across a set wide set of stakeholders. In a highly competitive industry like that of the retail banking industry of SA, it thus becomes more important for boards of directors to realise the benefits of stakeholder inclusivity and engagement in creating competitive advantage as a means of highlighting the importance of stakeholders in the governance profession and corporate world and validating the King Reports on Corporate Governance (2009) (2016) and IIRC Framework (2013) which places emphasis on stakeholder inclusivity. Through the nature of integrated reports, these benefits should become clearer.

## **1.6 Research Goals and Objectives**

The aim of this study is to investigate the extent to which the boards of directors for each bank are creating stakeholder value and realising the benefits of stakeholder engagement. This is all underpinned by the King IV™ report on corporate governance in SA that advocates for a stakeholder inclusive approach by these boards. In essence, the research aims at validating the importance of stakeholder inclusivity as an underpinning corporate governance ideology. Here the research objectives are summarized as follows: identify the stakeholders who are considered important to each bank, determine if and how sustainable value is being created, and determine to what extent, if any, competitive advantage is being achieved by those directors in the retail banking sector of SA.

## **CHAPTER 2: Literature Review**

### **2.1 Stakeholder Management**

#### **2.1.1 Stakeholder Management – Theoretical Foundations**

The departure-point for any discussion on understanding the nature of stakeholder management lies within its theoretical and historical foundations. Consideration must be given to its intended purpose, all theoretical developments since its inception, and its future directions (Mainardes, et al., 2011) (Key, 1999). As such, our journey begins with stakeholder theory, a departure from shareholder theory which asserted the prioritisation of shareholders as the fundamental strategic driver of business and management decisions (Smith, 2003). Stakeholder theory, on the other hand, is defined as a strategic approach to business management that prioritises the needs of all stakeholders in the achievement of an organisation's goals (Jensen, 2002). Freeman (1984) highlights the fact that stakeholder theory seeks to answer two fundamental questions. The first of these seeks to ascertain what the purpose of the organisation is, while the second seeks to understand the makeup of the stakeholders to whom management is a responsible for and accountable to (Freeman, et al., 2010) (Freeman, et al., 2004). Donaldson and Preston (1995) further divides the concept of stakeholder theory in three categories: descriptive, instrumental and normative.

Descriptive stakeholder theory, as the name implies, is descriptive in nature and describes the actual operational activities of managers and organisations. Instrumental stakeholder theory seeks to identify relationships between stakeholder management practices and the achievement of organisational objectives. Normative stakeholder theory seeks to provide an understanding of what the function of an organisation and its managers should be, with its roots firmly in the domain of morality and ethics, and being the centre point from which descriptive and instrumental theories branch out (Donaldson & Preston, 1995) (Freeman, et al., 2010). It must be noted, however, that there are arguments put forth that stakeholder theory is in fact not a theory as it lacks the substantive basis needed to be called one (Key, 1999) (Mainardes, et al., 2011) (Scherer & Patzer, 2011). None-the-less, if we consider that notion of stakeholder theory on the basis of what Freeman (1984) intended it to be, the 'stakeholder approach' is inherently a managerial approach to strategic management that warrants its own discord. This is further supported by one of Donald and Preston's (1995) propositions which asserts that stakeholder theory is managerial by nature. Here management processes, practices, structures and attitudes must be aligned to satisfy all applicable stakeholders (Donaldson & Preston, 1995). Furthermore, central to the stakeholder management approach to business, is the inherent understanding that managing for stakeholders involves a balancing act that puts stakeholders in some sort of equilibrium with one another (Freeman, et al., 2010) - stakeholder requirements may differ and the way in which managing different

stakeholders may change (Bridoux & Stoelhorst, 2014), thus finding the balance between stakeholders' interests, needs and expectations is a critical competency needed by managers.

In keeping in line with this central thesis of managing for the stakeholder, this research is based on validating this notion with regards to the main players in the South African retail banking industry, by considering the board of director's oversight of its stakeholders to serve in the attainment of their organisational objectives. In this respect, the main branch of theory that this thesis explores is that of instrumental stakeholder theory with ties to descriptive theory of which both are embedded in normative theory.

### **2.1.2 Stakeholder identification and classification**

Much of the debate around stakeholder theory lies in the validation of who or what constitutes a stakeholder (Donaldson & Preston, 1995) (Mitchell, et al., 1997) (Phillips, 2003). Freeman's (1984, p.46) definition of a stakeholder "who can affect or be affected by the achievement of the organisation's objectives" leaves a gap in the stakeholder literature that is subject to interpretation instead of being a definitive definition, although this is somewhat disputed (Freeman, et al., 2010). A stakeholder and/or stakeholder groups are defined by their relationship to the organisation and, as such, differing lists of stakeholders may be generated by different organisations in their analysis of who constitutes their pool of stakeholders. These lists may comprise the names or aliases of individuals, groups of individuals and/or entire organisations (Harrison, et al., 2010). Following this identification of stakeholders then, comes the question of how to categorise or classify these lists into more manageable clusters of stakeholders. Carroll (1993), for example, makes a clear distinction between primary and secondary stakeholders. Primary stakeholders are the main role players who are inherently close or formally tied to an organisation, whereas secondary stakeholders are those who fall outside of this scope and have the potential to affect or exert influence on the organisation to whom management consideration must be given (Carroll, 1993). Another such classification is that of Phillips (2003) who distinguishes between normative and derivative stakeholders which is comparable to the notion primary and secondary stakeholders, albeit with a fresh paint of vocabulary. Simply put, Phillips (2003, p.124 – 125) defines normative stakeholders as "those to whom the organisation has a moral obligation, over and above that due to other social actors simply by virtue of their being human", with derivative stakeholders being those to who management attention must be given "due to their potential effects upon the normative stakeholders".

Taking this a step further, is the identification and classification of stakeholders through the use of stakeholder analysis aides such as the power-interest grid (Ackermann & Eden, 1998). Here stakeholders are classified according to the amount of interest they have in an organisation and its operations, and the amount of power they possess over the organisation and its operations in realising

its strategic objectives. Different combinations of varying degrees of power and interest give rise to four distinctively different stakeholder categorizations and scenarios: 1) where stakeholders are considered having high power and high interest, they are considered ‘players’; 2) where stakeholders are considered having low power and high interest, they are considered ‘subjects’; 3) where stakeholders are considered having high power and low interest, they are considered ‘context setters’, and; 4) where stakeholders are considered having low power over the organisation and low interest in its affairs, they are considered to be the ‘crowd’ (Ackermann & Eden, 2001, p. 7). Thus the issue of stakeholder legitimacy depends on the quadrant in which they fall – where a higher degree of power and higher level of interest indicate a strong sense of legitimacy (Ackermann & Eden, 2011).

As is evident through the categorisation and identification methods as mentioned above, managers, or directors, have the ability to better make sense of the myriad of stakeholders that their organisation may possess. More importantly, managers can use analysis aides like the power-interest grid to gain insights on how best to manage their relationships with stakeholders and balance their differing and, sometimes, competing requirements. Furthermore, Rowley (1997) asserts that managers should also consider the various and interdependent relationships that exist between stakeholders, as well as the relationships outside the realm of the organisation/stakeholder network that can influence a stakeholder’s satisfaction requirements. From this, managers can gain insight on how best to respond to influences on one or more stakeholders (Rowley, 1997).

Recent research conducted in SA concluded that the issue of legitimacy was viewed as one of the most important considerations in attributing stakeholder status to any individual or group (Benn, et al., 2016). As such, the literature reviewed here seeks to provide a framework in establishing who is an organisation’s stakeholder, what is it that makes them relevant to warrant management’s attention and highlights a stakeholder analysis method to aid in the effective management of stakeholders. Thus, the issue of stakeholder legitimacy can be answered and a pathway for researchers, scholars and management practitioners can be forged in expanding on stakeholder theory and trying to simplify its complexity - the question of “to whom does management have an obligation” can be answered (Freeman, et al., 2010)

### **2.1.3 Creating Stakeholder value**

Following on from addressing Freeman’s (1984) second question of “to whom does management have an obligation” then, is to attempt to address his first question pertaining to the purpose of the organisation. By making use of the central purpose of stakeholder theory, which is to address the legitimate needs of all relevant stakeholders of an organisation, one can answer this question through an examination of creating value for stakeholders.

Value, in relation to stakeholder management, is defined as “anything that has the potential of be of worth to the stakeholder” (Harrison & Wicks, 2013). This notion asserts that value is inherently subjective, in that stakeholders themselves must determine their own satisfaction with the value they receive based on their utility (Harrison, et al., 2007) (Harrison & Wicks, 2013) (Schneider & Sachs, 2017). Simple put then, value creation, from an organisation’s perspective, should be a process that seeks to satisfy or oversatisfy stakeholder utility – that is, meeting the requirements that stakeholders set for themselves in exchange for their involvement with the organisation (Freudenreich, et al., 2020). As the stakeholder management perspective seeks to balance the needs and requirements of all stakeholders, an organisation must, therefore, embark on a value creation process that satisfies all stakeholders in turn (Harrison & Wicks, 2013) – an outcome of stakeholder engagement (Greenwood, 2007). Although it may seem simple from a theoretical point of view, the nature of stakeholder relationships are complex and thus present a challenge from a managerial front (Reynolds, et al., 2006) (Wu, 2012).

Freeman (2010) argues that this creation of value for multiple stakeholders begins with aligning the interest of stakeholders to move collectively in the same direction. Emphasis here must be on satisfying conflict, or creating a win-win scenario, that contributes to value creation for all stakeholders involved as opposed to a ‘trade-off’ approach that often results in benefits for one stakeholder at the expense of another stakeholder, a win-lose scenario (Freeman, 2010). Thus, creating value for all stakeholders requires a ‘managing for stakeholders’ mindset from business leaders (Freeman, 1984). This mindset needs to be applied in considering stakeholder relationships. According to Harrison, et al. (2010) relationships with stakeholders must be built by: considering stakeholder input when making management decisions, ensuring fair and just processes in the creation and distribution of value and, management conduct that is based on sound morals and ethics. Furthermore, it must be noted that value creation cannot occur in a once-off manner. As the world around us changes, and we adapt to the changing environment and various external influences, so too will our notion of value – what is important to one stakeholder now, may not be so important later on (Svendsen, et al., 2001). Therefore, value needs to be created in a manner which seeks to satisfy changing stakeholder expectations.

Sustainable value is created when the needs of all stakeholders, including shareholders, are met while maintaining profitability (Lazlo, 2008). This notion is also based on creating value for stakeholders within the parameters of the triple-bottom line context, where consideration is given to an organisation’s performance as it relates to its economic, societal and environmental obligations (Rodriguez, et al., 2002) (Laszlo, et al., 2005). As such, value for stakeholders cannot be created or sustained if value is only measured in terms of economic returns – it must be additionally valued from a societal and environmental perspective. Furthermore, value creation must be seen from the perspective of long-term thinking as opposed to short-term wins. As such, value creation, in a sense, is future-orientated which may require, from time to time, short-term losses in order to achieve long-term value creation (IIRC,

2013). Adding to this, is the notion that value creation must be mutually beneficial. Here we consider not only an organisation's role in creating value for the stakeholder, but also how stakeholders can create value for the organisation (Harrison, et al., 2007) (Freudenreich, et al., 2020). This concept of long-term value creation through the consideration of societal issues and stakeholders at large can be described as stakeholder capitalism, which is ideal for defining the process of stakeholder value creation (Freeman, et al., 2007) (Schwaib & Vanham, 2021). As such, the premise of the creation of stakeholder value is one that relies on the interlinkages between stakeholders, boards and the organisation, and how these relationships are aligned in the same direction for the creation of value for all stakeholders (Harrison, et al., 2007) (Freeman, 2010). When boards can align conflicting stakeholder needs and create value in a manner that is sustainable for all stakeholders, organisations can position themselves as serious competitors in their respective markets (Lazlo, 2008).

#### **2.1.4 Effective stakeholder management as a resource for competitive advantage**

Central to instrumental stakeholder theory, is the idea that the successful implementation of stakeholder management practices leads to better organisational performance (Donaldson & Preston, 1995). Supporting this notion, is the proposition that effective stakeholder management, with its practices and processes, can be used as a practical tool in achieving competitive advantage in the marketplace – leading to better performance outcomes (Harrison, et al., 2010) (Wu, 2012) (Svendsen, et al., 2001) (Newbert, 2008).

Competitive advantage can be defined as “an organisation's ability to contribute more customer value than its competitors” (Wu, 2012, p. 160). Examining this definition, thus, puts forth the idea that outperforming one's competitors is a process of value creation that supersedes the value, or lack thereof, created by another organisation or group of organisations. This definition falls in line with the resource-based view of the organisation proposed by Barney (1991) in which the strategic use of resources aid in creating and establishing competitive advantage. The Resource-Based View or, more commonly understood, Resource-Based Theory is a strategic approach to management which argues that the use of resources which are valuable, rare, inimitable, and non-substitutable/organised creates competitive advantage (Barney, 1991). Here resources can be viewed as either: tangible – possessing physical properties such as property, plant or equipment, or intangible – not possessing any physical properties such as knowledge, experience, and certain skill sets (Michalisin, et al., 1997). For a resource to be considered for its ability to create competitive advantage, it must possess all four tenets as aforementioned - that is: 1) it must be valuable in promoting efficiency and effectiveness; 2) rare in the sense that it is not easily possessed or attainable by others, especially competitors; 3) inimitable in that it can't be copied, recreated or reproduced, and is unique to the organisation, and; 4) non-substitutable/organised in the sense that there does not exist a strategic equivalent resource that could produce the same outcome (Barney, 1991). Where competitive advantage is created using resources

that possess these qualities, and where competitors cannot ‘duplicate the benefits of the strategy’, sustained competitive advantage is created that can situate an organisation as a market leader (Barney, 1991).

Building on this theory then, creates the opportunity for the processes involved in the effective managing for stakeholders’ approach to be considered as resources for competitive advantage. Fundamental to this argument, is the knowledge and existing research that an understanding of stakeholders’ intricacies, and the formation and management of stakeholder relationships, contribute to the development of competitive advantage and value creation (Galbreath, 2005) (Harrison, et al., 2007) (Harrison, et al., 2010) (Jones, et al., 2018) (Laszlo, et al., 2005) (Svendsen, et al., 2001) (Wu, 2012). This notion, as it pertains to stakeholder theory, thus emphasises the idea that adopting a ‘managing for stakeholders’ mindset - which allows organisations to understand their stakeholders better, establish mutually beneficial relationships and adopt a strategy of value creation for their stakeholders – can be considered an intangible resource that is valuable, rare, inimitable, and non-substitutable. Further supporting this proposition, is the fact that relationships, are by their very nature, socially complex which contributes to the understanding why: 1) practically speaking, stakeholder management isn’t easy, and 2) stakeholder management possesses all the central tenets of a resource that makes it complex and difficult to ignore in the face of an ever-growing competitive environment (Barney, 1991) (Freeman, 1984) (Rodriguez, et al., 2002). Furthermore, recent preliminary research into stakeholder theory and resource-based theories suggests that the potential for a revision of the former theories into ones which mutually rely on one another and redefine their purpose exist (Freeman, et al., 2021) (McGahan, 2021). In this, a resource-based view, for example, would seek to examine the importance of stakeholder relationships in creating competitive advantage, which opens up research questions like this one that places the stakeholder at the centre of understanding resource-based competitive advantage. Using Barney’s (1991) model of resource-based theory, this research proposes that the process of stakeholder management undertaken by boards of directors, is a potential intangible resource that can be positioned to be a source of competitive advantage. Knowing exactly how to engage with effectively and efficiently with one’s stakeholders in a manner that creates sustained stakeholder value is one which can be valuable, rare, inimitable, and non-substitutable.

## **2.2 Laying a firm foundation: Corporate Governance**

The evolution of corporate governance in SA is one that has responded to the changes in our social and economic positioning in the world. Building on the birth of SA's democracy and considering trends and standards in the corporate governance global landscape, the King Reports on Corporate Governance have become the standard by which corporate governance has been practiced in our country since 1994 (Padayachee, 2017). Although it has not always been a mandatory requirement as far as compliance is concerned (Esser, 2009), it has created a governance culture that is argued to have been improved on from year to year, with the latest iteration of the King Code on Corporate Governance - KING IV™, being evidence of this evolution (The Institute of Directors Southern Africa, 2016). Significant additions and changes to governance standards and priorities have been made and developed on over the past two decades. Broadly speaking, such changes and additions - as is relevant to this research thesis, include: 1) value creation from a purely financial perspective to considering value from a triple-bottom line perspective, 2) a shareholder-centric approach by management to a stakeholder-inclusive approach by management, and 3) the disclosure of information to a variety of stakeholders (Institute of Directors in Southern Africa, 2009).

### **2.2.1 Triple Bottom Line Value Creation**

The first of these changes, reflects the conscientious decision by business pioneers, scholars, and policy makers to move to a more sustainable modus operandi. Here environmental and societal considerations are thought of in the same light as a business's financial considerations – they are on the same level. From this perspective, business understands the interconnectivity their financial bottom line has with their surrounding environment and the society in which they operate (Institute of Directors in Southern Africa, 2009). Thus, value creation moves from a purely financial metric, to one that embraces value creation for social and environmental stakeholders too. As such business leaders, directors and management must think about business and their decision-making in a manner that examines the causal relationships between economic returns, their operating environment and society (Laszlo, et al., 2005). This leads to a reprioritisation of the various role players that an organisation needs to consider – towards a more stakeholder orientated perspective.

### **2.2.2 Adopting a stakeholder inclusive approach**

Shareholders have traditionally always been the most important role player in an organisation due to their financial contributions or investment. As such, it was consistently in a company's best interest to maximise the profitability of a company to keep the shareholders happy and encourage continued investment into the company (Smith, 2003). With the introduction of triple bottom-line value creation, however, organisations have had to broaden its consideration of its material stakeholders. This has led

to the development of the ‘enlightened-shareholder’ model and ‘stakeholder inclusive’ model to approaching stakeholder management (Institute of Directors in Southern Africa, 2009) (Bouwman, 2012). The first of these models place emphasis on the shareholder as the main priority while also considering the needs of other stakeholders as more of a ‘secondary priority’ (Esser, 2007). The second of these models, the ‘stakeholder inclusive’ model (Institute of Directors in Southern Africa, 2009), is considered a more pluralist approach, that considers stakeholders as having equal priority when managing an organisation (Esser, 2007). While the ‘enlightened-shareholder’ model does consider the needs and expectations of other stakeholders, it falls short by prioritising the providers of capital as more important (Esser, 2007). It is for this reason why, from a stakeholder centric point of view, the latter of the two models is preferred. The stakeholder ‘inclusive’ model is advocated for in both KING III & KING IV (Institute of Directors in Southern Africa, 2009) (The Institute of Directors Southern Africa, 2016)

### **2.2.3 Corporate Governance Disclosure – An Integrative Approach**

Falling in line with triple bottom-line considerations and stakeholder-inclusivity management approaches, is the disclosure of information by the board of governance. The information organisations now share has moved beyond the confines of just financial metrics to include information that provides a more holistic picture of the business based on its triple bottom-line (Institute of Directors in Southern Africa, 2009). The reporting structure favoured by the more recent publications of the King Report – KING-IV™, is the Integrated Report, which will be examined a bit more in detail later in this Chapter. This report examines the sustainability of a business with regards to its external environment and seeks to cater to organisational stakeholders to help them make informed decisions about the organisation (The Institute of Directors Southern Africa, 2016). Research suggests that disclosure of corporate governance practices to stakeholders have a positive impact on an organisation’s value (Ntim, et al., 2012). As such, corporate governance disclosures become an important consideration when considering how to keep stakeholders informed and engaged in the process of value creation.

### **2.2.4 Contextualising Corporate Governance**

While a sound corporate governance is the goal for which all organisations should strive, it doesn’t mean anything if organisation and business leaders don’t fully embrace it and go beyond the boundaries of mere compliance to the full embodiment of corporate governance principles and philosophy. The Johannesburg Stock Exchange (JSE) made compliance with the code mandatory for all companies listed on it, a requirement that came into effect after the publication of the KING-III report on corporate governance in 2009 with its ‘apply or explain’ disclosure philosophy (Natesan & du Plessis, 2019). Unfortunately, this did not have the desired effect of transitioning companies to embrace a culture of corporate governance and instead, it became a mere compliance exercise (Natesan & du Plessis, 2019).

With the introduction of KING-IV™ and its ‘apply & explain’ philosophy, however, companies have had to critically think through their application of the new code in order to examine and defend their actions (The Institute of Directors Southern Africa, 2016). It is unfortunate, however, that with all the corporate governance knowledge present in SA, that certain companies have been embroiled in corruption scandals and corporate misconduct (Padayachee, 2017). Research into corporate governance and performance have generally revealed a positive relationship between good corporate governance and performance outcomes (Ntim, et al., 2012) (Erasmus, et al., 2017) (Peter & Anuku, 2014) (Mohammed, 2012). In addition, a study by Obioha & Garg (2018) found that corporate governance practices positively impact customer loyalty in the Nigerian Banking sector. Thus, the benefit of good corporate governance appears to confirm the idea that ‘good corporate governance pays.’

At the heart of good corporate governance lies leadership and ethics, or more eloquently put – ethical leadership. This is the cornerstone of any approach to corporate governance as the two terms are mutually dependent (Botha, 2009) (Rossouw, 2005). Business ethics, as aforementioned, is key in helping managers and directors navigate the relationships with and between stakeholders. It can help managers discern between moral dilemmas and the complexity involved in balancing stakeholder needs and interests (Purcell, 1982). Organisations and managers who recognise ethics as significantly important will be better attuned to the interests of their stakeholders (Rossouw, 2005). Based on the fundamental links between business ethics and stakeholder value creation, it is clear to see why the King Reports emphasise ethical leadership as the basis, or must have, in advance of any corporate governance agenda (Institute of Directors in Southern Africa, 2009) (The Institute of Directors Southern Africa, 2016) (Rossouw, 2005). KING-IV™ basis its very definition on corporate governance as “the ethical and effective leadership” towards the achievement of, amongst others, good performance (The Institute of Directors Southern Africa, 2016). Thus, corporate governance – particularly in SA, provides the framework in which strategic objectives and value creation, in the context of the triple bottom line, can be realised sustainably and ethically (The Institute of Directors Southern Africa, 2016).

From an examination of the research, it is clear to see that the implementation of good corporate governance practices and behaviours can be drivers of productivity and growth which can ensure the longevity of an organisation – especially when viewed with a ‘managing for stakeholders’ approach. In the South African context, corporate governance has the potential to play a huge role in addressing many environmental and societal challenges that the country faces (Serretta, et al., 2009), and thus more must be done in advancing corporate governance beyond a mere compliance exercise.

### **2.3 Strategy & Strategic Positioning**

Thus far the concepts of stakeholder management, resource-based theory, and corporate governance that form the conceptual model on which this research is based has been discussed. Underpinning this literature, however, is the literature relating to strategy and strategic positioning

Strategy, as it relates to business, is concerned with the realisation of objectives set and developed for one's organisation (Davies, 2000). More specifically, the concept of competitive strategy relates to how an organisation or entity can position itself to compete successfully in a marketplace (Porter, 1985).. Porter (2008) asserts that differentiation is key in being competitive, and that strategic positioning involves understanding the marketplace and understanding how you are or can be different. To aid in this understanding, Porter (2008) proposes that there are five competitive forces that shape industry competition. These are namely: 1) the threat of new entrants, 2) the threat of substitute products or services; 3) the bargaining power of buyers; 4) the bargaining power of suppliers and, 5) rivalry among existing competitors. A thorough understanding of these forces, he argues, can assist business leaders and managers in the development of strategies that position their organisation in a favourable position in their industry (Porter, 2008)

In recent years, the fundamental principle of competitive strategy formulation has remained consistent with the need to outperform one's competitors, however, the approach and terminology associated with achieving this competitive position has changed to adapt to the changing business environment in which the world finds itself. This new narrative focusses on gaining a competitive advantage but in a manner that is sustainable and consistent with the challenges of the 21<sup>st</sup> century. Here, strategy formulation is guided by value innovation, stakeholder engagement, governance and ethics, and the ability to respond to multiple scenarios from an organisational perspective (Louw, 2019).

Stakeholder management and resource-based theory are inherently strategy-based theories (Freeman, 1984) (Barney, 1991). These two approaches advocate for the establishment of differentiation as a means of competitive advantage. Stakeholder management argues for the adoption of 'stakeholder inclusivity' as a means of establishing competitive advantage (Freeman, 1984), while resource-based theory argues for the establishment and use of resources in a manner which is inextricably different from one's competitors as a means of competitive advantage (Barney, 1991). Both theories are underpinned by the notion of holistic value creation as a performance outcome. Therefore, strategy formulation can be considered the recipe for creating and establishing competitive advantage. As such, a good strategy guides the creation of value to meet and exceed stakeholder expectations within the context of ethical considerations and good governance.

## 2.4 Disclosing the right information: Integrated Reporting

Another leap forward as far as corporate governance disclosures, stakeholder engagement and strategy formulation is concerned is the use of integrated reporting (IIRC, 2013) (The Institute of Directors Southern Africa, 2016) (Louw, et al., 2019). The International Integrated Reporting Council – the IIRC (2013, p.7) define an integrated report as “a concise communication about how an organisation’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value”. Here the emphasis is placed on providing stakeholders with information pertaining to how it creates or plans to create value over time. The integrated report is thus the result of a process of integrated thinking, in which consideration is given to the relationship between an organisation’s business model, operational activities and how it creates value (Professional Accountant, 2017). Value creation, in this context, is viewed in relation to the six capitals which the organisation may use or affect (IIRC, 2013). The value creation process, as contained in the IIRC’s (2013) Integrated Reporting Framework is illustrated as follows:

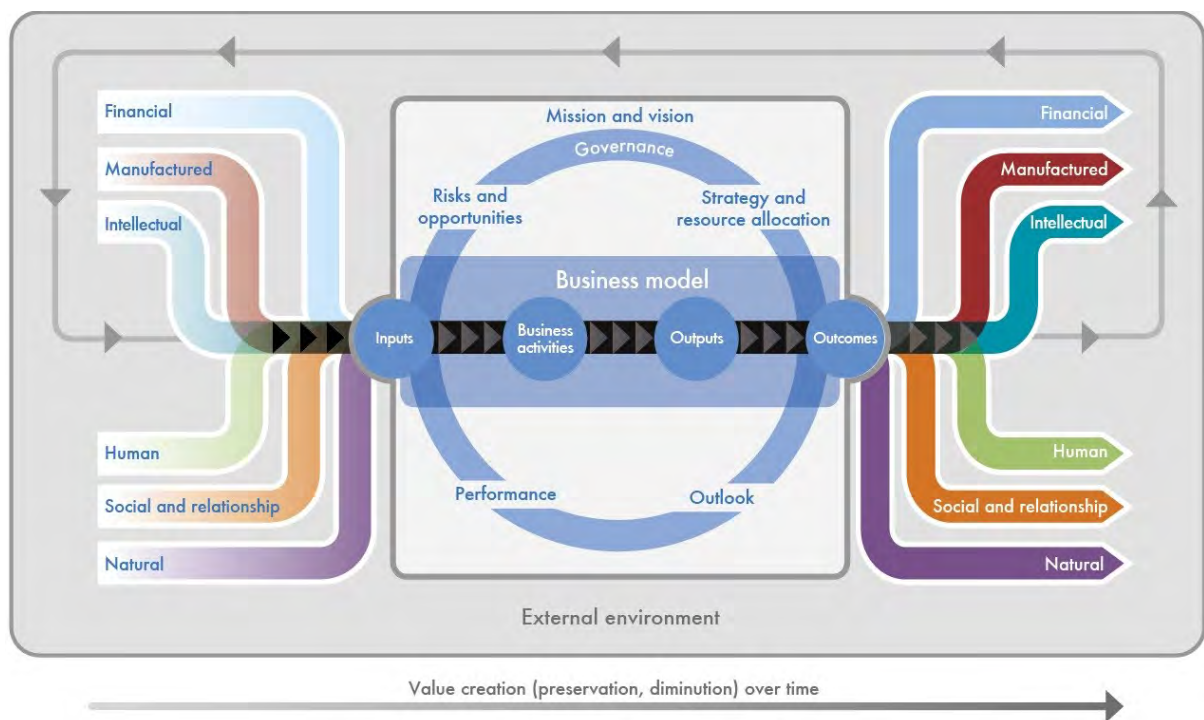


Figure 1: The Value Creation Process

(IIRC, 2013, pg.13)

The first of these capitals is that of financial capital or, more simply put, value in the form of monetary funds. The second is that of manufactured capital that relates to physical manufactured objects or assets. The third of these capitals, the intellectual capital, is that of knowledge or intellectual property that is intangible by nature and is possessed by the organisation (IIRC, 2013). The fourth capital, or human capital, relates to “people’s competencies, capabilities and experience, and their motivations to innovate” (IIRC, 2013, p. 12). The fifth capital relates to the relationships between stakeholders and information obtained from stakeholders for the betterment of all stakeholders – known as the social and relationship capital. Finally, there is the natural capital that relates to environmental resources which are needed to support the organisation in the short to long-term (IIRC, 2013). As such, the creation of value is one which can be measured through each of these capitals as a set of outcomes, as opposed to just one. It must be noted, however, that some capitals may not be relevant or applicable to all organisations or industries, and, therefore, one may not be able to measure value across all the capitals (IIRC, 2013). As it pertains to this research, the outcomes on which value will be assessed and measured will be selected based on prior research that examined the banking sector and its reporting with regards its use and effects on the six capitals (Integrated Reporting Banking Network, 2015). From this list of identified value reporting metrics by which banks were reporting on, a general selection of outcome metrics can be outlined based on the availability and consistency, where applicable, of the information contained within the integrated reports. These outcomes thus form the basis on which value creation, or value diminution, can be assessed over a period of time.

The Johannesburg Stock Exchange was one of the first stock exchanges in the world to mandate integrated reporting as a listing requirement – enabling an environment in which South African organisations can be forerunners in terms of this holistic reporting approach (Louw, et al., 2019). In addition, the integrated report is supported by the last two publications of the King Code on corporate governance – King III & IV, which advocates for integrated thinking, sustainability from an economic, social and environmental perspective, and stakeholder inclusivity and engagement (Institute of Directors in Southern Africa, 2009) (The Institute of Directors Southern Africa, 2016). As such, the International Integrated Reporting Framework seeks to guide organisations in the formation of a report which discloses relevant information to organisational stakeholders through describing value creation as it pertains to each one of the six capitals (Roxana-Ioana & Petru, 2017). Thus, the role of the integrated report, as it relates to corporate governance and strategy, is to provide a platform of engagement and disclosure with stakeholders for the purposes of advancing stakeholder management principles and practices. It is a practical tool in relation to corporate governance where “a holistic picture of an organisation’s performance” (Roxana-Ioana & Petru, 2017, p. 424) – as it relates to the triple bottom line, can be assessed (IIRC, 2013).

## 2.5 Conceptual Framework

Following on from the review of the aforementioned literature, is the description of how all these concepts fit into this research. Figure 2 below shows a graphical representation of the logical flow and interconnectivity of the literature reviewed:

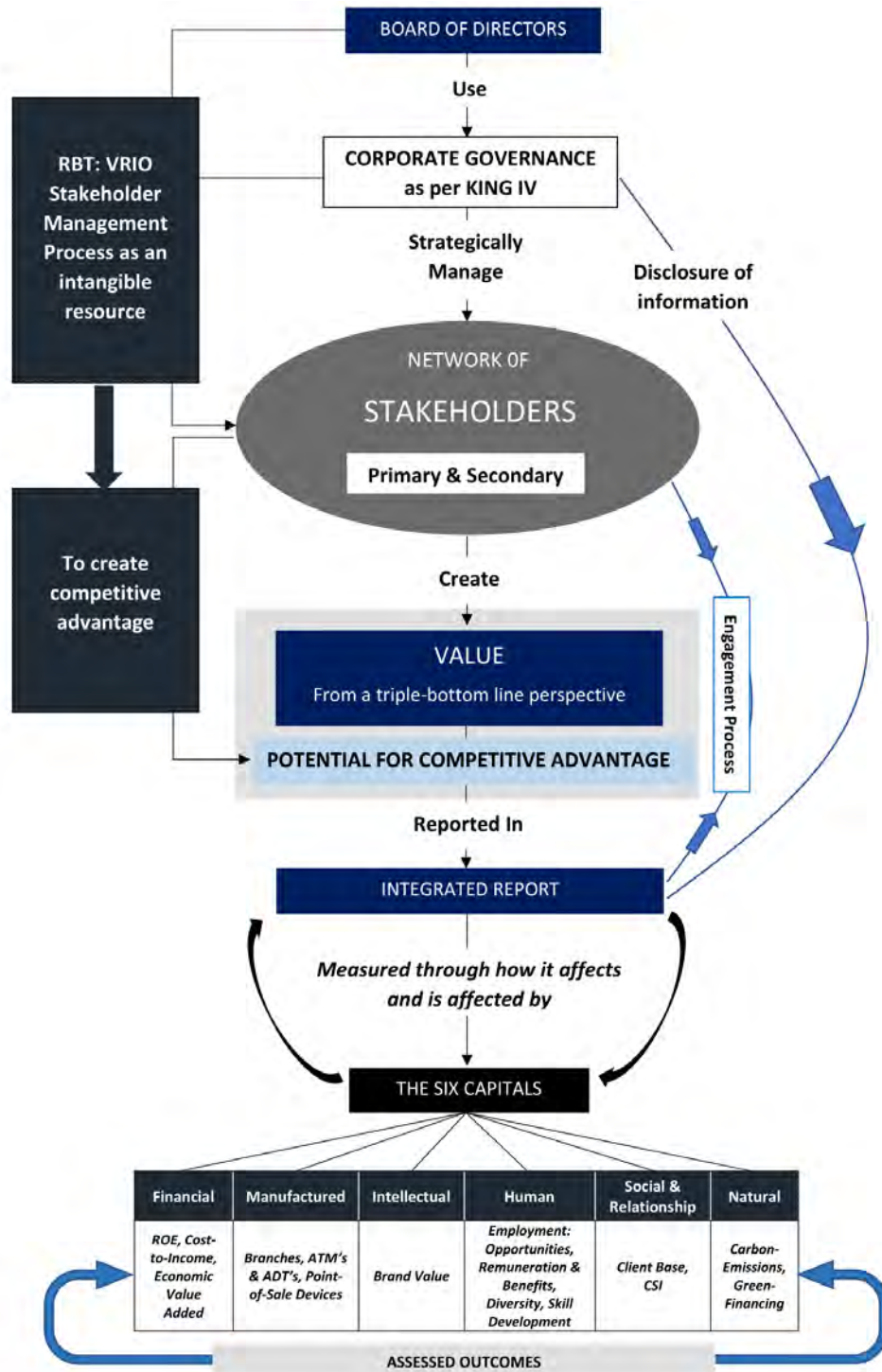


Figure 2: Conceptual Framework Pertaining to this research

This research centres around the concept of how boards of directors, through the use of corporate governance principles and philosophies, can strategically adopt a managing for stakeholders' approach that aims to create value for their organisation and its stakeholders that can culminate in the potential acquisition of competitive advantage. King-IV™ advocates for a triple bottom line and stakeholder inclusive approach in the creation of value or, as it is phrased in King-IV™, good performance outcomes. In the acquisition of good performance outcomes, board's must meet or exceed their strategic objectives, in addition to the creation of value (The Institute of Directors Southern Africa, 2016). As board of directors set the strategic direction for an organisation, they ultimately bear the responsibility on whether good performance outcomes can be achieved. Adding to this is the fact that strategy formulation is often influenced by an examination of various stakeholders. Here Porter's five forces of competition highlight consumers, suppliers, and competitors as some of the stakeholders that have an influence on strategy formulation (Porter, 2008). Therefore, it becomes increasingly important for organisations, and those in-charge of strategy formulation, to take proper cognisance of stakeholder views and interests in being able to strategize efficiently and meet triple bottom line sustainability targets as advocated for by King-IV™. This is where stakeholder theory comes in.

Stakeholder theory advocates for the adopting of a 'managing for stakeholders' mindset in which the interests and expectations of all stakeholders are balanced in the creation of value over time (Freeman, et al., 2010). This notion asserts that managers, or boards of directors as it applies to this research, must have a thorough understanding of what constitutes a stakeholder, how these stakeholders exert influence on an organisation, and how best to manage them in the creation of stakeholder value. Here stakeholder tools can help. Such tools include distinguishing between primary and secondary stakeholders to determine their legitimacy to one's operations (Carroll, 1993), and the power/interest matrix for understanding the pressures that various stakeholders can exert on organisation as a means to managing them better (Ackermann & Eden, 1998). In addition, understanding the complexities of stakeholder relationships can also assist in adopting a better 'managing for stakeholders' approach – much like that of network theory (Rowley, 1997). Thus, through stakeholder analysis, directors can get a better grip on how to manage and engage stakeholders better in order to obtain strategic objectives and create value. This process of stakeholder management can have the potential to be an intangible resource that can lead to competitive advantage if it is valuable, rare, inimitable, and organised (VRIO) – the central tenets that Resource-Based Theory (RBT) asserts is needed for a sustained competitive advantage (Barney, 1991).

For value to be considered created, it must consider the triple context in which organisations operate. That is, it must consider its impact on society and the environment in addition to just its economic bottom line (Laszlo, et al., 2005). In addition, the creation of value must occur over time in order to meet the sustainable nature of triple bottom line reporting. One such way that value creation can be assessed is through an examination of an organisation's integrated report which proposes that value can

be affected and measured along six fronts – the six capitals (IIRC, 2013). The Integrated Reporting Framework advocates for organisations to report on how they use and affect the six capitals in the creation of value. As the integrated report is an annual report, a constant review of how an organisation uses and affects its capitals can provide a clearer picture of how value is created over time. Here the six capitals manifest themselves in the form of outcomes that are relevant to the industry and on which value can be assessed over time. As it is relevant to each capital in the banking sector, the following outcomes provide a strong foundation on which value can be assessed: 1) Financial Capital – Return on Equity, Cost-to-Income and Economic Value Added; 2) Manufactured Capital – Branches, ATMs & ADTs, and Point-of Sale devices; 3) Intellectual Capital – Brand Value; 4) Human Capital – Employment Opportunities, Remuneration & Benefits, Diversity, and Skills Development; 5) Social & Relationship Capital – Client Base and Corporate Social Investment (CSI), and; 6) Natural Capital – Carbon Emissions and Green Financing (Integrated Reporting Banking Network, 2015).

As such, the integrated report can be used by the organisation to report its progress, in terms of sustainable value creation, to their stakeholders and, stakeholders can use the integrated report to assess their level of congruence with the organisation's operations, activities and strategic direction (IIRC, 2013). Given that the integrated report is advocated for by King-IV™, it is the mandatory report in terms of environmental, societal and governance disclosure (The Institute of Directors Southern Africa, 2016).

## **CHAPTER 3: Research Methodology**

The purpose of this chapter is to outline the research approach and methodology that will be employed in carrying out this research. As much of the theoretical literature already have explicit ties and connections to one another, the research approach will be one that seeks to exploit these connections in the pursuit of answering the research questions.

### **3.1 Research Design & Method**

The research that has been conducted was qualitative in nature and took the form of a thematic content analysis - defined as the “detailed and systematic examination of the contents of a particular body of materials for the purpose of identifying patterns, themes, or biases” (Leedy & Ormrod, 2001, p. 155), in which the integrated reports of the big five banks were analysed in relation to stakeholder inclusivity and stakeholder value creation. This research followed a deductive approach, which is one that makes use of pre-existing categories or frames of reference which often are linked to theory as its basis (Atkinson, 2017). The theories used in this research, were that of stakeholder theory, which asserts that stakeholder management leads to better performance in terms of value creation (Freeman, 2010) (Harrison, et al., 2010) and, resource-based theory which asserts that a resource that possesses certain characteristics can be a driver of competitive advantage (Barney, 1991). In addition, the concept of value creation reporting as outlined in the Integrated Reporting Framework was used to assess value as they related to the six capitals. Through assessing the various outcomes as the result of an organisation’s ability to affect the six capitals (IIRC, 2013), an analysis of trends which appeared from the content analysis was conducted.

### **3.2 Research Paradigm**

The research adopts a post-positivism paradigm, which is based on the argument “that reality can never be fully apprehended, only approximated (de Vos, et al., 2011, p. 7)”. Here the researcher believes in the many different perspectives rather than one known reality. In this paradigm, the development of substitute research strategies in the collection and analysis of data is possible due to the nature of the paradigm itself, where special consideration is given to the “discovery and verification of theories” (de Vos, et al., 2011). This notion thus supports the construct of data triangulation and the fact that there is more than one technique for the collection and categorisation of information (Ryan, 2006). The post-positivist paradigm also acknowledges the perceptions of the researcher in the formulation of knowledge and appreciates the value that research discoveries have on knowledge production (Clark, 1998). In addition, post-positivist researchers tend to want to understand a research phenomenon by

examining the “causes that affect the results” (Panhwar, et al., 2017, p. 255). Research in the post-positivist paradigm asserts that theory and reality go hand in hand, and that research is not limited to only a few topics, but instead can be broad (Ryan, 2006).

### **3.3 Sampling**

A sample of three integrated reports from each bank for the last three years (2018, 2019 and 2020) was examined, with a total of 15 integrated reports being examined in total. The aforementioned period of assessment enables all the reports to be based on King IV™ from a corporate governance point of view, with all the reports being based on the reporting recommendations as provided for in the Integrated Reporting Framework as outlined by the IIRC (2013). As the integrated reports for publicly listed companies are in the public domain and are freely accessible, there was no challenge in obtaining the information needed for this research.

### **3.4 Content Analysis**

In establishing a line of inquiry that seeks to answer the research question, the following approach has been taken in completing this research:

#### **3.4.1 Identification of stakeholders as listed by each bank**

This step seeks to identify the list or group of stakeholders who the bank deems material to their existence and operations. Here the aim is to identify the stakeholders for whom the banks aim to create value for (Freeman, 2010). As the value creation process seeks to satisfy stakeholder expectations and interests, it is important that banks have a firm grasp of who they are responsible to (Freudenreich, et al., 2020). This aids in legitimizing the stakeholder or stakeholder group and aligning one’s strategic objectives and organisation in a way which meets stakeholder demands over time (Friedman & Miles, 2002). The IIRC (2013, p. 10) Framework outlines that those relationships, interactions, and activities, which are “material to an organisation’s ability to create value for itself”, must be included in the integrated report. These relationships, interactions and activities all involve stakeholders and, thus, stakeholder identification must manifest itself through each bank’s integrated report.

The starting point was to examine each of the banks’ integrated reports and identify the stakeholders and stakeholder groups that each bank deemed material to their operations and existence, and for whom they aimed to create value for. This was done for each bank and for each year considered in the period of assessment and was done through simple content analysis – where a list of stakeholders for each year was extracted from each bank’s integrated report. After this, a collective list of stakeholders was

compiled to represent the material stakeholders of all five banks – noting the similarities and differences of identified stakeholders as per bank and per year.

Following from this and making use of the collective list of stakeholders, was the classification of which of the stakeholders – as defined and described by each bank, were considered primary stakeholders and who were considered secondary stakeholders as per Carroll's (1993) definitions. To aid in this classification, Ackermann & Eden's (2001) power-interest matrix was used to classify these stakeholder groups according to the amount of power they would possess over the bank's strategy realisation, and the level of interest they would have in the bank itself. The analysis relied on the researcher's interpretation and generalisations of these varying levels of power and interest each identified stakeholder would possess as guided by the power-interest matrix (Ackermann & Eden, 2001). Where stakeholders possessed a high-level of interest and power, their degree of stakeholder legitimacy was considered significant (Ackermann & Eden, 2011) and, thus, these stakeholders were classified as primary stakeholders – in line with Carroll's (1993) description of primary stakeholders as being 'inherently close or formally tied to an organisation'. Where stakeholders possessed a combination of high power/low interest or high interest/low power or low power/low interest, stakeholders were classified as secondary stakeholders as their degree of stakeholder legitimacy was reduced. Where conclusive determinations could not be made about stakeholder categorization, plausible explanations were given as to where on the power-interest grid the identified stakeholders would fall if more conclusive information was evident.

### **3.4.2 Analysing value through outcomes relating to the six capitals**

Fundamental to the realisation of competitive advantage is the creation of value for stakeholders. This is ideally captured through the value creation process model advocated for in the International Integrated Reporting Framework. Here value is assessed through the lens of the six capitals as an outcome measure. These outcomes may be positive, thus creating value, or negative, in which value is diminished (IIRC, 2013). This step thus involves analysing how value is created, or diminished, in each of these capitals as they apply to the organisation and translating this to the stakeholders who are affected by it.

This process involved an analysis of each of the banks' integrated reports, for the period of assessment under review, in which various outcome measures were assessed as they relate to the six capitals. The selection of these outcomes was guided by previous research which looked at the applicability of the six capitals as an integrated reporting concept as it applied to the banking industry (Integrated Reporting Banking Network, 2015). The selected outcomes were chosen by the researcher based on their appearance in the integrated reports of the five banks and the relative consistency of information being reported on for the period under review across the banks, with a few noted exceptions. The information, as it pertains to the relevant capital, was collected through content analysis of the respective banks

integrated reports in which the quantitative data - as it was reported on and measured by the banks, was extrapolated, and tabulated on an annual basis for the three years under review. Following this, an assessment between the six capital outcomes was conducted to determine whether value was created or diminished on a year-to-year basis. Analysis was done on this information to determine the existence of any trends across each bank's value reporting, in addition to a comparative analysis across the five banks to determine the prevalence of any industry similarities or differences. The six capitals with their respectively chosen outcomes for assessment are outlined below:

### ***Financial Capital***

- *ROE*: Reflects the profit generated from funds invested by shareholders. It is calculated by dividing net profit (after interest and taxes) by total ordinary shareholder funds (Correia, et al., 2015). Used here to assess how effectively funds are being used to generate value for stakeholders.
- *Cost-to-income*: This measure is most often used by banks as a performance benchmark to assess how efficiently it can generate revenue relative to its cost. It is calculated by dividing non-interest costs - excluding bad debt, by net income. A higher value indicates inefficiency, while a lower value indicates the efficiency (Tripe, 1998). Used to assess efficiency of banks to deliver value.
- *Economic Value Added (EVA)*: As a measure of performance or shareholder wealth creation, Economic Value Added seeks to reveal the true economic profit of an organisation by accounting for cost of capital. It is calculated by subtracting the total cost of capital [Capital x % Cost of Capital] from net-operating profit after tax (Correia, et al., 2015). This total equals the total economic value created for a particular reporting period which is then distributed to stakeholder groups to create value in other areas (Nedbank Group, 2020). Used here as a snapshot of the economic value being created for different groups of stakeholders.

### ***Manufactured Capital***

- *Branches*: Most banks operate and serve customers from physical building locations (Dallerup, et al., 2018). The number of branches a bank has will reflect its ability to be able to serve its stakeholders and the reason for its inclusion.
- *ATM's & ADT's*: These acronyms refer to Automated Teller Machines & Automated Deposit Terminal (FirstRand Limited, 2018). These refer to the options available to clients in withdrawing or depositing their money (Committee on Payment and Settlement Systems, 2003), measured here in the number of devices available.
- *Point-of-Sale Devices*: These refer to devices which allow consumers to pay using their banking card or mobile phone (Committee on Payment and Settlement Systems, 2003) – also refers to

the creation or acquisition of assets for the purposes of satisfying stakeholder expectations - measured here as the number of devices available.

### ***Intellectual Capital***

- *Brand Value*: Reflects the perceptions of external persons or entities on one's ability to affect the price someone is willing to pay for your product or service (Chu & Tat Keh, 2006). This will be measured through brand ranking data made available through each of the bank's integrated reports relating to their rank position as compared to other organisations.

### ***Human Capital***

- *Employment Opportunities*: Refers, here, to the amount of potential employment positions that exist within an organisation at a given time (Leibbrandt, et al., 2010)
- *Employment Diversity*: Refers here to the make-up of the work force by race (Black or African, Coloured, Indian (AIC) (South Africa, 1998, p. 6) or gender - female representation (Amos, et al., 2016)
- *Employee Remuneration and Benefits*: Refers to the total economic value assigned to paying employees' salaries and rewarding them for performance-based outcomes (Mabaso & Dlamini, 2017)
- *Employee Skills Development & Training*: Refers here to monetary value assigned to the upskilling of employees for the benefit of the organisation and its employees (Fard & Nda, 2013)

All the above add value in motivating and retaining employees

### ***Social & Relationship Capital***

- *Client Base*: The number of clients who still reaffirm a relationship with the organisation or choose to benefit from the bank's services and/or offerings (Manirakiza & Burundi, 2020)
- *Corporate Social Investment*: Total economic value or resources invested in community-based initiatives and programmes (Kuta, 2018). Assessed here through monetary contributions.

### ***Natural Capital***

- *Carbon Emissions*: Refers to the amount of carbon dioxide or carbon dioxide equivalent that is released into the atmosphere as a direct or indirect consequence of using products or services

which are emitters of Greenhouse Gases (IPCC, 2018). Used for the purpose of assessing the banks cognisance of its carbon footprint – electricity usage and travel

- *Green Financing*: Financial investment centred around the notion of producing a more sustainable economy and offers a more environmentally friendly alternative to sustainable development (Hoshen, et al., 2017). Used here to assess the bank's commitment to funding sustainable projects and initiatives – measured in the rand value committed to funding these initiatives.

### **3.5 Validity and Reliability**

According to Golafshani (2003) the issues of research validity and reliability stem from the quantitative research approach, as these terms become easy to assess when dealing with the same statistical tools or rules for analysis, for example (Patton, 1999). Qualitative research, on the other hand, is subjective in nature and depends on the abilities and insights of the analyst or researcher as a means of a more creative process (Patton, 1999). To address these challenges, Guba (1981) proposes that the construct of creditability, transferability, dependability, and confirmability guide qualitative research as a means of establishing trustworthiness. To fully comprehend this proposition, the constructs are described as follows: 1) credibility links research with reality by promoting the concept that the research outcomes are realistic in nature (Shenton, 2004) – a credible research endeavour is important in establishing trustworthiness (Guba & Lincoln, 1985); 2) transferability relates to whether the findings of a research topic can be applied to other situations or populations; 3) dependability is related to the notion of reliability through a test of whether, *ceteris paribus*, similar outcomes would be realised if the research was repeated, and lastly; 4) confirmability relates to whether the subjective nature of qualitative research is as far removed from the results as possible, in that the data 'must speak for itself' (Shenton, 2004).

In pursuit of these ideals to establish research that is trustworthy, the researcher aimed at using theoretically driven strategies and methods to achieve this. One fundamental approach employed was that of theory/perspective triangulation and source triangulation (Patton, 1999). Triangulation refers to the idea that more perspectives are better than one (Shenton, 2004). In addition to triangulation, the following approaches were used: 1) thick descriptions of research phenomena & methodologies; 2) reflective commentary; and 3) comparisons with previous/similar research findings (Shenton, 2004).

### **3.6 Ethical Considerations**

As this research was based on publicly listed companies whose integrated reports were in the public domain in addition to this research not directly involving any research participants, the ethical considerations for this research were low and did not warrant any ethical review for the continuation of the research.

## CHAPTER 4: Research Findings

The following chapter contains the research findings from the content analysis of the five banks' integrated reports for the assessment period as aforementioned.

### 4.1 The banks and their stakeholders

The IIRC (2013) identifies that those issues which are of material importance to an organisation must be included in their annual integrated report. They define materiality to be anything that has the ability to “substantively affect the organisation’s ability to create value...” (IIRC, 2013, p. 33). In line with this issue of materiality then, is the issue of which stakeholders are of material importance – or who has the ability to affect the organisation’s ability to create value. Here, the banks explicitly identify these stakeholders who they deem to be of material importance. Figure 3 below, represents a summarised version of each of the banks’ identified material stakeholders:

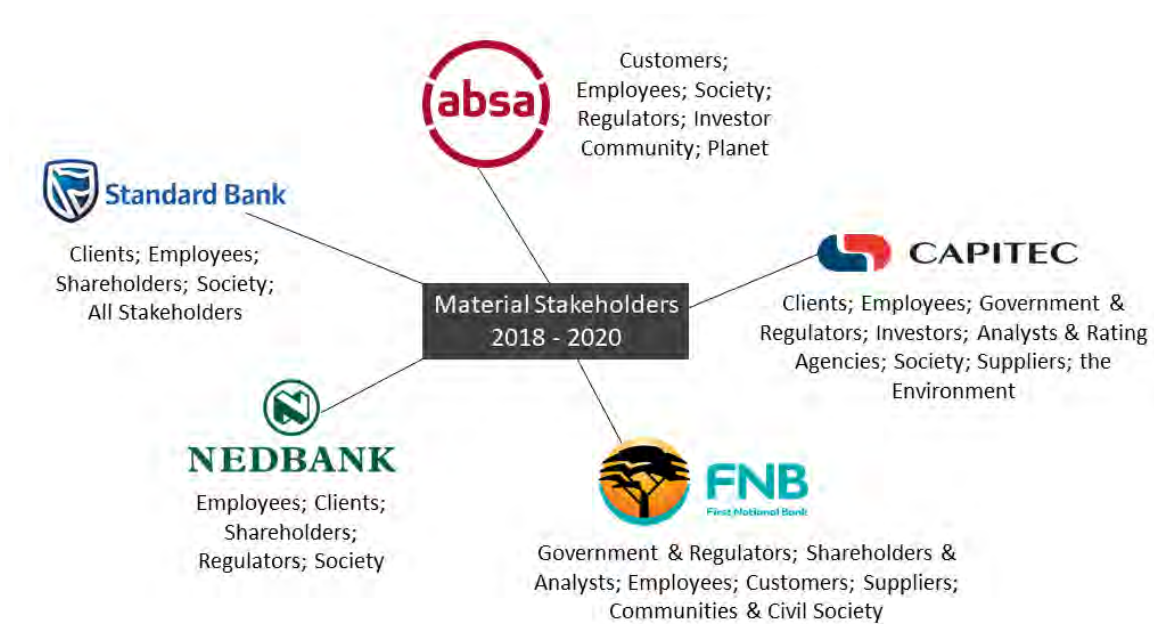


Figure 3: Material Stakeholders Identified by each bank (2018 - 2020)

ABSA Group Limited (2018) lists five stakeholders in their 2018 report for whom they aim to create value: customers, employees, society, regulators, and investors. In their subsequent report, they add the planet as a sixth stakeholder which is maintained in their 2020 report, albeit, with investors being referred to as falling into the category – investor community (ABSA Group Limited, 2019) (ABSA Group Limited, 2020). For the financial years ending 2019 and 2020, Capitec identifies the following stakeholders for whom it creates value: its clients; employees; government and regulators; investors,

analysts and rating agencies, and; society (Capitec Bank Holdings Limited, 2019) (Capitec Bank Holdings Limited, 2020). This is further supplemented with its suppliers and the environment whom they mention in their 2021 report (Capitec Bank Holdings Limited, 2021).

FirstRand lists the following stakeholders as those who are material to their existence and for whom they create value: government and regulators; shareholders & analysts; employees; customers; suppliers, and; communities and civil society (FirstRand Limited, 2018) (FirstRand Limited, 2019) (FirstRand Limited, 2020). Nedbank identifies five sets of stakeholders which are important to their existence and for whom they aim to create value. They list these stakeholders as their: clients, employees/staff, shareholders, regulators and society (Nedbank Group, 2018) (Nedbank Group, 2019) (Nedbank Group, 2020). Lastly, Standard Bank cites its material stakeholders as its clients, employees, society and regulators, with all of the above forming part of their broader ‘all stakeholders’ definition as it relates to their risk and conduct (Standard Bank Group, 2018) (Standard Bank Group, 2019) (Standard Bank Group, 2020).

#### 4.1.1 Primary vs Secondary Stakeholders

As it relates to the banks’ identification of important stakeholders then, is a more theoretical approach to stakeholder identification in the form of primary and secondary stakeholder categorisation. Figure 4 is a power-interest grid which maps out the different stakeholder groups as per their degree of interest and power:

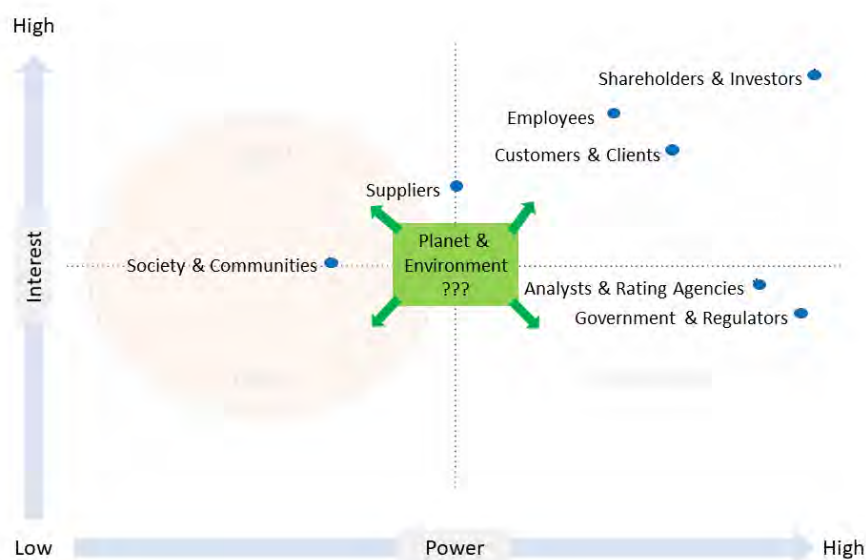


Figure 4: Power-Interest Grid of the collective group of stakeholders identified by the five banks (2018 – 2020)

The stakeholders who possess the most power and interest across all five banks are that of the shareholders/investors, customers/clients, and employees. These stakeholders have the greatest degree of legitimacy as stakeholders due to their high power and interest positioning (Ackermann & Eden, 2011). As such, these three groups of stakeholders are considered the banks' primary stakeholders. It must be noted that suppliers have been placed in between possessing low and high power - while having a mid to high degree of interest, deliberately as the product or service that a supplier might be providing to the bank might be unique and rare to find on the market and may be of high importance to the bank's operations. In this case, the supplier would possess a higher degree of power and be considered a primary stakeholder. Where a supplier does not supply a product/service that is unique or rare and, instead, supplies general goods of services that can be sourced from another entity readily, they would be considered a secondary stakeholder.

Society and communities often fall within a zone where they either have a higher degree of interest in a bank's activities and operations or are less concerned or uninterested in these. Their degree of interest is context and/or stakeholder specific and might depend on specific programmes or benefits that are accrued to specific communities. In either situation, society and/or communities would be considered a secondary stakeholder. Similarly, stakeholder groups who possess a high degree of power over the banks but have a lower interest in its operations and activities, are also secondary stakeholders. These include government and regulators, as well as analysts and rating agencies. These entities have the power to influence brand perception, impact investor and consumer confidence, and potentially destabilise operations and activities through changes in legislative requirements.

Lastly, two of the banks listed the environment and/or planet as one of their material stakeholders. However, this creates a dilemma in terms of the power-interest matrix, as the environment/planet cannot be classified according to its level of interest and/or power as it cannot make representations for itself. (Phillips & Reichart, 2000). As such, the environment/planet can, however, be classified in any one of the four quadrants depending on its representative's degree of interest and power. For example, environmental activists may have a high interest the organisation's environmental policies and practices but have no power over the organisation to affect change – these would be secondary stakeholders representing environmental concerns. Contrary, investors who value an organisation's strong environmental policies and practices have a high level of interest and power and, therefore, these would be primary stakeholders representing environmental concerns. It is, therefore, the result of environmental stakeholder representation that determines the degree of environmental consideration and importance from a managerial point of view as it relates to this research.

## **4.2 Value Assessment as per the Six Capitals**

In this section, value creation opportunities were assessed and outlined as per the identified outcome criterion for each of the six capitals. Value created reflects a positive trend, where value diminished reflects a negative trend. In addition, where it was not substantially conclusive that value was created or diminished, from the researcher's observations, value was determined as remaining constant. As most of the information contained within this section, as it relates to each specific bank, is all from the integrated reports, the integrated reports will only be referenced once after which it is assumed to apply to the rest of the bank's analysis findings, unless otherwise stated.

### **4.2.1 ABSA**

ABSA's financial year runs from the beginning of the year to the 31<sup>st</sup> of December for any given year. Their reports include the collective interests of their retail and business banking division, corporate and investment bank division, their regional operations, and their wealth, investment, management and insurance division (ABSA Group Limited, 2018) (ABSA Group Limited, 2019) (ABSA Group Limited, 2020). Their tabulated results can be found on Table 1 on the next page.

ABSA's ROE shows no value creation opportunity, as a marginal decrease in ROE is noted between the first and second year of assessment, after which a significant drop in ROE, to 7.2%, is the result at the end of the 2020 financial year. Cost-to-income showed a decline between 2018 and 2019, with a marginal increase by 2 percentage points rounding it up to 56% for the year-ended 2020. However, it must be noted, that if a comparison is done between 2018 and 2020 alone, it would reveal a positive value trend of 1.7%. Rounding off the analysis of ABSA's financial capital is that of its economic value added which shows a positive trend in the first two years. However, it must be noted that in their 2020 report, ABSA does not convey its economic value added and, as such, no information is available to complete the analysis over the three-year assessment period. Similarly, too, it does not make explicit mention of its manufactured capital in its 2018 report, thus not providing any information to assist with a three-year analysis period. The following two years, however, reveal a downward trend with regards to the number of its branches and ATM's, with point-of-sale devices increasing between 2019 and 2020.

ABSA maintains its brand value ranking of number 4 in SA for the three-year period, reflecting value consistency. Employment opportunities, however, seem to decline from 2018 to 2020, with this trend also being evident in their employment skill development investment. Employment remuneration and benefits appear to marginally increase over the period of assessment, with AIC diversity showing overall growth and female representation showing no movement. Moving onto social and relationship capital, it must be noted that ABSA did not provide any information with regards to the number of

customers it has. As such, the only metric which showed some relation to customer relationships and consistency over the 3 years was that of their ‘treating customers fairly’ scores. These were included in the analysis as a means to understand their customer engagement. These scores revealed that their customers’ perceptions of fair treatment improved year-on-year. Lastly, ABSA showed positive value creation in terms of its carbon emissions, showing annual reductions in its emissions per employee in 2019 and 2020 respectively. In addition, it has also shown commitment to sustainability principles, through its screening of transactions that it deems to be a risk to the environment and society. However, the number of these transactions screened appears to have decreased over the three-year period, reflecting value diminished.

Table 1: ABSA's Six Capital Outcomes (2018 -2020)

		Value Created↑, Constant →, or diminished↓ as compared to the previous year		
		<i>*N/D – indicates no data available</i>		
		2018	2019	2020
<b>Financial</b>	ROE	↑ (16.8%)	↓ (15.8%)	↓ (7.2%)
	Cost-to-Income	↓ (57.7%)	↓ (58%)	↑ (56%)
	Economic Value Added	(R68.2bn)	↑ (R70.6bn)	<b>*N/D</b>
<b>Manufactured</b>	Branches	<b>*N/D</b>	(1016)	↓ (991) – in SA
	ATMs	<b>*N/D</b>	(9763)	↓ (9734)
	Point-of-Sale Devices	<b>*N/D</b>	(115 708)	↑ (124 432)
<b>Intellectual</b>	Brand Value	4 <sup>th</sup> in SA – Brand Finance SA	→ 4 <sup>th</sup> in SA – Brand Finance SA	→ 4 <sup>th</sup> in SA – Brand Finance SA
<b>Human</b>	Employment Opportunities	↓ (40856)	↓ (38472)	↓ (36737)
	Employment Remuneration & Benefits	(R24.0bn)	↑(R25.7bn)	↓ (R25.1bn)
	Employment Diversity	↑ (74% Black/AIC) ↓ (61.1 % Female)	↑ (75.8% Black/AIC) → (61.1 % Female)	↑ (76.4% Black/AIC) → (61.1 % Female)
	Employee Skill Development	↓ (R426m Invested)	↑ (R451m Invested)	↓ (R406m Invested)
<b>Social &amp; Relationship</b>	Treating Customers Fairly	(60%)	↑ (84%)	↑ (86%)
	Corporate Social Investment	↓ (R266m)	↑ (R371m)	↑ (R380m)
<b>Natural</b>	Carbon Emissions	↓ (6.45 tCO2e per employee)	↑ (5.79 tCO2e per employee)	↑ (4.81 tCO2e per employee)
	Transactions Screened for Environmental & Social Impacts	(3582)	↑ (3704)	↓ (2949)

A summative review of the capitals in relation to the concept of value creation, reveals that over the 2018 to 2020 period, ABSA’s financial capital value was diminished in terms of its ROE and Cost-to-Income ratio, while value creation pertaining to its Economic Value-Added outcome was inconclusive, as no information is provided for it in ABSA’s 2020 integrated report. This is also the case with

manufactured capital, which while it revealed both value diminished and value created trends respectfully, it doesn't provide information on the first year for analysis. Intellectual capital remained consistent while human capital equals out to an overall consistent outcome when we considered the two instances of value diminished trends, the two instances of value created trends and the one instance of value consistency. Social and Relationship capital appears to trend towards value created, with natural capital equalling out to value consistency over the two examined aspects.

#### **4.2.2 Capitec Bank**

Capitec Bank's financial years run from the beginning of March, for any given year, to the end of February the following year. Capitec's reports reflect the collective interest of their personal banking division, and their newly acquired business banking division – Mercantile Bank, from 2019 onwards. (Capitec Bank Holdings Limited, 2019) (Capitec Bank Holdings Limited, 2020) (Capitec Bank Holdings Limited, 2021).

With regards to its financial capital, the bank shows a stagnated ROE for the first two years after which its ROE declines to 17% in 2021. The cost-to-income ratio of the bank reflects strong efficiency in being well below 50% (Correia, et al., 2015), however a review of cost-to-income ratio reveals a downward, or value diminished, trend between 2018 and 2020. Economic Value Added reflects positive value creation trend between the 2018 and 2019 financial years, after falling to reflect value diminished between their 2019 and 2020 financial years. Moving on to manufacturing capital, as reported in their integrated reports, the bank's ATM's asset portfolio showed positive gains in both their owned and partnership ATM acquisitions. The number of operated branches grew between the first two years, while declining in the last year of assessment.

Capitec's brand value showed remarkable strength as rated by agencies reviewing the performance of banks around the world. This is reflective of strong intellectual capital value creation. In considering its human capital, it is clear to see value creation emerging through two of the four outcomes. Here employment opportunities and employment remuneration and benefits show a positive, or upward, trend. Employment diversity considerations remain constant, while the number of employees engaged in training and skills development programmes and initiatives showed a decline. With regards to its social and relationship capital, Capitec continued to onboard new customers, growing its customer base by 4.5 million customers between the 2019 and 2021 financial year ends, while its CSI appears to have reflected value creation and value diminution over the same period – ultimately reflecting value creation if the 2019 and 2021 outcomes are reviewed back-to-back. Finally, the bank's carbon emissions appeared to first reduce before increasing between 2019 and 2020. However, much like with CSI, the trend still reveals a positive outcome between the carbon emissions for the 2018 financial year and the 2020 financial year, showing a positive value trajectory.

Table 2: Capitec's Six Capital Outcomes (2018 – 2020)

		Value Created↑, Constant →, or diminished↓ as compared to the previous year		
		2018	2019	2020
<b>Financial</b>	ROE	↑ (28%)	→ (28%)	↓ (17%)
	Cost-to-Income	↓ (39%)	↓ (41%)	→ (41%)
	Economic Value Added	(R21.3bn)	↑ (R25.3bn)	↓ (R23.4bn)
<b>Manufactured</b>	Branches	↑ (840)	↑ (864)	↓ (857)
	ATMs	↑ (2090) + Partnership (2921)	Own ↑ (2388) + Partnership (3264)	Own ↑ (2660) + Partnership (4065)
<b>Intellectual</b>	Brand Value	- Best Banking Brand in SA – (Lafferty Top 500 Banks Worldwide & Forbes), 3 <sup>rd</sup> Best in the world (Lafferty)	Best Banking Brand in SA, 3 <sup>rd</sup> Best in the world (Brand Finance 2020 Global 500 Banking Report)	Best Bank in SA (Forbes)
<b>Human</b>	Employment Opportunities	(13774)	↑ (14590)	↑ (14672)
	Employment Remuneration & Benefits	↑ (R3.75bn)	↑ (R4.23bn)	↑ (R4.7bn)
	Employment Diversity	(93% Black/AIC) (61 % Female)	→ (93% Black/AIC) → (61 % Female)	→ (93% Black/AIC) → (61% Female)
	Employee Skills Development	↑ (10 006 Employees Learning)	↓ (7541 Employees Learning)	↓ (3368 Employees Learning)
<b>Social &amp; Relationship</b>	Client Base	↑ (11. 3m)	↑ (13.8m)	↑ (15.8m)
	Corporate Social Investment	↑ (R56.9m)	↓ (R33.6m)	↑ (R66.0m)
<b>Natural</b>	Carbon Emissions	39484 tCO2e (Scope 1, 2 & 3)	↑ 36887 tCO2e (Scope 1, 2 & 3)	↓ 38465 tCO2e (Scope 1, 2 & 3)

In summary then, the value trend for financial capital appears to show a negative, or value diminished trend. In contrast, the manufactured, human, social and relationship and natural capitals show a positive or value created trend, while intellectual capital appears to show some sort of consistency with regards to brand value perception.

#### 4.2.3 FirstRand (FNB)

In analysing the integrated reports for this bank, it is important to take note that FirstRand is the holding company for FNB. As such, this means that FNB does not have its own listing on the JSE and, consequently, it does not compile its own integrated report. Therefore, it is important to note that the integrated report is not only a reflection of FNB's performance, but also that of FirstRand's other subsidiaries like Rand Merchant Bank, WesBank, Aldermore and Ashburton Investments (FirstRand

Limited, 2018) (FirstRand Limited, 2019) (FirstRand Limited, 2020). However, considering that the board of directors must have governance oversight on all its subsidiaries, the integrated report should reflect this shared notion of value creation as filtered down from the board to the company. Information that aids in the analysis of FNB is presented as it applies to the six capitals. FirstRand's financial year ends on the 30<sup>th</sup> of June for any given year.

Table 3: FNB's Six Capital Outcomes (2018 – 2020)

		Value Created↑, Constant →, or diminished↓ as compared to the previous year		
		2018	2019	2020
<b>Financial</b>	ROE	Group ↓ (23%) FNB (40%)	Group ↓ (22.8%) FNB ↑ (41.9%)	Group ↓ (12.9%) FNB ↓ (25.8%)
	Cost-to-Income	Group ↓ (51.2%) FNB (52.0%)	Group ↓ (51.8%) FNB ↑ (50.9%)	Group ↓ (52.9%) FNB ↓ (51.6%)
	Economic Value Added	Group (R124bn)	Group ↑ (R156bn)	Group ↓ (R138bn)
<b>Manufactured</b>	Branches	↓ (801)	↓ (781)	↓ (765)
	ATMs	↓ (4866)	↓ (4644)	↓ (4492)
	ADTs	↑ (2090)	→ (2090)	↑ (2106)
<b>Intellectual</b>	Brand Value	Most Valuable Banking Brand in Africa (Brand Finance – Banking 500 Report)	Most Valuable Banking Brand in Africa (Brand Finance – Banking 500 Report)	Most Valuable Brand in SA (BrandZ)
<b>Human</b>	Employment Opportunities (Group)	SA ↑ (37958) Total ↑ (46284)	SA ↑ (40233) Total ↑ (48780)	SA ↑ (40668) Total ↑ (49233)
	Employment Remuneration & Benefits (Group)	↑ (R28.7bn)	↑ (R32.3bn)	↓ (R32.1bn)
	Employment Diversity (Group – SA Operations)	↑ (77% Black/ACI) (61% Female)	↑ (79% Black/ACI) ↓ (59% Female)	↑ (80% Black/ACI) → (59% Female)
<b>Social &amp; Relationship</b>	Active Client Base (FNB)	↑ (8.15m)	↑ (8.2m)	↑ (8.23m)
	Corporate Social Investment (Group)	↑ (R235m)	↑ (R250m)	↓ (R247m)
	Educational Grants (Group)	↓ (R243m)	↑ (R338m)	↓ (R286m)
<b>Natural</b>	Carbon Emissions (SA Operations)	↑ 224 190 tCO <sub>2</sub> e (Scope 1, 2 & 3)	↑ 216 726 tCO <sub>2</sub> e (Scope 1, 2 & 3)	↑ 199 168 tCO <sub>2</sub> e (Scope 1, 2 & 3)

Both the FirstRand group's and FNB's ROE show a downward trend from 2018 to 2020. A review of the group's cost-to-income ratios reveals that the group can do more to be efficient in its operations, while FNB, as a subsidiary marginally increased its efficiency by 0.4% between 2018 and 2020. The group's overall Economic Value Added trended in a positive direction, reflecting value creation. Manufactured capital here, is as it applies to FNB due to the commercial and retail nature of its

operations. Branches and ATM's have seen a steady decline over the years, while ADTs has seen growth in numbers.

As it relates to intellectual capital, FNB has been consistent in its reporting in 2018 and 2019, being recognised as the most valuable banking brand in Africa and being recognised as the most valuable brand in SA in their 2020 report, albeit by a different brand evaluator. The group's employment opportunities grew between 2018 and 2020, with growth and consistency in employee remuneration and benefits being noted during the same period. Employment diversity with regards to ACI representation increased, while female representation decreased by 2 percentage points. FNB has showed a steady growth with regards to its clients, while FirstRand's CSI and educational grants have trended positively towards value creation and maintaining consistency. Finally, the group's SA operations have resulted in a reduction in carbon emissions which is a positive step for natural capital value creation.

In review of the capitals, it is evident that human, social and relationship, and natural capital trended towards value being created, while financial and manufactured capital trended towards value being diminished. Value consistency was maintained across intellectual capital for FNB.

#### 4.2.4 Nedbank

The Nedbank Group's integrated reports which were assessed in this research were for the financial years ending 31 December. The reports include results for their four main business clusters which include: corporate and investment banking, retail and business banking, Nedbank wealth and those of Nedbank Africa regions (Nedbank Group, 2018) (Nedbank Group, 2019) (Nedbank Group, 2020).

Table 4: Nedbank's Six Capital Outcomes (2018 – 2020)

		Value Created↑, Constant →, or diminished↓ as compared to the previous year		
		2018	2019	2020
<b>Financial</b>	ROE	↑ (16.8%)	↓ (15%)	↓ (6.2%)
	Cost-to-Income	↓ (57.2%)	↑ (56.5%)	↓ (58.1%)
	Economic Value Added	(R51.5bn)	↓ (R50.2bn)	↓ (R39.5bn)
<b>Manufactured</b>	Branches	(800)	↓ (692) – in SA (589)	SA ↓ (549)
	ATMs	(4462)	↓ (4398) – in SA (4180)	SA ↑ (4224)
	Point-of-Sale Devices	(96000)	↑ (101000)	↑ (102000)
<b>Intellectual</b>	Brand Value	9 <sup>th</sup> most valuable brand in SA)	↓ 10 <sup>th</sup> most valuable brand in SA	↑ 8 <sup>th</sup> most valuable brand in SA
<b>Human</b>	Employment Opportunities	↓ (31277)	↓ (29403)	↓ (28324)
	Employment Remuneration & Benefits	↑ (R13.4bn)	↑ (R17.3bn)	↓ (R16.8bn)

	Employment Diversity	(77.4% Black/AIC) (61.8% Female)	↑ (79% Black/AIC) ↑ (63% Female)	→ (79% Black/AIC) ↓ (61% Female)
	Employee Skills Development	↑ (R468m)	↑ (R760m)	↑ (R924m)
<b>Social &amp; Relationship</b>	Client Base	(7.9m)	↓ (7.8m)	↓ (7.6m)
	Corporate Social Investment	(R124m)	↑ (R130m)	↓ (R103m)
<b>Natural</b>	Green Financing	↑ (R22.8bn)	↑ (R27bn)	↑ (R31bn)
	Carbon Emissions	196 992 tCO <sub>2</sub> e (Scope 1, 2 & 3)	↑ 188 443 tCO <sub>2</sub> e (Scope 1, 2 & 3)	↑ 137 540 tCO <sub>2</sub> e (Scope 1, 2 & 3)

In relation to their outcomes for financial capital, Nedbank saw a marginal decline in their ROE between 2018 to 2019 with it falling from 16.8% to 15% during this period. The following year, 2020 saw a rapid fall in their ROE by more than 8 percentage points to 6.2% for the year ended 31 December 2020. A similar pattern emerged with their total Economic Value Added, which marginally decreased by R1.3 billion from 2018 to 2019, further falling by an approximate R10.7 billion to a total of R39.5 billion by year end 2020. Their cost-to-income ratio improved between 2018 and 2019, showing some improvement on efficiency, only to end up on a cost-to income ratio of 58.1% by the end of 2020 – 1.1 percentage points higher than they started in 2018.

Turning to their manufactured capital, a steady decline in the amount of branches the group operated over the assessment period was observed. It must be noted here, that in 2018 the group reported figures on the total number of branches and ATM's their group operate across all their operations, with them changing to only reporting on these from a SA operations standpoint in their 2020 report. Thus 2019 was used as a transition period in which both the total branches across the entirety of their operations and only those in SA were reported. As such, ATM's saw a decline in their numbers between 2018 and 2019 across the group, while an increase in these assets can be noted in SA between 2019 and 2020. Point-of-sale devices increased between 2018 & 2019 by 5000 units.

Intellectual capital in the form of brand value, saw Nedbank gain one position higher between 2018 and 2020, moving from the 9<sup>th</sup> most valuable brand to the 8<sup>th</sup> most valuable brand in SA according to the group's integrated report. It must be noted here that Nedbank used the same brand evaluator's ranking to report their brand position over the three-year period. Moving onto the group's human capital, a notable decline in employment opportunities can be noted over the period. Employment remuneration and benefits followed a trajectory of significant increase, before marginally declining in 2020 to reflect the loss noted in the economic value distributed for the same year. The group improved their AIC employment diversity while struggling to maintain their female representation, with it dropping 2 percentage points between 2019 and 2020. Investment in employee skill development grew over the three-year period, thus reflecting value creation. In contrast, their client base gradually declined for the

same period, reflecting value diminished. CSI reflected positive growth between 2018 and 2019, subsequently declining between 2019 and 2020. Lastly, value creation with regards to natural capital reflected positive outcomes, with the group's carbon emissions showing a downward trend and its investment into green projects showing an upward trajectory.

All in all, financial capital showed a value diminished trend, manufactured capital reflected value created trend, intellectual capital showed a value created trend, human capital showed a mixed set of results that trended towards value diminished, social and relationship capital showed a value diminished trend, while natural capital reflected value created.

#### **4.2.5 Standard Bank**

Standard Bank's financial year end is that of 31 December. Included in the boundary of its reports were its personal and business banking division, corporate and investment banking division, and its wealth strategy division (Standard Bank Group, 2018) (Standard Bank Group, 2019) (Standard Bank Group, 2020).

Standard Bank's ROE marginally decreased from 18% to 16.8% between 2018 and 2019, after which it came plummeting down to 8.9% by the end of 2020. Over the three-year period, however, its cost-to-income ratio improved by 1.2 percentage point, reflecting a trend of value creation. Economic Value Added, however, decreased over this same period. Following this same pattern of trend analysis, it is clear to see that manufactured capital also had a downward value trajectory as the number of branches and ATMs decreased over the three-year period. As it relates to brand value, Standard Bank only makes mention of one assessment by brand evaluator who rated Standard Bank as the most valuable brand in SA for 2019 and, thus, leaving no room for an analysis of their intellectual capital over time.

With regards to the bank's performance as it relates to its human capital, employment opportunities and skill development investments have seen a negative trajectory from 2018 to 2020, reflecting value being diminished. Employment remuneration has remained consistent for the period of assessment, while employment diversity with regards to AIC and women employees in senior management roles saw an increase. It must be noted here that information for all three years was not available for the bank's overall employee diversity and, as such, diversity in senior management was assessed as an alternative option. Moving on to Standard Bank's social and relationship capital, it was observed that the bank's client base grew on an annual basis. CSI in SA, however, declined between 2018 and 2020. Lastly, the natural capital aspect of the bank was analysed. Too much disappointment, the bank did not report on its carbon emissions. Instead, it reported on its funding of renewable energy projects, like solar and wind power generation, and how it funds initiatives and projects that supports its efforts to be more

environmentally sustainable. As the reports didn't provide any measurable outcomes, value consistency was applied in the analysis of their effects on the natural capital due to their consistent effort to consider natural capital in their reports. A thorough analysis of this capital and value creation, however, is very much inconclusive.

Table 5: Standard Bank's Six Capital Outcomes (2018 – 2020)

		<b>Value Created↑, Constant →, or diminished↓ as compared to the previous year</b>		
		<i>*N/D – indicates no data available</i>		
		<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Financial</b>	ROE	↑ (18%)	↓ (16.8%)	↓ (8.9%)
	Cost-to-Income	(57.0%)	↑ (56.4%)	↓ (58.2%)
	Economic Value Added	(R121bn)	↑ (R126bn)	↓ (R103bn)
<b>Manufactured</b>	Branches	↓ (1205)	↓ (1114)	↑ (1124)
	ATMs	↑ (9224)	↓ (8976)	↓ (6774)
<b>Intellectual</b>	Brand Value	*N/D	Most valuable brand in SA (BrandZ)	*N/D
<b>Human</b>	Employment Opportunities	↓ (53178)	↓ (50691)	↓ (50115)
	Employment Remuneration & Benefits	(R34bn)	↑(R35bn)	↓ (R34bn)
	Employment Diversity (SA)	(39.4% Women in Senior Management) (46.3% Black Senior Management)	↑ (40.3% Women in Senior Management) ↑ (49.1% Black Senior Management)	↑ (40.7% Women in Senior Management) ↑ (51.5% Black Senior Management)
	Employment Skill Development	(R931m Invested)	↓ (R878m Invested)	↓ (R677m Invested)
<b>Social &amp; Relationship</b>	Client Base	↑ (13.4m)	↑ (14.6m)	↑ (14.8m)
	Corporate Social Investment (SA)	(R141m)	↓ (R84m)	↑ (R97.2m)
<b>Natural</b>	Renewable Power Generation Capacity Funded (SA)	(435MW)	9.5MW (Solar Only)	* N/D – report mentions continued funding, but no capacity info disclosed
	Green Financing	→ *N/D - report mentions green financing, but no amounts are disclosed	→ *N/D - report mentions green financing, but no amounts are disclosed	→ *N/D - report mentions green financing, but no amounts are disclosed

To conclude this section on Standard Bank, financial capital has been analysed to reflect value diminished over the 2018 – 2020 period, as is the case with manufactured and human capital, with human capital only reflecting value creation marginally as far as diversity is concerned. Both intellectual and natural capital are inconclusive from a trend analysis point of view, while social and relationship capital leaned towards a mixed set of results, with an increase in its client base and a decrease in its CSI spend.

## CHAPTER 5: Analysis of Findings

This chapter seeks to provide a comparative analysis across all five banks as they relate to value creation or value diminution with regards to the assessed outcomes along the six capitals frontier.

### 5.1 Financial Capital

This research assessed financial capital through an examination of each bank's ROE, Cost-to-Income Ratio, and total Economic Value Added. As it relates to ROE, it is evident through figure 5 below, all the banks were not able to increase their ROE between 2018 and 2019, with Capitec Bank at least retaining some level of competitiveness by maintaining its ROE steady at 28% for the financial year of 2019.

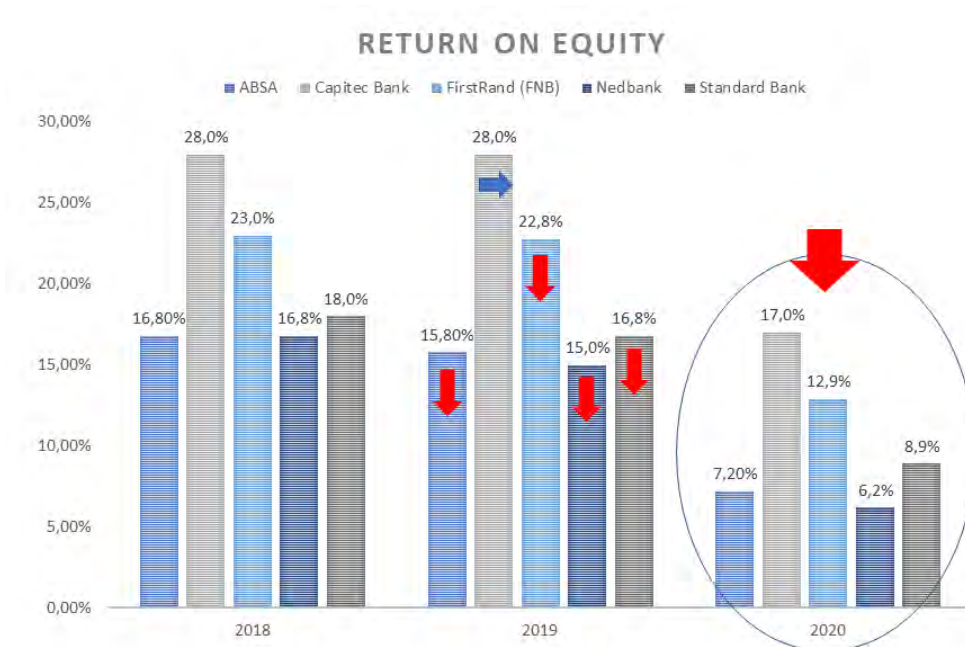


Figure 5: ROE Comparison Chart (2018 – 2020)

The advent of the COVID-19 pandemic at the beginning of 2020 had an enormous impact across the industry, with the ROE of the banks suffering significant decline in value. Here no bank was spared, with Capitec Bank and FirstRand (FNB), at least managing to maintain a double-digit ROE and passing on some value to their providers of equity financing. An analysis of the ROE across all banks, revealed that – as far as this outcome was concerned, the possibility of value being created amongst the pandemic was negligible to non-existent, as all banks' ROE fell between 2019 to 2020.

Shifting our focus from ROE, another financial aspect that was deemed important was that of how efficiently banks were able to generate revenue relative to its cost. Here we see that for the 2019

financial year ABSA, Capitec Bank, and FirstRand (FNB) were unable to create value through efficiency. Both Nedbank and Standard Bank were able to make marginal value contributions in this regard for the 2019 financial year, before slipping above their 2018 levels in 2020. ABSA was the only bank who managed to increase its efficiency in 2020, while Capitec Bank maintained its level of efficiency for the 2020 financial year. As such, an assessment of the creation of value through the banks' efficiency of operations revealed a mixed set of results. A possible explanation for ABSA's increase in efficiency for the 2020 financial year would be related to the finality of its separation from Barclay's Africa (ABSA Group Limited, 2020).

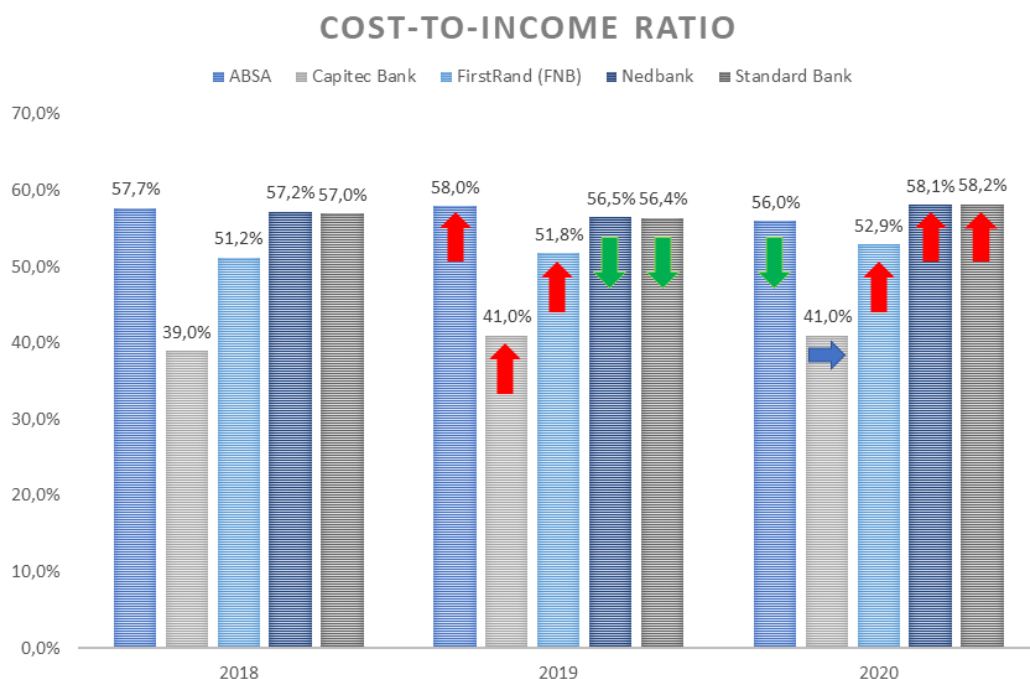


Figure 6: Cost-to-Income Ratio Comparison Chart (2018 – 2020)

The final financial outcome assessed was that of Economic Value Added. This outcome provides a snapshot of the availability of a bank's financial resources which can be distributed to create value across a set of various stakeholders. As is evident though figure 7, all the banks – except for Nedbank, were able to realise an increase their Economic Value-Added between 2018 and 2019. On the contrary, between 2019 and 2020 all the banks, where data was available, saw a decline in their Economic Value-Added. This could be attributed to the COVID-19 pandemic which resulted in less availability of funds, as the socio-economic impacts of the pandemic could be felt. As such, value appears to have lost over time with respect to Nedbank and Standard Bank, if we consider the fact that their 2020 figures are below that of their 2018 figures. Contrary to this, Capitec Bank and FirstRand (FNB) saw an increase

in their Economic Value-Added between the same, 2018 – 2020, period. This analysis points to the confirmation of the idea that value must be considered over time, as Capitec and FirstRand (FNB) were able to add value over the 2018 – 2020 period.

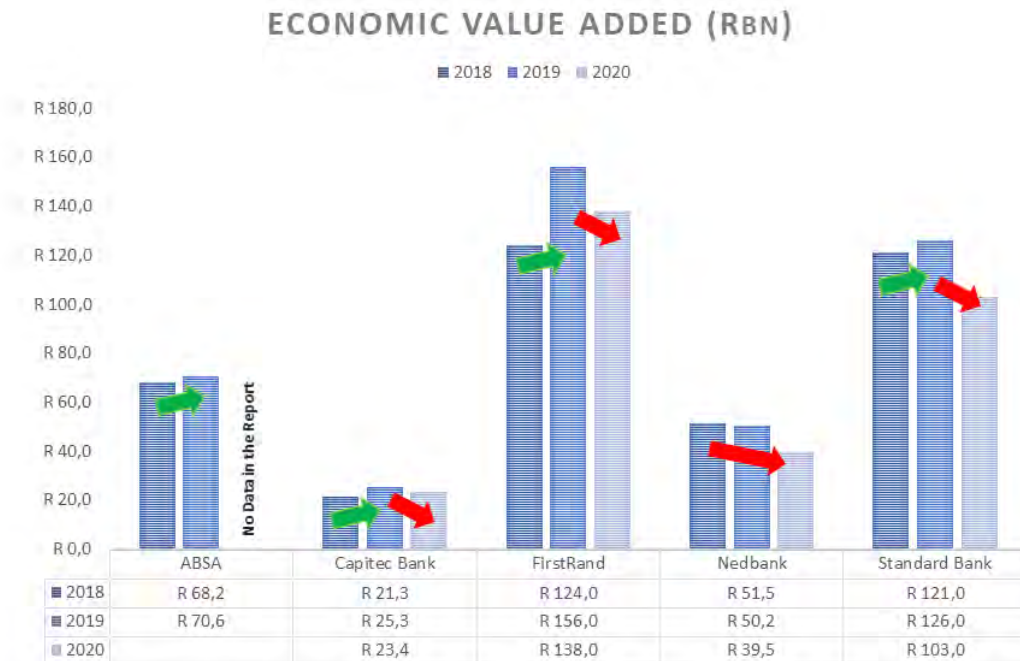


Figure 7: Economic Value-Added Comparison Chart (2018 – 2020)

## 5.2 Manufactured Capital

The three outcomes related to manufactured capital which were assessed, was that of the number branches, ATMs, and point-of-sale devices. Unfortunately, data on point-of-sale devices was only available in Nedbank's integrated reports and two of ABSA's reports. This data showed an annual growth in the number of point-of-sale devices.

With regards to the number of branches, a comparison between the banks showed a mixed set of results. The only value created that was evident was that of Capitec Bank between its 2018 and 2019 financial years, and that of Standard Bank between 2019 and 2020. All other instances, where data was available, showed a value diminished scenario as far as the availability of branches was concerned.

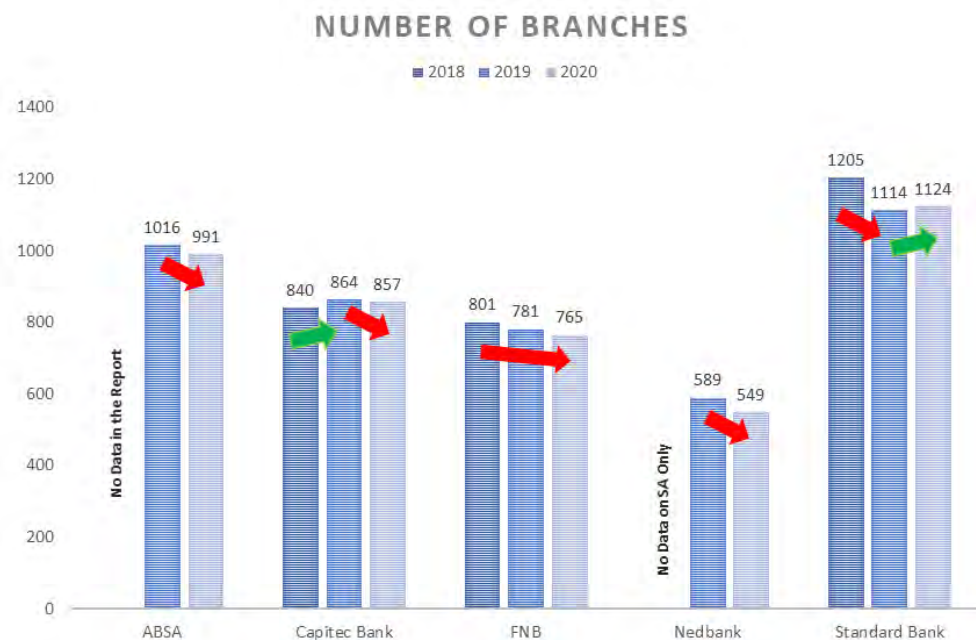


Figure 8: Number of Branches Comparison Chart (2018 – 2020)

With regards to the amount of ATM's that each bank possessed, Capitec Bank and Nedbank were the only two banks which exhibited value created with regards to the availability of ATMs for use by its clients and customers, while ABSA, FNB and Standard Bank showed a decrease in the amount of ATM's made available for their clients. As with the value diminished trend noted with the decline in branches, the reduction of available ATM's could be attributed to the technological trend of migrating their clients to digital platforms and channels, where self-help options are easier to access and the use of cash is replaced by electronic fund transfers and swiping (South African Society of Bank Officials, 2019a).

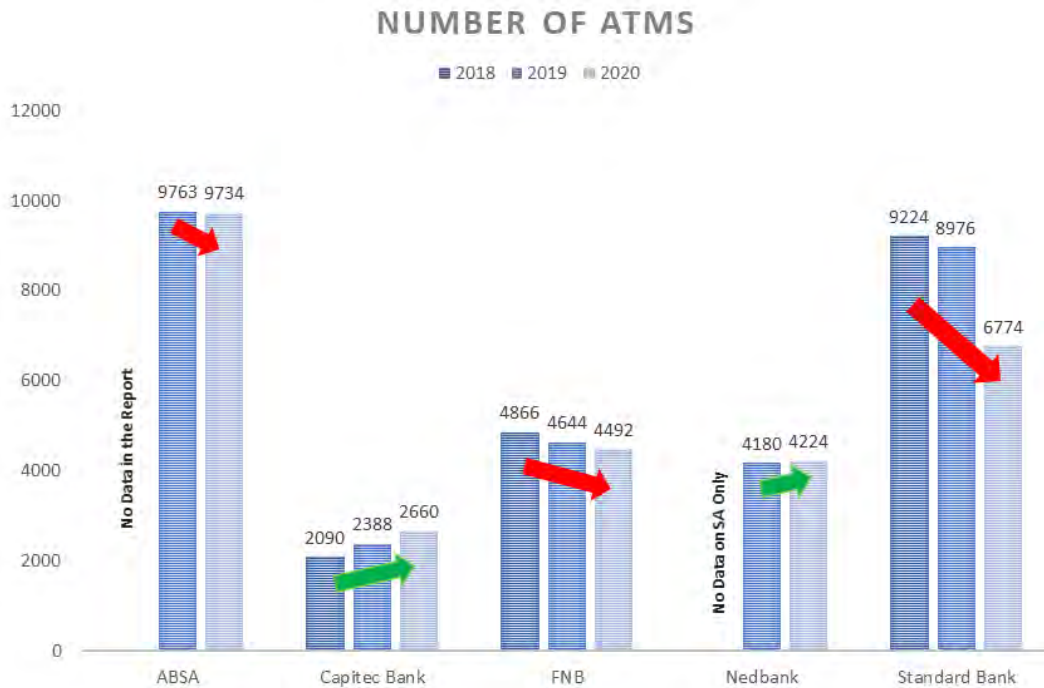


Figure 9: Number of ATMs Comparison Chart (2018 – 2020)

### 5.3 Intellectual Capital

Brand value was the only outcome that was assessed in relation to intellectual capital across all five banks. As brand value is based on the outside perception attributed to one's organisation or entity (Chu & Tat Keh, 2006), all the banks relied on external agencies and those brand assessment indices, to report on their brand perception. What made an analysis of this outcome so difficult was the consistency of the information across the different banks, and/or different years. While Nedbank and ABSA maintained the same brand evaluator across all three reports - which was useful in determining their movement with regards to value created and value diminished, other banks like FNB and Capitec Bank, changed the brand evaluator over different years which made it difficult to assess their movement. It appeared as if these banks, including Standard Bank, would choose the brand evaluation that enhanced their position the best for the year of assessment. As such, an analysis of the value creation and/or diminution concerning intellectual capital across all five banks was not possible based on the inconsistency of the data provided in some reports.

## 5.4 Human Capital

Human Capital, in terms of employees or staff, is considered the backbone of any organisation on which its existence and growth is fundamentally dependent on (Amos, et al., 2016). The first of the outcomes which was assessed was that of the employment opportunities, in terms of number of jobs available. ABSA, Nedbank, and Standard Bank all showed a decline in the availability of employment over the 2018 – 2020 period. In contrast, Capitec Bank and FirstRand (FNB) showed an increase in the availability of employment, pointing to the creation of value for employees.



Figure 10: Employment Opportunities Comparison Chart (2018 – 2020)

The second of the outcomes which were assessed was that of employment remuneration and benefits. A comparative analysis across the banks, from a visual perspective, showed that between 2018 – 2019, value appears to have been created in the form of increased remuneration and benefits for each bank’s employee groups. This, however, does not consider the inflationary pressures that the banks might have had to deal with in their adjustment of this amount, and thus value cannot be determined as being created per se. Between 2019 – 2020 all the banks, except for Capitec Bank, saw a decrease in their employment remuneration and benefits, indicating that value was diminished in this regard – a potential side-effect of the COVID-19 pandemic.

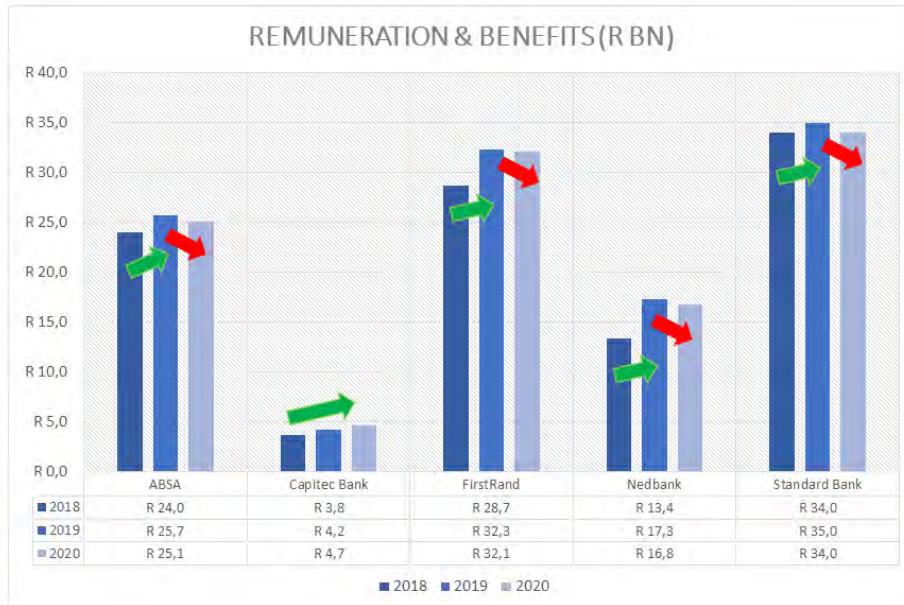


Figure 11: Employment Remuneration and Benefits Comparison Chart (2018 – 2019)

The third of the outcomes which was assessed was employment diversity as it relates to AIC employee representation and female representation in South Africa. AIC representation across all the banks employee's, apart from Standard Bank as noted, appears to have increased or remained consistent over the 3-year cycle. More positively, this points to value being created or maintained for the AIC workforce, with Capitec Bank being the clear forerunner in this regard.

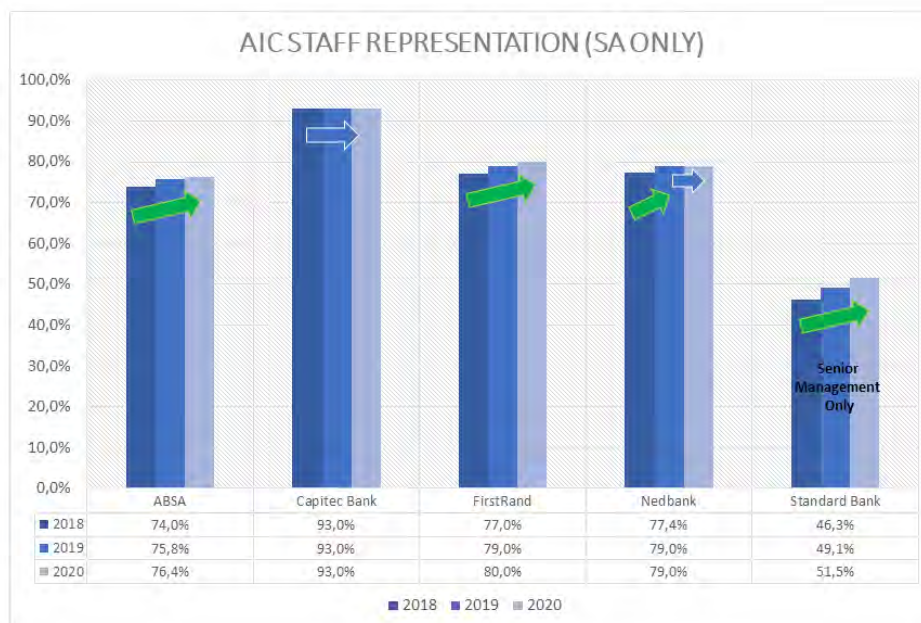


Figure 12: AIC Representation Comparison Chart (2018 – 2020)

With regards to female representation, Nedbank and FirstRand (FNB) noted a decline in their representation over the 2018 – 2020 period. Consistency was maintained by both ABSA and Capitec Bank, while Standard Bank saw value created for women aspiring to be in senior management positions.

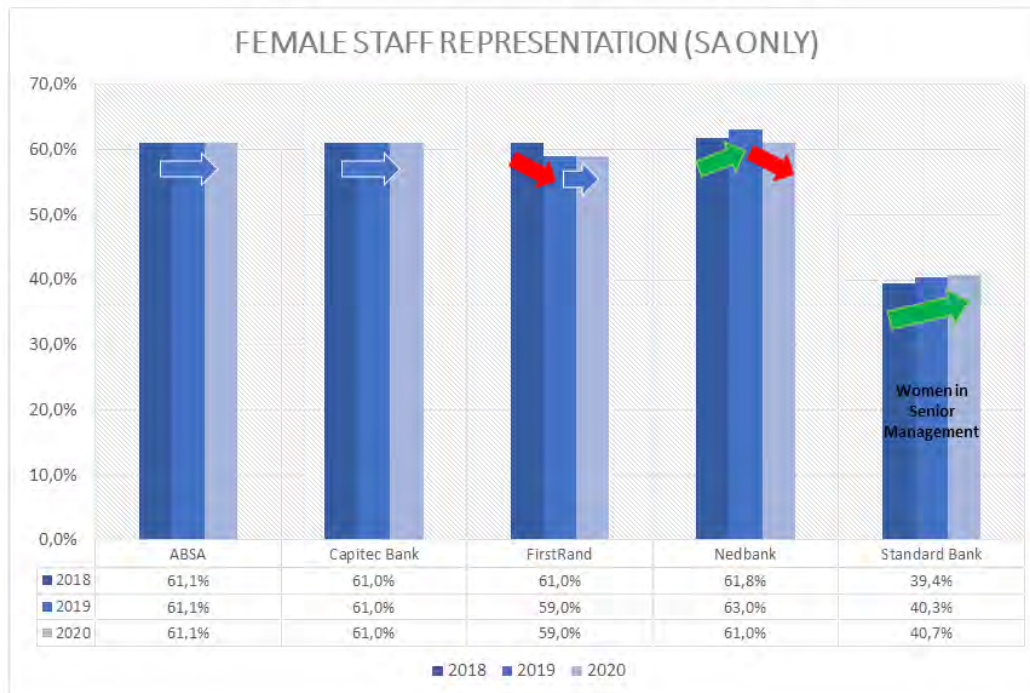


Figure 13: Female Representation Comparison Chart (2018 – 2020)

Lastly, three of the five banks, namely: ABSA, Nedbank, and Standard Bank, all noted their investments in employee skill development. While Nedbank saw an increase in its contributions to skill development increase from 2018 to 2020, both Standard Bank and ABSA saw a decline in the amount of financial capital invested over the same period.

## 5.5 Social and Relationship Capital

Two outcomes were assessed in relation to social and relationship capital. The first was that of the bank’s customer/client base which reflected each bank’s ability to retain and attract customers, and, in so doing, create value for itself and its stakeholders.



Figure 14: Number of Clients Comparison Graph (2018 – 2020)

The analysis of these numbers across the banks revealed overall positive client growth when one considers Capitec Bank, FNB and Standard Bank, with Capitec Bank showing significant leaps in value creation from a client attraction and retention perspective. Nedbank, however, show a gradual decline in client numbers over the same period, while ABSA did not report on their total client numbers in any of their reports.

The second outcome which was assessed across all five banks was their contribution towards Corporate Social Investment (CSI). This analysis revealed a mixed set of results across the studied group, with ABSA being the only bank showing consistency and year-on-year growth in their CSI spend. Analysis also revealed that although Capitec Bank’s CSI spend initially decreased between 2018 and 2019, their 2020 spend topped that of their 2018 spend, and thus indicating value created over the 3-year period. In contrast, while FirstRand (FNB), Nedbank and Standard Bank all showed growth in their CSI spend over one year, their overall CSI decreased over the 3-year period.

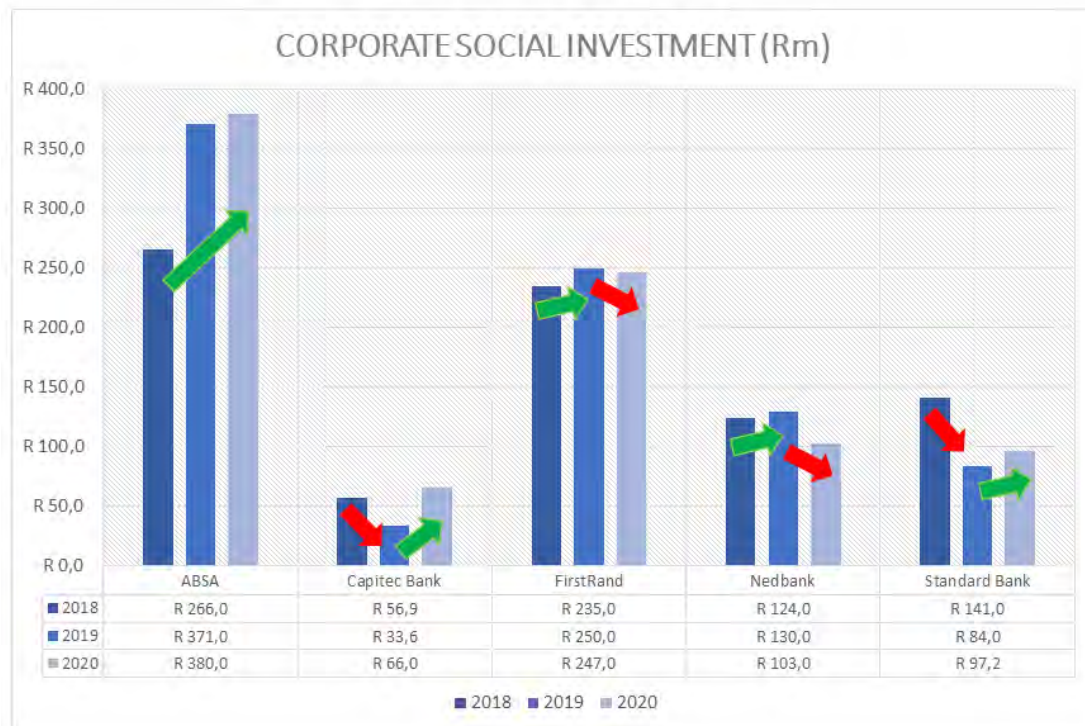


Figure 15: CSI Comparison Chart (2018 - 2020)

## 5.6 Natural Capital

Two outcomes were assessed as they relate to natural capital. The first was that of green financing which would have been reasonably assumed to be of importance to a financial service provider like that of a bank (Nedbank Group, 2020). However, through an assessment of the reports, Nedbank was the only bank that objectively outlined its total funding commitment – in a quantitative form, to green financing projects over each of the three years which increased on an annual basis. Furthermore, ABSA outlined their number of transactions screened for environmental and social impacts, which while it doesn't give an idea of its total commitment to green financing, does show some commitment towards natural capital and the preservation thereof. Standard Bank does make mention of the fact that it is committed to green financing projects but does not quantify its overall commitment.

The second of the outcomes assessed was that of the banks carbon emissions. Here it must be noted that four out of the five banks reported their annual contribution of carbon emissions, while Standard Bank made no mention of its contributions whatsoever. The overall trend revealed that the banks were creating environmental value for its stakeholders by decreasing their carbon emissions on an annual basis. Capitec Bank showed an increase in its carbon emissions contribution between 2019 and 2020, which could have been a result of its growth in its ATM's and number of employees and their emissions.

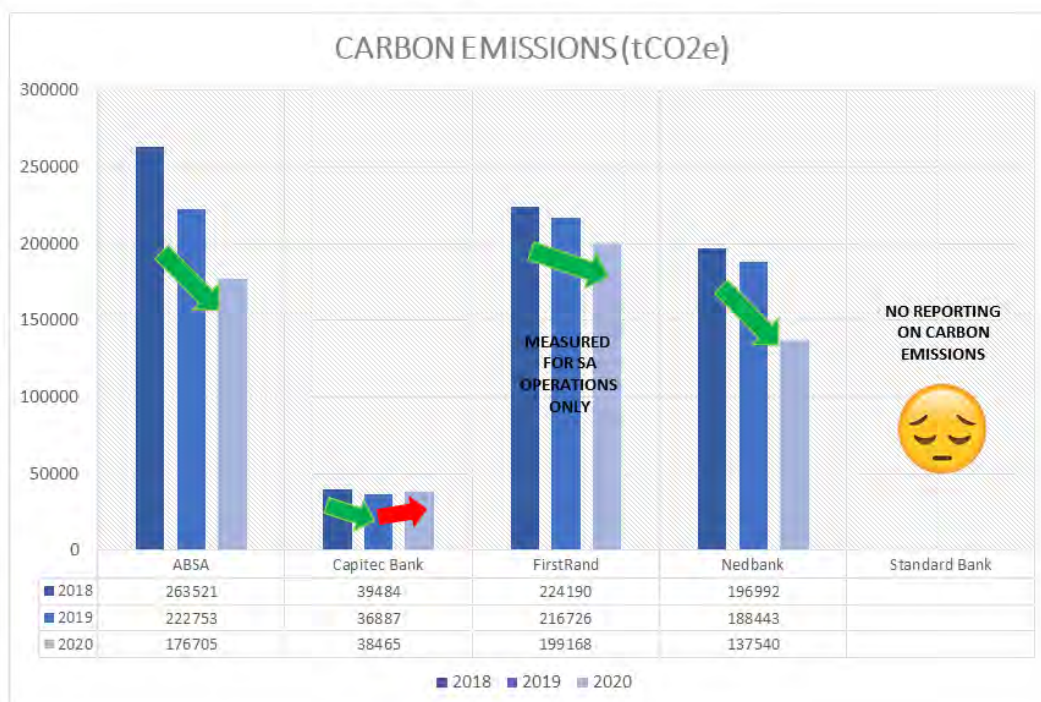


Figure 16: Carbon Emissions Comparison Graph (2018 – 2020)

## **CHAPTER 6: Discussion & Concluding Remarks**

### **6.1 Discussion**

As a starting point for this discussion, an examination of the question, to “whom does management have an obligation to” (Freeman, 1984), must be assessed. Here all five banks showed that they understood who their material stakeholders were, thus revealing a shared understanding of who they aim to create value for. These stakeholder groups were explicitly mentioned in the integrated reports of the respective banks with employees, customers/clients and shareholders/investors being categorised as the primary stakeholder group for these banks through an analysis of these stakeholders’ power and interest, which sought to clarify the legitimacy of each of the bank’s identified stakeholders. The identification of the stakeholders, who each bank creates or aims to create value for, is an important first step and an integral component in the measurement of value creation or diminution. It shows the application of the stakeholder inclusivity principle that is advocated for in King-IV™ which is strengthened by the use of the Integrated Reporting Framework in determining who value must be created for (The Institute of Directors Southern Africa, 2016) (IIRC, 2013). This concept of understanding who one’s stakeholders are and the affect that they can have on your organisation, is also supported by Porter’s (2008) five forces model, that puts varying stakeholders at the core of understanding how to strategically position your organisation to be competitive in the market space. By explicitly outlining - in their integrated reports, who value is created for, the banks exhibit a process of stakeholder identification and recognition in which the interests of these stakeholders were considered, thus supporting the notion of a stakeholder inclusive approach to strategic management and corporate governance. Following this understanding of who value must be created for is an enquiry of how value has been or should be created for stakeholders.

From a theoretical perspective, the six capitals model aims to capture how value is created. Here value is created through the way an organisation uses or affects those capitals. The model asserts that the relevant capital is used as an input, transformed through business activities, interactions, and relationships, and then assessed through measurable outcomes. As such, value can be created or diminished as a result of the transformation process. Outcomes then feedback into the model as inputs and the process repeats itself (IIRC, 2013). Given this scenario then, creates the opportunity for the creation of a perpetual value creation loop or, on the contrary, a value diminution loop. Where boards of directors thus need to concern themselves, is with how this loop can be sustained for the satisfaction of all their stakeholders. This essentially means creating a situation where value is created year on year for each capital in turn, thus leading to wholistic value creation. With Capitec Bank for example, this is evident through increasing employment opportunities every year during the period of assessment, or its ever-growing client base that continued to grow year on year. These scenarios of continued value

creation are what companies need to strive for in order to reap the benefits of the transformation process according to the six capitals model (IIRC, 2013). What's more pertinent is how companies can aim to create value over all six of their capitals year on year and whether this is in fact a true representation of value creation growth. This, for example, was not possible with Capitec Bank who despite posting market leading ROE figures, was not able to maintain or grow their ROE in 2020, or who failed to maintain a reduction in their carbon emissions in the same year. As such, it might be worthwhile to examine the proportionality of increases or decreases relevant to other factors that warrant consideration. For example, an increase in manufactured capital and/or number of employees may increase carbon emission output with the result that natural capital seems to have had its value diminished, when in fact it was a direct result of other situational and growth factors. Thus, adding to this may also need to be an examination of what an acceptable level or margin of "trade-off" is acceptable in an unforeseen scenario, such as Covid-19, or in a situation where value creation in one capital will inevitably diminish value in another which is ultimately needed for growth. Further research into these two aspects will make future analysis easier and the results more reliable, as discrepancies in data or perceived value diminution will be able to be better explained and accounted for.

The 'managing for stakeholders' approach, as advocated for by Freeman (1984), asserts that for value to be created, the needs and expectations of all stakeholders must move in one direction (Freeman, 2010). Here Freeman (2010) asserts that trade-offs between one stakeholder versus another should not be considered, but instead a scenario that creates a win-win situation. However, as is evident in the previous paragraph, one may argue that trade-offs may be necessary for the creation of value, and that a win-win scenario is not possible. This is beyond the scope of this research but does pose the question of how: how does one create a win-win situation in the context of competing interests? In relation to the six capitals model, the answer to this becomes more complex as this would mean that all the capitals in relation to the various stakeholder groups that each capital affects, would all move uniformly in the same direction – where value created for one stakeholder group is value created for all stakeholder groups, or where value diminished for one stakeholder group is value diminished for all stakeholder groups. This is supported by the notion that stakeholders exist within a network of stakeholders, and that the effects on one group of stakeholders will affect other stakeholders within that same network (Rowley, 1997). In the context of this research then, one would consider, for example, how an increase in manufactured capital for the benefit of the customer/client would also need to benefit natural capital value creation in the form of reduced carbon emissions thus satisfying the concerns of environmental stakeholders, or how CSI - on the social and relationship capital front, would need to increase shareholder/investor returns from a financial capital point of view. While the theoretical concept of mutuality and collective value creation is indeed plausible, this research has pointed to the fact that, in reality, this is not easily achieved.

Creating a win-win scenario presents a unique governance dilemma which directors will need to do much work on. In order to satisfy Freeman's (2010) ideals, the interests of stakeholders in relation to each of the capitals must be balanced and aligned. Directors will need to leverage off built stakeholder relationships to come to mutual agreements which will seek to satisfy all stakeholders in turn. Thus, the concepts of stakeholder engagement and stakeholder inclusivity are indeed relevant and must be treated with the utmost importance when it comes to holistic value creation. Adding to this must be a conversation of how directors must use their annual integrated reports to effectively engage with their stakeholders and clearly articulate what value was created for each stakeholder and how this value manifests itself over time. Sadly, in this study, not all the integrated reports met that target. ABSA, for example, failed to disclose its impacts on its manufactured capital for the year 2018, and then in 2020 excluded to mention how economic value was distributed amongst stakeholders (ABSA Group Limited, 2018) (ABSA Group Limited, 2020). This is in contrast with the notion that organisations must ensure that stakeholders are aware of how value is distributed, in order to build stakeholder relationships (Harrison, et al., 2010). Non-disclosures of certain information over certain years also brought to light the question of how value could and can be appropriately assessed over time. Standard Bank failed in its responsibility to its stakeholders concerned with natural capital value creation, as they are the only bank analysed here who did not disclose their carbon footprint (Standard Bank Group, 2018) (Standard Bank Group, 2019) (Standard Bank Group, 2020). As such, more needs to be done by the directors of these banks to enable more fruitful stakeholder engagements for future value creation.

The final question, as it pertains to this research, was that of value creation for competitive advantage. As part of the conceptual framework of this research, the notion of considering effective stakeholder management as an intangible resource for competitive advantage, was put forward (Barney, 1991). This concept was centred around the notion of examining boards of directors who perform exceptionally with regards to their stakeholder inclusivity mandate, in how they create sustainable value as a means for competitive advantage. Capitec Bank performed exceptionally well in this regard over the three years assessed here. They outperformed their peers in the financial capital assessment, showing a cost-to-income efficiency rate of below 45% with their ROE figures providing more than sufficient coverage to providers of equity even through the pandemic – even performing better than some banks in a normal, non-Covid-19 year! Capitec boasted a growth in their client base, sustained corporate social investment and a commitment to natural capital through carbon emission reductions. They grew their manufactured capital over the period of assessment while onboarding new staff and maintaining employee diversity, with their performance being reflected through the outside perceptions of their brand. All in all, Capitec Bank performed exceptionally well for their size and placed them in the forefront of creating value for their stakeholders. However, it must be noted, that there was one area where the bank did not necessarily create value – this can be seen in the reduction of staff participating in skills development opportunities over the period of assessment. This points to a potential caveat in the theory of value creation for

sustainable competitive advantage which would have required value to be created across all areas and all capitals over a sustained amount of time. It, therefore, appears evident, that Capitec still has work to do to build on their competitive advantage and position themselves in a position where sustained competitive advantage can be realised – where value is created and maintained across all assessment criteria and all six capitals over a period of time.

## **6.2 Limitations on Research**

### **6.2.1 King IV™ and Sample Size**

Mandatory compliance with the King-IV™ code on corporate governance only took effect for financial years commencing from 1 April 2017 onwards (The Institute of Directors Southern Africa, 2016). As a result, this had the effect of limiting the number of integrated reports that were available for analysis at the time of this study. A consequence of this limitation was that value could not be assessed in relation to the application of King-IV™ over a longer period. Stakeholder theory and the Integrated Reporting Framework both advocate for value to be created over time (Freeman, 2010) (IIRC, 2013). The Integrated Reporting Framework goes on to specify that a decision on what constitutes a justifiable time frame is subjective and dependent on the industry and specific outcomes assessed (IIRC, 2013). As such, an assessment period of more than 3 years would have provided a depth of information that would have allowed more richer inferences and conclusions to be made. While the study does show merit in considering value creation over a longer period than a year-to-year basis, a longer time period would have shown, for example, how a change in the needs and interests of stakeholders over time could have affected the banks approach to value creation.

### **6.2.2 Information Reporting**

One of the challenges faced in the analysis of the integrated reports was the way in which information was presented and/or omitted in the banks' integrated reports. Inconsistencies were noted between how some banks reported on their outcomes and how they affected or were affected by the various capitals. Information would not be consistently provided between reports, which hindered with the value created analysis, as comparisons could not be made between the different years in a manner which was accurate or reflective of value creation. Furthermore, the methodological approach by banks in the valuation of their brand was inconsistent. Besides Nedbank (2020) and ABSA (2020), banks would pick and choose different external brand rankings which valued them as outperforming the rest of the banking market at a given point in time (FirstRand Limited, 2019) (Standard Bank Group, 2019) (Capitec Bank Holdings

Limited, 2020). Instead, one or two brand ranking agencies should have been chosen and the results of their analysis published, regardless of the outcome. This would lead to better valuation assessments. This was further complicated by a struggle by the banks to articulate and define their intellectual capital.

### **6.2.3 Impact of Covid-19**

The impact of the COVID-19 pandemic on the global economy was significant. The socio-economic consequence of this was a loss of economic value across most sectors. (Standard Bank Group, 2020) As was evident through the analysis of the banks' reports, the impact of the Covid-19 pandemic diminished the creation of value over the short-term. Significant drops in ROE were noted, in addition to the total economic value that was available to be distributed to stakeholders which decreased across the board (ABSA Group Limited, 2020) (Capitec Bank Holdings Limited, 2021) (FirstRand Limited, 2020) (Nedbank Group, 2020) (Standard Bank Group, 2020).

### **6.3 Directions for future research**

Further research into whether holistic value creation has been achieved or, is in fact even a reality with respect to the six capitals model, is indeed needed to: a) confirm that Freeman's (1984) theory of non-trade-off scenarios in this context is possible, and if so, b) establish an understanding of how an organisation and its directors can unilaterally align the creation of value in a manner which satisfies all stakeholders. Adding to this, research must also be conducted to assess the stakeholder engagement processes and protocols of companies with a proven track record of the creation of long-term value as a means to determine what stakeholder inclusive strategies drive value creation over time

Future research into the fields of stakeholder theory and resource-based theory is also needed. The amalgamation of the two provides the potential for a whole new understanding of strategy and strategic value drivers that can help organisations thrive and outcompete their competitors. In addition, there is so much to be learnt by embedding the core values of one theory into the other (Freeman, et al., 2021). It is still within the realm of reason to promote further research into considering stakeholder management, or the art thereof, as an intangible resource that can contribute towards the achievement of competitive advantage.

## REFERENCE LIST

- ABSA Group Limited, 2018. *Integrated Report*, Johannesburg: ABSA Group Limited.
- ABSA Group Limited, 2019. *Integrated Report*, Johannesburg: ABSA Group Limited.
- ABSA Group Limited, 2020. *Integrated Report*, Johannesburg: ABSA Group Limited.
- Ackermann, F. & Eden, C., 2011. Strategic Management of Stakeholders: Theory and Practice. *Long Range Planning*, Volume 44, pp. 179-196.
- Ackermann, F. & Eden, C., 1998. *Making Strategy: The Journey of Strategic Management*. London: Sage.
- Ackermann, F. & Eden, C., 2001. *Ackermann, F. and Eden, C., 2001. Stakeholders Matter: Techniques for their identification and management*. s.l.:Department of Management Sciences, University of Strathclyde.
- Amos, T., Pearse, N., Ristow, A. & Ristow, L., 2016. *Human Resource Management*. 4th ed. Cape Town: Juta and Company (Pty) Ltd.
- Anon., 1998. *Employment Equity Act*. [Online]  
Available at: <https://www.labour.gov.za/DocumentCenter/Acts/Employment%20Equity/Act%20-%20Employment%20Equity%201998.pdf>  
[Accessed 2018 November 2021].
- Atkinson, J. D., 2017. Journey into Social Activism: Qualitative Approaches. In: *Chapter 3: Qualitative Methods*. New York: Fordham University Press, pp. 65-99.
- Barac, K. & Moloi, T., 2010. Assessment of corporate governance reporting in the annual reports of South African listed companies. *Southern African Journal of Accountability and Auditing Research*, Volume 10, pp. 19-31.
- Barney, J., 1991. Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), pp. 99-120.
- Benn, S., Abratt, R. & O'Leary, B., 2016. Defining and identifying stakeholders: Views from management and stakeholders. *South African Journal of Business Management*, 47(2), pp. 1-11.
- Botha, H., 2009. Corporate governance, leadership and ethics: interrelated trio. *Management Today*, March, pp. 55-57.
- Bouwman, N., 2012. The 'stakeholder inclusive' approach. *Without Prejudice*, May, pp. 28-29.
- Braun, V. & Clarke, V., 2012. Thematic Analysis. In: K. J. Sher, ed. *APA handbook of research methods in psychology, Research designs: Quantitative, qualitative, neuropsychological, and biological*. Washington, DC: American Psychological Association, pp. 57-71.
- Bridoux, F. & Stoelhorst, J. W., 2014. Microfoundations for Stakeholder Theory: Managing stakeholders with heterogeneous motives. *Strategic management journal*, Volume 35, pp. 107-125.
- Cadbury, A., 1992. *Report of the Committee on the Financial Aspects of Corporate Governance*, London: Gee.

Capitec Bank Holdings Limited, 2019. *Integrated Annual Report*, Stellenbosch: Capitec Bank Holdings Limited.

Capitec Bank Holdings Limited, 2020. *Integrated Annual Report*, Stellenbosch: Capitec Bank Holdings Limited.

Capitec Bank Holdings Limited, 2021. *Integrated Annual Report*, Stellenbosch: Capitec Bank Holdings Limited.

Carroll, A., 1993. *Business and Society: Ethics & Stakeholder Management*. Cincinnati: South-Western Publishing.

Chu, S. & Tat Keh, H., 2006. Brand value creation: Analysis of the Interbrand-Business Week brand value rankings. *Market Lett*, Volume 17, pp. 323-331.

Clark, A. M., 1998. The qualitative-quantitative debate: moving from positivism and confrontation to post-positivism and reconciliation. *Journal of Advanced Nursing*, Volume 27, pp. 1242-1249.

Clarkson, M. B., 1995. A stakeholder framework for analysing and evaluating corporate social performance. *The Academy of Management Review*, 20(4), pp. 92-117.

Coetzee, J., 2018. Strategic implications of Fintech on South African retail banks. *South African Journal of Economic and Management Sciences*, 21(1).

Committee on Payment and Settlement Systems, 2003. *A glossary of terms used in payments and settlement systems*, s.l.: Bank for International Settlements.

Correia, C. et al., 2015. *Financial Management*. 8th ed. Cape Town: Juta & Company Ltd.

Dallerup, K. et al., 2018. *A bank branch for the digital age*. [Online]  
Available at: <https://www.mckinsey.com/industries/financial-services/our-insights/a-bank-branch-for-the-digital-age>  
[Accessed 18 November 2021].

Davies, W., 2000. Understanding Strategy. *Strategy & Leadership*, October, pp. 25-30.

de Villiers, J., 2019. *Retrenchment Tracker: South Africa's big corporate job losses in 2019 - so far*. [Online]  
Available at: <https://www.businessinsider.co.za/total-number-of-job-losses-south-africa-retrenchment-corporate-job-losses-2019-6>  
[Accessed 19 October 2019].

de Vos, A. S., Strydom, H., Fouche', C. B. & Delport, C., 2011. *Research at Grass Roots: For the social sciences and human service professions*. 4th ed. Pretoria: Van Schiak Publishers.

Donaldson, T. & Preston, L. E., 1995. The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. *The Academy of Management Review*, 20(1), pp. 65-91.

Donnelly, L., 2019. *The battle of the banks*. [Online]  
Available at: <https://mg.co.za/article/2019-01-18-00-the-battle-of-the-banks>  
[Accessed 19 October 2019].

Erasmus, P. D., Viviers, S. & Mans-Kemp, N., 2017. Does investing in sound corporate governance pay? A South Africa study. *South African Journal of Business Management*, 48(2), pp. 33-43.

- Esser, I.-M., 2007. A global perspective on African corporate governance: The protection of stakeholders' interests. *South African Yearbook of International Law*, 32(1), pp. 406-429.
- Esser, I.-M., 2009. The protection of stakeholder interests in terms of the South African King III Report on Corporate Governance: an improvement on King II?. *SA Mercantile Law Journal*, 21(2), p. 188\*201.
- Esser, I. & du Plessis, J., 2007. The Stakeholder Debate and Directors' Fiduciary Duties. *SA Mercantile Law Journal*, Volume 19, pp. 346-363.
- Fard, R. Y. & Nda, M. M., 2013. The impact of employee training and development on employee productivity. *Global Journal of Commerce & Management Perspective*, 2(6), pp. 91-93.
- Fassin, Y., 2012. Stakeholder Management, Reciprocity and Stakeholder Responsibility. *Journal of Business Ethics*, 109(1), pp. 83-96.
- Ferrell, O. C., 2004. Business Ethics and Customer Stakeholders. *The Academy of Management Executive (1993-2005)*, 18(2), pp. 126-129.
- FirstRand Limited, 2018. *Annual Integrated Report*, s.l.: FirstRand Limited.
- FirstRand Limited, 2019. *Annual Integrated Report*, s.l.: FirstRand Limited.
- FirstRand Limited, 2020. *Annual Integrated Report*, s.l.: FirstRand Limited.
- Freeman, E. R., 2010. Managing for Stakeholders: Trade-offs or Value Creation. *Journal of Business Ethics*, Volume 96, pp. 7-9.
- Freeman, R. E., 1984. *Strategic management: A stakeholder approach*. Boston: Pitman.
- Freeman, R. E., Dmytriiev, S. D. & Phillips, R. A., 2021. Stakeholder Theory and the Resource-Based View of the Firm. *Journal of Management*, 47(7), pp. 1757-1770.
- Freeman, R. E. et al., 2010. *Stakeholder Theory: The State of the Art*. Cambridge: Cambridge University Press.
- Freeman, R. E., Martin, K. & Parmar, B., 2007. Stakeholder Capitalism. *Journal of Business Ethics*, Volume 74, pp. 303-314.
- Freeman, R. E., Wicks, A. C. & Parmar, B., 2004. Stakeholder Theory and "The Corporate Objective Revisited". *Organisational Science*, 15(3), pp. 364-369.
- Freudenreich, B., Ludeke-Freund, F. & Schaltegger, S., 2020. A Stakeholder Theory Perspective of Business Models: Value Creation for Sustainability. *Journal of Business Ethics*, Volume 166, pp. 3-18.
- Friedman, A. L. & Miles, S., 2002. Developing Stakeholder Theory. *Journal of Management Studies*, 39(1), pp. 1-21.
- Galbreath, J., 2005. Which resources matter the most to firm success? An exploratory study of resource based theory. *Technovation*, Volume 25, pp. 979-987.
- Galbreath, J., 2006. Does primary stakeholder management positively affect the bottom line? Some evidence from Australia. *Management Decision*, 44(8), pp. 1106-1121.
- Gibson, K., 2000. The Moral Basis of Stakeholder Theory. *Journal of Business Ethics*, 26(3), pp. 245-257.

- Golafshani, N., 2003. Understanding Reliability and Validity in Qualitative Research. *The Qualitative Report*, 8(4), pp. 597-607.
- Goodstein, J. D. & Wicks, A. C., 2007. Corporate and Stakeholder Responsibility: Making business ethics a two-way conversation. *Business Ethics Quarterly*, 17(3), pp. 375-398.
- Greenwood, M., 2007. Stakeholder Engagement: Beyond the Myth of Corporate Responsibility. *Journal of Business Ethics*, Volume 74, pp. 315-327.
- Guba, E. G., 1981. Criteria for assessing the trustworthiness of naturalistic inquiries. *Education Communication and Technology Journal*, Volume 29, pp. 75-91.
- Guba, E. G. & Lincoln, Y. S., 1985. *Naturalistic inquiry*. Newbury Park, CA: Sage.
- Harrison, J. S., Bosse, D. & Phillips, R. A., 2007. Stakeholder theory and competitive advantage. *Academy of Management Proceedings*, 2007(1), pp. 1-6.
- Harrison, J. S., Bosse, D. A. & Phillips, R. A., 2010. Managing for stakeholders, stakeholder utility functions and competitive advantage. *Strategic Management Journal*, Volume 31, pp. 58-74.
- Harrison, J. S. & Wicks, A. C., 2013. Stakeholder Theory, Value, and Firm Performance. *Business Ethics Quarterly*, 23(1), pp. 97-124.
- Harting, T. R., Harmeling, S. S. & Venkataraman, S., 2006. Innovative Stakeholder Relations: When "Ethics Pays" (And When It Doesn't). *Business Ethics Quarterly*, 16(1), pp. 43-68.
- Hoshen, S. et al., 2017. Green Financing: An Emerging Form of Sustainable Development in Bangladesh. *Journal of Business and Management*, 19(12), pp. 24-30.
- Hsieh, H.-F. & Shannon, S. E., 2005. Three Approaches to Qualitative Content Analysis. *Qualitative Health Research*, 15(9), pp. 1277-1288.
- IIRC, 2013. *The International Integrated Reporting Framework*, s.l.: International Integrated Reporting Council.
- Institute of Directors in Southern Africa, 2009. *The King III Report on Corporate Governance for South Africa 2009*, South Africa: Institute of Directors in Southern Africa.
- Integrated Reporting Banking Network, 2015. *Applying the Integrated Reporting concept of 'capitals' in the banking industry*, s.l.: IR Banking Network.
- IPCC, 2018. *Global Warming of 1.5C. An IPCC Special Report on the impacts of global warming of 1.5C above pre-industrial levels and related global greenhouse gas emission pathways*, s.l.: Intergovernmental Panel on Climate Change.
- Jensen, M. C., 2002. Value Maximization, Stakeholder Theory, and the Corporate Objective Function. *Business Ethics Quarterly*, 12(2), pp. 235-256.
- Jones, T. M., Harrison, J. S. & Felps, W., 2018. How applying instrumental stakeholder theory can provide sustainable competitive advantage. *Academy of Management Review*, 43(3), pp. 371-391.
- Keay, A., 2007. Tackling the Issue of the Corporate Objective: An Analysis of the United Kingdom's 'Enlightened Shareholder Value Approach'. *Sydney Law Review*, 29(4), pp. 577-612.
- Key, S., 1999. Toward a new theory of the firm: a critique of stakeholder "theory". *Management Decision*, 37(4), pp. 317-328.

- Kim, W. C. & Mauborgne, R., 2004. Blue Ocean Strategy. *Harvard Business Review: HBR's Must-Reads on Strategy*, October, pp. 69-80.
- Krippendorff, K., 1989. Content Analysis. *International encyclopedia of communication*, Volume 1, pp. 403-407.
- Kurucz, E., Colbert, B. A. & Wheeler, D., 2002. *Sustainability and Organizational Identity: Is it really in our bones? Exploring the relevance of organisational identity as a frame for understanding sustainability*. Goteborg, Sweden, s.n.
- Kuta, S., 2018. *What is Corporate Social Investment*. [Online]  
Available at: <https://bizfluent.com/about-4676602-what-corporate-social-investment.html>  
[Accessed 18 November 2021].
- Laszlo, C., Sherman, D., Whalen, J. & Ellison, J., 2005. Expanding the Value Horizon: How stakeholder value contributes to competitive advantage. *The Journal of Corporate Citizenship*, Issue 20, pp. 65-76.
- Laszlo, C., 2008. Sustainable Value. *Problems of Sustainable Development*, 3(2), pp. 25-29.
- Leedy, P. & Ormrod, J., 2001. *Practical research: Planning and design*. 7th ed. Upper Saddle River, NJ: Merrill Prentice Hall. Thousand Oaks: SAGE Publications.
- Leibbrandt, M., Woolard, I., McEwen, H. & Koep, C., 2010. *Employment and Inequality Outcomes in South Africa*, Cape Town: University of Cape Town: Southern Africa Labour and Development Research Unit.
- Lokuwaduge, C. S. D. S. & Heenetigala, K., 2017. Integrating Environmental, Social and Governance (ESG) Disclosure for a Sustainable Development: An Australian Study. *Business Strategy and the Environment*, Volume 26, pp. 438-450.
- Louw, L., 2019. Introduction: The nature of strategic management. In: L. Louw & P. Venter, eds. *Strategic Management: Towards sustainable strategies in southern Africa*. Cape Town: Oxford University Press Southern Africa, pp. 3-46.
- Louw, L. et al., 2019. *Strategic Management: Towards sustainable strategies in southern Africa*. Fourth ed. Cape Town: Oxford University Press Southern Africa.
- Mabaso, C. M. & Dlamini, B. I., 2017. Impact of Compensation and Benefits on Job Satisfaction. *Research Journal of Business Management*, 11(2), pp. 80-90.
- Mainardes, E. W., Alves, H. & Raposo, M., 2011. Stakeholder Theory: Issues to Resolve. *Management Decision*, 49(2), pp. 226-252.
- Manirakiza, E. & Burundi, B., 2020. Trends of Expansion of the Customer Base in the Banking Sector. *Advances in Economics, Business and Management Research*, Volume 157, pp. 27-30.
- McGahan, A. M., 2021. Integrating Insights from the Resource-Based View of the Firm Into the New Stakeholder Theory. *Journal of Management*, 47(7), pp. 1734-1756.
- Michalisin, M. D., Smith, R. D. & Kline, D. M., 1997. In search of strategic assets. *The International Journal of Organizational Analysis*, 5(4), pp. 360-387.
- Minkes, A. L., Small, M. W. & Chatterjee, S. R., 1999. Leadership and Business Ethics: Does it Matter? Implications for Management. *Journal of Business Ethics*, Volume 20, pp. 327-335.

- Mitchell, R. K., Agle, B. R. & Wood, D. J., 1997. Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts. *Academy of Management Review*, 22(4), pp. 853-886.
- Mohammed, F., 2012. Impact of corporate governance on banks performance in Nigeria. *Journal of Emerging Trends in Economics and Management Sciences*, 3(3), pp. 257-260.
- Natesan, P. & du Plessis, P., 2019. *Why King IV's "apply and explain" is so important*. [Online] Available at: <https://www.iodsa.co.za/news/438882/Why-King-IVs-apply-and-explain-is-so-important.htm> [Accessed 25 July 2021].
- Nedbank Group, 2018. *Integrated Report*, s.l.: Nedbank Group.
- Nedbank Group, 2019. *Integrated Report*, s.l.: Nedbank Group.
- Nedbank Group, 2020. *Integrated Report*, s.l.: Nedbank Group.
- Newbert, S. L., 2008. Value, Rareness, Competitive Advantage, and Performance: A conceptual-level empirical investigation of the resource-based view of the firm. *Strategic Management Journal*, Volume 29, pp. 745-768.
- Ntim, C. G., Opong, K. K. & Danbolt, J., 2012. The relative value relevance of shareholder versus stakeholder corporate governance disclosure policy reforms in South Africa. *Corporate Governance: An International Review*, 20(1), pp. 84-105.
- Obioha, O. O. & Garg, A. K., 2018. Corporate governance practices'influence on customer loyalty in Nigerian retail banks. *Acta Commercii*, 18(1), pp. 1-12.
- Padayachee, V., 2017. KING IV is here: Corporate governance in South Africa revisited. *New Agenda: South African Journal of Social & Economic Policy*, 2017(66), pp. 17-21.
- Panhwar, A. H., Ansari, S. & Shah, A. A., 2017. Post-Positivism: An effective paradigm for social and educational research. *International Research Journal of Arts and Humanities*, Volume 45, pp. 253-259.
- Patton, M. Q., 1999. Enhancing the quality and credibility of qualitative analysis. *Health Services Research*, 34((5 Pt 2)), pp. 1189-1208.
- Peter, O. A. & Anuku, D., 2014. Corporate governance and organizational performance in the Nigerian banking industry. *Journal of Emerging Trends in Economics and Management*, 5(6), pp. 525-531.
- Phillips, R., 2003. *Stakeholder Theory and Organisational Ethics*. 1st ed. San Francisco, CA: Berrett-Koehler Publishers, Inc..
- Phillips, R. A., 1997. Stakeholder Theory and a principle of fairness. *Business Ethics Quarterly*, 7(1), pp. 51-66.
- Phillips, R. A. & Reichart, J., 2000. The Environment as a Stakeholder? A Fairness-Based Approach. *Journal of Business Ethics*, Volume 23, pp. 185-197.
- Porter, M., 1985. Creating and sustaining superior performance. *Competitive Advantage*, pp. 167-206.

- Porter, M. E., 1980. *Competitive Strategy: Techniques for analyzing industries and competitors*. 1st ed. New York: Free Press.
- Porter, M. E., 1996. What is Strategy?. *Havard Business Review: HBR's Must-Reads on Strategy*, November-December, pp. 2-22.
- Porter, M. E., 2008. The Five Competitive Forces That Shape Strategy. *Havard Business Review: HBR's Must-Reads on Strategy*, January, pp. 23-41.
- Professional Accountant, 2017. Communicating Value with Integrated Reporting. *Professional Accountant*, 01 October, Issue 31, pp. 20-21.
- Purcell, T. V., 1982. The ethics of corporate governance. *Review of Social Economy*, 40(3), pp. 360-370.
- Reynolds, S. J., Schultz, F. C. & Hekman, D. R., 2006. Stakeholder Theory and Managerial Decision-Making: Constraints and implications of balancing stakeholder interests. *Journal of Business Ethics*, Volume 64, pp. 285-301.
- Rodriguez, M. A., Ricart, J. E. & Sanchez, P., 2002. Sustainable Development and the sustainability of competitive advantage: A dynamic and sustainable view of the firm. *Creativity and Innovation Management*, 11(3), pp. 135-146.
- Rossouw, G. J., 2005. Business Ethics and Corporate Governance in Africa. *Business & Society*, 44(1), pp. 94-106.
- Rossouw, G. J., van der Watt, A. & Malan, D. P., 2002. Corporate Governance in South Africa. *Journal of Business Ethics*, 37(3), pp. 289-302.
- Rowley, T. J., 1997. Moving beyond dyadic ties: A network theory of stakeholder influences. *Academy of Management Review*, 22(4), pp. 887-910.
- Roxana-Ioana, B. & Petru, S., 2017. Integrated Reporting for a Good Corporate Governance. *"Ovidius" University Annals, Economic Sciences Series*, XVII(1), pp. 424-428.
- Ryan, A. B., 2006. Post-Positivist Approaches to Research. In: *Researching and Writing your Thesis: a guide for postgraduate students*. s.l.:s.n., pp. 12-26.
- Scherer, A. G. & Patzer, M., 2011. Where is the theory in stakeholder theory? A meta-analysis of the pluralism in stakeholder theory. In: R. A. Phillips, ed. *Stakeholder Theory*. Cheltenham: Edward Elgar Publishing Inc., pp. 140-162.
- Schneider, T. & Sachs, S., 2017. The impact of stakeholder identities on value creation in issue-based stakeholder networks. *Journal of business ethics*, 144(1), pp. 41-57.
- Schwaib, K. & Vanham, P., 2021. *Stakeholder Capitalism: A Global Economy that Works for Progress, People and Planet*. 1st ed. Hoboken, New Jersey: John Wiley & Sons, Inc..
- Serretta, H., Bendixen, M. & Sutherland, M., 2009. Core corporate governance dilemmas facing boards: A South African perspective. *South African Journal of Economic & Management Sciences*, 12(2), pp. 194-210.
- Shenton, A. K., 2004. Strategies for ensuring trustworthiness in qualitative research projects. *Education for Information*, Volume 22, pp. 63-75.

- Smith, H., 2003. The shareholders vs stakeholders debate. *MIT Sloan Management Review*, 44(4), pp. 85-90.
- Smith, H. J., 2003. The shareholders vs stakeholders debate. *MIT Sloan Management Review*, 44(4), pp. 85-90.
- South Africa, 1998. *Employment Equity Act No. 55 of 1998*, Pretoria: s.n.
- South African Society of Bank Officials, 2019a. 4IR Humanity Needed. *Sasbo News*, 41(2), p. 1.
- South African Society of Bank Officials, 2019b. Why the Strike?. *Sasbo News*, 41(3), pp. 1-2.
- Standard Bank Group, 2018. *Annual Integrated Report*, Johannesburg: Standard Bank Group.
- Standard Bank Group, 2019. *Annual Integrated Report*, Johannesburg: Standard Bank Group.
- Standard Bank Group, 2020. *Annual Integrated Report*, Johannesburg: Standard Bank Group.
- Steyn, L., 2019. *Climate Change resolution voted down at Standard Bank AGM*. [Online] Available at: <https://www.businesslive.co.za/bd/companies/financial-services/2019-05-30-climate-change-resolution-voted-down-at-standard-bank-agm/> [Accessed 19 October 2019].
- Sustainability Accounting Standards Board, 2018. *SASB Standards Application Guidance*, s.l.: The SASB Foundation.
- Svendsen, A. C., Boutlier, R. C., Abbott, R. M. & Wheeler, D., 2001. *Measuring the business value of stakeholder relationships: Part One*, s.l.: The Centre for Innovation in Management.
- The Institute of Directors Southern Africa, 2016. *The King IV Report on Corporate Governance for South Africa 2016*, South Africa: The Institute of Directors Southern Africa.
- Tripe, D., 1998. Cost to Income Ratios in Australian Banking. *Centre for Banking Studies*, pp. 1-24.
- Wheeler, D., Colbert, B. & Freeman, R. E., 2002. *The creation of value in the new economy: Reconciling social responsibility, sustainability and a stakeholder approach to business..* Denver, Colorado, s.n., pp. 10-14.
- Wu, M., 2012. Managing Stakeholders: An integrative perspective on the Source of Competitive Advantage. *Asian Social Science*, 8(10), pp. 160-172.

**ANNEXURE A: MATERIAL STAKEHOLDERS AS IDENTIFIED BY EACH BANK IN THEIR INTEGRATED REPORTS**

**A1: ABSA**

	2018	2019	2020
<b>Value Created for</b>	Customers, Employees, Society, Regulators, Investors	Customers, Employees, Society, Regulators, Investors, Planet	Customers, Employees, Society, Regulators, Investor Community, Planet

**A2: CAPITEC BANK**

	2018/2019	2019/2020	2020/2021
<b>Value Created for</b>	Clients, Employees, Government & Regulators, Investors, analysts and rating agencies, Society	Clients, Employees, Government & Regulators, Investors, analysts and rating agencies, Society	Clients, Employees, Government & Regulators, Investors, analysts and rating agencies, Society, Suppliers, The environment

**A3: FIRSTRAND (FNB)**

	2018	2019	2020
<b>Value Created for</b>	Government & Regulators, Shareholders & Analysts, Employees, Customers, Suppliers, Communities & Civil Society	Government & Regulators, Shareholders & Analysts, Employees, Customers, Suppliers, Communities & Civil Society	Government & Regulators, Shareholders & Analysts, Employees, Customers, Suppliers, Communities & Civil Society

**A4: NEDBANK**

	2018	2019	2020
<b>Value Created for</b>	Staff, Clients, Shareholders, Regulators, Society	Staff, Clients, Shareholders, Regulators, Society	Employees, Clients, Shareholders, Regulators, Society

**A5: STANDARD BANK**

	2018	2019	2020
<b>Value Created for</b>	Clients, Employees, Shareholders, Society, All Stakeholders	Clients, Employees, Shareholders, Society, All Stakeholders	Clients, Employees, Shareholders, Society, All Stakeholders