



**SWP 56/87 A STRATEGY FOR CORPORATE SOCIAL
RESPONSIBILITY: THE CASE OF THE
WITHDRAWAL FROM SOUTH AFRICA BY
BARCLAYS BANK**

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ABSTRACT

Involvement in South Africa remains a critical issue for many multinational companies. They are concerned about the security and the long-term viability of operations there, as well as their appropriateness. These concerns are reinforced and intensified by domestic stakeholder pressure on these companies, not least of which is the criticism from public interest groups. Yet joining the corporate exodus from South Africa is also fraught with difficulties - a strategic decision to divest South African operations impacts on the firm in many ways. A sound strategy is required whether the decision is to stay or to go. Using recent UK research, this paper examines the strategy adopted by Barclays Bank, one of the major companies to pull out of South Africa, both when the company was still committed to involvement there and after the withdrawal decision was made. It addresses a strategy for corporate social responsibility.

The decision to leave was of great importance for the bank and South Africa, as Barclays was a major investor whose subsidiary there was the largest bank in the country. The paper analyses the extent to which the departure from South Africa can be attributed to the expressed abhorrence of apartheid and a desire to realise corporate social responsibility. Given the prominence of public interest groups seeking Barclays' withdrawal - with a consumer boycott campaign sustained for over ten years - an assessment of their role is also made. Actions by interest groups are examined in terms of the business and society relationship and a strategic framework for corporate response on this and other issues is developed, identifying four strategic options.

A major conclusion from the analysis of the Barclays case is that the ambiguity surrounding the idea of social responsibility in business presents difficulties in strategy formulation. The concept of the social control of business, elsewhere proposed, can be more usefully applied. The paper concludes by looking at the wider implications for corporate strategists, beyond the South African withdrawal dilemma. The results of the study have a wider application and are pertinent, for example, to the current issues involving financial institutions as a result of the exposure of fraud linked to firms such as Guinness in the United Kingdom and those associated with Ivan Boesky in the United States. Other issues for which the study has relevance include employment practices, pollution, animal welfare (for cosmetics companies particularly) and multinational compliance with the Arab Boycott. A strategy for corporate social responsibility is required in many circumstances and in response to many pressures. As this paper demonstrates, formulating and implementing such a strategy is both highly critical and highly complex.

BUSINESS AND APARTHEID

Apartheid in South Africa stirs many people. It is purportedly a system whereby the many races of South Africa may coexist securely and separately, different but equal. Yet it is in effect a racist ideology advancing separate development of the peoples of South Africa to maintain the economic exploitation of the black majority. There are many countries whose inhabitants suffer oppression and indignities at the hands of the state; conditions are arguably as bad in some South American countries as they are in South Africa. However as, indeed, the South African government commented in a series of advertisements in the national press in the UK in 1983, 'South Africa arouses more controversy than almost any other country in the world'. This is not only due to the extent of the oppression in South Africa but also because of the way in which it is institutionalised. Racism and the exploitation of the black population is firmly embodied within the culture and legislation of South Africa, with, for example, blacks unable to vote, and the Group Areas Act prohibiting people of different races from living in the same area. The immorality of such a system is deeply offensive to countries of the First World (and the whites in South Africa do not wish their country to be seen as part of the Third World). Multinationals operating in South Africa are, as a consequence of doing business there, seen to be implicated in apartheid.

The criticism of corporate involvement in South Africa goes beyond an objection to companies remaining in a country which so clearly flouts the democratic principles cherished in their home countries. The economic function of apartheid and the role of business in apparently maintaining and benefiting from it suggests that those multinationals operating in South Africa bear some responsibility for apartheid. Indeed, it has long been argued that there is a convergence of interest between business in South Africa and the upholders of apartheid - that South Africa's apartheid system has always been a mutually beneficial alliance between a minority government and private business. This is exemplified in apartheid's role in the provision of cheap labour, particularly in establishing a migratory labour system, which even the UK government has admitted, 'robs the individual of the basic freedom to seek and obtain the job of his choice. It also causes grave social and family problems' (1). Accordingly, critics of a Marxist persuasion argue that capitalism has created apartheid. As Charles Longford puts it:

'Behind all the different manifestations of apartheid stands the mighty economic machine of South African capitalism. This machine absorbs cheap black labour,

puts it through the wheels of industry, mining and agriculture and then expels it to distant reservations for the unemployed until the system requires more labour' (2).

While this reference to the effective role of the 'homelands' (where many of South Africa's blacks are forced to live) is largely accurate, this does not confirm a simple causal relationship between capitalism and apartheid. In a recent and thorough study by Merle Lipton, *Capitalism and Apartheid*, a more sophisticated analysis is suggested: 'Apartheid cannot simply be explained as the outcome of capitalism or of racism. Its origins lie in a complex interaction between class interests (of white labour as well as of sections of capital) and racism/ethnicity, reinforced by ideological and security factors' (3). She shows that while South African mining, agricultural and white labour interests were generally served by apartheid, often the interests of manufacturing were not. The limits to black advancement have also placed constraints on South African manufacturing industry.

The debate on the extent of corporate culpability for apartheid notwithstanding, involvement in South Africa is a major issue of social responsibility in business. Continuing operations in South Africa is defended by arguing that economic progress will necessitate the incorporation of the blacks and end apartheid. So Ruth First, Jonathan Steele and Christabel Gurney wrote in *The South African Connection*, at the time of the first real show of public concern about British firms in South Africa:

'In their reply to the suggestion that this involvement puts a special onus on British firms to help to end apartheid, businessmen generally give one of two answers: the first is that business and politics (like sport and politics) should not be mixed and the second that apartheid may be objectionable, but that business is "doing its bit behind the scenes" to change it; the alternative to this reform-by-participation would, after all, be trying to bring down South Africa's regime and consequently her economy. So let us opt for reform through business rather than for revolution' (4).

Although written over fifteen years ago, the argument for involvement in South Africa because of the need for reform by participation, remains the principal defence for companies choosing to stay there. There was a public outcry following the publication of *The South African Connection* and, more specifically, a series of articles in the

Guardian by Adam Raphael, in March 1973, that revealed that only three out of a hundred British companies investigated were paying all their employees above the poverty line. The link between low wages in South Africa and high profits for British companies operating there had been clearly established. Moreover, there was little evidence that industrialization was breaking down apartheid. This provided a considerable impetus to the Anti-Apartheid Movement which, since 1960, had been campaigning for a consumer boycott of South African goods and international sanctions against South Africa. While there has been pressure exerted on companies involved in South Africa but based in countries other than Britain, particularly the United States in recent years, it needs to be noted that the UK has always been the largest investor in South Africa, with British investment comprising around 50% of all foreign investment (5). Britain also has a lot of trade with South Africa and, for historical reasons, bears some responsibility for the situation there. Many sources suggest apartheid's origins go back to British colonial rule of the Cape, prior to the Act of Union in 1910.

Critics of corporate involvement in South Africa see little evidence of this reform by participation having any impact on apartheid. They argue for more coercive measures against the South African government to force change or failing that, revolution, with the armed seizure of control by the African National Congress (ANC) supported by external pressure in the form of economic sanctions. While condemning apartheid, Western governments and many firms have largely resisted the pressure for disinvolvement in the South African economy, advocating what is known as 'constructive engagement' to protect their interests and as a means for the dismantling of apartheid. Countries with considerable trade and investment interests in South Africa, such as the United Kingdom, West Germany and the United States, have been notably most opposed to sanctions against South Africa.

SANCTIONS OR CONSTRUCTIVE ENGAGEMENT?

A great variety of measures are available to those outside South Africa that wish to encourage the South African government to end apartheid (6). The 'encouragement' intended by these measures may be in the form of relatively welcome inducements to speed up what is seen as a process of reform in South Africa or it may take the form of less gentle persuasion with a view to convincing the South African authorities of the need to act to dismantle apartheid or create the conditions for the government's

overthrow and its replacement by majority rule. Hence, simply stated, there is a choice between inducement and persuasion in positive measures and coercion to force change or revolution through the use of negative and punitive measures. The former involves activities such as the provision of assistance to blacks for education or housing, codes of conduct encouraging foreign multinationals in South Africa to break down apartheid in the firm, and general support for the South African economy, encouraging trade and other links. The latter approach includes sports and cultural boycotts, trade sanctions and disinvestment. Clearly a variety of purposes may underlie the use of any particular measure, according to the interests at stake and despite the manifest intent.

The use, or otherwise, of international economic sanctions against South Africa is closely tied to the case for and against business involvement in South Africa and domestic pressures on the firm as a result of this. South Africa's reliance on Western trade and investment has led to many calls for economic sanctions. Direct investment has, since the Sharpeville massacre in 1960, declined because of criticism but been replaced by indirect investment. Yet trade and both direct and indirect investment involves an interdependence. This has encouraged Western governments, particularly Britain and the United States, to seek stability in South Africa, which in effect has meant maintaining apartheid. Accordingly, up to the mid-1980s, the only significant sanctions imposed on South Africa were the UN arms embargo and the OPEC oil boycott.

Four principal arguments are advanced against sanctions (7). Firstly, there are the costs for those imposing them. The West would lose trade, which includes strategic raw materials such as platinum, chromium and manganese, for which South Africa is the major source of supply. Furthermore, investments might be seized and there is also the issue of the country's perceived political and military significance as a bastion against communism. So, for the West, there is an economic, political and strategic interdependence involved. There would also be considerable costs incurred by the black front-line states in Southern Africa, such as Mozambique, if they too supported sanctions. Secondly, it is argued that sanctions would harm the blacks in South Africa most, but then it is said they are already suffering and are prepared to support sanctions even if jobs are lost. Thirdly, there are doubts about the effectiveness of sanctions. Historically, there is some support for this, particularly in cases where countervailing measures were employed. However, sanctions have been effective in the past, they continue to be employed on other issues and against other countries, and, if their effectiveness is doubted, this begs the question, 'why oppose them?' The final argument

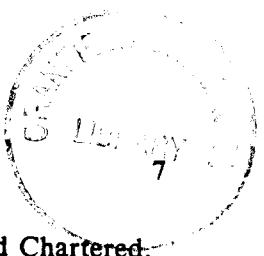
against sanctions lies in the argument for constructive engagement, for bridge-building and change from within. This has always been the most prominent reason for not imposing sanctions on South Africa.

The period of increased unrest in South Africa which started in 1984 (seen as a consequence of the creation of the Tricameral Parliament, involving for the first time ethnic groups known as 'coloureds' and 'Asians' in South Africa), highlighted the failure of constructive engagement and it has widely come to be seen as tacit support for apartheid. Firms remaining in South Africa continue to argue that it is a genuine strategy for bringing about a peaceful end to apartheid. Yet while international sanctions have not been forthcoming, various measures have been taken against the domestic operations of firms remaining in South Africa, particularly ethical investment actions and consumer boycotts. In the UK, up to one in four consumers prefer not to buy South African goods in protest at apartheid (8). The consumer boycott is, as a moral act, an expression by the individual of his or her preferences on the issue, a sanction by the individual as the state is not prepared to act. It also adds to the aggregate of pressure for change. The most well-known consumer boycott within the UK is of Barclays Bank.

BARCLAYS IN SOUTH AFRICA

Barclays is a major financial institution in world terms. Employing over 125,000 people in more than 80 countries, it has more offices worldwide than any other British bank. In the early 1980s its subsidiary in South Africa, Barclays National Bank, was the biggest bank in the country. It employed about 25,000 people (20% of Barclays' world total) in around 1,000 branches, serving more than 3½ million customers. Within the Barclays group, the South African operation was traditionally the most profitable, although 1984 did see almost a halving of South African profits from £118m to £65m (just under 8% of total group profits of £824m). This was, according to the Annual Report, due to 'the depressed state of the economy and the prolonged drought'. Until 1981-82, the South African subsidiary was the largest of Barclay's international operations in terms of total assets, it was then overtaken by the United States subsidiary.

Barclays had been in South Africa for more than 60 years and claimed to be 'part of the economic fabric of the country'. Barclays in London had bought out the National Bank,



an Afrikaner company in 1925. Together with another British bank, Standard Chartered, it dominated South African finance, with the two banks controlling around two thirds of all South African domestic banking business. Both British banks had majority holdings in their South African subsidiaries. In the early 1970s Barclays had a 100% shareholding, however this had been steadily reduced in accordance with the requirement of South African law that it should be no more than 50% by 1986. In 1984 Barclays' holding in Barclays National Bank was 50.45%. Standard Chartered's shareholding had been reduced more rapidly and more substantially and in early 1985 Standard gave up majority control by not taking up a rights issue, reducing the shareholding from 50.3% to 41.9% with further reductions anticipated. It was denied that there was any political or economic significance in the change though some saw it as 'a decisive step in British withdrawal from involvement in South Africa'. A Barclays spokesman said 'Our present intention is to maintain our current majority position but it is something that we will continue to review as a matter of normal commercial judgement'.

The most tangible evidence of European government opposition to apartheid at this time was the 1977 EEC Code of Conduct governing European firms operating in South Africa. This, indeed, was the only measure the European Community had taken against South Africa up to the mid-1980s and it was clearly a positive measure within a strategy of constructive engagement. The code originated from a British code of practice formulated in 1974, in response to the public outcry following Raphael's exposé of British firms' activities in South Africa. Its manifest purpose was to demonstrate EEC opposition to apartheid, to show European firms were a force for good in South Africa and improve the performance of European firms in South Africa against set standards. In so doing, it would be an attempt to dismantle apartheid within individual firms in South Africa and set an example to South African firms and South African society at large. However, the latent purpose of the code was arguably that it would defuse criticism of corporate involvement in South Africa and avoid the imposition of disinvestment measures and other negative sanctions. The form of the code tended to confirm this view: it was voluntary, reporting was 'asked' for and compliance only 'urged'; its provisions were only very general, with pay the only pass or fail criterion; and, unlike the US Sullivan Code introduced immediately prior to the EEC Code, its provisions were static and not seeking continual improvement from firms operating in South Africa (9). Until the code was updated and strengthened in 1985, its main provisions referred to:

- 1) Relations within the undertaking, particularly the recognition and encouragement of trade unions.
- 2) Migrant labour - described as an 'instrument of the policy of apartheid' - the effects of which employers 'should make it their concern to alleviate'.
- 3) Pay, which should exceed the Minimum Effective Level (MEL).
- 4) Wage structure and black advancement, particularly equal pay for equal work and training programmes for blacks.
- 5) Fringe benefits; the improvement of employees' living conditions, education and so on.
- 6) Desegregation at work and equal working conditions.

Reporting requirements of companies varied according to the amount of equity held by a (British) company and the number of black employees. The code principally referred to those with more than 50% of the equity of a South African company and employing 20 or more black Africans. These companies were to report annually on the provisions given above to their national governments, which would review progress made (10). The 1984 analysis of companies' reports for 1982-83 is based on reports from 142 UK companies meeting the equity and number of black employees criteria (11).

Barclays had an obligation to report under the EEC Code and unlike a number of other UK firms (12), chose to do so. Indeed, Barclays publicised its report under the code, though this was not required (it became a requirement under the later and current EEC Code). Barclays' 1982-83 submission to the Department of Trade and Industry (DTI) showed that just over 70% of their employees in South Africa were white. Blacks represented just under 15%, coloureds about 10% and Asians 5% (South African government categories). Elsewhere Barclays reported that about a third of the blacks employed were clerical staff, the remainder were cleaners (predominantly), chauffeurs and messengers. Between 1981 and 1982, however, the increase in black clerical staff was 14.4% against an increase of only 3.3% for whites, who were almost entirely employed in clerical jobs. For non-white staff as a whole, there was an increase of 72%

between 1978 and 1983, compared with 27% for white staff; while the ratio of white to non-white clerical staff (including management) was 6.3:1 in 1978 compared with 3.7:1 in 1984. There were 77 non-white executives in Barclays National Bank in 1982 and the figure was expected to rise to 119 by 1984, compared with only 18 in 1977. So although representation - particularly of blacks (73% of South Africa's population at the time) - was exceedingly disproportionate, there was evidence of some improvement. However, at least some of this improvement is attributable to the increase in the numbers of blacks in the bank's network in the 'homelands', where one would expect to find black employees and this would be encouraged by the South African government.

In 1973 the bank formally recognised the National Union of Bank Employees of South Africa (NUBESA) as the trade union for Asian and coloured employees. The South African Bank Employees Union (SABEU) was formally recognised as the trade union for black African employees in 1977. It was the bank's declared policy to encourage active interest in union matters. On the other Code of Conduct provisions, Barclays claimed the section on migrant labour to be of 'little relevance', that there was equal pay for equal work, full integration of all races at work and in social activities, and that wages for black Africans conformed to the code's requirements (though it has been suggested on this point that Barclays paid only just above the minimum amount specified and that payment was based on actual family size rather than the nominal figure - providing a saving where this was below average).

Barclays provided a number of fringe benefits for their non-white employees, including preferential interest rates for housing loans, non-contributory pensions, educational support for children and medical insurance. Barclays is a large corporate donor to charities in the UK (the largest in 1982 according to the Charities Aid Foundation), and in its Annual Report for 1984 the Chairman observes that the Group 'now puts over £5m worldwide (including in excess of £1.5m in South Africa) back into the community'. This comes under the heading 'Social responsibility including charitable and other donations' in the Report of the Directors. Barclays managers believed they did a lot for the blacks in South Africa. Some of their critics accepted this, but viewed it as paternalistic and hardly a challenge to apartheid, despite Barclays' claim that they did as they chose in South Africa.

Barclays inevitably provided some support for the South African government as a consequence of operating in South Africa. Apart from loans made, Barclays held a

proportion of deposits in government securities in accordance with the South African Bank Act. This provision is a customary central bank requirement, applying to all commercial banks in South Africa, and the funds are entirely of South African origin. It did, however, give rise to an international outcry when the bank bought Defence Bonds, even though any purchase of government stock provides money for government expenditure on whatever it chooses. These bonds were purchased in 1976 because of the attractive rate of interest and, it has been suggested, to appease the South African government, concerned at the time about the South African subsidiary's 'unpatriotic' stance. They were sold only a year later, on the first possible redemption day, because, as the *Financial Times* reported, of the 'embarrassment' of the British parent bank. Barclays participation in loans to South Africa was described at the time as 'very modest'. (*Euromoney* reported that German and Swiss banks were the 'most active' lenders.)

Barclays involvement in South Africa was described as constructive engagement. They used Chester Crocker's term in their publicity (the term constructive engagement is generally attributed to Dr Chester Crocker, US Assistant Secretary of State for African Affairs). Accordingly, Barclays' literature (in response to (and acknowledgement of) 'a campaign to persuade people not to bank with it'), noted that 'For many years the bank has stated categorically that it deplores the evil system of apartheid'. In pursuing constructive engagement it is stated:

'The bank accepts that remaining in South Africa imposes on it an obligation to work for change and to do what it can to bring about a fairer society by peaceful means. That obligation applies to its business activities, its employment practices and its social policy.'

Yet there was little evidence of a pioneering approach in this. It seems that the observation by First *et al*, in 1972, was probably still largely accurate: in reference to the chairman of Barclays, they wrote, 'Sir Frederic did not appear to see a major reforming role for the bank; rather, it would do as well for itself as it could whatever happened - as Sir Frederic put it, rather more delicately, "When changes come in Southern Africa, as they surely will, the bank's long and worldwide experience will stand it and all the people there in good stead".'

The bank's use of the constructive engagement argument was, of course, almost identical to that advanced for Western involvement as a whole in South Africa and discussed above. It had many of the same strengths and weaknesses. The trend towards indirect forms of investment in South Africa had singled out the banks for attack. All the British banks lent to South Africa, but Barclays had a major subsidiary and was, additionally, particularly vulnerable because of its high visibility, with branches on most British high streets. This led to a focus on Barclays by anti-apartheid groups such that it became known as 'the apartheid bank'. In sum, Barclays defended their involvement in South Africa using the constructive engagement argument and referring, in particular, to their compliance with the EEC Code of Conduct. Although they had a disproportionately small number of black employees there was evidence of some improvement within the bank. This their critics were prepared to accept but dismissed, for apartheid continued and all constructive engagement seemed to achieve, whether by firms or governments, was cosmetic changes.

THE APARTHEID BANK

End loans to South Africa (ELTSA), the principal pressure group acting against Barclays, was formed in 1973 by the Reverend David Haslam, a Methodist Superintendent Minister in Harlesden, North London. He was the Secretary to ELTSA and its main organiser, as well as Vice-Chairman of War on Want. The impetus for its formation was the discovery that loans were being made by Midland Bank to the South African government and (against British law at that time) to Rhodesia, as exposed by the *Guardian*. ELTSA's first success was in prompting the Midland's decision to make a statement saying that they would not make any further unspecified loans to the South African government or its agencies. This followed three to four years of pressure from ELTSA, including resolutions to the AGM in 1976 and 1977. (The first got about 6% of the vote and the second about 7%, quite substantial for activist shareholder resolutions.) After this success, ELTSA shifted its attention to Barclays as it was the biggest bank in South Africa and British. It effectively took over the boycott Barclays campaign from a number of other groups that had been involved in it, such as the Anti-Apartheid Movement, though many of these organisations continued to participate. Barclays was the prime focus of ELTSA's efforts and the only firm it directed its boycott campaign towards, but it did not ignore the activities of other British banks.

ELTSA's logo features a black face behind a barbed-wire pound sign, indicating recognition of the role of capital in the oppression of the blacks in South Africa. Accordingly, its three principal aims were:

- 1) To draw attention to the role Britain plays in supporting the apartheid regime in South Africa, particularly through the involvement of British banks and capital.
- 2) To put pressure on banks to withdraw from South Africa and to end all financial links with the regime.
- 3) To help mobilise the British public in support of the struggle against apartheid.

Overall, however, ELTSA's concern as its name implies, was to end all loans to the South African government or its agencies and even to private companies. The latter are included because, as Haslam commented 'there's not a lot to choose between lending to a government agency like ESCOM or to a large South African company like AECI ... it's all money into the South African economy and as long as the economy remains strong it will use the apartheid system and benefit from the apartheid system and the exploitation thereof' (13). He suggests such a concern has the support of the black African population: 'our line is now really taken from the African people themselves - their organisations - that all foreign capital helps to bolster apartheid and therefore it ought to be stopped'. Haslam described ELTSA as an 'action group' rather than an organisation. There were about eight or ten active in the group - attending meetings and so on - and one paid employee in the office. So ELTSA was quite limited in terms of resources and personnel, though there were three to four hundred on its mailing list.

David Haslam wants to see a liberated South Africa with a democratically elected majority government. So this can be achieved, he would like to see economic pressure by Western governments and companies to be so great that the South African economy 'was really under serious threat'. He believes 'that's the only thing that's likely to get them to change with the minimum of violence ... one doesn't say peacefully anymore - there's a war going on already'. ELTSA's contribution he recognised to be modest, but part of the aggregate of pressure for change:

'let's face it, modern international banks and multinational companies are extremely powerful institutions. They are always going to be economically more

powerful than we are. The kind of thing we are doing is just a small part, vis-à-vis South Africa, of a much wider struggle in which the leaders are the black people of South Africa who are struggling for their freedom. We're doing what we're doing because they say it assists in the struggle, probably not so much directly as indirectly in that they know there are people far away, putting pressure on the banks and companies which they see as the symbols of the apartheid system, and that encourages them to keep on struggling.'

ELTSA's criticism of Barclays was based on its perception of Barclays' role in supporting apartheid and in rejection of the constructive engagement argument. Haslam comments, 'What Barclays do in South Africa contributes to the oppression and the death in many cases of black people, and poor black children and so on'. The specific criticisms made in the pressure group's literature - regarding loans to the South African government, the sale of Krugerrands, and publicity campaigns aimed at attracting troops, for example - all stem from this. Haslam suggested constructive engagement had been 'totally discredited' and was 'completely useless'. He saw little evidence of genuine improvement in the South African situation, the apartheid system had tightened but 'foreign companies just don't seem prepared to actually do anything about it'. While wages weren't quite as low as they used to be, he conceded, changes by companies, like those made by the South African government, were merely cosmetic. He referred, in illustration, to the claim of equal pay for equal work when 'most of their black workers are cleaners, security people, and most of their white workers are the clerks and management'. (It's interesting to add here that some white trade unions have advocated equal pay for equal work, not as a liberal move but as a way of protecting the jobs of their members. With equal pay for equal work employers would have to pay blacks the same as whites in the same job, giving no economic incentive to take on black labour.)

ELTSA's strategy involved, through the use of the consumer boycott, putting 'moral, public opinion type pressure on the bank'. Its actions, or tactics, were designed to get the publicity that this demands. ELTSA took a critical interest in all the major British banks involved in South Africa - such as the Midland, National Westminster, Standard Chartered, or Hill Samuel - putting out pamphlets about them, attending their AGM's, issuing press releases. But the prime focus was Barclays, so in addition to these actions, Barclays was also subject to: picketing, particularly in the university fresher period when many new students might otherwise open accounts with Barclays; a new leaflet outlining Barclays' activities in South Africa, issued every 18 months or so for bulk distribution;

'City actions' to call attention to Barclays; and the annual report from the Barclays Shadow Board. If ELTSA discovered something that Barclays had done and it wished to expose, this would be subject to close attention for a limited period. Barclays' activities and ELTSA's successes were recorded in the quarterly ELTSA newsletter, about thirty issues of which had been published up to the mid-1980s. This also covered other banks' activities and provided information on the South African situation in general and the boycott campaigns in particular.

The Barclays Shadow Report was innovative and proved quite successful. This was first produced in 1981 and appeared annually ever since. The Barclays Shadow Board was set up to monitor the activities of Barclays Bank in South Africa and Namibia. It comprised 14 public figures, including Neil Kinnock (Leader of the Labour Party). The Board's Annual Report provided 'alternative information on Barclays' involvement in South Africa which is not contained in the bank's Annual Report'. As the Board's chairman for the first report, Professor Michael Dummett, wrote 'Unlike an actual board of directors, we are not primarily concerned with financial performance. Our focus is, rather, upon the social, political and economic effects of the company's operations'. The reports had a wide circulation and ELTSA received a lot of positive feedback on them. Even Barclays acknowledged their effectiveness. In their 'South Africa and Namibia Fact Sheet' (produced for their managers so that they could respond to queries and criticisms on Barclays involvement in South Africa and not for general distribution), they write:

'one of the most consistent critics of the bank's operations, End Loans to Southern Africa, has produced a glossy pamphlet entitled 'Barclays Shadow Report'. Because of its appearance, its slightly less strident language and its association with a group of 'shadow board' directors, this document gains greater credence than earlier leaflets among those who have not heard of or will not listen to the bank's case'.

The Shadow Reports contain, in keeping with the Barclays Annual Report, an address or statement by the chairman and the Report of the Directors. The earlier reports concluded with a third section, Barclays at Work in South Africa, focusing on one aspect of Barclays involvement in South Africa, such as the role of loans. The chairman's statement serves as an introduction to the report, explaining its purpose and highlighting some of the achievements of the campaign over the previous year. The bulk of the

report however is the Report of the Directors. This is predominantly about Barclays involvement in South Africa - a sort of social audit - referring in particular to events of the past year, but it also includes a review of the boycott campaign identifying major account withdrawals. The 1981 report, for example, describes Barclays' 'South African connection', its links with the South African government, its attempts to attract customers from the armed forces (including a Barclays' advertisement from a military journal), Barclays' involvement in loans for the construction of a further Sasol plant, the recognition by Barclays of the Bantustans in two (now withdrawn) publications, and Barclays' efforts to encourage trade with South Africa. Lost accounts listed included the London Borough of Lambeth, the National Union of Public Employees, and the High Commission of Grenada in London. The Lambeth account was withdrawn because 'it was offensive to the substantial black population in the borough for the council to bank with a company so deeply involved in South Africa'. The report claims that with a turnover of £1,200m, it was Barclays' tenth largest account in Britain.

Other ELTSA literature included leaflets with titles such as 'Are You Banking on Apartheid?' and 'Ten Reasons to Boycott Barclays'. They presented ELTSA's case and urged the reader to boycott Barclays and persuade friends and organisations to withdraw from Barclays, writing to the bank to explain why and informing ELTSA. The leaflets also encouraged the sale of Barclays shares - 'The only reason for keeping a small amount of shares is if the body wants to make a protest to the bank' - and writing to MPs calling for sanctions. The reader is advised 'Always state the same position in discussions - Barclays must withdraw from Southern Africa, until invited back by genuinely independent governments'.

Some leaflets referred to the involvement of other British banks in making loans to South Africa, but Barclays is described as the worst and 'Because of Barclays massive involvement ... We therefore call for a boycott of Barclays - apartheid's chief banker'. It is noted that the Co-op Bank has a stated policy of no loans to South Africa and neither the Trustees Savings Bank (TSB) nor National Giro are able to lend overseas. ELTSA had a briefing paper available on request giving details of the facilities offered by these banks, including the number of branches, availability of cheque cards, bank charges, etc. This was intended for consumers and local authorities. Other ELTSA material included badges, posters, fake credit slips (advising the group's case and for leaving on display in Barclays branches), stickers for cheques 'No loans to South Africa', and papers from a conference organised by ELTSA.

ELTSA's most prominent achievement of the campaign was persuading institutions to withdraw their accounts, particularly the local authorities. In addition to Lambeth withdrawing their account, other authorities followed suit. Some authorities, particularly Sheffield under David Blunkett, declared themselves 'apartheid-free' zones, which meant they didn't bank with Barclays and boycotted South African goods. David Haslam suggested there had been 'hundreds and hundreds' of account withdrawals during the campaign. Some of these had involved extensive correspondence with the bank, in some cases over two or three years. Other people had simply changed their accounts and written to inform ELTSA, so Haslam claimed 'there are quite a lot of withdrawals that the bank doesn't know anything about'. There are then those that have chosen not to open accounts with Barclays in the first place.

ELTSA's greatest success was probably in ensuring that 'Barclays has become known internationally as the Western world's biggest collaborator with apartheid' and as such has 'a fairly dirty name amongst quite a substantial number of the population'. Yet although the loss by Barclays of actual or potential consumer accounts was one of ELTSA's major concerns, it did not in itself provide the publicity sought and thereby add further momentum to the campaign. Picketing and demonstrations and the Shadow Reports provided publicity, but perhaps most important was the loss of major accounts. Commercial organisations were not particularly interested in ELTSA's case. But various non-commercial institutions were, especially those with more ethical, moral or philanthropic 'missions'. ELTSA's strategy with these institutions was to get the national organisation to take up a position on the issue and then disseminate information to the constituent organisations. This proved effective with church bodies, trade unions and community relations councils, for example. The outcome was often reports in the institutions' publications and even the national press if the withdrawal was substantial. So the national press reported account transfers by a wide variety of institutions from a Church of England theological college, to Warwick University, to the British Psychological Society. Withdrawals by church groups, and there were many - although as Haslam points out, there are three to four thousand Methodist churches in Britain and ten to twenty thousand Anglican churches - were particularly significant. They made Barclays a bit anxious as churches usually involve a fairly traditional body of people.

Barclays' response to this criticism could, of course, have been to withdraw from South Africa. This, however, ELTSA thought unlikely. The bank's efforts up to the mid-

1980s consisted, essentially, of public relations activities designed to present their case for involvement in South Africa. Their policy was 'founded on the belief that economic ties and investment are the only viable instruments of peaceful change in that country'. Their publicity material suggested they agreed with their critics that apartheid was wholly unacceptable. However, they differed when it came to the question of how change could be brought about. Barclays suggested their critics ignored the positive role Barclays played in South Africa. They referred, in particular, to: encouragement given to African business, including special projects; to their compliance with the EEC Code of Conduct; to steps taken to improve African advancement by providing training programmes and in-house schooling; and, finally, to help given 'to the underprivileged majority in South Africa' outside the bank, by way of donations to educational, welfare and cultural schemes for the black community, and involvement in various projects such as the Urban Foundation.

Barclays recognised the impact of disinvestment: 'it would show the world in a very public way that it [Barclays] actively disapproved of many of the policies of the South African government'. But they suggested that as a bank cannot simply shut down, it might well sell its shareholding to others less inclined to promote change. Moreover, as the value of their shareholding represented less than 1½% of the total British investment in South Africa and under 1% of all Western investment there, it was unlikely that the disposal of their investment would end apartheid. In answer to the question 'Why is Barclays subject to a boycott?' they suggested that the main reason Barclays was singled out from the many companies with investments in South Africa was because it had a branch in almost every high street in England and Wales and was thus an accessible target. Barclays suggested that they followed the policy of the British government in continuing involvement in South Africa.

Timothy Bevan, Barclays' chairman, played down the effect of criticism on Barclays. In a press statement he said 'the amount of business lost is astonishingly small when compared to the heat engendered by the debate'. Barclays' perspective on the boycott was that the pressure group were 'looking for quarry basically, to actually push their own propaganda out' (14). Students were the traditional target for these efforts but attention was given to others, such as local authorities, particularly after encouragement was given in a letter from the National Executive Committee (NEC) of the Labour Party to all Labour councils. The trade unions had been similarly approached by Anti-Apartheid (a lot of the unions are members of Anti-Apartheid). The outcome for

Barclays - though 'it's not too bad really' - was that institutional customers and private customers in certain age groups were coming to the bank and saying 'This is terrible! This is awful! What's going on?' They had, however, only heard one side of the story. As a Barclays manager put it:

'This is the way it comes through to us. Someone goes in at the back end of a business and says ... in the committee form "Come-on chaps, I've got a motion I want to put forward, a resolution I want to put forward: consider Barclays as your bankers, consider the terrible things in South Africa." They've been primed by people like ELTSA. You see ELTSA are digging away from the other side. Then it comes through to us and we put our case.'

It was suggested that it was usually a left-wing element responsible for this. Barclays' response was to try and put its position and allow people to judge on the 'facts', though this can be difficult as people understood and responded to the emotional issues but did not always understand the problem. Often talking was not possible, some did not want to think any differently or even listen - 'if their views were watered down, if they weren't allowed to believe what they are presently believing, they wouldn't enjoy it'. This was particularly the case with student critics - Barclays most vociferous problem. Often, it was claimed, they were ill-informed, on Barclays policies in South Africa for example. They were not, however, keen to listen to constructive engagement arguments.

Barclays kept a record of actions, such as picketing at their branches. According to Barclays, these actions were generally on university campuses during the fresher period. Usually around 6 people were involved at each site, perhaps only 200 in the whole country. The pickets typically worked in rotation. Sometimes they'd picket a number of branches in the locality. However, in spite of these actions, Barclays claimed to be increasing their share of new student business. While there was a certain amount of day-to-day monitoring of the boycott activity, Barclays said there was no cumulative monitoring of account closures and figures for this were therefore not available. Neither were there costing figures available accounting for lost business and the costs of responding to criticism in terms of public relations activities. The direct costs, however, of lost accounts were said to be negligible, though this refers to accounts closed rather than accounts not opened. As a Barclays manager put it 'banks are like football teams, if you join a bank you stay loyal'. This seemed to continue despite ELTSA's efforts. There was greater concern over the loss of institutional accounts as a result of the

boycott. However, despite regular criticism at the Barclays AGM, ethical investment was not considered to be a serious threat because it was not thought possible for investors to have a balanced portfolio of blue chip shares without having companies that invested in South Africa.

Overall, Barclays said they didn't lose very much business. Surprise was expressed at the high number (10%) claiming to boycott Barclays in survey research (15), the findings of which were shown to a Barclays manager. It was suggested that this might be due to people wishing to appear concerned. However, the even higher awareness of the boycott (91%) was not considered surprising. It was suggested that Barclays as a whole probably received less than one letter a week from private individuals threatening account closure. Moreover, it was considered unlikely that an account would be closed without reason having been given where South Africa was involved. Besides which, branch managers are expected to find out, as a matter of procedure, reasons for account closures. It was even claimed that not only was there only a little business lost, but that some was even gained as a consequence of the boycott action. Yet there was still considerable concern about the criticism received. Criticism hurts:

'I'm afraid we're very sensitive to criticism. It's not damaging but - you see, if there's something wrong with your bank account ... you will have within the week, probably 2 or 3 days, a fairly balanced response and we will sort it ... it's our general policy, we don't like to be criticised. We believe ourselves to be the best bank in Britain ... we're very proud and protect our image.'

Account closures were not so much the concern as the damage to the corporate image. Accordingly, Barclays did not respond directly to the pressure group activity - 'we put out information. All we're trying to do is to inform the puzzled critics ... creating a corporate image, effectively. We're just getting the message over'. It was suggested that Barclays would stay in South Africa even if it were less profitable, because representation is important for the company's structure. Moreover, Barclays said they believed in what they were doing for South Africa and the profits were almost irrelevant. People like David Haslam - with whom they'd had discussions - wanted precipitative change. Barclays believed peaceful change was to be preferred. If faced with a similar situation of pressure group criticism they would again look to see if their position was defensible. They would probably act differently, it was suggested, if they were found to have been involved in financing a government such as that administered

by Idi Amin. They believed involvement in South Africa was more than defensible, it was laudable.

This was not, however, the perspective of Barclays' critics. The pressure on Barclays because of their South African involvement continued to mount. This pressure seemed likely to be a feature of Barclays' marketing environment for as long as the bank remained in South Africa. In sum, while Barclays claimed the economic impact of the boycott was small, being widely known as 'the apartheid bank' took its toll. And Barclays' corporate image was tarnished internationally as well as in the UK, particularly in the Third World.

WITHDRAWAL

In 1984 David Haslam still believed that the benefits for Barclays of staying in South Africa far outweighed the costs, as he put it: 'cost-benefit wise the gap is still pretty wide ... their profits in South Africa are going up all the time - we're talking about tens of millions - we're not into their losing that kind of money through our campaign'. Meanwhile at Barclays, there was clear concern about the issue. As a Barclays manager commented:

'You see, we have three thousand branches, and they're all on street corners, they're very vulnerable. We're the easy target. And a lot of our critics, if you really got them to sit down quietly and talk to you - and they have done this to me - will tell you that, OK, they appreciate that Barclays is a damn good employer, they appreciate that we're trying hard, but we're still the Aunt Sallies of the bunch. If they knock us down, then maybe others will follow.'

Haslam had not accounted for the increasing unrest in South Africa which, during 1984 to 1986, came to be daily portrayed on television and in the national press. This provided a considerable stimulus to the boycott Barclays campaign, particularly among UK students. Nor had Haslam accounted for any moral dimension in Barclays' decision-making on whether to stay in South Africa. The predominance over this period of the South African situation in current affairs and the pressure on Western governments to impose sanctions on South Africa highlighted Barclays involvement there. The deteriorating economic conditions in South Africa and Barclays' planned expansion

in the United States (where at this time consumer activism on South Africa was greater on the whole than in the UK), added further weight to the case for a clear strategy on South Africa. These factors led to what appeared to be the first step in a phased withdrawal from South Africa.

In 1978 P W Botha had become Prime Minister of South Africa and advocated 'adapt or die'. The extent of reform was limited, mostly it involved doing away with apartheid laws which had *de facto* become meaningless, such as the 'pass laws' (these had in the past kept blacks out of white areas where they were now increasingly needed). The most significant reform was in trade union recognition. However, what probably counts as the most notably ill-fated reform was the creation of the Tricameral Parliament.

Until 1983 only whites had voting rights and representation in parliament. The denial of democratic rights to more than 80% of South Africa's population remains one of the most fundamental criticisms of the South African regime. Yet white South Africans argue that under a majority rule South Africa 'tribalism would out' and they would have no say in South Africa's affairs. Under 'grand apartheid' it was envisaged that all ethnic groups would have democratic rights; blacks, Asians and coloureds within their 'homelands'. This policy of separate development (16) failed to convince the outside world, particularly as the 'homelands' represented only 13% of South Africa's land mass and included some of poorest land in the country. The independence of the 'homelands' was not recognised and the argument that people had votes in these 'homelands' dismissed. Moreover, despite a continuation under Botha of a policy of forced removal of people to the 'homelands', it had come to be recognised that blacks in townships such as Soweto would have to stay there because of their role in the economy. In 1983 under a new constitution, a house in parliament was created for the coloureds and another for the Asians. This still, given its organisation, left the whites and particularly the state president (Botha) in charge. It was presented as a reform, but was seen as a sop to Western public opinion. Moreover, as it was the result of a referendum in which whites had only voted by two to one in favour of the new constitution, it had alienated many conservative Afrikaners.

The elections for the new parliament were substantially boycotted by the Asians and coloureds, with only a 20% turnout. When the parliament opened in 1984 there was rioting in the townships, the blacks of course had been entirely excluded from even this modest reform. The government's response was to try and crush the disturbances by

force. Yet they continued, with many lives lost, into 1985. Meanwhile, the economic situation had deteriorated and the foreign banks, led by US bank Chase Manhattan (under pressure in its domestic market), chose to withhold funds until reforms proved sufficient to restore stability. The economic situation deteriorated further with this move and the growing threat of international sanctions and the government unilaterally put a freeze on its loan repayments and sought to reschedule them. Various countries had imposed sanctions on South Africa but not countries with substantial interests there. The UK government, although opposed to sanctions, was in late 1985 obliged to support some selective sanctions at the Commonwealth Conference in Nassau. These were: bans on Krugerrand sales, government to government loans and official trade missions; largely token measures. Slightly more substantial sanctions were, eventually, agreed by the EEC in 1986 and, in the same year, the United States also imposed sanctions under the Anti-Apartheid Act. Some concessions were made by the South African government, but the success of the State of Emergency in curbing media reports on South Africa in the West and therefore reducing public pressure for further sanctions, and the endorsement of a hard-line by the South African electorate in the May 1987 elections, reduced the impetus for more rapid change and encouraged the 'laager' mentality.

Shortly before the economic crisis seriously hit South Africa, and exchange controls introduced and loan repayments frozen, Barclays reduced its stake in Barclays National Bank. As the *Financial Times* reported on August 15, 1985, Barclays did not take up a rights issue announced the previous day, ending its majority shareholding. There had been rumours of a complete sell-off to South African interests, particularly as Chase had recently announced its intention to run down its South African exposure. In the event, Barclays' shareholding was reduced from 50.4% to 40.4%. Barclays remained the largest shareholder, but one of the two firms that took up the issue, Anglo American (with whom Barclays had always had close links), now had a 25% shareholding. Barclays National Bank was no longer referred to as a subsidiary but as an associated company, though it remained part of the Barclays group. It was intended to change the name of the bank by the end of the decade.

Barclays stressed that the move was not disinvestment. Peter Leslie, Barclays' chief general manager, described it as 'a commercial decision'. But it would be inevitable, he supposed, that some people would seek to connect the move to South Africa's current troubles or criticisms from anti-apartheid supporters of Barclays' involvement in the country. Leslie would only concede that there was no connection except insofar as

economic and political factors usually formed part of commercial decisions. It was noted that South African profits had fallen such that in the first half of 1985, Barclays National Bank, although 8.5% of Barclays' total assets of £71bn and formerly the largest profit-maker, contributed only 1% of the firm's profits. David Haslam commented that the Barclays' decision 'clearly demonstrates its anxiety about that country's stability'. However, Barclays stuck to the constructive engagement argument for involvement in South Africa: 'Barclays has always maintained that its presence in South Africa is a force for good'. Mr Leslie said that the group believed this would continue to be true, even though Barclays would no longer exercise control over Barclays National Bank.

THE MERIT OF THE MARKET SYSTEM

In 1982 Sir Antony Tuke was succeeded as chairman by Timothy Bevan. Tuke had never been receptive to criticism of Barclays' involvement in South Africa, standing firm on the constructive engagement argument. Bevan, however, was said to genuinely detest apartheid (17) and, moreover, was less susceptible to pressure from Pretoria as the relative importance of Barclays' South African operations had diminished. Neither did he have a history of long associations with white South Africans and his views were also shared by some of the newer members of the Barclays board. These views became public when, in November 1985, Bevan mounted a critical attack on the South African regime in a speech to branch managers. He, moreover, revealed contacts with the ANC - he had met Oliver Tambo, president of the ANC, in London. The new and dynamic chief executive of Barclays National Bank, Chris Ball, had also been having meetings with black nationalists. Indeed, Ball's radical stance (for a South African business executive) was earning for Barclays National Bank in South Africa an anti-apartheid label!

Meanwhile, the corporate exodus was taking hold. *Business Week* reported that three times as many US companies had halted all or part of their South African operations in the year up to September 1985, compared with the previous year. Ford, Apple Computers, and Singer were among the 18 companies disinvesting. As the *Economist* explained, also in September 1985: 'The reason for the flight from South Africa is that no businessman wants to be caught propping up a government whose social policy leads to the sjamboking and shooting of people on television - so, eventually, to money-losing revolution'.

In 1986 Bevan's stance against apartheid - for moral or commercial reasons (or both) - hardened still further. Barclays had, with the other banks, despite a request to do otherwise from the president of the Anti-Apartheid Movement, agreed to a rescheduling of South African debt in March 1986, though on tougher terms than expected by Pretoria. In the same month Sir Timothy also explained Barclays' reasons for not maintaining a majority shareholding in Barclays National Bank the previous August. His Address by the Chairman in Barclays 1985 Annual Report gives two reasons:

'Firstly, because we are conscious of the prudent need not to have too many eggs in one basket, particularly as we and many others deplore the slow movement of the South African government in dismantling institutionalized racial discrimination - a system that is not worthy of any nation that regards itself as part of the Western democratic world. Secondly, it has long been our policy to reduce our shareholdings in major retail investments abroad.'

His statement refers to some change in South Africa and Barclays National's 'liberalizing influence'. Caught in a cleft stick, still in South Africa but wanting to disinvest, he both condemned apartheid and yet reinforced the constructive engagement argument:

'To those who take their accounts away from us on ideological grounds, as is their right, I would pose one simple question: "Do you want us to stand back and wash our hands of apartheid or do you want us to continue to strengthen the tide of change?" Apartheid is unjust and immoral and so rightly condemned; equally it seems to me to be unjust to condemn us as supporters of the system, when in fact Barclays National is amongst the leaders in South Africa in opposition to it.'

By the time of the May 1986 board meeting it had been decided to fully withdraw from South Africa. In November, agreement was finally reached. Barclays sold its remaining stake in Barclays National Bank, which had a current market valuation of £221m, for £82m (at the financial rand exchange rate) on November 24, 1986. It was bought by Anglo American and Anglo American controlled companies. Bevan said the reasons were 'basically commercial'. Ball acknowledged the likely impact on the South African economy but was positive about the opportunities for the South African bank. It was, he said, 'a unique opportunity, giving us the potential to strengthen our position both domestically and internationally'. He contrasted the move with the disinvestments earlier

in 1986 of multinationals such as IBM and General Motors by noting the bank was not dependent on outside supplies. He referred to Barclays' reluctance to take this move and explained, 'They are not doing it to achieve a political objective. They are doing it because they are under political pressure'. In an editorial headed 'Moral pressure in the market', the *Financial Times* clearly attributed the withdrawal to the boycott campaign:

'ordinary people, revolted by what they have learned about the [apartheid] system from the news media, are not much concerned with the sometimes agonizing decisions faced by those actually involved; they want to make their opposition felt, and have proved again that they can bring effective pressure to bear on commercial organisations, even if they cannot move foreign governments. Moral pressure of this kind - whether against apartheid, whaling, the fur trade, vivisection or even the defence industry - is an increasingly important fact of business life.'

It had emerged in August 1986, from the leak of an internal Barclays document to Anti-Apartheid, that Barclays' share of the student market had dropped from 27% to 17% between 1983 and 1985. Students are a vital sector of the market for banks because of their likely future prosperity and the high level of customer loyalty within the industry; people generally tend to stay with the bank they first join. Chris Ball later suggested the drop was even more substantial than the ten percentage points widely cited, explaining the withdrawal as almost entirely due to this loss of business. He did, however, also acknowledge the importance of Barclays' US expansion plans and the limitations placed on them by involvement in South Africa (18). The 'hassle factor' of continually having to respond to vociferous pressure groups must also have played a part in Barclays' decision to withdraw. It may even have contributed to Barclays' lacklustre performance of recent years and low morale.

Anthony Sampson (author of *Black and Gold*) suggests the impact on South Africa was considerable: 'the withdrawal was perhaps the most fundamental blow so far of those that have begun to rain on the South African economy'. Yet it has hardly forced great concessions out of South Africa. The Anti-Apartheid groups claimed Barclays' withdrawal to be a major success. In many ways for them, it was, although they cannot claim full responsibility for it. It was even a victory for capitalism. As the *Financial Times* commented:

'The whole merit of the market system is that it is the best system yet devised for recording and satisfying consumer preferences, and if these preferences rank the rights of minorities or humane farming, alongside the elegance of a design or the palatability of a strawberry flavour, it does the customers nothing but credit.'

In the 1986 Annual Report Bevan observed that the sale of the remaining 40% holding in Barclays National was 'the major event internationally' and that the South African bank had become a correspondent bank 'along with the other 4,000 or so relationships that we have'. He made four points on the withdrawal:

- 1) 'Our customer base, particularly in the United Kingdom and the United States, was beginning to be adversely affected by our minority holding in Barclays National, which only provided 2½% of our total Group profits at the half year;
- 2) Our operation in South Africa was one of the building blocks of the original, colonial-orientated Barclays Bank (Dominion, Colonial and Overseas): now, sixty years later, our sights for expansion are more set on North America, Europe and the Pacific, whilst we continue to value highly our considerable operations elsewhere in Africa where we have 340 offices with 10,000 staff, excluding our associated company in Nigeria;
- 3) We are satisfied that Barclays National will continue to be a liberal force in that unhappy country;
- 4) The general reaction of our customers and the public has been favourable and only the prejudiced will continue to carp.'

The fourth point and the observation about the correspondent bank relationship reflected continued criticism of the bank by anti-apartheid groups. ELTSA attended the AGM in 1987 and urged Barclays to sever all links with South Africa. However, in May 1987 it was announced that the boycott was to be called off the following month. The Anti-Apartheid Movement's chairman said: 'We are not giving Barclays a completely clean bill of health but the grounds for targeting them alone no longer exist.'

OR CORPORATE SOCIAL RESPONSIBILITY

exodus from South Africa poses many interesting questions for academics as well as practitioners, especially those working in the areas of strategy and business and society. Particularly intriguing is the extent to which the decision to depart from South Africa can be attributed to an (expressed) concern of apartheid and a desire to realise corporate social responsibility and public groups seeking corporate withdrawals. Key questions are: 'What strategies can be identified in response to public interest group criticisms?' and 'How does the company develop a strategy for corporate social responsibility?'

Barclays case, as in the boycott of Nestlé over its marketing of infant formula to the Third World, and many other cases of public interest group pressure on the firm, strategic options may be identified. The response strategies are ignore, fight, fudge/explain, and comply (19). These strategies are shown in Table 1 with illustrative tactics and criteria for determining strategy appropriateness.

STRATEGIES:	IGNORE MAINTAIN LOW PROFILE	FIGHT FIGHT THE PRESSURE GROUP - WE'RE RIGHT	FUDGE/EXPLAIN PRESENT AN ALTERNATIVE CASE	COMPLY COOPERATE WITH THE PRESSURE GROUP
SOME POSSIBLE TACTICS:	<ul style="list-style-type: none"> - do nothing - stonewall 	<ul style="list-style-type: none"> - legal action - boycott-busting - smear campaign - 'if we don't others will' - 'look at the others involved' - various threats: eg. plant closure 	<ul style="list-style-type: none"> - PR activities - co-option - counter pressure groups - endorse position by reference to government policy 	<ul style="list-style-type: none"> - dialogue/negotiation - self-regulatory efforts such as codes, social audits - lobby for industry-wide legislation - use of intermediaries

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CULPABILITY OF THE FIRM AND SUPPORT FOR THE PRESSURE GROUP ON THE ISSUE (CORRESPONDS TO STRATEGY AND TACTIC APPROPRIATENESS)

Table 1: Strategies in Response to Public Interest Groups

Table 1 shows that strategy appropriateness should be determined by an assessment of the culpability of the firm and the support for the pressure group. A simple cost-benefit analysis cannot be conducted in response to a consumer boycott in the way suggested by David Halsam. Were one to be so cynical as to adopt this approach, it would soon become clear that the immediate economic impact of the boycott was only one consideration and, as in the Barclays case, the impact on corporate image and morale were also important if not overriding considerations. The strategy adopted therefore depends upon whether management feels its critics are right and how much support they have.

Culpability and support go together because without support for the pressure group management need not do anything on the issue. Accordingly, where support and culpability are greatest, a compliance strategy is more likely or, at least, more sensible. Where support and culpability are negligible, an ignore strategy is likely. So, for example, if the pressure group hasn't got a strong case and lacks support, management may successfully use a fight strategy. But if support is greater, it would be more likely to be successful using a fudge/explain strategy. Within a pluralistic model, culpability would equate with support for the pressure group. The pressure group would receive support in proportion to the 'guilt' of the firm and the importance attached to it. Hence to some extent the decision on the strategy management adopts is made for it. Barclays, for example, couldn't have defended, even using a fudge/explain strategy, involvement with the Amin regime in Uganda.

However, the complexity of social responsibility issues muddies the clear-cut process described above. Strategies in response to pressure groups have been identified, yet the choice of strategy is not as straightforward as suggested. Some managements may not see or be guided by their culpability and pluralism in practice has many imperfections. So management may be able to get away with acts that aren't socially responsible because of this. Pressure group support and corporate guilt will not always equate and management may successfully employ a non-compliance strategy where there is a shortfall in support relative to great corporate guilt. Where the pressure group is 'wrong', or perhaps has different priorities to management, yet still receives substantial support, then there may alternatively be a shortfall in corporate guilt relative to support. Management may then have to respond to the pressure group demands despite its relative lack of guilt. The strategy adopted has to reflect both assessments of culpability and support if management wishes to achieve its aims.

There is, of course, the position that management's aims may include being socially responsible. In which case it would be argued that culpability should be the sole basis for the continuum and for determining strategy. However, this would be naive. Not because management is only socially responsible if it has to be. Although this may happen, it is not as simple as this because of the role of managerial values and differences in priorities. It is therefore appropriate that management should be guided by the level of support for the pressure group as well as its assessment of its guilt.

The position taken here on the Barclays case is that the bank pursued a strategy for corporate social responsibility. To conclude this paper the rationale behind the adoption of this position and, perhaps more importantly, the meaning of corporate social responsibility in this context, can be usefully explained. It should be emphasised that this strategy for corporate social responsibility has relevance beyond the Barclays case and the issue of withdrawal from South Africa. Such a strategy is required in many circumstances and in response to many pressures. It is relevant, for example, to the current issues involving financial institutions as a result of the exposure of fraud linked to firms such as Guinness in the United Kingdom and those associated with Ivan Boesky in the United States. Other issues include employment practices, pollution, animal welfare (of significance for cosmetics companies particularly), and multinational compliance with the Arab Boycott.

There are good arguments for sanctions against South Africa and good arguments for a constructive engagement approach. Ultimately, a preference must depend upon whether one believes coercion or conversion/accommodation will be more likely to be successful. In other words, is it expected that the South African authorities are going to be converted to a new perspective, or not converted but obliged to make some (adequate) changes, or coerced into ending apartheid? Similarly, firms, if genuinely concerned about change in South Africa, must decide whether withdrawal or reform-from-within is more likely to achieve an end to apartheid. Such a decision will be clouded by the interests at stake yet, equally so, by the external pressures on the firm. Accordingly, any explanation for Barclays departure from South Africa could not isolate a single determining factor. Barclays left South Africa because of the consumer boycott and other pressures on it in the UK market, which were having some immediate and growing economic impact but were more serious in their impact on the corporate image (at home and abroad) and morale, with potentially dire long-term consequences.

Additionally, however, Barclays also wished to develop further in the United States, where the South African link was a major constraint; its South African operation was less profitable and the South African economy unstable and deteriorating; and the Barclays board were convinced of the immorality of apartheid and disappointed with the slow pace of change in South Africa.

A lot of the debate about sanctions addresses the case for disinvestment. Yet disinvestment is taking place without sanctions - 140 US companies have left South Africa since the start of the recent period of increased unrest. Arguably, they have not been socially responsible in doing so. Advocates of constructive engagement would say they have washed their hands of the problem. Involvement in South Africa remains a critical issue for many companies. Concerns about the security, appropriateness and long-term viability of operations there are brought into sharp focus by domestic stakeholder pressure on these companies. Disinvestment is complicated not only by whether it is possible to sell off one's operations but to whom they should be sold. If it is not judged more responsible to stay then it must be decided who is to run the company when the parent withdraws. A local management buy-out may not ensure that good management practices continue and might lead to considerably worse conditions for black employees. General Motors' mistake in this regard is salutary (20).

Whether Barclays and the other companies that have withdrawn are socially responsible depends a lot on what one means by the term. A more useful concept is that of the social control of business, proposed elsewhere as the focus of the business and society discipline (21). The actions by public interest groups on social issues, such as involvement in South Africa, are efforts to seek social control of business. The aim is corporate social responsibility as these groups define it. If they succeed through the support of society at large, then the outcome is corporate social responsibility as society would define it. Perhaps the term social responsibility in business cannot be defined in the abstract, but only in the concrete reality of conflict resolution. Social responsibility in business can refer to corporate doctrines on good practice and charitable donations, but also be seen as the end-result of an accommodation of different interests within society over a social issue. Barclays, therefore, had no choice but to pursue what, under this interpretation, amounted to a strategy for corporate social responsibility.

NOTES AND REFERENCES

- 1) Her Majesty's Government, Code of Conduct for Companies with Interests in South Africa, Command 9860 (London, HMSO, 1986).
- 2) Longford, Charles, South Africa: Black Blood on British Hands (London, Junius, 1985), p 12.
- 3) Lipton, Merle, Capitalism and Apartheid: South Africa 1910-1986 (Aldershot, Wildwood House, 1986), p 365.
- 4) First, Ruth, Jonathan Steele and Christabel Gurney, The South African Connection: Western Investment in Apartheid (London, Temple Smith, 1972).
- 5) Accurate figures on the current scale of foreign investment in South Africa are not available due, on the one hand, to disinvestment, recession in the South African economy and the slump in the rand, and, on the other hand, huge rises in share prices on the insulated Johannesburg Stock Exchange. However, the British Industry Committee on South Africa (BICSA) 1986 estimates are probably reasonably accurate as they attempt to take account of withdrawals and devaluation of the rand. They put direct investment at £2.7bn and indirect investment at £3bn. They suggest British investment accounts for 40% to 45% of total foreign investment in South Africa and that almost 7% of all British overseas direct investment is in South Africa (source: BICSA pamphlet). The figures for US investment are generally put at around 10% and less than 1% respectively.
- 6) A 'Directory of Sanctions', listing more than 50 actions, forms part of Hanlon, Joseph and Roger Omond, The Sanctions Handbook (Harmondsworth, Penguin, 1987).
- 7) For a more detailed discussion of this see Smith, N Craig, 'How the West Gains from Apartheid: The Case of the United Kingdom', in Sethi, S Prakash (ed), The South African Quagmire: In Search of a Peaceful Path to Democratic Pluralism (Cambridge, Ballinger, 1987).
- 8) A survey of Cranfield MBAs conducted by this author in 1983 found that 26% (N = 102) agreed or strongly agreed with the statement 'I would be willing to boycott businesses who have links with South Africa'. More importantly, Mr J S J Kruger, the Commercial Minister at the South African Embassy in London, said that this figure tallied with information gathered by the Embassy (in interview, February 2, 1984).
- 9) For a more detailed analysis of the EEC Code see Smith, N Craig, 'The Impact of the EEC Code of Conduct on the Behavior of European Corporations in South Africa', available in the Cranfield Working Paper Series and in the proceedings of the White Plains International Conference on South Africa in Transition, September 29 - October 2, 1987, organised by Professor S Prakash Sethi, Center for Management, Baruch College, City University of New York.
- 10) Her Majesty's Government, Code of Conduct for Companies with Interests in South Africa, Command 7233 (London, HMSO, 1978).
- 11) Department of Trade and Industry (DTI), Code of Conduct for Companies with Interests in South Africa: Analysis and Summary of Companies' Reports for the Period 1 July 1982 to 30 June 1983 (London, DTI, 1984).
- 12) Twelve companies had not submitted reports and were expected to for the period 1982-83. The number of non-reporting firms dropped to two by the period 1985-86 (the latest period for which figures are available), reflecting increased compliance but probably also the impact of disinvestment.
- 13) In interview, August 1, 1984.

- 14) These views come from interviews with Barclays managers in 1983 and 1984, including the public affairs manager responsible for the South African 'problem'.
- 15) Cranfield MBA survey referred to above (N = 105).
- 16) Apartheid is an Afrikaans word meaning separateness or segregation.
- 17) Strongly suggested in Sampson, Anthony, 'Behind Barclays' South African Withdrawal, Business, February 1987. Also confirmed in personal discussion with Reverend Peter Storey, President of the South African Council of Churches (at the White Plains International Conference on South Africa in Transition, October 1987), who met with Bevan on three occasions.
- 18) Ball explained that the withdrawal was principally attributable to a drop in market share to 6% in the student market compared with a 25% share overall and American pressure (in response to a question by this author at the White Plains International Conference on South Africa in Transition, October 1987).
- 19) These strategies have been identified on the basis of a number of studies of consumer boycotts. See Smith, N Craig, Consumer Pressure for Corporate Accountability (Beckenham, Croom Helm, 1987) (forthcoming).
- 20) See Sampson, Anthony, Black and Gold (Sevenoaks, Coronet Books, 1987)
- 21) Jones, Thomas M, 'An Integrating Framework for Research in Business and Society: A Step Toward the Elusive Paradigm', Academy of Management Review, Vol 8, No 4 (1983).

This case draws on interviews with representatives of the interested parties and a great number of secondary sources, too many for listing here. The author wishes to express his gratitude to the people who gave up their time to discuss this case with him.