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RESPONSIBLE BUSINESS: ANGLO-AMERICA, DE BEERS AND OPTIMA MAGAZINE

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Abstract:

This paper contemplates how South Africa's largest corporation attempted to manipulate the perceptions of their shareholders in the final years of apartheid, by means of a corporate journal sent periodically to shareholders. Both eminent journalists, and leading academics, wrote articles for this journal. These articles should have assuaged many of the fears local shareholders could have experienced by their exposure to the international media coverage of South Africa. The paper portrays what was being reported in the international press, and how the corporation interpreted such reportage in their communications with their shareholders.

Introduction:

This paper follows two earlier papers. The one considered the role of business within South Africa during the early 1950's (Schwartz, 1996). This was a period when the recently elected Nationalist government was seeking to impose its apartheid ideology upon all facets of South African society. That paper successfully argued that business morally failed, securing neither their moral, nor even their practical requirements.

The second paper considered South African business during the late 1980's (Schwartz, 1997). Here, in contrast to the 1950's, the very same Nationalist government was seeking to dismantle apartheid but, certainly at the beginning of that period, was intent on maintaining its power. That paper sought to argue what business "ought" to have done in those circumstances. In doing so I concentrated, as I do in this paper, on one group, the De Beers - Anglo-America Corporation, and attempted by means of a part of their public relations strategy to portray their role in those historical circumstances. I also discussed movements in their share price, their advertising strategy, their sales penetration into foreign markets such as Germany and Japan, and their wage rates. In doing so I hoped to comment upon certain aspects of the role played by business in South Africa prior to the advent of democracy.

However, that now seems overly ambitious. Major conceptual complications appear in seeking to "accurately delineate 'business' in South Africa" (Berger and Godsell, 1988, p.168). And, especially, in attempting to claim that the behaviour of one business group, however large, is indicative of all businesses within a society. Also, I attempted to comment on far too many different facets of their operations. My aims in this paper, whilst still focusing on the same corporation and covering the very same ground, are thus far more modest. All that I seek here is to contemplate how that business in those historical circumstances communicated with their shareholders outside of their annual and quarterly reports. And whether such communications are morally questionable.

De Beers – Anglo-America and the Eighties:

As stated earlier, the paper is focusing on the period between 1985 and 1989. In 1985 the ANC was still insisting that it would never “seek a political settlement through negotiation and would negotiate a ‘transfer of power’ only with a defeated white regime.” (Sparks, 1990, p.367). By 1988, Nelson Mandela, on behalf of the ANC was negotiating with the government. In 1985 South African President, P.W. Botha, was making his notorious ‘Rubicon’ speech, insisting that he was “not prepared to lead white South Africans ... on the road to abdication and suicide.” (Sampson, 1987, p.43). By 1988 influential Afrikaners were calling for P.W. Botha's resignation, and soon he was to be replaced by F.W. de Klerk, who in the eyes of some embarked upon such a journey.

Regarding De Beers and Anglo-America, each of these companies was “the other's largest shareholder” (Kanfer, 1993, p.5). Fortune magazine has reported that these companies “control 54% of the Johannesburg Stock Exchange listings which represent one-fourth of South Africa's wealth” (Kanfer, 1993, p.5). Furthermore, according to Kanfer, they “accounted for 30% of South Africa's exports” (1993, p.316).

Further to the domestic and international importance of these companies, there did seem additional reasons for focusing on them. In South Africa mining is of critical importance to the economy. The De Beers Mining Co. was formed by Rhodes in 1880 (Rotberg, 1988, p.68). Rhodes was described by Hannah Arendt “to be a forerunner of totalitarianism” (Kanfer, 1993, p.59) and indeed, shortly after forming the company and assuming its chairmanship, he became Prime Minister of the Cape Colony in which De Beers was located. When questioned whether there could not be some possible conflict between his business interest and his political influence Rhodes, somewhat ingeniously, commented that he “concluded that one position could be worked with the other, and each to the benefit of all” (Rotberg, 1988, p. 342).

With these companies, my intention is to examine how they attempted to convey to their shareholders, in those years between 1985 and 1988, their perception of the political changes occurring in South Africa. And, in turn, how they attempted to let their perceptions influence the shareholders perceptions of the political changes which were occurring at that time.

Alex Carey in his book “Taking the Risk out of Democracy” wrote that “the twentieth century has been characterised by three developments of great political importance: the growth of democracy; the growth of corporate power; and the growth of corporate propaganda as a means of protecting corporate power against democracy” (Stauber, 1997, p. 48). This is of direct relevance to South Africa where the emergence of democracy was opposed by the government; and immensely powerful corporations, such as the Oppenheimer companies, arose and utilised corporate propaganda, simultaneously to both distance themselves from the more odious aspects of Government policy, whilst also attempting to justify their resistance to the immediate advent of democracy in South Africa, but not to the ultimate advent of democracy.

1985, whilst a catastrophic year for most of South African society, was for completely different reasons no less a catastrophic year for the Oppenheimer companies.

Diamond prices plunged, and the De Beers gem stockpile ballooned to exceed in value one year's sales. *International Business Week* wrote that the "irony now is that most of De Beer's problems are not related to South Africa's racial turmoil. Instead, De Beer's is struggling with defiant market forces that are larger even than South Africa's racial crisis" (23rd September, 1985, p.43).

However, Harry Oppenheimer, who is on record as viewing one-man one-vote as "a sure recipe for disaster"(Adam and Giliomee 1979, p. 261), had to re-assure his investors not only as to the marketability of their products, but also about the security of the larger environment in which they existed. In order to do this, Oppenheimer utilised what has been described as "the lush house magazine *Optima*" (Sampson 1987, p. 126) which is published quarterly by De Beers and Anglo America, and sent to the shareholders.

My aim is therefore to conduct a content analysis of *Optima* during those times, and relate the contents to what at that time was being read by the shareholders in other media. My analysis started with *Optima* Volume 34, No. 2 June 1986. The lead article in this edition was a ten page article written by Harry Oppenheimer and titled "The Anglo American Corporation's role in South Africa's Gold Mining Industry" (p. 58-67). Harry Oppenheimer, in this article discussed the historical development of gold mining and the role his company and family played in it. No mention is made of contemporary socio-political events within South Africa in that article, nor in any of the other five articles within that edition of *Optima*.

However, shortly before that, on the 30th of September 1985, *Fortune International's* cover portrayed a drawing of a burning map of South Africa and asked, "Time To Get Out?". Only the week before that, *International Business Week*, on their cover asked "Leaving South Africa. The corporate exodus has begun. How far will it go? How far should it go?"(23rd September, 1985).

Inside that *Fortune* (30th September, 1985), in a special report titled "Time To Quit South Africa?", there was a full page interview with Harry Oppenheimer. In that interview, Oppenheimer insisted that "all the change for good that has come about in South Africa has really been due to the growing economy"(p. 19). Oppenheimer argued that in his country, "serious business people... have been very conscious of their moral duties.... (and).... are now demanding serious political change.... The government are very ill advised not to release (Mandela).... The Government ought to talk to the ANC. In fact, it's the only hope"(p. 19). And yet following this, in a ten page article in a magazine, destined for his shareholders, on his companies role in South Africa, Oppenheimer does not raise any such concerns.

Oppenheimer did, incidentally, mention in his article in *Optima* "the growth of Minorco, a (then) Bermuda based company which has been developed as a principal channel for the Group's investments outside South Africa" (*Optima* Vol. 34, No. 2, p. 62). Although when asked in the *Fortune* interview whether his group was "moving money out of South Africa?" replied "No, that is not so". (*Fortune*, 30th September, 1985, p. 19). Clearly different messages are being sent. The one is tailored for the local shareholder, the other for the international community.

Two months after that edition of *Optima*, the *Time Magazine* of the 4th of August 1986 was on the newsstand. The cover proclaimed “Sanctions: Pressuring South Africa - If not now, when? If not this, what?”. In addition, South African editions proclaimed via an official looking stamp, that “Certain Articles Restricted”; and indeed upon page 9 there was a picture of a crowd watching a funeral in Port Elizabeth. According to the caption they were holding a “poster of Nelson Mandela” although in South Africa the censors had eradicated any trace of his image.

Most of the cover story in that edition of *Time* attempted to assess the viability and impact of sanctions. *Time* reported, that “experts agree that one of the most effective ways to hurt the South African economy.... would be to force down the price of gold”(p.10); and that this could be accomplished by central bankers threatening to sell gold. This of course never happened then, but ironically was the case very recently. However, management then might have perceived a more immediate threat: shareholders dumping their shares in the face of this negative publicity.

Re-assuring the Shareholders:

December’s *Optima* - Volume 34 Number 4 - lead article, written by the respected international journalist Simon Jenkins, was titled “Looking Back on 1986”. Jenkins was a past political editor of *The Economist*.

Jenkins words were ones which should have reassured most local shareholders in De Beer and Anglo-America. They stated that “1986 has been a bad year for commonsense about southern Africa (with).... the English language.... contorted into cliché to herald the world’s most anticipated event: the collapse of white South Africa.” And yet for Jenkins the reality was that South Africa would “end 1987 with the same power structure in place” and “that the threat of the world’s statesmen are mostly empty (and) the impact of punitive sanctions will be negligible”(p. 170).

Jenkins re assured the shareholders that plans to release Nelson Mandela and to negotiate with the ANC - as Oppenheimer had urged to the international community in his *Fortune* interview - were ideas “whose time had not come”(p. 172). But most of his contempt was for the efficacy of sanctions. “Sanction campaigns have conspicuously failed”(p. 173) and are “vulnerable to the charge of being cosmetic, even, in Mrs. Thatcher’s words, ‘immoral’ ”(p. 172). According to him, sanctions could never be imposed by South Africa’s black neighbours to the north, and that the harshest effects would be borne by the rural black worker. And although sanctions were intended to send a signal to the white government in Pretoria, Pretoria had “turned off its receiving equipment long ago”(p. 175). Given all of this “the sanctions case thus ends 1986.... empirically threadbare. It appears to have strengthened both the self sufficiency of South Africa’s economy and the political security of its president”(p. 176).

Given the recent coverage in *Time*, *Fortune*, *International Business Week* and everywhere else such ruminations by such an eminent international journalist could only pacify their shareholders.

The next article in that edition of *Optima* was also related to the issue of sanctions. It was by William Broderick and titled “The Sullivan Principals”. Broderick wrote how

“in the words of a black business leader, disinvestment punishes the victims, not the villains”(p. 180) but that rather than disinvesting foreign companies could contribute to the welfare of the black community by complying with the Sullivan principles.

The first *Optima* of 1987 - Vol 35, No. 1 attempted to respond to local political developments. Alan Paton, the internationally known South African author of the best seller, ‘Cry the Beloved Country’, and a past President of the Liberal Party of South Africa until the Nationalist government declared it a banned organisation, contributed the lead article. This was on the “Indaba” or “gathering” organised by Chief Buthelezi and others to discuss future constitutional arrangements for Natal and KwaZulu.

Paton, a classic liberal, whose now defunct Liberal Party once urged one-man, one-vote regardless of race, now - for the shareholder of De Beers and Anglo-America - urged a more palatable line. Paton wrote of, “a system of proportional representation ... And here we are speaking of racial groups ... Although I.... regard myself as a non-racial idealist ... I would be prepared to accept the proposals ... After the past thirty years of strife and frustration, it gave me grounds for hope.“ (*Optima* Vol 35, No. 1, p. 7-8).

In addition, Winnie Mandela had recently announced to enthusiastic mobs, “we have matches and we have tyres and with our burning necklaces we will liberate our land” (*Leadership* Vol 6, No. 1, p. 42). Paton did not directly respond to this announcement. But he did write that “Mrs. Winnie Mandela ... stated in public that the time for gatherings ... was past, and that the next inevitable step was for the National Party Government to abdicate and then hand over power to the black majority, a forthright but quite useless suggestion” (*Optima* Vol. 35, No. 1, p. 6).

Another article incorporates a political stance in that edition of *Optima*. This was by Professor Herbert Adams. Its title was “The Ultra Right in South Africa”, and it cautions that the official opposition to the government in parliament was to the right of it. Adams warned how for the Ultra Right, a descend into Civil War would “legitimise extraordinary measures... large scale atrocities, or possibly even genocide.” (*Optima* Vol 35, No. 1, p. 41).

Shareholders could thus be reassured that whatever the shortcomings of the present government the official opposition was going to be much worse. Adams’ claimed that the election poster utilised by the Ultra Right “equated majority rule with child molesting”(*Optima* Volume 35, No. 1, p. 40).

By early 1987, *Newsweek* was in agreement with the view propagated by Jenkins in *Optima* one year earlier (*Optima* Vol 34, No. 4). Their cover story in the 6th April, 1987 edition voiced the opinion that sanctions were to date not hurting white South Africa. Rather, that “disinvestment ... may actually help the country... it is not the world’s sanctions that have hurt South Africa; it is the political worries of which the sanctions are just a symptom” (*Newsweek* 6/4/87 p. 8-9).

Optima soon commented on those political worries. In *Optima* Volume 35, No. 2, of June 1987 Peter Wilhelm, in the lead article “After an Emergency Election”, discussed the recent whites-only election. Wilhelm, the assistant editor of the

Financial Mail, stated that despite jeers about the relevance of another whites only election, “the election was precisely not irrelevant because real power - measurable in the endurance of capital and the loyalty of the big military divisions - was re-mandated back to the powerful. The pitiful bands of dispossessed black children, idealised as “comrades” when revolution seemed close enough to taste, will live out their brief lives in fear.... Of course,” the system “will not endure forever; but it is certain that it can hold on, leechlike, for decades” (*Optima* Vol 35, No. 2, p. 64). In other words the shareholders need not be too concerned about their immediate political future. Political change did not seem imminent, sanctions was failing, black majority rule was not yet on the horizon, and despite the shortcomings of the present regime it was decidedly better then its opponents on the right.

The Good Friends Abroad:

Furthermore, in that edition of *Optima*, in an article titled “Shadows on the Wall”, Simon Barber commented on the “valiant efforts”(*Optima*, Vol 35, No 2 p.68) of Dr. Chester Crocker, the then American Assistant Secretary of State for Africa. De Beers were obviously enormously enamoured with Crocker. By 1990 they had appointed him, a Director of Minorco, based in Luxembourg, and “the main overseas investor for Oppenheimer funds” (Kanfer, 1993, p. 362).

The first two articles in *Optima* Vol 35 No. 3 of 1987 were “South African Beyond Apartheid - a profile of Peter L. Berger” by Simon Barber (p. 118-125), and “Fantasies about South Africa” by Peter L. Berger and Bobby Godsell (p. 126 - 133). Both articles result from the then forthcoming “seminal text ... financed in large measure by Anglo American Corporation” (Barber p. 119) on a future South Africa. This study resulted in a book titled “A Future South Africa - Visions, Strategies and Realities” edited by Peter L. Berger and Bobby Godsell (Tafelberg, 1988). In that book we can read of “the manifest political opposition of large division of business (for example the Anglo American Corporation) to government policies over decades”(Berger and Godsell, 1988, p. 170).

Barber in his 1987 *Optima* article claimed that the American sociologist, Peter Berger, was “largely innocent of South Africa” (Barber p. 119). And that according to Godsell, an Anglo American Executive who would later lead the company, he was chosen “for his ignorance” as the project thus “had the benefit of a rigorous mind unjaded and uncluttered by cancerous South African mythologies” (Barber p. 119).

However, in his book which was published the year before, “The Capitalist Revolution” (Basic Books, 1986), Peter Berger wrote how “socialists ... suggest that (in South Africa) a capitalist economy is part and parcel of the system of racial domination and that ... a post-apartheid South Africa will have to be a socialist South Africa ... (but).... a quite different interpretation of contemporary South Africa is possible... businessmen who are increasingly hostile to apartheid and politically active in opposing it have been arguing that the racial system is an obstacle to capitalist development”(Berger, 1986, p 25-26). Berger thus did not come without some preconceptions.

Given that, Oppenheimer’s shareholders can expect Berger’s post apartheid South Africa to be a land where the dividend cheques continues to be delivered promptly by

the postal service. Furthermore, the *Optima* article, written jointly by Berger and Godsell, does much to solve the conscience of investors wrestling with the morality of their situation. Berger and Godsell comment on the one purpose of sanctions sometimes being “moral suasion” (p. 131) and that “if one expects the South African regime to respond to moral suasion, one cannot at the same time treat it as a moral pariah.” (p. 132).

The last *Optima* of 1987, Vol 35, No. 4 has as the lead article, one titled “Farewell to Santa Claus - a personal vision” by Ken Owen. Owen’s sentiments are similar to those put forward by Wilhelm, a fellow newspaperman, in *Optima* Volume 35, No. 2. Owen writes of the “violence that cannot succeed and negotiations that cannot begin” (p. 184). Lastly, in that edition of *Optima*, Tony Hawkins, the Professor of Business Studies at the University of Zimbabwe, in an article titled “Zimbabwe’s socialist transformation” (p. 184-195) highlighted the danger of any such socialist transformation.

In 1988 the *Carnegie Quarterly* Volume XXXiii Numbers 3 & 4, published an “Overview Report of the Second Carnegie Inquiry into Poverty and Development in South Africa”. According to its co-authors, Francis Wilson and Mamphela Ramphele, “Power lies at the least of the problem of poverty in southern Africa. Without it, those who are poor remain vulnerable to an ongoing process of impoverishment” (p. 2).

Optima, Vol. 36, No. 1 of 1988, responded with an article titled “Poverty in South Africa” (pp. 20 - 33) by Nicholas Eberstadt, a scholar at the conservative American Enterprise Institute. Eberstadt insisted that “as an anti poverty program for Afrikaners, apartheid looks to have been quite successful. White poverty ... is now to all intents and purposes a thing of the past” (p. 20). Eberstadt noted the work of the “Second Carnegie Inquiry into Poverty and Development in Southern Africa”. He also noted that “rhetorical allusions to poverty in South Africa are, of course, staple features of the international campaign to stigmatise and isolate the country” but that it was “not nearly as easy to map out the contours of poverty in contemporary South Africa as one might think” (p. 21), what with “infant mortality in 1980 ... lower in Soweto than in the Soviet Union” (p. 28).

The following article, in that edition of *Optima*, dealt directly with the Soviet Union and was titled “Does Moscow want South Africa's minerals?” (pp. 34-41). The author, Dr. Phillip Nel, was the Director of the Institute for Soviet Studies at Stellenbosch University, the alma mater of Vorster and other Nationalist leaders. Nel quotes Chester Crocker as describing South Africa as the “Saudi Arabia” (p. 36) of non fuel minerals. His article assured investors in South African mineral corporations that Moscow was no immediate threat; it also assured these investors that the West was highly dependent on their mineral reserves.

The Middle Ground:

South African political scientists had recently conducted research, which led them to believe, that in South Africa, “The Centre can Hold” (Peter Collins & Stembele Dyan, *Leadership*, Vol 6, 1987, No. 3, pp. 95-101) and *Optima* in Vol.36, No. 2 were keen to support that view. Harry Oppenheimer himself contributed, “Helen Suzman - a tribute” (p. 92 - 93). Helen Suzman’s successor, Frederick van Zyl Stabbert,

contributed “Liberalism: a time to choose” (p. 106-112) and Robin Friedland wrote “The Politics of the Centre” (p. 80-87) in which shareholders in Oppenheimer’s companies could read that “the establishment of a centrist dispensation would mean the establishment of a framework within which South Africa’s problems could be solved” (p. 86).

In the following *Optima* of the year, Volume 36, No. 3, Steven Friedman for the South African Institute of Race Relations, contributed an article titled “Shifting strategies in black politics” (p. 148-155). Friedman began the article by writing that “these are sobering times for black resistance to apartheid. Little more than two years ago, a rampant black extra-parliamentary movement was seeking ways to expand its growing power; today it is beleaguered, and seeking ways to survive” (p. 148). In reality, unknown to the public, the government was secretly negotiating the transition to black rule with Mandela, but Friedman’s words might serve to appease the investors.

Another article in that *Optima* was contributed by Professor David Welsh, a political scientist at the University of Cape Town. Welsh had the previous year contributed an article to *Leadership* (Vol 6 No. 1) titled “Tyranny”. In that article Welsh wrote how much of Dr. Verwoerd’s thinking with his plans for the implementation of “Grand Apartheid”, “bears a family resemblance to a lot of Marxist thinking” (p. 34). Welsh warned of the “growing authoritarianism of the left” and that “authoritarian, tyrannical behaviour is no monopoly of the right” (p. 34).

In *Optima* Vol. 36, No. 3, Welsh’s article’s title was “Politics and Business” (p. 161-168). In that article Welsh was in full agreement with Friedman. In his opening paragraph he wrote that the South African government “is confident that it has beaten back the challenge of black confrontation ... the heady fervour displayed by black radicals two years ago has largely dissipated” (p. 161). Welsh then goes on to warn that history teaches us that “business people are more easily manipulated by politicians than vice versa” (p. 163) and of “the recognition by business of its limited capacity to influence government” (p. 167). To the shareholder the message is clear. Business should stick to business, and at the end of the day, as Welsh concludes, the continued existence of the market ensures “the only kind of system that is compatible with, and supportive of, democratic political systems” (p. 168).

In addition to the articles pertaining directly to the political situation there were many describing the flora and fauna of the country. The inhabitants of the country, however, remain mostly unseen.

Shareholders, Owners and Managers:

Regarding all those *Optima*’s, distributed to shareholders during the last years of apartheid, and which occupied most of this paper, I did hope to argue that the corporation wilfully manipulated the shareholders by their content. However, I remain largely unconvinced as to the validity of such an assertion. Most of the actual contributors to *Optima* probably presented what they honestly believed. Within the South Africa of that time, most individuals were manipulated by perceptions of reality in that society which had evolved over many centuries. Such individuals contributed to *Optima*. And similar minded individuals read these contributions. The former could

not have existed without the latter; and little can be achieved by insisting that this latter group was responsible for the state of mind of the former. Indeed, such circumstances surely exist in many other such historical situations. And there, as in South Africa, it seems worth suggesting that little is to be gained by powerful interests seeking to impose their versions of reality upon the wider community, however innocent their endeavour might be.

However, another question seems far more relevant. Business ethicists and other organisational theorists have long questioned whether the shareholders are the actual owners of the corporation. And whether the management has any special responsibility to the shareholders as owners. Yet, here we have a corporation whose top management had by 1985 travelled abroad to meet the ANC leadership to discuss the future (Heard, 1990): while through *Optima* they presented a far more conventional future to their shareholders. Obviously, that management saw no special responsibility to its shareholders as the owners. Or, if they did, another history of apartheid South Africa is needed. One that describes not the conflict between white capital and black labour, but the conflict between white managers and white owners.

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