Background-on-the-Relational-Business-Charter:

Capitalism is being challenged. There is widespread discontent about many features of corporate structure and behaviour. ‘Ownerless’ companies are only kept in check, it seems, by a legal and regulatory framework, but regulators often seem to be a step behind the action. There are widening pay differentials between the high-paid and the low-paid, threatening long-term social instability. The long capital supply chain between the capital provider and the corporation means that there is often reward for the investor without responsibility or involvement. Consequences include short-termism by directors as they seek to meet the apparently insatiable appetite of investors for higher and immediate returns.

If the answer is not greater regulation, what other solution is on offer? The Relational Business Charter is an attempt to fill this gap. A Relational Ratings Agency is proposed to assess companies from published information on the ten points in the Charter. The Charter examines the quality of all significant stakeholder relationships, in particular those with investors, employees, customers, suppliers, the local community and wider society. It will rate companies in terms of their contribution to building social capital, their sustainability, and the extent to which they run themselves as a community.

The Relational assessment of companies should not be regarded as another burdensome box-ticking exercise. Quality of stakeholder relationships is key to long-term profitability so this assessment process offers significant potential benefits to companies. This is one reason why the new corporate governance code in South Africa has focused explicitly on relationships among stakeholders. The relationships model underlying the Charter is the result of nearly 20 years of research by Relationships Foundation in the UK, and has found traction in countries as far apart as Singapore and South Africa.