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Corporate Social Responsibility in Australia: A Review

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CORPORATE SOCIAL RESPONSIBILITY IN AUSTRALIA: A REVIEW

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I INTRODUCTION

Corporate social responsibility (CSR) is currently one of the most discussed topics by business people and scholars alike. The concept has been enthusiastically supported by three very disparate groups – by government,¹ by non-government organisations (NGOs) ranging from charities to national and international industry groups, and by business itself, in particular large corporations.

In 2000, a study by the Centre for Corporate Public Affairs and the Business Council of Australia found around half of Australia's large companies had policies related to community involvement, social responsibility or stakeholder engagement. More than half of these companies had developed policies in the last decade.² In 2001, Cronin and Zappalà concluded from their survey of Australia's top 100 companies that just over 70 percent of companies surveyed had corporate community involvement (CCI) or CSR policies.³

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¹ There have been a number of inquiries into CSR – see Corporations and Markets Advisory Committee, *Corporate Social Responsibility Discussion Paper*, November, 2005, (CAMAC Discussion Paper) available at

[http://www.camac.gov.au/camac/camac.nsf/byHeadline/PDFDiscussion+Papers/\\$file/CSR_DP.pdf](http://www.camac.gov.au/camac/camac.nsf/byHeadline/PDFDiscussion+Papers/$file/CSR_DP.pdf),

accessed 11th April, 2006; Parliament of Australia, Parliamentary Joint Committee on Corporations and Financial Services, *Corporate Responsibility: Managing Risk and Creating Value*, June 2006, (the Parliamentary Joint Committee Report) available at

http://www.aph.gov.au/Senate/committee/corporations_ctte/corporate_responsibility/report/index.htm,

accessed 11th April, 2006. The Prime Minister has also established the Prime Minister's Community Business Partnership, discussed further below. See

http://www.partnerships.gov.au/csr/corporate_links.shtml

² Centre for Corporate Public Affairs and Business Council of Australia, 'Corporate Community Involvement: Establishing a Business Case' (2000) 38 – 9.

³ C Cronin and G Zappalà, 'The Coming of Age of Corporate Community Involvement: An Examination of Trends in Australia's Top Companies' (Working Paper No 6, Research and Social Policy Team, The Smith Family, 2002), 6.

Increasing numbers of companies in Australia have policies and programs that purport to reflect their commitment to the community, society and the environment. Yet, despite the prolific amount of literature on CSR – particularly from the perspective of companies themselves and from practitioners in the thriving industry of CSR consultancy – there is a dearth of empirical studies examining whether, and if so to what extent and in what manner, Australian companies are responding in practice to the increasing momentum surrounding CSR. This review outlines and discusses the small number of studies that have been conducted in Australia over the past decade by academics, business associations, government, non-profit organisations and by consultancies into these issues.

This section of the paper outlines the scope of the review and briefly defines key terminology. Part II maps the regulatory framework for CSR. It briefly discusses both the legislative and ‘light touch’ regulatory framework in Australia and internationally. Part III looks briefly at existing data on why companies in Australia have adopted CSR, rates of CSR adoption and determinants of CSR commitment. Part IV focuses on how companies are responding to CSR in Australia. Studies conducted in Australia over the last decade suggest that, although CSR is clearly being adopted by a greater number of Australian companies, they continue to adopt practices that are short-term and philanthropic in nature rather than integrating CSR into their business strategies and organisational practices.

Scope of the review

This review is concerned with how businesses within Australia have responded to (and indeed influenced) the increasing momentum surrounding CSR. It does not review the prolific literature on CSR or corporate citizenship from other countries or from a regional or global perspective. Nor does the review address the theoretical perspectives on CSR as these are addressed in-depth elsewhere.⁴ It does not discuss

⁴ D P Baron ‘Private Politics, Corporate Social Responsibility, and Integrated Strategy’ (2001) 10 *Journal of Economics and Management Strategy* 7; J Moon, ‘The Firm as Citizen? Social Responsibility of Business in Australia’ (1995) 30 *Australian Journal of Political Science* 1; JF Vos ‘Corporate Social Responsibility and the Identification of Stakeholders’ (2003) 10 *Corporate Social*

the normative question of whether businesses should take into account the interests of stakeholders other than their shareholders. In the Australian context, these issues were recently canvassed extensively in the numerous submissions to, and the final report of, the Parliamentary Joint Committee on Corporations and Financial Service's Inquiry into Corporate Responsibility, entitled *Corporate Responsibility: Managing Risk and Creating Value*.⁵ They are also raised in the Corporations and Markets Advisory Committee (CAMAC)'s discussion paper into directors' duties and CSR in Australia, which will form the basis of CAMAC's forthcoming report to the Federal Government.⁶

Terminology

There is a raft of terms associated with CSR, many of which elude precise and commonly shared definitions.⁷ While definitions of CSR itself often vary, it appears widely accepted that it involves a company going beyond compliance with legal requirements. Modern understandings of CSR emphasise the responsibility of corporations not only to their shareholders, but to a much wider group of stakeholders. These stakeholders include employees and contractors, customers and suppliers, the community (including non-profit organisations), society and the environment. In addition, it is commonly emphasised that CSR is more than simple

Responsibility and Environmental Management 141; H Manne and H Wallich 'The Modern Corporation and Social Responsibility' (1972) 4; M Porter and M Kramer 'The Competitive Advantage of Corporate Philanthropy' [2002] *Harvard Business Review* 5; R Mitchell, A O'Donnell and I Ramsay, 'Shareholder Value and Employee Interests: Intersections Between Corporate Governance, Corporate Law and Labor Law' (2005) 23 *Wisconsin International Law Journal* 417; T Lucas, 'The Emerging Practice of Corporate Citizenship in Australia' (2004) 13 *The Journal of Corporate Citizenship* 28; FA von Hayek, 'The Corporation in a Democratic Society: In Whose Interests Ought It and Will It be Run?' in *Business Strategy* ed HI Ansoff. Harmondsworth, Penguin, 1969; JMcGuire, A Sundgren and T Schneeweis 'Corporate Social Responsibility and Firm Financial Performance' (1988) 31(4) *The Academy of Management Journal* 854; M Pava and J Krausz 'The Association between Corporate Social-Responsibility and Financial Performance: The Paradox of Social Cost' (1996) 15 *Journal of Business Ethics* 321; and the meta-analysis of 52 previous studies contained in M Orlitzky, F L Schmidt and S Rynes 'Corporate Social and Financial Performance: A Meta-analysis' (2003) 24(3) *Organizational Studies* 403.

⁵ Above n 1.

⁶ *Ibid.*

⁷ Mr Jeremy Cooper of the Australian Securities and Investments Commission (ASIC) outlined the definitional issues that arise in the area of corporate responsibility: '[t]here are some very vexing terminology problems ... such as what a stakeholder is, what sustainability means, what triple bottom line reporting is and what we really mean by corporate social responsibility itself...' Parliamentary Joint Committee Report, [2.3].

‘chequebook philanthropy’, ‘cause-related marketing’ or business ethics.⁸ Key dimensions or criteria of CSR or corporate citizenship in Australia include social and environmental responsibility, corporate governance, social and environmental reporting, ethics sponsorship, stakeholder relations and partnerships.⁹

While the terms ‘CSR’ and ‘corporate citizenship’ are regarded by some authors as synonymous,¹⁰ others insist that they have different connotations. For Birch, the Director of Deakin University’s Corporate Citizenship Research Unit, CSR is a narrower, ‘programme-based’ paradigm which focuses on the company’s external behaviour. In contrast, corporate citizenship entails ‘systemic, holistic, cultural change’ within the organisation.¹¹

The report of the Parliamentary Joint Committee on Corporations and Financial Services stated that:

[c]orporate responsibility is usually described in terms of a company considering, managing and balancing the economic, social and environmental impacts of its activities. It is about companies assessing and managing risks, pursuing opportunities and creating corporate value, in areas beyond what would traditionally be regarded as a company’s core business. It is also about companies taking an ‘enlightened self-interest’ approach to considering the legitimate interests of a company’s stakeholders.¹²

Recognising that corporate responsibility is a multi-faceted concept the committee makes no attempt to reach a conclusive definition. Because of the sheer diversity of modern corporations – in terms of size, sectors, stakeholders, structures and strategies – the concept of corporate responsibility can have a different meaning to different people and different organisations.¹³

The CAMAC Discussion Paper noted that:

⁸ J Andriof and M McIntosh, ‘Introduction’ in J Andriof and M McIntosh (eds) *Perspectives on Corporate Citizenship* (Sheffield: Greenleaf, 2001) 13, 15; D Birch, ‘Corporate Citizenship: Rethinking Business Beyond Corporate Social Responsibility’ in J Andriof and Malcolm McIntosh (eds) *Perspectives on Corporate Citizenship* (Sheffield: Greenleaf, 2001) 53, 54.

⁹ M Glazebrook, ‘Corporate Citizenship and Action Research: An Australian Perspective’ (Paris: International Association of Business sand Society Proceedings, 1999) 120–5; M Sweeney et al, ‘Social Reporting and Australian Banks: Endorsement or Pretence to the Triple Bottom Line?’ (2001) 4 *Journal of Corporate Citizenship* 91.

¹⁰ See, Moon, above n 4; G Zappalà, ‘Corporate Citizenship and Human Resource Management: A New Tool or a Missed Opportunity?’ (2004) 42(2) *Asia Pacific Journal of Human Resources* 185; Andriof and McIntosh, above n 8, 15.

¹¹ Birch, above n 8, 54-6.

¹² Above n 1 [2.7].

¹³ Ibid [2.15].

[w]hile there is an increasing recognition and acknowledgement of corporate social responsibility (or comparable notions such as ‘corporate citizenship’ or ‘corporate social accountability’) as an issue; the term does not have a precise or fixed meaning. Some descriptions focus on compliance with the spirit as well as the letter of applicable laws regulating corporate conduct, while other descriptions concentrate on the societal impacts of corporate activities (sometimes encapsulated in the notion of sustainability) on groups (usually referred to as stakeholders) including, but extending beyond, shareholders. These societal effects, going beyond the physical or social goods or services provided by companies and returns to shareholders, are sometimes subdivided into environmental, social and economic impacts.¹⁴

In a similar vein, Post emphasises that corporate citizenship involves both actual results (what corporations do) and the processes through which these are achieved (how they do it).¹⁵ For other authors, however, it is CSR that is the broader term of the two.¹⁶ Ultimately, both terms are ‘fuzzy, varied and constantly evolving’ and it is likely that the terms will continue to elude precise definition as different organisations and interest groups tend to use the terms differently depending upon their normative view of what should be expected of Australian businesses.¹⁷

In addition to the broad concepts of CSR and corporate citizenship, there are a number of narrower concepts that are intrinsic to discussions of CSR. Common terms include ‘triple bottom line reporting’, ‘sustainability reporting’, and ‘corporate

¹⁴ The CAMAC Discussion Paper footnoted a number of other definitions or descriptions of the term. ‘SustainAbility (a UK organization) describes corporate social responsibility as ‘a business approach embodying open and transparent business practices, ethical behaviour, respect for stakeholders and a commitment to add economic, social and environmental value’. The European Union (EU) Green Paper Promoting a European framework for Corporate Social Responsibility (2001) described corporate social responsibility as ‘a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis’. The International Finance Corporation (IFC) refers to corporate social responsibility as ‘the commitment of businesses to contribute to sustainable economic development by working with their employees, their families, the local community and society at large to improve their lives in ways which are good for business and for development’. The Certified General Accountants Association of Canada paper, *Measuring Up: A Study on Corporate Sustainability Reporting in Canada* (2005) at 20 describes corporate social responsibility as ‘a company’s commitment to operating in an economically, socially, and environmentally sustainable manner, while recognising the interests of its stakeholders, including investors, customers, employees, business partners, local communities, the environment, and society at large’. Ibid.

¹⁵ J E Post, ‘Meeting the Challenge of Global Corporate Citizenship’ (Policy Paper Series, Centre for Corporate Community Relations, Boston College, Chestnut Hill, MA) 8.

¹⁶ Wood and Logsdon, for example, argue that CSR is a wider concept than the more recent ‘corporate citizenship’: J Wood and J M Logsdon, ‘Theorising Business Citizenship’ in J Andriof and M McIntosh (eds) *Perspectives on Corporate Citizenship* (Sheffield: Greenleaf, 2001) 83, 85.

¹⁷ G Zappalà, ‘Corporate Citizenship and the Role of Government: The Public Policy Case’ (Research Paper No 4, Information and Research Services, Department of the Parliamentary Library, 1 December 2003) 3.

community involvement' (CCI). The first term is used to refer to the pursuit of the objectives of profit, environmental impact and social contribution. This conception lies in contrast to conventional 'single bottom line' thinking and practices, which focus purely on securing the maximum possible returns for shareholders. The term 'sustainability reporting' refers to the practice of corporations and other organisations measuring and publicly reporting on their economic, social and environmental performance. CCI focuses on the involvement of companies in their society and community, through financial or in-kind assistance as well as through contributions of time and expertise.¹⁸ In Australia, several of the key studies undertaken in the past decade have focused on CCI.¹⁹ This appears to be because the studies were commissioned by non-profit organisations in the community sector, which have a particular interest in this area²⁰ or by the Federal Government which tends to emphasise the philanthropic features of CSR.²¹ The Parliamentary Joint Committee report noted that '[e]vidence received by the committee ... strongly underlined the importance of integrating the consideration of broader community interests into the core business strategy of companies, if corporate responsibility was to succeed'.²²

II THE REGULATORY FRAMEWORK FOR CSR

The Australian regulatory framework

In Australia, regulation of CSR has been overwhelmingly through 'soft' law initiatives. This part of the review looks initially and very briefly at legislative requirements which oblige company directors to recognise the interests of stakeholders other than shareholders. It then identifies the main 'light touch' regulatory initiatives at both the national and international level. There is a great deal

¹⁸ G Zappalà and C Cronin, 'The Contours of Corporate Community Involvement in Australia's Top Companies' (2003) 12 *Journal of Corporate Citizenship* 59, 60; CCPA report above n 2, 38.

¹⁹ See, eg, The Smith Family's study by Cronin and Zappalà, above n 3, and the Brotherhood of St Laurence's study by S Holm and S Lilywhite, 'Doing Business Responsibly: Perceptions of Ethical Practice and Governance of Australasia's Top 100 Companies' (Brotherhood of St Laurence, November 2002).

²⁰ See, eg, Cronin and Zappalà, above n 3.

²¹ In 1999/2000, for example, the Prime Minister's Business Community Partnership commissioned a survey by the Centre for Corporate Public Affairs and the Business Council of Australia. See CCPA report, above n 2.

²² Parliamentary Joint Committee Report, above n 1, [3.89].

of overlap between the various regulatory measures, and companies within Australia may participate in multiple voluntary social and environmental initiatives.²³

The *Corporations Act 2001* (Cth) is the central piece of legislation governing directors' duties. There are two specific sections in the Act that are widely recognised as expanding company reporting in a way that relates to CSR. Section 1013D(1) of the Act imposes obligations on superannuation, life insurance and managed funds to disclose the extent to which they take account of environmental, social, labour and ethical standards in their investment decisions.²⁴ Section 299(1)(f) requires companies to include within their annual reports details of breaches of environmental laws and licences.²⁵ Beyond this, however, debate surrounds the extent to which Australian company directors are able to consider the interests of stakeholders other than immediate shareholders.²⁶

Legislation other than the *Corporations Act* imposes additional obligations on companies and their directors in relation to employees and the environment. For example, companies must pay their employees at least minimum rates of pay²⁷ and they must comply with occupational health and safety,²⁸ anti-discrimination and equal opportunity requirements.²⁹ Companies must also comply with a wide range of environmental requirements.³⁰

²³ Westpac, for example, measures itself against 90 social, environmental and financial indicators.

²⁴ See ASIC, 'Section 1013DA disclosure guidelines; ASIC guidelines to product issuers for disclosure about labour standards or environmental, social and ethical considerations in Product Disclosure Statements (PDS)' (December 2003). Available at <[http://www.asic.gov.au/asic/pdflib.nsf/LookupByFileName/s1013DA_finalguidelines.pdf/\\$file/s1013DA_finalguidelines.pdf](http://www.asic.gov.au/asic/pdflib.nsf/LookupByFileName/s1013DA_finalguidelines.pdf/$file/s1013DA_finalguidelines.pdf)>.

²⁵ G Frost. and L English., *Mandatory Corporate Environmental Reporting in Australia: Contested Introduction Belies Effectiveness of its Application* (November 2002). Available at <<http://www.econ.usyd.edu.au/drawingboard/digest/0211/frost.html>>.

²⁶ See, eg, M Jones, S Marshall and R Mitchell, 'The Influence of Corporate Social Responsibility Policy on Business Employment Practices: Two Australian Mining Industry Case Studies' (Corporate Governance and Workplace Partnerships Project, University of Melbourne, 2006) 3–4; Mitchell, O'Donnell and Ramsay, above n 4; H Grossman, 'Redefining the Role of the Corporation: The Impact of Corporate Social Responsibility on Shareholder Primacy Theory' (2005) 10 *Deakin Law Review* 572; B Horrigan, 'Fault Lines in the Intersection Between Corporate Governance and Social Responsibility' (2002) 25 *University of New South Wales Law Journal* 515.

²⁷ *Workplace Relations Act 1996* (Cth).

²⁸ For example, *Occupational Health and Safety Act 2004* (Vic) and the *Occupational Health and Safety (Commonwealth Employment) Act 1991* (Cth).

²⁹ For example, *Equal Opportunity Act 1995* (Vic).

³⁰ For example, *Environment Protection Act 1970* (Vic).

‘Light touch’ regulatory initiatives in Australia

Government initiatives

One of the most prominent CSR initiatives at the federal level is the Prime Minister’s Business Community Partnership.³¹ Established in 1998 (then known as the Corporate Round Table), the Partnership is a group of prominent Australians from the community and business sectors who are assigned with the tasks of fostering community business partnerships, acting as a think tank on philanthropic issues, and promoting corporate giving and CSR. It does this through three streams of activities – advocacy of the business case for CSR and for partnerships between business and the community, facilitation through the provision of information, and recognition of successful CSR through an awards program.

The Prime Minister’s formulation of corporate citizenship is very narrow, limited largely to corporate philanthropy.³² A further initiative at the federal level is the Prime Minister’s Awards for Excellence in Community Business Partnerships, which are divided into small, medium and large business categories and are presented at the state and territory level and at the national level.³³

Normative principles and guidelines

In 2003, the Australian Stock Exchange (ASX) released the ASX Principles on Corporate Governance and Best Practice Recommendations, which are intended to guide publicly listed companies in their corporate governance practices.³⁴ While the principles are voluntary, companies are required to explain to the ASX and to investors if and why they have opted not to follow the guidelines.

³¹ Above n 1.

³² This observation is also made in M Glazebrook, ‘How Australia’s Top 500 Companies are Becoming Corporate Citizens’ in J Andriof and M McIntosh (eds) *Perspectives on Corporate Citizenship*, (Sheffield: Greenleaf, 2001) 152, 153.

³³ http://www.partnerships.gov.au/csr/corporate_links.shtml

³⁴ Available at <<http://www.asx.com.au/about/pdf/ASXRecommendations.pdf>>.

Three of the recommendations are relevant to CSR. They are Principle 3: Promote ethical and responsible decision-making; Principle 7: Recognise and manage risk; and Principle 10: Recognise the legitimate interests of stakeholders.³⁵

There are also initiatives relevant to particular industries. In 2004, the Minerals Council of Australia (MCA) established a framework for sustainable development, entitled '*Enduring Value: the Australian Minerals Industry Framework for Sustainable Development*'. Signing up to the framework is a precondition to MCA membership. Signatories are required to assess systems used to manage key operational risks and publicly report sustainability information based on the GRI indicators.³⁶

Rating indices

There are several prominent Australian indices that rate companies according to CSR performance. First, *The Age/ Sydney Morning Herald's* Good Reputation Index (GRI) measures the performance of Australia's top 100 largest companies in terms of corporate governance, market performance, management and ethics, employee relations and social and environmental impact. The GRI ranks the top 100 companies in Australia (selected from *Business Review Weekly* magazine's annual list of the top 1000 companies) according to their reputation. The rankings are compiled from opinions of relevant stakeholders for each category.

A second major rating index in Australia is Reputex's Social Responsibility Rating. Reputex, an independent research agency, rates the largest 100 companies in Australia in four areas of CSR: corporate governance, environmental impact, social impact and workplace practices.

Another index is the Australian Sustainable Asset Management (SAM) Index (AuSSI). Launched in 2005, SAM invites the largest listed companies in Australia to participate in a 'corporate sustainability assessment'. Finally, in 2004 the St James

³⁵ See <http://www.asx.com.au/about/pdf/ASXRecommendations.pdf>

³⁶ <http://www.minerals.org.au/enduringvalue>

Ethics Centre launched the Corporate Responsibility Index (CRI), in which participating companies agree to be ranked publicly on their non-financial performance. The level of participation in the CRI, however, remains limited.

Reporting guidelines

There are a number of reporting guidelines developed specifically for Australian companies. In 2003, the Department of the Environment and Heritage developed a guide for public environmental reporting, entitled 'Triple Bottom Line Reporting in Australia: A Guide to Reporting against Environmental Indicators'. The Department of Family and Community Services in 2004 released a draft guide to assist companies in reporting on their social impacts.³⁷ Both of these guides are based on the international Global Reporting Initiative guidelines (see below).

The international regulatory framework

There is a multitude of international codes, conventions, agreements, standards and initiatives that seek to influence how companies respond to CSR. The most prominent of these are listed below.

Normative principles and guidelines

The principal documents that provide broad normative guidance to corporations on what constitutes socially responsible conduct are as follows:³⁸

- OECD Guidelines for Multinational Enterprises (1976, revised 2000)
- OECD Principles for Corporate Governance
- ILO Declaration of Fundamental Principles and Rights at Work (1998)
- ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (1977, revised 2000)
- UN Global Compact (2000)
- Amnesty International's Business Principles

³⁷ <http://www.deh.gov.au/settlements/industry/finance/publications/indicators/index.html>

³⁸ For a longer list of initiatives, see, eg, K McKague & W Cragg, *Compendium of Ethics Codes and Instruments of Corporate Responsibility* (September 2005).

- Global Sullivan Principles.

Management systems and certification schemes

The main instruments providing guidance for companies in establishing managing systems include:

- International Organisation for Standardisation (ISO) 14000
- Social Accountability 8000 (SA 8000)
- Accountability 1000 (AA 1000)
- Sigma Guidelines.

Rating indices

A number of initiatives rate companies according to CSR performance. These include, for example, the *Dow Jones Sustainability Index* and the *FTSE4 Good Index Series*.

Reporting guidelines

The Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 2002 is a widely accepted voluntary reporting standard for sustainability reporting. The GRI is an independent institution which includes representatives from business, accountancy, investment, environment, human rights and labour organisations from around the world. There is a range of standards that are related to the GRI in that they deal with independent verification of reports based on the GRI. These include *AA1000 Assurance Standard* and *International Standards on Insurance Engagements (ISAE 3000)*.

Therefore, it can be seen that there is very little mandatory CSR or mandatory reporting of CSR activities in Australia. The Parliamentary Joint Committee concluded that amendment to directors' duties was not required and that there should be a continuation of the voluntary approach to sustainability reporting.³⁹ It recommended that 'although in the committee's view it is not appropriate to mandate

³⁹ Above n 1, [8.3]

the consideration of stakeholder interests into directors' duties, there is a need to consider seriously options to encourage greater uptake and disclosure of corporate responsibility activities.'⁴⁰

III THE ADOPTION OF CSR BY COMPANIES IN AUSTRALIA

This section of the review looks first at the factors that are commonly identified by authors as drivers of CSR in Australia. It then briefly outlines findings of empirical studies conducted in Australia on why businesses adopt CSR. It then turns to consider rates of CSR adoption in Australia.

Authors identify a range of factors as driving the increased rates of CSR adoption in Australia, particularly over the last two decades. These include the desire to improve corporate reputation and brand management;⁴¹ a proliferation of high profile indices that rate corporate citizenship performance; pressure on companies from NGOs, particularly in relation to environmental and human rights issues; greater public sophistication and awareness with respect to corporate social responsibility;⁴² the rise of socially responsible or ethical investment funds;⁴³ new governance structures that place greater emphasis on cross-sectoral partnerships between governments, NGOs and business; the need for companies to improve stakeholder relations; and the desire to improve governmental relations in order to avoid longer term regulation.⁴⁴ A number of authors also identify drivers internal to the firm: in particular, the purported positive impact of CSR on motivation, commitment, loyalty, training, recruitment and turnover (improving employee morale is often cited as a driver for CSR activities),⁴⁵

⁴⁰ Ibid [8.2].

⁴¹ Zappalà, above n 10, 186–7.

⁴² The State Chamber of Commerce (NSW), 'Taking the First Steps: An Overview of Corporate Social Responsibility in Australia' (February 2001) 10–11. Interestingly, this report observes the disjuncture found from surveys between what the Australian public expect of companies and what business leaders consider the role of business to be: at 10–11.

⁴³ Ibid 11–12.

⁴⁴ Cronin and Zappalà, above n 3, 1, citing J Andriof and C Marsden, 'Corporate Citizenship: What is it and how to Assess It?' (Corporate Citizenship Unit, Warwick Business School, 1998).

⁴⁵ Parliamentary Joint Committee report, above n 1, xiv, where the committee stated that '[e]vidence also strongly suggested that an "enlightened self-interest approach" assists companies in their efforts to recruit and retain high quality staff, particularly in the current tight labour market'.

and an increasing number of studies showing a correlation between financial performance and corporate citizenship practices.⁴⁶

While the above factors are commonly cited in the abstract, there are few empirical studies seeking to assess why companies within Australia adopt CSR. Some guidance, however, is provided by two surveys conducted in 2000. The first, conducted by the Centre for Corporate Public Affairs (CCPA) and the Business Council of Australia (BCA) of 115 large companies in Australia, found that most Australian companies which have adopted CCI initiatives have done so to secure long term sustainability. Companies saw CCI ‘as a way to maintain trust, support and legitimacy with the community, government and employees.’⁴⁷ The CCPA and BCA found that the four most important perceived benefits of CCI were (in order): enhanced corporate reputation; improved relationships with the community; increased employee morale, team work and retention; and cultural change leading to long term success.⁴⁸ Similarly, Zappalà and Cronin found from their survey in 2001 of the 100 top companies in Australia (by revenue, as ranked by the *Business Review Weekly*) (‘the Cronin and Zappalà study’) that companies engaged in CCI principally to improve relations with surrounding communities, to improve the social and economic health of the surrounding community; to improve the company’s image and, finally, to improve employee morale.⁴⁹ The authors observed that companies were much less likely to undertake CCI as a means of pursuing their overall business strategy or improving the company’s financial performance.⁵⁰

In 2001, Birch and Batten found the following factors to influence companies’ decisions on corporate citizenship in Australia: community expectations, changing social values and building good community/ stakeholder relations; economic considerations; and internal management issues.⁵¹ The Parliamentary Joint Committee report noted a submission by Philanthropy Australia, stating that:

⁴⁶ See, eg, J D Margolis and J P Walsh, *People and Profits? The Search for a Link Between a Company’s Social and Financial Performance* (New Jersey: Erlbaum, 2001) and Orlitzky, Schmidt and Rynes, above n 4.

⁴⁷ CCPA report, above n 2, 11.

⁴⁸ Ibid 42–3.

⁴⁹ See Zappalà and Cronin, above n 18, 65.

⁵⁰ Ibid 66.

⁵¹ See D Birch and J Batten, *Corporate Citizenship in Australia: A Survey of Corporate Australia* (Melbourne: Deakin University, 2002).

[t]here is undoubted growth in corporate community activity in Australia, evidenced through Australian Bureau of Statistics data and more generally in the growth of voluntary corporate participation in initiatives such as the Australian Corporate Responsibility Index, the Prime Minister's Community Business Partnership Awards, and the Global Reporting [Initiative].⁵²

Australia also has many companies that are leading the push towards greater sustainability.⁵³ It is impossible to provide a comprehensive list of strong corporate performers in this area without the risk of omitting a committed company.⁵⁴

Several authors also observe the more recent trend in which companies adopt CSR as a result of being the subject of public scrutiny and criticism. Examples include the mining companies such as Rio Tinto and BHP Billiton and, more recently, the banking industry.⁵⁵

Rates and determinants of CSR adoption

While authors commonly observe that rates of CSR adoption in Australia have increased and continue to do so, there is little evidence available on this issue. Existing studies have used very different research methods in an attempt to ascertain the extent of CSR adoption in Australia. The studies and their principal findings are outlined very briefly below.

First, several authors have sought to assess the proportion of companies in Australia adopting CSR measures by examining annual reports. In 2000, a study by the CCPA and BCA based on 'input' from 115 large Australian companies, either surveyed, interviewed or through workshop participation, found that increasing numbers of

⁵² Parliamentary Joint Committee report, above n 1, [2.54].

⁵³ Sustainability is a term that also lacks precise definition in the CSR debate. It is generally used in the context of reporting. The Parliamentary Joint Committee report, above n 1, [2.23] notes that 'sustainability reporting refers to reporting mechanisms used by organisations to disclose information on social, environmental, and economic performance. It facilitates reporting on achievements in sustainable development, and allows a degree of transparency to shareholders and other stakeholders of organisational performance and behaviour.'

⁵⁴ Ibid [2.55].

⁵⁵ Cronin and Zappalà, above n 3, 7–8. See also Grossman, above n 26, 578–9, 582–3 and D Brereton, 'The Role of Self-Regulation in Improving Corporate Social Performance: The Case of the Mining Industry' (Paper presented at the Current Issues in Regulation: Enforcement and Compliance Conference, Melbourne, 2–3 September 2002).

Australian companies are developing policies on CSR. The survey found around half of Australia's large companies had policies related to community involvement, social responsibility or stakeholder engagement. More than half of these companies had developed policies in the last decade.⁵⁶ In 2001, Cronin and Zappalà found from their survey of Australia's top 100 companies (determined by revenue and of which 59 percent responded) that just over 70 percent of companies surveyed had CCI policies.⁵⁷

The Parliamentary Joint Committee report notes a recent study entitled 'Giving Australia: Research on Australian Philanthropy' which:

identified that business giving in 2003–04 more than doubled since 2000–01, with more than 525,000 businesses, or 67 per cent of all businesses, giving \$3.3 billion in money, goods, services and time during 2003–04. The report was coordinated by the Australian Council of Social Service and funded by the Prime Minister's Community Partnerships Program.⁵⁸

Kabanoff and Brown have examined CEO or Managing Directors' letters in company annual reports with a view to determining whether the amount of attention that firms in Australia have given to CSR has increased over the decade. The presumption underlying their study was that the importance that companies attach to CSR is reflected in the amount of attention it receives in the CEO or Managing Directors' report. The authors included in their survey companies that were listed on the ASX between 1993 and 2003, and that had produced at least one annual report during that period. The total number of firms exceeded 1,000. Kabanoff and Brown found that there was no simple pattern of increase or decrease in the amount of attention given to CSR in annual reports. They argued, however, that their research suggested that more attention is devoted to CSR by companies where firms are performing well financially.⁵⁹

⁵⁶ The study involved 'detailed discussions' with the CEO and/or manager of community involvement activities from 40 large Australian companies; survey responses from 76 companies and workshop participation by 54 companies and organisations: CCBA report, above n 2, 38–9.

⁵⁷ Cronin and Zappalà, above n 3, 6.

⁵⁸ Parliamentary Joint Committee report, above n 1, [2.66].

⁵⁹ B Kabanoff and S Brown, 'Corporate Social Responsibility: the Good, the Bad, the Ugly?' Submission to the Parliamentary Joint Committee on Corporations and Financial Services: Inquiry into Corporate Responsibility, 14 September 2005.

KPMG has conducted research into the rates of sustainability reporting in Australia and internationally.⁶⁰ It found that there has been a significant increase in the rate of ‘sustainability reporting’ in Australia. Of the top 500 companies in Australia, only 6 companies produced sustainability reports in 1995. This had risen to 65 companies (13 percent) in 2000 and to 199 companies (24 percent) in 2005.⁶¹ According to KPMG, however, the proportion of companies in Australia that produce sustainability reports continues to be low in comparison with other developed countries.⁶²

Drawing upon findings in the overseas literature, some studies in Australia have sought to assess the extent to which rates of CSR adoption, and the types of practices adopted, vary according to the characteristics of the company. Factors identified as potential determinants of CSR commitment include organisational size; industry group; degree of international involvement and legal structure; country and culture;⁶³ product orientation; organisational performance and demographics of managers and their personal characteristics.⁶⁴

Batten and Birch found from their survey of the attitudes towards, and practices of, corporate citizenship of 93 of the largest private and publicly listed companies in Australia in 2001 that responses varied according to classifications based on industry group, degree of international involvement and legal structure.⁶⁵ First, primary sector corporations (mostly those engaged in the agricultural and mining sector) differed from tertiary sector corporations (those engaged in retail and financial services) in that they used both annual reports and newspapers to advertise community investments (in contrast to just annual reports for the tertiary sector) and that they ‘focused their investments’ to a greater degree than those in the secondary (manufacturing,

⁶⁰ KPMG International Survey of Corporate Responsibility, June 2005.

⁶¹ KPMG, ‘Submission by KPMG to Parliamentary Joint Committee on Corporate and Finance Services on Inquiry into Corporate Responsibility’ (September 2005) 3.

⁶² Ibid.

⁶³ See, eg, F Küskü and A Zarkada-Fraser, ‘An Empirical Investigation of Corporate Citizenship in Australia and Turkey’ (2004) 15 *British Journal of Management* 57 and A M Quazi and D O’Brien, ‘An Empirical Test of a Cross-National Model of Corporate Social Responsibility’ (2000) 25 *Journal of Business Ethics* 33.

⁶⁴ A M Quazi, ‘Identifying the Determinants of Corporate Managers’ Perceived Social Obligations’ (2003) 41 *Management Decision* 822.

⁶⁵ The authors concluded that their findings resembled those found by P Stanwick and S Stanwick in ‘The Relationship between Corporate Social Performance and Organisational Size, Financial Performance and Environmental Performance: An Empirical Examination’ (1998) 17 *Journal of Business Ethics* 195.

construction and building companies) or tertiary sector. The authors note that this is consistent with primary sector corporations having engaged more extensively in stakeholder dialogue regarding corporate citizenship than their counterparts in the tertiary sector.⁶⁶

These findings are supported by the 2004 RepuTex Social Responsibility Ratings. RepuTex found that heavy manufacturing and extractive industries performed relatively well in terms of CSR reporting. They also found that government enterprises were the best CSR performers, followed by local subsidiaries of overseas listed multinational companies and ASX listed companies.⁶⁷

Moreover, Batten and Birch found that companies that were more ‘internationally involved’ (that is, those that had an international export focus in contrast to those which sold goods or services only in the Australian market) were more likely to publish details of their CSR investments more widely and to fund international community organisations.⁶⁸ Finally, Batten and Birch discovered that considerable variations existed between companies with different legal structures. In particular, publicly listed corporations were more likely to rely on a wider range of methods to advertise their investments, to respond to appeal mail and to have formal and publicly available procedures in place to manage community investments.⁶⁹

Quazi has conducted research into the extent to which demographic and personal characteristics of Australian corporate managers influence CSR commitments.⁷⁰ He identified the potential influence of age, levels of education and religion, and analysed 102 surveys collected from a random sample of 267 firms in the food and textile sector in Sydney. Quazi found a ‘significant relationship’ between the level of education, training status and religiosity of managers and their perceptions of CSR which, he suggests, has significant implications for the integration of CSR issues into Australian business.

⁶⁶ J A Batten and D Birch, ‘Defining Corporate Citizenship: Evidence from Australia’ (2005) 11 *Asia Pacific Business Review* 293, 303.

⁶⁷ See RepuTex, ‘Submission to the Inquiry into Corporate Social Responsibility, Parliamentary Joint Committee on Corporations and Financial Services’ (30 September 2005).

⁶⁸ Batten and Birch, above n 66, 304.

⁶⁹ Ibid.

⁷⁰ See Quazi, above n 64.

IV HOW COMPANIES IN AUSTRALIA ARE RESPONDING TO CSR

It is widely observed that companies in Australia are increasingly responding to pressures to recognise their obligations to stakeholders other than simply their shareholders. Precisely how, and the extent to which, they have responded, however, remains unclear. In particular, considerable scepticism remains over the extent to which many Australian companies have gone beyond the rhetoric of CSR to actually conducting their businesses in a more socially responsible manner.⁷¹ This section discusses the existing empirical evidence in Australia on this issue. It first examines what is known about the behaviour of companies in Australia in discrete areas of CSR: it identifies the range of internal and external initiatives that are taken by Australian companies and looks in detail at two areas in which study has been undertaken - the extent of Australian corporate financial support, and the extent to which Australian businesses involve employees in their CSR activities. While such information is useful in detailing the precise CSR activities of Australian businesses, it does not reveal anything about the extent to which companies have begun to integrate CSR into their organisational practices and corporate culture.⁷² This section then looks at empirical studies which have sought to examine this issue.

While it is difficult to contrast the findings of the various studies due to their use of different definitions of what constitutes CSR or corporate citizenship, and differences in their methodologies, it soon becomes clear that there is some contention over the extent to which Australian businesses are adopting strategic approaches to CSR. Some authors argue that Australian businesses continue to limit their commitments to short-term initiatives of a philanthropic nature. For others, however, there are indications that companies in Australia are increasingly taking an integrated and strategic approach to CSR.

⁷¹ Grossman, above n 26, 579; Jones, Marshall and Mitchell, above n 26.

⁷² D Birch, 'Introduction' (2001) 4 *The Journal of Corporate Citizenship* 19.

What are companies in Australia doing in practice?

Authors have identified a range of CSR-related initiatives adopted by Australian businesses. Initiatives include incorporating CSR into mission or policy statements; business ethics programs; employment policies; ‘green’ policies; quality and environmental standards; customer focus, safety and care; new standards in advertising; social and environmental reporting; philanthropy; pro bono work; employee volunteering; ‘gift matching’ programs; public education programs; partnerships with non-profit organisations; cause related marketing, and community forums.⁷³

Corporate financial support

There is evidence available on the extent of corporate financial support for CSR in Australia. Financial support is the most traditional and widespread manifestation of CSR.⁷⁴ A recent study, *Giving Australia: Research on Australian Philanthropy*, identified that business giving in 2003–04 more than doubled since 2000–01, with more than 525,000 businesses, or 67 per cent of all businesses, giving \$3.3 billion in money, goods, services and time during 2003–04.⁷⁵

Every one of the 59 companies that responded to Cronin and Zappalà’s survey in 2001 provided financial support to non-profit organisations.⁷⁶ Eighty-six percent of respondents also made in-kind or service contributions to non-profits. 50 percent of the companies had provided more than \$500,000 in the past financial year. The most popular areas for financial support were children and youth, community services, culture and the arts, the environment and medical research. Ninety percent of respondents said they had partnerships with one or more non-profit organisations, ranging from 1 year to 20 or 30 years.⁷⁷ These partnerships, however, were generally limited to ‘traditional’ forms of CSR such as financial or in-kind donations.

⁷³ The State Chamber of Commerce (NSW), above n 42, 15.

⁷⁴ Zappalà and Cronin, above n 18, 63.

⁷⁵ *Giving Australia: Research on Philanthropy in Australia: Summary of Findings* (Canberra: Department of Family and Community Services, 2004).

⁷⁶ Cronin and Zappalà, above n 3, 16–17.

⁷⁷ See Zappalà and Cronin, above n 18, 69–70.

A more recent form of corporate financial support is the establishment of long term partnerships between companies and NGOs. In 2003, Zappalà and Cronin observed that this remained a ‘relatively new and untried territory for companies and non-profits in Australia’ and that a ‘great deal of mutual suspicion and misunderstanding exists’. Zappalà and Cronin also note that empirical evidence from Australia in this regard is mixed: while Birch and Batten have found that companies are much more willing to fund short term projects, others have observed a shift towards more extensive partnerships.⁷⁸ The growth and proliferation of NGOs which promote CSR and sustainability has been remarked upon by a number of commentators.⁷⁹

Employee involvement in CSR/CCI activity

Zappalà and Cronin’s study in 2000 noted that, whilst companies demonstrated a high level of support for employee volunteering (61 percent of companies surveyed said they had policies that supported the practice), and most communicated their CCI policies to employees, most employee volunteer activity remained relatively informal, with companies providing either paid or unpaid release time.⁸⁰ Moreover, while most companies that supported employee volunteer activity had some form of reward scheme for employee participation, very few companies rewarded executive employees for voluntary service on community or non-profit boards.⁸¹

CSR, Australian companies and corporate culture

While the information above is valuable in demonstrating exactly what corporations are doing in terms of community involvement, they do not explain if and how companies were integrating corporate citizenship into their long term corporate

⁷⁸ Ibid 64. As the authors note, these divergent findings may be attributable in part to the different definitions of ‘partnerships’.

⁷⁹ Phillips notes the benefits that can arise from these relationships: ‘A motivation for corporations to develop partnerships with TSF [the Smith Family, a national Australian welfare organisation] is linked to the mutuality of benefit that TSF, as a well-known and influential NGO, could offer companies. This was most evident in the partnership with Cisco Systems (a global internet network corporation) which, according to Henry [CEO of TSF] made business gains in government due to its work with TSF. In addition, the TSF and Cisco Systems relationship was regarded so highly that it won the 2001 Prime Minister’s Community Business Partnership Award.’ R Phillips, ‘Australia’s NGOs Current Experiences of Corporate Citizenship’ (2005) 17 *Journal of Corporate Citizenship* 21, 23.

⁸⁰ Ibid 67.

⁸¹ The authors note that this contrasts to findings in the US: see Zappalà and Cronin, above n 18, 67.

cultures. Efforts to answer these questions have been made by Glazebrook (1999), Sweeney et al (2001), Birch and Batten (2001), Cronin and Zappalà (2001) and Holm and Lilywhite (2002). Most of these authors have concluded that companies in Australia continue to approach CSR in a short-term, charitable and non-strategic manner that remains disconnected from their overall business strategy and goals.⁸²

In 1999, Glazebrook analysed Annual Reports, CEO statements and corporate publications for the period 1995 to 1999 for the top 500 companies in Australia. He found that only 37 of the corporations (around 7 percent) viewed corporate citizenship as intrinsic to the strategic direction of their business, as demonstrated through their vision statements, business objectives and overall performance measures for corporation directors.⁸³

Sweeney et al have focused on the extent to which large corporations within the Australian banking industry have responded to changing expectations of their role as corporate citizens.⁸⁴ The authors sought to assess how a sample of eight banks (four major banks and four regional banks) reported on the following criteria: corporate governance and ethics; customer reporting; employee reporting; community/environmental reporting, and shareholder or stakeholder focus. They found that, while there was some indication that banks were beginning to recognise the need to move towards a CSR approach, 'there was little evidence to suggest they have gone beyond the rhetoric stage'.⁸⁵

In 2001, Batten and Birch conducted a study of attitudes to corporate citizenship in large Australian private and publicly listed corporations, in an effort to better understand what corporate citizenship practice means to Australian companies and the extent to which corporate citizenship is embedded in corporate culture.⁸⁶ The study involved a survey of corporate citizenship among Australia's top 500 companies. A response rate of 20 percent was achieved. Batten and Birch focused on four key issues: first, how corporations defined 'corporate citizenship, social responsibility,

⁸² Birch and Batten, above n 51.

⁸³ Glazebrook, above n 32, 156.

⁸⁴ Sweeney et al, above n 9.

⁸⁵ Ibid.

⁸⁶ Batten and Birch, above n 66, 298.

environmental responsibility and the triple bottom line’; second, the extent to which corporate citizenship had been integrated into the corporations’ culture; third, how corporate citizenship operated in practice; and finally, the authors analysed corporate citizenship practice in light of various corporation-specific variables (industry, international involvement and legal structure).⁸⁷

Batten and Birch found that the majority of respondents had a very narrow view of corporate citizenship. The respondents tended to define corporate citizenship as limited to voluntary community activities. It did not include the ‘core products or services’ of the corporation or the way in which the corporation was organised. Companies continued to focus overwhelmingly upon the single financial bottom line. Batten and Birch emphasised that their findings indicated that ‘for many corporations, none of these concepts [corporate citizenship, corporate social responsibility, corporate environmental responsibility or triple bottom line reporting] is considered central to their core business and to the way the corporation is organized and run.’⁸⁸

Second, the authors noted that corporate citizenship did not appear to be integrated into corporate culture. They based their observations here on the fact that most respondents believed that involvement with corporate citizenship and related issues was ‘career neutral’, in that it would not have a positive or negative effect on their careers. The authors conclude that ‘it would seem that there is still some way to go in Australia before these issues become integral to the way people think about their career, and what they do in their business, to advance their career’.⁸⁹ Finally, Batten and Birch concluded that the type of processes in place to manage community involvement in Australian corporations were largely driven by senior management and were funded largely by global or central budgets.⁹⁰ According to Batten and Birch:

[i]t is becoming clearer that the social (and environmental) has to be incorporated, not as an add-on to a corporation’s economic activities, but as an essential, integral, more social redefinition of that corporation, in order to

⁸⁷ Ibid 294.

⁸⁸ Ibid 300.

⁸⁹ Ibid 301.

⁹⁰ Ibid 301–3.

better reflect the rapidly changing post industrial economy we now find ourselves operating in.⁹¹

Cronin and Zappalà conclude from their study that ‘companies in Australia are developing new methods of CCI that break away from philanthropic and sponsorship traditions in favour of partnerships with nonprofits. There is still far to go, however, before these partnerships can be considered truly strategic and innovative.’⁹²

In 2002, Holm and Lilywhite from the Brotherhood of St Laurence (BSL) developed a survey to assess the extent to which Australian companies demonstrated commitment to ‘ethical practices’ and to ‘governance’.⁹³ The survey was designed according to three criteria which the BSL identified as demonstrating commitment to ethical practices and governance. These were: internal systems and practices; external relationships (local and global); and commitment to action.⁹⁴ A principal aim of the BSL’s survey was to assess the extent to which ethics and corporate governance were *acted upon* within the organisations.⁹⁵ Of the top 100 companies, the BSL received 56 responses.⁹⁶

The BSL concluded from its survey that the companies performed best in terms of the first area of internal systems and practices.⁹⁷ Most companies had a ‘code of ethics’ (or similar document) and mechanisms to ensure its distribution and monitoring.

⁹¹ Ibid 293. See also Birch, above n 8, 54.

⁹² Cronin and Zappalà, above n 3, 21.

⁹³ This BSL research formed part of their involvement in the Good Reputation Index (GRI), an annual initiative designed and administered by Reputation Measurement. The GRI is determined by involving stakeholders (including community, environment and research groups) in evaluating the ability of Australasia’s top 100 companies (identified through the *Business Review Weekly’s* top 1000) to manage activities. As one of the stakeholders assigned with the task of measuring ethics and corporate governance, the BSL was required to develop up to four criteria, to design a survey and provide Reputation Measurement with a score for each of the top 100 companies. The BSL adopted Lagan’s definition of ‘business ethics’, as ‘not as simple as deciding what is ‘good’ and ‘bad’ – although that is often certainly part of it. Instead, it is about ‘doing what is right’... The ‘right thing’ is often ‘the fair thing’ – the action that considers others’ needs. It, therefore, concerns concerning ‘the values that shape our behaviour towards fellow employees, customers, suppliers, competitors and all an organisation’s stakeholders.’ Ethical business, according to the BSL report, ‘is about going beyond legal considerations, ensuring compliance with not only the letter of the law, but the spirit’. For the purposes of the study, ‘governance’ was described as ‘the accountability systems for the measurement, monitoring and reporting of decision making in the organisation, including how decisions are reported to the board and the fulfilment of legal obligations regarding the duties and responsibilities of boards of directors.’ See Holm and Lilywhite, above n 19, 1–2.

⁹⁴ Ibid 4.

⁹⁵ Ibid 4.

⁹⁶ Ibid 7.

⁹⁷ Ibid 18.

Companies, however, performed significantly less well in the second and third areas. In the second, ‘external relationships’, many companies surveyed did not recognise their trading partners and supply chains and, according to the BSL, failed to respond to the complexity of ethical business practice once transnational activity increased.⁹⁸ In relation to the third measure, most companies demonstrated limited commitment to building upon existing ethical practices. From its study, the BSL concluded that most companies continue to regard corporate responsibility as something that can be achieved through ‘one-off’ strategies, rather than demonstrating a commitment on an ongoing basis to corporate responsibility.⁹⁹

The findings of the above authors are supported to some extent by the findings of Birch and Littlewood in 2004. After conducting interviews with 28 CEOs and senior executives of Australia’s leading business and NGOs in 2004, Birch and Littlewood concluded that while ‘product-oriented’ corporate citizenship clearly is embedded in Australian business, there remains an ‘overly-optimistic’ view of the extent to which corporate citizenship is embedded in core organisational processes and activities.¹⁰⁰

Other authors have argued that there is a discernible shift within corporate Australia towards the adoption of more strategic and integrated approaches to CCI and CSR. Cronin and Zappalà argue that this increased strategic nature of CCI is demonstrated through the widespread presence of written policies, the integration of CCI into the overall corporate business plans and goals, and the fact that decision-making for CCI is often centralised at Head Office level.¹⁰¹ In their report on CCI commissioned for the Prime Minister’s Community Business Partnership in 2005, Loza and Ogilvie conclude that ‘there seems to be a growing commitment by the business sector, overall, to pursue policies, make decisions and follow directions and actions that are congruent with the overriding objectives and values of the societies in which that

⁹⁸ Ibid 18.

⁹⁹ Ibid 18–19.

¹⁰⁰ D Birch and G Littlewood, ‘Corporate Citizenship: Some Perspectives from Australian CEOs’ (2004) 16 *Journal of Corporate Citizenship* 61.

¹⁰¹ Cronin and Zappalà, above n 3, 21.

business is embedded'.¹⁰² The authors, however, fail to provide convincing evidence for this assertion.¹⁰³

A number of researchers have concluded that improvement in reputation from socially responsible behaviour has a positive correlation¹⁰⁴ with increased profitability.¹⁰⁵ However, causation has not been established, and the causative aspects of this increase would be difficult to identify. This is particularly so in industries such as banking where all major competitors are active in CSR, and therefore attracting additional market share is an unlikely explanation.¹⁰⁶

The Parliamentary Joint Committee report concluded that:

¹⁰² J Loza and S Ogilvie, 'Corporate Australia: Building Trust and Stronger Communities? A Review of Current Trends and Themes' (Report by Social Compass for the Prime Minister's Community Business Partnership, November 2005) 18.

¹⁰³ Ibid.

¹⁰⁴ Not all researchers agree with this proposition. Johns quotes research by Laffer which notes that 'CSR initiatives imposed significant program and administrative costs, and that businesses that are inclined to engage in CSR initiatives tend to be those that are already financially successful and can afford the added "CSR overhead"'. G Johns, 'Deconstructing Corporate Social Responsibility' (2005) 12 *Agenda* 369, 375.

¹⁰⁵ BM Ruf et al, 'An Empirical Investigation of the Relationship between Change in Corporate Social Performance and Financial Performance; A Stakeholder Theory Perspective' (2001) 32 *Journal of Business Ethics* 143, 143. The research by Ruf et al found that sales increase straight away, but the benefits from this are offset in the short term by the costs of the corporate social performance (CSP) measures. The increase in profitability flows through at a later time. They note that 'improvements in CSP have both immediate and continuing financial impacts. ... This finding suggests that consumers are aware of and support a company's actions with respect to meeting its social responsibility. Profitability impacts of CSP improvements are not immediate but may be observed in later time periods'. At 151. A positive association between business performance and increased levels of corporate citizenship was also observed in both France and the United States. I Maignan and O C Ferrell, 'Measuring Corporate Citizenship in Two Countries: the Case of the United States and France' (2000) 23 *Journal of Business Ethics* 283. See also A McWilliams and D Siegel, 'Corporate Social Responsibility: A Theory of the Firm Perspective' (2001) 26 *Academy of Management Review* 117; MV Russo and P A Fouts, 'A Resource Based Perspective on Corporate Environmental Performance and Profitability' (1997) 40 *Academy of Management Journal* 534.

¹⁰⁶ The Parliamentary Joint Committee report noted evidence from a variety of studies with contrary findings. 'The committee was referred to a number of studies which attempt to demonstrate a positive or negative relationship between company financial performance and responsible corporate behaviour. A 2005 study by researchers in the UK investigated the relationship between corporate social performance and financial performance, and found that companies which rated poorly in corporate responsibility terms achieved higher financial returns than those which rated well: ...firms with higher social performance scores tend to achieve lower returns, while firms with the lowest possible [corporate social performance] scores of zero considerably outperformed the market' at [3.22]. 'Alternatively, other research indicated a positive relationship. The results from CPA Australia's Confidence in Corporate Reporting 2005 survey demonstrate that a significant majority of respondents (86%) agreed with the proposition that "better management of a company's social and environmental concerns benefits shareholders." Interestingly, there was general agreement on this proposition from the various classes of respondents which included shareholders, analysts, advisors and brokers, directors, CEOs and CFOs.' Parliamentary Joint Committee report, above n 1, [3.23].

[i]t should be noted that because of the relatively recent emergence of the concept of corporate responsibility, and the fact that ‘responsible corporate behaviour’ is said to be a value proposition for companies in the longer-term, it is premature to conclude that there is any definitive connection between ‘responsible corporate behaviour’ and improved financial performance.¹⁰⁷

A further area which has been the focus of preliminary study in Australia is the interaction between employee management and commitment to CSR. There are two ways this subject has been explored. First, Zappalà has focused on the interaction between CSR and human resource management. Taking a very different approach, Jones, Marshall and Mitchell have examined the extent to which CSR influences industrial relations practices of Australian mining companies.

Drawing upon the earlier survey he conducted with Cronin, Zappalà has focused on the interaction between human resource management and CSR. He notes that, although employees have played a key driving force in the adoption of CSR in Australian companies, the limited evidence available in Australia suggests that the human resource function is not playing a significant role with respect to corporate community involvement decision-making and implementation in top Australian companies. Rather, corporate community involvement remains the key domain of the CEO’s office, and corporate or public affairs/ relations departments.¹⁰⁸

Jones, Marshall and Mitchell have recently examined the extent to which CSR has influenced the industrial relations practices of Australian mining companies, Rio Tinto and BHP Billiton.¹⁰⁹ In particular, they sought to establish whether the companies adopted CSR not only at the level of policy and disclosure, but at the level of practice. While clearly limited in their ability to draw general conclusions from only two case studies, the authors’ findings suggested that the two companies have been ‘less than consistent in giving effective recognition to their stated commitments.’¹¹⁰

¹⁰⁷ Parliamentary Joint Committee report, above n 1 [3.27].

¹⁰⁸ G Zappalà, above n 10, 185. Zappalà argues that the negligible role played by HRM in Australia in regard to corporate citizenship is detrimental both to the human resource profession and to the overall effectiveness of corporate community involvement in Australia.

¹⁰⁹ Jones, Marshall and Mitchell, above n 26.

¹¹⁰ Ibid 38.

V CONCLUSION

There have been some attempts over the last decade to assess the extent of commitment to CSR among businesses in Australia. These studies have generally suffered from considerable weaknesses, not least of which are the tendency of many authors to rely upon annual reports and other company documents, some of which may be aspirational in nature; and the size and nature of sample groups. Moreover, the diversity of the studies – particularly in the criteria that they use to assess the extent of corporate citizenship – makes it very difficult to compare and contrast the various findings. The limited nature of the studies means that there is still little known about the diversity of approaches to CSR in Australia and whether and how companies' responses to CSR are evolving. Wider and more in-depth research is clearly needed. Despite these shortcomings, the studies conducted to date suggest that the 'Australian approach' to CSR is still largely characterised by tentative and short term initiatives of a philanthropic nature. While there are exceptions, most businesses in Australia have not yet sought to integrate the precepts of CSR or corporate citizenship into their strategic approach or corporate culture.

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