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## Corporate Social Responsibility: A definition

by

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# **Corporate Social Responsibility: A definition**

## **Introduction**

Corporate social responsibility (CSR) has variously been described as a 'motherhood issue' (Ryan 2002, p. 302) 'the hot business issue of the noughties' (Blyth 2005, p. 30) and 'the talk of the town in corporate circles these days' (Mees & Bonham 2004). There seems to be an infinite number of definitions of CSR, ranging from the simplistic to the complex, and a range of associated terms and ideas (some used interchangeably), including 'corporate sustainability, corporate citizenship, corporate social investment, the triple bottom line, socially responsible investment, business sustainability and corporate governance' (Prime Minister's Community Business Partnership). It has been suggested that 'some...researchers...distort the definition of corporate social responsibility or performance so much that the concept becomes morally vacuous, conceptually meaningless, and utterly unrecognizable'(Orlitzky 2005); or CSR may be regarded as 'the panacea which will solve the global poverty gap, social exclusion and environmental degradation' (Van Marrewijk 2003).

Hopkins has commented that 'without a common language we don't really know that our dialogue with companies is being heard and interpreted in a consistent way' (Hopkins 2003, p. 125). It is therefore important to explore the language of CSR if we are to understand and debate the concepts involved. This literature review examines the evolution of CSR and seeks to identify some of the more common or prominent definitions that have evolved and the context within which they have been used. The review is not an exhaustive list of definitions but aims to synthesise the main points in a way that may be useful to the broader discussion of CSR. While the review focuses on the literature of academe, it also explores the views of industry espoused in less formal means of communication.

## **Historical definitions of CSR**

While the term CSR may appear to be relatively new to the corporate world, the literature reveals that the evolution of the concept itself has taken place over several decades. The fact that the terminology itself has changed over this time also suggests that the meaning ascribed to concepts such as CSR will continue to evolve in tune with business, political and social developments. The impact of globalisation and mass communication also means that while definitions will reflect local

situations, they will also be strongly influenced by global trends and changes in international law.

### **1920s – 1950s**

It has been suggested by Windsor that 'business leaders have since the 1920s widely adhered to some conception of responsibility and responsiveness practices' (Windsor 2001, p. 229). Others have argued that the genesis of CSR was in the 1930s with the debate between AA Berle and E Merrick Dodd over the role of managers (Post 2003 ; Turner 2006). Merrick Dodd contended 'that the powers of corporate management are held in trust for the entire community' (Boatright in Post 2003, p. 31). In 1953, Bowen conceptualised CSR as social obligation – the obligation 'to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society' (Bowen in Maignan & Ferrell 2004, p. 4). Carroll has described Bowen as the modern 'Father of Corporate Social Responsibility' and believes that his work marks the beginning of the modern period of literature on CSR. (Carroll 1999, p. 270) Bowen took a broad approach to business responsibilities, including responsiveness, stewardship, social audit, corporate citizenship and rudimentary stakeholder theory. (Windsor 2001, p. 230)

Peter Drucker was one of the first to explicitly address CSR, including public responsibility as one of the eight key areas for business objectives developed in his 1954 book, *The Practice of Management*. While Drucker believed that management's first responsibility to society involved making a profit, 'he felt it was also most important that management consider the impact of every business policy and action upon society' (Joyner & Payne 2002, p. 302).

### **1960s**

The literature of the 1960s is not heavily represented in CSR discourse. However, Carroll believed that this decade 'marked a significant growth in attempts to formalize, or more accurately, state what CSR means'. (Carroll 1999, p. 270) He suggested that some of the most prominent writers during that time were Keith Davis, Joseph W McGuire, William C Frederick and Clarence C Walton. Davis's assertion that 'some socially responsible business decisions can be justified by... having a good chance of bringing long-run economic gain to the firm, thus paying it back for its socially responsible outlook' (Davis in Carroll 1999, p. 271) is an interesting precursor

to contemporary debates about the financial implications of CSR. Davis's later assertion that 'The substance of social responsibility arises from concern for the ethical consequence of one's acts as they might affect the interests of others' (Davis in Carroll 1999, p. 272) introduces the notion of business ethics to CSR.

In 1960, Frederick wrote that 'Social responsibility in the final analysis implies a public posture toward society's economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms'. (Frederick in Carroll 1999, p. 271) Clarence C Walton emphasized that 'the essential ingredient of the corporation's social responsibilities include a degree of voluntarism, as opposed to coercion' (Walton in Carroll 1999, p. 271), an argument that business continues to put forth today. Walton also counselled 'the acceptance that costs are involved for which it may not be possible to gauge any direct measurable economic returns'. (Walton in Carroll 1999, p. 273)

## **1970s**

The literature on CSR includes many references to Milton Friedman's 'minimalist' view of corporate responsibility (Lucas, Wollin & Lafferty 2001, p. 150) and his famous comment in 1970 (Hopkins 2003 ; Turner 2006). It is useful to include the quotation here because it is such a business-centric view and is one end of a continuum that is still being debated today in terms of CSR:

*There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engage in open and free competition, without deception or fraud. (Friedman in Turner 2006, p. 7)*

Friedman's view has continued to be debated over the decades, for example McAleer, who concluded that Friedman's arguments were unsound and his views unclear, and Oketch, who suggested that 'Today, many would not be comfortable with such a profit-oriented statement'. (McAleer 2003, p. 450; Oketch 2004, p. 5)

The US Committee for Economic Development's (CED) 1971 model of CSR reveals that despite Friedman's pronouncement, there were other evolving views about the role of business in CSR. The Committee described CSR as being 'related to products, jobs and economic growth; related to societal expectations; and related to activities aimed at improving the social environment of the firm' (US Committee for Economic Development in Wheeler et al, 2003). Carroll describes the CED's model

as 'a landmark contribution to the concept of CSR' which illustrated the changing relationship between business and society. (Carroll 1999, p. 274)

*Business is being asked to assume broader responsibilities to society than ever before and to serve a wider range of human values. Business enterprises, in effect, are being asked to contribute more to the quality of American life than just supplying quantities of goods and services. Inasmuch as business exists to serve society, its future will depend on the quality of management's response to the changing expectations of the public'. (CED in Carroll 1999, p. 274)*

The relationship between business and society was being questioned at a time when the United States was embroiled in the social and political protests of the civil rights and peace movements, when issues such as 'human values' and morality were being publicly debated. This would also have impacted on corporate America.

Wallich expanded the debate about voluntarism versus coercion by equating CSR with the freedom to be a free agent:

*I take responsibility to mean a condition in which the corporation is at least in some measure a free agent. To the extent that any of the foregoing social objectives are imposed on the corporation by law, the corporation exercises no responsibility when it implements them. (Wallich in Carroll 1999, p. 276)*

Business therefore abrogates its responsibility to government and the wider society.

In 1974, Eells and Walton's discussion of CSR could perhaps be seen as moving toward the issue of social licence that was to emerge more fully nearly thirty years later.

*In its broadest sense, corporate social responsibility represents a concern with the needs and goals of society which goes beyond the merely economic. Insofar as the business system as it exists today can only survive in an effectively functioning free society, the corporate social responsibility movement represents a broad concern with business's role in supporting and improving the social order. (Eells and Walton in Carroll 1999, p. 278)*

In Sethi's 1975 three-level model, the concept of corporate social performance is discussed, and distinctions made between various corporate behaviours. Sethi's three tiers were 'social obligation (a response to legal and market constraints); social responsibility (congruent with societal norms); and social responsiveness (adaptive, anticipatory and preventive)'. (Carroll 1999, p. 279; Wheeler, Colbert & Freeman 2003, p. 10)

Early research studies on CSR conducted in the 1970s included Bowman and Haire's measurement of corporate involvement in CSR. Their research used a variant of content analysis to measure the number of lines covering social responsibility in company annual reports. The headings they used included 'corporate responsibility, social responsibility, social action, public service, corporate citizenship, public responsibility, and social responsiveness'. (Carroll 1999, p. 280)

## **1980s**

The 1980s have been described as having 'a more responsible approach to corporate strategy' (Freeman in Lucas, Wollin & Lafferty 2001, p. 150). Prominent was the work of R Edward Freeman on the emerging Stakeholder Theory (Lucas, Wollin & Lafferty 2001 ; Post 2003 ; Windsor 2001). Freeman saw 'meeting shareholders' needs as only one element in a value-adding process' and identified a range of stakeholders (including shareholders) who were relevant to the firm's operations (Freeman in Lucas, Wollin & Lafferty 2001, p. 150). Freeman's 1984 paper continues to be identified as a 'seminal paper on stakeholder theory', and stakeholder theory as the 'dominant paradigm' in CSR. (McWilliams & Siegel 2001, p. 118)

Carroll believes that in the 1980s, 'the focus on developing new or refined definitions of CSR gave way to research on CSR and a splintering of writings into alternative concepts and themes such as corporate social responsiveness, CSP, public policy, business ethics, and stakeholder theory/management'. (Carroll 1999, p. 284) Carroll outlined the work of a number of researchers, including Jones, who 'posited that CSR ought to be seen not as a set of outcomes but as a process', and Tuzzolino and Armandi who 'sought to develop a better mechanism for assessing CSR by proposing a need-hierarchy framework patterned after Maslow's'. (Carroll 1999, p. 285) The authors developed the organisational hierarchy as a conceptual tool that could be used to assess socially responsible organizational performance.

A prominent development in terms of CSR was the global debate on sustainable development that emerged in this decade. The World Conservation Strategy that was published in 1980 stressed the interdependence of conservation and development and was the first to conceptualise 'sustainable development' (Tilbury & Wortman 2004, p. 8). In 1987 the World Commission on Environment and Development (WCED) published the Brundtland Report, 'Our Common Future'. The

report states that 'Sustainable development seeks to meet the needs and aspirations of the present without compromising the ability to meet those of the future' (World Commission on Environment and Development 1987). This early definition of sustainable development is often quoted, but it is interesting from the viewpoint of the CSR debate that most authors do not seem to quote the next sentence from the report:

*Far from requiring the cessation of economic growth, it recognizes that the problems of poverty and underdevelopment cannot be solved unless we have a new era of growth in which developing countries play a large role and reap large benefits. (World Commission on Environment and Development 1987)*

The report clearly links sustainable development with economic growth and sets the direction for future debate on this issue. Although we have seen examples of earlier work that touched on the issue of CSR and financial profit, Carroll identified the 1980s as the period when 'scholars were becoming interested in the question of whether socially responsible firms were also profitable firms. If it could be demonstrated that they were, this would be an added argument in support of the CSR movement'. (Carroll 1999, p. 286) Aupperle, Carroll, and Hatfield's 1985 study of the relationship between CSR and profitability ordered the priorities of four components of CSR previously identified by Carroll, as 'economic, legal, ethical, and discretionary' (Carroll 1999, p. 287).

## **1990s**

The literature of the 1990s has not so much expanded the definition of CSR, but used the CSR concept 'as the base point, building block, or point-of-departure for other related concepts and themes, many of which embraced CSR-thinking and were quite compatible with it. CSP, stakeholder-theory, business ethics theory, and corporate citizenship were the major themes that took center stage in the 1990s'. (Carroll 1999, p. 288)

An important contribution to the literature was made by Wood in 1991 when she revisited the CSP model and 'placed CSR into a broader context than just a stand-alone definition. An important emphasis in her model was on outcomes or performance'. (Carroll 1999, p. 289) The CSP framework developed by Wood and the pyramid of responsibilities developed by Carroll, with economic responsibilities at the base and philanthropy at the apex, are discussed in depth in the literature, including Carroll (1999) and Windsor (2001).



Swanson (1995) suggested that there were three main types of motivation for CSR:

- i. The utilitarian perspective (an instrument to help achieve performance objectives);
- ii. The negative duty approach (compulsion to adopt socially responsible initiatives to appease stakeholders); and
- iii. The positive duty view (businesses self-motivated regardless of social pressures) (Swanson in Maignan & Ralston 2002).

Wood also identified three main types of processes used by businesses to implement their CSR motivational principles: environmental management, issues management and stakeholder management. 'Once implemented throughout the organization, these processes help the firm to keep abreast of, and to address successfully, stakeholder demands' (Wood in Maignan & Ralston 2002). However, this may be a somewhat simplistic view of CSR and relationships with stakeholders. It is also a view that was overtaken in the 90s by a broadening discussion of the concept of stakeholder, and whether 'the first priority of a corporation is to its shareholders' (Nahan in Ryan, 2002) or whether policymakers should develop 'a flexible multistakeholder approach to promoting CSR', as Aaronson suggests has occurred in Britain in response to concern about global corporate responsibility (Aaronson 2003, p. 312).

Even within the group that O'Rourke has described as the 'primary' stakeholders – the shareholders – 'the boundary zone of CSR is currently being negotiated' with companies (O'Rourke 2003, p. 228). O'Rourke writes that:

*A trend also noteworthy in the late 1990s was that of shareholder activists linking their environmental or social issue to financial performance and/or risks faced by the company. By claiming that environmental and social issues have a direct effect on shareholder value, shareholder activists are moving the rhetoric of their activism out of the realm of "ethics" or good versus bad behaviour, and into that of traditional issues of profitability, risk and shareholder value. (O'Rourke 2003, p. 230).*

An example of shareholder activism is the group *BHP Shareholders for Social Responsibility*, which was formed in 1994 as a result of shareholder concerns about environmental damage done by the company in Papua New Guinea. The group has concerns about environmental, social and economic issues and has actively engaged BHP Billiton management about its concerns (BHP Shareholders for Social Responsibility). Similar advocacy groups have been formed in Australia for shareholders of Boral Green, Gunns, and PaperlinX.

Global influences on CSR continued in the 1990s as the roles of business and government continued to blur. In 1997, Solomon wrote that 'now that businesses are often the most powerful institutions in the world, the expanse of social responsibility has enlarged to include areas formerly considered the domain of governments...The more powerful business becomes in the world, the more responsibility for the well-being of the world it will be expected to bear' .(Solomon in Joyner & Payne 2002, p. 303)

Writing in 1999, as the new millennium approached, Carroll suggested that, 'the CSR concept will remain as an essential part of the business language and practice, because it is a vital underpinning to many of the other theories and is continually consistent with what the public expects of the business community today'. (Carroll 1999, p. 292)

### **Corporate Social Responsibility in the 21<sup>st</sup> Century**

If the issue of CSR came to public prominence as a result of highly-publicised events such as the collapse of Enron and the James Hardie asbestos scandal in Australia, how have these concerns been addressed in the literature of the new century? The debate about the place of CSR in the global economy continues, with writers such as Scherer and Smid echoing Solomon's opinion that multinational corporations 'should take responsibility for the improvement of world-wide social and environmental conditions'. (Scherer and Smid in Windsor 2001, p. 245) Windsor takes this point further by investigating examples of Western oil production projects currently operating in a number of war-torn, impoverished African states that are noted for corruption and human rights abuse. James Buckee, the CEO of one of these companies, is quoted as saying that 'it is socially responsible for a corporation to invest in certain places that some elements of popular opinion find objectionable'. (Buckee in Windsor 2001, p. 246) Clearly this illustrates Windsor's conclusion that 'There are fundamental differences of opinions and values in the global economy'. (Windsor 2001, p. 246) Oketch's simplistic contention that 'there is need to ensure that the global market operates according to a certain set of rules and institutions that a majority of people see as being legitimate' raises more questions than it answers. (Oketch 2004, p. 18)

As well as the development of global business, recent literature appears to be moving away from a US-dominated discourse to a more international one.

Academics such as Maignan and Ralston – CSR in France, the Netherlands and the UK (Maignan & Ralston 2002); Aaronson – UK (Aaronson 2003); Perrini et al – Italy (Perrini, Pogutz & Tencati 2006); and Lucas et al – Australia (Lucas, Wollin & Lafferty 2001) have extended the debate to other countries, as well as comparing national perceptions of CSR and the role of business in society. Significant international developments that have influenced this move include the appointment of a UK Minister for Corporate Social Responsibility in March 2000; the release of the European Commission's Green Paper, *Promoting a European Framework for Corporate Social Responsibility*; and the United Nations Global Compact regarding human rights, labour and the environment. Such developments are also reflected in the literature, where the linkage between government and CSR has been explored. (Perrini, Pogutz & Tencati 2006 ; Zappala 2003)

### **Corporate Social Responsibility and Financial Implications**

The issue of CSR and its effects on financial performance continued to be addressed in the literature. Windsor quotes the 1998 findings of Verschoor, that 'among the 500 largest US public corporations, the 26.8% committing in annual reports to ethical behaviour toward stakeholders or compliance with corporate code of conduct have higher financial performance measures than other firms that do not'. (Verschoor in Windsor 2001, p. 250) However, this is a very narrow measurement of CSR and does not allow for the fact that companies such as Enron can engage in philanthropy while being guilty of moral misconduct. Windsor suggests that 'The Enron collapse is a reminder that such deviation [between responsibility and wealth] is never far away in the increasingly competitive landscape of global business operations'. (Windsor 2001, p. 250) He believes that there has been 'A marked tendency in the relevant literature...to examine alternatives – such as citizenship or stakeholder management – precisely because of the difficulties inherent in the responsibility construct'.

Orlitzky argues that his research shows a positive correlation between corporate social performance (CSP) and corporate financial performance, that CSP actually reduces financial risk and that organisations of all size may benefit financially from socially responsible activities. (Orlitzky 2005) In a discussion about the business case for CSR, Hopkins suggests that while it is difficult to prove a causal link between CSR actions and financial indicators, an in-depth benefit-cost analysis of CSR by the Cooperative Bank of the UK 'declared that between 15 and 18% of its pre-tax profits could be directly attributed to its ethical stance'. (Hopkins 2003, p.

129) Hopkins undertook a study of the top UK companies, examining the correlation between social responsibility and their stock market performance. He concluded that 'the public's purchasing of shares was still not greatly affected by the companies' level of social responsibility [but]...that CSR standing does not necessarily badly affect a company's share price'. (Hopkins 2003, p. 133) Of course, share market price is only one measure of profitability and the narrowness of Hopkins' research supports his contention that, 'Definition, measurement and data problems exist for assessing both social responsibility and financial performance'.

In terms of corporate financial investment in CSR, McWilliams and Siegel postulated that 'there is some level of CSR that will maximize profits while satisfying the demand for CSR from multiple stakeholders. The ideal level of CSR can be determined by cost-benefit analysis'. (McWilliams & Siegel 2001, p. 125)

Another aspect of investment in CSR that has financial implications is what Brammer and Pavelin have termed 'insurance-motivated social investment' (Brammer & Pavelin 2005), a risk-management strategy aimed at reducing reputational and financial losses caused by adverse stakeholder reaction to negative events. The authors suggested that 'Social investment, by establishing a positive reputation in the eyes of stakeholder groups, helps to mitigate the impact of those negative events by reducing the likelihood that stakeholders attribute blame to the company concerned'.

### **Corporate Citizenship and Moral/Ethical Responsibility**

One of the complexities of CSR is that in defining what it means to be a 'good' corporate citizen, some lobbyists talk in terms of absolutes, while others speak in terms of degrees. In this age of multi-faceted international corporations, practices within and across corporate boundaries may vary. In a recent analysis of *Business Ethics* magazine's '100 Best Corporate Citizens for 2006', Mattera points out that high-tech firms, such as Hewlett-Packard, make up seven of the 'top' eleven companies (Mattera 2006). However, he disputes this view of the high-tech industry as a top environmental performer, citing concerns about its creation of toxic waste sites, the wastage generated by obsolete hardware, and workplace exposure to toxic chemicals. Mattera categorises the divergency between Wal-Mart's environmental reforms and its retrograde labour policies as symbolising what he sees as 'the selective business ethics that prevail today'.

The difficulty in discussing moral/ethical responsibility, of course, is whose morality/ethics? Ryan asks 'who should be the judge of a company's reputation',

and how should it be measured? (Ryan 2002) Nevertheless, an increasing number of writers are raising the issue of moral/ethical responsibility as an identifiable aspect of CSR. In a discussion of Shareholder Theory versus Stakeholder Theory, Post contends that 'Implementing management principles derived from Stakeholder Theory will broaden and enhance the moral quality of decisions. In the modern era, having management serve only the interests of the shareholder or itself is morally untenable'. (Post 2003) The linkage between CSR and corporate morality has also been explored by Richards (Richards 2003), and Maignan and Ralston (Maignan & Ralston 2002).

In their study of business ethics and CSR, Joyner and Payne identified a time lag between socially responsible behaviour by a company and financial gain. They have called for larger longitudinal studies of this linkage over a five-ten year period, and comment that although 'in a perfect world such studies would not be necessary, ... in this less-than-perfect-world..., where success for business is measured almost exclusively by financial performance, the ability to show that ethical and socially responsible behaviour can boost financial results might provide the impetus for real change in many organizations'. (Joyner & Payne 2002, 310)

### **Social Licence**

A recent addition to the vocabulary of CSR is the concept of 'social licence'. Gunningham et al offered the following description:

*... social licence...is based not on compliance with legal requirements (although breach of these requirements may jeopardise the social licence), but rather upon the degree to which a corporation and its activities are accepted by local communities, the wider society, and various constituent groups. (Gunningham, Kagan & Thornton 2002, p. 6)*

Sweeney compares society's treatment of corporations with its treatment of persons, with the attendant rights and responsibilities. Thus corporations are allowed the right to operate provided they fulfil their duties by providing benefits to society. 'In this sense, corporations have a social licence to operate'(Sweeney 2006).

The concept of 'social licence' is an abstract one, the interpretation of which varies. This is understandable in a corporate world grappling with varying degrees of success with a range of concepts such as CSR, triple bottom line, and socially responsible investment. However, it is critical that corporations understand and embrace this relationship with the broader society in which they operate. The

websites of the Association of Market & Social Research Organisations and the Mineral Policy Institute suggest that these organisations interpret 'social licence' as the Government allowing them to operate, or a way of operating that will allow companies to avoid regulation (Evans 2001 ; Sergeant 2005) Social licence is not a licence to avoid government regulation, in fact it has been described as a way of operating 'beyond compliance' (Gunningham, Kagan & Thornton 2002, p. 3).

Matilda Minerals has stated that, 'The "social licence to operate" is a compliment [sic] to the regulatory licence issued by government'(Matilda Minerals 2006). The Minerals Council of Australia has expanded on this statement:

*The Australian minerals industry is committed to developing its social licence to operate as a complement to the regulatory licence issued by government. To the minerals industry 'social licence to operate' is about operating in a manner that is attuned to community expectations and which acknowledges that businesses have a shared responsibility with government, and more broadly society, to help facilitate the development of strong and sustainable communities. Simply defined the 'social licence to operate' is an unwritten social contract... (Hooke 2005, p. 1)*

Similarly, the Ministerial Council on Mineral and Petroleum Resources defines social licence as:

*...the recognition and acceptance of a company's contribution to the community in which it operates, moving beyond meeting basic legal requirements, towards developing and maintaining the constructive relationships with stakeholders necessary for business to be sustainable. Overall it comes from striving for relationships based on honesty and mutual respect. (Ministerial Council on Mineral and Petroleum Resources 2005, p. 20)*

While the above are examples of corporate commitment to social licence, the literature also provides examples of the 'corporate misreading' of the terms of their social licence', which 'caused a broader corporate rethink' (Gunningham, Kagan & Thornton 2002, p. 2). These examples include Monsanto's failure to appreciate the European consumer backlash against genetically modified food and the perception of Nike as an exploiter of labour in impoverished countries. Both situations led to damage to brand image and necessitated corporate restructuring. Wheeler et al provide further comment on these examples in their discussion of CSR and a stakeholder approach to the creation of value. (Wheeler, Colbert & Freeman 2003)

## **Corporate Social Responsibility in Australia**

While Australia is a relative latecomer to the discussion about CSR, the corporate sector, particularly in the resources field, has shown its commitment for more than a decade, and many of the major companies regularly report their activity. The extensive body of literature on CSR is now beginning to see the results of Australian studies undertaken in recent years.

A common theme in the Australian literature is the need for corporations to move away from the 'pat-a-poor-person' philanthropic approach to CSR towards a broad, holistic approach in which the philosophy of CSR becomes part of core business. (Duncan & Richardson 2005 ; Schwartz 2005) In a survey of the top 100 companies in Australia in 2001, Zappala and Cronin examined the extent and nature of corporate community involvement (CCI). They found that the most predominant form of corporate-community partnership was cash donations rather than true partnerships with a long-term, co-operative and holistic base. "So, although some companies speak of a new style of CCI, practice still needs to evolve" (G Zappala & Cronin 2003).

In 2006, the Parliamentary Joint Committee on Corporations and Financial Services undertook an inquiry, *Corporate Responsibility: Managing risk and creating value*. The Committee recognised that 'Corporate responsibility is emerging as an issue of critical importance in Australia's business community' and sought to examine this more fully by inviting submissions and receiving evidence in a series of public hearings.(Parliamentary Joint Committee on Corporations and Financial Services 2006, p. xiii)

Of the Committee's final 29 recommendations, many were in the form of encouragement or suggestions, and commendations for the increasing work being undertaken by Australian organisations in terms of CSR. However, probably the most important for the business sector were Recommendation 1, that there is no need to amend the *Corporations Act 2001* regarding directors' duties, and Recommendation 5, that sustainability reporting in Australia should remain voluntary. The Committee's view was that 'mandatory approaches to regulating director's duties and to sustainability reporting are not appropriate', despite its acknowledgment that 'corporate Australia lags behind many other developed countries in its rate of sustainability reporting (Parliamentary Joint Committee on Corporations and Financial Services 2006, p. 104) It has been suggested that while the Committee's

report has been well received by business groups (Allens Arthur Robinson 2006 ; Anonymous 2006b), CSR interest groups believe that though a positive step, it does not go far enough. (Allens Arthur Robinson 2006)

While the Parliamentary inquiry is significant in that it provided an opportunity for public discussion about a wide range of CSR issues, it remains to be seen what long-term impact it will have on business and the community in Australia. One corporate observer has commented that the inquiry 'has attracted little attention despite several recent high-profile corporate collapses and scandals' (Allens Arthur Robinson 2006). Others have pointed out that the Committee appeared 'to be making one core assumption: that corporations will start to act in socially and environmentally responsible ways as this is likely to lead to long-term growth of the enterprise' (Mathewson & Standen 2006). The authors also suggest that perhaps the Committee should 'reassess these issues within five years, as perhaps at that stage Australia will be ready to take the next steps in relation to sustainability' (Mathewson & Standen 2006). As the Committee's report was only released in June 2006, in-depth analysis of the report and its implications in the literature is still limited. However, two issues which could perhaps be debated further are whether the Committee's 'core assumption' is correct, and whether Australia can afford to wait five years before advancing to the next step of CSR.

## **Conclusion**

In their discussion about stakeholder approach, CSR and sustainability, Wheeler et al suggested that 'Perhaps the problem has been that traditionally we have tended to take too narrow a view of each of these ideas. Stakeholder theory has never been just about social issues..., sustainability is not just about environmental issues....And there is no necessary dichotomy between sustainability and profitability' (Wheeler, Colbert & Freeman 2003, p. 20). Conversely, Van Marrewijk has suggested that if CSR is too broadly defined, it will be 'too vague to be useful in academic debate or in corporate implementation'. (Van Marrewijk 2003) Perhaps the final comment should rest with Blyth, who has suggested that 'There is no one definition of what it takes to be a responsible corporate. The key is to have a rigorous process for identifying those responsibilities and fulfilling them. (Blyth 2005, p. 30)



## **DEFINITIONS of CSR**

Business for Social Responsibility (America's largest organisation devoted to CSR)

*Business decision making linked to ethical values, compliance with legal requirements, and respect for people, communities, and the environment around the world. (Aaronson 2003, p. 310)*

Prince of Wales Business Leaders Forum

*Open and transparent business practices that are based on ethical values and respect for employees, communities, and the environment. It is designed to deliver sustainable value to society at large, as well as to shareholders. (Aaronson 2003, p. 310)*

European Commission

*A concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. (European Commission 2001, p. 5)*

Anonymous respondent to an Accountancy Ireland survey

*CSR is 'doing the right thing even when no-one is looking'.  
(Anonymous 2006a)*

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