

Implications of Corporate Social Responsibility Reporting Practices in the Australasian Region.

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Abstract

Company's reporting of their corporate social responsibility (CSR) activities is being increasingly valued and demanded by key stakeholder groups such as consumers as it allows them to evaluate a firm's commitment to CSR and to respond to that level of commitment accordingly. This paper examines the CSR web-based reporting practices of Australasia's top fifty corporations. It reflects on these practices in the context of the literature's call for CSR to be viewed as a holistic approach to management rather than a short-term promotional tool.

Using a qualitative research design, the study reports that a majority of the firms examined do not appear to adopt a holistic approach to CSR. Rather, these firms appear to be using the term as a vehicle to legitimise their operations in the context of the business environment in which they operate and address the concerns of a narrow band of stakeholders. The paper concludes by suggesting a potential outcome of this approach to CSR is that the term itself has the potential to become labelled as little more than a marketing or public relations gimmick undermining the true value of CSR as a management philosophy.

Keywords: Corporate social responsibility, ethical marketing

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Introduction

The term 'corporate social responsibility' (CSR) has become embedded in the lexicon of many large firms around the globe, including major corporations in the Australasian region. Studies (e.g., PriceWaterhouseCoopers 2005) indicate that CSR reporting is being increasingly valued and demanded by key stakeholder groups, such as consumers, as it allows them to evaluate a corporation's commitment to CSR and to respond to that level of commitment accordingly.

Pirsch, Gupta and Grau (2007) have suggested a continuum exists between firms committed to *institutionalised* CSR as a fundamental philosophy for conducting sustainable business at one end-point and firms that adopt the term for essentially short-term marketing and *promotional* purposes at the other. It is conceivable that if a majority of firms adopt this promotional approach then consumer confidence in the CSR concept could be eroded with the term becoming labelled as little more than another management or marketing 'buzz word'. Recent studies in the UK support this proposition. Ward and Smith (2007 p. 18) report a majority of business leaders they interviewed considered that by 2015 the term CSR would be "moribund". Similarly, a study reported in the UK media claims 44% of the UK public and 66% of Members of Parliament believe CSR is simply about enhancing a company's image rather than contributing to the community (Oliver 2007).

When it comes to reporting on CSR, a common method of communication is the internet. A corporation's website presents its public face and enables it to communicate its attitude, policies, activities, and achievements to all interested parties. Because of the significance of websites for corporate communications, CSR-related information is often found on these sites. In this paper we explore and reflect on how leading corporations in the Australasian region are reporting their CSR activities through their web sites. Specifically, we examine what is being reported and which stakeholder groups appear to be targeted in these communications. In turn, we consider the level of commitment that is being shown by these corporations to the concept of CSR as an overarching management approach rather than a simple marketing strategy.

CSR as a 'Holistic' Management Philosophy.

Typical of many definitions of CSR in the literature is that of the World Business Council for Sustainable Development (WBCSD 2004 p. 9), for whom CSR is the "commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life". Formal definitions such as these, however, are of only limited value in providing an understanding of the concepts that underlie different approaches to CSR. Carroll (1979, 1991) gave structure to CSR by arguing a corporation had to simultaneously attend to economic, legal, ethical, and discretionary responsibilities. Carroll's approach has become synonymous with the notion that CSR is largely about the last of these responsibilities, philanthropy, and how corporations use their profits to benefit society (e.g., Porter and Kramer 2006; 2002). Others (e.g. Wood 1991; Moir 2001; Mohr, Webb and Harris 2001) make the point that CSR is also concerned with how corporations generate those profits, above and beyond what is legally required of them. CSR is therefore a holistic management philosophy which is embedded throughout the day-to-day operations of a corporation and its strategic thinking, and is clearly evident through its corporate actions.

Wood (1991) provides a suitable and often quoted (Moir 2001) conceptual framework to understand the underpinnings of a holistic CSR approach. Wood (1991) starts by suggesting that CSR is grounded in three principles, each operating at a different social level, namely:

- The Principle of Legitimacy - operates at the institutional level, where a business must prove its legitimacy through being socially responsible.
- The Principle of Public Responsibility - operates at the organisational level and promotes the notion that corporations have a public responsibility for solving problems of their making, including social problems that are relevant to or the result of their business operations, interests and actions.
- The Principle of Managerial Discretion - operates at the individual level and proposes that managers, as moral actors, must acknowledge their responsibilities within an organisation.

In turn, Wood (1991 p. 694) argues that these three principles of CSR lead firms that are truly committed to CSR to adopt behaviours or what she labels as “processes of corporate social responsiveness” in three key areas (environment, stakeholder management and issues management). Specifically, Wood suggests CSR-committed firms (1) monitor and assess environmental conditions; (2) recognise and address the demands of various stakeholders, and (3) introduce plans and policies that respond to changing conditions and issues. Wood also suggests that it is the adoption of these processes that results in “outcomes of corporate behaviour” which are the observable elements of a committed CSR firm and can be found in the firms’ social policies, social programs, and social impacts. Wood’s model of ‘principles – processes – outcomes’ provides an integrative framework for understanding CSR as a management approach, and provides a benchmark against which to examine how individual firms adopt the term in their communications as well as their level of commitment to CSR as a holistic management philosophy.

Pirsch, Gupta and Grau (2007) argue that corporations can be distinguished from one another by the extent to which they incorporate these principles and processes of CSR into their day-to-day operations. They suggest that corporations can be placed along a continuum of CSR commitment, anchored at one end by those corporations which clearly demonstrate a commitment to a holistic view of CSR through the introduction of CSR programs that span across all the firm’s activities and demonstrate an organisation-wide commitment to fulfilling the corporation’s social obligations. They cite British Petroleum (BP) as an example of a firm in which CSR is “institutionalised” (p. 128), and CSR policies and programs are designed to be responsive to the concerns of all of the organisation’s stakeholders. In contrast, at the other end of the continuum, they argue some corporations follow a “promotional” (p. 126) approach to CSR, using the term CSR as a method for driving short-term gains, such as increased product sales, with attention being paid to the benefits and concerns of a narrow band of stakeholders. Short-term cause-related marketing campaigns are an example of this approach.

Methodology

It was not the aim of this study to attempt to measure or in any way quantify different firms’ levels of CSR in terms of what the literature indicates *should* be reported as there are commercial research organisations conducting such research (e.g., SOCRATES). Rather, the aim of this study was to explore what activities leading corporations in the Australasian region *are* reporting on their websites as CSR activities. Accordingly, a qualitative research approach was considered as being best suited to achieve our aim (Patton 1990).

Fifty corporate websites were selected for study and were taken from the Forbes (2007) list of ‘Fab 50 Companies’ of the Australasian region. These fifty corporations are the largest firms

by market value in the region and represent a diverse array of industry sectors from banking to oil and gas operations across nine countries. We studied each corporation website to determine if and how the term CSR was being utilised. Sites with search facilities were explored using the phrases: 'CSR' or 'corporate social responsibility'. All relevant web pages and related documents that made any reference to CSR such as corporate policies were printed in preparation for data analysis. A thematic content analysis (Patton 1990) was conducted using the constant comparative method of data analysis (Glaser and Straus 1967). This method of data analysis involves the inductive coding of data with the simultaneous comparison of all events, statements, occurrences and social interactions identified from within the data for similarities, differences and general patterns. In its most elementary form, inductive coding requires fracturing the data into coded units then systematically grouping these data units into categories that show similarities and relationships.

To ensure inter-rater reliability, each piece of data was first coded by each researcher independently and then together to discuss any discrepancies and to reach consensus on the codes assigned to each piece of data. This step in the data analysis process also improved the validity of the results by removing the potential for individual bias during coding. During the final stages of data analysis, codes were collapsed using the notion of "conceptual ordering" (Strauss and Corbin 1998, p. 19). Conceptual ordering refers to the organisation of data into discrete categories according to their properties and/or dimensions, and then using description to explicate those categories. In the section that follows the major categories or conceptual themes that emerged from the data analysis are discussed.

Results and Discussion

Before discussing the findings of this study it is relevant to report that nine of the fifty firms examined (18%) made no reference to CSR or any activity that could be construed as relating to any conceptualisation of CSR on their websites. This would indicate that despite growing worldwide interest in CSR, a significant number of leading firms studied in the Australasian region do not appear to value the concept to the extent they report on any CSR activities through their web pages - if they have any.

For the purpose of this paper, three major themes emerged from the data analysis relevant to understanding how the term CSR is being reported in the Australasian region, and, in turn, each corporation's commitment to a holistic approach to CSR:

1. The labelling of CSR

CSR is not a universally accepted term within the corporate world. What the literature conceptualises and discusses under the heading of CSR is labelled under a diverse array of terms on the corporate websites explored. Terms such as 'sustainability', 'corporate citizenship' and 'sustainable development' are the main terms these corporations use to describe activities that most CSR researchers would recognise. As a consequence of this mixed group of terms, some stakeholders may find it difficult or confusing to identify and locate on these corporate websites CSR-like activities.

To further complicate matters, these activities were found in a wide variety of locations on the websites examined, giving some indication of which stakeholder groups the firms were targeting. For example, while the majority (62%) of firms listed their CSR activities under such banners as 'corporate information' or specifically 'corporate social responsibility', 12% of the firms studied listed CSR activities under the heading 'investor relations', while a further 10% listed these activities under consumer-related headings such as 'consumer information'.

This finding would indicate some firms studied do target the communication of their CSR related activities to narrow bands of specific stakeholders.

2. CSR value statements - lip service

Although some firms (e.g., China Mobile Ltd) provided detailed downloadable reports on the range of their CSR activities, a majority of firms state their commitment to CSR on their websites but provide little evidence of how they operationalise this commitment. For example, Australian firm Brambles states: “CSR policies are integrated into our core values and culture” yet provides no supporting evidence of their policies, programs, or, perhaps most importantly, their social impacts. Similarly, South Korean industrial technology company Doosan Infracore states its CSR aim is to; “strengthen its competitiveness through transparent management and reform”, but provides no details on how it achieves this. Taiwanese-based company Acer, states; “CSR relates to a broad range of company activities...and is determined to achieve them in an orderly manner” without then giving any further details on what these activities are or how they intend to achieve them.

In addition, some firms (e.g., China Minsheng Banking Corp, Taiwan Semiconductor Manufacturing) limit their CSR reporting to indicating that they follow the principles of CSR as contained in indexes such as the Dow Jones Sustainability Index or in documents and statements from such leading global organisations as the United Nations in their Global Compact statement, or in the Global Reporting Initiative (GRI). However, beyond stating they follow these principles there is no information on how the individual company has performed in these indexes or how it adopts these principles.

This consistent pattern of giving little more than lip service to the term CSR by not providing any substantiating details on how the company is implementing or has achieved its CSR goals makes it difficult for stakeholders to judge a firm’s commitment to CSR in any form. Regardless of a business’ actual CSR performance, consumers’ evaluations of a firms’ CSR commitment, and the consumer’s response, are contingent upon the information they receive (Maignan and Ferrell 2001). This lack of detail could, perhaps falsely, place these firms towards the ‘promotional’ end of Pirsch, Gupta and Grau’s (2007) continuum, where consumers are more sceptical towards CSR claims, and therefore lead stakeholders to question a firm’s approach to CSR practices.

3. Selective CSR reporting

Firms appear to report and promote only those CSR activities which they perceive as having a direct benefit to their overall strategic position within the context of the business environment in which they operate. For example, firms which are engaged in activities with potential environmental impacts emphasise their policies, programs and operating credentials in that one area and do not list or report to any significant extent any other CSR activities. For example, Japanese technology hardware and equipment manufacturer Ibiden’s only reference to CSR is in terms of minimising the firm’s impact on the environment by encouraging pollution prevention within the firm and the recycling of its products. Indian firm Tata Steel places great emphasis on describing its “environment management” practices as does Hong Kong based airline Cathay Pacific.

In contrast to those firms placing emphasis on their environmental programs, other firms, particularly services oriented firms, describe only their community-based CSR activities. For example, India-based software and services firm Satyam states that CSR “has been assigned a significant role” within the firm and then discusses only its social programs to “transform the

lives of the underprivileged". Australian retailer Woolworths restricts reporting of CSR to its community-based activities and its focus on its "Woolworths Australian Communities Foundation" and related financial giving programs.

Other firms, notably those operating in countries where labour laws and conditions have been questioned in the mass media, place their reporting emphasis on employee conditions. For example, Chinese technology firm Lenovo describes three CSR activities: product safety, employee welfare and ethical standards. Each of these areas, however, is described in terms of what the firm is doing for its employees, that is; product safety is equated with worker safety, employee welfare is equated with minimum wage conditions, and ethical standards is equated with providing "guidance" to its employees on ethical principles. Similarly, Indian based construction firm Grasim in its "social report" focuses its CSR activities on areas such as healthcare, education, women self-help groups, mother and child care and sustainable livelihood as they relate to its employees not other stakeholder groups such as the wider community.

What this finding indicates is that a majority of firms studied are using CSR as a vehicle to promote those activities that the firm considers strategically important for the firm and the industry sector they operate in. In other words, they appear to be viewing CSR from the perspective of legitimising their operations, which is only one of Wood's three underlying principles of CSR. Firms are not holistically minimising their negative externalities, nor are they demonstrating managerial discretion across the range of the firm's operating activities.

Conclusion

The purpose of this paper was to explore how the top fifty firms in the Australasian region are reporting their CSR activities and reflect on the implications of these reporting patterns for the future use of the term. Only one of the fifty companies examined, Australian mining firm BHP Billiton, showed evidence that it had a holistic approach to CSR and that CSR was in fact embedded in the day-to-day operations of the company; what Pirsch, Gupta and Grau (2007) would label as being 'institutionalised' within the company. The remaining firms appear to use the term to legitimise their business activities and focus their reporting activities towards a narrow group of stakeholders. They would appear to lie towards the 'promotional' end of Pirsch, Gupta and Grau's (2007) continuum. That is, businesses appear to be viewing the term purely from a public relations or image building perspective rather than from a social, moral, or business sustainability perspective that addresses real social and environmental needs.

This study has limitations. It is restricted to only fifty company websites in one region of the world. These websites may not accurately reflect the true CSR activity of each company and so no generalisations can be made from this study. However, the consistency of the findings across all fifty firms does suggest that corporations are not adopting a holistic, or institutionalised, approach to CSR. In contrast, they appear to use the term as an opportunity to promote only those aspects of the company's operations and policies they consider address some short-term, often specific audience-related, strategic goal. Further research is required to more accurately assess if this approach to CSR dominates the global business environment. If this is the case, then the term CSR does have the potential to become moribund and labelled as little more than a marketing gimmick. Marketers would appear to have a social responsibility to ensure this does not occur, and to reflect on this issue in an age where marketing and management are merging to meet the needs of the consumer and other stakeholders, and where the public's distrust of major corporations has significantly increased (Nye, Zelikow and King 1997).

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