



The Integration of Corporate Responsibility

Evidence from leading companies in Australia & New
Zealand

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The Centre for Social Impact (CSI) is a partnership between the business schools of the University of New South Wales, the University of Melbourne, Swinburne University of Technology and The University of Western Australia. It brings together the committed hearts and business heads of the philanthropic, not-for-profit, private and government sectors in pursuit of social innovation. It provides socially responsible business management education and research in the common cause of building a stronger civil society for Australia.

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Abstract

Purpose – This paper explores patterns of corporate responsibility integration among a group of leading companies in Australia/New Zealand

Design/methodology/approach – Data from the Corporate Responsibility Index is explored to reveal the patterns and extent of corporate responsibility integration for a sample of 52 separate companies that have participated in the index since its launch in Australia and New Zealand in 2003.

Findings – This research reports several findings: First, the results of this study show that corporate responsibility is on the whole well integrated into the way that leading companies in Australia and New Zealand are doing business. This is evidenced by the companies' approach to leadership and governance and a range of management practices in risk management, strategic decision making, stakeholder engagement, training and development, performance management and reporting. Nevertheless, several areas where companies could improve their performance with respect to CR integration are identified and include: ensuring that CR training and CR criteria are part of the incentive structures at Board level, improving the extent and quality of stakeholder engagement, extending CR reporting to incorporate a comprehensive measurement framework and undertaking higher levels of external assurance of CR activities, systems and reports.

Research limitations/implications – While this paper gives a good insight into the extent and type of CR integration, the small sample size did not enable the use of sophisticated statistical techniques, so the analysis is restricted to simple descriptive statistics. The sample is not representative of the broader population of firms in Australia/NZ, rather an atypical sample comprised of companies that have chosen to participate in the CRI. By implication, these are usually companies that have accepted the merits and necessity of CR and have a strong commitment to its successful implementation within their organisation. This paper therefore enables insights into the practice of CR integration among a group of leading firms in terms of Corporate Responsibility.

Practical implications – To understand how companies integrate corporate responsibility is useful for managers seeking to learn from best practices.

Originality/value – This paper is the first empirical research of corporate responsibility integration based on the CRI in Australia/New Zealand.

Keywords – corporate responsibility, corporate responsibility integration

Paper type – Research paper

Introduction

An important stage in the development of Corporate Responsibility (CR), which some date as having commenced at least a decade ago (White, 2005), is the greater integration of CR into the way companies do business. Corporate Responsibility can be defined as an amalgam of earlier notions of Corporate Social Responsibility (CSR) – that business had a series of different types of responsibilities to society (e.g. economic, legal, ethical and philanthropic) – with Stakeholder theory and practice. Later refinements have used the lens of ‘Citizenship’ or ‘Sustainability’ but the message or intent is the same: understanding and minimizing a company’s negative impact or footprint on society and a broad range of stakeholders including the planet and environment, its employees, the communities in which it operates and the governments which make the laws.

Having an integrated approach to CR is seen as critical to achieving mutual benefits for the company as well as society more broadly. The extent to which CR is integrated has recently come to the fore again in the context of the impact of the Global Financial Crisis (GFC). One assumption, for instance, has been that the impact of the GFC on aspects of CR will be less where CR is highly integrated into business operations, whereas where CR is less integrated, the GFC may have led to cuts to CR budgets and staff (Shergold, 2009).

This paper uses data from the Corporate Responsibility Index (CRI) in Australia and New Zealand to examine the extent and type of CR integration. The CRI is a management and benchmarking tool for corporate responsibility performance which is designed to provide a systematic approach to managing, measuring and reporting the various impacts that companies have on society and the environment. It is based on a framework developed by Business in the Community in the UK in 2002, in consultation with over 80 companies and other key stakeholders. St James Ethics Centre has run the CRI annually in Australia and New Zealand since 2003 under licence from Business in the Community.

The nature of the data set precludes any broad generalizations beyond those companies that have participated in the CRI. In contrast, it examines what CR integration looks like among a leading group of companies with respect to CR.

The remainder of the paper first reviews the concept of CR integration in more detail followed by a discussion of the data used for the analysis. The findings are then presented focusing on the patterns of CR integration as evidenced through leadership and governance, principles and policies, and management practice, followed by a discussion and conclusion.

Integrated Corporate Responsibility

The concept

One of the mantras of the CR movement has been the importance of achieving Corporate Responsibility integration, both to maximise the business case for CR (value for the company) as well as the societal case (value for the community from corporate social initiatives). CR integration refers to companies that have managed or at least attempted to align CR with business objectives within the overall company strategy; integrated CR across all or most operations and functions and institutionalized it via the embedding of strategies, policies, processes and systems into the fabric of the company (White, 2005). In other words, CR is built in rather than bolted on and CR takes a central role in the strategic decision making process within companies.

Integrated CR is often contextualised as a mature stage within broader developmental models of CR (Mirvins and Googins, 2006; Zadek 2004). The five stage developmental model of Googins et.al (2007), for instance, goes from 'Compliant' (Stage 1) to 'Engaged' (Stage 2) to Innovative (Stage 3) to 'Integrated' (Stage 4) and finally to 'Transforming' (Stage 5). According to this model companies at the 'Integrated' stage are ones that:

- Adopt a holistic conception of corporate responsibility or citizenship;
- Have Board level governance systems to oversee CR policies and practices;
- Have senior leaders that champion CR internally and externally;
- Have a range of structures and systems to integrate CR across the business, including risk management systems, stakeholder consultation schemes, sustainability training for managers and employees, establish and monitor key performance indicators for CR;
- Have an open and transparent approach to CR information disclosure (e.g. undertake assurance of their CR reports).

Five key factors of an integrated approach to CR were adapted from Wheeler et al's (2000) work on strategic management by Perceval (2003) in his comparative study of BP and Shell. These are:

1. Company policies must include concepts of CR or sustainability;
2. The company has systems for linking its future competitive advantage and economic success with the environmental and social values of its stakeholders;
3. The company has systems for detecting, assimilating and responding to economic, environmental, social and cultural pressures;
4. The company has systems and structures in business units and divisions that reflect the importance of environmental and social criteria to employees; and
5. The company has measurement systems that reflect the importance of environmental and social criteria (including intangible assets).

Finally, the work of McElhaney (2007; 2009), in outlining a strategic approach to CR (by which she means an approach where CR is integrated into the core business objectives), underlines the importance of similar features, such as:

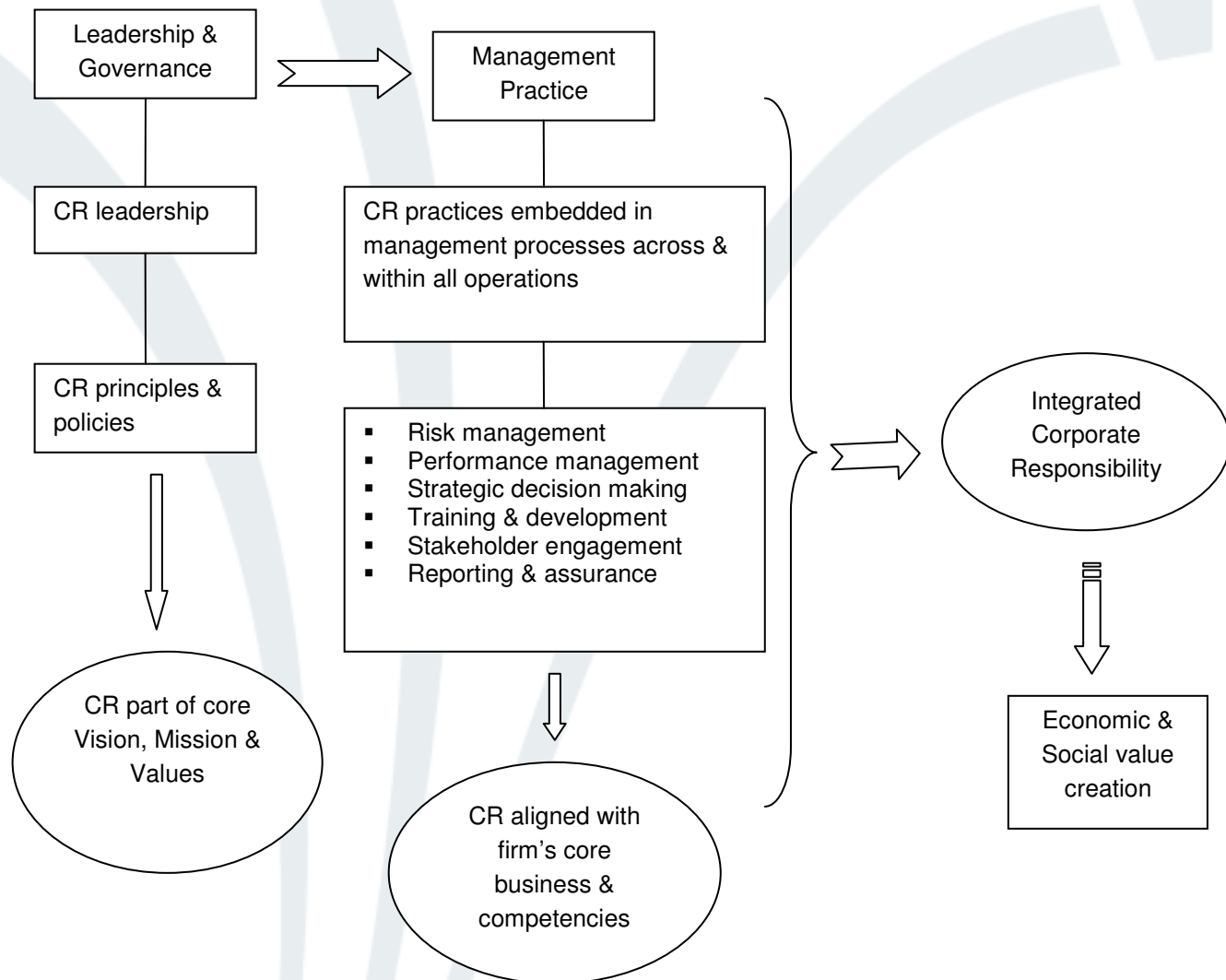
- An authentic and public commitment to CR by the senior leadership and management of the company;
- Aligning CR to the firm's core competencies;
- Incorporating CR criteria into performance appraisal systems;
- Seeing CR as a risk mitigation as well as opportunity-seeking strategy;
- Having clear CR performance measures and indicators.

Much of the practitioner oriented literature points to the presence of similar features for an integrated approach to CR (e.g. Melcrum, 2005; Beatty, 2007).

Figure 1 presents a simple framework that summarises most of the characteristics of integrated CR that have been noted in the academic and practitioner literature. It suggests that there are two key areas to focus on with respect to CR integration. First, is a company's approach to leadership and

governance. Board responsibility and leadership of CR is a pre-requisite if CR is to be contained in company principles and policies, and integral to the company's core vision, mission and values.

Figure 1: A framework of integrated Corporate Responsibility



The second area of focus relates to management practices and the extent to which CR is embedded in a range of processes and structures across and within the operations of the firm. As was highlighted above, key areas include: Risk management systems; Stakeholder engagement and consultation systems; Sustainability training for managers and employees; the inclusion of CR criteria in performance management systems; the inclusion of CR criteria in strategic decision making processes and undertaking sustainability reporting and assurance. Incorporating CR into most of these management practices is a pre-requisite if CR is to be aligned with a firm's core business and its key competencies. If companies show significant progress in both these areas then they are likely to have an integrated approach to CR, which in turn is most likely to generate economic and social value (Porter & Kramer, 2006).

The extent and practice

It is difficult however to reach an overall conclusion about the extent to which CR has in fact reached an 'integration' stage in practice. Much of the literature in this area for instance, points to particular aspects or features of CR integration that may be present in particular companies, but there are few broad scale surveys of the extent and pattern of CR integration. Further difficulties in drawing firm conclusions relate to the country of origin of the firms in any particular study, as a range of CR practices and behaviours have been shown to vary by country (Chapple & Moon 2005; Doh & Guay 2006; Maignan & Ralston 2002; Simnett et al., 2009); the size of the firms examined, as the focus of CR to date has been on its take up among large global corporations rather than small to medium sized firms (Brammer & Pavelin 2004; Cormier & Gordon 2001). Many studies of CR integration have been case studies of one or a few companies (e.g. Perceval 2003; Werre 2003) making broader generalisations difficult. Although there are several survey based studies that have focused on aspects of CR integration, these also vary in terms of their samples (e.g. whether random or self selected participants in an index like the CRI); whether attitudes of managers or actual behaviours and practices were examined, and the role of the key respondent to the survey (e.g. CEO, functional head, CR manager).

The most extensive and on-going survey and case-study based studies that have examined CR integration have been conducted by researchers at the Boston College Center for Corporate Citizenship in the U.S over the last decade, summarised in Googins et al (2007). This work has presented its empirical findings according to the five stage developmental model noted above over several years. A consistent finding is that an integrated approach to CR is not widespread. In contrast, it has been limited to a few 'leader' companies, with CR generally not linked to business strategy, operations or functions in most companies. Measurement of CR processes and outcomes is weak or non-existent and minimal training is provided at all levels regarding the relationship between CR and the nature of the business. While there is some evidence that CR is exercising the minds of Boards and top management, there is little real leadership provided at this level. In contrast, CR remains fragmented and reactive (Googins et al, 2007; Kinnicutt & Mirvis, 2009). As a special report by *The Economist* magazine which summarised some of the survey findings in this area, including the work of the Boston College Centre concluded: "Doing well by doing good" has become a fashionable mantra. Businesses have eagerly adopted the jargon of "embedding" CSR in the core of their operations, making it "part of the corporate DNA" so that it influences decisions across the company. With a few interesting exceptions, the rhetoric falls well short of the reality' (The Economist 2008).

Non-academic studies also confirm this picture. A McKinsey & Co survey of Global Compact members undertaken in 2007, for instance, found that even though almost three quarters of CEOs (72%) agree that CR should be embedded into their strategy and operations, only half thought their firms did so. Only 60 per cent thought that CR should be infused into their global supply chains, with just over a quarter (27%) doing so (cited in Shergold, 2009).

A recent large scale survey on CSR practices in Australian and New Zealand companies by Manpower (2009) also suggests that CR integration, to the extent that it exists, is limited to large-sized firms. The survey was based on a random sample of almost 4,000 Human Resource professionals and asked about their companies' CSR practices and policies. The survey found that less than half (48%) of companies in Australia and NZ had CSR practices. This increased to three-quarters (75%) of companies in Australia that employed more than 1,000 people and 59% of similar sized New Zealand based companies. Of those that indicated the presence of CSR practices, only one-quarter of companies (26% for Australia and 24% for New Zealand) reported that they had a formal policy with respect to CSR. Only 14 and 11 per cent of those Australian and New Zealand companies respectively

without a formal CSR policy had plans to develop policies in the future. Suggestive of the fact that most companies still conflate CSR with corporate philanthropy, donating money to charities was found to be the most common CSR practice reported in both countries.

Indeed, most Australian-based studies that look at the issue of integration have focused on Corporate Community Involvement (CCI) rather than CR more broadly. These have found that larger companies are in transition from a donations-based approach to philanthropy to developing a strategic approach to community investment (CCPA, 2007).

The sample and method

In order to examine CR integration among Australian companies we focused on a selection of responses to the CRI. The CRI is a voluntary self-completion survey that covers a broad range of CR practices under four main areas: Corporate strategy, Integration, Management practice and Performance and impact. Within each area, CR policies and practices are examined with respect to the following domains: Community (the interface between business and society); Environment (the affect of a company's operation on the world's ecosystems and natural resources); Marketplace (how companies manage business, consumer and supplier relationships); and Workplace (the work environment into which individuals are recruited and provided with professional and personal development opportunities).

Participants in the CRI are required to provide supporting documentary evidence for all responses and the survey is assessed for completeness and consistency through a validation process undertaken by an independent third party. Firms participating in the CRI during 2003 to 2008 had the option to participate in either the Public Index or the Private Index, with the difference being that the overall results of firms participating in the Public Index were published annually in a special supplement to *The Sydney Morning Herald* and *The Age* newspapers.

In the six years that the CRI has been run in Australia between 2003 and 2008, a total of 70 firms have participated.¹ The majority of these firms are large with only 17 per cent employing fewer than 1,000 people with half of all participating firms employing over 10,000 people. The three largest industry groupings are Manufacturing (23%), Services (18%), Mining and Materials (17%), and Financial services (17%). The remaining firms are spread across IT and Media (12%), Utilities (10%) and Retail (3%). Almost three quarters are publicly listed (72%), with the remainder either privately owned (18%) or government entities (10%). The majority (57%) of participating firms are Australian, with almost one fifth from the UK (18%) and 13 per cent from the U.S. The remaining companies are from New Zealand (5%), the Netherlands (3%), Japan (2%), and Switzerland (2%).

As the index runs annually, many firms have participated in more than one CRI, resulting in a total of 175 completed CRI surveys. Table 1 shows the number of firms that have participated in any one year in the Australian CRI, suggesting an average participation of 22 firms.² In order to concentrate on the integration of CR in Australian companies this study only uses data from firms that submitted their CRI survey in the Australian process (a total of 132) rather than firms that submitted through the global CRI process based in London (these are usually larger global firms where only part of their business is conducted in Australia).

¹ A list of all companies that have participated in each year of the CRI together with their aggregate results is available at www.corporate-responsibility.com.au/content/corporate-responsibility-index-results

² Only companies that provided answers for all parts of the survey were included which resulted in four companies being excluded in 2008 as they only prepared part of the survey.

Table 1: Number of firms participating in the CRI (Australia/New Zealand)

Year	2003	2004	2005	2006	2007	2008	Total
No. of Australian/ NZ firms	20	19	21	18	24	30	132
No. of Global firms	6	8	6	7	10	6	43

The relatively small number of participating firms precluded an extensive longitudinal analysis of the data as not all companies have participated on a regular basis. Nevertheless, tests were performed on the full sample over time for evidence of trends over time, and significant results have been reported. For the purposes of the primary analysis therefore, we created a pooled sample by including the CRI survey for the most recent year that any one firm participated. The majority of our analyses rely on this data set. The number of firms included in this subset together with the year that they participated in the CRI is shown in Table 2. This provides a total sample of 52 different firms with almost three quarters (71%) of responses being for the final two years of the data (2007 and 2008).

Table 2: Number of firms in the pooled sample

Year	2003	2004	2005	2006	2007	2008	Total
No. of firms	2	1	6	6	8	29	52

The data used for this analysis has several benefits. First, the CRI is a unique data source that captures detailed information on corporate responsibility structures and practices. The questionnaire which forms the basis of the index is extensive (almost 100 questions). Second, responses to the questionnaire are likely to be more reliable and credible than other self completion surveys of CR practices as almost every response must be accompanied by supporting documentation. The responses and supporting documentation are then checked for completeness and consistency through a validation process (conducted by Ernst and Young from 2003 to 2007 and PricewaterhouseCoopers in 2008 in accordance with the Australian Auditing Standards applicable to Agreed-upon Procedures). Third, although aggregate results which are used to rank participating companies are publicly available this is the first time that de-identified disaggregated data from the Australia/NZ CRI has been examined as part of a research agreement between the St James Ethics Centre and the Centre for Social Impact. Part of the agreement was that any analysis or published findings would not reveal the identity of the participants.

The data and analysis presented in this paper also has several limitations. First, is the small sample size and with an average participation of 22 firms per year, not all of whom participated regularly, longitudinal analysis is curtailed. Even utilizing the pooled sample described above does not enable the application of sophisticated statistical techniques, so the analysis is restricted to simple descriptive statistics. Second, some of the questions in the CRI have changed since it was first conducted in 2002/3, meaning that some responses are not available for particular years, further reducing the sample size for some items examined.

Third, the sample is not representative of the broader population of firms in Australia/NZ. In fact, it is an atypical sample comprised of companies that have chosen to participate in the CRI. By implication, these are usually companies that have accepted the merits and necessity of CR and have a strong commitment to its successful implementation within their organisation. Participation in the CRI is

voluntary, and requires significant resources, in terms of a small monetary fee for the listing, and staff time to coordinate and collect the information required for the process. Furthermore, participating companies are also prepared to see their CR performance publicly compared to some of their competitors. We would therefore expect CR policies and practices among this group of companies to be more developed and matured compared to the average. This paper therefore enables insights into the extent and pattern of CR integration among a group of CR leader firms where it can be assumed that some level of CR integration has taken place.

Findings

Governance and Leadership

In line with the framework outlined in Figure 1, this section presents the responses to items in the CRI that relate to the area of governance and leadership, in particular, CR leadership and CR Principles and Policies. First, is the extent of top level commitment and leadership on CR. Almost all of the companies in the sample (n = 49; 94%) had a main board member or members with specific responsibility for the various domains of CR. It should be noted that the CRI defines board members in Australia to also include senior members of the executive team that report to the board (given that Australian boards are often comprised predominantly of non-executive directors, whereas in the UK where the CRI was developed, the executive team will often also sit on the board).

It was most likely that board level responsibility existed for Workplace (100%), Community (96%), Consumers (92%), Environment (90%), and finally Supply chain issues (88%). Table 3 provides details of board member responsibilities for CR for the full sample of firms in the survey since 2003. It suggests that the high level of board responsibility for CR has been present over this period. Having a board member with responsibility for the Community and Supply Chain have shown the largest increase over this time period.

Table 3: Board level responsibility for Corporate Responsibility over time

	Year	2003	2004	2005	2006	2007	2008
CR Domain		(%)	(%)	(%)	(%)	(%)	(%)
Community		70	85	95	94	94	96
Consumers		85	90	100	94	92	88
Environment		90	90	95	94	100	93
Supply Chain		65	75	95	89	83	88

Second, almost all companies (n = 51; 98%) had a documented strategy, strategic action plan or set of principles for delivering on their corporate responsibilities as defined within their corporate values. These strategies and statements of principles generally covered all the various domains of CR (Community, Environment, Supply chain and Workplace) equally.

Table 4: Companies with written policies on Corporate Responsibility

CR domain	Written policy statement (%)
Community	85
Environment	94
Supply Chain	83
Consumers	87
Workplace	100

Third, principles are generally high level statements which are then translated into practice via more detailed policy statements. Table 4 shows the number of companies that had written corporate policy statements covering the key areas of CR. Once again, companies were more likely to have a written policy statement with respect to the workplace, and the Environment compared to the other CR domains.³

Table 5: Processes to ensure Corporate Responsibility principles/strategies are integrated throughout the organisation

Type of process	Not at all (%)	To some extent (%)	To a great extent (%)	Total (%)
Staff received copy of CR principles in the local language	8	4	88	100
CR principles reviewed at the SBU/country level and adapted to meet any specific cultural issues	15	2	83	100
Staff asked whether they believe organisation lives up to CR principles and that steps taken to address any areas of concern	13	6	81	100
Other key stakeholders asked whether they believe organisation lives up to CR principles and that steps taken to address any areas of concern	19	15	66	100

Notes Companies were asked to tick which processes applied as a percentage coverage across their business as determined by turnover, sales, headcount or units of production. The 3 categories are: Not at all (0%); To some extent (1-50%); To a great extent (>50%).

In addition to policies, companies were also asked to indicate what processes they had in place to ensure their CR principles are integrated and upheld throughout the organisation. Table 5 shows the extent to which companies were actively trying to ensure the integration of their CR principles through four main processes: ensuring CR principles are translated into the relevant local languages of where

³ Analysis of the full sample of data over time showed that having written policy statements that cover CR have been consistently present since 2003 with the number of firms with written policies in any particular domain of CR not dropping below 80% in any given year.

the business operates; that the CR principles have been reviewed at Business Unit or country level and adapted to meet any specific cultural issue; that staff have been asked whether they believe the organisation lives up to its CR principles and taken steps to address any areas of concern; and that other key stakeholders have been asked whether they believe the organisation lives up to its CR principles and taken steps to address any areas of concern.

Table 5 suggests that companies were more likely to have processes that were relatively simpler and did not involve stakeholder dialogue (such as translating CR principles into the relevant language), compared to, for example, seeking the opinion of their key stakeholders with respect to CR principles. The relatively lower extent of stakeholder dialogue as a process to ensure that CR principles are integrated and upheld throughout the organisation was evident in the analysis of the full data sample over time.

Management Practice

This section presents the responses to items in the CRI that relate to Management practice, in particular, practices required if CR is to be embedded across and within all operations of the business. Six areas are examined: Risk management processes, Strategic decision making, Stakeholder engagement, Training and development, Performance management, and Reporting and assurance.

Risk Management

A key reason companies engage in CR is to protect intangible assets such as brand and reputation. Companies with an integrated approach to CR are those that also incorporate CR issues into their broader risk management process. This process should assist in identifying those CR issues that are material to its core business. Effective assessment of material risks involves consulting with relevant internal and external stakeholders. Table 6 shows the extent to which companies have integrated CR issues into their overall business risk evaluation process. In particular, CRI participants were asked to indicate whether their company had identified and assessed the material risks and opportunities affecting their company's share value arising from its CR issues and assessed them as part of their ongoing risk management process.

Overall, Table 6 suggests that CR issues are well integrated into the overall business risk management process of this group of companies. In a similar pattern to the findings in Table 5, risk management processes that were externally oriented, such as having outside stakeholders audit CR processes or engaging with key external stakeholders generally were less likely to be present compared to internally oriented risk management processes.

Table 6: Extent Corporate Responsibility issues integrated into overall business risk management process

<i>Type of risk management process</i>	Not at all (%)	To some extent (%)	To a great extent (%)	Total
Internal				
Risk/opportunity review involved dialogue with senior managers	6	4	90	100
CR issues reviewed at least yearly at board level	10	2	88	100
Risk/opportunity review covered community issues	8	2	90	100
Risk/opportunity review covered environmental issues	6	6	88	100
Risk/opportunity review covered marketplace issues	11	2	87	100
Risk/opportunity review covered workplace issues	4	2	94	100
External				
Independent risk/opportunity review process in place (e.g. independent internal audit process covering CR issues)	19	6	75	100
Dialogue with key external stakeholders where company has operations, supply chains or markets	13	4	83	100

Notes:

Companies were asked to tick which processes applied as a percentage coverage across their business as determined by turnover, sales, headcount or units of production. The 3 categories are: Not at all (0%); To some extent (1-50%); To a great extent (>50%).

Strategic Decision Making

Central to integrating CR into a company and a sign that it is part of core business is whether CR issues are taken into account when making key business decisions. Table 7 shows the extent to which the companies' strategic decision making process included, as a minimum, an environmental and social assessment for a range of decisions. If participants indicated that environmental or social impacts were considered, they were also asked if they could provide an example of where this affected a particular decision (final column in Table 7).

Table 7 suggests that CR factors are generally taken into account with respect to strategic decision making, with the majority being able to provide an example of where and how this affected their decision making process. The potential environmental and social impacts were most likely taken into account with respect to decisions regarding the research, development and launching of new products and services; consideration of new business partners and suppliers and investments in new countries, new markets, and mergers or acquisitions. The relatively low consideration given to environmental and social factors with respect to selecting superannuation providers may suggest that it is not particularly regarded by companies as a strategic matter, especially since employees have been able to choose the superannuation provider of their choice since July 2005.

Table 7: Strategic decision making and Corporate Responsibility

<i>Type of strategic decision</i>	Environmental impact considered	Social impact considered	Example provided
	(%)	(%)	(%)
Investments in new countries, new markets, mergers or acquisitions	70	70	52
Downsizing, restructuring or disinvesting from a market or country	54	70	58
Research, development and launching of new products and services	84	82	80
Considering new business partners, suppliers	80	74	67
Selecting pension fund/superannuation providers	34	46	30

Notes:

N = 50

Participants could tick all that applied so percentages do not total 100%

Stakeholder engagement

Another key sign of genuine and mature CR is the extent to which a company actively involves stakeholders in the shaping of their CR policies and responses to particular issues. Table 8 shows the extent to which participants involved their stakeholders on four aspects of corporate responsibility issues by each of the four CR domains.

Overall, the extent of stakeholder involvement in CR issues among this group of companies is high. In seeming contrast to the findings in Table 6, according to Table 8, stakeholders were most likely to be involved in the identification of risks and opportunities. This was also the case across all four CR domains. Stakeholders were least likely to be involved in the shaping of company reporting on CR.

Table 8: Extent of stakeholder involvement in Corporate Responsibility issues

<i>Type of CR issue</i>	Community (%)	Environment (%)	Marketplace (%)	Workplace (%)
The identification of risks and opportunities	94	90	86	92
The development of policies	85	83	77	86
The identification and monitoring of key performance indicators	79	73	73	81
The shaping of company reporting on corporate responsibility	79	73	60	75

Notes:

N=52

Participants could tick all that applied so percentages do not total 100%

Training and Development

Employees are a key driver and can also be a key beneficiary of CR initiatives. The nature of the relationship between CR and aspects of managing employees such as training and development is symbiotic (Baptiste, 2008). On the one hand, CR provides new tools that can potentially assist organisations provide innovative and meaningful training and development opportunities to their employees. On the other hand, the achievement of CR outcomes largely depends on employees' willingness to collaborate and their perceptions that the company's approach to CR is genuine and ethically driven. Employees are after all the foot soldiers responsible for implementing a company's corporate responsibility policies and programs and therefore need to be motivated and committed to do so (Collier & Esteban, 2007). Training and development can help increase employees' understanding of how CR affects the business which in turn can have a positive affect on their motivation and commitment.

Table 9 shows the extent to which training and development programs have been implemented to support the integration of corporate responsibility throughout the company. Overall, most companies had some type of training and development program supporting the integration of CR for employees and managers. Relatively fewer companies provided CR training for Board members.

Table 9: Training and development programs supporting the integration of Corporate Responsibility

Type of Training & Development	Not at all (%)	To some extent (%)	To a great extent (%)	Total (%)
Business CR principles and conduct	6	12	82	100
Specific CR training/briefing on topics as they arise (e.g. disability, environmental legislation)	8	15	77	100
Senior managers training /development/leadership courses cover key CR issues for the business	12	6	82	100
Board members receive training on relevant corporate governance & broader CR issues	20	4	76	100

Notes:

Companies were asked to tick which processes applied as a percentage coverage across their business as determined by turnover, sales, headcount or units of production. The 3 categories are: Not at all (0%); To some extent (1-50%); To a great extent (>50%).

N = 50

Performance Management

Incentive structures are important levers for guiding and changing corporate behaviour. A key incentive mechanism is a company's internal performance management and remuneration system. If CR is to be seen as important and deserving of employees' time and effort then achieving certain CR targets and objectives should be part of the performance appraisal and remuneration and bonus systems, which in turn will promote the greater integration of CR throughout the business.

Table 10 shows the extent to which CR issues are explicitly included in the staff appraisal and performance review systems of companies. It suggests that CR issues are most likely to be explicitly included in the appraisal and performance review process for those staff with direct functional responsibility (e.g. Human Resources or Marketing managers), and least likely to be part of the performance review process for Board members. The pattern is similar across all of the four main CR domains, with Workplace issues more likely to be included across all three staff categories. In contrast, while most companies have Board members with responsibility for the Community and Environmental domains of CR, their performance appraisal process does not necessarily take these responsibilities into account, with only 60 per cent and 64 per cent of companies appraising the relevant board member with respect to these two domains.

Table 10: Corporate Responsibility issues and performance management

CR issues explicitly included in the appraisal/performance review of:	Community (%)	Environment (%)	Marketplace (%)	Workplace (%)
Staff with direct functional responsibility	94	92	92	96
Senior managers	75	77	87	94
Board members	60	64	71	79

Notes:

N = 52

Table 11 shows whether the employees' CR objectives and targets included in the performance appraisal process are in turn linked to the company's remuneration and bonus systems. Not surprisingly, a similar pattern to Table 10 emerges, with CR objectives and targets linked to bonus systems most likely to be present for staff with direct functional responsibility and least likely to be in place for Board members.

Table 11: Corporate Responsibility objectives and targets linked to remuneration and bonus systems

CR objectives & targets linked to remuneration/bonus systems for:	Community (%)	Environment (%)	Marketplace (%)	Workplace (%)
Staff with direct functional responsibility	86	90	86	94
Senior managers	73	71	77	88
Board members	60	65	61	75

Notes:

N = 52

Reporting and assurance

The final area relates to whether companies publicly report on their CR activities and performance and whether the reporting is independently assured. CR reporting has been identified as an indicator of CR integration as it requires the identification of key CR issues, the development of measurement systems and the generation of CR information, which helps promote a more systematic approach to incorporating CR into business activities (Perceval 2003). Collecting information and measuring progress through the production of a CR report also demonstrates a company's commitment to transparency and openness, as well as enabling the internalisation of responsibility and accountability (Mirvis & Googins 2006; 2009).

As the majority of companies participating in the CRI typically enroll in the Public Index and have their high level results published in the print media, it is not surprising that almost all (92%) of the participants publicly report on their progress and performance on CR. Table 12 shows the scope of CR reporting in terms of whether it covers a description of key issues in each of the main CR domains, whether key performance data is provided, whether it indicates what progress has been made against

set targets, whether the report is independently assured and whether the data disclosed covers more than three quarters of total business operations.

Several points regarding the reporting of CR issues can be made. First, while the majority of companies report on CR activities a degree of variation exists by the respective CR domains, with Community being most likely to be reported on (92%) and Supply chain the least (66%). Second, fewer companies extend their CR reporting into a comprehensive measurement framework by identifying key performance data and charting their progress against targets. So while 92 per cent of companies report and describe their key community issues for instance, four out of five provide data for their community issues and activities and in this area and only half report their progress in achieving their CR targets with respect to Community.

Third, assurance of CR reporting and data remains the exception even among this group of companies that are generally 'CR aware' and many considered CR leaders. The rate of assurance is considerably lower than the proportion of companies that report key performance data (e.g. for the Consumer domain 70% report key performance data while it is only assured in 30% of cases; for the Environment domain, the figures are 78% and 42% respectively). Furthermore, the rate of assurance also shows considerable variation by CR domain with Supply Chain the least likely area to be assured.

Table 12: The scope of Corporate Responsibility reporting

<i>Key CR domain</i>	Description of key issues (%)	Key Performance data (%)	Progress against targets (%)	Third party assurance (inc. data) (%)	Data covers > 75% of operations (%)
Community	92	80	50	34	82
Environment	88	78	48	42	78
Supply chain	66	42	28	22	48
Consumers	86	70	46	30	72
Workplace (OH&S)	84	82	64	34	80
Workplace (employee issues)	84	72	50	28	78

Notes:

N = 50

Finally, based on the full sample of companies, Table 13 highlights that the rate of assurance of CR issues has remained at a relatively constant low level since 2004 with no upward trend apparent.

Table 13: Trends in Corporate Responsibility assurance over time

<i>CR Domain</i>	<i>Year</i>	2004	2005	2006	2007	2008
	(%)	(%)	(%)	(%)	(%)	(%)
Community		37	33	28	37	25
Consumers		37	19	22	37	25
Environment		47	43	33	52	29
Supply Chain		26	24	17	26	13
Workplace (OH&S)		42	38	28	44	13
Workplace (employee issues)		32	29	33	37	17

Notes:

N = 50

Data on this issue was not requested in the 2003 CRI survey.

Discussion

The results of this study show that corporate responsibility is on the whole well integrated into the way that leading companies in Australia and New Zealand are doing business. The framework outlined to understand integrated CR focuses on two main pillars: i) Leadership and Governance and ii) Management Practice.

Board level responsibility for CR was extensive among this group of companies and it is therefore not surprising that most companies also had documented strategies and principles related to CR. Most companies also used a range of processes to ensure these strategies and principles were integrated throughout their organisations. A pattern that emerged from the findings relating to this area however was that Board members were less likely to have received training on CR, and CR issues were less likely to be included in their appraisal, performance review and remuneration compared to management and other staff. This was especially the case for the Community and Environmental dimensions of CR. This may be due to the challenges of measuring and evaluating social and environmental impact but there is a danger that CR performance will be taken less seriously at Board level if it is not tied into Directors' incentive structures. As has become apparent over the last decade with respect to executive remuneration and corporate governance generally, perverse incentive structures can lead to perverse and damaging outcomes. Including CR training and criteria as part of incentive structures at this top level of company management is critical as even the 'most elegant statements of social responsibility and corporate ethics will matter little if the incentives driving the actors constantly undercut the public statements and principles' (Mitchell, 2005).

The findings on management practice suggest that CR is generally taken into account with respect to risk management processes, strategic decision making, stakeholder engagement, and training and development. With the exception as noted above of the Board, most companies in the study included CR in the performance appraisal and remuneration of their senior managers and staff. A pattern that emerged from the analysis on management practice was that engaging with relevant external stakeholders was not as extensively used (compared to other processes) as a means of shaping and integrating CR into the business. This was particularly the case with respect to soliciting stakeholder

views on whether the company is 'walking the talk' on its CR principles and commitments, assisting it to identify and monitor key performance indicators as well as report on its CR activities and performance. The inability to fully engage an organisation's stakeholders on these and other issues is a major weakness of CR as a vehicle for corporate change and reform and ultimately as a means of genuine accountability (O'Dwyer & Owen, 2007; Cooper & Owen, 2007). Improving the extent and quality of stakeholder engagement therefore represents an opportunity for those companies that aspire to fully embed CR into the way they do business.

A similar point can be made with respect to the assurance of CR reporting and performance measurement frameworks. There was a significant gap between the levels of CR reporting and assurance. This is consistent with recent international studies of CR reporting that have found that while CR reporting is mainstream among large global companies, external assurance or verification is still limited to a minority of companies (KPMG 2008). The benefits to companies of having an assurance process are not only that it adds greater reliability and credibility to their CR activities and performance to external stakeholders but can facilitate the move beyond the 'integrated' stage of CR and towards the 'Transformative' stage (Mirvis & Googins 2006).

Conclusion

This paper analysed the CRI in Australia and New Zealand to examine the extent and type of CR integration. The results indicate that the level of CR integration among this group of companies is high as reflected by the companies' approach to leadership and governance and a range of management practices in risk management, strategic decision making, stakeholder engagement, training and development, performance management and reporting. Nevertheless, several areas where companies could improve their performance with respect to CR integration were identified and included: ensuring that CR training and CR criteria are part of the incentive structures at Board level, improving the extent and quality of stakeholder engagement, and undertaking higher levels of external assurance of CR activities, systems and reports.

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